Waghela Associates Inc.

BOOKKEEPING | TAX | ADVISORY

On November 5, 2026, the Minister of Finance and National Revenue, the Honourable François-Philippe Champagne, presented Budget 2026 – Masters of Our Destiny, to the House of Commons.

No changes were proposed to personal or corporate tax rates. Some highlights include the following:

A. Personal Measures

- A May 15 personal tax filing and payment deadline for all individuals, including the self-employed, starting with the 2027 tax year.
- A capital gains exemption of up to $15 million per individual, per business, on qualifying share sales under the new Canada Growth Incentive, subject to several conditions and significant sector exclusions.
- Various measures intended to simplify personal tax filing, including optional flat amounts for certain deductions and credits, reduced documentation requirements for certain medical expenses and higher T1135 reporting thresholds, starting largely with the 2027 tax year.
- Consultation on an "RRSP for life" that would combine core features in savings plans, eliminating the conversion from an RRSP to a RRIF at age 71 while retaining minimum withdrawal requirements.

B. Business Measures

- An increase to various tax penalties, with higher amounts for medium and large corporations and partnerships and for repeated failures.

C. International Measures

- A reduction of withholding and remittance rates on sales of taxable Canadian property by non-resident corporations.

D. Sales and Excise Measures

- An exemption on qualifying massage therapy services from GST/HST.

E. Other Measures

- An extension of the ban on foreign purchases of existing residential properties to January 1, 2029, while exempting new residential properties.

THE NUMBERS

The Government's fiscal position includes the following projected surplus (deficit):

Year	Surplus/(Deficit) billions
2025–2026	**($39.3)**
2026–2027	**($62.3)**
2027–2028	**($62.5)**
2028–2029	**($57.6)**
2029–2030	**($53.4)**
2030–2031	**($52.9)**

A. Personal Measures

Personal Income Tax Return Filing and Balance-Due Date

Most individuals are currently required to file their personal income tax return and pay any balance owing by April 30 following the end of the taxation year. Self-employed individuals and their spouses or common-law partners have until June 15 to file their returns; however, any balance owing remains due by April 30. Budget 2026 proposes to change the T1 filing and balance-due dates to May 15 for all individuals, including self-employed individuals and their spouses or common-law partners.

These measures would apply to the 2027 and subsequent taxation years, so returns for 2026 will remain due on April 30, 2027, or June 15, 2027, for self-employed individuals and their spouses or common-law partners.

Canada Growth Incentive – Capital Gains Exemption

Two proposed measures appear under the heading of "Canada Growth Incentive," both related to capital gains on sales of shares of active private business corporations.

The first is a $15 million capital gains exemption for Canadian resident individuals (other than trusts) who are at least age 18 when the shares are acquired. The exemption is described as applying separately to each qualifying individual in respect of each business. The following parameters were described in Budget 2026.

Qualifying shares

- At the time that the shares were issued, the corporation must be a CCPC and all or substantially all of its assets must be principally used in, or reasonably intended to be principally used within 36 months in, a qualifying business carried on primarily in Canada.
- The combined carrying value of the assets of the corporation and all corporations related to it must not exceed $100 million, immediately before and immediately after the share's issuance.
- The share must be issued either solely for cash consideration or in exchange for employment services provided by the qualifying individual to the qualifying corporation.
- Throughout the period during which the individual owns the qualifying share, 50% or more of the fair market value of the corporation's assets must be attributable to assets used, or reasonably intended to be used, principally in a qualifying business. For a minimum period of 24 consecutive months immediately following share issuance, the qualifying business would be required to be carried on primarily in Canada.
- For a minimum period of 36 consecutive months immediately before the disposition, the share must have been held by the qualifying individual.
- At the time of disposition, the corporation must be a Canadian-resident corporation that is either a private corporation or a public corporation listed on a designated stock exchange located in Canada, and all or substantially all of the fair market value of the corporation's assets must be attributable to assets used principally in a qualifying business.

Qualifying business

A qualifying business would be an active business other than the following:

- a business providing consulting services, a professional practice of an accountant, lawyer, notary, physician, other health care practitioner, engineer, architect, and any business whose principal asset is the reputation or skill of one or more employees;
- a business operating in the agricultural, fishing, forestry, mining, financial, insurance, utilities, real estate, food and accommodation, arts, recreation, or entertainment sectors; and
- a business operating under a licensing or franchising agreement.

Other aspects

Budget 2026 notes that there will be additional rules to ensure the exemption is available only in situations consistent with the intent of the measure, and to prevent multiplication of the exemption by carrying on a single business through multiple corporations.

Although the gain would be exempt from normal income tax, it would be subject to the alternative minimum tax (AMT) on the same basis as gains eligible for the existing lifetime capital gains exemption. That is, 30% of the gain would be taxable for AMT purposes.

A claim for this exemption would limit the ability to claim the existing lifetime capital gains exemption for a sale of shares of the same corporation, and vice versa. A qualifying individual could generally claim both this new capital gains exemption and the exemption for sales to an employee ownership trust or a worker cooperative.

This exemption would apply to the sale of qualifying shares issued on or after November 5, 2026, and prior to 2037.

Canada Growth Incentive – Rollover for Investments in Small Business

Under existing law, individuals are allowed to defer taxation on capital gains realized on a qualifying disposition of eligible small business corporation (ESBC) shares to the extent that proceeds from the disposition are used to acquire replacement ESBC shares in the year of disposition or the following calendar year. Numerous conditions exist on eligibility for this rollover, which has resulted in it rarely being available in practice, despite some expansions to eligible sales recently implemented.

Budget 2026 proposes to extend the period to acquire replacement shares, currently limited to the year of sale or the immediately following calendar year, to include the three calendar years following the year of sale. For example, replacement shares could be acquired at any time to the end of 2030 for a sale in 2027. The vendor would be eligible to claim a reserve to defer recognition of the gain until the end of the replacement period.

