Raymond Chabot Grant Thornton

Year-end Tax Planning Guide for 2026

November 2026



Proper tax planning should be a year-long activity. However, there is still time to implement a few strategies that could reduce your taxes. The following are a few simple and effective strategies that can be implemented before the end of 2026 or early in 2027.

Among the new developments worth noting is the fact that the tax rate for small business was reduced by 1% in 2026 in Quebec and Ontario. As a result, the tax credit for ordinary (non-eligible) dividends will be decreased in these provinces, which effectively raises the rate applicable to such dividends as of 2027. It is therefore important to consider whether an ordinary dividend should be paid to individual shareholders in these provinces before the end of the year, to enable them to benefit from a more favourable rate.

Additionally, new rules apply to intercorporate dividends paid in taxation years that began after November 3, 2025. These rules limit a corporation's ability to claim its refundable dividend tax on hand (RDTOH) until dividends are paid to individual shareholders or to corporations outside the corporate group. Understanding exactly what these rules entail is important, in order to avoid, to the extent possible, any unintended deferral or loss of the RDTOH.

As for individuals, property owners have until April 1, 2027 to enter into an agreement with a qualified contractor to carry out renovation work on their wastewater treatment systems and thus claim a tax credit of up to $5,500.

Don't hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine the measures that apply to your situation.

TAKE ADVANTAGE OF MEASURES THAT ENCOURAGE INVESTMENT

Various tax measures, including the capital cost allowance and the different investment tax credits described below, are intended to encourage economic activity and innovation.

Consider planning your investments in a way that maximizes your credits and deductions. If you are thinking about investing in such assets, your Raymond Chabot Grant Thornton advisor can assist you with the necessary steps to benefit from them.

Capital Cost Allowance (CCA)

On September 15, 2026, the Minister of Finance of Canada announced the "**Productivity Mega Deduction**," a permanent measure which will provide immediate expensing for a broad-based range of depreciable property acquired as of that date and used to earn income.

This measure effectively replaces many of the temporary accelerated CCA measures announced in recent years. The main assets that are not eligible under this measure include buildings (classes 1 and 3), intangible assets such as franchises, licences and goodwill (classes 14 and 14.1), regulated natural gas distribution pipelines, second-hand or imported passenger vehicles, and certain mining and forestry rights.

Non-eligible assets remain subject to the temporary measures in force until the end of 2033, including **buildings used 90% or more for manufacturing and processing purposes** acquired since November 4, 2025, and that become ready for use before 2030, which are entitled to an immediate expensing. This measure also covers eligible additions and transformations made to eligible buildings.

New equipment used primarily in **liquefied natural gas (LNG) facilities** is eligible for a 100% deduction in the year of acquisition if it was acquired after November 3, 2025. New buildings used primarily to support the operation of LNG facilities are also eligible for a 10% accelerated CCA rate until 2035. These amounts may only be deducted from income attributable to liquefaction activities; it is therefore not possible to create or increase a loss by deducting an accelerated CCA on these assets.

Eligible residential complexes located in Canada and specifically built for rental purposes are also entitled to an accelerated CCA rate of 10%, provided their construction began after April 15, 2024, and before 2031, and they are ready for use before 2036.

Quebec has generally aligned itself with the federal rules on accelerated CCA introduced previously and it should therefore align with the Mega Deduction. However, no official announcement has been made in this regard to date.

Acquiring assets eligible for these accelerated CCA measures may prove particularly advantageous. If you are considering acquiring a

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new depreciable asset, think about doing so before the end of the fiscal year. This way, you will be entitled to a CCA for that year, provided the asset is ready for use.

Furthermore, the disposal of assets that have increased in value may result in significant tax liabilities, while a terminal loss may arise from the disposal of assets that have depreciated more rapidly. Planning the timing of the disposal can help defer or reduce the potential tax resulting from the sale of a major capital asset.

Investment and Innovation Tax Credit (C3i)

The C3i is a refundable tax credit that can be claimed in Quebec by companies across all sectors for their acquisition of assets such as manufacturing and processing equipment, computer equipment, and certain management software packages.

The tax credit rates, which vary according to the economic vitality of the region, are as follows until December 31, 2029:

Zone based on location where the property is acquired to be used	Applicable rates until December 31, 2029
Low economic vitality	25%
Intermediate	20%
High economic vitality	15%

The Appalaches and Etchemins RCMs are expected to be removed from the low economic vitality zones for eligible expenditures incurred after June 30, 2027. It would therefore be advisable to plan quickly for investments in these regions in order to qualify for a higher tax credit rate.

Tax Credits for SR&ED

In Quebec, the refundable tax credit for SR&ED, innovation, and pre-commercialization (CRIC) has a base rate of 20%. This rate is increased to 30% on the first $1 million of eligible expenditures in addition to the applicable exclusion threshold, regardless of the eligible corporation's assets. Salary and subcontracting expenses, as well as certain capital expenditures related to SR&ED, are eligible for this credit.

The federal investment tax credit for SR&ED consists of a non-refundable tax credit of 15% and a refundable tax credit of 35% on the first portion of expenses incurred by an eligible corporation. The cap on eligible expenses for the 35% refundable tax credit is $6 million, and this credit is available to CCPCs as well as eligible Canadian public corporations. Capital expenditures incurred for SR&ED purposes are eligible for a partially refundable tax credit.[1]

For federal purposes, eligible corporations have been able to take advantage of a new pre-approval process when planning their SR&ED projects since April 1, 2026. Don't hesitate to ask your Raymond Chabot Grant Thornton advisor for more information.

