MACKENZIE Investments

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Mackenzie Tax and Estate Planning Team

2026 Federal Budget Analysis

On November 5, 2026, the federal government tabled Budget 2026, Masters of our Destiny.

The Budget includes a number of proposed tax measures affecting individuals and businesses, as well as changes relating to registered plans, trusts and other areas relevant to financial and estate planning. The following is a summary of selected measures that may be of interest to financial advisors and their clients.

Individual Measures

Registered Retirement Savings Plan (RRSP) for Life

An RRSP is a tax-assisted retirement savings vehicle. Most Canadians convert their RRSP to a Registered Retirement Income Fund (RRIF) by age 71, after which annual minimum withdrawal requirements apply.

Budget 2026 announces the government's intention to merge the core features of the RRSP and RRIF under the Income Tax Act into a single "RRSP for life" and make other changes to modernize the RRSP rules. This would eliminate the need for individuals to convert their RRSP to a RRIF at age 71. Individuals over age 71 would continue to be required to make minimum withdrawals.

Issues under consideration include whether and how an RRSP could include a "successor holder" feature for a spouse or common-law partner, potentially allowing the RRSP to remain open until the successor holder's death, and whether the existing indirect rollover rules on death could be replaced by direct tax-free transfers to qualifying registered vehicles of qualifying survivors.

The government is seeking Canadians' views on the proposal. Interested parties are invited to submit written representations to the Department of Finance Canada by January 8, 2027.

Registered Disability Savings Plan (RDSP) – Qualifying Family Member

Generally, an adult beneficiary is the holder of their own Registered Disability Savings Plan (RDSP). If the beneficiary does not have contractual capacity due to a mental impairment, the holder must generally be a legal representative authorized under provincial or territorial law.

A temporary measure, currently scheduled to expire at the end of 2026, allows a qualifying family member to open and hold an RDSP where, after reasonable inquiry, the RDSP issuer considers the beneficiary's contractual capacity to be in doubt and the beneficiary does not have a legal representative. A qualifying family member may be a parent, spouse or common-law partner, or sibling.

Budget 2026 proposes to make the qualifying family member measure permanent.

Income Tax Return Filing and Balance-Due Dates for Individuals

Most individuals must file their T1 income tax return and pay any balance owing by April 30 following the end of the taxation year. Self-employed individuals and their spouses or common-law partners have until June 15 to file, although any balance owing remains due by April 30.

Budget 2026 proposes to change the T1 filing and balance-due dates to May 15 for all individuals, including self-employed individuals and their spouses or common-law partners.

These measures would apply to the 2027 and subsequent taxation years.

Expansion of the Intergenerational Farm and Fishing Property Rollover

The Income Tax Act permits a tax-deferred rollover of capital gains on qualifying intergenerational transfers of certain farming and fishing property to a taxpayer's child or the child's spouse or common-law partner. For this purpose, a child includes a grandchild or great-grandchild.

Budget 2026 proposes to expand the rollover so that it is available for transfers to a niece, nephew, grandniece or grandnephew of the taxpayer or the taxpayer's spouse or common-law partner.

This measure would be effective for transfers that occur on or after January 1, 2027.

Foreign Income Verification Statement – Form T1135

Canadian-resident individuals, corporations and trusts, as well as certain partnerships, generally must file Form T1135 if the total cost of their specified foreign property exceeds $100,000 at any time during the taxation year or fiscal period. Simplified reporting may be available where the total cost remains below $250,000 throughout the year.

Budget 2026 proposes to increase the filing threshold from $100,000 to $200,000. The CRA would also increase the threshold for simplified reporting from less than $250,000 to less than $500,000.

These measures would apply to taxation years or fiscal periods that end after 2026.

2027 Canada Groceries and Essentials Benefit Supplement

The Canada Groceries and Essentials Benefit (CGEB), formerly the GST Credit, is a non-taxable, income-tested benefit that is indexed to inflation. For the 2026-27 benefit year, the maximum annual amounts are $445 per adult, $234 per child and $234 for the single supplement, generally paid in equal quarterly payments.

Budget 2026 proposes to deliver a one-time CGEB supplement equal to half of the maximum annual CGEB amounts for the 2026-27 benefit year. The maximum supplement would be $223 per adult, $117 per child and $117 for the single supplement. For the supplement only, the phase-in and phase-out rates would be adjusted to 6% and 15%, respectively, so that the supplement is fully phased in and phased out at the same income levels as under the current rules.