Where, before the end of the three-year replacement period, the individual enters into an agreement with an ESBC under which they provide upfront capital in return for shares to be issued at a future date (e.g., a simple agreement for future equity or SAFE), they would be able to defer the capital gain for an additional two years, for a total replacement period of up to five years. If no ESBC shares are issued to the individual under the agreement by the end of the fifth year following the year of disposition, the deferred gain would be taxed.

With respect to any proceeds of a qualifying disposition that are not ultimately invested in replacement shares, interest would apply from the balance-due day for the year of disposition to the last day of the taxation year in which the gain is taxed.

Budget 2026 proposes further relaxation of the requirements for the ESBC's assets to be used in active business throughout the period during which the individual owned the shares. Further details will likely be included when the legislation to implement this proposal is released.

These measures would apply to qualifying dispositions that occur on or after January 1, 2027.

Expansion of the Intergenerational Farm and Fishing Property Rollover

Intergenerational transfers of certain farming property and fishing property from a taxpayer to the taxpayer's child (or the child's spouse or common-law partner) are eligible for a rollover, allowing the parent to realize no capital gains, with the child assuming the parent's cost for purposes of calculating future gains on sale. For these purposes, a child includes the taxpayer's grandchild or great-grandchild.

Budget 2026 proposes to expand this rollover to also apply to transfers to nieces, nephews, grandnieces and grandnephews. This measure would be effective for transfers that occur on or after January 1, 2027.

Optional Flat Amounts for Personal Income Tax Deductions and Credits

The need to keep receipts and satisfy other requirements to claim certain deductions and tax credits is an ongoing source of frustration for many individuals. Budget 2026 proposes optional flat-amount calculation methods for certain deductions and credits. Individuals would still need to establish their eligibility, but would not need receipts to support the claims. The following deductions and credits would allow this option (claims for actual receipted expenses could still be claimed if desired):

- Moving expense deduction – Budget 2026 proposes to allow individuals making an eligible relocation to deduct a flat $1,000 in respect of the relocation instead of tracking and claiming their deductible moving expenses. Where a married couple moves, only one of them could make this claim. The amount deducted would still be limited to the individual's employment or self-employment income earned at the new location, or to the student's taxable income from scholarships, bursaries and research grants. As deductible moving expenses include travel costs, the costs of transporting or storing household effects, meals and temporary accommodation, the cost of selling a former residence, and certain other expenses associated with the move, many individuals incur much larger expenses and would still require documentation such as bills and receipts to support their larger claim.
- Clergy residence deduction – Individuals who are members of the clergy, members of a religious order, or regular ministers of a religious denomination and are in charge of, or minister to, a diocese, parish, or congregation, or are engaged exclusively in full-time administrative service by appointment of a religious order or religious denomination, can claim this deduction. The available deduction depends on whether they received a taxable benefit for employer-provided accommodation or rent or own their own residence. Budget 2026 proposes to allow a flat amount in a year of $1,000 per month (a maximum of $12,000 annually) to be deducted. The deduction would still be limited to the individual's remuneration for the year from their related office or employment. Only one claim would be available where a married couple are both eligible.
- Labour mobility deduction for tradespeople – Eligible tradespeople and apprentices working in the construction industry who undertake an eligible temporary relocation are entitled to deduct up to $10,000 in eligible temporary relocation expenses, limited to 50% of the individual's employment income in respect of the relocation. Budget 2026 proposes to allow eligible tradespeople and apprentices to deduct a flat $1,500 per year instead of claiming actual eligible expenses incurred.
- Home accessibility tax credit – Eligible individuals may claim up to $20,000 in qualifying home renovation or alteration expenses per calendar year. Expenses must be incurred to improve the safety, accessibility, or functionality of an eligible dwelling for a qualifying individual who is age 65 years or older or eligible for the disability tax credit. The credit may be claimed by qualifying individuals and supporting family members who incur eligible expenses. Budget 2026 proposes to allow eligible individuals to instead claim a one-time flat-expense amount of $1,000 for a year instead of claiming their actual expenses incurred. Only one taxpayer would be allowed to claim the flat amount in respect of the same eligible dwelling for a particular year, and no other taxpayer could claim the credit (based on the flat amount or actual expenses) for that year. For costly renovations, it will likely be more beneficial for each individual with eligible expenses to claim their expenses under the existing rules. This flat amount would also be available only once in each taxpayer's lifetime. An individual who has made a flat claim would remain eligible to claim the credit in future years based on their detailed expenses. Individuals claiming the flat amount would continue to require documentation that substantiates that they incurred qualifying expenses for a qualifying renovation.

- Adoption expense tax credit – Adoptive parents may claim up to $19,972 in eligible adoption expenses in 2026 relating to the adoption of a child under the age of 18. The credit may be claimed in the taxation year in which an adoption is completed for expenses that are incurred during the adoption period. Budget 2026 proposes to allow eligible adoptive parents to calculate the credit using a flat amount of $1,200 per adopted child in the year an adoption is completed, instead of their actual eligible adoption expenses. This would prevent the other adoptive parent from claiming the credit in respect of that child.

These measures would apply to the 2027 and subsequent taxation years.

Medical Expense Tax Credit (METC) and Disability Supports Deduction (DSD)

Expenses eligible for the METC are described in the legislation and regulations and must be evidenced by receipts. Depending on the expense, additional documentation may be required, such as a prescription or written certification from an authorized medical practitioner.

The DSD allows an individual with an impairment in physical or mental functions to deduct certain expenses that enable them to earn business or employment income, attend school, or carry on research. Eligible expenses are described in the legislation. In general, an authorized medical practitioner must either prescribe or otherwise certify in writing that the expense is required, and expenses must be evidenced by receipts.

An expense that is eligible under both the METC and DSD may be claimed under either measure, but not both.

