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2026 Federal Budget — November 5, 2026

An overview of key measures that may impact you

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Minister of Finance and National Revenue François-Philippe Champagne released the federal budget on November 5, 2026, entitled "Masters of Our Destiny," against a backdrop of inflationary pressures, higher interest rates, rising geopolitical tensions and shifting trade relationships.

The budget seeks to build a stronger, more affordable, and more independent Canadian economy, highlighting accelerated growth, housing affordability, and defending the sovereignty of Canada while celebrating our rich cultural heritage. The budget projects the current 2026/2027 deficit at $62.3B, decreasing gradually to $52.9B in 2030/2031, balancing day-to-day operating spending with revenues by 2027–2028.

From a personal and small business tax perspective, there are no proposed changes to the general personal or corporate income tax rates. Instead, the budget contains many proposals aimed at simplifying the Canadian tax system. There were also several broad changes introduced for individual taxpayers, including the introduction of a single (May 15) deadline for filing tax returns and paying taxes owing for all individuals, higher instalment thresholds and simpler instalment calculations, and proposed consultations to merge the tax rules applicable to registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs), to introduce the concept of an "RRSP-for-life."

In addition to the "Productivity Mega Deduction," which was introduced in September 2026 to allow businesses to immediately write off the full cost of a broader range of capital assets, the budget highlights entrepreneurship, including the introduction of the "Canada Growth Incentive," which provides a new tax exemption to shelter up to $15 million in capital gains earned from the sale of qualifying shares of an eligible Canadian company, and proposes an enhancement to the small business rollover to allow increased deferral of taxes on capital gains when proceeds are reinvested in another Canadian small business.

The budget also announced a forthcoming consultation on the introduction of a corporate loss transfer rule that would allow the transfer of current-year non-capital losses between corporations under certain conditions.

The following is a summary of the most significant tax and wealth planning measures announced in the budget.

Personal tax measures

Personal income tax filing and instalment changes

Tax return filing and balance due dates

The budget proposes to change the personal tax filing (T1) and balance-due dates to May 15 for all individuals, including self-employed individuals and their spouses or common-law partners. This measure would apply to the 2027 and subsequent taxation years.

Foreign Income Verification Statement – Form T1135

Canadian-resident individuals, corporations and trusts, as well as certain partnerships, must file a Foreign Income Verification Statement (Form T1135) if they own specified foreign property with a total cost that exceeds a certain threshold.

The budget proposes to increase the threshold above which Form T1135 must be filed from $100,000 to $200,000. The CRA would also increase the threshold for simplified reporting from less than $250,000 to less than $500,000. These measures would apply to taxation years or fiscal periods that end after 2026.

Changes to instalment payments

The budget proposes to increase the instalment threshold from $3,000 to $7,500 for individuals resident outside of Quebec, and from $1,800 to $4,500 for those resident in Quebec. The thresholds would be indexed to inflation and rounded to the nearest $500. Any remaining tax payable for a taxation year would be due on the applicable balance-due date. This measure would apply to taxation years that begin on or after January 1, 2028.

The budget also proposes that individuals whose primary source of income is from a business (including professional or commission income) be allowed to make a single annual instalment payment, instead of quarterly instalments. The single instalment payment would equal two-thirds of their combined federal-provincial net tax owing for the year and be due by December 31. The remainder would be due on the applicable balance-due date. This change would extend similar treatment to what's currently available for farming and fishing income to other business income. This measure would apply to the 2028 and subsequent taxation years.

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Objection to assessments

The budget proposes, for most taxpayers, to amend the deadline to file a notice of objection to an income tax assessment to one year after the day the notice of assessment is sent.

For individuals and graduated rate estates, the budget proposes to amend the deadline to the later of one year after the notice of assessment is sent and two years from the tax return filing due date for the taxation year being assessed. Consequently, taxpayers would no longer need to apply for an extension of time and the ability to do so would be eliminated.

This amendment would apply to assessments sent on or after the day that's three months after royal assent.

