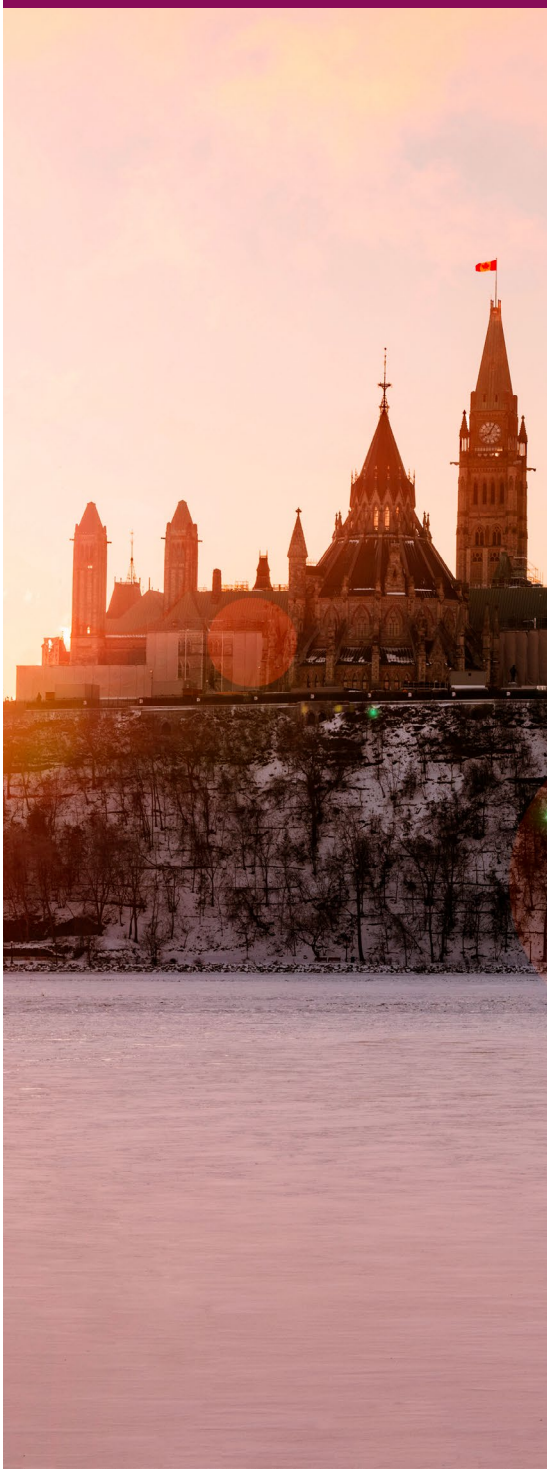
2026

Federal budget

Summary from our Tax & Estate Planning professionals



RICHARDSON Wealth

On November 5, 2026, Canada's Finance Minister released the 2026 Federal budget (**Budget 2026**).

Following significant trade uncertainty in recent times, Budget 2026, titled *"Masters of our Destiny"*, follows themes of strengthening foundations in Canada, diversifying trade partnerships, and affordability for Canadians.

The budget forecasts a deficit of $62.3 billion for 2026-2027, with deficits projected to decrease over the next five years.

Insight:

Budget 2026 **does not** propose any changes to personal or corporate income tax rates. Regarding simplification of our tax system, the federal government recognizes that deeper reforms will take time and commits to a second tranche of measures to be announced in the Spring Economic Update in 2027.

The following is a summary of the individual, corporate and business tax measures, including compliance and administrative measures, that we believe are of most interest to Richardson Wealth clients.

Individual Tax Measures

Consultation on "Registered Retirement Savings Plans (RRSPs) for life"

Budget 2026 announces a consultation on a potential merger of the features of RRSP and Registered Retirement Income Fund (RRIF) accounts to create a "RRSP for life". This would eliminate the requirement to convert a RRSP account to a RRIF account by age 71 and would allow a surviving spouse or common-law partner to be named a "successor holder" on an RRSP. The government is seeking Canadians' views on this proposal.

