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FORESIGHT

CONTEMPORARY IDEAS FOR BUSINESS MANAGEMENT SPRING/SUMMER 2026

Synopsis: Key 2026 Ontario Budget Measures Affecting Canadian Businesses

Ontario's 2026 budget, delivered by Finance Minister Peter Bethlenfalvy on March 26, 2026, includes a mix of tax reductions, accelerated investment incentives, and targeted program changes designed to support business growth during a period of economic uncertainty. While the province is projecting a sizeable short-term deficit, the fiscal plan prioritizes competitiveness and capital expansion across key sectors.

Small Business Tax Reduction

The centerpiece for business is a one-percentage-point cut to the small business corporate income tax rate, dropping from 3.2% to 2.2%, effective July 1, 2026.

- The reduced rate applies to Canadian-Controlled Private Corporations (CCPCs) and is available for up to $500,000 of active business income.
- Taxpayers with fiscal years straddling the effective date will apply a prorated rate.
- A corresponding reduction to the non-eligible dividend tax credit takes effect January 1, 2027, reflecting the lower corporate tax burden (from 2.9863% to 1.9863%).

IMPACT FOR BUSINESSES: Lower tax rates improve after-tax cash flow for Small and Medium-sized Enterprises (SMEs), particularly those reinvesting profits into operations or expansion.

Ontario's current and proposed future corporate income tax rates can be found in the table on page 2.

Accelerated Capital Cost Recovery

Ontario is aligning with federal measures to encourage investment by allowing faster write-offs for a wide range of assets. Key provisions include:

Immediate 100% Write-Offs for:

- Manufacturing and processing equipment
- Greenhouse buildings and clean-technology assets
- Zero-emission vehicles
- Productivity-enhancing and R&D-related capital expenditures

Accelerated Depreciation for:

- Liquefied natural gas equipment and related infrastructure
- Purpose-built rental housing (rate increased from 4% to 10%)
- Most other depreciable assets (enhanced first-year deductions up to 3x the normal rate)

IMPACT FOR BUSINESSES: These measures significantly reduce the after-tax cost of capital projects, making it more attractive to modernize equipment, expand production capacity, or invest in clean technologies.

Phase-Out of the Regional Opportunities Investment Tax Credit

The credit will be discontinued on January 1, 2027, with expenditures incurred before December 31, 2026, remaining eligible.

IMPACT FOR BUSINESSES: Companies planning projects in designated regions will need to accelerate timelines to benefit before the credit expires.

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Insurance Premium Tax Flexibility for Funded Benefit Plans

Beginning April 1, 2026, funded benefit plans may elect to be treated as unfunded for insurance premium tax purposes, shifting tax liability from when contributions are paid into the plan to when benefits are paid out of the plan.

IMPACT FOR BUSINESSES: Employers delay paying the tax, improving short-term cash flow because contributions no longer trigger immediate tax.

Housing-Related HST Measures (Indirect Business Impacts)

While primarily aimed at homebuyers and developers, these measures also affect construction, real estate, and rental markets:

Rebates for New Homes

- Removal of the Harmonized Sales Tax (HST) on qualifying new homes up to $1 million.
- A higher maximum rebate of $80,000, with phased reductions up to $1.85 million (read full details of this measure in the article on page 5 of this newsletter).
- Applies to agreements signed April 1, 2026 – March 31, 2027.

Aligned First-Time Home Buyer Rebates

Ontario and the federal government will jointly provide up to $130,000 in HST/GST relief for eligible first-time buyers, representing $2.2 billion in combined tax support.

IMPACT FOR BUSINESSES: Developers, builders, and rental housing investors may see increased demand and improved project viability, particularly in the mid-market housing segment.

Large-Scale Infrastructure Investments

The province is advancing the largest capital plan in its history, with more than $210 billion in planned investments over 10 years, including $37 billion in 2026–27. Significant investments will be made into Ontario's transportation infrastructure (roads, bridges, transit), healthcare, community (recreation and sport facilities), education, utilities, and government building infrastructure.