Relieving changes to personal tax credits and deductions

- **Deductibility of expenses against commission income:** The budget proposes to eliminate the rules that prevent commission employees from deducting travel and motor vehicle expenses under the general employee provisions when they also claim expenses under the commission-employee rules.
- **Deductibility of expenses by employed artists:** Removing the $1,000 cap on the amount of work expenses that employed artists can deduct in a year, effective for 2027 and subsequent taxation years. This would make it easier for employed artists to claim their expenses and claim them in a timelier fashion.
- **Canada Caregiver Credit (CCC):** The budget proposes to make the CCC refundable to ensure that eligible caregivers can receive the full amount even if they have little or no tax liability. This measure would apply to the 2027 and subsequent taxation years.
- **Medical Expense Tax Credit:** The budget proposes to simplify this credit while maintaining the integrity of the credit by reducing the documentation requirements for certain eligible expenses.
- **Build Canada Workers Benefit**: The Canada Workers Benefit (CWB) is a refundable tax credit that supplements the earnings of low- and modest-income workers and improves incentives to work. The budget

proposes to phase out the Advance Canada Workers Benefit, reinvest a portion of the resulting savings to enhance the Canada Workers Benefit and rename the enhanced benefit the "Build Canada Workers Benefit."

- **Flat amounts for personal income tax deductions and credits:** To reduce the need for individuals to keep receipts and itemize their expenses to support their amounts claimed, the budget proposes optional flat-amount calculation methods for the following deductions and credits:
  - Moving expense deduction
  - Clergy residence deduction
  - Labour mobility deduction for tradespeople
  - Home accessibility tax credit
  - Adoption expense tax credit
  - Medical expense tax credit relating to gluten-free food expenses, incontinence product expenses, and service animal expenses
- **Volunteer Firefighters and Search and Rescue Volunteers Tax Credit:** The budget proposes to combine the Volunteer Firefighters Tax Credit and the Search and Rescue Volunteers Tax Credit into a single 14% non-refundable Volunteer Firefighters and Search and Rescue Volunteers Tax Credit calculated on an amount of $6,000. Eligible volunteer firefighter and search and rescue services would both count towards the 200-hour requirement for the combined credit.
- **Mineral Exploration Tax Credit (METC) and Critical Mineral Exploration Tax Credit (CMETC):** The budget proposes to extend eligibility for the METC and CMETC for five years, to flow-through share agreements entered into on or before March 31, 2032. The budget also proposes to expand the CMETC to include antimony as an eligible critical mineral. This expansion would apply to expenditures renounced under eligible flow-through share agreements entered into after Budget Day and on or before March 31, 2032.

Registered plans

Registered disability savings plan (RDSP)

Generally, an adult beneficiary is the holder of their own RDSP. Where they don't have contractual capacity due to a mental impairment, the plan holder must be a legal representative who's authorized under provincial or territorial law to act on the individual's behalf. If the individual doesn't have a legal representative but after reasonable inquiry, it's the opinion of the RDSP issuer that the individual's contractual capacity to enter into a plan is in doubt, a temporary measure is currently in place up to the end of 2026 to allow a qualifying family member of the individual to open an RDSP and be

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the plan holder. A qualifying family member may be a parent, spouse or common-law partner, or sibling.

As of January 1, 2027, the budget proposes to permanently allow a qualifying family member to open an RDSP on behalf of an adult whose ability to enter into a contract for an RDSP is in doubt, and who doesn't have a legal representative.

Registered retirement savings plan (RRSP)

The budget announces the government's intention to merge the tax rules applicable to RRSPs and RRIFs, introducing an "RRSP-for-life" and to make other changes to improve and modernize the RRSP tax rules. This would eliminate the need to convert an RRSP to a RRIF at age 71. It would also allow a surviving spouse or common-law partner to become a successor holder of an RRSP and simplify tax-free transfers to qualified survivors after the death of the account holder. This would not change minimum withdrawal requirements after age 71.

The specific issues under consideration include the following:

- Whether and how the RRSP rules could include a "successor holder" (i.e. a spouse or common-law partner) feature similar to other registered vehicles. This could permit an RRSP to remain open until the death of the successor holder (i.e. the original holder's surviving spouse or partner) and avoid the value of RRSP property being included in the income of the deceased.
- Whether and how the current RRSP indirect "rollover" provisions that apply on death (involving an income inclusion and offsetting deduction for a qualifying survivor) could be replaced with rules to permit direct tax-free transfers to qualified registered vehicles of qualifying survivors.

