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Tax Alert – Canada

CCA and other business income tax measures substantively enacted as part of Bill C-15

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 26 February 2026, amended Bill C-15, *Budget 2025 Implementation Act, No. 1*, received third reading in the House of Commons and became substantively enacted for Canadian financial reporting purposes.

Bill C-15 implements measures contained in the detailed notice of ways and means motion tabled on 17 November 2025, incorporating a long list of outstanding legislative proposals, with certain minor amendments being adopted and incorporated into the bill by the House of Commons Standing Committee on Finance on 23 February 2026.

More specifically, the bill includes certain income tax measures announced in the 2025 federal budget (Budget 2025) and the 2024 federal fall economic statement (notably, the reinstatement of accelerated capital cost allowance (CCA) for most capital properties, enhancements to the scientific research and experimental development (SR&ED) program, and substantial changes to Canada's transfer pricing rules); various other previously announced tax measures included in draft legislation on 15 August 2025, 30 June 2025, 23 January 2025, 12 August 2024 and 9 August 2022; the previously announced increase in the lifetime capital gains exemption and extension of the mineral exploration tax credit; and some new amendments. The previously released measures have been amended (where applicable) to take into account comments received since their initial release.



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Bill C-15 also repeals the digital services tax, effective 20 June 2024. Transitional provisions require that any amount paid by a taxpayer to the CRA as tax, penalties or interest under the *Digital Services Tax Act* be refunded to the taxpayer, with interest from the day the payment was received by the CRA until the day it is refunded by the CRA.

A summary of the business and international income tax measures contained in Bill C-15 is provided below. For a summary of other income tax measures contained in Bill C-15, refer to [EY Tax Alert 2025 Issue No. 54, 2025 budget implementation bill no. 1 introduced in House of Commons](#).

Business and international tax measures

Because of the minority status of the federal government, the business income tax measures contained in Bill C-15 are considered substantively enacted (for financial reporting purposes) on 26 February 2026 when the bill passed third reading in the House of Commons.

Bill C-15 includes the following business and international income tax measures.

Measures announced or confirmed in Budget 2025 or first announced in Bill C-15

- ▶ **Carbon capture, utilization and storage (CCUS) investment tax credit (ITC)** - Extension of the full credit rates for the CCUS ITC by five years, so that the full credit rates will apply from 2022 to the end of 2035 (instead of 2030, as currently enacted) and the reduced credit rates will apply from 2036 to the end of 2040. The extension is deemed to come into force on 4 November 2025. Various technical amendments previously included in the 12 August 2024 draft legislation, as well as some new technical amendments, are also included in the bill. For example, the time for late filing the applicable prescribed form to claim the credit is extended until the later of 31 December 2026 (instead of 31 December 2025) and one year after the taxpayer's filing-due date for the taxation year, and a new definition for "excluded CCUS equipment" is introduced for purposes of simplifying the description of Class 57 property; both of these amendments apply as of 1 January 2022.
- ▶ **Clean electricity ITC** - Implementation of the tax credit, effective 16 April 2024, as well as expansion of qualifying corporations eligible to claim the credit to include Canada Growth Fund Inc. and any wholly owned subsidiary of Canada Growth Fund Inc., applicable in respect of eligible property that is acquired and becomes available for use on or after 4 November 2025. A separate amendment (first announced in the 2024 federal fall economic statement) also expands the list of qualifying corporations to include the Canada Infrastructure Bank, applicable in respect of eligible property that is acquired and becomes available for use on or after 16 December 2024. Any financing provided by either of these two entities will not reduce the cost of eligible property in computing the tax credit. Various new amendments are also included in Bill C-15 (e.g., to define what constitutes nuclear energy property as claimable clean electricity property, and amendments to the time for late filing the prescribed form to claim the credit). Various consequential amendments related to the introduction of the credit, as well as new technical amendments, are also made.

However, the conditions that were to be imposed on provincial Crown corporations to be eligible for the credit are not part of Bill C-15, as these conditions were removed by Budget 2025. See [EY Tax Alert 2024 Issue No. 49, Canada's new clean electricity investment tax credit](#), for information on the key parameters of the credit.