Investment tax credits for the clean economy

Corporations that acquire assets as part of clean energy projects, such as carbon capture, utilization and storage, and clean technologies, may benefit from refundable "green" tax credits, with rates ranging from 15% to 60%, along with certain accelerated CCA rules.

Additionally, a 10% credit is available on the cost of eligible buildings used in specific segments of the electric vehicle supply chain.

Requirements related to employee compensation and apprentice hiring may apply; otherwise, the base rate of most of these credits may be reduced by 10%.

Since they were introduced, these credits have undergone several changes. Don't hesitate to ask your Raymond Chabot Grant Thornton advisor to determine whether you are eligible.

ADVICE FOR BUSINESSES AND THEIR MANAGERS

As a shareholder-manager, properly structure your compensation

If you are the owner-manager of a Canadian-controlled private corporation, it could be to your advantage to properly structure the mix of salary, bonuses and dividends in your compensation package. Optimal planning does not only consider the individual's and the corporation's tax rate; various other factors have an impact on this analysis.

Consider declaring a bonus for shareholder-managers

A bonus is often preferred over salary, since the payment can be deferred until after the company's year-end and, in some cases, can defer the individual's taxation.

Declaring a bonus at year-end can help reduce the corporation's income to the amount that qualifies for the small business deduction (SBD). Like salary, a bonus is deductible from the company's income, making it possible to achieve this result, which is not the case with a dividend.

A bonus, like salary, may entitle you to contribute to your RRSP since it is considered earned income for purposes of the RRSP contribution limit.

Your earned income must be at least $196,611 in 2026 to be able to make the maximum RRSP contribution of $35,390 in taxation year 2027.

Rethink your salary-dividend mix

The salary-dividend mix decision should consider various rules that affect corporate and individual tax.

The combined (federal and provincial) corporate tax rates are as follows:

Combined corporate tax rates	Active business income		Investment income
	With SBD	Without SBD	
Quebec	11.2%[2]	26.5%	50.17%

[1] Capital expenditures, including payments related to the use or the right to use a property which, if acquired by a taxpayer, would be considered a capital asset. Excludes buildings.

[2] Rate for taxation years beginning on or after April 30, 2026 (12.20% for taxation years beginning before that date). This rate change applies based on the start date of the

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Ontario	11.7%[3]	26.5%[4]	50.17%
New Brunswick	11.5%	29.0%	52.67%

Depending on the nature of its income, a corporation can accumulate a general rate income pool (GRIP) entitling it to pay eligible dividends, taxable at a lower rate, to its shareholders. However, refundable dividend tax payable on investment income can only be refunded to the corporation if it pays ordinary (non-eligible) dividends to its shareholders.

The payment of dividends has therefore an impact on the overall tax rate of the corporation and on the tax rate of its individual shareholders, whose income is subject to the following combined maximum marginal tax rates in 2026:

Combined individual tax rates				
2026	Eligible dividends	Ordinary dividends	Capital Gains	Other income
Quebec	40.11%	48.70%	26.65%	53.31%
Ontario	39.34%	47.74%	26.76%	53.53%
New Brunswick	32.40%	46.83%	26.25%	52.50%

It should also be noted that, in 2027, the tax rate applicable to ordinary dividends will rise to 49.54% in Quebec and 48.89% in Ontario. It could therefore be advantageous, on this basis, to pay ordinary dividends before the end of 2026 to shareholders who are residents of these provinces.

However, the decision to accelerate a dividend payment must be made, taking into account the individual's overall financial situation. Indeed, in addition to the shareholder's and corporation's tax rate, the salary-dividend analysis should consider factors such as payroll taxes, RRSP and QPP/CPP contributions and access to various tax deductions or credits based on income at both a personal and corporate level.

There is no "rule of thumb" that owner-managers of private corporations can use to determine the best overall compensation method. Tailored planning is required. Don't hesitate to contact your Raymond Chabot Grant Thornton advisor to discuss these matters.

Intercorporate dividends: watch out for staggered taxation years, which could delay dividend refunds

For taxation years beginning after November 3, 2025, new rules restrict a corporation's ability to claim a dividend refund when it pays a dividend to an affiliated private corporation whose fiscal year-end falls after its own.

Where applicable, these rules have the effect of suspending the paying corporation's dividend refund until the dividend has been sufficiently redistributed outside the group, that is, to an individual shareholder or an external (unrelated and unaffiliated) corporation. This suspension may, however, be avoided if the dividend is promptly redistributed outside the group, at the latest by the due date for the paying corporation's balance.

These complex rules are primarily intended to prevent a corporate group from taking advantage of the difference in their fiscal year-ends to defer payment of the refundable tax under Part IV. This can have a significant impact on the cash flows of the corporations concerned. Close attention should therefore be paid to these rules. Don't hesitate to contact your Raymond Chabot Grant Thornton advisor regarding these matters.

Pay a reasonable salary to your spouse or children

If your spouse or children work for the family business, consider paying a reasonable salary for the bona fide services they provide. This strategy will be worthwhile if their marginal tax rate is less than yours, while providing them with earned income for QPP/CPP and RRSP purposes. Such a strategy makes it possible to split income without being subject to the rules regarding tax on split income.

Repay advances and other amounts due to your corporation within the prescribed period

If your corporation granted you a loan or advance during the year, you would normally have to repay these amounts within one year following the end of the fiscal year during which the loan or advance was made to you. Otherwise, you might have to include the amount of the loan or advance in your income as a taxable benefit.

