KPMG

TaxNewsFlash

Canada

# Tax Accounting — Q2 2026 Update

July 6, 2026
No. 2026-36

If you are involved in preparing financial reports for corporations or other organizations, certain 2026 Canadian income tax rate and other changes may need to be reflected in your financial statements under IFRS Accounting Standards, Accounting Standards for Private Enterprises (ASPE) or U.S. generally accepted accounting principles (U.S. GAAP).

**When do new income tax measures have to be taken into account?**
Under IFRS Accounting Standards and ASPE, changes in income tax law and rates are recognized in the period that includes the date that the changes were substantively enacted. Under U.S. GAAP, income tax law and rate changes are recognized in the period that includes the date that the changes were enacted.

This *TaxNewsFlash-Canada* reflects Canadian federal and provincial/territorial income tax legislation substantively enacted or enacted between April 1, 2026 and June 30, 2026. This publication also includes a summary of select outstanding income tax measures affecting businesses that have been announced, but are not yet substantively enacted. For information on 2026 tax legislation enacted or substantively enacted before April 1, 2026, see *TaxNewsFlash-Canada* 2026-21, "Tax Accounting — Q1 2026 Update".

## Substantively enacted and enacted corporate tax rates for 2026

For 2026 and future years, the federal and provincial/territorial general corporate income tax rates remain unchanged. The federal and provincial/territorial small business income tax rates also have not changed for 2026, except for Ontario, Quebec, and Newfoundland and Labrador.

Ontario decreased the province's small business income tax rate to 2.2% (from 3.2%) effective July 1, 2026. This change was substantively enacted on March 26, 2026 and enacted on April 24, 2026.

Quebec decreased the province's small business income tax rate to 2.2% (from 3.2%) effective for taxation years that begin after April 29, 2026. This change was substantively enacted on May 12, 2026 but was not yet enacted as at June 30, 2026.

Newfoundland and Labrador decreased the province's small business income tax rate to 2% (from 2.5%) effective January 1, 2026. The small business income tax rate will further decrease to 1.5% (from 2%) effective January 1, 2027 and to 1% (from 1.5%) effective January 1, 2028. These changes were substantively enacted on May 19, 2026 and enacted on June 2, 2026.

### *General corporations*

The following federal and provincial/territorial corporate tax rates for active business income earned by a general corporation are substantively enacted and enacted as at June 30, 2026:

| **Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted and Enacted as at June 30, 2026**[1] | | |
|---|---|---|
| | **2026** | **2027 and beyond** |
| Federal rate[2,3] | 15.0% | 15.0% |
| Provincial rates | | |
| British Columbia | 12.0% | 12.0% |
| Alberta | 8.0% | 8.0% |
| Saskatchewan | 12.0% | 12.0% |
| Manitoba | 12.0% | 12.0% |
| Ontario | 11.5% | 11.5% |
| Quebec | 11.5% | 11.5% |
| New Brunswick | 14.0% | 14.0% |
| Nova Scotia | 14.0% | 14.0% |
| Prince Edward Island | 15.0% | 15.0% |
| Newfoundland and Labrador | 15.0% | 15.0% |

| | | |
|---|---|---|
| Territorial rates | | |
| Yukon | 12.0% | 12.0% |
| Northwest Territories | 11.5% | 11.5% |
| Nunavut | 12.0% | 12.0% |

[1] The rates in the table are substantively enacted as at June 30, 2026 for IFRS Accounting Standards and ASPE purposes. These rates are also enacted as at June 30, 2026 for U.S. GAAP purposes.

[2] The federal general corporate tax rate is temporarily reduced to 7.5% (from 15%) for eligible zero-emission technology manufacturing profits. The reduced tax rates are gradually phased out starting in taxation years that begin in 2032, and are fully phased out for taxation years that begin after 2034.

