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Tax Alert – Canada

Québec budget 2026

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“[O]ur government is focusing on four key priorities: supporting businesses, infrastructure investments, the government’s main missions and the well-being of Quebecers.”

“It’s a responsible budget with targeted measures for Quebecers.”

*Québec Finance Minister Éric Girard
2026 budget speech*

On 18 March 2026, Québec Finance Minister Éric Girard tabled the province's fiscal 2026 budget. The budget contains several tax measures affecting individuals and corporations. The budget contains no new taxes and no income tax increases.

The minister anticipates a deficit of \$9.9 billion for fiscal 2025-26 (after contributions to the Generations Fund) and \$8.6 billion for fiscal 2026-27, and projects deficits for each of the next two years. The government’s objective is to restore fiscal balance by fiscal 2029-30.

The following is a brief summary of the key tax measures.



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Business tax measures

Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

Québec’s 2026 corporate income tax rates are summarized in Table A.

Table A - 2026 Québec corporate income tax rates¹

| | QC | Federal and QC combined |
|--|--------|-------------------------|
| Small-business tax rate ^{2, 3} | 3.20% | 12.20% |
| General corporate tax rate ^{3, 4} | 11.50% | 26.50% |

¹ The rates represent calendar-year-end rates unless otherwise indicated.

² Effective for taxation years beginning on or after 1 January 2017, a Canadian-controlled private corporation (CCPC) must meet certain qualification criteria concerning the minimum number of hours paid to benefit from the small-business tax rate. The minimum number of hours paid criterion requires that an eligible corporation’s employees work at least 5,500 hours annually, and the amount of the deduction is reduced linearly when the hours are between 5,500 and 5,000 hours. A maximum of 40 hours per week per employee is considered. Special conversion rules apply to take into consideration hours worked (but not necessarily paid in the form of wages) by actively engaged shareholders who hold, directly or indirectly, shares of the corporation that carry more than 50% of the voting rights.

³ The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Québec rates above.

⁴ An additional federal tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Amendments to the refundable tax credit to support print media

The budget proposes the following amendments to the refundable tax credit to support print media to better support the production and dissemination of quality information of public interest throughout Québec:

- ▶ Expanding the eligibility criteria for the refundable tax credit to include news agencies and news media broadcasting news programs on radio and television.

More specifically, the definition of an *excluded corporation* will no longer refer to a corporation that, in the year, holds a licence to carry on a broadcasting undertaking, and the definition of *qualified partnership* will no longer require that the partnership not hold a licence to carry on a broadcasting undertaking in the fiscal period.

In addition, going forward, the business certificate that must be obtained by a corporation will certify either that the corporation, in the year, produced and disseminated an information media recognized as eligible media, or has produced original information content as an eligible news agency in the year. For a news media to be recognized as an eligible media or for a press agency to be recognized as an eligible press agency, certain conditions will need to be met. The reference to written content being the only type of content that may be recognized as original information content, and the provision excluding content for which compensation is paid by a third person or a partnership, will be removed. The exclusion of content from a press agency or another media will be adjusted to cover content from another person or partnership, including another press agency or another media.

Finally, with respect to the eligibility criteria for the purposes of the employee certificate, activities involving the production of original information content intended for publication in a print media will be replaced by activities involving the production and presentation of original information content for an eligible media or for an eligible press agency;

- ▶ Increasing the annual limit applicable to the qualified wages of an eligible employee to \$85,000. The refundable tax credit may therefore reach an annual amount of \$29,750 per eligible employee; and
- ▶ Removing the carrying out of information technology activities related to the production or dissemination of content from eligible activities for the purposes of the employee certificate.

These amendments will apply to a taxation year or a fiscal period, as applicable, ending after 18 March 2026. However, if the corporation or partnership files an election in writing to Investissement Québec, these amendments will not apply in respect of a taxation year or a fiscal period, as applicable, beginning before 18 March 2026.

The refundable tax credit will be renamed to the “refundable tax credit to support Québec news media.”

Extension and phase-out of the refundable tax credit for the digital transformation of print media

The budget proposes to extend the assistance provided by three years while gradually reducing the applicable rates. Therefore, the eligibility period for the refundable tax credit ends on 31 December 2028, and, to be a qualified property, the property must be acquired before 1 January 2028. The rate of the refundable tax credit will be gradually reduced to 20% for eligible digital conversion costs incurred after 31 December 2026 and before 1 January 2028, and to 10% for eligible digital conversion costs incurred after 31 December 2027 and before 1 January 2029.