- ▶ **Clean energy equipment: Class 43.1 eligibility** - Various new amendments to CCA Class 43.1, including amendments to exclude pollution abatement equipment from Class 43.1 eligibility, applicable on Royal Assent of Bill C-15. Amendments are also made to ensure any transmission equipment otherwise eligible for inclusion in Class 43.1 now meets, as of 17 November 2025, certain additional conditions (as outlined in the new definition “eligible transmission equipment”) and to exclude from Class 43.1 any fixed location energy storage property that is a battery used in automotive equipment and property used to charge vehicles or other automotive equipment, applicable to property that is acquired and becomes available for use on or after 17 November 2025.
- ▶ **Clean technology manufacturing ITC** - Expansion of the list of critical minerals eligible for the clean technology manufacturing ITC to include antimony, gallium, germanium, indium and scandium, applicable in respect of property that is acquired and becomes available for use on or after 4 November 2025. Various technical amendments previously included in the 12 August 2024 draft legislation to clarify and expand the credit rules (with some modifications since their last release), as well as some new technical amendments, are also included in the bill. For example, the time for late filing the applicable prescribed form to claim the credit is extended until the later of 31 December 2026 and one year after the taxpayer’s filing-due date for the taxation year (instead of simply one year after the taxpayer’s filing-due date).
- ▶ **SR&ED program enhancements** - Enhancements to the SR&ED tax incentive program, generally applicable to taxation years beginning on or after 16 December 2024, including:
 - ▶ **Expenditure limit** - Increase, from \$3 million to \$6 million (rather than \$4.5 million, as proposed in the 2024 fall economic statement and 15 August 2025 draft legislation), in the annual expenditure limit for the 35% refundable SR&ED investment tax credit for Canadian-controlled private corporations (CCPCs) and eligible Canadian public corporations (see below), effective for taxation years beginning on or after 16 December 2024.
 - ▶ **Phase-out thresholds** - Increase, from \$10 million and \$50 million, to \$15 million and \$75 million, respectively, in the prior-year taxable capital phase-out thresholds for purposes of determining the annual expenditure limit (with CCPCs having the option to determine their annual expenditure limit on a different basis than taxable capital – see below).
 - ▶ **Refundability** - Extension of the 35% refundable SR&ED ITC to eligible Canadian public corporations, up to the increased annual expenditure limit. However, for CCPCs that elect and eligible public corporations, the \$15 million and \$75 million phase-out thresholds for determining the annual expenditure limit will essentially be based on the corporation’s (or consolidated group’s) average annual revenue over the preceding three fiscal years ending before the current taxation year.

- ▶ **Capital expenditures** - Reinstatement of the pre-2014 eligibility of capital expenditures (for property acquired after 15 December 2024 or lease costs incurred after that date) to both the SR&ED income deduction and the 15% or 35% SR&ED ITCs, and related consequential amendments.
- ▶ **Transfer pricing rules** - Significant amendments to Canada's transfer pricing rules in section 247 of the *Income Tax Act* (the Act), applicable to taxation years and fiscal periods that begin after 4 November 2025. The amendments replace the existing transfer pricing adjustment and recharacterization rules with a single adjustment application rule that will apply if the "actual conditions" of the relevant transaction or series differ from "arm's length conditions." An interpretation rule is also added to ensure that Canada's transfer pricing rules are applied in a manner consistent with the analytic framework set out by the OECD Transfer Pricing Guidelines. Amendments are also made to the transfer pricing penalty provisions and documentation requirements. See [EY Tax Alert 2025 Issue No. 53, Budget 2025 introduces revised transfer pricing rules](#).
- ▶ **Intergenerational business transfers** - New technical amendments clarify the conditions for a business transfer to qualify as an immediate intergenerational business transfer or a gradual intergenerational business transfer. For example, the condition for the child (or at least one member of the child group) that controls the purchaser corporation to be actively engaged on a regular, continuous and substantial basis in the business can still be met (depending on the particular facts and circumstances) even if the individual does not work in the business an average of at least 20 hours per week during the year or the portion of the year in which the business operates. The previously announced amendment to Regulation 600 to add the elections for immediate and gradual business transfers to the list of prescribed elections for which the minister may extend the time to make an election or grant permission to amend or revoke an election is also included. These amendments are deemed to have come into force on 1 January 2024.
- ▶ **Patronage dividends paid in shares (agricultural cooperatives)** - Extension of the temporary deferral of income taxes and withholding obligations on patronage dividends received as eligible shares until their disposition or deemed disposition. Specifically, the temporary deferral measure, which was set to expire at the end of 2025, will continue to apply in respect of eligible shares issued before the end of 2030.
- ▶ **Critical mineral exploration tax credit** - Expansion of the credit (for individuals) to include the following additional critical minerals: bismuth, cesium, chromium, fluor spar, germanium, indium, manganese, molybdenum, niobium, phosphate, tantalum, tin and tungsten, applicable to expenditures renounced under eligible flow-through share agreements entered into after 4 November 2025 and on or before 31 March 2027. It should be noted that Bill C-15 was amended by the House of Commons Standing Committee on Finance to add phosphate to the list of critical minerals covered by the credit.