[3] Bank and life insurer groups are also subject to an additional 1.5% federal income tax on taxable income earned in excess of a $100 million taxable income exemption to be allocated among the group. A group includes a bank or life insurer and any other financial institution for the purposes of Part VI tax that is related to the bank or life insurer.

## *Canadian-controlled private corporations*

The following federal and provincial/territorial corporate tax rates for active business income earned by a Canadian-controlled private corporation (CCPC) that is eligible for the small business deduction are substantively enacted as at June 30, 2026:

**Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted as at June 30, 2026[1]**

| | **2026** | **2027 and beyond** |
|---|---|---|
| Federal rate[2] | 9.0% | 9.0% |
| Provincial rates | | |
| British Columbia | 2.0% | 2.0% |
| Alberta | 2.0% | 2.0% |
| Saskatchewan[3] | 1.0% | 1.0% |
| Manitoba | 0.0% | 0.0% |
| Ontario[4] | 3.2%/2.2% | 2.2% |
| Quebec[5] | 3.2%/2.2% | 2.2% |
| New Brunswick | 2.5% | 2.5% |
| Nova Scotia[6] | 1.5% | 1.5% |
| Prince Edward Island[7] | 1.0% | 1.0% |
| Newfoundland and Labrador[8] | 2.0% | 1.5%/1.0% |
| Territorial rates | | |
| Yukon | 0.0% | 0.0% |
| Northwest Territories | 2.0% | 2.0% |
| Nunavut | 3.0% | 3.0% |

[1] The rates in the table are substantively enacted as at June 30, 2026 for IFRS Accounting Standards

and ASPE purposes. These rates are also enacted as at June 30, 2026 for U.S. GAAP purposes, except for the decrease of Quebec's small business income tax rate to 2.2% (from 3.2%) effective for taxation years that begin after April 29, 2026.

[2] The federal small business tax rate is temporarily reduced to 4.5% (from 9%) for eligible zero-emission technology manufacturing profits. The reduced tax rates are gradually phased out starting in taxation years that begin in 2032, and are fully phased out for taxation years that begin after 2034.

[3] Saskatchewan's small business income threshold is $600,000. Therefore, Saskatchewan's combined income tax rate on active business income between $500,000 and $600,000 is 16% (i.e., 15% federally and 1% provincially).

[4] Ontario decreased the province's small business income tax rate to 2.2% (from 3.2%) effective July 1, 2026. This change was substantively enacted on March 26, 2026 and enacted on April 24, 2026.

[5] Quebec decreased the province's small business income tax rate to 2.2% (from 3.2%) effective for taxation years that begin after April 29, 2026. This change was substantively enacted on May 12, 2026 but was not yet enacted as at June 30, 2026.

Quebec's small business deduction is generally available to corporations only if their employees were paid for at least 5,500 hours in the taxation year (proportionally reduced for short taxation years) or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). The small business deduction is reduced linearly between 5,500 and 5,000 hours, and falls to nil at 5,000 hours.

[6] Nova Scotia's small business income threshold is $700,000. Therefore, Nova Scotia's combined income tax rate on active business income between $500,000 and $700,000 is 16.5% (i.e., 15% federally and 1.5% provincially).

[7] Prince Edward Island's small business income threshold is $600,000. Therefore, Prince Edward Island's combined income tax rate on active business income between $500,000 and $600,000 is 16% (i.e., 15% federally and 1% provincially).

[8] Newfoundland and Labrador decreased the province's small business income tax rate to 2% (from 2.5%) effective January 1, 2026. The small business income tax rate will further decrease to 1.5% (from 2%) effective January 1, 2027 and to 1% (from 1.5%) effective January 1, 2028. These changes were substantively enacted on May 19, 2026 and enacted on June 2, 2026.

The latest rates and small business deduction thresholds are available on our Canadian Corporate Tax Tables page on the KPMG Canada site.

