Budget 2026 - Tax Highlights

Federal Budget 2026 introduces a wide range of tax measures affecting businesses, individuals, and trusts. While it does not propose changes to the general personal or corporate income tax rates, many of the measures could have important tax and planning implications.

Corporate and Business Tax Changes

Productivity Mega Deduction: major expansion of immediate expensing

Businesses of all sizes will be able to immediately deduct the full cost of a much broader range of eligible capital investments. More than 65% of business investment is expected to qualify, compared with roughly 15% previously. The measure applies to eligible investments acquired on or after September 15, 2026 and is intended to be permanent.

The potentially qualifying assets are broad and include machinery and equipment, computers, software, R&D property, certain buildings used in farming and fishing, aircraft, vessels, heavy trucks, rail infrastructure and various medical, dental, hospitality, construction and manufacturing equipment. Certain long-lived buildings and intangibles, passenger vehicles and other specifically excluded assets would remain outside the immediate-expensing regime.

Businesses contemplating significant equipment, technology or other capital expenditures should consider the timing of acquisitions and when property becomes available for use.

New $15 million Canada Growth Incentive capital gains exemption

Budget 2026 proposes a new capital gains exemption of up to $15 million per qualifying individual, per qualifying business, on qualifying shares issued on or after Budget Day and before 2037. This could be particularly significant for founders, early employees and investors.

There are substantial eligibility requirements. Among other things:

- the shares generally must originally be issued by a CCPC;
- the corporation and related corporations must have no more than $100 million of assets when the shares are issued;
- the shares generally must be held for at least 36 months;
- the underlying business must meet Canadian active-business requirements; and
- certain businesses are excluded, including professional practices, consulting, real estate, financial and insurance businesses and several other sectors.

A qualifying individual would not be able to claim both the Canada Growth Incentive exemption and the Lifetime Capital Gains Exemption in respect of shares of the same corporation. Additional rules are also contemplated to prevent inappropriate multiplication of, or access to, the new exemption.

The new exemption could become an important structuring consideration for qualifying Canadian growth businesses and their shareholders, particularly when new shares are issued, given the detailed eligibility and holding-period requirements.

Improved small-business capital gains rollover

The existing rollover allowing an individual to defer a capital gain when proceeds from qualifying small-business shares are reinvested would be significantly expanded. The replacement period would increase to the year of disposition plus the following three calendar years, with potentially up to five years where a qualifying future-equity arrangement such as a SAFE is used.

The active-business asset test during the holding period would also be relaxed from "all or substantially all" to "primarily." The amendments would apply to qualifying dispositions occurring on or after January 1, 2027.

SR&ED broadened to commercialization activities

The SR&ED program would expand beyond traditional R&D to include specified commercialization expenditures, including:

- testing, validation and studies needed for initial regulatory approval or certification; and
- certain costs of establishing and maintaining intellectual property protection relating to SR&ED activities.

The changes would apply to taxation years beginning on or after Budget Day.

Technology, life-sciences and other innovation clients should consider whether expenditures incurred in moving technology toward commercialization may qualify under the expanded rules.

Corporate group loss transfers

The government is consulting on a new system that would permit current-year non-capital losses to be transferred between certain wholly owned Canadian corporations, including transfers between a parent and wholly owned subsidiary or between subsidiaries wholly owned by the same parent.

The proposed regime would initially be relatively restrictive, including requirements concerning the corporations' provincial permanent establishments.

The proposed mechanism would operate through a joint election by the loss corporation and the recipient corporation. The recipient corporation would deduct the elected amount in computing income for the year, with a corresponding reduction in the loss corporation's non-capital loss. Importantly, any transferred amount that is not deducted by the recipient corporation in that taxation year would not be available for carryforward or carryback.

The Budget is still consulting on the design, including measures needed to address tax-integrity concerns arising from the creation or duplication of tax attributes within corporate groups.

If implemented, the regime could simplify the use of current-year losses within qualifying corporate groups, but careful consideration would be required in determining the amount transferred because an unused transferred loss could be permanently lost.

Taxable preferred share rules relaxed

Budget 2026 proposes to:

- exempt dividends paid by CCPCs from the Part VI.1 taxable preferred share regime;
- increase the annual dividend allowance from $500,000 to $1.5 million; and
- increase the threshold at which the dividend allowance begins to disappear from $1 million to $3 million.