Example: *If your corporation's fiscal year-end is June 30, an advance made on July 3, 2024, and unpaid on June 30, 2026, will be included in your income for the 2024 taxation year, that is, the calendar year during which the loan was granted to you. If you repay the loan in 2027, you will be entitled to a deduction equal to the repaid amount in your 2027 tax return.*

Shareholders who received a loan from their company may also be required to include a taxable benefit in their income in respect of interest, to the extent the interest rate on the loan is lower than the quarterly rate prescribed by the tax authorities.[5]

There are some exceptions to these rules. If you have borrowed or received an advance from your corporation, we suggest you review the tax consequences with your tax advisor.

Take full advantage of your capital gains deduction

The cumulative capital gains deduction limit for qualified small business corporation (QSBC) shares and for eligible farm or fishing property is $1,275,000 in 2026.

Various conditions must be satisfied for small business shares to qualify as QSBC shares, including some that apply for the 24-month period preceding the sale. If you're planning to sell shares or other property that is eligible for this deduction, consider checking if you qualify and structuring the transaction to benefit from the maximum amount.

fiscal year. The reduced tax rate is therefore not prorated for fiscal years that include April 29, 2026.

[3] Average combined rate for 2026 due to the rate reduction on July 1, 2026 (12.2% in 2025; 11.2% as of 2027).

[4] 25% for the qualifying manufacturing and processing income.

[5] The rate is 3% for the last quarter of 2026.

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In some cases, you could consider crystallizing your capital gains deduction while your corporation qualifies. This would be the case, for example, if you anticipate accruing significant amounts of liquidity or surplus assets that are not used in the business. If you've already crystallized this deduction on your shares or on your farm or fishing property, consider making sure that you can claim the maximum deduction available at the time of their disposal, considering the increased limits.

Setting up a family trust could make it possible to multiply this deduction among the trust beneficiaries at the time the shares are sold.

If you realize a significant capital gain, you may be subject to an alternative minimum tax (AMT).[6] The additional tax paid can be recovered over the following seven years, provided that the regular tax exceeds the AMT in those years. This aspect should be properly planned before selling assets eligible for the capital gains deduction, as you could end up paying a substantial AMT without the possibility of recovering it if you no longer have sufficient income in retirement.

Feel free to discuss these matters with your Raymond Chabot Grant Thornton advisor.

Find out more about the new Canada Growth Incentive

In its November 5, 2026 Budget, the federal government announced its intention to introduce the Canada Growth Incentive, which would temporarily provide a capital gains tax exemption of up to $15 million in capital gains to individuals who hold shares in certain eligible Canadian corporations.

This measure would apply to shares issued after November 4, 2026, to an individual aged 18 or over, or to a partnership of which they are a partner. Furthermore, the shares must have been held continuously by the individual resident in Canada (or by the eligible partnership) for the 36 months immediately preceding their disposal.

Several details regarding this measure have yet to be confirmed by the authorities. However, a number of business sectors are excluded, including, in particular, businesses operating in sectors such as consulting services, the liberal professions, agriculture, fishing, forestry, mining, financial services, insurance, utilities, real estate, accommodation and food, arts, entertainment and recreation, and those operating under a licence or franchise agreement.

Given that the exemption would apply to shares newly issued on or after November 5, 2026 (and before 2037), the earliest eligible sale of shares could only take place on or after November 5, 2029. Speak to your Raymond Chabot Grant Thornton advisor to start planning your future investments now.

Plan your business succession

If you're planning to transfer your business to your children or grandchildren, you should be aware that rules exist to make it easier to transfer the shares of small businesses or of a family farm or fishing corporation.

Furthermore, certain types of agricultural or fishing assets may be transferred to a child or grandchild with a deferral of capital gains tax ("rollover"). The Minister of Finance of Canada has announced that, as of 2027, this measure will be extended to include transfers to nephews and nieces.

Rules were also implemented to facilitate the use of employee ownership trusts (EOT), which can provide an additional option to facilitate a transfer to successors without the direct ownership of shares by employees. Business owners can benefit from a tax exemption of up to $10 million on capital gains realized on the sale of their shares to an EOT. This exemption is also available for the sale of shares to an eligible worker cooperative. However, the conditions for applying these exemptions are very restrictive and the measures are not easily implemented.

If you are planning to transfer shares or assets to a family member or to your employees, contact your Raymond Chabot Grant Thornton advisor to discuss opportunities in this area.

Make your employees twice as happy by offering them a non-taxable gift

As an employer, you can offer your employees certain tax-free non-cash gifts and rewards to mark a special occasion or recognize an outstanding achievement. The total value of all gifts and rewards offered must not exceed $500 per year. In Quebec, the $500 limit applies to both gifts and rewards such that an employer may offer a total value of $1,000 per year to each employee, without any tax impact.

For federal purposes, in addition to gifts and rewards, a tax-free, non-monetary gift of a maximum $500 value may also be offered to an employee once every five years to recognize the years of service or mark an anniversary.

Although such gifts/rewards will not be taxable to your employees, the amount paid can still be deducted as a business expense.

There are numerous administrative guidelines for employee gifts and rewards. Your Raymond Chabot Grant Thornton advisor can help you navigate this information.

Hire interns or workers with a severely limited capacity for employment

Employers can avail themselves of tax credits for hiring interns (Quebec) and creating apprenticeship jobs (federal). In Ontario, hiring a student enrolled in a qualifying cooperative education program may also give rise to a tax credit. Find out about available tax credits for hiring and training.

In Quebec, the credit is enhanced if the intern is part of a minority (Indigenous person, immigrant or person with a disability).

In Quebec, you could also benefit from a refundable tax credit if you hire persons with a severely limited capacity for employment such as persons with a disability or persons who receive a social solidarity allowance. The credit is equal to 100% of the employer contributions paid in a calendar year.