Amendments to the refundable tax credit for Québec film or television productions

The budget proposes the following changes in order to better reflect the current reality of the industry:

- ▶ Add the funding from the Indigenous Screen Office to the list of excluded assistance amounts for the purposes of the tax credit; and
- ▶ Modify the eligibility criteria regarding the length and number of episodes for certain eligible classes of films.

More specifically, documentaries and audiovisual magazine programs will no longer be subject to requirements regarding program length, or independent segments of comparable length, or number of episodes in order to constitute eligible classes of films for the purposes of the tax credit.

These amendments will apply to a film or television production for which an application for an advance ruling, or an application for a certificate if no advance ruling was previously filed in respect of this production, is filed with the Société de développement des entreprises culturelles (SODEC) after 18 March 2026.

Consequential adjustments of certain fiscal measures

Consequential amendments will also be made to the tax credit for film dubbing and the film production services tax credit with respect to eligible classes of films, so that documentaries and television magazine programs are no longer subject to requirements regarding program length, or independent segments of comparable length, or number of episodes in order to constitute eligible classes of films for the purposes of the tax credit.

These amendments will apply to qualified productions for which an application for an approval certificate is submitted to SODEC after 18 March 2026.

Adjustments made to tax credits for the development of e-business integrating artificial intelligence functionalities

Following budget 2025, it was determined that the following adjustments must be made in order to provide greater predictability to companies that will benefit from the “refundable tax credit for the development of e-business integrating artificial intelligence functionalities” and the “non-refundable tax credit for the development of e-business integrating artificial intelligence functionalities” (hereinafter referred to as the “TCEB^{AI}”), while ensuring the sound implementation of the measure:

- ▶ Relaxing certain criteria relating to eligible activities for the purposes of the employee certificate, in order to clarify that certain preparatory work is eligible for purposes of the TCEB^{AI}.

For the purposes of the employee certificate, specialized artificial intelligence (AI) consulting services will be added to the list of eligible activities. It will not be necessary for a specialized AI consulting activity to relate to the development or integration of information systems or technological infrastructure, or to the development of security identification services. Furthermore, for the purposes of the employee certificate, where it is reasonable to consider that preparatory work is carried out within 12 months prior to the start of an engagement or project or the development of a product integrating AI functionalities to a significant extent, such work will constitute an activity primarily related to e-business integrating AI functionalities to a significant extent. For greater clarity, it will not be necessary for the preparatory work and the engagement, project or the development of a product integrating AI functionalities to a significant extent to which this work relates to be carried out by the same company;

- ▶ Relaxing the conditions relating to the carry-forward of the unused balance of the non-refundable tax credit.

More specifically, the condition whereby the carry-over can be made against a taxation year for which the corporation obtains the refundable tax credit will be removed for balances arising in a taxation year that began before 1 January 2026; and

- ▶ Clarifying the rate reduction for companies that carry out intercompany outsourcing.

When calculating the proportion of gross revenue for the purpose of applying the rate reduction, all revenue from services provided by a corporation to an ultimate beneficiary outside Québec who is a person or partnership with whom the corporation is not dealing at arm's length will have to be taken into account, including support or maintenance of revenue. In addition, when this proportion is at least 50%, the corporation certificate will be required to indicate it. However, the disclosure will not be required to indicate the exact proportion of gross revenue derived from services rendered by a corporation to an ultimate beneficiary outside Québec who is a person or a partnership with whom the corporation is not dealing at arm's length.

These amendments will apply to taxation years beginning after 31 December 2025. However, the amendments with respect to the relaxation of certain criteria relating to eligible activities for employee certificate purposes will also apply to a taxation year that began after 25 March 2025, but before 1 January 2026, when the corporation has filed an election with Investissement Québec for the amendments made in budget 2025 to apply to that taxation year.

Oversight of the residential construction sector

The budget also announces several initiatives to improve compliance in the residential construction sector. For example, work will be done to determine what information could be exchanged among ACCES¹ construction partners (e.g., Commission de la construction du Québec) and, where appropriate, justify any exceptions that could be made to the rules on protecting the privacy of tax information with a view to increasing the amount of information that Revenu Québec can share.

Harmonization measures

The budget proposes to integrate, with adjustments, the immediate expensing measure for greenhouse buildings that was announced by the Prime Minister of Canada on 26 January 2026. This measure will allow producers to fully write off the total cost of greenhouses acquired on or after 4 November 2025 and that become available for use before 2030. The measure will be applicable on the same dates as those of the federal measure.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2026 Québec personal income tax rates are summarized in Table B.