Canada Caregiver Credit Refundability

Applicable for 2027 and subsequent taxation years, the Canada Caregiver Credit will become fully refundable, providing up to **$1,260** to eligible caregivers in 2027, and indexed to inflation thereafter.

Corporate and Business Tax Measures

Canada Growth Incentive – capital gains exemption

Budget 2026 introduces a new "Canada Growth Incentive", which includes a new capital gains exemption on **up to $15 million** of gains from the disposition of qualifying shares of a qualifying corporation. Notably, the potential exemption would apply separately to each qualifying individual in respect of each business.

Qualifying individuals would not include trusts and must have been at least 18 years old at the time that they acquired qualifying shares. In the tax year during which the qualifying shares are sold, the individual must have been resident in Canada throughout the year. Shares may be issued directly to qualifying individuals, or to partnerships of which qualifying individuals are members, and must be held for a **minimum of 36 months prior to disposition**.

Qualifying shares must have been issued solely for cash consideration or in exchange for employment services, although proposed continuity rules are intended to accommodate certain corporate reorganizations and share exchanges.

Certain tests must be met immediately before share issuance and at different times throughout the period of ownership of shares. These include residency and control of the particular corporation, the percentage of assets used in an active business, the value of corporate assets in a related corporate group, and where the business is conducted.

The existing Lifetime Capital Gains Exemption and the Canada Growth Incentive capital gains exemption are not intended to be available on the disposition of shares of the same corporation, with an exception being when shares are disposed of by an Employee Ownership Trust.

Qualifying businesses must be active businesses, and would exclude those providing consulting services, certain professions, businesses in certain industries, and a business operating under a licensing or franchise agreement.

Unlike the existing Lifetime Capital Gains Exemption, the Canada Growth Incentive capital gains exemption may be available to shelter capital gains on the disposition of shares of certain public corporations listed on a Canadian stock exchange at the time of disposition, subject to other tests being met.

The inclusion rate applicable to gains benefitting from the Canada Growth Incentive capital gains exemption for Alternative Minimum Tax purposes is intended to be the same as for the existing Lifetime Capital Gains Exemption, at a **rate of 30%**.

This measure applies to shares issued on or after the budget date of November 5, 2026, and before 2037.

Insight:

The Canada Growth Incentive capital gains exemption may allow for significantly more capital gains to be sheltered from tax, when compared with the currently available Lifetime Capital Gains Exemption. Consider Alternative Minimum Tax implications when claiming a capital gains exemption.

Canada Growth Incentive – Eligible small business corporation rollover

Budget 2026 expands the existing rollover available for Eligible Small Business Corporation ("ESBC") shares.

Under existing rules, a tax deferred rollover may be available when proceeds are reinvested in ESBC shares issued by another corporation. For qualifying dispositions occurring on or after January 1, 2027, the period to acquire replacement shares is increased to include the year of disposition and **three following calendar years** (up from one calendar year following the year of disposition). Also, Budget 2026 proposes to reduce the requirement to have "all or substantially all" of the assets of the corporation used in active business, with the new requirement being that assets must be used "primarily" in active business throughout the period of ownership. Note that the "all or substantially all" test must still be met at the time shares are issued and at the time they are disposed of.

Insight:

May offer planning opportunities for founders, employees, and investors seeking to recycle capital into new Canadian businesses.

Scientific Research & Experimental Development

Budget 2026 proposes to expand the Scientific Research & Experimental Development (SR&ED) program to include certain expenditures associated with bringing a new product or process to market. Eligible expenditures would include those relating to obtaining necessary regulatory approvals or certifications and also securing and maintaining intellectual property protection.

These changes apply to taxation years beginning **on or after November 5, 2026**.