Finance your employees' public transit costs

In Quebec, you can deduct twice the amount spent on a public transit pass paid or reimbursed before 2028 for an employee to commute to work. The same goes for expenses incurred by employers who offer an inter-municipal transit service to their employees, provided that

[6] Particularly on the portion of the gain that is not eligible for the deduction. Individuals who receive a significant taxable benefit from stock options could also be affected.

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certain conditions are respected. Furthermore, until the end of 2027, there is no taxable benefit for employees. Such an expense can therefore be attractive from both an ecological and economic point of view.

ADVICE FOR EMPLOYEES

Reduce the taxable benefit relating to your employer-provided automobile

If your employer provides you with an automobile, you will have a taxable benefit included in your income related to the personal use of the vehicle. You should keep accurate records of business and personal use of the vehicle, for this calculation.

The taxable benefit consists of two components: a "standby charge" and an "operating cost benefit."

The standby charge benefit can be reduced if the vehicle is used more than 50% of the time for business purposes and annual personal driving is 20,000 kilometres or less. Any amount paid to your employer no later than December 31 for personal use of the vehicle during the year will decrease the value of your taxable benefit for the vehicle.

Moreover, you will decrease or eliminate the operating cost benefit for 2026 by refunding your employer for part or all the operating expenses **before February 14, 2027**. You should check before if this option is to your advantage.

Lastly, since the standby charge is calculated on the original cost of the vehicle, consider purchasing an older vehicle from your employer at its fair market value after a few years.

Acquire new tools to carry out your trade

If you are an employed tradesperson, you may be entitled to a tax deduction of $1,000 for the cost of new tools that you are required to purchase as provided in the conditions of your employment. This measure applies to new tools other than electronic communication devices and electronic data-processing equipment. The deduction applies and corresponds to the portion of the purchase cost exceeding $1,501 ($1,460 in Quebec). Therefore, if you haven't purchased new tools with a total cost of at least $2,501 during the year, consider doing so before the end of the year.

If you are a teacher or an early childhood educator and purchased eligible school supplies, you could benefit from a refundable tax credit up to $250 for federal purposes.

Furthermore, the Minister of Finance of Canada has announced that, as of 2027, apprentice vehicle mechanics will be allowed to deduct the full amount of their eligible expenses under the apprentice vehicle mechanic's deduction for tool expenses.

Deduct expenses related to your home office or those related to temporary housing

If you had to work from home in 2026, you could deduct expenses for that purpose if certain conditions are met. Deductible expenses include electricity, water, heating, internet access fees, and cleaning products reasonably attributable to the home office (e.g., based on the proportion of space used). However, mortgage interest and depreciation are excluded. Property taxes and insurance premiums are not deductible, except for commission-based employees.

Furthermore, skilled workers and apprentices in the construction sector are entitled to a deduction for eligible relocation expenses incurred in order to hold a temporary job in the construction sector, provided that certain conditions are met. Since 2026, the limit on temporary relocation expenses eligible for this deduction has been increased from $4,000 to $10,000 and will be indexed annually as of 2027. The distance that must be maintained between a tradesperson's usual place of residence and their place of work for the purposes of the deduction has also been reduced from 150 km to 120 km.

Consult your Raymond Chabot Grant Thornton advisor to learn about the requirements to meet and the documents needed.

Take advantage of non-taxable benefits

Tax legislation provides various non-taxable benefits for employees, including, for example, repayment of moving expenses when certain criteria are met. Instead of negotiating a salary increase, consider asking your employer to grant non-taxable benefits.

ADVICE FOR INVESTORS

Labour-sponsored funds: Be aware of upcoming restrictions

Taxpayers who purchase shares in labour-sponsored fund, such as those of the FSTQ and Fondaction, are eligible for a 15% federal and provincial tax credit on a maximum investment of $5,000.

For shares acquired as of 2027, the credit will no longer be available (at both levels) for individuals whose income is taxed at the highest rate in the personal income tax brackets for the second preceding year (the reference year). Consequently, you will not be able to claim this tax credit in 2027 if your 2025 taxable income exceeds $129,590.

Plan the realization of your capital gains and losses

If you have realized a capital gain in 2026 or in any of the last three years, consider selling investments with unrealized losses before the end of the year. You may be able to reduce your 2026 taxes and possibly even recover taxes paid in the three prior taxation years or reduce the tax payable on future capital gains. However, you should consider obtaining investment advice prior to making this type of a decision.

The loss may be denied if you sell the property to certain related persons or entities, such as your spouse, a corporation that you or your spouse controls, your RRSP, your tax-free savings account (TFSA) or if one of these persons or entities holds or purchases the same or an identical property in the 30 days after its disposition. However, you can generally transfer the loss of property to a child or other family member without being caught by these rules.

If your spouse or common-law partner has realized a capital gain and you own investments with an unrealized loss (or vice-versa), there are ways to transfer the loss to the spouse with the gain. Your tax advisor can assist you in implementing this planning strategy.

When disposing of listed shares, remember that the disposition is deemed to take place at the settlement date, which can sometimes be two business days after the trading date. Different dates may apply for foreign exchanges. If you want a sale to close in 2026, you should contact your broker to ensure that the transaction settles before the end of the year.

Furthermore, disposing of virtual currency may result in capital gains (or losses). As such, you are required to keep records of your cryptocurrency transactions, including specific documents and

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information. In Quebec, the obligation to declare any crypto assets held during the year and to include this declaration with your income tax return is added to these requirements.

