

2026 FEDERAL BUDGET HIGHLIGHTS

INDIVIDUALS

- No changes to individual income tax rates.
- A new Canada Growth Incentive will provide a capital gains exemption of up to $15 million per individual, per qualifying business for qualifying shares generally held for at least 36 months. The measure applies to qualifying shares issued from November 5, 2026 to 2036. This exemption will be restricted to certain industries and will not apply to consulting businesses, professional practices, businesses operating in the financial, insurance, real estate, food, accommodation, recreation and entertainment industries as well as businesses operating under a licensing or franchising agreement. Companies with assets having a carrying value greater than $100 million will also not qualify.
- The small-business reinvestment rollover will be significantly expanded, including extending the replacement period from one to three years, or up to five years for certain future equity investments. There will also be a relaxing of the active-business asset test. The changes apply to qualifying dispositions on or after January 1, 2027.
- Beginning in 2028, individuals will be able to make a single instalment payment by December 31 rather than quarterly payments if their principal source of income is from a business, profession or commissions.
- Personal tax returns for the 2027 taxation year and following will be due on May 15 rather than April 30 or June 15 (for self-employed individuals and their spouses).
- Commission employees will be entitled to enhanced deductions for the 2027 and following taxation years.

CORPORATE

- No changes to corporate income tax rates.
- Canadian-controlled private corporations will be exempt from Part VI.1 tax on dividends paid on taxable preferred shares on or after November 5, 2026. For other corporations, there will be an increase in the dividend allowance to $1.5 million and the threshold for reducing the dividend allowance will increase to $3 million, effective for taxation years ending after 2026.

CORPORATE (CONT'D)

- Eligible SR&ED activities will be expanded to cover certain regulatory testing, validation and certification activities directly related to an eligible SR&ED project, as well as eligible intellectual property (IP) costs. The changes will apply to taxation years beginning on or after November 5, 2026.
- The exceptions to the excessive interest and financing expenses limitation (EIFEL) are expanded for qualifying rental housing and regulated energy utility businesses. These measures apply to taxation years beginning on or after October 1, 2023.
- Corporations will no longer need to file a certified copy of a resolution or authorization when making certain elections or agreements, on or after the date of royal assent.
- Administrative penalties for repeated non-compliance will increase for taxation years or reporting periods ending after 2027.
- Eligibility for the Clean Electricity and Clean Technology Investment Tax Credits will be expanded on or after November 5, 2026.

INTERNATIONAL

- For taxation years ending after 2026, the threshold above which Form T1135 must be filed will increase from $100,000 to $200,000 and the threshold for simplified reporting will increase from less than $250,000 to less than $500,000.
- The tax-deferred rollout otherwise available on certain trust distributions will be denied where property is distributed to a corporation or partnership that has a direct or indirect non-resident shareholder or partner. This measure will apply to distributions occurring on or after November 5, 2026.
- The withholding rate for non-resident dispositions of taxable Canadian property on or after January 1, 2027 will be decreased.

OTHER MEASURES

- The deadline for filing an income tax objection will be extended to a minimum of one year after the date of the notice of assessment. This measure will come into force three months after royal assent.
- The excess corporate holdings regime will be eliminated for private foundations. Instead, they will be prohibited from acquiring control of a corporation for taxation years beginning on or after January 1, 2027.

ITEMS UNDER CONSIDERATION

- The government is considering merging the RRSP and RRIF regimes into a single "RRSP for life" and simplifying the rules that apply upon death.
- The government is considering a new elective regime that would allow the transfer of current-year non-capital losses between certain wholly owned Canadian corporations, potentially simplifying existing loss-consolidation arrangements.