WELLINGTON-ALTUS

Highlights from the 2026 Federal Budget

ADVANCED WEALTH PLANNING GROUP



On November 5, 2026, Finance Minister and National Revenue Minister François-Philippe Champagne released the 2026 Federal Budget (Budget 2026). The budget focuses heavily on investing in the Canadian economy through significant new government spending and tax incentives aimed at investors and business owners, while also making a number of small changes to the tax system. Our Advanced Wealth Planning Group has outlined the key measures and their potential implications for clients.

Update on the Canadian economy

The federal deficit for 2026–27 is projected at $62.3 billion, coming in $3 billion lower than spring estimates due to stronger than expected corporate revenues and energy sector windfalls. This comes despite net new fiscal measures of approximately $151.5 billion over five years (excluding debt charges).

Over the medium term, the deficit is forecast to increase slightly to $62.5 billion in 2027–28 before decreasing to $57.6 billion in 2028–29 and $52.9 billion by 2030–31. The government remains on track to hit its core fiscal anchor, balancing day-to-day operating spending with revenues by 2027–28, a year ahead of initial schedules.

While the 2026 Spring Economic Update had predicted a declining deficit-to-GDP ratio, Budget 2026 now projects the ratio will rise to 1.8 per cent for 2026-27, up from 1.2 per cent in 2025-26.

Key Facts:

- Deficit now projected at $62.3 billion, down from the $65.3 billion projected in the Spring Economic Update.
- New $15-million capital gains exemption for qualifying investments in Canadian businesses.
- Tax deadline moved to May 15 for filings and payments.
- No change to personal or corporate income tax rates.
- No change to capital gains inclusion rates.

The annual cost to finance Canada's national debt is jumping to $60.2 billion this year, surpassing the cost of health care transfers to provinces.

Key tax measures

Individual tax filing deadline

Currently, individuals must file their tax returns and pay their taxes owing by April 30. Self-employed individuals and their spouses or common-law partners can file their tax returns as late as June 15, but their balance due date remains April 30. Budget 2026 proposes to have a single tax filing and payment due date of May 15 for all individuals. The change would apply starting for the 2027 taxation year, so taxpayers will still have to file their personal tax returns by April 30, 2027 for the 2026 taxation year.

Tax instalment payments

Quarterly tax instalments are required of certain taxpayers receiving income on which no withholding tax is applied, such as pension income, dividends, interest, business income, rental income, and capital gains. Currently, instalments will be required from a taxpayer if their combined federal and provincial tax on that income is more than $3,000 (or more than $1,800 federal net tax for Québec residents) in the current year and in one of the two previous years.

For taxation years starting on or after January 1, 2028, Budget 2026 proposes to increase the minimum tax requirement for instalments to $7,500 for both individuals and corporations, and to $4,500 for Québec residents. In addition under the proposals, individuals whose primary source of income is from a business (including professional or commission income) would be allowed to make a single instalment on December 31 equal to two thirds of their net tax owing, rather than quarterly instalments.

Foreign Income Verification Statement

Canadian taxpayers who own "specified foreign property" having a total cost of more than $100,000 in the taxation year are required to file Form T1135 – Foreign Income Verification Statement. This reporting requirement generally covers income-earning property located outside of Canada that is not personal property or used in an active business, and it can be quite onerous. For taxation years ending after 2026, Budget 2026 proposes to increase the minimum reporting threshold to $200,000 and allows for simplified reporting for total costs less than $500,000 (up from $250,000).

Registered Retirement Savings Plan (RRSP) for life

Budget 2026 announces the government's intention to merge RRSPs and Registered Retirement Income Funds (RRIFs) into a single vehicle, dubbed "RRSP for life". The stated objective is to improve and modernize the RRSP tax rules, including potentially allowing "successor holders" for RRSPs and simplifying rollovers on death. Importantly, minimum withdrawals would still be required from this new vehicle after the age of 71, though no conversion to RRIF would be needed. A consultation period on this proposed framework is open until January 8, 2027.

Registered Disability Savings Plans (RDSPs)

Where contractual capacity for an adult person to open an RDSP is in doubt, temporary measures allow a qualifying family member (parent, spouse, common-law partner, or sibling) to enter into the RDSP contract on their behalf in the absence of a legal representative. Those measures would have expired at the end of this year. Budget 2026 proposed to make them permanent.

Credits and incentives

Budget 2026 proposes a number of credits and incentives aimed at affordability:

- **Canada Groceries and Essentials Benefit supplement.** One-time 50 per cent increase to the benefit for 2026-2027, to be paid in early 2027.
- **Build Canada Workers Benefit**. Enhancement to the Canada Workers Benefit with a lower earnings threshold for access and an increased maximum benefit.
- **Canada Caregiver Credit.** Existing credit would become fully refundable.

Budget 2026 also provides funding to the Canada Revenue Agency (CRA) to ensure individuals eligible for benefits are able to access them.

