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# Tax Alert – Canada

## Federal Spring Economic Update 2026

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 28 April 2026, the Minister of Finance and National Revenue, François-Philippe Champagne, tabled the federal government's *Spring Economic Update 2026* (SEU). The SEU contains several tax measures affecting individuals and corporations. The SEU contains no new taxes and no income tax increases.

The Minister of Finance and National Revenue anticipates a deficit of \$66.9b for 2025-26 and projects reduced deficits for each of the next five years.

Under the federal government's new method of reporting, the total deficit balances have been split between an operating deficit and capital investment spending. The operating deficit for fiscal 2025-26 is \$26.4b and is anticipated to decrease for each of the next two years, until the operating budget is balanced in fiscal 2028-29. The spending on capital investments is \$40.5b for fiscal 2025-26 and is anticipated to increase to \$54.9b for fiscal 2026-27, with increased spending for each of the next three years.

The following is a summary of the key tax measures announced in the SEU.



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# Business income tax measures

## Corporate income tax rates

No changes are proposed to the corporate income tax rates or to the \$500,000 small-business income limit of a Canadian-controlled private corporation. The 2026 enacted Canadian federal corporate income tax rates are summarized in Table A.

Table A: Federal corporate income tax rates<sup>1</sup>

	2026
General corporate rate <sup>2,3</sup>	15.0%
Small-business rate <sup>2</sup>	9.0%

<sup>1</sup> The rates represent calendar-year-end rates unless otherwise indicated.

<sup>2</sup> The 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.

<sup>3</sup> 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).

## Other business tax measures

The minister proposed the following business income tax measures:

- ▶ **Accelerated capital cost allowance (CCA) for low-carbon liquefied natural gas (LNG) facilities** - The 2025 federal budget proposed to reinstate accelerated CCA rates for low-carbon LNG facilities for eligible LNG equipment and related buildings acquired on or after 4 November 2025 and before 2035. The SEU announced the proposed implementation details for this measure, including emission performance requirements.

An accelerated CCA rate of 50% for eligible Class 47 liquefaction equipment and 10% for eligible Class 1 non-residential buildings used in LNG facilities will be available, provided the expected emissions intensity of an LNG facility's on-site liquefaction activities, measured in tonnes of carbon dioxide equivalent per tonne of LNG produced annually (tCO<sub>2</sub>e/tLNG), is less than or equal to 0.20 tCO<sub>2</sub>e/tLNG. Facilities with an expected emissions intensity exceeding this threshold will not be eligible.

Accelerated CCA rates will only be available for eligible assets for a particular LNG facility, if the facility is certified by the Minister of Energy and Natural Resources. The certification process will require the submission of a one-time report prepared by a qualified third-party Canadian engineering firm; the report must include a front-end engineering design study and set out the expected emissions intensity of the LNG facility, as well as any other information required by the Minister of Energy and Natural Resources.

This proposed measure will include the same eligible property and other applicable rules for a certified LNG facility as the previous accelerated CCA measures for LNG equipment and related buildings that were introduced in 2015 and expired at the end of 2024. The accelerated CCA rates will not be available for assets that were previously used, or acquired for use, before being acquired by the taxpayer. The enhanced first-year accelerated investment incentive deduction for certain capital property will also be available for eligible LNG facilities.

Accelerated CCA rates may only be claimed against income attributable to the liquefaction of natural gas at an eligible facility. The SEU details the types and determination of such income, which may depend on whether the taxpayer is engaged exclusively in the operation of a liquefaction facility or not.

- ▶ **Carbon capture, utilization and storage (CCUS) investment tax credit** - The government is expanding the eligible uses of captured carbon for purposes of the credit to include enhanced oil recovery (EOR), generally effective as of 28 April 2026. The credit rates for eligible expenditures incurred with respect to captured carbon stored through EOR will be one-half of the credit rates applicable to the current eligible uses of dedicated geological storage and storage in concrete (recognizing the additional revenue stream available to CCUS projects involving EOR). Specifically, from 28 April 2026 to the end of 2035, the effective tax credit rates for eligible expenses incurred under a qualified CCUS project involving EOR will be 30% for eligible direct air capture equipment, 25% for other eligible capture equipment, and 18.75% for transportation, storage and use equipment; for eligible expenditures incurred after 2035 and before 2041, these rates will be reduced to 15% for eligible direct air capture equipment, 12.5% for other eligible capture equipment, and 9.375% for transportation, storage and use equipment, consistent with the reduction in credit rates for the phase-out of the tax credit. In determining the credit amount, half the carbon intended for storage through EOR will be considered to be an eligible use.

Eligible equipment will be expanded to include capture and transportation equipment used in a qualified CCUS project involving EOR, as well as equipment required to inject and store captured carbon through EOR, unless all or substantially all of the equipment's use is to produce oil. Additional requirements for eligible EOR equipment will be provided in technical guidance published by Natural Resources Canada. Eligible carbon capture or transportation equipment used in a mixed-use project involving the storage of captured carbon through both EOR and other eligible uses will be eligible for the tax credit on a weighted-average basis, based on the quantities of captured carbon for each eligible use under a project's most recent project plan. Similar to other eligible uses, captured carbon stored through EOR will be required to be stored permanently.

