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TaxNewsFlash

Canada

Highlights of the 2026 Ontario Fall Economic Update

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Ontario's Finance Minister delivered the province's Fall Economic Update on October 29, 2026. The Update anticipates a deficit of $16.9 billion for 2026-27 and projects a deficit of $12.7 billion for 2027-28 and $6.7 billion in 2028–29 before returning to balance in 2029–30. The Update announces the province's new Ontario Competitiveness Tax Cut (OCTC) and proposes to update eligibility for the Ontario Computer Animation and Special Effects (OCASE) Tax Credit, among other changes. Note that the Update does not include any new changes to the corporate or personal income tax rates.

Business tax changes

Ontario Competitiveness Tax Cut (OCTC)

The Update announces the OCTC, a provincial tax relief measure that parallels the federally announced Productivity Mega Deduction. The OCTC allows businesses to immediately write off 100% of the value of a wide range of eligible depreciable property acquired on or after September 15, 2026, that is subject to capital cost allowance (CCA) rules, and would take effect following the passage of the corresponding federal legislation.

These changes make permanent the accelerated CCA deductions for a broad range of eligible capital assets, including:

- Immediate 100% deduction for most eligible depreciable property, including manufacturing and processing (M&P) machinery and equipment, certain clean technology property, zero-emission vehicles, greenhouse buildings, and productivity enhancing assets;

- Immediate 100% expensing of certain qualifying new vehicles assembled in Canada;
- Immediate 100% expensing of certain liquefaction equipment used in liquefied natural gas facilities;
- Immediate 100% expensing of Canadian development expenses

The measures exclude certain buildings (including M&P buildings), certain passenger and motor vehicles, intangible property, regulated natural gas distribution pipelines, industrial mineral mines and rights to remove industrial minerals from those mines and timber limits and rights to cut timber, other than timber resource properties.

The OCTC also highlights measures previously announced in the Ontario 2026 budget:

- Immediate 100% expensing for M&P buildings, with a phase-out after 2029;
- Accelerated depreciation from 4% to 10% for purpose-built rental housing for construction completed before January 1, 2036; and
- Accelerated first-year deductions of up to three times the regular amount for most other depreciable assets with a phase-out after 2029.

KPMG observations
Ontario joins British Columbia in aligning its provincial tax treatment of capital investments with the federal Productivity Mega Deduction, while other provinces have yet to announce comparable measures.

Ontario states that this measure will only come into force once the equivalent federal legislation is enacted. Finance released draft legislative proposals to implement the Productivity Mega Deduction on September 15, 2026, but these changes have not yet been included in a bill.

For more information on the federal permanent Productivity Mega Deduction, see *TaxNewsFlash-Canada* 2026-41 "New Investment Deduction Expands Immediate Expensing".

Ontario Computer Animation and Special Effects (OCASE) tax credit

The Update announces that the province is limiting the eligibility for the 18% refundable Ontario Computer Animation and Special Effects (OCASE) corporate income tax credit to eligible film and television producers only. This credit was previously available to qualifying corporations that undertook computer animation and special effects activities on eligible film and television productions in Ontario.

Further details, including proposed legislative amendments, will be available as part of the 2027 Budget and accompanying Budget bill.

Research and development (R&D)

The Update highlights the eligibility of certain capital expenditures for property acquired on or after December 16, 2024 for corporations with a permanent establishment in Ontario for the Ontario Research and Development Tax Credit and the Ontario Innovation Tax Credit. This is consistent with recent changes to the federal Scientific Research and Experimental Development (SR&ED) program. Both Ontario credits require federal ITC and expenditure eligibility, and the Update notes that this change took effect automatically on March 26, 2026, when the federal measure received Royal Assent.

Other tax changes

Beneficial Ownership Registry

The Update proposes legislative amendments that support the implementation of a Beneficial Ownership Registry (BOR) for privately held business corporations in 2027.

Amendments to the Ontario *Business Corporations Act* would expand the information corporations must collect about individuals with significant control, including citizenship and, where provided, address of service. These amendments would also expand reporting exemptions to include certain wholly owned subsidiaries whose parent entities are already subject to transparency and reporting requirements.

In addition, amendments to the Ontario *Corporations Information Act* would require privately held business corporations to submit information about their individuals with significant control to the registry, provide limited access to the information to the public, and provide full access to authorized entities such as law enforcement and regulatory bodies, subject to privacy safeguards.

Taxation transparency report

The Update notes that Ontario will expand its reporting of tax expenditures to include current-year estimates and revised estimates for the previous three years, reflecting the latest taxation and economic data, beginning with the *2026 Taxation Transparency Report.*

Technical and other amendments

The Update proposes various technical amendments, including to:

- Clarify the tax credit for minimum tax in the *Taxation Act, 2007*
- Modernize the rules for the service of documents by explicitly permitting email or other prescribed forms in the *Land Transfer Tax Act*

- Clarify that the Crown or a Crown Agency is exempt when it is the only transferee, even if only acquiring an unregistered beneficial interest in land in the *Land Transfer Tax Act*
- Increase penalties for false or misleading statements in applications for the refund for first-time homebuyers to $10,000 (from $4,000) in the *Land Transfer Tax Act*
- Change the *Ministry of Revenue Act* to support efficient administration of Ontario's tax and revenue collection.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Ontario Fall Economic Update on your personal finances or business affairs and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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