Documentation Requirements for Certain Eligible Expenses

Budget 2026 proposes to simplify the METC by reducing the documentation requirements for certain eligible expenses. For some expenses, the requirement for a prescription and/or a certification of the individual's medical condition would no longer be required. For certain expenses that may be incurred for non-medical purposes, the prescription requirement would be replaced with a requirement that an authorized medical practitioner certify the individual's medical condition. A listing of these expenses was included in Budget 2026.

CRA would continue to have the authority to ask for additional documentation or information to verify that all requirements for claiming the METC are met.

This measure would apply to the 2026 and subsequent taxation years.

Flat-Amount Method

Budget 2026 proposes to allow individuals to claim a flat amount in respect of certain categories of expenses. For a particular year, an individual who incurs expenses in an eligible category could choose to either claim the applicable flat amount or itemize and claim the expenses they actually incurred. The existing eligibility conditions would continue to apply.

If the flat-amount method is chosen, only one individual would be able to claim that flat amount and itemized expenses of that category could not be claimed. If multiple individuals wish to claim the same category of expenses in respect of the same eligible individual, the flat amount would not be available. Other categories of medical expenses could still be claimed under the normal rules. Expenses proposed to be eligible for a flat-amount claim are as follows.

Gluten-free food expenses – the incremental cost of gluten-free food products may currently be claimed in respect of an individual certified by an authorized medical practitioner as requiring a gluten-free diet because of a diagnosis of celiac disease. This requires receipts and supporting documentation supporting the amount by which the cost of a gluten-free product exceeds that of a comparable gluten-containing product. Budget 2026 proposes to allow a flat amount of $1,000 for incremental gluten-free food expenses incurred over a particular year. This measure would apply to the 2026 and subsequent taxation years.

Incontinence product expenses – expenses incurred for diapers, disposable briefs, catheters, catheter trays, tubing, or other products in respect of an individual certified by an authorized medical practitioner as requiring these products because of incontinence caused by illness, injury, or affliction may generally be claimed under the METC. Budget 2026 proposes to allow an METC claim based on a flat amount of $500 in respect of these expenses incurred over a particular year. This measure would apply to the 2027 and subsequent taxation years.

Service dog expenses – both the METC and the DSD recognize certain expenses related to service animals, including dogs, that are specially trained to assist an individual in coping with certain severe and prolonged physical or mental impairments. Eligible expenses include the cost of acquiring the animal, the care and maintenance of the animal, and reasonable travel expenses for the individual to attend an institution that trains in the handling of such an animal. Budget 2026 proposes to allow an METC or DSD claim based on a flat amount of $2,000 for expenses that are incurred in relation to a service dog (not other service animals) over a particular year. The cost incurred to acquire a service dog could be claimed separately in addition to the flat amount in a particular year, with appropriate receipts. This measure would apply to the 2027 and subsequent taxation years.

Canada Caregiver Credit (CCC)

The CCC is a non-refundable tax credit that provides tax relief in respect of infirm dependants who are parents, grandparents, siblings, aunts, uncles, nieces, nephews, or adult children of the caregiver or their spouse or common-law partner (valued at $1,260 for 2027), with a reduced credit in respect of infirm dependants for whom the caregiver claims the spouse or common-law partner credit or the eligible dependant credit, and for infirm minor children under age 18 (valued at $394 for 2027).

Budget 2026 proposes to make the CCC refundable to ensure that eligible caregivers can receive the full amount even if they have insufficient tax liability to fully benefit from the credit. The computation of the credit would be unchanged. This measure would apply to the 2027 and subsequent taxation years.

Mineral Exploration Tax Credit (METC) and Critical Mineral Exploration Tax Credit (CMETC)

These tax credits are available to individuals investing in eligible flow-through shares, intended to support junior mining companies engaged in certain mineral exploration activities. Budget 2026 proposes to extend eligibility for the 15% METC and 30% CMETC for five years, to flow-through share agreements entered into on or before March 31, 2032.

Budget 2026 also proposes to expand the CMETC to include antimony as an eligible critical mineral for expenditures renounced under eligible flow-through share agreements entered into after November 5, 2026.

Volunteer Firefighters and Search and Rescue Volunteers Tax Credit

These credits are each non-refundable tax credits calculated on an amount of $6,000 and are available to an individual who performs a combined total of at least 200 hours of eligible services in either capacity. Only one of the credits may be claimed. Budget 2026 proposes to combine the credits into a single non-refundable credit calculated on an amount of $6,000. Eligible volunteer firefighter and search and rescue services would both count towards the 200-hour requirement for the combined credit. This measure would apply to the 2027 and subsequent taxation years.

Northern Residents Deduction

The northern residents deduction consists of a residency deduction and a travel deduction, which are available to individuals who live in prescribed northern and intermediate zones. Residents of the more southerly intermediate zone can claim half of the deductions available to residents of the northern zone.

The residency deduction is generally based on the number of days that an individual lives in a prescribed zone. The residency deduction cannot exceed 20% of the individual's net income. It is also reduced by the amount of non-taxable employer-provided benefits received by the taxpayer for board and lodging at special work sites in the relevant zone. Budget 2026 proposes to eliminate both the income-based limit and the reduction for non-taxable reimbursements.

The travel deduction permits a taxpayer to deduct amounts in respect of travel for themselves and eligible family members. The deduction is available for any number of trips made to obtain medical services not available locally and up to two trips per person per year for non-medical reasons. The amount that can be deducted in respect of a given trip is the least of:

- the total travel expenses paid for the trip;
- the lowest cost return airfare to the nearest city designated in the Income Tax Regulations; and
- either the total amount of employer-provided travel benefits received in respect of the trip or the portion of a $1,200 "standard amount" allocated to the trip.

Budget 2026 proposes to eliminate the third limit. All eligible individuals would therefore be able to claim their travel expenses subject to the same limits, whether or not they receive employer-provided travel benefits.

These measures would apply to the 2027 and subsequent taxation years.

Apprentice Vehicle Mechanics' Tools Deduction

A tradesperson (including an apprentice vehicle mechanic) can claim a deduction of up to $1,000 in respect of the cost of eligible new tools acquired in a taxation year as a condition of employment. Apprentice vehicle mechanics may claim a further deduction for the total cost of new eligible apprentice mechanics' tools acquired in the taxation year. Both deductions are subject to various requirements and restrictions.

