Raymond Chabot Grant Thornton

Federal Budget 2026: A Federal "Quiet Revolution" to Stimulate Growth

Tax bulletin

November 5, 2026

This second budget by the Minister of Finance and National Revenue, the Honourable François-Philippe Champagne, is presented as a "nation-building plan". Under the theme *Masters of our destiny*, this budget plan seeks to strengthen Canada's economic sovereignty in a context marked by protectionism, geopolitical rivalries and rapid technological change. Its challenge: to **create an "investment supercycle"** by focusing on productivity, entrepreneurship, innovation, energy and major projects.

The government also says it wants to curb spending growth, balance its operating budget in 2027-2028 and keep the deficit-to-GDP ratio on a downward path. However, this announced discipline coexists with substantial investments to stimulate the economy, diversify trade and improve the competitiveness of Canadian businesses.

Future budgets that will remain in the dark red... but no recession on the horizon

After a record deficit of $78.3 billion projected in last year's budget for the year 2025-2026, the result is now estimated at $39.3 billion. This significant reduction is attributable to a higher-than-expected increase in government revenues. In addition, according to the government, "over the next six fiscal years, the deficit is expected to decrease by $34 billion compared to previous projections."

For the current year, **2026-2027**, the government is projecting a **deficit of $62.3 billion,** then $62.5 billion in 2027-2028. The deficit would then gradually decrease to $53.4 billion in 2029-2030 and $52.9 billion in 2030-2031. The deficit-to-GDP ratio is projected to decline over the planning period, from 1.8 per cent in 2026-2027 to 1.3 per cent in 2030-2031. The budget argues that this trajectory makes it possible to finance capital investments while preserving the country's financial fundamentals. It sets two targets: to balance current operating expenditures and revenues in 2027-2028, and then to maintain a declining deficit-to-GDP ratio.

The budget also forecasts an increase in the growth outlook of 1.7% from 2027, 2% in 2028, 2% in 2029 and 1.9% in 2030. This growth in the economy would result from a greater increase in business investment. So, no recession on the radar, in the medium term.

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Major economic measures for investment and strategic sectors...

The budget puts businesses at the centre of its growth strategy. Some of the most important economic and sectoral measures include:

- The creation of the **Canada Strong Fund**, a national sovereign wealth fund with initial funding of **$25 billion over three years**, which will invest alongside institutional and private investors in major projects and businesses of strategic importance.
- The **National Electricity Strategy,** supported by more than **$50 billion** in Budget 2026 investments to expand Canada's electricity grid, support clean technology, attract private capital, and help double grid capacity by 2050.
- Targeted measures for natural resources and sectors exposed to trade tensions, including **critical minerals** (over **$2 billion**) and the **forest sector ($6.5 billion over six years)**, to transform Canada's forest sector by strengthening fibre supply, modernizing facilities and boosting productivity, as well as supporting new large-scale projects and major transformations of existing facilities, including biorefineries, biofuels plants and other innovative forest products production facilities), the **automotive** and **steel** sectors, as well as tailored regional support for businesses.
- Initiatives to accelerate major projects, diversify export markets and modernize Canada's trade finance tools.

… and tax measures to boost productivity, entrepreneurship and innovation

On the tax front, there is a lack of incentives for Canadian small businesses, to give them a real boost. Above all, the government is proposing several incentives to reduce the cost of new investments and encourage the growth of larger companies. Key measures include:

- The **Productivity Mega Deduction,** whose financial cost is estimated at **$36 billion over five years** starting in 2026-2027, which would allow businesses to deduct the full cost of certain new investments and would **bring the effective marginal tax rate on new investments to 6.4%**.
- The **Canada Growth Incentive**, which would exempt from tax up to **$15 million of capital gains** realized on the sale of qualified shares, and would relax the rollover deferral of investments reinvested in eligible Canadian businesses, to encourage entrepreneurs and investors to recycle their gains into new growth businesses.
- Expanding the **Scientific Research and Experimental Development (SR&ED) program** with an investment of **$930 million** to expand the SR&ED tax incentive program to include certain commercialization-related expenditures, helping Canadian businesses develop new products and technologies and bring them to market.