Under provincial and federal pension standards, funds transferred from a pension plan are generally subject to locking-in restrictions until retirement and may be required to be held in prescribed vehicles, such as a locked-in RRIF or RRSP. As a result, merging the RRSP and RRIF rules could require consequential changes to the federal *Pension Benefits Standards Regulations, 1985*, and similar provincial legislation.

The government is seeking Canadians' views on this proposal. Interested parties are invited to send written representations to the Department of Finance Canada by January 8, 2027.

Business tax measures

Canada Growth Incentive (CGI) – capital gains exemption

The budget proposes to introduce a new capital gains incentive to allow founders, key employees, and external investors to exempt up to $15 million in capital gains from taxation on the sale of qualifying shares of an eligible Canadian company.

This measure would benefit the founders, early-stage employees, and investors who are shareholders in eligible Canadian corporations. This $15 million would apply separately to each qualifying individual in respect of each business.

Qualifying shares must be shares of a corporation where all or substantially all of the fair market value of the corporation's assets are attributable to assets used principally in a qualifying business.

A qualifying business would be an active business other than:

- A business providing consulting services; a professional practice of an accountant, lawyer, notary, physician, other health care practitioner, engineer, or architect; and any business whose principal asset is the reputation or skill of one or more employees
- A business operating in the agricultural, fishing, forestry, mining, financial, insurance, utilities, real estate, food and accommodation, arts, recreation, or entertainment sectors
- A business operating under a licensing or franchising agreement

In addition, a CGI exemption claimed on qualifying shares of a qualifying corporation would limit the ability of a qualifying individual to claim the Lifetime Capital Gains Exemption (LCGE) on a sale of shares of the same corporation. Similarly, an LCGE claim on the sale of shares of a corporation would limit the ability of a qualifying individual to claim the CGI exemption on the sale of shares of that same corporation.

A qualifying individual can generally claim both the capital gains exemption on a sale to an Employee Ownership Trust or a worker cooperative and the CGI exemption on the same sale of shares, with the use of one exemption having no impact on the limit available under the other exemption.

Qualifying shares must be shares of a corporation where all or substantially all of the fair market value of the corporation's assets are attributable to assets used principally in a qualifying business.

This measure would apply in respect of qualifying shares of a qualifying corporation issued on or after November 5, 2026, and before 2037.

Rollover for investments in small businesses

The budget proposes to expand the existing small business rollover by extending the window of time for investors to reinvest to three years, with a special five-year provision for individuals who've entered into agreements for future equity, and by relaxing the requirement that an eligible corporation use all or substantially all of its assets in the active business throughout the shareholder's ownership period.

This measure would benefit investors who reinvest proceeds from the sale of shares in Canadian corporations by allowing more investments to qualify for the tax deferral available under the small business rollover.

These measures would apply to qualifying dispositions that occur on or after January 1, 2027.

Increasing instalment thresholds

The budget proposes to increase the instalment threshold from $3,000 to $7,500 for corporations. The thresholds would be indexed to inflation and rounded to the nearest $500. Any remaining tax payable for a taxation year would be due on the applicable balance-due date.

This measure would apply to taxation years that begin on or after January 1, 2028.

Expansion of the intergenerational farm and fishing property rollover

The intergenerational rollover allows farmers and fishers to transfer qualifying farm and fishing property to a child or grandchild on a tax-deferred basis. To better facilitate the continued operation of family-owned farms and fishing operations, the budget proposes to expand eligibility for the rollover to nieces, nephews, and grand-nieces/nephews of the taxpayer or the taxpayer's spouse or common-law partner. This measure would apply to transfers that occur on or after January 1, 2027.

Individual Pension Plans (IPPs)

An IPP is a defined-benefit registered pension plan (RPP) that has fewer than four members, at least one of whom is related to an employer that participates in the plan (e.g. a controlling shareholder).

Given the non-arm's length relationship between a controlling individual and an employer that sponsors an IPP, IPPs are subject to additional conditions that don't apply to other RPPs. However, some plans seek to avoid these conditions by adding related members so the plan exceeds the three-member threshold for IPP status.

The budget proposes to expand the IPP definition to include defined-benefit RPPs under which all members are either related to a participating employer or do not deal at arm's length with any member related to a participating employer. This measure would apply as of January 1, 2027.