Budget 2026 proposes to allow apprentice vehicle mechanics to deduct all eligible expenses under the apprentice vehicle mechanics' tools deduction. Subject to certain other existing rules, the deduction would equal the total cost of new eligible tools acquired in the taxation year, less the Canada employment credit amount. Other reductions applicable under current law would be removed. This measure would apply to the 2027 and subsequent taxation years.

Deductibility of Expenses Against Commission Income

Employees who earn commission income and meet certain conditions are permitted to deduct employment expenses up to their commission income for the year. A commission employee who claims any amount under this provision may not deduct any travel or motor vehicle expenses under general provisions that apply to all employees. As a result, in some cases it is advantageous for a taxpayer to forgo claiming any expenses under the commission-employee rules and instead claim a larger deduction under the general travel provisions available to all employees. Budget 2026 proposes to eliminate the rules that prevent commission employees from deducting travel and motor vehicle expenses under the general employee provisions when they also claim expenses under the commission-employee rules. This measure would apply to the 2027 and subsequent taxation years.

Deductibility of Expenses by Employed Artists

Employed artists are permitted to deduct expenses incurred in the course of employment in specified artistic activities. The deduction is generally limited to the lesser of $1,000 and 20% of the artist's employment income for the year from specified artistic activities. Budget 2026 proposes to replace the existing cap with a limit equal to the amount of the artist's employment income for the year from the specified artistic activities. This measure would apply to the 2027 and subsequent taxation years.

Scholarship, Fellowship, and Bursary Income

An individual can claim a full or partial tax exemption for scholarship, fellowship, and bursary income connected with enrolment in an elementary or secondary school educational program or a program in respect of which the individual is a qualifying student. Under the current rules, a program generally does not qualify if the student receives financial assistance for it from an arm's-length person, such as an employer. Budget 2026 proposes to remove this restriction. This measure would apply to the 2027 and subsequent taxation years.

Canada Groceries and Essentials Benefit (CGEB) Supplement

Budget 2026 proposes to deliver a one-time CGEB supplement in early 2027, equal to half of the maximum annual CGEB amounts for the 2026-27 benefit year. The maximum amounts of this supplement would be $223 per adult, $117 per child and $117 for the single supplement. For this supplement, the phase-in and phase-out rates would be adjusted to result in the supplement being phased out at the same income levels as the current rules.

Build Canada Workers Benefit

The Canada workers benefit (CWB) is a refundable tax credit that supplements the earnings of low- and modest-income workers and improves incentives to work. Budget 2026 proposes to phase out the advance Canada workers benefit, reinvest a portion of the resulting savings to enhance the benefit and rename the benefit as the build Canada workers benefit (BCWB).

Advance CWB

Under current law, individuals who received the CWB for the previous taxation year are automatically entitled to receive the advance CWB for the current taxation year, totaling half of the previous year's CWB entitlement, issued over three advance payments. Any residual entitlement is calculated and paid after the individual files their tax return for the current year. Because advance payments are based on the prior-year tax return, they may exceed an individual's ultimate entitlement to the CWB for the current year. There is no requirement to repay any excess.

For the 2027 taxation year, Budget 2026 proposes to reduce the advance CWB from 50% to 25% of the individual's CWB entitlement for the 2026 taxation year. The advance CWB would be eliminated beginning in the 2028 taxation year.

Enhancing the Benefit

Under current law, for the 2027 taxation year, the CWB is computed as 27% of working income (from both employment and self-employment) above $3,000, up to a maximum benefit of $1,709 for single individuals without children, or $2,943 for families (couples and single parents). The benefit is reduced by 15% of adjusted net income above a phase-out threshold of $28,104 for single individuals without children or $32,064 for families.

Budget 2026 proposes to enhance the BCWB. For the 2027 taxation year, the enhanced benefit would:

- reduce the earned income threshold to $500 (from $3,000);
- increase the maximum benefit amounts to $1,859 for single individuals without children and to $3,143 for families; and
- adjust the phase-out thresholds to $27,104 for single individuals without children and to $30,731 for families, so that the higher maximum benefits do not change the income levels at which the entitlement is fully phased out.

Budget 2026 noted that the government will continue to allow for province- or territory-specific changes to the design of the benefit through reconfiguration agreements.

These measures would apply to the 2027 and subsequent taxation years.

Lump-sum Thresholds for Periodic Payment of Benefits

For individuals and families entitled to small payment amounts under the Canada child benefit (CCB), Canada groceries and essentials benefit (CGEB) and advance Canada workers benefit (CWB) in a given benefit year, the annual entitlement is issued as a lump-sum, rather than regular payments throughout the year, for small amounts. Budget 2026 proposes to increase the maximum benefits eligible for lump-sum payment to $50 per month for the CCB (currently $20), $70 per quarter for the CGEB (currently $50) and, for the 2027 taxation year only, to $70 per payment for the advance CWB (from $33). The CCB and CGEB thresholds would be indexed annually to inflation, rounded to the nearest $5, as of July 2028. This measure would apply to benefits paid after June 2027.

Registered Retirement Savings Plan (RRSP)

Most Canadians convert their RRSP to a Registered Retirement Income Fund (RRIF) by age 71. A RRIF is a vehicle for gradual withdrawal of retirement savings through annual minimum withdrawals. Budget 2026 announces the government's intention to merge the core features of the RRSP and RRIF into a single "RRSP for life" and to make other changes to improve and modernize the RRSP tax rules. This would eliminate the need for individuals to convert their RRSP to a RRIF at age 71. Individuals over the age of 71 would continue to be required to make minimum withdrawals. The government is seeking views on this proposal by January 8, 2027.