Business owners and investors

Canada Growth Incentive – Capital gains exemption

Budget 2026 proposes a new Canada Growth Incentive (CGI) that provides a tax exemption on capital gains realized on the disposition of qualifying shares of a qualifying corporation, up to a $15-million limit. This $15 million would apply separately to each qualifying individual in respect of each business.

To be considered a qualifying individual, the shareholder must be a Canadian resident who was at least 18 years old when the shares were acquired. To be considered qualifying shares, the shares must be issued by an active Canadian-controlled private corporation with total corporate group assets under $100 million and be purchased with cash or earned through employment. Additionally, the shareholder must hold the shares for at least 36 consecutive months before selling, during which time the company must maintain a continuous, primary business presence in Canada.

The budget explicitly excludes certain sectors from this incentive, including professional services (such as consulting, law, accounting, and medicine), primary industries (like farming, fishing, and mining), real estate, hospitality, entertainment, and any businesses operating under a licensing or franchise agreement.

The exemption would interact with the Lifetime Capital Gains Exemption, such that claiming one exemption on shares of a particular corporation would reduce the amount of the other exemption available on shares of that corporation. However, it appears this Canada Growth Incentive capital gains exemption could generally be cumulated with the enhanced capital gains exemption on a sale to an Employee Ownership Trust.

The proposed measure applies for shares issued on or after Budget day 2026 and before 2037.

Canada Growth Incentive – Reinvesting startup profits

Budget 2026 proposes to significantly expand the tax-deferred rollover rules for individuals who sell eligible small business corporation (ESBC) shares and reinvest the proceeds into a new Canadian small business. Starting January 1, 2027, the timeline to acquire replacement shares will be extended from one year to three calendar years following the year of disposition, allowing investors to defer capital gains tax.

Additionally, investors who enter into agreements to fund a small business in exchange for future shares can extend their tax deferral window by two years, for a total of up to five years. This deferral will expire and the gain will be taxed if the business does not officially issue the shares by the end of the fifth year. If the proceeds are not fully reinvested by the end of the deadline, retroactive interest at the prescribed rate will apply to the untaxed gain.

To make the rollover easier to maintain, the required percentage of active business assets drops from 90 per cent to over 50 per cent during the holding period, but remains at 90 per cent at the moments of purchase and sale. The company must also operate primarily in Canada for up to two years after the shares are issued.

Productivity Mega Deduction

First announced in September, the Productivity Mega Deduction would expand immediate expensing to a much broader range of eligible investments, representing roughly two-thirds of corporate capital investments. Applying to qualifying assets acquired after September 15, 2026, this measure drops Canada's marginal effective tax rate on new business investments to 6.40 per cent, which the government projects would be the lowest in the G7. Corporations would be able to immediately expense broad new categories including technology infrastructure, heavy operational machinery, and intellectual property development, while most commercial real estate buildings and passenger vehicles remain excluded.

Corporate group loss-transfer freedom

Budget 2026 invites stakeholder input on a potential corporate loss-transfer rule for large corporate groups and multi-tier corporate structures. Under the approach being considered, current-year non-capital losses could be transferred between wholly-owned corporations within the same corporate group via a joint-election, allowing losses in one corporation to offset income in another. This approach could eliminate the need for the complex, costly, and legally burdensome loss consolidation transactions historically required to blend profits and losses.

Expansion of the intergenerational farm and fishing property rollover

For certain farm and fishing business owners, Budget 2026 proposes to expand the existing tax-deferred rollover rules to include transfers to a niece, nephew, grandniece, or grandnephew, effective January 1, 2027. The proposed change would allow qualifying farm and fishing property to be transferred to a broader range of family members without triggering an immediate capital gain.

Other notable measures

Canada Strong Fund

The 2026 Spring Economic Update introduced the Canada Strong Fund (the Fund), a new sovereign wealth fund intended to serve as a long-term anchor for strategic investment in the Canadian economy. Budget 2026 provides more details on the Fund and announces an investment of $25 billion in “nation-building projects and high-growth Canadian companies.” The Fund will also issue Canada Strong Notes to allow Canadians to invest in the Fund and participate in the Fund’s growth, while providing protection on the initial investment.

Elimination of telecommunications "junk fees"

Budget 2026 incorporates strict consumer protection rules that block telecommunications companies from charging account activation, plan modification, or contract cancellation fees. The federal government estimates that permanently eliminating these administrative charges will save Canadian consumers an aggregate $100 million annually.

Extensions and amendments to the foreign buyer ban

Budget 2026 proposes to extend the prohibition on non-Canadians buying residential real estate until January 1, 2029. However, to boost the residential sector, the updated rules explicitly exempt new build homes and condominiums from the restriction. This adjustment aims to allow international capital to re-enter the pre-construction market, helping developers secure the upfront sales required to finance and break ground on new projects.

Progressive Penalties

Budget 2026 proposes to index fixed-dollar administrative tax penalties to inflation and scales the penalty amounts based on taxpayer size. Under these proposed changes, smaller businesses remain subject to baseline penalty levels, while medium and large corporate entities will face scaled penalties equal to three and eight times those base amounts, respectively.

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