The supplement would be delivered in early 2027.

Canada Caregiver Credit

The Canada Caregiver Credit (CCC) is a non-refundable tax credit for individuals supporting certain infirm dependants. Because the credit is non-refundable, caregivers with little or no tax liability may not receive its full value. For 2027, the maximum credit amount for certain infirm adult dependants is $9,001, providing tax relief of up to $1,260. Different amounts apply for certain spouses, common-law partners, eligible dependants and infirm children under age 18.

Budget 2026 proposes to make the CCC refundable, allowing eligible caregivers to receive the full amount even if they have little or no tax liability. The refundable credit would retain the existing design parameters, including annual indexation of the maximum amounts and income threshold.

This measure would apply to the 2027 and subsequent taxation years.

Optional Flat Amounts for Personal Income Tax Deductions and Credits

To reduce the need for individuals to retain receipts and itemize certain expenses, Budget 2026 proposes optional flat-amount calculation methods for certain deductions and credits. Individuals would still need to establish their eligibility. Key proposed amounts include:

- Moving Expense Deduction: An optional $1,000 deduction for an eligible relocation instead of tracking and claiming actual deductible moving expenses.
- Clergy Residence Deduction: An optional $1,000 deduction for each month of eligibility, up to $12,000 annually.
- Labour Mobility Deduction for Tradespeople: An optional $1,500 annual deduction for eligible tradespeople and apprentices undertaking an eligible temporary relocation.
- Home Accessibility Tax Credit: A one-time optional flat-expense amount of $1,000 instead of claiming actual qualifying expenses, subject to the applicable conditions.
- Adoption Expense Tax Credit: An optional flat-expense amount of $1,200 per adopted child in the year an adoption is completed.

These measures would apply to the 2027 and subsequent taxation years.

Medical Expense Tax Credit and Disability Supports Deduction

The Medical Expense Tax Credit (METC) and Disability Supports Deduction (DSD) generally require individuals to retain receipts and, depending on the expense, obtain a prescription or certification from an authorized medical practitioner.

Budget 2026 proposes to simplify the documentation requirements for certain expenses. For expenses incurred exclusively for medical purposes, the prescription requirement would be removed, with no certification of the individual's medical condition required. For certain expenses that may also be incurred for non-medical purposes, the prescription requirement would be replaced with certification of the individual's medical condition by an authorized medical practitioner.

Budget 2026 also proposes optional flat amounts, including $1,000 for gluten-free food expenses associated with celiac disease, $500 for eligible incontinence products and $2,000 for expenses related to a service dog. The gluten-free food measure would apply to the 2026 and subsequent taxation years, while the incontinence product and service-dog measures would apply to the 2027 and subsequent taxation years.

Deductibility of Expenses Against Commission Income

Commission employees meeting specified conditions may deduct employment expenses up to the amount of their commission income. A commission employee claiming an amount under these rules cannot also deduct travel or motor vehicle expenses under the general employee provisions.

Budget 2026 proposes to eliminate the rules preventing commission employees from deducting travel and motor vehicle expenses under the general employee provisions where they also claim expenses under the commission-employee rules. This would allow a commission employee claiming travel or motor vehicle expenses under the general provisions to additionally claim other employment expenses as a commission employee up to the amount of their commission income.

This measure would apply to the 2027 and subsequent taxation years.

Scholarship, Fellowship, and Bursary Income

Under the current rules, a program generally does not qualify for the scholarship, fellowship and bursary income exemption if the student receives financial assistance for the program from an arm's-length person, such as an employer.

Budget 2026 proposes to allow the program to qualify despite such assistance, meaning employer or other arm's-length financial assistance would no longer prevent a student from claiming the exemption for scholarships, fellowships or bursaries received for that program.

This measure would apply to the 2027 and subsequent taxation years.

Deductibility of Expenses by Employed Artists

Employed artists may deduct expenses incurred in specified artistic activities, generally limited to the lesser of $1,000 and 20% of employment income from those activities, reduced by certain other employment-expense deductions. Expenses restricted by the cap may be carried forward.

Budget 2026 proposes to replace the existing cap with a limit equal to the artist's employment income for the year from the specified artistic activities.

This measure would apply to the 2027 and subsequent taxation years.

Canada Creative Credit

Budget 2026 announces the government's intention to consult with Canadians and the cultural sector on a new Canada Creative Credit to support artists as they foster creativity, artistic production and cultural entrepreneurship in Canada.