Registered Disability Savings Plan (RDSP)

The RDSP is a tax-assisted savings plan designed to support the long-term financial security of a beneficiary who is eligible for the disability tax credit. Generally, an adult beneficiary is the holder of their own RDSP. Where they do not have contractual capacity due to a mental impairment, the plan holder must be a legal representative who is authorized under provincial or territorial law to act on the individual's behalf.

For individuals who do not have a legal representative and whose contractual capacity to enter into a plan is in doubt, a temporary measure allows a qualifying family member of the individual to open an RDSP and be the plan holder. A qualifying family member may be a parent, spouse or common-law partner, or sibling.

This measure was to expire at the end of 2026; however, Budget 2026 proposes to make this measure permanent.

Registered Pension Plans (RPP)

An RPP is an arrangement under which an employer makes contributions to a fund that provides periodic pension payments to retired employees.

Information Sharing – Pension Administrators

Budget 2026 proposes to permit CRA to confirm to the administrator of a registered pension plan that a plan member is deceased, facilitating their compliance with pension legislation requiring timely distribution of pension benefits. This measure would apply on royal assent of the enacting legislation.

Revocation of a Registered Pension Plan

At all times, an RPP must comply with registration conditions. If those conditions are not met, the plan becomes a "revocable plan" and CRA may ultimately issue a notice to the administrator that the registration of the plan is revoked as of the date specified in the notice. The tax consequences of a revocation are not fully specified under the current rules.

Budget 2026 proposes to provide the following tax consequences where CRA revokes the registration of an RPP:

- The revoked plan would be subject to a tax equal to 10% of the fair market value of its property immediately prior to the revocation, subject to waiver or cancellation by CRA.
- The revoked plan would be deemed to become a "retirement compensation arrangement" (RCA), another type of retirement savings vehicle with less favourable income tax rules.
- An amount equal to the fair market value of the RPP's property (less any revocation tax assessed) would be deemed to be contributed to the RCA. As a result, the RCA would be required to remit a 50% refundable tax on the deemed contribution.

These measures would apply to revocations of RPPs after 2026.

Individual Pension Plans (IPP)

An individual pension plan (IPP) is a defined benefit RPP that has fewer than four members, at least one of whom is related to an employer that participates in the plan (e.g., a controlling shareholder). IPPs provide businesses with a mechanism to provide pension benefits to owner-managers in respect of their employment.

Given the non-arm's length relationship between a controlling individual and an employer that sponsors an IPP, IPPs are subject to additional conditions that do not apply to other RPPs. However, some plans seek to avoid these conditions by adding related members so that the plan exceeds the three-member threshold for IPP status.

Budget 2026 proposes to expand the IPP definition to include defined benefit RPPs under which all members are either related to a participating employer or do not deal at arm's length with any member related to a participating employer.

This measure would apply as of January 1, 2027.

Non-qualified Investments

Anti-avoidance rules apply to registered plans held by one individual (e.g., tax-free savings accounts, registered retirement savings plans and registered retirement income funds) to help ensure that these plans do not provide excessive tax advantages unrelated to their basic objectives. These rules include:

- the advantage rules, which help prevent the exploitation of the tax attributes of a registered plan (e.g., by shifting returns from a taxable investment to a registered plan);
- the prohibited investment rules, which generally ensure that investments held by a registered plan are arm's length "portfolio" investments; and
- the non-qualified investment rules, which restrict the classes of investments that may be held by a registered plan.

Budget 2026 proposes to subject IPPs to the same advantage rules, non-qualified investment rules, and prohibited investment rules that currently apply to other registered plans of controlling individuals. Consequently, if the IPP acquires a non-qualified or prohibited investment, or if it receives an advantage, the controlling individual of an IPP would be liable to pay a tax equal to

- 50% of the fair market value of a non-qualified investment or prohibited investment acquired by the IPP; and
- 100% of the value of an advantage in relation to the IPP (including all income and gains realized on certain non-qualified investments).

This measure would apply as of January 1, 2028. Transitional rules would apply to investments acquired before 2028 that become non-qualified or prohibited on January 1, 2028.

Excessive Surplus

When the assets of an RPP exceed 125% of its pension liabilities, the tax rules require that participating employers take contribution holidays until the RPP's surplus falls below that threshold. Broad-membership RPPs generally absorb excess surplus by a combination of contribution holidays and ongoing growth in pension benefit liabilities.

Some IPPs have modest or no ongoing contributions and relatively stable liabilities. As a result, asset growth can result in excessive surplus that is not needed to satisfy pension benefits. The current rules do not require this surplus to be withdrawn, and income earned from such surplus is tax sheltered while held in the IPP.

Budget 2026 proposes that, if the value of an IPP's assets exceeds 200% of its pension liabilities, the plan would become a "revocable plan" for RPP registration purposes. CRA is required to issue a notice of intent to revoke at least 30 days prior to issuing a revocation letter. This would provide the plan administrator with time to take steps (such as withdrawing excess amounts) to comply with the registration condition and thus no longer be in a revocable position. If the plan's registration were ultimately revoked by CRA, the same tax consequences of becoming a revoked plan, as described above, would apply.

This measure would apply as of January 1, 2028.

Trust Distributions to Non-Residents

Generally, a personal trust (often referred to as a "family trust") and certain other prescribed trusts may transfer property to a Canadian resident beneficiary on a tax-deferred basis (i.e., a "rollout") in satisfaction of all or part of the beneficiary's capital interest in the trust. Most property transferred to a non-resident beneficiary must be transferred at fair market value.

Budget 2026 indicates that tax avoidance planning techniques have been employed to roll out trust property to a non-resident beneficiary indirectly, potentially resulting in an indefinite deferral or the permanent avoidance of Canadian tax. Budget 2026 proposes to broaden the current rollout denial rule to include indirect distributions of trust property to non-resident beneficiaries. The rollout would be denied for any property that is transferred to a corporation (or partnership) that has a direct or indirect non-resident shareholder (or partner). This measure would apply in respect of distributions of property that occur on or after November 5, 2026.

