Federal Budget 2026: Sovereignty, strategic investment and tax simplification

November 06, 2026

On Nov. 5, 2026 (Budget Day), the Hon. François-Philippe Champagne, Minister of Finance, tabled the federal budget, titled "Masters of Our Destiny" (Budget 2026). As foreshadowed, Budget 2026 focuses on cultural and economic sovereignty, economic growth and affordability measures for Canadians. In addition to significant investments in defence and economic development, Budget 2026 includes allocations to build more homes, with a commitment to end homelessness in 10 years.

On Sept. 15, the government announced the Productivity Mega Deduction (PMD), extending immediate expense to almost two-thirds of capital assets. This measure on its own constituted major tax policy support for Canadian business, in terms of reducing the after-tax cost of new business investment and (equally as important) bettering the comparable U.S. move made in July 2025. Most importantly, it signaled a more activist approach to tax policy: in the government's words, "a sea change in how Canada intends to stimulate business investment decisions."

Budget 2026 continues this theme and includes several tax measures aimed at increasing investment in Canada, in addition to the previously announced "mega-deduction". A new "Canada Growth Incentive" is meant to encourage Canadians to invest in home-grown companies, including a new C$15 million capital gains exemption along with enhanced rollover provisions for reinvestment in certain Canadian companies. Enhancements to mineral exploration tax credits aim to expand resource development. Clean electricity and technology credits for corporations are being augmented, and Budget 2026 proposes to broaden the Scientific Research and Experimental Development (SR&ED) tax incentive program. The government is also inviting consultations on sharing corporate losses within corporate groups and has introduced certain preliminary measures.

Further, in response to calls to simplify the Canadian tax system, Budget 2026 is "…launching the most ambitious effort in a generation to improve how Canadians interact with the tax system and reduce the time spent on complying with tax obligations…". While tax measures in Budget 2026 fall short of a full-scale review, they include significant steps in this direction. The government has proposed to merge registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs), limiting the need to transition between plans as account holders age. Revisions to tax filing deadlines, taxpayers objection windows, and instalment

requirements will reduce late filings and unnecessary interactions with the Canada Revenue Agency (CRA). Various tax credits have been expanded or made refundable, putting additional funds in the pockets of lower- and middle-income Canadians.

At the same time, **a new flat-credit option for numerous boutique tax credits replaces receipt-based calculations, streamlining tax filing**. The excess corporate business holdings regime for private foundations is also being eliminated, in favour of rules consistent with public foundations, and the taxable preferred share regime is generally being eliminated for Canadian-controlled private corporations. These measures will certainly help reduce tax complexity and compliance costs for several Canadians.

Budget 2026 includes these and several other tax measures, alongside the implementation of many of the previously announced, as detailed below.

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