Measures released as draft legislative proposals on 15 August 2025

- ▶ **Deferring tax using foreign resident corporations** - Updated amendments to eliminate the tax-deferral advantage available to CCPCs and their shareholders earning investment income through controlled foreign affiliates, generally applicable for taxation years beginning on or after 7 April 2022. Specifically, the relevant tax factor (RTF) applicable to CCPCs and substantive CCPCs is adjusted from 4 to 1.9 (i.e., the RTF currently applicable to individuals), so that a deduction in respect of foreign tax paid that fully offsets foreign accrual property income (FAPI) inclusions is available only where the foreign tax rate is at least 52.63% (rather than 25%). Amendments also address the integration of FAPI that is repatriated to and distributed by CCPCs and substantive CCPCs to individual shareholders by way of adjustments to the calculation of the corporation's general rate income pool and capital dividend account calculation. However, two elective carve-outs from these changes are also provided (through the introduction of "foreign accrual business income" (FABI) and the "FABI surplus" pool). The updated amendments, including the FABI relieving regime, are introduced for taxation years that begin after 2025.
- ▶ **Excessive interest and financing expense limitation (EIFEL) rules** - Updated technical amendments to the definition of "adjusted taxable income" in subsection 18.2(1) of the Act, to ensure loss carryovers are properly accounted for and to address a potential circularity issue with respect to the add-back for amounts deducted under subsection 104(6). In addition, Regulation 600 is amended to add the excluded interest election and specified pre-regime loss election under the EIFEL rules, as well as the election under clause 95(2)(f.11)(ii)(E) to forgo a foreign accrual property loss, to the list of elections for which the minister may allow late filing, amendment or revocation. These amendments are deemed to have come into force on 1 October 2023.
- ▶ **Government assistance and concessional loans** - Technical amendments to provide that an amount received as an "excluded loan" (as defined in subsection 12(11)) will not be treated as government assistance for purposes of various cost base adjustments and resource pools. These amendments are deemed to have come into force on 1 January 2020 and apply to loans made after 31 December 2019. Regulations 3100(1)(b) and 3100(3) (with respect to prescribed benefits for purposes of the definition of a tax shelter) are similarly amended and deemed to have come into force on 1 January 2022.
- ▶ **Foreign affiliate share-for-share exchange** - Updated technical amendments to the anti-avoidance rule in paragraph 85.1(4)(a) of the Act, which currently provides an exception to the rollover in subsection 85.1(3) for a transfer of shares of a foreign affiliate by a taxpayer to another foreign affiliate. Paragraph 85.1(4)(a) is reorganized and amended to strengthen the existing exception, as well as to extend the exception to circumstances in which there is a disposition to a non-arm's length nonresident (other than a corporation that is a controlled foreign affiliate of the taxpayer or of a successor corporation, for purposes of section 17). Subsection 85.1(4.1) is also added to provide interpretive rules for determining whether a partnership is dealing at arm's length (or not) with a person or other partnership for the purpose of applying paragraph 85.1(4)(a). Consequential amendments are also made to certain other provisions; for example, paragraph 93.1(3)(c) is amended to provide look-through rules for tiered partnerships for the purpose of applying subsection 85.1(4.1). These amendments apply in respect of dispositions that occur on or after 15 August 2025.