Instalment Payments for Individuals and Corporations

For most individuals, quarterly instalments are required if their combined federal and provincial tax in excess of source deductions for the current year and either of the two previous years is more than $3,000 (or $1,800 federal net tax owing for Quebec residents). The income tax instalment thresholds are lower for Quebec residents because the federal government does not collect provincial income tax in Quebec.

Corporations generally must make monthly or quarterly tax instalment payments in respect of their federal tax liability unless their total federal tax payable is $3,000 or less for either the current or previous year.

Interest and penalties may apply on late or insufficient instalment payments.

Budget 2026 proposes to increase the $3,000 threshold to $7,500 for corporations and individuals (from $1,800 to $4,500 for individuals resident in Quebec). The thresholds would be indexed to inflation and rounded to the nearest $500. Any remaining tax payable for a taxation year would be due on the applicable balance-due date.

Individuals whose chief source of income is from fishing or farming can currently make a single instalment payment by December 31, equal to two-thirds of the total instalments that they would otherwise be required to remit quarterly, and pay the remainder by the applicable balance-due date. Budget 2026 proposes that this single instalment option also be provided to individuals whose primary source of income is from a business (including professional or commission income).

These measures would apply to taxation years that begin on or after January 1, 2028.

Foreign Income Verification Statement – Form T1135

Canadian-resident individuals, corporations and trusts, as well as certain partnerships, must file Form T1135 if they own specified foreign property (SFP) with a total cost of more than $100,000 at any time in a taxation year or fiscal period. Specified foreign property generally includes most types of income-earning property held outside of Canada, other than personal property and property used in carrying on an active business. Form T1135 provides a simplified reporting method if the total cost of a taxpayer's specified foreign property is less than $250,000 throughout the year. Budget 2026 proposes to double these thresholds, so that the T1135 would only be required where the cost of SFP exceeds $200,000 at any time in the year. Simplified reporting would apply where the cost is less than $500,000.

These measures would apply to taxation years or fiscal periods that end after 2026.

Objections to Assessments

Taxpayers generally have 90 days after a notice of assessment is sent to file a notice of objection to that assessment. The deadline for an individual or graduated rate estate cannot be earlier than one year from the tax return filing due date for the taxation year being assessed. If the deadline is missed, it is possible to apply for an extension of time to file a notice of objection. In almost every case, CRA grants an extension.

Budget 2026 proposes, for most taxpayers, to change the deadline to file a notice of objection to one year after the day the notice of assessment is sent. For individuals and graduated rate estates, the deadline could not be earlier than two years from the tax return filing due date for the taxation year being assessed. The current ability to apply for an extension of time would be eliminated.

This amendment would apply to assessments sent on or after the day that is three months after royal assent to the measure.

Disclosure of Tax Debt to Credit Bureaus

Unlike other creditors, CRA is unable to report taxpayer debts to credit bureaus because disclosure of taxpayer information is limited to specific circumstances. To support the collection of outstanding tax debts and more accurate assessments of credit risk, Budget 2026 proposes to allow CRA to disclose information about a taxpayer's tax debts to credit bureaus. Such disclosure would be permitted only where:

- the taxpayer's outstanding tax debt exceeds $50,000;
- the assessments or reassessments giving rise to the tax debt are not under objection or appeal, and all rights of objection and appeal in respect of them have expired or been exhausted;
- CRA has notified the taxpayer in writing of its intention to disclose the tax debt at least 30 days prior to disclosure; and
- before the disclosure, CRA has taken reasonable steps to collect the tax debt and has given the taxpayer an opportunity to make reasonable repayment arrangements.

Similar amendments would be made for GST/HST debts. This measure would apply on royal assent of the enacting legislation.

B. Business Measures

Scientific Research and Experimental Development (SR&ED)

Under the SR&ED tax incentive program, qualifying expenditures are fully deductible in the year they are incurred. Qualifying expenditures are also eligible for an investment tax credit.

The tax credit is provided at an enhanced rate of 35% for certain small- and medium-sized corporations. A general rate of 15% is available for qualified SR&ED expenditures that do not qualify for the enhanced rate.

Budget 2026 proposes to expand the activities and expenditures eligible under the SR&ED program. This measure would apply to taxation years that begin on or after November 5, 2026.

The expanded scope of eligible activities would include tests, technological validations, and studies conducted to meet regulatory requirements for obtaining the initial approval or certification necessary to commercialize a product or process.

Eligible expenditures would also be expanded to include costs related to the registration and maintenance of intellectual property (IP) protection in respect of IP developed in the course of conducting a project that is eligible under the existing scope of activities under the SR&ED program.

Interest Deductibility Limits – Purpose-Built Rental Housing

The excessive interest and financing expenses limitation (EIFEL) rules restrict the amount of net interest and financing expenses that may be deducted by certain taxpayers in computing taxable income. These rules provide an exception for interest and financing expenses incurred before 2036 by a taxpayer on borrowings used by the taxpayer to acquire or build purpose-built rental housing in Canada, or convert a property into such housing.

Budget 2026 proposes to expand the exception to cover a borrower's interest and financing expenses where the borrowed funds are used for eligible activities carried on by another corporation, trust or partnership within the same group of affiliated entities. The exceptions would also be available where the eligible activities are carried on by a partnership in which the borrower (together with affiliated entities) has at least a 40% interest.

This measure would apply to taxation years that begin on or after October 1, 2023.

Canadian Journalism Labour Tax Credit (CJLTC)

The CJLTC provides qualifying journalism organizations with a refundable 35% tax credit on the salary or wages paid to eligible newsroom employees. Labour expenditures are capped at $85,000 per eligible employee for a tax year, resulting in an annual credit of up to $29,750 per employee. The CJLTC applies exclusively to the production of original written news content.

Budget 2026 proposes to extend eligibility for the CJLTC to the production of audio and audiovisual news. This measure would apply to qualifying labour expenses incurred on or after November 5, 2026.