Structure your loans to maximize your interest deduction

Non-deductible interest (mortgage, personal loans, credit card balances) is paid with after-tax dollars. Consequently, you must earn $200 in pre-tax dollars to repay $100 in non-deductible interest.[7]

If you are going to borrow, you should borrow the maximum amount for business and investment purposes and as little as possible for personal reasons.[8] Conversely, when repaying debt, as much as possible, pay off loans on which interest is non-deductible before you repay those on which interest is deductible.

If you are currently incurring significant interest fees that are not deductible in the calculation of your taxable income, feel free to contact a Raymond Chabot Grant Thornton tax advisor who can help you take certain steps to restructure your loans and make your interest fees deductible.

ADVICE REGARDING YOUR RESIDENCE

Did you acquire a residence in 2026 or are you planning such a purchase? You may be entitled to tax assistance!

Tax credits to access home ownership

If you or your spouse acquire a first home for use as your principal residence,[9] you may be entitled to a non-refundable tax credit of $1,400 for federal purposes and in Quebec. You could therefore benefit from a total amount of $2,800 in tax credits.

Since 2026, Quebec has also been offering a refundable tax credit of up to $5,875 for transfer duties paid on the purchase of an eligible first home. The credit may also apply to the purchase of a home acquired to better meet the needs of a person with a disability, even if it is not a first home.

Home Buyers' Plan (HBP)

The HBP entitles individuals and their spouse to each withdraw up to $60,000 from their respective RRSP, without any tax impact, to buy a first home.[10]

The HBP is a loan that must be repaid to the RRSP in annual instalments. Any unpaid instalment becomes taxable.

The repayment period is usually 15 years and begins in the second calendar year following the year of withdrawal. However, for withdrawals made between January 1, 2022, and December 31, 2028, the maximum repayment period begins in the fifth year following the withdrawal. Thus, the total maximum repayment period is extended to 18 years for withdrawals made during that period.

First Home Savings Account (FHSA)

The Tax-Free First Home Savings Account (FHSA) is designed to enable an individual to save for the purchase of a first home. Every adult can contribute $8,000 annually to this account, up to a lifetime amount of $40,000. Contributions paid are deductible. Income earned in the account and eligible withdrawals will not be taxable. It is possible to benefit from both the FHSA and the HBP for the purchase of the same home.

Consult your Raymond Chabot Grant Thornton advisor for the eligibility requirements of these plans.

Renovate to house an elderly or disabled relative

You may be eligible for a non-refundable tax credit of up to $2,800 if you incur up to $20,000 in expenses to make your home safer and more accessible for a disabled person or someone aged 65 or older who lives with you.

Additionally, if you invest up to $50,000 to create a separate living space within your home (a multigenerational dwelling) to accommodate such a person, you could benefit from a refundable tax credit of up to $7,000.

Be careful, however, as such renovations could result in a change of use of your principal residence and cause you to lose part of the exemption on the capital gain you realize on its sale. If you are making such expenditures to support a family member, talk to your advisor about the tax implications.

Maximize the tax credit for home support for seniors

If you or your spouse turned 70 in 2026, expenses incurred to purchase, rent, or install eligible items to help maintain autonomy at home may entitle you to a refundable tax credit. This credit corresponds to 40% of eligible service expenses incurred during the year, up to a maximum of $19,500 (or $25,500 for a dependent senior), resulting in a maximum credit of $7,800 (or $102,000 for a dependent senior).

Eligible services vary depending on your living situation (private seniors' residence, rental housing, personal home, etc.), and the credit may be reduced based on household composition and family income. Advance payments of the credit can be requested if certain conditions are met.

Find-out more about this advantageous tax credit.

Have work carried out on your residential wastewater treatment systems

If you have work carried out to upgrade residential wastewater treatment systems under an agreement entered into before April 1, 2027, you could claim a tax credit in Quebec. The credit is equivalent to 20% of the portion of eligible expenses exceeding $2,500, up to a maximum of $30,000 (maximum total credit of $5,500), for expenses paid by the individual and their spouse before January 1, 2028.

OTHER ADVICE FOR INDIVIDUALS

Review your estate planning as needed

The estate planning process should be undertaken as soon as possible in order to maximize the tax planning possibilities. The estate

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7 Based on an approximate marginal tax rate of 50%.

8 Interest expenses incurred to invest in a registered account, such as an RRSP or TFSA, are not deductible.

9 An individual is considered to have purchased a first home if neither this individual nor his/her spouse were owner-occupiers of another home during the previous year or the four previous calendar years.

10 The HBP can also be used to buy out an ex-spouse's share of the family home or to acquire a new residence following a separation.

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planning review process is also linked to the personal and family situation of each individual.

In addition to discussing it with your tax advisor, it would also be wise to seek informed guidance from a knowledgeable financial planning professional, including an insurance advisor.

Contribute to a Registered Retirement Savings Plan

You must make your 2026 RRSP contribution by March 1, 2027. However, if you turned 71 in 2026, your contribution must be made by December 31, 2026.