## Status of recent tax legislation as at June 30, 2026

This publication provides an overview of selected federal and provincial/territorial business income tax measures that may affect your financial statements. It highlights significant income tax measures that became substantively enacted or enacted during the second quarter of 2026, as well as key income tax measures that remained outstanding as at June 30, 2026.

For more information about these changes, contact your KPMG adviser or see the editions of *TaxNewsFlash-Canada* noted below.

## Substantively enacted or enacted federal tax legislation

| **Federal Bill C-30** | |
|---|---|
| **Date "substantively enacted" under IFRS Accounting Standards and ASPE** | **Date "enacted" under U.S. GAAP** |
| April 29, 2026 | June 18, 2026 |

Bill C-30 includes tax measures announced by the federal government on January 26, 2026 to introduce immediate expensing for greenhouses acquired after November 3, 2025 and available for use before 2030 (with a phase-out for greenhouses that become available for use between 2030 and 2033).

| **Federal Bill C-31** | |
|---|---|
| **Date "substantively enacted" under IFRS Accounting Standards and ASPE** | **Date "enacted" under U.S. GAAP** |
| May 6, 2026 | N/A |

Bill C-31 includes tax measures previously announced in the 2025 federal budget and included in draft legislation released on January 29, 2026 to:

- Provide immediate expensing for eligible manufacturing or processing buildings acquired on or after November 4, 2025 and used for manufacturing or processing before 2030 (with a phase-out for property that is first used for manufacturing or processing between 2030 and 2033)
- Limit the tax deferral on investment income using tiered corporate structures with mismatched year-ends by suspending the dividend refund to the payer corporation for dividends paid in taxation years that begin on or after November 4, 2025
- Clarify eligible activities under the Canadian Exploration Expense (CEE), effective November 4, 2025.

Bill C-31 also includes other previously announced tax measures to:

- Expand the Clean Hydrogen investment tax credit (ITC) by adding methane pyrolysis as an eligible hydrogen production pathway for property that is acquired and available for use in an eligible project on or after December 16, 2024
- Implement several technical changes to:
    - Clarify the Clean Hydrogen ITC, effective March 28, 2023

    - Clarify the Carbon Capture, Utilization and Storage (CCUS) ITC, effective January 1, 2022
    - Adjust the foreign accrual tax (FAT), foreign affiliate (FA) surplus and foreign tax credit calculations for Domestic Minimum Top-Up Tax (DMTT) regimes in foreign jurisdictions, effective December 31, 2023

- Eliminate the exception to the debt forgiveness rules for bankrupt corporations that commence bankruptcy proceedings on or after April 16, 2024 as well as for bankrupt partnerships and trusts that commence bankruptcy proceedings on or after August 12, 2024.

Among other changes, Bill C-31 also includes tax measures to amend the *Global Minimum Tax Act* to:

- Introduce provisions for:
    - The Undertaxed Profits Rule (UTPR) for fiscal years of a qualifying multinational enterprise (MNE) group that begin on or after December 31, 2025 (which was notably delayed by one year compared to the proposed UTPR previously included in draft legislation released on August 12, 2024)
    - The side-by-side and ultimate parent entity safe harbours for fiscal years of a qualifying MNE group that begin on or after January 1, 2026
- Implement several technical changes previously released in draft legislation, including changes to:
    - Introduce a de-consolidation rule for certain qualifying MNE groups that include one or more private investment entities for fiscal years of a qualifying MNE group that begin on or after December 31, 2023
    - Revise the rules for allocating covered taxes for fiscal years of a qualifying MNE group that begin on or after December 31, 2023
    - Add new provisions for deferred tax assets and liabilities, including pre-Global Anti-Base Erosion (GloBE) arrangement deferred tax assets, for fiscal years of a qualifying MNE group that begin on or after December 31, 2023
    - Introduce new transitional rules for constituent entities' pre-GloBE transactions in fiscal years before their GloBE transition year for fiscal years of a qualifying MNE group that begin on or after December 31, 2023.