EIFEL relief broadened

The proposed EIFEL exceptions for purpose-built rental housing and regulated energy utility businesses would be expanded to accommodate indirect financing within affiliated groups, rather than requiring the borrower itself to undertake the qualifying activity.

Clean Technology and Clean Electricity Investment Tax Credits

Budget 2026 proposes to extend the Clean Technology Investment Tax Credit and Clean Electricity Investment Tax Credit to eligible property that becomes available for use before 2041, providing a longer period for businesses to benefit from these clean-economy incentives.

The Clean Electricity Investment Tax Credit would also be expanded to include qualifying high-voltage intra-provincial electricity transmission property acquired on or after Budget Day. Eligible property could include certain transmission lines, substations, cables, towers and transformers that meet prescribed voltage requirements. Buildings, electricity distribution equipment and certain international transmission property would generally be excluded.

The changes extend the availability of the clean-economy investment tax credits and broaden the Clean Electricity Investment Tax Credit to support significant new investment in high-voltage electricity transmission infrastructure within provinces.

Helium exploration and development expenses

Budget 2026 proposes to extend the existing tax treatment for petroleum and natural gas resource expenditures to helium exploration and development. Qualifying helium exploration expenses would be treated as Canadian exploration expenses (CEE), while qualifying development expenses would be treated as Canadian development expenses (CDE). Costs incurred to acquire helium resource properties would generally qualify as Canadian oil and gas property expenses (COGPE).

This would generally provide a 100% deduction for qualifying CEE. In addition, the proposed Productivity Mega Deduction would increase the deduction rate for CDE from 30% to 100%. COGPE would generally remain deductible at 10% per year. The changes would apply to expenses incurred on or after Budget Day.

Businesses engaged in helium exploration and development would receive tax treatment broadly comparable to businesses in the petroleum and natural gas sector, including immediate deductions for qualifying exploration and development expenditures.

Canadian Journalism Labour Tax Credit

Budget 2026 proposes to expand the Canadian Journalism Labour Tax Credit (CJLTC) beyond written news to include qualifying audio and audiovisual original news content. Eligible organizations would need to qualify as a Qualified Canadian Journalism Organization (QCJO) and satisfy the existing Canadian ownership requirements.

The CJLTC provides a refundable credit equal to 35% of qualifying salary or wages, based on annual labour expenditures of up to $85,000 per eligible newsroom employee, resulting in a maximum credit of $29,750 per employee. The enhanced 35% rate, which was scheduled to fall to 25% after 2026, would be extended through December 31, 2028.

Qualifying audio and audiovisual news organizations could therefore become eligible for a significant refundable labour tax credit, while existing qualifying journalism organizations would benefit from the extension of the enhanced 35% rate through 2028.

Personal Tax Changes

Canada Creative Credit

Budget 2026 announces the government's intention to consult on a new Canada Creative Credit, a non-refundable personal income tax credit for qualifying income from original and creative artistic works. Together with the Basic Personal Amount, the proposal is intended to provide tax recognition for up to $45,000 of qualifying annual net business income.

The proposed credit could be particularly significant for self-employed artists, writers, musicians and other creators. However, it is currently a consultation proposal rather than an enacted credit.

New May 15 personal tax deadline

Beginning with the 2027 taxation year, the filing deadline and balance-due date for individuals would become May 15. This would also apply to self-employed taxpayers and their spouses or common-law partners, replacing the current April 30 payment deadline and June 15 self-employed filing deadline.

Tax instalment thresholds rise substantially

Beginning in 2028, the threshold for individual instalments would increase:

- from $3,000 to $7,500 outside Quebec; and
- from $1,800 to $4,500 for Quebec residents.

The federal corporate instalment threshold would similarly increase from $3,000 to $7,500, with the thresholds subsequently indexed.

Individuals whose primary source of income is a business, including professional and commission income, could also make a single annual instalment equal to two-thirds of federal-provincial net tax owing by December 31, rather than quarterly instalments.

Particularly relevant to owner-managers, professionals and others whose income tax is not fully withheld at source.

T1135 reporting threshold doubles

The cost threshold for filing Form T1135 would increase from $100,000 to $200,000, while the simplified reporting threshold would increase from less than $250,000 to less than $500,000.

This should reduce foreign-property reporting obligations for Canadians with moderate foreign investment portfolios.