Insight:

Clients with a business involved in bringing a new product or process to market may benefit from both tax deductions and tax credits due to an expanded definition of eligible expenditures under the SR&ED program.

Consultation on Corporate Loss Transfers

Budget 2026 announces a consultation to explore potential rules which would allow a transfer of current year non-capital losses within wholly owned corporate groups.

Insight:

Currently, in order to utilize tax attributes within corporate groups, taxpayers may be required to implement tax planning transactions. The changes under consultation could result in simplification and reduction in costs associated with those transactions

Intergenerational Farm Transfers

Budget 2026 proposes to expand eligibility for tax-deferred rollovers of farm and fishing property to family members.

Under existing rules, transfers to children, grandchildren, or great-grandchildren of the taxpayer or the taxpayer's spouse or common-law partner would be eligible. Under the proposal, for transfers occurring on or after January 1, 2027, transfers to nieces, nephews, grandnieces and grandnephews would be eligible.

Previously announced measures – Productivity Mega Deduction

Budget 2026 confirms the government's intention to proceed with certain previously announced measures. Notably, legislative and regulatory proposals relating to the "Productivity Mega Deduction" were released on September 15.

This measure expands the list of assets which would qualify for immediate deductibility for tax purposes, applicable to eligible capital assets acquired on or after September 15, 2026. Notable exceptions include, but are not limited to, buildings, most intangible assets, and most vehicles.

Insight:

Clients considering the purchase of capital assets within their business should reflect on non-tax considerations, in addition to the tax consequences of the asset acquisition.

Private Foundations

Currently, rules exist to limit a private foundation, together with related persons, from holding greater than 20% of a class of shares of a corporation. Budget 2026 proposes to allow private foundations to hold **more shares of a corporation**, as long as control of that corporation is not acquired. These changes are proposed to be effective for taxation years that begin on or after January 1, 2027.

Compliance and administrative measures

Foreign Income Verification Statement (T1135) Reporting

Currently, where a taxpayer owns specified foreign property with a total cost greater than $100,000 during the fiscal year, Form T1135 must be filed. Budget 2026 proposes an increase of this threshold to **$200,000** and also **increases the threshold** where simplified reporting is available.

Insight:

These proposed measures may reduce the complexity of tax compliance for some clients.

Individual Tax Filing and Balance-Due Dates

Budget 2026 announces a change to the personal income tax return filing deadline and the due date for remitting balances due. Both dates are changed to **May 15** for all individuals, including those with self-employment income, and their spouses and common-law partners. These changes are effective beginning with the **2027 taxation year**.

Instalment Thresholds

Currently, for individuals residing outside Quebec, income tax instalment payments are required when net tax owing is greater than $3,000 in the current taxation year and either of the previous two taxation years. Budget 2026 proposes to increase this threshold to **$7,500** for taxation years beginning on or after **January 1, 2028**. The threshold is also increased to **$7,500** for corporations resident outside of Quebec.

For individuals residing in Quebec, instalments are required when net tax owing is greater than $1,800 in the current taxation year and either of the previous two taxation years. Budget 2026 proposes to increase this threshold to **$4,500**.

Thresholds are proposed to be indexed to inflation and rounded to the nearest $500, and any remaining income tax payable would still be due on the relevant balance-due date.

Instalment Requirements for Individuals with Business Income

Applicable to 2028 and subsequent taxation years, Budget 2026 proposes to permit individuals whose primary source of income is a business to make a **single annual instalment** equal to two-thirds of net tax owing, due by December 31. Previously, instalments would be required on a quarterly basis.

Administrative Penalties

Budget 2026 proposes adjustments to the calculation of administrative penalties, such as inflation-adjustment of fixed-dollar administrative penalties (includes retroactive indexation in some cases), and calibration of fixed-dollar administrative penalties to taxpayer size. Also, new penalties will apply to repeated failures to file tax forms, and failures to comply with obligations.

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