IMPACT FOR BUSINESSES: This will enable significant opportunities for construction, engineering, and supply-chain businesses.

Protect Ontario Account Investment Fund

Ontario will invest up to $4 billion to attract pension funds and private capital into strategic economic priorities.

IMPACT FOR BUSINESSES: Potential new financing pathways and partnership opportunities for businesses in sectors such as clean tech, advanced manufacturing, and infrastructure.

Non-Resident Speculation Tax (NRST) and First Nations Exemption

Ontario continues to apply the 25% Non-Resident Speculation Tax (NRST) on residential property purchases made by foreign nationals, foreign corporations, and taxable trustees. The tax is intended to curb speculative demand and support housing affordability.

As part of the 2026 Budget, the province is amending the Land Transfer Tax Act to expressly exclude individuals registered under the federal Indian Act from the NRST. This ensures that First Nations individuals are not subject to the tax when acquiring land, aligning the NRST framework with existing Indigenous tax relief policies.

IMPACT FOR BUSINESSES: While the NRST primarily affects non-resident purchasers of residential property, the exemption for First Nations individuals is important for organizations involved in on-reserve development, partnerships with Indigenous communities, or real estate transactions that may involve Indigenous purchasers.

Overall Takeaway for Businesses

Ontario's 2026 budget leans heavily on tax relief and accelerated write-offs to support business investment and competitiveness. Small businesses benefit immediately from lower income tax rates, while capital-intensive sectors gain from generous depreciation rules. The phase-out of regional incentives and targeted housing measures will require strategic planning, especially for developers and businesses operating in previously supported regions.

Read the full government release here.

Budget highlights can be found here.

		Proposed 2026 Rates		Proposed 2027 Rates	
	Current Rate	Ontario	Federal & Ontario Combined	Ontario	Federal & Ontario Combined
Small Business Tax Rate	3.2%	2.7%	11.7%	2.2%	11.2%
General Manufacturing & Processing Tax Rate *	10%	10%	25%	10%	25%
General Corporate Tax Rate **	11.5%	11.5%	26.5%	11.5%	26.5%

** Federal corporate income tax rates for qualifying zero-emission technology manufacturers are reduced to 7.5% (from 15%) for general income and 4.5% (from 9%) for small-business income. This rate reduction is not reflected in the combined rates above.*

*** An additional federal tax of 1.5% applies to taxable income over CA$100 million for Canadian banks and life insurers.*

AgriInvest 2026: Do You Need an Environmental Risk Assessment?

To help support climate-smart and environmentally responsible farming, some AgriInvest participants will need a valid agri-environmental risk assessment to receive matching government contributions for the 2026 program year.

Who Needs One?

You'll need an eligible agri-environmental risk assessment if your average Allowable Net Sales (ANS) (before the ANS limit is applied) is $1 million or more, based on the 2023–2025 program years.

The assessment must be valid at some point during your 2026 fiscal year.

Filing History Matters

If you filed AgriInvest forms for 2023–2025

If your average ANS is $1 million or more, you must declare that you have a valid assessment for 2026.

If you didn't file all three years

If your available information, or your expected ANS once all forms are filed, shows an average of $1 million or more, you must also declare that you have a valid assessment.

Eligible Assessments Include:

- Environmental Farm Plan
- Certified Organic (from a recognized Canadian body)
- Canadian Roundtable for Sustainable Beef (CRSB) certification
- Nutrient Management Plans (including 4R-certified plans)
- Saskatchewan Agri-Environmental Risk Assessment (Saskatchewan only)
- Plan agroenvironnemental de fertilisation
- Plan d'accompagnement agroenvironnemental

Note: *AgriInvest doesn't provide these assessments. You'll need to contact a provider in your province. Costs may apply.*

How and When to Declare

When: Submit your declaration before making your 2026 matchable deposit to avoid delays.

How: Login to your My AAFC Account and submit your declaration there.