▶ **Foreign mergers** - Updated technical amendments to the anti-avoidance rule in subsection 87(8.3) of the Act, which provides an exception to the rollover provisions in subsections 87(4) and (5), with respect to a taxpayer's shares of a predecessor foreign corporation in the context of a foreign merger where certain conditions are met. Given that subsection 87(8.3) is intended to prevent the use of certain structures aimed at circumventing the anti-avoidance rule in subsection 85.1(4), the conditions in paragraphs 87(8.3)(b) and (c) are restructured and amended consistent with changes to paragraph 85.1(4)(a) described above under "Foreign affiliate share-for-share exchange." In addition, subsection 87(8.31) is added to provide interpretative rules for determining whether a partnership is dealing at arm's length (or not) with a person or other partnership for the purpose of applying paragraph 87(8.3)(c). Consequential amendments are also made to certain other provisions; for example, paragraph 93.1(3)(c) is amended to provide look-through rules for tiered partnerships for the purpose of applying subsection 87(8.31). These amendments apply in respect of dispositions that occur on or after 15 August 2025.

▶ **FAPI and tracking rules** - Amendments to introduce rules for determining the portion of an umbrella trust's FAPI that is attributable to a taxpayer (as a beneficiary of the trust or through a controlled foreign affiliate that is a beneficiary of the trust), where the trust is deemed under subsection 94.2(2) to be a nonresident corporation controlled by the taxpayer. An "umbrella trust" is a single trust consisting of several sub-funds, with a separate class of participating interests typically being issued for each sub-fund. The purpose of the new rules is to permit the determination of FAPI (as well as related deductions and filing requirements) to be based on the income, gains and losses of the particular sub-fund that the taxpayer has invested in (and no other sub-funds), provided certain conditions are met. Other amendments provide an exception to the deemed control rule under subsection 94.2(2) where the deemed control is triggered because the condition in subparagraph 94.2(1)(b)(i) is met in respect of one or more classes of fixed interests that are tracking interests. These amendments apply in respect of taxation years of trusts beginning after 26 February 2018.

In addition, new subsection 95(13) is introduced to ensure the tracking arrangement rules in subsections 95(11) and (12) do not apply in respect of a foreign affiliate of a taxpayer where avoiding, preventing or deferring the inclusion of any amount of FAPI in income under subsection 91(1) was not a purpose of creating, issuing, acquiring or holding a tracking interest. As well, the preamble of subsection 95(11) is amended to clarify that the tracking arrangement rules under that subsection do not apply in respect of a foreign affiliate that is otherwise a controlled foreign affiliate. These amendments apply in respect of taxation years of a foreign affiliate beginning after 26 February 2018.

▶ **International shipping** - Updated amendments relating to the introduction of an exemption from tax for the portion of a taxable capital gain of a Canadian-resident corporation from the disposition of a vessel (including furniture, fittings and certain equipment) that can reasonably be considered to have accrued while the vessel was used by the corporation solely to earn income from international shipping, as well as for taxable capital gains from the disposition of personal or movable property that pertained solely to the operation of such vessels. These amendments apply to the portion of such a taxable capital gain that accrues on or after 31 December 2023. In addition, other amendments ensure that appropriate CCA is available in respect of a vessel that is used to earn exempt international shipping income in some taxation years and non-exempt income in other taxation years.

Finally, each vessel that has been used to earn exempt international shipping income must be included in a separate Class 7 for CCA purposes. These amendments apply as of 31 December 2023.

- ▶ **Part II.2 tax on repurchases of equity: additional amendments** - Amendment to the definition of “reorganization transaction” in subsection 183.3(1) of the Act to include a winding-up under subsection 88(1). In addition, the anti-avoidance rule in subsection 183.3(5), which deems a covered entity to acquire its own equity if a specified affiliate of the covered entity acquires its equity, is extended to apply for purposes of the definitions in subsection 183.3(1). These amendments are deemed to have come into force on 1 January 2024. (Note that the proposed amendment to expand this rule to circumstances in which a specified affiliate borrows equity of the covered entity, which was included in the 12 August 2024 draft legislation, is not included in Bill C-15.)