Canada Caregiver Credit becomes refundable

Beginning in 2027, the Canada Caregiver Credit would become fully refundable, allowing eligible caregivers to benefit even if they do not otherwise have sufficient federal income tax payable to utilize the credit.

For 2027, the refundable credit could provide tax relief of up to approximately $1,260, depending on the caregiver's circumstances and the income of the dependant.

RRSP-for-life

The government intends to consult on modernizing and consolidating the RRSP and RRIF rules into an "RRSP for life." Under the contemplated approach, an individual would no longer be required to convert an RRSP into a RRIF at age 71. However, the requirement to make minimum annual withdrawals beginning at age 72 would be retained.

The consultation will also consider simplifying the treatment of registered savings following death, including potential successor-holder treatment for a surviving spouse or common-law partner and simpler direct transfers to qualifying registered plans.

The proposed changes could simplify retirement and estate planning, but they remain under consultation and the existing RRSP and RRIF rules continue to apply.

Intergenerational farm and fishing rollover expanded

Beginning January 1, 2027, the existing rollover for qualifying farm and fishing property would be extended beyond children and grandchildren to include nieces, nephews, grandnieces and grandnephews of the taxpayer or the taxpayer's spouse or common-law partner.

Simplified deductions and credits

Budget 2026 proposes a number of optional flat amounts and simplified documentation requirements intended to make certain personal tax deductions and credits easier to claim.

Beginning generally in 2027, taxpayers would have the option of using specified flat amounts rather than calculating and documenting actual expenses for certain claims, including:

- **Moving Expense Deduction:** an optional $1,000 flat deduction for an eligible relocation. The deduction would remain limited to the applicable income earned at the new location.

- **Clergy Residence Deduction:** eligible individuals could elect to deduct $1,000 for each month of eligibility, up to a maximum of $12,000 for the year, instead of calculating the deduction under the existing detailed method. The deduction would remain limited to remuneration from the qualifying office or employment.
- **Labour Mobility Deduction for Tradespeople:** an optional $1,500 flat deduction for an eligible temporary relocation.
- **Adoption Expense Tax Credit:** an optional $1,200 flat expense amount.
- **Home Accessibility Tax Credit:** an optional $1,000 flat expense amount.
- **Service-dog expenses:** an optional $2,000 annual expense amount.
- **Incontinence products:** an optional $500 annual expense amount for qualifying expenditures.

For individuals diagnosed with celiac disease, an optional $1,000 flat amount for the incremental cost of gluten-free food would be available beginning in 2026.

Budget 2026 also proposes to simplify the documentation required for certain expenses claimed under the Medical Expense Tax Credit and Disability Supports Deduction, beginning in 2026. For certain expenses incurred exclusively for medical purposes, the requirement to obtain a prescription would be eliminated. For certain expenses that may also be incurred for non-medical purposes, the prescription requirement would generally be replaced by a requirement for an authorized medical practitioner to certify the individual's medical condition.

For example, certain qualifying expenses relating to insulin, respiratory devices, infusion pumps and blood coagulation monitors would no longer require a prescription or certification of the individual's medical condition.

The optional flat amounts and simplified medical documentation requirements should reduce record keeping and make a number of commonly claimed personal tax deductions and credits easier to calculate. Where an optional flat amount is available, taxpayers should consider whether claiming under the existing detailed method would produce a larger deduction or credit.

Build Canada Workers Benefit

Beginning in 2027, the Canada Workers Benefit would be renamed the Build Canada Workers Benefit and enhanced.

The minimum earnings threshold would decrease from $3,000 to $500, while the maximum 2027 benefit would increase to:

- $1,859 for a single person without children; and
- $3,143 for families.

Employed artists

Beginning in 2027, the existing deduction limit for employed artists, generally the lesser of $1,000 and 20% of employment income from qualifying artistic activities, would be removed. The deduction would instead generally be limited to the individual's employment income from qualifying artistic

activities. Qualifying expenses that cannot be deducted because of this limitation could generally be carried forward and deducted in a subsequent year, subject to the applicable rules.

Employed artists who incur significant expenses in earning artistic employment income could be entitled to substantially larger deductions. This measure is separate from the proposed Canada Creative Credit, which is directed at qualifying business income from creative activities.

Commission employees

Beginning in 2027, commission employees would be permitted to deduct qualifying travel and motor-vehicle expenses under the general employee expense rules even where expenses are also claimed under the commission-employee rules.

The change could improve expense deductibility for commission employees who incur significant business travel or vehicle costs.