Each year your average ANS is $1 million or more, a declaration is required unless your assessment is valid for more than one year. You don't need to submit a copy unless asked later. In partnerships, each partner must submit their own declaration.

Need More Info?

Visit: agriculture.canada.ca/agriinvest or call 1.866.367.8506 (toll-free).

Article written by: John Gardner, CPA, CA

Defibrillators Required on Construction Sites Beginning January 1, 2026

An amendment to the Construction Projects Regulation under the Occupational Health and Safety Act requires construction sites to have an Automated External Defibrillator (AED) on site as of January 1, 2026, along with the necessary accessories to operate it.

An AED is a life-saving device used to treat sudden cardiac arrest. While training is recommended and beneficial, anyone can use an AED in an emergency.

This requirement applies to construction projects with 20 or more workers and does not apply to those expected to last less than three (3) months, as defined under the Act.

Reach out anytime with your HR questions; we're here to help.

Bill C-15 Summary: What Businesses Need to Know

On March 26, 2026, Bill C-15 officially received royal assent, bringing into force a wide range of tax measures first introduced in the federal budget of November 2025. The legislation implements major measures from the 2025 federal budget and several previously announced initiatives, affecting everything from innovation incentives to transfer pricing, trust reporting, capital gains planning, and clean economy investment credits.

For Canadian businesses, these changes create both opportunities and new compliance expectations. Below is DJB's consolidated overview of the most significant impacts.

Capital Gains Rollover Expansion: More Flexibility for Entrepreneurs and Investors

Bill C-15 broadens access to the capital gains rollover for Eligible Small Business Corporation (ESBC) shares disposed of after December 31, 2024, where replacement shares acquired.

Highlights:

- Preferred shares now qualify as replacement shares.
- Asset size threshold doubled from $50M to $100M, allowing larger companies to benefit.
- Longer reinvestment window: the rollover is available when replacement shares are acquired in the year of disposition or the following calendar year.

IMPACT FOR BUSINESSES: Founders, investors, and growth stage companies, particularly in tech, life sciences, and manufacturing, will gain more flexibility to redeploy capital without triggering immediate tax.

Foreign Affiliate Income: Revised Tax Factor for CCPCs and Introduction of the FABI Regime

The legislation introduces a new Relevant Tax Factor (RTF) for CCPCs and substantive CCPCs earning Foreign Accrual Property Income (FAPI). Also, the introduction of the Foreign Accrual Business Income (FABI) regime under section 93.4.

Highlights:

- CCPCs and substantive CCPCs are subject to a RTF of 1.9 on FAPI to eliminate deferral on passive income earned by a Controlled Foreign Affiliate, effectively mimicking the Refundable Dividend Tax on Hand (RDTOH) regime on passive income earned directly by CCPCs.
- To avoid double taxation, when CFAs pay a dividend to the CCPC, an addition to Capital Dividend Account will result to reflect the portion of the FAPI subject to the 1.9 RTF.
- Eligible taxpayers may elect under 93.4 to use the FABI regime on active income earned by certain CFAs to use a higher relevant tax factor (4 instead of 1.9) when calculating foreign tax deductions.
- Elections may apply retroactively in certain cases.
- Designed to align Canadian tax outcomes more closely with domestic treatment of similar income.

IMPACT FOR BUSINESSES: CCPCs and substantive CCPCs with controlled foreign affiliates, especially those earning income from real estate development, leasing, or cross border services will benefit from this legislation.

Trust Reporting: Narrowed Requirements and Clearer Rules for Bare Trusts

Background: Many businesses use arrangements that unintentionally create a bare trust, such as holding real estate in one party's name while another is the beneficial owner, partners holding title to property on behalf of a partnership, corporations holding assets on behalf of related entities, and/or joint ventures where one party is on title for convenience. These arrangements may require a T3 return and Schedule 15 disclosure.

The new legislation refines the trust reporting rules that were significantly expanded in recent years.