For further details on the above-noted amendments from the 15 August 2025 draft legislation, see [EY Tax Alert 2025 Issue No. 40, Finance releases draft legislation for various previously announced measures and technical amendments](#), and EY News 143-25, *Finance releases draft income tax technical amendments* (available to subscribers of the Federal Income Tax Collection on [Canadian Tax Library](#) and [Knotia](#)).

Measure released as draft legislative proposal on 30 June 2025

- ▶ **Canada carbon rebate for small businesses** - Amendments to ensure that the rebate will not be included in income for tax purposes, and to extend the 2023 T2 corporate income tax return filing deadline to 31 December 2024 (from 15 July 2024), for corporations to be entitled to the rebate for the 2019 to 2023 calendar years. Various technical amendments in relation to the rebate (e.g., on the continuation of predecessor corporations) are also included. These amendments are deemed to come into force on 20 June 2024.

Measure announced in March 2025

- ▶ **Mineral exploration tax credit** - Extension of the credit (for individuals) to flow-through share agreements entered into on or before 31 March 2027. The credit was scheduled to expire on 31 March 2025.

Measure released as draft legislative proposal on 23 January 2025

- ▶ **Extension of 2024 charitable donation deadline** - Extension, to 28 February 2025, of the deadline for making charitable donations that qualify for a taxable income deduction for the 2024 taxation year. This measure will enter into force on Royal Assent. For more information, see [EY Tax Alert 2025 Issue No. 5, CRA to administer draft legislation to extend deadline for 2024 charitable donations](#).

Measures announced in the 2024 fall economic statement

- ▶ **CCA: reaccelerated investment incentive and immediate expensing** - Reinstatement of the accelerated investment incentive and immediate expensing measures for qualifying property acquired on or after 1 January 2025 and that becomes available for use before 2034. Eligible property acquired on or after 1 January 2025, and available for use before 2030, will qualify for an enhanced CCA deduction equal to three times the normal first-year deduction if the property is normally subject to the half-year rule, and equal to one-and-a-half times the normal first-year allowance if the property is not normally subject to the half-year rule. The enhanced allowance is phased out for property that becomes available for use after 2029 and before 2034. Property that becomes available for use after 2033 will no longer be eligible for an enhanced deduction. Similarly, immediate expensing is reinstated for manufacturing or processing machinery and equipment included in Class 53, clean energy generation and energy conservation equipment included in Class 43.1, and zero-emission vehicles included in Classes 54, 55 and 56, so that these vehicles and equipment will be eligible for a first-year 100% deduction if acquired on or after 1 January 2025 and they become available for use before 2030. The first-year enhanced deduction will be phased out for property that becomes available for use after 2029 and before 2034. Property that becomes available for use after 2033 will be subject to the normal CCA rate. Note that the formula for the reinstated rules incorporates the proposed immediate expensing rules for certain productivity-enhancing assets, as described below under "Accelerated CCA." For more information on these rules, see [EY Tax Alert 2025 Issue No. 58, Accelerated CCA and other immediate expensing measures](#).
- ▶ **Reaccelerated resource deductions** - Reinstatement of the accelerated deduction rules related to Canadian development expenses (CDE) and Canadian oil and gas property expenses (COGPE) for expenses incurred after 2024 and before 2034. The reaccelerated deductions will provide a total first-year deduction of 150% of the regular CDE or COGPE deduction for expenses incurred after 2024 and before 2030, and 125% of the regular CDE or COGPE deduction for expenses incurred after 2029 and before 2034. The rates are prorated for taxation years that begin before 2030 and end after 2029, based on the amount of expenditures incurred before and after the end of 2029.

Measures released as draft legislative proposals on 12 August 2024

- ▶ **Accelerated CCA** - Temporary increase in CCA rates for certain property, including the following:
 - ▶ **Purpose-built rental housing** - Increase in the CCA rate, from 4% to 10%, for buildings or parts of a building that qualify as a new purpose-built residential rental, effective 16 April 2024. To qualify as a new purpose-built residential rental, construction must have started after 15 April 2024 and before 2031, and the property must become available for use before 2036.