The budget proposes to subject IPPs to the same advantage rules, non-qualified investment rules, and prohibited investment rules that currently apply to other registered plans of controlling individuals. Consequently, if the IPP acquires a non-qualified or prohibited investment, or if it receives an advantage, the controlling individual of an IPP would be liable to pay a tax equal to:

- 50% of the fair market value of a non-qualified investment or prohibited investment acquired by the IPP, and
- 100% of the value of an advantage in relation to the IPP

This measure would apply as of January 1, 2028. Transitional rules would apply to investments acquired before 2028 that become non-qualified or prohibited on January 1, 2028.

Excessive surplus

When the assets of an RPP exceed 125% of its pension liabilities, the tax rules require that participating employers take contribution holidays until the RPP's surplus falls below that threshold. Broad-membership RPPs generally absorb excess surplus by a combination of contribution holidays and ongoing growth in pension benefit liabilities.

Some IPPs have modest or no ongoing contributions and relatively stable liabilities. As a result, asset growth can result in excessive surplus that's not needed to satisfy pension benefits. The current rules don't require this surplus to be withdrawn, and income earned from such surplus is tax sheltered while held in the IPP.

The budget proposes to impose a new condition that an IPP must satisfy to maintain its RPP registration. If the value of an IPP's assets exceeds 200% of its pension liabilities, the plan would become a "revocable plan" for RPP registration purposes. The CRA is required to issue a notice of intent to revoke at least 30 days prior to issuing a revocation letter. This would provide the plan

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administrator with time to take steps (such as withdrawing excess amounts) to comply with the registration condition and thus no longer be in a revocable position. If the plan's registration were ultimately revoked by the CRA, the same tax consequences of becoming a revoked RPP plan, as proposed in the budget, would apply.

This measure would apply as of January 1, 2028.

Clean Electricity and Clean Technology investment tax credits

The budget proposes to extend the Clean Electricity and Clean Technology investment tax credits to eligible property that becomes available for use before 2041.

The credit rate of the Clean Technology investment tax credit would continue to be reduced to 15% for its last year of availability, which would be for property that becomes available for use in 2040 instead of 2034.

Scientific Research and Experimental Development tax incentive program (SR&ED)

Under the SR&ED tax incentive program, qualifying expenditures are fully deductible in the year they are incurred. Qualifying expenditures are also eligible for an investment tax credit. The budget proposes to further expand the SR&ED tax incentive program to include certain commercialization expenses. Eligible expenditures would be expanded to include certain costs associated with bringing a new product or process to market, including obtaining necessary regulatory approvals or certifications, and securing and maintaining intellectual property protection. This measure would apply to expenditures incurred in taxation years that begin on or after November 5, 2026.

Helium exploration, development and resource expenses

Certain expenses related to petroleum and natural gas exploration, development and property acquisition are classified as a Canadian exploration expense (CEE), Canadian development expense (CDE), or Canadian oil and gas property expense (COGPE). These expenses are deductible at rates of 100%, 30% and 10%, respectively. The proposed Productivity Mega Deduction would increase the deduction rate for CDE from 30% to 100%.

The budget proposes to allow helium exploration and development expenses to qualify as CEE and CDE, consistent with the treatment of similar expenses in the petroleum and natural gas sector. Expenses incurred to acquire helium resource properties would qualify as COGPE. This measure would apply to expenses incurred on or after November 5, 2026.

Taxable preferred shares

The Income Tax Act (ITA) contains a regime designed to prevent the erosion of corporate tax revenues through after-tax financing that involves the issuance of shares with debt-like characteristics (referred to as "taxable preferred shares") in lieu of debt instruments. The taxable preferred share regime imposes a special tax (Part VI.1 tax) on dividends paid on taxable preferred shares.

The budget proposes to introduce the following measures:

- Exempt Canadian-controlled private corporations from the taxable preferred share regime by excluding dividends they pay from Part VI.1 tax. This measure would apply to dividends paid on or after November 5, 2026.
- Increase the (relieving) dividend allowance threshold from $500,000 to $1,500,000 and the threshold for the reduction of the dividend allowance from $1,000,000 to $3,000,000. This measure would apply to taxation years that end after 2026.

The government is also reviewing the broader preferred share regime and is seeking stakeholders' views on the impact of the rules and on potential improvements.

Corporate tax elections

Corporations may file elections or agreements with the CRA that determine the tax consequences of specific transactions or events (e.g. capital dividend election).