The credit is expected to be a non-refundable personal income tax credit that would provide tax recognition, when combined with the Basic Personal Amount, on up to $45,000 of annual qualifying net business income from original and creative artistic works.

Details will be announced in the Spring Economic Update 2027.

Instalment Payments for Individuals and Corporations

Most individuals may be required to make quarterly income tax instalments if their combined federal-provincial net tax owing exceeds $3,000 for the current year and either of the two previous years. For Quebec residents, the federal threshold is $1,800. Corporations generally make monthly or quarterly federal income tax instalments unless total federal tax payable for either the current or previous taxation year is $3,000 or less.

Budget 2026 proposes to increase the threshold from $3,000 to $7,500 for corporations and individuals resident outside Quebec, and from $1,800 to $4,500 for individuals resident in Quebec. The thresholds would be indexed to inflation and rounded to the nearest $500.

Any remaining tax payable for a taxation year would be due on the applicable balance-due date.

Budget 2026 also proposes that individuals whose primary source of income is from a business, including professional or commission income, be allowed to make a single annual instalment payment instead of quarterly instalments. The single instalment payment would equal two thirds of their combined federal-provincial net tax owing for the year and be due by December 31. The remainder would be due on the applicable balance-due date.

The increased instalment thresholds would apply to taxation years that begin on or after January 1, 2028. The annual instalment measure for individuals with business income would apply to the 2028 and subsequent taxation years.

Business measures

Canada Growth Incentive – Capital Gains Exemption

Budget 2026 proposes to introduce a new Canada Growth Incentive (CGI) capital gains exemption that would allow a Canadian-resident individual to claim an exemption on capital gains realized on the disposition of qualifying shares of a qualifying corporation, up to a $15-million limit for each qualifying individual in respect of each business.

Key eligibility requirements include:

- Individual: The individual must generally be at least age 18 when the shares are acquired and resident in Canada throughout the year in which the exemption is claimed.
- Corporation and qualifying business assets: The corporation must be a Canadian-controlled private corporation when the shares are issued. At issuance, all or substantially all of the fair market value of its assets must generally be attributable to assets used, or reasonably intended to be used within 36 months, principally in a qualifying business carried on primarily in Canada. The combined assets of the corporation and related corporations must not exceed $100 million at issuance.

- Ongoing asset test: While the shares are held, at least 50% of the fair market value of the corporation's assets must generally be attributable to assets used principally in a qualifying business.
- Holding period and Canadian business: The shares must generally be held for at least 36 consecutive months before disposition, and the qualifying business must generally be carried on primarily in Canada for at least 24 consecutive months after the shares are issued. At the time of disposition, all or substantially all of the fair market value of the corporation's assets must be attributable to assets used principally in a qualifying business.
- Excluded businesses: Certain businesses would not qualify, including specified consulting and professional practices and businesses in certain sectors such as agriculture, fishing, forestry, mining, financial services, insurance, utilities, real estate, food and accommodation, arts, recreation and entertainment. Businesses operating under licensing or franchising agreements would also be excluded.

Capital gains exempted through the CGI would be subject to a 30% inclusion rate for Alternative Minimum Tax purposes. A CGI exemption claimed on qualifying shares of a corporation would limit the individual's ability to claim the Lifetime Capital Gains Exemption on shares of the same corporation, and vice versa.

This measure would apply in respect of qualifying shares of a qualifying corporation issued on or after Budget Day and before 2037.

Canada Growth Incentive – Rollover for Investments in Small Businesses

Individuals may currently defer capital gains on qualifying dispositions of eligible small business corporation shares where the proceeds are reinvested in replacement eligible small business corporation shares in the year of disposition or the following calendar year.

Budget 2026 proposes to extend the replacement period to the three calendar years following the year of disposition, with up to an additional two years where an individual enters into an eligible agreement for future equity. It also proposes to lower the active-business asset threshold that must generally be met during the shareholding period from "all or substantially all" to "primarily."

These measures would apply to qualifying dispositions that occur on or after January 1, 2027.

Individual Pension Plans

An individual pension plan (IPP) is generally a defined benefit RPP with fewer than four members where at least one member is related to a participating employer. IPPs currently are not subject to the advantage, prohibited-investment and non-qualified-investment rules that apply to certain other registered plans.