In short, Budget 2026 is a strong focus on private investment, strategic infrastructure and tax incentives to raise productivity and strengthen Canada's economic self-sufficiency. The success of this approach will now depend on the speed of implementation of measures, the ability to mobilize private capital, and the evolution of a still uncertain global trade environment.

For more information on the tax measures announced in this budget, visit the following pages.

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BUSINESSES

	CURRENT MEASURES	PROPOSED ACTIONS
Taxable Preferred Shares (Part VI.1 Tax)		
Exemption for Canadian-controlled private corporations	▪ A special tax (the Part VI.1 tax) applies to dividends paid on taxable preferred shares ▪ Part VI.1 tax can be deducted from the corporation's income tax	▪ Canadian-controlled private corporations now exempt from Part VI.1 tax – The dividends they pay will be subtracted from this tax ▪ Applicable to dividends paid on or after November 5, 2026
Increase in the Dividend Exemption	▪ Part VI.1 tax applies only to dividends that exceed an exemption threshold of $500,000 ▪ The threshold is reduced when dividends paid in the previous calendar year exceed $1 million	▪ Exemption threshold increased to $1.5 million – Threshold reduced when dividends paid in the previous calendar year exceed $3 million ▪ Applicable to taxation years ending after 2026
Scientific Research and Experimental Development (SR&ED) Tax Incentive Program		
Expansion of activities recognized for eligible expenditures	▪ Qualified activities limited to strict SR&ED – Work undertaken beyond the experimental development stage is generally not eligible	▪ Addition of activities necessary to meet regulatory requirements to obtain initial registration or certification for the commercialization of a product or process resulting from SR&ED ▪ Addition of expenditures incurred in Canada related to the registration and maintenance of intellectual property (IP) protection for IP created during the execution of an eligible project, where the activities fall within the scope of the SR&ED program – Possible recovery on disposal of IP assets ▪ Applicable to taxation years beginning on or after November 5, 2026
Helium-related exploration, development and resource costs		
Expansion of the CEE, CDE and COGPE regime to helium resources	▪ Expenses related to the exploration and development of oil and gas resources that are deductible, as the case may be, as: – Canadian exploration expense (CEE): 100% – Canadian development expense (CDE): 30% (100% based on the Productivity Mega Deduction measure announced on September 15, 2026) – Canadian oil and gas property expense (COGPE): 10%	▪ Addition of helium-related exploration and development expenditures as eligible expenditures under CEE, CDE and COGPE ▪ Applicable to expenses incurred on or after November 5, 2026

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Clean Electricity and Clean Technology Investment Tax Credits		
Extension of the eligibility period	▪ Refundable tax credits up to: – 15% for clean electricity – 30% for clean technology (15% in 2034) ▪ Credits for property acquired before 2035	▪ Extension of the eligibility period for property acquired before 2041 ▪ For clean technologies, the credit rate will be reduced to 15% in 2040
Expansion of eligible property for the clean electricity credit	▪ Intraprovincial electricity transmission property not eligible for the credit	▪ Expansion to include high-voltage intra-provincial electricity transmission property – Minimum voltage requirement differs by province or territory ▪ Applicable to property acquired on or after November 5, 2026
Canadian Journalism Labour Tax Credit		
Expansion to audio and audiovisual news	▪ Refundable tax credit on salaries or wages paid to eligible newsroom employees ▪ Applicable to the production of original written news content	▪ Extension of the credit to the production of audio and audiovisual news ▪ Applicable to eligible labour expenditures incurred on or after November 5, 2026
Extension of the enhanced credit rate	▪ Credit rate increased from 25% to 35% until December 31, 2026	▪ Enhanced credit rate extended until December 31, 2028
Interest Deductibility Restrictions (EIFEL)		
Expansion of the exception for expenses incurred for the acquisition or construction of housing specifically for rental purposes in Canada	▪ Exception for expenditures incurred by the taxpayer to acquire or construct qualifying housing units	▪ Eligible activities may be carried out by: – Another corporation, trust, or partnership that is part of the same affiliated group – A partnership that is at least 40% owned by the borrower and its affiliates
Expansion of the Regulated Energy Utility Business (REUB) Exception	▪ The definition of REUB is limited to cases where the price of goods and services is set or approved by a government entity	▪ Definition expanded to include cases where prices are: – Established, approved or guaranteed by the government, including sales to Crown corporations – Established through a government-operated marketplace that facilitates delivery for consumption or use in Canada
Application		▪ Applicable to taxation years that began on or after October 1, 2023