Homebuyer and mortgage changes

The home-price limit for insured mortgages would increase from $1 million to $1.5 million, allowing qualifying purchasers of homes below $1.5 million to obtain mortgage insurance with a down payment below 20%.

Thirty-year amortizations would also be permitted for certain insured mortgages where at least one borrower is a first-time homebuyer or the property is a newly built home.

The changes could reduce upfront down-payment requirements and monthly payments for certain homebuyers, although longer amortization periods generally result in greater interest costs over the life of a mortgage.

Northern Residents Deductions

Beginning in 2027, the Northern Residents Deductions would be enhanced.

For the residency deduction, the rules that reduce the deduction for certain non-taxable employer-provided benefits and limit it to 20% of an individual's net income would be eliminated. Restrictions affecting the travel deduction, including the allocation of the existing $1,200 standard amount, would also be relaxed.

Residents of prescribed northern and intermediate zones could be entitled to larger residency and travel deductions.

Volunteer firefighters and search-and-rescue volunteers

Beginning in 2027, the existing credits would be combined into one credit calculated at 14% of a $6,000 amount. Volunteer firefighting and search-and-rescue hours could be combined in determining whether the 200-hour requirement is satisfied.

Registered Disability Savings Plans

The temporary rules allowing a qualifying family member to establish and administer an RDSP for an adult whose contractual capacity is in doubt would be made permanent.

Families caring for an adult with a disability whose contractual capacity is in doubt would continue to have a simpler mechanism for establishing an RDSP.

Canada Child Benefit and Canada Groceries and Essentials Benefit changes

2027 Canada Groceries and Essentials Benefit Supplement

Budget 2026 proposes a one-time additional payment under the Canada Groceries and Essentials Benefit (CGEB) for eligible low- and modest-income individuals and families in early 2027.

The additional payment would generally equal 50% of the maximum annual CGEB amount for the 2026-27 benefit year, with maximum amounts of approximately $223 per adult and $117 per child, subject to the applicable income-based phase-out.

This is an additional, one-time non-taxable benefit, over and above the regular CGEB payments otherwise available to eligible individuals and families.

Lump-sum payment thresholds for CCB and CGEB

Separately, Budget 2026 proposes to change how relatively small Canada Child Benefit (CCB) and CGEB entitlements are paid. This measure does not increase the amount of the benefit.

Beginning with benefits paid after June 2027:

- **CCB:** where the monthly entitlement is less than $50, the annual benefit would generally be paid in one lump sum instead of monthly. The current threshold is less than $20 per month.
- **CGEB:** where the quarterly entitlement is less than $70, the annual benefit would generally be paid in one lump sum instead of quarterly. The current threshold is less than $50 per quarter.
- Beginning in July 2028, these thresholds would be indexed annually to inflation and rounded to the nearest $5.

This measure changes only the timing of payments for individuals and families with relatively small CCB or CGEB entitlements. It does not change their overall benefit entitlement.

Scholarship and bursary income

Beginning in 2027, the scholarship exemption would be broadened so that otherwise qualifying scholarship, fellowship and bursary amounts could remain tax-exempt where a student receives financial assistance from an arm's-length third party, such as an employer, in connection with the educational program.

Under the existing rules, certain employer or other third-party financial assistance can prevent an educational program from qualifying for the scholarship exemption. The proposed change would remove this restriction while retaining the other requirements for the exemption.

Students receiving scholarships or bursaries while also receiving educational assistance from an employer or another arm's-length party may have greater access to the scholarship exemption beginning in 2027.

Apprentice vehicle mechanics' tools deduction

Beginning in 2027, Budget 2026 proposes to simplify and potentially increase the deduction available to eligible apprentice vehicle mechanics who purchase their own tools. The deduction would generally equal the cost of eligible new tools purchased during the year, less the Canada Employment Credit amount. The existing $1,000 reduction and certain income-based restrictions would also be eliminated.

Eligible apprentice vehicle mechanics who incur significant costs to purchase their own tools could benefit from a larger and substantially simpler deduction beginning in 2027.

Mineral Exploration Tax Credits

Budget 2026 proposes to extend both the 15% Mineral Exploration Tax Credit and the 30% Critical Mineral Exploration Tax Credit for an additional five years. The credits would generally remain available for qualifying flow-through share agreements entered into on or before March 31, 2032.

The Critical Mineral Exploration Tax Credit would also be expanded to include qualifying exploration expenditures related to antimony.