Your RRSP planning should consider your RRSP deduction limit[11] as well as the following, among others:

- You can contribute any amount up to your maximum to your own RRSP, an RRSP set up for your spouse or common-law partner or a combination of both;
- If you are 71 or over, but you have eligible earned income in 2026 and your spouse or common-law partner is under the age of 71 at the beginning of the year, you can still make a spousal contribution to their plan;
- You can make an excess contribution of up to $2,000 without having to pay a penalty. However, it will be important to earn eligible income in the subsequent years to deduct these amounts;
- You can also make a $2,000 gift to your child or grandchild over the age of 18 so that they can make an RRSP contribution. They will be able to deduct this amount once they have earned eligible income;
- You can defer your RRSP contribution deduction if you expect to be in a higher tax bracket in the near future. Alternatively, make the maximum contribution each year, but don't claim the amount as a deduction until a future year when your taxable income is higher;
- If you're required to collapse your plan this year because you've reached age 71 in 2026, consider making an over-contribution in December based on your 2026 earned income (if any). Although you'll be charged a penalty tax for one month, you'll be entitled to an RRSP deduction in 2026;
- If your income is particularly low in 2026, consider making a withdrawal from your registered retirement income fund (RRIF) before the end of the year to avoid losing some deductions or non-refundable tax credits. Similarly, if you are at least 65 years of age, you could claim a pension income credit by purchasing an annuity or RRIF.

If you believe you can benefit from these measures, contact your Raymond Chabot Grant Thornton advisor.

Review your RRSP and other registered plans portfolio composition

Various rules govern the types of investments which may be held in a registered plan and failure to comply with them could prove very costly. For example, you may be contravening these rules if your plan has shares or debt in a public or private company in which you own a significant interest.

If you think you might be at risk, it is strongly recommended that you consult your Raymond Chabot Grant Thornton advisor to determine available options to reduce the negative consequences.

Take advantage of the Registered Education Savings Plan (RESP) and Registered Disability Savings Plan (RDSP)

Based on your personal and family situation, you may be able to make contributions to other registered plans such as the RESP and RDSP. Unlike an RRSP, contributions to these plans are not deductible, but they may give entitlement to substantial government grants in an amount based on the plan contribution and family income.

There is no tax on these grants or on the income earned in such a plan until the amounts are withdrawn. Don't delay investing in these plans so you won't lose your right to grants.

Don't forget to plan a withdrawal strategy for funds held in a RESP before your beneficiary children start post-secondary studies. Sound tax and financial planning helps to optimize the benefits of such a plan.

Don't forget your TFSA

For the year 2026, any individual 18 years of age or older can invest up to $7,000 in a TFSA.[12] Income earned in a TFSA is never taxed, even when it's withdrawn. If you require funds for personal purposes, consider withdrawing the amount from your TFSA. The amount will not be taxed, and you will be able to contribute the same amount to the plan as of January 1 of the year following the one in which the withdrawal was made.

For some individuals, a TFSA may be more beneficial than an RRSP, even though TFSA contributions are not deductible. Your Raymond Chabot Grant Thornton advisor can help you make informed decisions on the right plan for you, based on your personal situation.

Also think about making a donation to your child or grandchild over 18 years of age to invest in their TFSA.

Keep an eye on your instalment requirements

If you are required to make quarterly tax instalments, you should review your expected 2026 tax liability before remitting your final instalment (which is due no later than December 15, 2026). This is particularly important when your salary and your combined income (dividends, interest, capital gains, etc.) vary from year to year, if you received unusual income inclusions last year, or expect increased deductions this year. Be vigilant as the tax authorities charge significant interest on late or deficient instalment payments.

If you discover that you should have been making higher instalments during the year, it is possible to catch up because the tax authorities will generally calculate credit interest on overpayments and apply that against interest deficiencies. Example: If you had to make quarterly tax instalments of $6,000 during the year, no interest should be charged if, instead of making payments of $6,000 each on March 15 and June 15, you paid $12,000 on May 1.

To offset a late instalment payment, you could have your source deductions on a bonus or your RRSP or RRSF increased. If it is

[11] This amount is indicated in your 2025 Federal Notice of Assessment.

[12] Amount indexed annually since 2010 and rounded to the nearest $500. An individual born before 1991 (who was therefore under the age of 18 in 2009) has accumulated rights totalling $109,000 in 2026.

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properly calculated, this increased deduction at source will have the same effect as though the instalments had been paid on time.

Pay your expenses in 2026 and get your receipts

Before the end of the year, you should make certain payments and keep your receipts so that you can claim all of the deductions and credits to which you are entitled for 2026.

In particular, consider:

- Medical expenses paid for you, your spouse or common-law partner, minor children, as well as amounts paid by you or your spouse or common-law partner for another dependant (ask your pharmacist, dentist and specialist to give you your receipts for the year);
- Childcare expenses;
- Investment costs (interest and brokerage fees);
- Moving costs;
- Tuition fees and interest on student loans.

Rental property owners: check the deductibility of your expenses

If you own one or more rental properties, the vehicle expenses you can deduct depend on several factors. Keep your receipts and a log of your travel to enter the kilometres driven regarding this income source.

Furthermore, expenses incurred to earn income from short-term residential property rentals (services such as Airbnb), including interest charges, are not deductible if the property does not meet registration or permit requirements.[13]

Combine your charitable donations

In general, charitable donations over $200 result in tax savings calculated at the highest marginal tax rate. Since donations made by a spouse can be claimed by the other spouse, think about combining your donations if it makes it possible to benefit from a higher tax credit rate.

Plan your return to school

For federal purposes, since 2019, individuals aged from 26 to 65 years can accumulate $250 per year (lifetime maximum of $5,000) in a notional account for the Canada training credit limit account. Individuals can claim a refundable credit equal to 50% of training fees incurred during the year, up to the maximum amount accumulated at the end of the previous year. For example, individuals who accumulate rights since 2019 and have never claimed the training credit can claim a maximum amount of $1,250 in 2026 if they incur eligible training costs of $2,500 during the year.