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BUSINESSES

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Corporations Tax Elections		
Elimination of requirements to provide a resolution or authorization with an election or agreement	▪ Requirement to provide a certified copy of a resolution of the directors or an authorization of the person authorized to administer the affairs for, among other things, the following elections and agreements: – Capital dividends – Transfers of the tax liability on certain taxable dividends – Transfers of SR&ED expenditures – Allocation of SR&ED salaries and wages	▪ Removal of the requirement to provide a certified copy of a resolution or authorization for the relevant elections or agreements ▪ Applicable to elections made or agreements entered into on or after the enactment of the enabling statute
Instalments		
Threshold increase	▪ Corporations required to make instalment payments unless the current or previous year's tax is $3,000 or less	▪ Threshold increased to $7,500 – Indexed annually ▪ Applicable to taxation years beginning on or after January 1, 2028
Transfer of losses between corporations		
Consultation on the Establishment of a Loss Transfer Mechanism	▪ Transfer of losses between corporations are generally not permitted outside of certain specified transactions, including: – Merger – Liquidation – Intra-group financing	▪ Establishment of a mechanism allowing the transfer of non-capital losses between corporations in the same group ▪ Consultation until January 8, 2027 to seek feedback on the potential introduction of such a measure

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INDIVIDUALS

	CURRENT MEASURES	PROPOSED ACTIONS
Canada Groceries and Essentials Benefit		
Adding an additional one-time payment	▪ Allowance paid to any individual who is at least 19 years of age (or under 19 years of age who is married or a parent of a child), in equal quarterly payments in July, October, January and April ▪ Maximum annual amount for the period from July 2026 to June 2027: – Adult: $445 – Child: $234 ▪ Maximum supplements – Single parent: 445 $ – Single: $234 ▪ Allowance reduced based on net income	▪ Provision of a one-time top-up payment to eligible individuals in early 2027 of up to: – Adult: $223 – Child: $117 – Single parent: 223 $ – Single: $117
Deadlines for filing T1 tax returns and paying the balance of taxes		
Modification and standardization of filing and payment deadlines	▪ Deadline for payment of the balance of tax: – April 30 ▪ T1 tax filing deadline: – April 30 – June 15 for self-employed workers and their spouses	▪ Introduction of a single deadline for filing T1 income tax returns and paying the balance of taxes for all individuals – May 15 ▪ Applicable from the 2027 taxation year
Instalments		
Threshold increase	▪ Requirement to make instalment payments if the net tax for the current year and any of the two preceding years exceeds $3,000 ($1,800 for a Quebec resident)	▪ Threshold increased to $7,500 ($4,500 for a Quebec resident) – Indexed annually ▪ Applicable from the 2028 taxation year
Change to the timing of payments for individuals with business income	▪ Individuals whose main source of income is from farming or fishing are permitted to make a single instalment payment, equal to two-thirds of their net tax, no later than December 31	▪ Extension of the measure to individuals whose main source of income is a business (including professional or commission income) ▪ Applicable from the 2028 taxation year
Capital gains exemption under the Canada Growth Incentive		
Introduction of a new capital gains exemption on the disposition of qualified shares	▪ The Lifetime Capital Gains Exemption (LCGE) exempts capital gains from the disposition of qualified small business corporation shares (QSBCS) and certain farm and fishing property, up to the applicable limit for the year ($1,275,000 in 2026)	▪ Introduction of a new tax exemption on capital gains realized on the disposition of eligible shares of an eligible corporation, up to a maximum of $15 million – Limit applicable per individual, for each eligible business ▪ Limitations on the ability to claim this exemption and the LCGE in respect of the sale of shares of the same corporation ▪ Applicable to shares issued on or after November 5, 2026 and before 2037
Eligible individual		▪ Individual other than a trust, at least 18 years of age at the time of acquisition of the eligible share