Rules relating to the recovery of the tax credit where a project's eligible use percentage decreases by a certain percentage will also apply in respect of EOR operations. Related amendments will also be made to the clean hydrogen investment tax credit and clean electricity investment tax credit to recognize EOR as a form of carbon storage.

- ▶ **Canadian journalism labour tax credit** - The SEU announced the government's intention to launch consultations on extending the credit to audio and audiovisual news production. Further details on the consultation process will be released at a later date.

# Tax measures for individuals and trusts

## Personal income tax rates

There are no individual income tax rate or tax bracket changes in this SEU. The brackets will continue to be indexed for inflation.

See Table B for the 2026 federal rates.

**Table B: Federal personal income tax rates**

	2026
Up to \$58,523	14.0%
\$58,524 to \$117,045	20.5%
\$117,046 to \$181,440	26.0%
\$181,441 to \$258,482	29.0%
Over \$258,482	33.0%

## Other personal and trust tax measures

The SEU includes the following personal and trust tax measures:

- ▶ **Disability tax credit** - The government proposes several changes to simplify the administration of the certification process for the disability tax credit (DTC). A list of long-lasting medical conditions, for example, Alzheimer’s disease, will be eligible for a streamlined DTC application process requiring a medical practitioner to confirm only that an individual has at least one of the listed conditions. The medical practitioner will no longer need to certify the extent and effect of the individual’s impairment, although the CRA would retain the authority to request additional information to ensure the DTC eligibility criteria were satisfied. This streamlined process applies to DTC certifications issued for the 2026 and later taxation years. The types of medical practitioner that may certify certain impairments are also being expanded, applicable to certifications issued after 2026 for 2027 and later taxation years. Further, applicable to DTC certifications issued for 2026 and subsequent taxation years, public guardians and trustees, or in Quebec, public curators, will be permitted to certify on a DTC application that an individual under their care for property matters has a valid certificate of incapacity issued by a healthcare professional. Similar powers will be granted to Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada in respect of individuals under their care for property matters.

- ▶ **Home Buyers' Plan** - In accordance with the 2024 federal budget, individuals who made a Home Buyers' Plan withdrawal from their RRSP between 1 January 2022 and 31 December 2025 are granted an additional three years (for a total of five years) before they need to begin making repayments to their RRSP. The SEU proposes to extend the five-year grace period to participants making a first withdrawal up to 31 December 2028. The 15-year repayment period would start the fifth year following the year of the first withdrawal.
- ▶ **Employee ownership trust tax exemption** - The first \$10 million in capital gains realized on the sale of a business to an employee ownership trust or worker cooperative corporation may be exempt from tax, if certain conditions are met. Initially introduced in the 2023 federal fall economic statement as a temporary measure, the exemption currently applies to qualifying dispositions of shares occurring after 2023 and before 2027. The SEU proposes to make this exemption permanent.
- ▶ **Labour mobility deduction** - The SEU proposes to amend the existing labour mobility deduction for tradespeople by increasing the maximum amount of eligible temporary relocation expenses that may be deducted in a year to \$10,000 (from \$4,000), effective for 2026 and subsequent taxation years. The \$10,000 limit will be indexed annually, beginning in 2027. The conditions of the deduction will also be modified to reduce the distance requirement so that the tradesperson's temporary lodging must be at least 120 kilometres closer to each temporary work location than the tradesperson's ordinary residence (rather than 150 kilometres closer). This change is also applicable to 2026 and later taxation years. These amendments stem from an announcement in the 2024 federal budget that the government would amend the *Income Tax Act* to provide for a single, harmonized deduction for tradespeople's travel that respected the intent of Bill C-241, a 2024 private member's bill that had been introduced (but never enacted) to implement an alternative deduction for certain travel expenses of tradespeople in the construction industry.
- ▶ **Canada Pension Plan contributions** - The SEU announces the government's intention to introduce legislative amendments to the *Canada Pension Plan* (CPP) that will reduce the base CPP contribution rate from 9.9% to 9.5%, effective 1 January 2027.

## Other measures

- ▶ **Charities** - The SEU announced the government's intention to modernize the framework for the charitable sector in 2026-27 to take into account advances in technology and digitization. As a first step, consultations will be launched with key stakeholders and relevant agencies. No further details were provided on the consultation process nor the potential modernization changes that may come, other than the government's intent to align these changes with best practices adopted by other G7 countries.
- ▶ **Advance income tax rulings prioritization** - As announced in the SEU, the CRA will prioritize requests for advance income tax rulings related to large-scale nation-building projects (such as housing and infrastructure), projects of national importance, and investments that enhance productivity and strengthen critical sectors of Canada's economy (including those related to clean economy initiatives and projects that may benefit from the clean economy investment tax credits).

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