The CJLTC rate was temporarily increased from 25% to 35% from January 1, 2023 to December 31, 2026. The rate is currently scheduled to return to 25% on January 1, 2027. Budget 2026 proposes to extend the 35% rate until December 31, 2028.

Taxable Preferred Shares (TPS)

A special tax (Part VI.1) can apply to dividends paid on certain shares with debt-like characteristics (TPS). This special tax generates a deduction from the payer's taxable income, so this is a more significant issue if the dividend payer is incurring losses. This tax is only payable on dividends in excess of a $500,000 annual dividend allowance threshold. The threshold is reduced where dividends paid in the prior calendar year exceeded $1,000,000.

Budget 2026 proposes to introduce the following measures:

- Fully exempt all CCPCs from this special tax. This measure would apply to dividends paid on or after November 5, 2026.
- Increase the dividend allowance from $500,000 to $1,500,000 and the threshold for the reduction of the dividend allowance from $1,000,000 to $3,000,000. This measure would apply to taxation years that end after 2026.

Corporate Tax Elections

Certain rules require corporations to provide a certified copy of a resolution of their directors authorizing the election or agreement or, in certain cases, a certified copy of the authorization of the person entitled to administer the affairs of the corporation. These certified-copy requirements apply, for example, to capital dividend elections; transfers of tax liability on certain taxable dividends; transfers of qualified scientific research and experimental development (SR&ED) expenditures; and allocations of wages and salary of SR&ED employees.

Budget 2026 proposes to eliminate the existing requirements for corporations to file a certified copy of a resolution or authorization when making certain elections or agreements. This measure would apply to elections and agreements made on or after the date of royal assent of the enacting legislation.

Corporate Loss Transfers

Corporate groups may enter into transactions that effectively allow losses in one group member to offset income in another, such as amalgamations, wind-ups, or intra-group financing transactions. However, these transactions can be complex, costly, or unsuitable where separate corporate entities must be maintained for commercial, financing, regulatory, or liability reasons.

Budget 2026 invites stakeholders to comment on the introduction of a corporate loss transfer rule, which would allow the transfer of current-year non-capital losses between corporations under certain conditions.

Administrative Penalties

Administrative penalties are imposed under tax statutes when taxpayers do not comply with their tax obligations. These penalties support the integrity of Canada's tax system by encouraging compliance and protecting the tax base.

Budget 2025 announced a review of fines and penalties to ensure that they remain sufficient and that non-compliance is not just treated as a cost of doing business. Following this review, Budget 2026 proposes several amendments to administrative penalties under federal tax statutes.

Inflation Adjustment of Fixed-dollar Administrative Penalties

Budget 2026 proposes to increase most fixed-dollar penalties to broadly account for inflation since their enactment. Generally, older penalties would increase by a factor of two or three, depending on when they were enacted, while most recent penalties would remain unchanged, subject to limited exceptions. Budget 2026 also proposes to index these fixed amounts to inflation once every five years.

Medium and Large Corporations and Partnerships

Budget 2026 proposes to calibrate certain penalty amounts by taxpayer size. These would apply to penalties for failing to provide required information on a form, failing to file certain tax forms, and failing to comply with certain other obligations under the Income Tax Act.

Individuals and smaller corporations and partnerships would remain subject to a base level of fixed penalty amounts. Medium corporations and partnerships would be subject to penalties equal to three times the base amounts. Large corporations and partnerships would be subject to penalties equal to eight times the base amounts.

Medium corporations would be those that, together with any related corporations, have a combined total of more than $10 million and up to $50 million of taxable capital employed in Canada. Large corporations would be those that, together with any related corporations, have a combined total of more than $50 million of taxable capital employed in Canada. For this purpose, a corporation that is a CCPC would only be treated as related to a corporation with which it is also associated.

Medium partnerships would be those that have $2 million but less than $10 million in gross revenue and large partnerships would be those that have $10 million or more in gross revenue.

Repeated Failures

Budget 2026 proposes new penalties that would apply to repeated failures to file tax forms and repeated failures to comply with obligations that do not have a more specific penalty. These penalties would generally double the base penalty that applies in respect of the first failure. The amount of the penalty would be further increased in accordance with the calibration rules for corporations and partnerships discussed above.

Other Tax Statutes

Similar changes are also proposed to certain penalties under the Goods and Services Tax/Harmonized Sales Tax (GST/HST) provisions of the Excise Tax Act, the Excise Act, 2001, the Air Travellers Security Charge Act and the Select Luxury Items Tax Act.

These measures would apply to taxation years or fiscal periods ending after 2027.

C. International Measures

Taxable Canadian Property

Canada generally taxes non-residents on their income and gains from the disposition of taxable Canadian property (TCP). TCP generally includes property with a significant connection to Canada, such as Canadian real estate, resource properties, and certain shares or interests whose value is derived primarily from Canadian real property or resource assets.

A purchaser that acquires TCP from a non-resident person (vendor) must generally withhold and remit an amount to CRA on account of the vendor's potential tax liability, imposing a liability on the purchaser for any failure to do so. This withholding obligation does not apply if the vendor obtains a certificate of compliance from CRA, which includes the payment of the estimated tax owing.

If withholdings are required, a purchaser must generally withhold 50% of the purchase price for specified TCP (property whose disposition may generate fully taxable ordinary income, such as depreciable property and inventory) and 25% for capital property other than specified TCP (such as real estate that is not inventory or depreciable property). If applying for a certificate of compliance, the vendor must generally remit 25% of the capital gain for assets that are not specified TCP.

For corporate vendors, Budget 2026 proposes to reduce the purchaser withholding from 50% to 30% in respect of specified TCP. The vendor remittance and purchaser withholding in respect of TCP that is not specified would be reduced from 25% to 15%.

Budget 2026 also proposes to exempt vendors and purchasers from the withholding and tax remittance requirements for fully tax-deferred rollovers of TCP (under Section 85) provided that, within 30 days of the disposition, the Section 85 election form is filed and the purchaser provides a notice to CRA setting out information regarding the transaction and the vendor.