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Eligible share *Eligible Corporation*		▪ Share issued: – by an eligible corporation to the eligible individual or a partnership of which the individual is a member – in exchange for money or services provided to the corporation in the course of employment ▪ The share must be held by the individual (or by the partnership of which the individual is a member) for a minimum period of 36 consecutive months immediately preceding the disposition ▪ At the time of issuance of the share, the corporation is a Canadian-controlled private corporation and, at the time of disposition, the corporation is resident in Canada and is either a private corporation or a publicly traded corporation in Canada ▪ Immediately before and after the issuance of the share, the total book value of the assets of the corporation and related corporations does not exceed $100 million ▪ The corporation must meet the various tests of asset used in an eligible active business
Eligible business		▪ Active business, excluding: – A business providing advisory services or whose main asset is the reputation or competence of one or more employees – A professional practice (accountant, lawyer, notary, doctor or other health professional, engineer or architect) – A business operating in agriculture, fishing, forestry, mining, financial services, insurance, utilities, real estate, food and accommodation, arts, recreation or entertainment – A company operating under a licence or franchise agreement
Canada Caregiver Credit		
Refundability of the credit	▪ Non-refundable tax credit available to individuals supporting a relative with a physical or mental impairment – The amount granted varies according to the relationship with the person being cared for and is reduced according to the person's net income	▪ Tax credit converted to refundable credit ▪ Applicable from the 2027 taxation year

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	CURRENT MEASURES	PROPOSED ACTIONS
Mineral Exploration Tax Credit and Critical Mineral Exploration Tax Credit		
Tax credits for flow-through share holders extended	▪ Two non-refundable tax credits available in respect of renounced expenditures to flow-through share holders: – Tax credit equal to 15% of mineral exploration expenses made in Canada – Tax credit equal to 30% of critical mineral exploration expenditures made in Canada ▪ Applicable to agreements entered into before April 1, 2027	▪ Credit eligibility period extended for flow-through share agreements entered into before April 1, 2032
Addition of Mineral Resources Eligible for the Critical Mineral Exploration Tax Credit	▪ Tax credit for certain mineral exploration expenses	▪ Addition of antimony as a new eligible mineral ▪ Applicable to flow-through share agreements entered into after November 5, 2026 and before April 1, 2032
Rollover deferral of small business investments		
Changes to the incentive	▪ Incentive to defer the taxation of capital gains arising from a qualifying disposition of eligible small business corporation shares to the extent that the proceeds of disposition are used to acquire replacement shares	▪ Various amendments applicable to eligible dispositions that occur on or after January 1, 2027
Extension of period to acquire replacement shares	▪ Replacement shares must be acquired in the year in which the disposition occurs or in the following calendar year	▪ Extended to the next three calendar years ▪ Possibility of extending up to two more years (five years in total) if a qualifying agreement is entered into with an eligible small business corporation
Reduction of the active operating requirement threshold of the business	▪ The corporation must meet a threshold of 90% or more of the FMV of the property in the active carrying on of the business throughout the period of ownership of the shares	▪ Threshold reduced to 50% or more throughout the holding period of the shares ▪ 90% threshold applicable at the time of issuance of the shares and at the time of their disposition
Modification of the activity criterion in Canada	▪ The business must be carried on primarily in Canada for two years (or during the holding period of the shares if less than two years)	▪ Canadian activity criterion must be satisfied at the time of issuance of the shares and over a continuous period from that time
Canada Workers Benefit (CWB)		
Phasing out the CWB advance	▪ Individuals who receive CWB for the previous taxation year are automatically entitled to an advance equal to 50% of the previous year's CWB for the current year – No obligation to repay if the allowance calculated at the end of the year is less than the advance	▪ CWB to be renamed "Build Canada Workers Benefit" ▪ For 2027, the advance will increase to 25% of the 2026 allocation and will be eliminated starting in 2028