For more information, see *TaxNewsFlash-Canada* 2026-31, "Canada Moves to Enact Remaining Budget Measures".

## Outstanding federal business income tax measures

Several previously announced federal business income tax measures remain outstanding and are not substantively enacted for IFRS Accounting Standards and ASPE purposes or enacted for U.S. GAAP purposes as at June 30, 2026. The status of key outstanding federal business income tax measures are outlined below.

### *2026 federal spring economic update*

In the 2026 federal spring economic update, the federal government announced tax measures to:

- Implement the reinstatement of accelerated Capital Cost Allowance (CCA) for certain Liquefied Natural Gas (LNG) equipment and related buildings acquired on or after November 4, 2025 and before 2035, which was previously announced in the 2025 federal budget

- Expand the CCUS ITC to include enhanced oil recovery (EOR) as an eligible use of the carbon dioxide ($CO_2$) being captured, effective April 28, 2026.

These measures have not yet been included in draft legislation or a bill and are not substantively enacted or enacted as at June 30, 2026.

For more information, see *TaxNewsFlash-Canada* 2026-27, “Highlights of the 2026 Federal Spring Economic Update”.

### *Draft legislation released on January 29, 2026*

On January 29, 2026, Finance released draft legislation for comment that includes outstanding tax measures from the 2021 federal budget to introduce a “second package” of hybrid mismatch rules. These rules address:

- Deduction/non-inclusion mismatches arising from payments under “reverse hybrid arrangements”, “disregarded payment arrangements” and “imported hybrid arrangements”

- Double deduction mismatches arising from payments under “hybrid payer arrangements”.

These rules are generally proposed to apply to payments arising on or after July 1, 2026. For more information, see *TaxNewsFlash-Canada* 2026-08, “Hybrid Mismatches — Finance Releases Remaining Proposals”.

The draft legislation released on January 29, 2026 also includes tax measures from the 2025 federal budget to clarify that foreign accrual property income (FAPI) includes investment income derived from assets supporting Canadian insurance risks for taxation years of an FA of a taxpayer that begin after November 4, 2025.

For more information, see *TaxNewsFlash-Canada* 2025-41, "2025 Federal Budget Highlights".

These measures from the draft legislation released on January 29, 2026 have not yet been included in a bill and are not substantively enacted or enacted as at June 30, 2026. However, the 2026 federal spring economic update confirmed the government's intention to proceed with these measures.

### *Draft legislation released on August 15, 2025*

On August 15, 2025, Finance released draft legislation for comment that includes outstanding tax measures to:

- Introduce an elective exemption to the excessive interest and financing expenses limitation (EIFEL) rules for certain interest and financing expenses incurred before 2036 for arm's length borrowings used to build, acquire, or convert property into a purpose-built residential rental in Canada, applicable to taxation years that begin on or after October 1, 2023, which was previously announced in the 2024 federal budget

- Introduce an elective exemption to the EIFEL rules for certain interest and financing expenses that are reasonably attributable to borrowings used for the purpose of gaining or producing income from a Canadian regulated energy utility business, applicable to taxation years that begin on or after October 1, 2023, which was previously announced in 2024.

These measures have not yet been included in a bill and are not substantively enacted or enacted as at June 30, 2026. However, the 2026 federal spring economic update confirmed the government's intention to proceed with these measures.

For more information, see *TaxNewsFlash-Canada* 2025-35, "Finance Releases Plethora of Draft Legislation".