Highlights:

- More trusts are now exempt from filing unless they meet additional criteria (e.g., tax payable in the year).
- Schedule 15 exemptions apply to listed trusts.
- Removal of broader requirement to have bare trusts file a tax return for tax years ending after December 31, 2024.
- For 2026 and beyond, bare trusts must file if they meet certain criteria in new 150(1.3).
- Bare trust definition clarified, with carve outs for:
  - Principal residence title arrangements
  - Situations where legal and beneficial owners are the same
  - Certain partnership title holding structures
- Employee Ownership Trusts (EOTs).
- The $10M capital gains exemption for qualifying sales is preserved.
- Ordering rules to deal with multiple exemptions claimed in the same tax year (e.g. Employee Ownership Trust Capital Gains Exemption (EOTCGE) and Lifetime Capital Gains Exemption (LCGE)).
- Clarifications provided on holding period tests and "actively engaged" requirements to allow for holding corporation situations.

- Capital gains on qualifying transfers are eliminated after 10 years if no disqualifying events occur.

IMPACT ON BUSINESSES: Organizations must analyze whether their arrangements qualify for an exemption. EOTs may also become a more viable succession planning tool but this requires careful oversight and ongoing compliance.

SR&ED Enhancements: Expanded Access and Higher Expenditure Limits

Bill C-15 implements major updates to the SR&ED program, effective for taxation years beginning on or after December 16, 2024.

Highlights:

- Enhanced credit expenditure limit doubled from $3M to $6M.
- Phase out thresholds increased from $10M-$50M to $15M–$75M of taxable capital.
- Eligible Canadian Public Corporations (ECPCs) can now access the enhanced 35% refundable credit.
- CCPCs may elect to use the ECPC phase out structure.

IMPACT ON BUSINESSES: These changes broaden access to enhanced SR&ED credits and support innovation across both private and public Canadian companies.

Clean Economy Investment Tax Credits: New Opportunities for Green Investment

The new Bill introduces the Clean Electricity ITC and expands three previously implemented ITCs: Clean Technology (CT), Clean Technology Manufacturing (CTM), and Carbon Capture, Utilization and Storage (CCUS).

Clean Electricity ITC

- Applies to qualifying corporations and certain Crown entities.
- Retroactive to April 16, 2024, for projects not started before March 28, 2023.
- Supports investments in clean power generation and transmission.
- Financing provided by government corporations will not reduce the cost of eligible property when computing the credit.

Updates to existing ITCs

- Clean Technology ITC: now includes property acquired on or after November 21, 2023, that supports waste biomass based electricity and heat.
- Clean Technology Manufacturing ITC: expanded to include polymetallic projects and critical minerals (e.g., antimony, gallium, scandium).
- CCUS ITC: phase out delayed to 2035; full cancellation in 2040.

IMPACT ON BUSINESSES: The clean economy investment credits can assist businesses in reducing the cost of adopting clean technologies and building low carbon infrastructure, and strengthen their long term competitiveness.

Transfer Pricing Overhaul: Stronger Alignment with OECD Standards

Bill C-15 modernizes Canada's transfer pricing rules, incorporating Organization for Economic Co-operation and Development (OECD) concepts directly into legislation. The amendments apply to taxation years beginning after November 4, 2025.

Highlights:

- Focus on economic substance and "actual conditions," not just legal form.
- CRA may assess whether independent parties would have entered the same transaction.
- Expanded contemporaneous documentation requirements.
- Revised penalty and adjustment framework.

IMPACT ON BUSINESSES: Multinationals face heightened scrutiny and must ensure documentation is robust, timely, and aligned with OECD principles.

Canadian Capital Cost Allowance (CCA) Incentives and Immediate Expensing: Productivity Focused Measures

The new legislation includes several measures to accelerate capital investment and provide immediate expensing for certain assets.

Accelerated Investment Incentive

- Applies to most new depreciable property available for use before 2030.
- No half year rule for eligible property available for use before 2034.
- Includes purpose built rental housing meeting specific criteria.