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	CURRENT MEASURES	PROPOSED ACTIONS
Enhancement of the allowance	▪ Allowance available in respect of each dollar of working income earned above the applicable progression threshold: – $1,150 for persons with disabilities – $3,000 for other cases ▪ Maximum allocation planned for 2027: – $1,709 for single individuals – $2,943 for families ▪ Allowance reduced of $0.15 for each dollar of net income in excess of: – $28,104 for single individuals – $32,064 for families	▪ Progression threshold reduced as follows: – $200 for people with disabilities – $500 for other cases ▪ Maximum allocation increased as follows for 2027: – $1,859 for single individuals – $3,143 for families ▪ Threshold for the gradual reduction of the allowance reduced as follows: – $27,104 for single individuals – $30,731 for families ▪ Applicable from the 2027 taxation year – Amounts indexed annually starting in 2028
Scholarship and fellowship income		
Removal of the requirement not to receive assistance from an arm's length person for the purposes of the exemption	▪ Students cannot claim a total or partial exemption of scholarship income if they receive assistance from an arm's length person, such as an employer, for their program of study	▪ Students will be able to claim an exemption even if they receive arm's length assistance for their program ▪ Applicable from the 2027 taxation year
Deductibility of expenses against commission income		
Accumulation of different deductions	▪ A commission employee can deduct either of the following two types of expenses: – Employment expenses, up to commission income – Travel expenses (like any type of employee)	▪ A commission employee will be able to deduct travel and other employment expenses, up to the amount of the commissions ▪ Applicable from the 2027 taxation year
Deductibility of expenses of employed artists		
Increase in the deduction limit	▪ Artists may deduct from their employment income expenses incurred for specified arts expenses, up to the lesser of: – $1,000 – 20% of employment income	▪ New limit equal to the amount of employment income from specified artistic activities (with no further limit) ▪ Applicable from the 2027 taxation year

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	CURRENT MEASURES	PROPOSED ACTIONS
Apprentice Vehicle Mechanics' Tools Deduction		
Redesign of the deduction	▪ Apprentice vehicle mechanics can claim the tradesperson's tooling deduction on the cost of their tools and the apprentice vehicle mechanics' tooling deduction in respect of the exceptional portion of the cost of their tools ▪ The exceptional portion of the cost of new tools eligible for this deduction is the cost of the tools minus the greater of: – The sum of the maximum amount of the deduction for tradespeople's tool expenses ($1,000) and the Canada Employment Credit amount ($1,501 in 2026) – 5% of the apprenticeship's internship income	▪ Apprentice vehicle mechanics now permitted to deduct all of their eligible expenses under the apprentice vehicle mechanics' tooling deduction – Deduction equal to the total cost of the eligible new tools minus the Canada Employment Credit amount – Tools are no longer eligible for the tradesperson's tool deduction ▪ Applicable from the 2027 taxation year
Medical Expense Tax Credit and Disability Supports Deduction		
Relief from supporting documentation requirements	▪ Prescriptions are often required to qualify for these measures	▪ For certain expenses, such as insulin and infusion pumps, the requirement for a prescription will be removed or replaced with a medical condition certificate ▪ Applicable from the 2026 taxation year
Optional fixed amounts for certain deductions and tax credits		
Optional fixed amounts with no receipt requirements	▪ Deductions and tax credits based on actual expenses – Mandatory receipt retention	▪ Introducing optional fixed amounts of expenses without the requirement to keep receipts ▪ Moving expenses: $1,000 ▪ Clergy Residence: $1,000 per eligible month ▪ Labour Mobility for Tradespeople: $1,500 ▪ Home Accessibility Tax Credit: $1,000 (a single lifetime fixed amount) ▪ Adoption Expense Tax Credit: $1,200 per adopted child ▪ Categories of expenses for the purposes of the Medical Expense Tax Credit – Gluten-free food products: $1,000 – Incontinence Products: $500 – Annual service dog fee: $2,000 ▪ Various applicable conditions, including spousal splitting and income-based limits (if provided) remain applicable ▪ Applicable from the 2027 taxation year – Year 2026 for the measure on gluten-free food products