## Substantively enacted or enacted provincial/territorial tax legislation

### *British Columbia*

| British Columbia Bill 2 | |
|---|---|
| **Date "substantively enacted" under IFRS Accounting Standards and ASPE** | **Date "enacted" under U.S. GAAP** |
| February 17, 2026 | April 16, 2026 |

British Columbia's Bill 2 includes tax measures from the 2026 British Columbia budget to:

- Introduce the B.C. manufacturing and processing ITC, a 15% refundable

ITC on eligible investments of up to $2 million made by CCPCs in buildings and machinery and equipment used for manufacturing and processing on or after April 1, 2026 until March 31, 2031 (with a phase-out for investments made between April 1, 2031 and March 31, 2036)

- Make permanent the province's Scientific Research and Experimental Development (SR&ED) tax credit (previously set to expire on September 1, 2027) and extend the province's refundable SR&ED tax credit to eligible Canadian public corporations, consistent with the federal SR&ED program
- Extend the deadline to claim either the Film Incentive B.C. tax credit or the production services tax credit to 36 months (from 18 months) after the end of the taxation year, for taxation years that end on or after August 17, 2024
- Make permanent the non-refundable farmers' food donation tax credit (previously set to expire on January 1, 2027)
- Make permanent the refundable book publishing tax credit (previously set to expire on April 1, 2026)
- Extend the refundable shipbuilding and ship repair industry tax credit to the end of 2027 (from the end of 2026).

For more information, see *TaxNewsFlash-Canada* 2026-11, "Highlights of the 2026 British Columbia Budget".

### *Saskatchewan*

| Saskatchewan Bills 49 and 53 | |
|---|---|
| **Date "substantively enacted" under IFRS Accounting Standards and ASPE** | **Date "enacted" under U.S. GAAP** |
| Bill 49 – March 23, 2026<br>Bill 53 – March 25, 2026 | Bill 49 – May 14, 2026<br>Bill 53 – May 14, 2026 |

Saskatchewan's Bills 49 and 53 include tax measures affecting the Saskatchewan chemical fertilizer incentive, including a measure from the 2026 Saskatchewan budget to extend the incentive to December 31, 2031 (from December 31, 2026).

For more information, see *TaxNewsFlash-Canada* 2026-16, "Highlights of the 2026 Saskatchewan Budget".

### *Manitoba*

| **Manitoba Regulation 34/2026** |
| --- |
| Published on April 10, 2026 |

Manitoba’s Regulation 34/2026 enhances the non-refundable small business venture capital tax credit (SBVCTC) by decreasing the minimum eligible investment requirement for eligible investors to $5,000 (from $10,000) and allowing eligible investments to be made through certain Manitoba limited partnerships, among other measures, effective April 15, 2026.

### *Ontario*

| **Ontario Bill 97** | |
| --- | --- |
| **Date “substantively enacted” under IFRS Accounting Standards and ASPE** | **Date “enacted” under U.S. GAAP** |
| March 26, 2026 | April 24, 2026 |

Ontario’s Bill 97 includes tax measures from the 2026 Ontario budget to:

- Decrease the province’s small business income tax rate to 2.2% (from 3.2%) effective July 1, 2026
- Eliminate the regional opportunities ITC (ROITC) effective January 1, 2027.

For more information, see *TaxNewsFlash-Canada* 2026-19, “Highlights of the 2026 Ontario Budget”.

### *Quebec*

| **Quebec Bill 6** | |
| --- | --- |
| **Date “substantively enacted” under IFRS Accounting Standards and ASPE** | **Date “enacted” under U.S. GAAP** |
| May 12, 2026 | N/A |

Quebec’s Bill 6 includes tax measures published in Information Bulletin 2026-3 on April 29, 2026 to decrease the province’s small business income tax rate to 2.2% (from 3.2%) effective for taxation years that begin after April 29, 2026.

For more information, see *TaxNewsFlash-Canada* 2026-29, “Quebec Drops Small Business Tax Rate”.

