TD Wealth

Federal Budget 2026: Personal and private company tax measures

WEALTH PLANNING OFFICE

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The federal government has mapped out its fiscal plan in Budget 2026, with notable initiatives to drive the next phase of growth for Canada's economy. This report outlines some key ways it could impact your finances.

On November 5, the federal government released its 2026 budget, which included measures to enhance affordability for Canadians, simplify tax reporting and incentivize business investment. As your Wealth Planning Office, we're here to help you understand what the 2026 Federal Budget could mean for you. We are pleased to share this brief summary of some of the key personal and private company measures.

Measures affecting individuals

RRSP-for-life

The government intends to simplify the process that takes place when a Registered Retirement Savings Plan (RRSP) holder turns 71 by eliminating the existing requirement to convert it into a Registered Retirement Income Fund (RRIF) or purchase an annuity. Instead, the RRSP would continue although minimum withdrawals would still be required after age 71. Also under consideration is a "successor holder" concept which would allow survivors who are in a defined relationship with a deceased RRSP holder to take over the account when the holder dies without any immediate tax payable.

Permanent qualifying-family-member rule for RDSPs

As of January 1, 2027, a qualifying family member will be permitted to open a Registered Disability Savings Plan (RDSP) on behalf of an adult whose ability to enter into a contract for an RDSP is in doubt, and who does not have a legal representative. This makes permanent the temporary rule allowing a parent, spouse, common-law partner, or sibling to open and hold an RDSP for an adult whose capacity is in doubt.

Refundable Canada Caregiver Credit

The Canada Caregiver Credit recognizes caregivers' non-discretionary, out-of-pocket costs and would become fully refundable beginning in 2027. The maximum federal credit amount for 2027 is $1,260 but is reduced to the extent an adult dependant's net income exceeds a specified threshold ($21,136 in 2027).

T1135 threshold (foreign property)

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 year or fiscal period. This generally includes income-earning property held outside Canada, but excludes personal-use property and property used in carrying on an active business.

Budget 2026 proposes to increase the filing threshold from $100,000 to $200,000. The Canada Revenue Agency (CRA) would also expand simplified reporting to taxpayers whose specified foreign property has a total cost of less than $500,000 throughout the year, up from the current $250,000 threshold.

Deductibility of expenses against commission income

Qualifying commission employees who claim expenses under the commission-employee rules currently cannot also deduct travel or motor vehicle expenses under the general employee provisions. Budget 2026 proposes removing this restriction, allowing them to claim travel and motor vehicle expenses under the general provisions alongside other eligible employment expenses under the commission-employee rules, up to their commission income for the year.

Removing the $1,000 cap on employed artists' deductions

Effective for 2027 and subsequent taxation years.

New unified income tax filing date for employed and self-employed 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 currently have until June 15 to file, although any balance owing is still due by April 30.

Budget 2026 proposes to simplify these deadlines by moving both the T1 filing deadline and the balance-due date to May 15 for all individuals, including self-employed individuals and their spouses or common-law partners.

The proposed changes would apply beginning with the 2027 taxation year.

Measures affecting business owners and entrepreneurs

Canada Growth Incentive: New $15-million capital gains exemption

A qualifying Canadian-resident individual could exempt up to $15 million of capital gains realized on qualifying shares of a qualifying corporation. Importantly, the $15-million limit would apply separately to each qualifying individual in respect of each qualifying business.

This represents a significant new incentive intended to reward genuine investment in Canadian growth companies. Several conditions would have to be satisfied, including:

- Asset-use test: At time of issuance of shares, substantially all assets must support a qualifying business being carried on primarily in Canada.
- Asset limit: Combined assets cannot exceed $100 million.
- Canadian business: Must operate primarily in Canada for at least 24 consecutive months following the issuance of shares.

The proposed definition of a qualifying business is narrower than the general concept of an active business for Canadian income tax purposes. Certain types of businesses would be excluded. Anti-avoidance rules will prevent inappropriate multiplication of the $15-million Canada Growth Incentive (CGI) exemption, while exempt gains will still be 30% included for Alternative Minimum Tax (AMT) purposes and coordinated with the Lifetime Capital Gains Exemption.