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	CURRENT MEASURES	PROPOSED ACTIONS
Northern Residents Deductions		
Removal of restrictions on residency and travel deductions	▪ Deductions for individuals living in an eligible remote area in Canada's North are based on two components: residency and travel ▪ Residency deduction restrictions: – Reduced based on tax-free benefits for board and lodging at a specific project in the North – Limited to 20% of net income ▪ Deduction for a particular trip equal to the lesser of: – Travel expenses incurred – The cost of the cheapest round-trip airfare to the nearest designated city – The amount of travel benefits or the $1,200 lump sum portion	▪ Elimination of the two residency deduction restrictions ▪ Elimination of the third limit related to the deduction for a trip that is based on benefits or a lump sum portion of $1,200 ▪ Applicable from the 2027 taxation year
Intergenerational transfer of assets for farming or fishing businesses		
Widening the rollover	▪ Capital gains tax deferral in respect of certain transfers of farm or fishing property from a taxpayer to the taxpayer's child or to the child of the taxpayer's spouse or common-law partner (including a grandchild or great-grandchild)	▪ Rollover measure extended to transfers made to the following persons: – Nephew or niece – Great-nephew or great-niece – Spouse or common-law partner of these persons ▪ Applicable to transfers made on or after January 1, 2027
Registered Disability Savings Plan (RDSP)		
Permanent introduction of the measure for eligible family members	▪ Temporary measure allowing an eligible family member (parent, spouse, siblings) to open an RDSP and be a holder of the plan when the beneficiary does not have a legal representative	▪ Measure introduced on a permanent basis

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COMMODITY TAXES AND OTHER MEASURES

	CURRENT MEASURES	PROPOSED ACTIONS
Health-related measures for GST/HST purposes		
Exemption for massage therapy services	▪ Services taxable	▪ Exempt services when the massage therapist is licensed (if required in their province) or possesses equivalent qualifications to those required to obtain a licence in another province
Zero-rating of alternating electric field therapy devices	▪ Medical devices eligible for zero-rating are those listed in the legislation	▪ Addition of alternating electric field therapy devices for cancer treatment to zero-rated devices
Application		▪ Applicable to qualifying supplies made after November 5, 2026
Pre-approval of methods for allocating GST/HST input tax credits for financial institutions		
Changing the frequency of approval	▪ Financial institutions are required to obtain annual approval of their method of allocating inputs between taxable and exempt supplies	▪ Approval may be made for three consecutive financial years subject to acceptance by the Minister ▪ Applicable to fiscal years beginning after June 30, 2027
Taxable Canadian Property (TCP)		
Reduction of non-resident withholding tax amounts on the disposition of TCP by a corporation	▪ A purchaser who acquires TCP from a non-resident person is required to withhold a portion of the purchase price of the property, calculated as follows depending on the type of property: – Eligible TCP: 50% of the purchase price – Other type of TCP: 25% of the purchase price	▪ Withholding rate reduced from the purchaser as follows where the vendor is a corporation: – Specified TCP: 30% of the purchase price – Other type of TCP: 15% of the purchase price
	▪ The withholding obligation does not apply if the vendor obtains a clearance certificate and remits an amount to the CRA, depending on the type of property sold: – Eligible TCP: 25% of realized capital gain – Other TCP type: any amount that the CRA considers reasonable	▪ Tax remittance from the vendor (corporation) for the issuance of a clearance certificate reduced as follows: – Eligible TCP: 15% of realized capital gain – Other type of BCI: no change
Tax rollover exemption	▪ Withholding and remittance requirements applicable in the event of a tax rollover	▪ No withholding (purchasers) or remittance tax (vendors) requirements for TCP rollovers under section 85 of *the Income Tax Act*, if the election form is filed within 30 days of the disposition and a notice is filed with the CRA to that effect
Application		▪ Measures applicable to dispositions made on or after 1 January 2027

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COMMODITY TAXES AND OTHER MEASURES