Quebec’s Bill 6 also includes tax measures from the 2026 Quebec budget to:

- Amend the refundable and non-refundable tax credits for the development of e-business integrating artificial intelligence functionalities (TCEB$^{AI}$) to:

- Expand the list of eligible activities for employee certificate purposes to include certain preparatory work as well as specialized artificial intelligence (AI) consulting services, applicable generally to taxation years beginning after December 31, 2025

- Allow corporations to use non-refundable TCEB$^{AI}$ carryforwards in a taxation year even if they do not claim the refundable TCEB$^{AI}$ in that taxation year, for carryforwards that arose from a taxation year that began before January 1, 2026

- Clarify that revenue from certain services should be included in the proportion of gross revenue calculation for purposes of applying the rate reduction for intercompany outsourcing for taxation years beginning after December 31, 2025

- Enhance the refundable tax credit to support print media (as well as rename it to the refundable tax credit to support Quebec news media) by including measures to:

  - Extend eligibility for the tax credit to news agencies as well as radio and television news broadcasters (rather than limiting eligibility only to print media), applicable generally to taxation years ending after March 18, 2026

  - Increase the eligible employee wage limit to $85,000 (from $75,000), applicable generally to taxation years ending after March 18, 2026

  - Remove information technology activities from the list of eligible activities for employee certificate purposes, applicable generally to taxation years ending after March 18, 2026

- Amend the refundable tax credit for the digital transformation of print media to:

  - Extend the eligibility period for the tax credit until December 31, 2028 (from December 31, 2025) and allow qualified property to be acquired before January 1, 2028 (rather than before January 1, 2025)

  - Gradually reduce the tax credit rate for eligible digital conversion costs incurred after December 31, 2026 and before January 1, 2029

- Expand the eligibility for the refundable tax credit for Quebec film or television productions by including measures to:

    - Exclude financial assistance from the Indigenous Screen Office for purposes of the tax credit, for applications filed after March 18, 2026

    - Remove the minimum length and number of episodes requirements for documentaries and audiovisual magazine programs, for applications filed after March 18, 2026

- Remove the minimum length and number of episodes requirements for documentaries and television magazine programs for purposes of the refundable tax credit for film dubbing, for applications submitted after March 18, 2026

- Remove the minimum length requirements for documentaries for purposes of the refundable tax credit for film production services, for applications submitted after March 18, 2026.

For more information, see *TaxNewsFlash-Canada* 2026-18, "Highlights of the 2026 Quebec Budget".

In addition, Quebec's Bill 6 includes tax measures announced in the 2025 Quebec fall economic update and published in Information Bulletin 2025-8 on November 25, 2025 to:

- Expand the geographic area in which the marine products processing sector may carry out activities to be eligible for the refundable tax credit for Gaspesie and certain maritime regions of Quebec, and extend the eligibility period for the tax credit until December 31, 2030 (from December 31, 2025)

- Extend the income-averaging mechanism for certified forest producers to taxation years that end before January 1, 2028 (from January 1, 2026).

For more information, see *TaxNewsFlash-Canada* 2025-45, "Highlights of the 2025 Quebec Fall Economic Update".

Quebec's Bill 6 also includes tax measures published in Information Bulletin 2025-9 on December 18, 2025 to:

- Expand the tax holiday for large investment projects to include eligible expansions or additions to existing buildings

- Expand the refundable tax credit for on-the-job training periods to include certain trainees who work remotely.

### *New Brunswick*

| New Brunswick Bill 39 | |
|---|---|
| **Date “substantively enacted” under IFRS Accounting Standards and ASPE** | **Date “enacted” under U.S. GAAP** |
| May 5, 2026 | June 12, 2026 |

New Brunswick’s Bill 39 enhances the non-refundable small business investor tax credit by including measures to:

- Increase the tax credit rate to 25% (from 15%) for eligible investors that are corporations or trusts, for eligible investments made on or after March 17, 2026
- Allow total annual eligible investments of up to $1 million to be made by eligible investors that are corporations or trusts, for eligible investments made either in strategic sectors or a combination in both non-strategic sectors (of up to $500,000 annually) and strategic sectors on or after March 17, 2026
- Expand eligible investments to include certain convertible debentures, for eligible investments made on or after March 17, 2026.