Canada Growth Incentive: Enhanced rollover for investments in small businesses

Budget 2026 proposes to significantly expand the existing capital gains rollover for certain investments in small businesses as part of the Canada Growth Incentive. Key changes include:

- Longer reinvestment period: Replacement shares could be acquired in the year of disposition or the following three calendar years.
- Future equity investments: Additional time would be available for investments made through certain types of agreements.
- More flexible asset test: The ongoing threshold would decrease from "all or substantially all" to "primarily," giving growing businesses more flexibility as their assets change.

The Canadian business activity requirement would also be modified. The active business would have to be carried on primarily in Canada at the time the shares are issued and for a continuous period immediately following issuance, equal to the lesser of two years and the period during which the individual owned the shares.

Expansion of the intergenerational farm and fishing property rollover

The tax-deferred intergenerational transfers of farming property and fishing property from a taxpayer to their next generation are currently only allowed to the taxpayer's child, grandchild or great-grandchild. The Budget proposes to expand the rollover to a niece, nephew, grandniece or grandnephew of the taxpayer or the taxpayer's spouse or common-law partner. If passed, this would be effective for transfers that occur on or after January 1, 2027.

Excessive interest & financing expense limitation (EIFEL)

EIFEL rules were created to limit the net interest and financing expenses that may be deducted by certain taxpayers to try to stop profit shifting. In addition to the exceptions introduced in 2024, the 2026 Budget has two further exceptions:

- where the borrowed funds are used for eligible activities carried on by another corporation, trust or partnership within the same group of affiliated entities.
- by a partnership in which the borrower (together with affiliated entities) has at least a 40% interest.
- These measures would apply to taxation years that begin on or after October 1, 2023.

Trust distributions to non-residents

Trusts cannot transfer assets to a non-resident beneficiary at the trust cost. The 2026 Budget proposes to deny the rollover for any property that is transferred to a corporation (or partnership) that has a direct or indirect non-resident shareholder or partner. This would apply to distributions on or after November 5, 2026.

Clean electricity and clean technology investment tax credits

The budget proposes to extend these credits to eligible property that becomes available for use before 2041 and expand projects to include intra-provincial electricity transmission property built to operate at or above the highest voltage currently used for transmission lines in each province. This measure would apply with respect to property that is acquired on or after Budget Day.

Scientific Research and Experimental Development Tax Incentive Program (SR&ED)

There is an enhanced rate of 35% for certain small- and medium-sized corporations. Budget 2026 proposes to expand the activities and expenditures eligible under the SR&ED program. This measure would apply to taxation years that begin on or after Budget Day.

Annual installments for all individuals with business income

Budget 2026 proposes allowing individuals whose primary income is from a business, including professional or commission income, to replace quarterly installments with one annual payment of two-thirds of their combined federal-provincial net tax owing, due December 31. The remainder would be due on the applicable balance-due date, extending treatment similar to that available for farming and fishing income to other business income.

Taxable preferred shares

Budget 2026 proposes to simplify the Part VI.1 taxable preferred share rules, which were originally introduced to prevent corporations from obtaining a financing

advantage by issuing debt-like preferred shares instead of conventional debt. For individuals who own private corporations, the changes could make estate freezes, business succession, and the eventual redemption of preferred shares following death simpler and less likely to result in an unexpected Part VI.1 tax cost at the corporate level. This is particularly important where preferred shares were issued for estate or succession planning rather than to obtain the financing advantage that the rules were originally designed to prevent.

Corporate loss transfers

The 2026 Budget is inviting stakeholders to comment on the introduction of a corporate loss transfer rule to help a corporate group to access it without complex, costly tax planning. Interested parties are invited to send written representations to the Department of Finance Canada at clt-consultation-tpes@fin.gc.ca by January 8, 2027.

Next steps

Our team of professional advisors will continue our analysis of the 2026 Budget's impact to our clients over the coming days. We look forward to bringing you thoughtful guidance on what these measures could mean to you.

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