Consider finding employment in a remote region if you are a recent graduate

In Quebec, new graduates who begin employment in an eligible remote region[14] within 24 months of their graduation date are entitled to a non-refundable tax credit equal to 40% of the eligible salary. This credit is subject to a maximum annual amount of $3,000, with a lifetime limit of $10,000 for individuals with college and university diplomas and $8,000 for new graduates with professional training from a high school.

Avoid the Old Age Pension Security refund

The government requires that Old Age Security payments be refunded when the pensioner's net income for the year exceeds a certain annual threshold, that is, $95,323 in 2026. The full amount of the pension must be refunded when the net income reaches $155,320 ($161,320 for individuals 75 years of age and older). If you have the ability to manage the amount of income you receive in a year, keep these thresholds in mind.

SALES TAX ADVICE

Compliance elections: reporting, periods and methods

The end of the year is a good time to review and optimize your GST/HST and QST practices.

The following could help maximize refunds and increase cash resources:

- If you are engaged in a mix of commercial and exempt activities, take time at the end of the year to review the method used in order to claim your input tax credits (ITC) and input tax refunds (ITR) based on your activities for the year;
- If you are generally in a refund position, you can change your filing frequency to monthly or quarterly to get your refunds earlier. This election must be filed at the beginning of your fiscal year;
- Certain businesses with a threshold amount of $400,000 or less can elect to use the "quick method" to account for GST/HST and QST and lessen their tax burden. Generally, the threshold amount includes taxable supplies, other than supplies of real property and financial services, and applicable taxes. This election must be filed at the beginning of the year;
- Consider reviewing the filing periods for the businesses in the associated group to ensure they are all consistent with current rules and based on the combined Canadian sales volume.

Closely related group

To simplify tax accounting and increase cash flow, some businesses are eligible to make an election with a member of a closely related group to treat supplies of goods or services between the group members as if they were made for no consideration. At year-end, review existing elections to ensure they are still valid and consistent with company practice, particularly if there has been any restructuring during the year. It is also important to consider this question if a unanimous shareholder agreement was introduced as it may alter a corporation's controlling interests.

The form must be filed with the tax authorities no later than the first day where one of the corporations is required to file a GST/HST and QST return for which the election is effective.

[13] Applies to rental properties leased for consecutive periods not exceeding 90 days at the federal level. In Quebec, this restriction applies to residential property located in Quebec and offered as a rental for a period not exceeding 31 days, which does not respect the requirements specified in the *Tourist Accommodation Act* and its regulations. Therefore, the non-compliance of a short-term rental in Quebec is not determined based on the rules governing a municipality or another province.

[14] The regions include Bas-Saint-Laurent, Saguenay-Lac-Saint-Jean, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec, Gaspésie, Îles-de-la-Madeleine, the RMCs of Antoine-Labelle, La Vallée-de-la-Gatineau, Mékinac and Pontiac as well as the agglomeration of La Tuque.

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Employee expense-related advice

Don't forget to adjust for the GST/HST paid on meals, beverages, and entertainment if you claim the total tax throughout the year. Where applicable, this 50% adjustment is made on the return filed in the first reporting period immediately after the fiscal year-end.

GST/HST and QST must also be self-assessed with respect to employee taxable benefits regarding taxable goods and services. The tax must be reported in the return for the reporting period that includes the last day of February of the following year.

Joint ventures

Tax authorities have been applying the joint venture rules more strictly.

Ensure that transactions are processed appropriately by your joint venture since it could be difficult to limit the costs related to a future assessment. It is important to verify that the joint venture agreement is properly evidenced in writing and that the name of the person designated to manage taxes on behalf of all joint venture participants is legally qualified to do so. Note, however, that not all businesses with commercial activities can make the election to designate an individual to manage the taxes.

Don't hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine if your business can make this election.

Management and financial services companies

Generally, financial services are exempt for both GST/HST and QST purposes. However, some financial services supplied to non-residents by a financial institution may be zero-rated.

This is a good time to review your corporate structure to check if various legal provisions could be used by entities in the group to recover the GST/HST and QST payable within a corporate group, particularly if certain members have activities that include the supply of financial services.[15]

It should be noted that the rules in this regard have been significantly amended in recent years.

Businesses in the construction and maintenance of public building and employment and temporary foreign worker recruitment agencies

Businesses in the construction and maintenance of public building sectors must obtain an attestation from Revenu Québec that they must then remit to work providers. Clients of such businesses are required to obtain a copy of the attestation, verify its validity and authenticity in the manner specified to avoid potential penalties.

Employment and temporary foreign workers recruitment agencies must have a valid Revenu Québec attestation to obtain or renew their permit. Clients of such agencies must verify the validity of their permit.

Consider reviewing your internal procedures to ensure that you are in compliance.

GST rebate for residential rental properties

For the construction of rental properties intended for long-term rental, a partial rebate of 36% of the GST is provided for homes valued at $350,000 or less. The rebate declines for homes valued between $350,000 and $450,000. A 36% QST rebate is also available, but the rebate elimination thresholds are $200,000 to $225,000.

Furthermore, certain housing units built specifically for rental purposes are eligible for a full 100% GST rebate, provided that work related to the construction of these new rental housing units began after September 13, 2023, but before 2031.

This measure allows for a full GST refund, regardless of the property's value. Eligible properties include those with at least four private apartments or at least ten private rooms or suites, where 90% of the units are intended for long-term rental and where construction is substantially completed before 2036.

However, several types of rental housing, such as single-family homes, duplexes, triplexes, condominiums, housing cooperatives, and homes located on leased land or in residential trailer parks, are not eligible for this temporary enhanced rebate. Your Raymond Chabot Grant Thornton advisor can help you determine whether these measures apply to your project and assist you in taking the necessary steps to benefit from them.