### *Nova Scotia*

| Nova Scotia Bill 198 | |
|---|---|
| **Date “substantively enacted” under IFRS Accounting Standards and ASPE** | **Date “enacted” under U.S. GAAP** |
| February 25, 2026 | April 9, 2026 |

Nova Scotia’s Bill 198 includes tax measures from the 2026 Nova Scotia budget to extend the refundable capital investment tax credit (CITC) to December 31, 2035 (from December 31, 2029).

For more information, see *TaxNewsFlash-Canada* 2026-13, “Highlights of the 2026 Nova Scotia Budget”.

### *Newfoundland and Labrador*

| Newfoundland and Labrador Bill 16 | |
|---|---|
| **Date "substantively enacted" under IFRS Accounting Standards and ASPE** | **Date "enacted" under U.S. GAAP** |
| May 19, 2026 | June 2, 2026 |

Newfoundland and Labrador's Bill 16 includes tax measures from the 2026 Newfoundland and Labrador budget to decrease the province's small business income tax rate to:

- 2% (from 2.5%) effective January 1, 2026
- 1.5% (from 2%) effective January 1, 2027
- 1% (from 1.5%) effective January 1, 2028.

For more information, see *TaxNewsFlash-Canada* 2026-28, "Highlights of the 2026 Newfoundland & Labrador Budget".

| Newfoundland and Labrador Bill 17 | |
|---|---|
| **Date "substantively enacted" under IFRS Accounting Standards and ASPE** | **Date "enacted" under U.S. GAAP** |
| May 19, 2026 | June 2, 2026 |

Newfoundland and Labrador's Bill 17 includes tax measures to allow an amalgamated corporation (or a parent corporation after a wind-up) to claim unused manufacturing and processing ITCs and green technology tax credits (GTTCs) of an eligible predecessor corporation (or an eligible subsidiary corporation that was wound up into the parent corporation), effective June 2, 2026.

## Outstanding provincial/territorial business income tax measures

Several previously announced provincial/territorial business income tax measures remain outstanding and are not substantively enacted for IFRS Accounting Standards and ASPE purposes or enacted for U.S. GAAP purposes as at June 30, 2026. The status of key outstanding provincial/territorial business income tax measures are outlined below.

### *British Columbia*

British Columbia has not yet tabled a bill to enact tax measures announced in the 2026 British Columbia budget to clarify eligible activities under the B.C. mining exploration tax credit to align them with proposed changes to eligible activities under the federal CEE, effective November 4, 2025.

### *Quebec*

*2026 Quebec budget*

Quebec has not yet tabled a bill to enact measures from the 2026 Quebec budget to harmonize the Quebec income tax system with federal tax measures to introduce immediate expensing for greenhouse buildings acquired on or after November 4, 2025 and available for use before 2030.

*2025 Quebec fall economic update*

Quebec has not yet tabled a bill to enact measures announced in the 2025 Quebec fall economic update and published in Information Bulletin 2025-8 on November 25, 2025 to harmonize the Quebec income tax system with federal tax measures from the 2025 federal budget to:

- Provide immediate expensing for manufacturing or processing buildings
- Clarify eligible activities under the CEE
- Align the transfer pricing rules with the international consensus on how to apply the arm's length principle
- Clarify that FAPI includes investment income derived from assets supporting Canadian insurance risks.

*2025 Quebec budget*

Quebec has not yet tabled a bill to enact measures from the 2025 Quebec budget to harmonize the Quebec income tax system with federal tax measures from the 2024 federal fall economic update to:

- Adopt certain changes to the federal SR&ED program, including the eligibility of capital expenditures for the deduction relating to SR&ED expenditures
- Extend the Accelerated Investment Incentive (AII) for certain property
- Extend immediate expensing for certain property.

For more information, see *TaxNewsFlash-Canada* 2025-14, "Highlights of the 2025 Quebec Budget".

