Bill C-15 receives royal assent: What it means for Canada's transfer pricing rules

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On March 26, 2026, Bill C-15 (*Budget 2025 Implementation Act, No. 1*) received Royal Assent, bringing into force significant amendments to Canada's transfer pricing rules under section 247 of the Income Tax Act. These changes have been anticipated since Budget 2025 was released in November 2025, but Royal Assent marks the point at which the proposals become binding law and provides certainty as to how transfer pricing audits and disputes will be approached going forward.

While the amendments are often described as a major shift, their significance lies less in the introduction of new concepts and more in how Parliament has reshaped the legal framework governing their application.

What you need to know about Bill C-15

OECD principles are now embedded in the statute

Many taxpayers have long structured and documented their intercompany arrangements by reference to the OECD Transfer Pricing Guidelines, and the CRA has relied on those guidelines as a matter of administrative practice. However, Canadian courts have consistently held that OECD guidance could not override the text of section 247 itself.

Bill C-15 changes that dynamic. The amended provisions expressly incorporate OECD-style concepts into the legislation, including a focus on economic substance, actual conduct, and the "economically relevant characteristics" of transactions. Courts are now directed to apply the arm's-length principle in a manner consistent with OECD guidance, rather than treating that guidance as merely persuasive.

Removal of the recharacterization rule

One of the most notable structural changes is the repeal of the former recharacterization rule. Under the prior regime, the CRA's ability to disregard or replace a transaction was narrowly constrained, a limitation that played a central role in the Cameco litigation.[1]

The amendments replace that structure with a single adjustment rule that applies where the actual conditions of a transaction differ from arm's-length conditions. In those circumstances, the CRA may determine that the transaction would not have occurred, or that an alternative transaction would have occurred, between arm's-length parties.

Expanded CRA adjustment authority

Although the new rules do not give the CRA unfettered discretion, they materially expand the range of circumstances in which transfer prices may be adjusted. The statutory framework now places greater emphasis on substance and conduct, and less weight on legal form alone, reducing the scope for defences that rely primarily on contractual structuring.

Documentation deadlines and penalty thresholds

Bill C 15 requires companies to keep more detailed transfer pricing documentation that explains who does what in a related party transaction, where key decisions are made, which entity bears risks, and how profits are intended to follow those activities. The time to provide that documentation after a CRA request has also been shortened to 30 days, which makes it more important to have materials prepared in advance.

At the same time, penalties now apply only where transfer pricing adjustments exceed higher thresholds. This means smaller adjustments are less likely to attract penalties, even though the CRA has broader authority to challenge pricing overall.

Takeaway: What this means in practice

Importantly, the transfer pricing provisions enacted in Bill C-15 are materially consistent with what was announced in Budget 2025.

For many multinational groups, day-to-day transfer pricing practices may not change overnight, particularly where OECD based analyses were already in place. The more significant impact will be felt in audit strategy and litigation risk. Outcomes that turned on the limits of the former statutory framework—most notably in Cameco—are far less likely under the new rules.

Royal Assent to Bill C-15 therefore represents a meaningful shift in the legal framework for transfer pricing in Canada, even if the underlying economic principles are familiar.

BLG can assist

BLG's Tax Group regularly advises Canadian and multinational organizations on transfer pricing policy design, documentation, audit defence, and dispute resolution. We work with clients to assess how the Bill C-15 amendments affect existing cross border arrangements, compliance processes, and litigation risk, and to identify practical steps in light of the new statutory framework.

Footnote

[1] *Canada v Cameco Corporation*, 2020 FCA 112 [Cameco].

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