Henderson Partners LLP
CPAs & Advisors

Federal Budget 2026: Highlights for Owner-Managers

November 6, 2026

Paying yourself and planning for retirement

Personal filing and instalments

- **Single filing and payment date:** all individuals, including the self-employed, would file and pay by May 15, starting with the 2027 tax year.
- **Higher instalment threshold:** $7,500 (up from $3,000), or $4,500 in Quebec (up from $1,800), starting in 2028.
- **One annual instalment for business income:** individuals whose main income is from a business could make a single instalment of two-thirds of their net tax owing by December 31, starting in 2028.
- **Foreign property reporting:** the T1135 filing threshold would double to $200,000, with simplified reporting below $500,000, for years ending after 2026.

RRSP-for-life (consultation)

The government plans to merge the RRSP and RRIF rules, removing the need to convert at age 71 and allowing a spouse to become successor holder. Minimum withdrawals after 71 would not change. Comments are due January 8, 2027.

New and simplified personal tax credits

The budget makes several credits easier to claim or more valuable. Unless noted, these apply from the 2027 tax year.

- **Medical Expense Tax Credit:** simpler documentation, including no prescription requirement for certain expenses incurred only for medical purposes (from 2026). Optional flat amounts can replace receipts: $1,000 for gluten-free food for a person with celiac disease (from 2026), $500 for incontinence products, and $2,000 for annual service dog costs, excluding the purchase price.
- **Optional flat amounts for other claims:** $1,000 for the Home Accessibility Tax Credit, $1,200 per child for the Adoption Expense Tax Credit, a $1,000 moving expense deduction for an eligible relocation, and $1,500 a year for the labour mobility deduction for tradespeople.
- **Canada Caregiver Credit would become refundable,** so caregivers with little or no tax owing could still benefit. The amounts and income threshold would stay the same.

- **Volunteer credits combined:** the volunteer firefighter and search and rescue credits would merge into one 14% credit on $6,000, with hours from both activities counting toward the 200-hour requirement.
- **Registered Disability Savings Plans:** the temporary rule letting a qualifying family member open and hold an RDSP for an adult beneficiary would become permanent.
- **One-time grocery benefit top-up:** a Canada Groceries and Essentials Benefit supplement, paid in early 2027, of up to $223 per adult and $117 per child.
- **Canada Workers Benefit:** would be enhanced and renamed the Build Canada Workers Benefit. The advance payment would be cut to 25% for 2027 and eliminated from 2028.

Selling or growing your business

Canada Growth Incentive: up to $15 million tax-free

Founders, key employees and outside investors could exempt up to $15 million of capital gains on the sale of qualifying shares of an eligible Canadian company. The limit applies separately to each individual for each business.

- **Which shares:** shares of a Canadian-controlled private corporation (CCPC) issued directly to the individual, for cash or employment services, on or after November 5, 2026 and before 2037, where the combined carrying value of the assets of the corporation and its related corporations does not exceed $100 million, and held for at least 36 months. The individual must be at least 18 when the shares are acquired and a Canadian resident throughout the year of the claim.
- **Asset tests:** two tests apply. Throughout the period you hold the shares, 50% or more of the corporation's asset value must come from assets used mainly in a qualifying active business. At the time of sale, that threshold rises to all or substantially all of its asset value.
- **Excluded businesses:** consulting, professional practices (accountants, lawyers, notaries, physicians and other health practitioners, engineers, architects), businesses whose main asset is an employee's reputation or skill, and businesses in agriculture, fishing, forestry, mining, financial services, insurance, utilities, real estate, food and accommodation, arts, recreation and entertainment. Franchise and licensing businesses are also excluded.
- **Interaction with the LCGE:** claiming this exemption on shares of a corporation limits your Lifetime Capital Gains Exemption claim on shares of the same corporation, and vice versa. It can be combined with the exemption for sales to an Employee Ownership Trust or worker cooperative.

What it means for you: because it applies only to newly issued shares, existing share structures will not qualify as they stand. If you are raising capital, bringing in key employees or planning a reorganization, the share issuance timing and structure deserve a conversation.

Enhanced small business rollover

The existing rollover lets you defer tax on capital gains when sale proceeds are reinvested in another eligible small business. For dispositions on or after January 1, 2027, the budget proposes:

- A three-year reinvestment window (five years where you have entered into an agreement for future equity).
- A relaxed requirement that the corporation use all or substantially all of its assets in an active business throughout your ownership period.

What it means for you: serial entrepreneurs who sell one business and reinvest in another will have more time and more room to defer the tax.

Investing in the business

Productivity Mega Deduction (confirmed)

Announced on September 15, 2026 and confirmed in the budget, this measure would permanently allow a 100% write-off of most depreciable property acquired on or after September 15, 2026, in the year it becomes available for use. The government estimates it raises the share of capital investment eligible for immediate expensing from about 15% to 65%.