Budget 2026 proposes to expand the definition of an IPP to include defined benefit RPPs in which all members are either related to a participating employer or do not deal at arm's length with a member related to a participating employer.

IPPs would also become subject to the non-qualified investment, prohibited investment and advantage rules applicable to other registered plans of controlling individuals. In addition, an IPP whose assets exceed 200% of its pension liabilities would become a "revocable plan," with the CRA required to provide at least 30 days' notice before issuing a revocation letter to allow time for corrective action.

The expanded IPP definition would apply as of January 1, 2027. The non-qualified investment, prohibited investment, advantage and excessive-surplus measures would apply as of January 1, 2028, subject to applicable transitional rules.

Corporate Loss Transfers

Canadian corporations are generally taxed on a stand-alone basis and cannot directly deduct losses incurred by another corporation. Corporate groups can undertake transactions such as amalgamations, wind-ups or intra-group financing to effectively transfer losses, although these arrangements can be complex or impractical.

Budget 2026 invites stakeholder comments on a proposed corporate loss-transfer mechanism that would generally permit transfers of current-year non-capital losses between a parent corporation and a directly or indirectly wholly owned subsidiary, or between two subsidiaries directly or indirectly wholly owned by the

same parent. The transferor and transferee would make a joint election, allowing the transferee to deduct the elected amount with a corresponding reduction to the transferor's current-year non-capital loss.

Budget 2026 does not specify an effective date for the proposed corporate loss-transfer regime.

Corporate Tax Elections

Certain corporate tax elections and agreements currently require a certified copy of a directors' resolution or other authorization to be filed with the CRA.

Budget 2026 proposes to eliminate the requirement for corporations to file a certified copy of a resolution or authorization when making certain elections or agreements.

This measure would apply to elections and agreements made on or after the date of royal assent of the enacting legislation.

Other Measures

Trust Distributions to Non-Residents

A personal trust and certain other prescribed trusts may generally distribute property to a Canadian-resident beneficiary on a tax-deferred basis. A trust generally cannot use this rollover for distributions of property to a non-resident beneficiary, subject to limited exceptions.

Budget 2026 proposes to broaden the current rollout denial rule to include indirect distributions of trust property to non-resident beneficiaries. The rollout would be denied for any property transferred to a corporation or partnership that has a direct or indirect non-resident shareholder or partner.

This measure would apply in respect of distributions of property that occur on or after Budget Day.

Taxable Canadian Property

Where taxable Canadian property (TCP) is acquired from a non-resident vendor, the purchaser can be required to withhold and remit tax on account of the vendor's potential Canadian tax liability unless a CRA clearance certificate is obtained. The purchaser's withholding rate is generally 25% of the purchase price for capital property other than specified TCP and 50% for specified TCP.

For non-resident corporate vendors, Budget 2026 proposes to reduce the withholding and remittance rates from 25% and 50% to 15% and 30%, respectively. Budget 2026 also proposes to exempt vendors and purchasers from the withholding and tax-remittance requirements for fully tax-deferred section 85 rollovers of TCP where the applicable filing and information requirements are satisfied. An existing anti-avoidance rule applicable to certain TCP rollovers would also be strengthened.

These measures would apply to dispositions that occur on or after January 1, 2027.

Mortgage Lender Income Verification with the CRA

Budget 2026 proposes to amend the Canada Revenue Agency Act to provide the CRA with authority to enter into agreements with mortgage lenders and mortgage insurers to provide an income verification service. The service is intended to make the mortgage application process more reliable and efficient while helping to deter mortgage fraud.

Disclosure of Tax Debt to Credit Bureaus

Budget 2026 proposes to allow the CRA to disclose information about a taxpayer's tax debts to credit bureaus in certain circumstances, including where the outstanding tax debt exceeds $50,000, the relevant objection and appeal rights have expired or been exhausted, the taxpayer has received at least 30 days' written notice and the CRA has taken reasonable collection steps and provided an opportunity to make reasonable repayment arrangements. Similar amendments are proposed for GST/HST debts under the Excise Tax Act. This measure would apply on royal assent of the enacting legislation.

Modernising the Deposit Insurance Framework

Budget 2026 proposes to amend the Canada Deposit Insurance Corporation Act to modernise Canada's deposit insurance framework. The proposed changes would increase the deposit insurance limit from $100,000 to $250,000, provide temporary higher-balance coverage for certain life events such as the sale of a home, and remove the deposit insurance limit for eligible deposits held in registered and tax-free accounts.

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