Investors in qualifying flow-through shares may continue to benefit from enhanced tax incentives for eligible mineral exploration expenditures through 2032.

Estate, Trust and Owner-Manager Items

Trust distributions to non-residents

Budget 2026 proposes to broaden the existing restriction on tax-deferred distributions of trust property involving non-residents. The subsection 107(2) rollover would generally be denied where property is distributed to a Canadian-resident corporation or partnership with a direct or indirect non-resident shareholder or partner. The measure applies to distributions occurring on or after November 5, 2026**.**

Trusts with non-resident beneficiaries, or contemplating distributions involving corporations or partnerships with non-resident ownership, should review the rules before making a distribution because the distribution may no longer qualify for a tax-deferred rollover.

Private foundations

Budget 2026 proposes to eliminate the existing excess corporate holdings regime applicable to private foundations. Instead, restrictions currently preventing public foundations from acquiring control of corporations would be extended to private foundations. The change would apply to taxation years beginning on or after January 1, 2027.

Families using private foundations that hold significant interests in private corporations should review the effect of the proposed rules on existing holdings and future donations.

Information sharing with pension administrators

Budget 2026 proposes to expand the information that the CRA may share with registered pension plan administrators. The change would allow CRA to disclose certain taxpayer information needed by a pension plan administrator to properly administer the plan and comply with its obligations under the Income Tax Act.

The measure should facilitate pension plan administration by allowing administrators to obtain relevant tax information directly from CRA where necessary to administer a registered pension plan and comply with the applicable tax rules.

Individual Pension Plans

Budget 2026 proposes to broaden the definition of an Individual Pension Plan (IPP) to include certain defined-benefit registered pension plans where the members are related to a participating employer or do not deal at arm's length with a member who is related to a participating employer. The expanded definition would apply beginning in 2027.

Beginning in 2028, IPPs would also become subject to the prohibited-investment, non-qualified-investment and advantage rules applicable to certain other registered plans. These rules can impose tax equal to 50% of the value of a prohibited or non-qualified investment and 100% of the value of an advantage.

An IPP could also become revocable where the fair market value of its assets exceeds 200% of its pension liabilities.

Incorporated professionals and other owner-managers with IPPs should review both the funding level and investments held by their plans, particularly where an IPP has substantial surplus assets or investments involving related parties.

Registered Pension Plans

Budget 2026 proposes new consequences where the registration of a Registered Pension Plan (RPP) is revoked. On revocation, a special tax equal to 10% of the fair market value of the plan's property immediately before revocation would generally apply. The remaining value of the plan property, after payment of the special tax, would generally be treated as a contribution to a retirement compensation arrangement (RCA), potentially resulting in the 50% refundable tax applicable to RCA contributions.

Revocation of an RPP could have significant immediate tax consequences. Employers and plan administrators should ensure that registered pension plans continue to satisfy the applicable registration requirements.

Tax Administration and Compliance

Notice of objection deadline

For most taxpayers, the deadline for filing a notice of objection would be extended from 90 days to one year after the notice of assessment is sent. Individuals and graduated rate estates would generally have until the later of:

- one year after the notice of assessment is sent; and
- two years after the filing-due date for the taxation year.

The current ability to apply for an extension would consequently be eliminated. The new deadline would apply to assessments sent on or after the day that is three months after Royal Assent of the implementing legislation.

Taxpayers would have considerably more time to object without having to request an extension, but assessments should still be reviewed promptly.

Higher tax compliance penalties

Budget 2026 proposes substantial increases to various fixed-dollar administrative penalties, with older penalties generally increased to reflect inflation and the revised amounts subsequently indexed every five years.

Certain penalties would also increase according to taxpayer size. For example, failure to provide required information on a prescribed form could attract a penalty for each failure of:

- $100 for individuals, smaller corporations and other taxpayers;
- $300 for medium-sized corporations and partnerships; and
- $800 for large corporations and partnerships.

For corporations, size would generally be determined by taxable capital employed in Canada, taking into account the applicable related or associated corporate group. Medium-sized corporations would generally fall above $10 million and up to $50 million, while large corporations would generally exceed $50 million.

Budget 2026 also proposes to strengthen penalties under the Common Reporting Standard, Reporting Rules for Digital Platform Operators and Crypto-Asset Reporting Framework. Penalties would apply to failures to comply with obligations under these regimes, including failures to obtain or validate required self-certifications, apply required due-diligence or review procedures, or maintain required records. These measures would apply to the 2028 and subsequent calendar years.