*2026 Quebec Information Bulletins*

Quebec has not yet tabled a bill to enact measures published in Information Bulletin 2026-5 on June 26, 2026 to:

- Clarify the tax holiday for large investment projects
- Amend the refundable tax credit for international financial centres (IFCs) in respect of activities relating to an eligible contract
- Extend the exclusion of certain credits granted to corporations under the *Clean Fuel Regulations* from the definition of "government assistance" for purposes of the refundable tax credit for the production of biofuel in Quebec and the refundable tax credit for the production of pyrolysis oil in Quebec to taxation years beginning after December 31, 2029 (from taxation years beginning after December 31, 2027).

Quebec has also not yet tabled a bill to enact measures published in Information Bulletin 2026-4 on May 25, 2026 to harmonize the Quebec income tax system with federal tax measures from the 2026 federal spring economic update to reinstate accelerated CCA for certain LNG equipment and related buildings.

In addition, Quebec has not yet tabled a bill to enact measures published in Information Bulletin 2026-3 on April 29, 2026 to harmonize the Quebec income tax system with certain federal tax measures that were enacted in Bill C-15, including measures to:

- Introduce a new elective regime to preserve the tax treatment of foreign accrual business income (FABI) included in FAPI
- Implement technical changes to:
  - Revise the definition of "adjusted taxable income" under the EIFEL rules
  - Expand the circumstances in which an excluded interest election under the EIFEL rules is available in respect of interest paid or payable to a financial institution group entity
  - Provide that an "excluded loan" is not government assistance for the purposes of calculating a taxpayer's cumulative CEE, cumulative Canadian Development Expense (CDE), and cumulative Canadian Oil and Gas Property Expense (COGPE)
  - Exempt from income tax certain capital gains on the disposal of a vessel by a corporation resident in Canada that was used to earn international shipping income

    - Amend the formula for determining the prescribed amount an insurer may deduct or must include for non-life insurance policy reserves

- Make the Canada Carbon Rebate for Small Businesses tax-free.

*2025 Quebec Information Bulletins*

Quebec has not yet tabled a bill to enact measures published in Information Bulletin 2025-1 on February 3, 2025 to harmonize the Quebec income tax system with the federal measure to extend the 2024 donation deadline to February 28, 2025 (from December 31, 2024).

*2024 Quebec Information Bulletins*

Quebec has not yet tabled a bill to enact tax measures published in Information Bulletin 2024-7 on June 21, 2024 to clarify that amounts received under the federal Clean Technology Manufacturing (CTM) ITC after December 31, 2023 would not be considered government assistance for purposes of the tax credit for investment and innovation (C3i).

Quebec has also not yet tabled a bill to enact measures published in Information Bulletin 2024-6 on May 31, 2024 to harmonize the Quebec income tax system with federal tax measures from the 2024 federal budget to:

- Introduce an elective exemption from the EIFEL rules for certain interest and financing expenses incurred before January 1, 2036, in respect of arm’s length financing used to build or acquire eligible purpose-built rental housing

- Adopt accelerated CCA

- Amend the mutual fund corporation rules

- Amend the anti-avoidance rule in the synthetic equity arrangements rules

- Eliminate the exception to the debt forgiveness rules for bankrupt corporations.

*2022 Quebec Information Bulletins*

Quebec has not yet tabled a bill to enact measures published in Information Bulletin 2022-4 on June 9, 2022 to harmonize the Quebec income tax system with federal tax measures from the 2022 federal budget to eliminate the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates (CFAs) (which will be harmonized in part).

## We can help

KPMG's tax accounting and audit support professionals can help you assess the impact of these changes in income tax law on your organization's financial statements. We can also help your organization understand and manage your obligations under IFRS Accounting Standards, U.S. GAAP or ASPE to account for income taxes as well as provide related disclosures. For details, contact your KPMG adviser.