	CURRENT MEASURES	PROPOSED ACTIONS
Distributions from non-resident trusts		
Expansion of the prohibition on rollover transfers	▪ With some exceptions, a trust is prohibited from transferring property on a rollover basis to a non-resident beneficiary	▪ Prohibition extended to distributions to a corporation or partnership of which a non-resident is a shareholder (or partner) directly or indirectly ▪ Applicable to distributions of property occurring on or after November 5, 2026
Objections to Assessments		
Change in time limits	▪ Time limit for making an objection to an assessment: – Individuals and graduated rate estates, whichever is later: • 90th day after the date the assessment is sent • The day that is one year after the tax return filing due date – Other: • 90th day after the date the assessment is sent ▪ Possibility of applying for an extension of the deadline within one year of the deadline	▪ Modification of the time limit for filing an opposition: – Individuals and graduated rate estates, whichever is later: • One year after the date the assessment is sent • The day that is two years after the tax return filing due date – Other: • One year after the date the assessment is sent ▪ Withdrawal of the possibility of requesting an extension of time ▪ Applicable to notices of assessment issued on or after three months after the day on which the enabling legislation receives royal assent
Administrative penalties		
Increase, calibration and indexation of fixed-amount penalties	▪ Various fixed-amount administrative penalties under *the Income Tax Act*, the *GST/HST Act,* and other similar tax legislation	▪ Increase in the majority of fixed-amount penalties, then indexing the amounts every five years ▪ The amount of certain penalties will now be adjusted according to the size of the taxpayer concerned
Penalties for repeated defects	▪ Penalties application for repeated failure to file a tax return	▪ New penalties applicable to the following repeated defects: – Failure to file a form – Failure to comply with certain obligations
Application		▪ Measures applicable to taxation years ending after 2027
Foreign Income Verification Statement – Form T1135		
Increase in production thresholds	▪ Filing requirement when a taxpayer holds specified foreign property with a total cost of more than $100,000 at any time in the year – Simplified reporting method when the total cost is less than $250,000 throughout the year	▪ The threshold above which Form T1135 must be filed is increased to $200,000 – Eligibility threshold for simplified filing increased to $500,000 ▪ Applicable to taxation years ending after 2026

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COMMODITY TAXES AND OTHER MEASURES

	CURRENT MEASURES	PROPOSED ACTIONS
Registered Pension Plans (RPPs)		
Revocation of RPP Registration	▪ The tax consequences of the withdrawal of the registration are not fully specified	▪ When a registration is revoked: – Special tax equal to 10% of the FMV of property of the RPP, subject to cancellation by the CRA – Plan deemed to become a retirement compensation arrangement – An amount equal to the FMV of the RPP property (net of any taxes on withdrawal) deemed to be a contribution to the RCA subject to a 50% refundable tax ▪ Applicable to revocations of authorisation occurring after 2026
Expansion of Individual Pension Plan (IPP) status	▪ An IPP is a defined benefit RPP with fewer than 4 members, at least one of whom is related to an employer that participates in the plan	▪ Expansion of the definition to include defined benefit RPPs where all members are related to a participating employer ▪ Applicable from 1 January 2027
Prohibited distributions and other anti-avoidance rules	▪ Several anti-avoidance rules apply to registered plans, such as TFSAs, RRSPs and RRIFs regarding: – Advantages rules – Prohibited investments – Non-qualified investments	▪ The same rules will now apply to IPPs ▪ Applicable from 1 January 2028 with transitional rules for investments acquired before 2028
Extension of the excessive surplus rule	▪ When an RPP's assets exceed 125% of its pension liabilities, employers must stop making contributions	▪ In addition to the current rules, an IPP may be redeemed if the assets exceed 200% of the pension liabilities ▪ Applicable from 1 January 2028
Excess Corporate Holdings Regime for private foundations		
Replacement of the Excess Corporate Holdings Regime	▪ Prohibition on private foundations acquiring more than 20% of a class of shares of any corporation, in combination with an "interested person" (usually a non-arm's length person)	▪ Elimination of the Excess Corporate Holdings Regime ▪ Rules that prevent a public foundation from acquiring control of a corporation are extended to private foundations ▪ Applicable to taxation years beginning on or after January 1, 2027

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