Certain rules require corporations to provide a certified copy of a resolution of their directors authorizing the election or agreement, or, in certain cases, a certified copy of the authorization of the person entitled to administer the affairs of the corporation.

The budget proposes to eliminate the existing requirements for corporations to file a certified copy of a resolution or authorization when making certain elections or agreements. This measure would apply to elections and agreements made on or after the date of royal assent of the enacting legislation.

Corporate loss transfers

Under the Canadian income tax system, corporations are taxed on a standalone basis. A corporation may offset its non-capital losses against its own income, subject to the rules in the ITA, but it can't directly deduct a loss incurred by another corporation. As a consequence, the overall tax payable by a corporate group may differ depending on whether business activities are conducted through a single corporation or through multiple corporations.

The budget invites stakeholders to comment on the introduction of a potential corporate loss transfer rule. This mechanism would allow the transfer of current-year non-capital losses between eligible corporations under certain conditions. Interested parties are invited to send written representations to the Department of Finance Canada by January 8, 2027.

Administrative penalties

Administrative penalties are imposed under tax statutes when taxpayers don't comply with their tax obligations. Budget 2025 announced a review of fines and penalties to ensure they remain sufficient and encourage compliance.

Following this review, the budget proposes the following:

- **Inflation adjustment of fixed-dollar administrative penalties:** The budget proposes to increase most fixed-dollar penalties to broadly account for inflation since their enactment, so that they remain meaningful and proportionate. The budget also proposes to index these fixed amounts to inflation once every five years.
- **Medium and large corporations and partnerships:** The budget proposes to calibrate certain penalty amounts by taxpayer size. These would apply to penalties for failing to provide required information on a form, failing to file certain tax forms, and failing to comply with certain other obligations under the ITA. Individuals and smaller corporations and partnerships would remain subject to a base level of fixed-penalty amounts. Medium corporations and partnerships would be subject to penalties equal to three times the base amounts. Large corporations and partnerships would be subject to penalties equal to eight times the base amounts.

These measures would apply to taxation years or fiscal periods ending after 2027.

Other measures

Excess corporate holdings regime for private foundations

The excess corporate holdings regime prevents private foundations from acquiring more than 20% of a class of shares of any corporation, in combination with all relevant persons (generally, non-arm's length individuals). The budget proposes to eliminate the excess corporate holdings regime. Instead, the rules that currently

prohibit public foundations from acquiring control of a corporation would be extended to private foundations. This measure would apply to taxation years that begin on or after January 1, 2027.

Disclosure of tax debt to credit bureaus

To support the collection of outstanding tax debts and more accurate assessments of credit risk, the budget proposes to amend the ITA to allow the CRA to disclose information about a taxpayer's tax debts to credit bureaus in certain circumstances.

Trust distributions to non-residents

The budget proposes to broaden the current rule denying a tax-deferred rollout from a trust to include indirect distributions of trust property to non-resident beneficiaries. As an anti-avoidance rule, the rollout would be denied for any property that's transferred to a corporation (or partnership) that has a direct or indirect non-resident shareholder (or partner). This measure would apply in respect of distributions of property that occur on or after November 5, 2026.

Foreign home buyers

The budget proposes to extend the ban on foreign purchases of existing residential properties to January 1, 2029, while exempting new residential properties.

Previously announced tax measures

The budget confirmed the government's intention to proceed with a number of previously announced tax and related measures, including proposals released on September 15, 2026, to implement the Productivity Mega Deduction.

In addition, as in prior years, the budget also reaffirms the government's commitment to move forward as required with other technical amendments to improve the certainty and integrity of the tax system.

Prior to implementing any strategies, individuals should consult with a qualified tax advisor, legal professional or other applicable professional.

While it has been the long-standing practice of the CRA to allow taxpayers to file their tax returns based on proposed legislation, a taxpayer remains potentially liable for taxes under current law in the event that a budget proposal is not ultimately passed. Therefore, if proposed legislation does not become law, it is possible that the CRA may assess or re-assess your tax return based on existing legislation. It is recommended that you consult a professional tax advisor to assist you in assessing the costs and benefits of proceeding with specific budget proposals as they relate to you.

If you have questions on any of the issues in this article, please speak with your advisor.



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26935 (11/2026)