Imported goods and services

The GST is generally payable at the time of import and collected by the Canada Border Services Agency when the goods are released from customs. A person who imports intangible property or services for use other than exclusively in its commercial activity must self-assess and pay the GST on its net tax return or non-registrant return. A registrant would generally be entitled to ITCs for the GST paid on import for the portion of the property or services used in its commercial activity, based on the usual rules.

Similarly, QST is payable by persons who bring goods into Quebec by self-assessment through their net tax return or the return of a non-registrant. As an exception, QST is not payable when a registrant brings goods or services into Quebec for use exclusively in the course of its commercial activity. A registrant will be entitled to ITRs for the QST paid by self-assessment for the portion of the goods or services used in the registrant's commercial activity under the normal rules.

Non-resident suppliers who make sales of intangible property and services to Canadian residents who are not registrants are required to register for the simplified system and to collect the GST and QST.

As registrants who acquire intangible property or services from foreign suppliers, the end of the year is an opportunity to update your records with these suppliers. In particular, make sure they have your GST and QST registration numbers on hand, so they do not collect GST and QST from you by mistake if they are registered under the simplified system. If such tax was collected in error, you will have to claim a refund from the supplier, as the tax authorities do not refund this tax, nor do they allow ITCs/ITRs in this regard.

Businesses that are not exclusively engaged in commercial activities and that are required to self-assess GST or QST on imported taxable supplies should take advantage of the year-end to review their processes and validate whether the non-resident supplier is registered for the simplified system before proceeding with such self-assessment. Supplies made by a supplier registered in the simplified system are deemed to be made in Canada and are, therefore, not subject to the imported taxable supply rule.

[15] Including, for example, receiving dividends or interest.

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Application of the rules on deemed taxable supplies to pension plans

In certain cases, a registered participating employer that incurs expenses or uses resources (for example, for the administration, management or operations of a pension plan) may be deemed to have made a taxable supply to the plan and to have collected GST and QST on the last day of its fiscal year, even if no invoice has been issued. In such cases, the deemed taxes collected must be reported and remitted within the reporting period that includes the last day of the employer's fiscal year. The employer must also provide the pension plan, in the prescribed form and manner, with the information necessary to identify the resources in question and determine the amounts of deemed taxes collected.

Certain exceptions apply, and relief measures may also help to limit the impact on the plan sponsor and the pension plan. The end of the fiscal year provides an opportunity to review these rules and update procedures, both for the employer and for the pension plan, which may be entitled to refunds for taxes paid and deemed to have been paid.

Other sales taxes and international transactions

Tax registration and collection may be required, regardless of whether you have a permanent establishment in the jurisdiction.

If you have clients in Manitoba, Saskatchewan, British Columbia or abroad, check if you are required to register for sales taxes in these various jurisdictions. Registration requirements have been expanded in Manitoba, Saskatchewan and British Columbia for businesses that do not have a presence in these provinces.

E-commerce

If you work in e-commerce and have sales abroad or in western Canada, it may also be time to review your processes and structures in light of the OECD recommendations and global changes with respect to local regulations on the application and collection of sales taxes. For example, new rules have been implemented in the United States for online sales platforms that sell on behalf of third-party suppliers.

Economic nexus for U.S. tax purposes

If you do business in the United States, you could be required to collect state sales tax even if your company does not have a permanent establishment in the state in question. Indeed, the concept of commercial presence (known as economic nexus) is far more encompassing for U.S. sales tax purposes than it is for corporate tax. Economic nexus creates a compliance obligation for non-residents when they reach certain economic thresholds in a state, for example, $100,000 in sales or 200 distinct transactions during the year. When that threshold is reached, the corporation may be required to register for sales tax in that state. As the thresholds and inclusions for calculating an economic nexus vary from state to state, a case-by-case analysis is usually required.

Sales made in the European Union

As with sales carried out in the U.S., you must also take into consideration the rules regarding value-added tax (VAT) on sales made in the European Union (EU). Under these rules, you may be required to apply VAT to goods and services sold in Canada to EU member states from the first euro invoiced.

If you do business in the EU, the U.S. or elsewhere in Canada, your Raymond Chabot Grant Thornton advisor can help you in determining your obligations regarding collecting and remitting the various sales taxes.

Not-for-profit organizations

Not-for-profit organizations (NPOs) are responsible for determining annually whether they can take advantage of partial rebates offered to eligible NPOs for sales taxes paid in the course of their exempt activities.[16] To qualify for rebates, an NPO must receive at least 40% of its revenue for the current fiscal year or the previous two fiscal years from government funding.

In practice, the partial sales tax rebates are requested using Form FP-2066 *GST/HST and QST Public Service Bodies' Rebate Application*, which must be produced:

- As per the NPOs reporting period if the NPO is a sales tax registrant (the QST number ends in TQ0001);
- On a quarterly basis if the NPO is registered for the purposes of partial rebates only (the QST number ends in DQ0001 and not TQ0001).

As a result, if an NPO demonstrates its eligibility at the end of its first reporting period, it will be necessary to file a FP-2066 form to apply for partial rebates for each tax returns reporting period.[17]

Please do not hesitate to contact your Raymond Chabot Grant Thornton advisor to discuss any of the measures described herein.

For additional information, visit our website: rcgt.com.

[16] Form FP-523, *Non-Profit Organizations – Government Funding,* allows NPOs to demonstrate their eligibility for such rebates. The form must be filed once a year, at the end of each reporting period during which the eligible NPO applied for partial rebates.

[17] Or two FP-2066 forms in the case of a half-yearly reporting period.

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