An existing anti-avoidance rule denies a tax-deferred rollover if, within three years, there is a subsequent disposition of the transferred property or substituted property, and one of the main purposes of the series was to benefit from an exemption from Canadian tax. Budget 2026 proposes to extend the three-year period to five years and ensure that a subsequent disposition of a property that principally derives its value from the transferred property or substituted property is also subject to the rule.

These measures would apply to dispositions that occur on or after January 1, 2027.

D. Sales and Excise Measures

GST/HST Health Measures

Massage Therapy

Budget 2026 proposes that qualifying massage therapists be added to the list of health care practitioners whose professional services are exempt from the GST/HST.

Qualifying massage therapy services are generally those supplied by a person who practices the profession of massage therapy and meets either of the following conditions:

- where the person is required to be licensed or certified to practice the profession in the province in which the service is supplied, the person is so licensed or certified; or
- where the person is not required to be licensed or certified to practice the profession in that province, the person has qualifications equivalent to those necessary to be so licensed or certified in another province.

This measure would apply to qualifying supplies of massage therapy services made after November 5, 2026.

Alternating Electric Field Therapy Devices

Budget 2026 proposes to add devices that are specially designed for alternating electric field therapy for use by an individual with cancer to the list of medical devices eligible for zero-rating for GST/HST purposes.

This measure would apply to qualifying supplies made after November 5, 2026.

E. Other Measures

Budget 2026 proposes several other measures, including the following:

- Extending the ban on foreign purchases of existing residential properties for two years, to January 1, 2029, while exempting new residential properties.
- Consulting with Canadians and the cultural sector on a new Canada creative credit, a new form of tax relief that could support artists as they foster creativity, artistic production, and cultural entrepreneurship in Canada. This credit is expected to take the form of a non-refundable personal income tax credit that would, combined with the basic personal amount, provide tax recognition on up to $45,000 of annual qualifying net business income derived from original and creative artistic works. Details will be announced in the Spring Economic Update 2027.
- Providing $182.4 million over four years, starting in 2027-28, to CRA to strengthen its capabilities to investigate tax evasion and work with law enforcement partners to combat money laundering and disrupt the flow of illicit income.
- Announcing the government's intention to amend the Department of Employment and Social Development Act to enable a "Tell Us Once" approach to service delivery. These amendments will allow Canadians to provide information once and have it applied across multiple programs and services, reducing paperwork, duplicate reporting, and administrative burden.
- Modernizing the deposit insurance framework by amending the Canada Deposit Insurance Corporation Act, including increasing the deposit insurance limit to $250,000, providing temporary high-balance coverage for certain life events, such as the sale of a home, and removing the limit for eligible deposits in registered and tax-free accounts.
- Renewing the Canada Housing Benefit for 10 years (starting in 2028-29), providing direct monthly rental assistance to low-income Canadians.
- Announcing the government's intention to amend the Employment Insurance (EI) Act to temporarily increase the minimum number of EI regular benefit weeks from 14 to 18 weeks for apprentices who take full-time training.

Excess Corporate Holdings (ECH) Regime for Private Foundations

The ECH rules are designed to limit the risk of self-dealing associated with private foundations registered as charities by placing limits on the shareholdings of these foundations. The current rules prevent private foundations from acquiring more than 20% of a class of shares of any corporation, in combination with all relevant persons (generally, non-arm's length individuals). Under these rules, private foundations must track their shareholdings, and the shareholdings of any relevant persons. Private foundations must report these holdings, and any material transaction involving these holdings within the year. If those total holdings exceed 20%, and the private foundation itself holds more than 2% of the class of shares, it is obligated to divest itself of its excess shareholdings within a particular timeframe.

Budget 2026 proposes to eliminate the ECH regime. Instead, the rules that currently prohibit public foundations from acquiring control of a corporation would be extended to private foundations. This measure would apply to taxation years that begin on or after January 1, 2027.

F. Previously Announced Measures

Budget 2026 confirms the government's intention to proceed with the following previously announced tax and related measures, with any modifications resulting from consultations and deliberations since their release.

- Legislative and regulatory proposals released on September 15, 2026, to implement the productivity mega deduction.
- Legislative and regulatory proposals released on July 23, 2026, including the following measures:
    - Disability tax credit;
    - Red Seal completion bonus;
    - Investment tax credit for carbon capture, utilization and storage;
    - Investment income derived from assets supporting Canadian insurance risks;
    - Transfer pricing;
    - Hybrid mismatch arrangements;
    - Goods and Services Tax/Harmonized Sales Tax (GST/HST) reverse charge mechanism;
    - Technical amendments to the Income Tax Act and Income Tax Regulations;
    - Technical amendments to the Global Minimum Tax Act; and
    - Technical amendments to the Excise Tax Act, the Excise Act, 2001, the Air Travellers Security Charge Act, the Select Luxury Items Tax Act, and related regulations.

- Legislative proposals released on January 29, 2026, to implement reporting requirements for non-profit organizations.
- Legislative proposals released on August 12, 2024, with respect to technical amendments to the Income Tax Act.
- Tax measures relating to non-compliance with information requests, announced in Budget 2024, to be implemented through amendments to the Excise Tax Act, the Air Travellers Security Charge Act, the Excise Act, 2001 and the Select Luxury Items Tax Act.
- Legislative proposals released on August 4, 2023, with respect to tax-exempt sales of motive fuels for export.
- Legislative and regulatory proposals released on August 9, 2022, including the following measures:
    - Technical amendments to the Income Tax Act and Income Tax Regulations; and
    - Remaining legislative proposals relating to excise duties.

Budget 2026 also reaffirms the government's commitment to move forward as required with other technical amendments to improve the certainty and integrity of the tax system. Measures included in Bill C-31, currently awaiting third reading in the House of Commons, were not mentioned; however, the progress of the bill can presumably be taken to mean that these measures are proceeding.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review should be done by a qualified professional.

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