Table B - 2026 Québec personal income tax rates

| First bracket rate | Second bracket rate | Third bracket rate | Fourth bracket rate |
|--------------------|-----------------------|------------------------|---------------------|
| \$0 to \$54,345 | \$54,346 to \$108,680 | \$108,681 to \$132,245 | Above \$132,245 |
| 14.00% | 19.00% | 24.00% | 25.75% |

For taxable income in excess of \$132,245, the 2026 combined federal-Québec personal income tax rates are outlined in Table C.

¹ *Actions concertées pour contrer les économies souterraines* (concerted actions to counter the underground economy).

Table C - Combined 2026 federal and Québec personal income tax rates

| Bracket | Ordinary income ¹ | Eligible dividends | Non-eligible dividends |
|-------------------------------------|------------------------------|--------------------|------------------------|
| \$132,246 to \$181,440 | 47.46% | 32.04% | 41.97% |
| \$181,441 to \$258,482 ² | 50.21% | 35.84% | 45.14% |
| Above \$258,482 | 53.31% | 40.11% | 48.70% |

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,829 for 2026) and an additional amount (\$1,623 for 2026). The additional amount is reduced for individuals with net income in excess of \$181,440 and is fully eliminated for individuals with net income in excess of \$258,482. Consequently, the additional amount is clawed back on net income in excess of \$181,440 until the additional tax credit of \$190 is eliminated; this results in additional federal income tax (e.g., 0.25% on ordinary income) on net income between \$181,441 and \$258,482.

Automated income tax return filing on behalf of certain low-income individuals

The budget proposes to introduce an automated income tax return filing process by Revenu Québec on behalf of certain low-income individuals starting with the 2026 taxation year.

To be eligible for a taxation year, an individual will be required to reside in Québec at the end of 31 December of the taxation year and not to have filed an income tax return for the taxation year before the applicable filing-due date for that year (or within a certain period of time after that date, this period to be determined later). Other selection criteria of eligible individuals, namely those with a simple and stable tax situation, will be determined by spring 2027. It should be noted that this measure will not apply to trusts.

Before filing an income tax return on behalf of an individual, Revenu Québec will have to provide the individual with all the information relating to their tax return that it holds about their situation, and the individual will have to be given a reasonable period of time (to be determined later) to review the information provided and submit any changes.

If the individual does not respond to the information sent by Revenu Québec by either confirming or submitting changes by the end of the reasonable period, Revenu Québec may then file an income tax return on behalf of that individual. Once the income tax return is filed, a notice of assessment will be issued in accordance with the usual process, and the current objection and appeal processes will also apply.

Other tax measures

Mandatory disclosure and preventive disclosure

The budget proposes to make the following adjustments to certain aspects of the mandatory disclosure and preventive disclosure mechanisms:

- ▶ The requirement that submitted information returns be sent to the minister under separate cover, by registered mail, will be removed;
- ▶ The requirement for the minister to confirm receipt of the submitted information returns will be removed; and
- ▶ The presumption regarding the 120-day period granted to tax authorities to request additional information will be removed (submitted information returns will thus no longer be deemed to be in compliance if Revenu Québec fails to contact the person who submitted the information return within 120 days from the date of its submission).

These amendments will apply in respect of a transaction or series of transactions that begin to be carried out after 18 March 2026.

Government debt collection

The budget proposes to introduce legislative and regulatory amendments to enable all public bodies to participate in Revenu Québec's compensation service and to optimize the service.

This mechanism allows Revenu Québec to apply a tax refund to which a person is entitled to the payment of any debt owed to these bodies, thereby preventing public funds from being paid out when there is an overdue financial obligation.

Voluntary Retirement Savings Plan (VRSP)

The budget announces that changes will be made to the VRSP. For example, a minimum contribution rate of 2% of salary will be established, the administration of contributions will be simplified and new investment options with employer contributions will be introduced. Details of the changes planned in the budget will be announced by Retraite Québec in the near future.

School tax

The budget announces that the average increase in school taxes will once again be capped at 3% for 2026.

Fonds pour les minéraux critiques et stratégiques (fund for critical and strategic minerals) (FMCS)

To promote the mining and processing of critical and strategic minerals in Québec, the budget announces the creation of the FMCS, with \$2.5 billion in capital. The FMCS will facilitate intervention methods tailored to this sector, particularly in the form of long-term supply agreements.

Learn more

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