Immediate Expensing

- Applies to manufacturing and processing equipment, clean energy assets, and zero emission vehicles acquired after 2024 and available for use before 2030.
- Productivity enhancing assets (e.g., patents, data infrastructure) qualify for immediate expensing if available for use before 2027.

IMPACT ON BUSINESSES: The accelerated CCA incentives lower the after tax cost of capital investments by allowing businesses to deduct a larger portion of asset costs sooner, improving cash flow and speeding up returns on new equipment, technology, and infrastructure.

Repealed Taxes Under Bill C-15

The following taxes have been repealed:

- Digital Services Tax (DST) repealed effective June 20, 2024. Payments already made to the CRA will be fully refunded with interest calculated at the prescribed rate from the date of payment to the date of refund.
- Underused Housing Tax (UHT). Elimination of the UHT as of the 2025 calendar year. No UHT is payable and no UHT returns are required to be filed for 2025 and subsequent calendar years.
- Luxury tax. No luxury tax on aircraft and vessels effective November 5, 2025. The luxury tax continues to be payable on subject vehicles valued above $100,000 unless and exemption applies.

IMPACT ON BUSINESSES: The repeal eases administrative pressure on businesses and removes tax frameworks that had created ongoing complexity.

Increasing the Lifetime Capital Gains Exemption (LCGE)

The new legislation enacts a increase to the LCGE which can be claimed on Qualified Small Business Corporation (QSBC) shares for dispositions occurring after June 24, 2024:

- Previous limit of $1,016,836 increased to $1.25M .
- The limit of $1.25M is indexed to inflation for the 2026 tax year and beyond.

IMPACT ON BUSINESSES: Increased relief from taxation on capital gains on QSBC shares. Need to plan appropriately to ensure the full LCGE can be claimed on a sale to third parties or on a sale to children via the Intergeneration Business Transfer (IBT) rules.

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HST Relief for New Home Purchases in Ontario

The Ontario government has announced a one-year change to the Harmonized Sales Tax (HST) that may benefit individuals planning to purchase a newly built home. The announcement was made on March 25, 2026, by Premier Doug Ford and provincial officials.

What's Changing

From April 1, 2026, through March 31, 2027, buyers of newly constructed homes that will serve as their principal residence may qualify for significant HST savings. Because this measure is in place for only one year, timing will be an important consideration for anyone planning a purchase. (The details of the relief are in the chart below.)

These changes apply only to agreements of purchase and sale signed on or after April 1, 2026. Agreements signed before that date will remain subject to the current HST rules. Government officials have also confirmed that eligible rebates may be assigned back to the builder within the purchase agreement.

Substantially renovated homes, which are treated as new construction for HST purposes under existing legislation, are also included in this measure.

What This Means for Home Buyers

Because the HST relief is temporary and tied to a specific 12-month window, buyers who are considering a new home purchase may wish to evaluate whether completing an agreement during this period could provide meaningful tax savings. The benefit will depend on the purchase price and the timing of the agreement.

What This Means for Home Builders

Increased buyer interest is likely for homes priced below $1.85 million due to the enhanced affordability.

Sales strategies and pricing models may need to be reviewed to reflect the new tax environment.

Assignment of rebates back to the builder within the agreement of purchase and sale may influence cash-flow planning.

Project timing could become more important, as buyers may aim to sign agreements within the one-year window to secure the tax benefit.

Builders may want to assess how this measure affects demand forecasts, inventory planning, and marketing efforts for the upcoming year.

If you have questions about how these changes may impact your projects or clients, please contact a DJB advisor.

Read the official government news release here.

Article written by: Cory Prince, CPA, CA

Home Price Range	HST Treatment
Homes under $1 million	Full exemption from the 13% HST
Homes between $1 million and $1.5 million	A flat $130,000 reduction in HST
Homes between $1.5 million and $1.85 million	A gradually decreasing reduction, from $130,000 down to the existing $24,000 provincial rebate
Homes above $1.85 million	Continue to qualify only for the standard $24,000 provincial rebate