- **Excluded:** most buildings, goodwill, licences, franchises and certain regulated infrastructure.
- **Still available:** the Accelerated Investment Incentive continues for property that does not qualify, and eligible manufacturing and processing buildings may still qualify for separate temporary immediate expensing.
- **Watch out:** special rules can block immediate expensing on property bought from a non-arm's-length party where the related spending occurred before September 15, 2026.

What it means for you: equipment, computers and similar purchases made since mid-September may be fully deductible this year. Year-end purchase timing is worth reviewing.

SR&ED expanded to commercialization costs

For taxation years beginning on or after November 5, 2026, eligible SR&ED expenditures would include certain costs of bringing a new product or process to market. Examples are obtaining regulatory approvals or certifications and securing and maintaining intellectual property protection.

Running your corporation

- **Taxable preferred shares:** dividends paid by CCPCs on or after November 5, 2026 would be exempt from Part VI.1 tax. For other corporations, the dividend allowance would rise from $500,000 to $1.5 million (with the reduction threshold rising from $1 million to $3 million) for years ending after 2026. This removes a common trap in private company reorganizations and estate freezes.
- **Corporate elections:** certified copies of directors' resolutions would no longer be required when filing certain elections, such as capital dividend elections, once the legislation receives royal assent.

- **Corporate loss transfers (consultation):** Finance is seeking input on letting current-year non-capital losses move between eligible corporations in a group. Comments are due January 8, 2027.
- **Instalment threshold:** corporate instalments would only be required where tax owing exceeds $7,500 (up from $3,000), indexed, for years beginning on or after January 1, 2028.
- **Penalties:** most fixed-dollar penalties would rise with inflation for years ending after 2027. Smaller corporations would stay at the base level, while medium and large corporations would face three and eight times the base, respectively.
- **Objections:** the deadline to object to most assessments would become one year after the notice of assessment is sent.
- **Tax debts and credit bureaus:** the CRA would be able to share information about outstanding tax debts with credit bureaus in certain cases.

Individual Pension Plans (IPPs)

IPPs are a common owner-manager strategy, and the budget tightens them on three fronts:

- **Wider definition (from January 1, 2027):** plans where every member is related to, or not at arm's length with, a participating employer would be treated as IPPs, regardless of the number of members.
- **Investment rules (from January 1, 2028):** IPPs would face the same advantage, non-qualified and prohibited investment rules as other registered plans. The controlling individual would owe a tax of 50% of the value of a non-qualified or prohibited investment, and 100% of any advantage. Transitional rules would apply to investments held before 2028.
- **Surplus cap (from January 1, 2028):** if plan assets exceed 200% of pension liabilities, the plan could have its registration revoked unless the excess is addressed.

What it means for you: if you have an IPP, its membership, investments and funding level should be reviewed before these dates.

Trusts and non-residents

Trust distributions to non-residents

A trust generally cannot transfer, or “roll out”, property to a non-resident beneficiary on a tax-deferred basis. Budget 2026 proposes to broaden the rollout denial rules to include indirect distributions to non-residents, by way of a transfer of property to a corporation or partnership that has a direct or indirect non-resident shareholder or partner. This change would be effective for trust distributions that occur on or after Budget Day.

What it means for you: if your family trust has beneficiaries who live outside Canada, or corporate beneficiaries with non-resident shareholders, any planned distributions should be reviewed before they happen.

Taxable Canadian property

When a non-resident sells taxable Canadian property (such as Canadian real estate or certain private company shares), the buyer must generally withhold part of the price unless the seller obtains a clearance certificate from the CRA. For dispositions on or after January 1, 2027, the budget proposes:

- **Lower withholding and remittance rates:** for dispositions by non-resident corporations of most capital property, the buyer's withholding rate would drop from 25% to 15% of the purchase price, and the seller's remittance to obtain a clearance certificate would drop from 25% to 15% of the gain. For specified property, withholding would drop from 50% to 30% of the price.
- **Relief for section 85 rollovers:** fully tax-deferred section 85 transfers would be exempt from withholding and remittance, provided the section 85 election is filed and the buyer notifies the CRA within 30 days.
- **Tighter anti-avoidance:** the rule that denies a tax-deferred rollover to a non-resident who resells the property to benefit from a tax treaty exemption would apply for five years after the transfer (up from three), and would also cover property that derives its value mainly from the transferred property.

What it means for you: non-resident shareholders reorganizing a Canadian company will face less paperwork and cash tied up in withholding, but should plan carefully around the longer anti-avoidance period.

What didn't change, and next steps

Personal and corporate tax rates are unchanged, including the 9% federal small business rate on the first $500,000 of active business income. Not every observer was satisfied: the Canadian Federation of Independent Business called the budget a disappointment for small business owners, though it welcomed the enhanced rollover.

We suggest reviewing three things with us in the coming weeks:

1. Capital purchases planned before your year-end, to take advantage of immediate expensing.
2. Any upcoming share issuance, reorganization or sale, in light of the Canada Growth Incentive and the rollover changes.
3. Your IPP, if you have one, ahead of the 2027 and 2028 changes.

These measures are proposals and may change before they are enacted. This summary is general information, not tax advice. Please contact us before acting on any of it.