



# The outlook for global tax policy and controversy in 2026: jurisdiction reports



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## Key issues to watch in 2026

- The USMCA review or renegotiation and possible tax and trade policy implications
- Further developments regarding US tariffs imposed on Canada
- Further developments on Pillar Two
- The possibility of a federal general election
- Significant tax reform not expected in 2026; isolated reforms possible, but comprehensive reform unlikely

## Key drivers of tax policy change

- Maintenance of tax competitiveness with US
- Incentives to reverse trend of net capital outflows from Canada to enable needed productivity improvements
- Need to shore up revenues in face of steep new spending commitments and mounting budgetary deficits and debt servicing charges

## Changes to incentives or competitiveness

- Immediate expensing for manufacturing and processing buildings
- Accelerated capital cost allowance for liquefied natural gas facilities
- Enhancement of the scientific research and experimental development (SR&ED) tax credit

## Significant tax developments in 2025

- First budget of the Prime Minister Mark Carney's newly elected government marked a clear departure from budgets of the previous Trudeau government, with emphasis on tax measures to stimulate capital investment and economic growth.

- Increase in capital gains inclusion rate, proposed by previous government, dropped
- Canada's digital services tax rescinded
- Federal consumer carbon tax (a.k.a. the federal fuel charge) rescinded

## Top tax enforcement or controversy trends

- Broad audit coverage levels
- Shortening of audit response times
- Increasing unresolved double tax MAP cases

## Tax audits are generally expected to increase; top audit issues

- Transfer pricing
- Policing limits to interest deductibility

## Key tax authority changes or trends

- Canada Revenue Agency to fully transition to online correspondence for businesses
- New audit powers and continued development of mandatory disclosure rules
- Implementation of legislation with expanded transfer pricing rules

## Trending business actions in 2026

- Efforts to diversify export markets in key sectors affected by American tariffs and a risk USMCA will not be renewed or renegotiated

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