- ▶ **Certain productivity-enhancing assets** - Immediate expensing for eligible property in CCA Classes 44 (patents or the rights to use patented information for a limited or unlimited period), 46 (data network infrastructure equipment and related systems software) and 50 (general-purpose electronic data-processing equipment and systems software) that is acquired after 15 April 2024 and becomes available for use before 2027. As a result, such property will be eligible for a CCA rate of 100% in the first year in which it becomes available for use (prorated for short taxation years). Eligible property is property that meets the definition of “accelerated investment incentive property” or, in the case of property acquired after 2024, “reaccelerated investment incentive property.”

- ▶ **Clean hydrogen ITC** - Various technical amendments to clarify the clean hydrogen ITC, effective 28 March 2023. Further, the rules relating to the calculation of carbon intensity of hydrogen produced (and to be produced) by a clean hydrogen project have been amended. Various new amendments are also included, for example, to extend the time for late filing the applicable prescribed form to claim the credit until the later of 31 December 2026 (instead of 31 December 2025) and one year after the taxpayer’s filing-due date for the taxation year, and to clarify shared filing requirements in respect of a clean hydrogen project.

- ▶ **Clean technology ITC** - Expansion of the clean technology ITC to include certain equipment that is part of a system that generates electricity or heat (or both) from waste biomass, effective in respect of property that is acquired after 20 November 2023 (provided the property has not been used for any purpose before its acquisition). Consequential amendments requiring environmental compliance also apply, effective 21 November 2023. In addition, various technical amendments are made to the clean technology ITC rules, such as amendments relating to the payment of tax for recaptured credits (along with joint, several and solidary liability) in the context of a partnership and amendments to ensure that the capital cost of a clean technology property excludes any expenditure incurred for a preliminary work activity (i.e., any activity that is preliminary to the acquisition, construction, fabrication or installation of the property), effective 28 March 2023. Various new amendments are also included, for example, to modify the eligibility rules for small nuclear energy property and to extend the time for late filing the applicable prescribed form to claim the credit until the later of 31 December 2026 and one year after the taxpayer’s filing-due date for the taxation year (instead of simply one year after the taxpayer’s filing-due date).

- ▶ **Other clean economy tax credit proposals** - Introduction of a new rule under the clean economy tax credit partnership rules in section 127.47 of the Act to account for situations where the cost of a particular property that is owned by a partnership is eligible for more than one clean economy tax credit, effective 28 March 2023. An amendment is also made to clarify the non-application of the labour requirements under section 127.46 for the preparation or installation of clean technology property described in CCA Class 43.1(d)(i) (certain active solar heating equipment and ground source heat pump system equipment) or in Class 56 (zero-emission self-propelled equipment that is not a motor vehicle, including certain additions and alterations), effective 28 November 2023. Consequential amendments are also made to various regulations relating to clean energy property, including expansion of the application of environmental compliance rules in Regulation 1104(17) to all property described in Class 43.1 or Class 43.2 and to limit application to situations where there is substantial non-compliance with environmental laws, effective as of 21 November 2023.