Failure to file certain information returns could also generate daily penalties, potentially reaching $2,500, $7,500 or $20,000, depending on taxpayer size. Certain repeated failures occurring after a CRA notice, requirement or demand would attract higher penalties.

Most of these measures would apply to taxation years or fiscal periods ending after 2027.

Routine information-reporting failures could become substantially more expensive, particularly for larger corporate groups and partnerships and in situations involving repeated non-compliance.

Tax debt and credit bureaus

CRA would be permitted to disclose certain outstanding tax debts exceeding $50,000 to credit bureaus where, among other requirements, the underlying assessments are no longer subject to objection or appeal and the taxpayer's rights of objection and appeal have expired or been exhausted. The measure would apply upon Royal Assent.

Taxpayers with significant outstanding tax debts should be aware that, once the applicable objection, appeal and collection conditions have been satisfied, unpaid tax debt could have consequences beyond CRA collection action, including potential effects on access to credit.

Simplified corporate tax elections

Budget 2026 proposes to eliminate the requirement for corporations to file a certified copy of a directors' resolution or authorization with certain elections and agreements, including a capital dividend election under subsection 83(2).

The underlying election, prescribed form and other applicable requirements would remain. The change would apply to elections and agreements made on or after Royal Assent of the implementing legislation.

The measure would simplify supporting documentation for capital dividend and certain other corporate tax elections, but would not change the importance of preparing and filing the underlying election correctly and on time.

GST/HST and Excise Tax Measures

Massage therapy

Budget 2026 proposes to exempt qualifying massage therapy services from GST/HST where the services are provided by a practitioner who is appropriately licensed or certified in the province in which the services are supplied. Where provincial licensing or certification is not required, the practitioner would generally need qualifications equivalent to those required in a province that regulates the profession. The exemption would apply to qualifying services supplied after Budget Day.

Qualifying massage therapy services would no longer be subject to GST/HST, bringing their treatment more closely in line with other exempt health-care services.

Alternating electric field therapy devices

Budget 2026 proposes to zero-rate for GST/HST purposes devices specially designed to provide alternating electric field therapy for individuals with cancer. The measure would apply to qualifying supplies made after Budget Day.

Qualifying alternating electric field therapy devices would be supplied without GST/HST, consistent with the zero-rating available for certain other medical and assistive devices.

Pre-approval of GST/HST input tax credit allocation methods

Certain large financial institutions that make both taxable and exempt supplies may use their own methods for allocating expenses for purposes of determining GST/HST input tax credits, provided the allocation method is approved in advance by the Minister of National Revenue.

Budget 2026 proposes to allow these financial institutions to request pre-approval for up to three consecutive fiscal years, rather than requiring a separate pre-approval application each year. The change would apply to fiscal years beginning after June 30, 2027.

The change could reduce the annual GST/HST compliance burden for large financial institutions using approved ITC allocation methodologies.

Product descriptions and regulatory cross-references

Budget 2026 proposes to modernize outdated Harmonized System (HS) codes and regulatory references used throughout the GST/HST and federal excise tax legislation. Most changes are intended to preserve existing tax treatment, while certain amendments would broaden or simplify existing relief to reflect current customs rules and commercial practices.

Notable changes include:

- expanding GST/HST relief for qualifying international commercial cargo containers by reducing the minimum internal volume requirement to 1 cubic metre and increasing the permitted export period from 30 to 365 days;
- extending the maximum period for certain temporary importations qualifying for GST/HST relief from 12 to 18 months;
- modernizing relief for certain railway equipment used in international service and simplifying the calculation where railway assets are temporarily diverted to domestic service;
- extending certain relief to international tunnel authorities and temporary imports associated with specified entertainment activities; and
- updating the definition of a specified motor vehicle and various other outdated HS-code references.

The changes would generally take effect on the first day of the second month following Royal Assent.

Importers and businesses involved in international transportation or temporary importations should review the updated rules, as certain existing GST/HST and excise-tax relief would be broadened or simplified.

Cannabis taxation

Budget 2026 proposes to simplify the cannabis excise duty stamping regime by introducing a common excise stamp for cannabis products sold in participating provinces and territories with the same duty rate, as well as other participating jurisdictions that elect to adopt the common stamp. Licensed producers could begin using the new stamp on January 1, 2028, subject to transitional rules extending into 2029.