- ▶ **EIFEL technical amendments** - Amendments to the definition of “excluded interest” in subsection 18.2(1) of the Act to expand the circumstances in which an excluded interest election is available in respect of interest paid or payable to a financial institution group entity and to clarify the provision. Specifically, where the payee of interest or a lease financing amount is a financial institution group entity, an excluded interest election will be permitted if the payer is a financial institution group entity or would be a special purpose loss corporation under certain circumstances. The definition of “special purpose loss corporation” is also amended to clarify that it applies to a corporation that is formed or exists solely for the purpose of generating a loss derived from interest paid or payable that will be used exclusively by a financial institution group entity. These amendments are intended in part to facilitate loss utilization transactions that are effectively between financial institution group entities but that rely on the use of a temporary, intermediary special purpose loss corporation. The amendments apply to taxation years ending on or after 12 August 2024.
- ▶ **FAPI** - Amendments to the definition of FAPI in subsection 95(1) of the Act with respect to dividends received by a foreign affiliate of a taxpayer (or dividends received by a partnership of which a foreign affiliate of a taxpayer is a member) from another foreign affiliate of the taxpayer, consequential to the enactment of the hybrid mismatch arrangement rules in sections 12.7 and 18.4. In broad terms, the amendments replace in the FAPI definition, for purposes of determining whether interaffiliate dividends should be included in the recipient’s FAPI, the reliance on the deductible dividend test under subsection 113(5) in the context of the hybrid mismatch arrangement rules with a different test. Consequential amendments are also made to the calculation of a foreign affiliate’s exempt surplus, hybrid surplus, hybrid underlying tax, taxable surplus and underlying foreign tax under Regulation 5907(1). These amendments apply in respect of dividends received on or after 1 July 2024.
- ▶ **Financial institution mark-to-market property** - Amendments to Regulation 9002 to provide look-through rules in respect of shares held by a partnership for purposes of the exclusion from the mark-to-market rules for certain shares held by a credit union and to deem a wholly owned subsidiary of a credit union to be a credit union, applicable for taxation years beginning after 2023.
- ▶ **Insurer’s policy reserve** - Amendments to the prescribed amount under Regulation 1400(3) used in calculating a reserve for non-life insurance policies of an insurer to provide a 5% deduction for the reinsurance contract held amount in respect of a group of reinsurance contracts, applicable for taxation years beginning after 2022.
- ▶ **Mutual fund corporations** - Amendments to preclude a corporation from qualifying as a mutual fund corporation if it is controlled by, or for the benefit of, a corporate group (including a corporate group that consists of any combination of corporations, individuals, trusts and partnerships that do not deal with each other at arm’s length), applicable for taxation years beginning after 2024 (or after 2025 if the corporation was controlled by or for the benefit of a real estate investment fund on 16 April 2024). An exception is provided for a corporation that is in its first two years of existence and is a widely held pooled investment vehicle.

- ▶ **Part II.2 tax on repurchases of equity** - Various technical amendments, including amendments to the definition of “qualifying issuance” in subsection 183.3(1) (which generally has the effect of reducing Part II.2 tax payable) to include equity issued in certain arm’s length exchanges, as well as to the definition of “reorganization transaction” to accommodate certain exchange-traded funds. Amendments are also made to section 183.4, concerning filing requirements for members of a partnership that is subject to Part II.2 tax. These amendments are deemed in force on 1 January 2024.
- ▶ **Synthetic equity arrangements** - Removal of the tax-indifferent investor and exchange-traded exceptions to the synthetic equity arrangement anti-avoidance rule, applicable for dividends received on or after 1 January 2025.
- ▶ **Withholding for nonresident service providers** - Amendments to allow the CRA to waive, over a specified period, the 15% withholding tax requirement for payments to a nonresident for services provided in Canada, if the nonresident would not be subject to Canadian income tax in respect of the payments because of a tax treaty, because the business is not carried on in Canada or because the income is exempt income from international shipping or operating an aircraft in international traffic, effective on Royal Assent. The waiver may apply in respect of a class of nonresident persons specified by the CRA.
- ▶ **Withholding tax on nonresident payments** – Amendment to extend the application of subsection 214(15) of the Act, which deems certain amounts paid to a nonresident to be interest payments for purposes of Part XIII withholding tax, to amounts paid or credited to a nonresident as consideration for certain debt restructurings. This amendment will be deemed to have come into force on 12 August 2024.

Measure released as draft legislative proposal on 9 August 2022

- ▶ **Foreign affiliate suppression election** - Amendment to limit the application of subsection 88(3.3), which allows a taxpayer to elect to reduce the amount for which a distributed property is considered disposed of under paragraph 88(3)(a) on a qualifying liquidation and dissolution of the disposing foreign affiliate, to distributed property of the disposing foreign affiliate that is shares of another foreign affiliate. This amendment is intended to align the rule more clearly with its original policy intent by ensuring that any gain that could otherwise be realized on the disposition of the disposing foreign affiliate's shares cannot be eliminated or deferred when a deferral would be inappropriate. This amendment applies to dispositions that occur on or after 9 August 2022.

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