Licensed producers would continue to report and remit duty based on the province or territory in which the cannabis product is destined for sale. New penalties would apply for incorrect destination reporting and unauthorized movement of common-stamped product between provinces or territories, including a penalty equal to 200% of the duty paid on the product in certain circumstances.

Budget 2026 also proposes a new civil penalty equal to twice the duty that would otherwise have been payable where a licensed producer cannot account for cannabis previously reported as being in its possession.

The common stamp should simplify inventory and distribution for producers operating across participating jurisdictions, but it will be accompanied by stronger reporting, inventory and interprovincial-movement penalties.

Spirits licence security requirements

Budget 2026 proposes changes to the security requirements applicable to spirits and excise warehouse licences.

Excise warehouse licensees authorized to hold packaged spirits on which duty has not been paid would generally be required to provide security as a condition of licensing. Security for spirits and applicable warehouse licences would be based on monthly excise duty liabilities, subject to a minimum of $5,000 and a maximum of $2 million for each licence.

The new requirements would apply to spirits licences and excise warehouse licences issued on or after Royal Assent of the implementing legislation.

Spirits producers and businesses that operate excise warehouses for non-duty-paid packaged spirits should consider the potential security requirements when obtaining or renewing licences.

Federal fuel excise tax licensing framework

Budget 2026 proposes to modernize the federal fuel excise tax licensing framework to reflect current fuel-wholesaling practices and reduce circumstances in which excise tax may effectively be imposed more than once on the same fuel.

Eligibility for a wholesaler licence would be expanded to certain businesses that sell or deliver fuel in the ordinary course of business for resale, including sales to licensed manufacturers and licensed wholesalers. These changes would generally come into force on the first day of the month following Royal Assent.

The relieving rules for licensed manufacturers would also be broadened to permit fuel to be purchased or imported without triggering excise tax where the manufacturer intends to resell the fuel, rather than only where the fuel will be further manufactured. This change would apply beginning on the day following Budget Day.

Budget 2026 also proposes a time-limited payment for certain historical cases where federal excise tax effectively applied twice to the same quantity of fuel. Subject to detailed eligibility requirements, affected licensed manufacturers would have two years following Royal Assent to apply.

Fuel manufacturers and wholesalers should review whether they qualify under the expanded licensing and relieving rules. Businesses that previously bore duplicate federal fuel excise tax should also consider whether they may qualify for the proposed historical relief.

International Tax Measures

Common Reporting Standard

The Common Reporting Standard (CRS) facilitates the automatic exchange of financial account information between participating jurisdictions to promote tax compliance and combat offshore tax evasion. Budget 2026 notes that certain aspects of Canada's CRS rules are narrower than the international standard and proposes changes to more closely align Canada's rules with the international framework.

In particular, the changes would broaden the scope of certain entities and partnerships that may be treated as financial institutions for CRS purposes.

Investment entities, partnerships and other organizations potentially affected by the broadened CRS rules should review whether the changes could result in new due-diligence and reporting obligations.

Taxable Canadian property and non-resident vendors

Budget 2026 proposes to reduce the amounts that must generally be withheld when a non-resident corporate vendor disposes of taxable Canadian property. The section 116 purchaser withholding rate would decrease:

- from 25% to 15% for capital property other than specified taxable Canadian property; and
- from 50% to 30% for specified taxable Canadian property.

The corresponding remittance rate for a non-resident corporate vendor seeking a section 116 clearance certificate in respect of capital property would also generally decrease from 25% to 15% of the capital gain.

Budget 2026 also proposes relief for certain fully tax-deferred section 85 rollovers of taxable Canadian property. The purchaser and vendor would be exempt from the normal withholding and remittance requirements where, within **30 days** of the disposition, the section 85 election is filed and the purchaser provides the required notice to CRA regarding the transaction and the vendor.

At the same time, an existing anti-avoidance rule applicable to certain non-resident rollovers would be strengthened by extending its relevant period from three years to five years and broadening the property potentially caught by the rule. These changes would apply to dispositions occurring on or after January 1, 2027.

The reduced withholding rates could significantly reduce the cash-flow burden for non-resident corporate vendors disposing of Canadian property, while the new section 85 relief could simplify fully tax-deferred reorganizations. However, the applicable filing and notification requirements, including the 30-day deadline, will remain important.