



Canada's Business Community Calls for a More Competitive Tax System, Productive and Prosperous Canada

Moments that define a country's economic future are rare. This is one of them.

Canada has a newfound ambition. We are collectively feeling a moment of opportunity to harness our country's strengths; a chance to overcome our stalled productivity, enhance our global competitiveness and foster the foreign and domestic business investment to turn this ambition into reality.

As a national coalition representing over 700,000 professionals and businesses of all sizes—across all sectors of the economy, from coast to coast to coast—we have come together with a shared goal: helping to build a stronger, more sovereign and more prosperous Canada.

Now is the time to be bold and create the modern, efficient and competitive tax system Canada needs. For Canada to remain competitive, an efficient and streamlined tax system is the most effective tool available to create the conditions for entrepreneurship, innovation, investment and job creation here in Canada.

Our tax policy should support our larger economic strategy.

We welcome and applaud the introduction of the Productivity Mega-Deduction. It is a major reform that improves Canada's global competitiveness and demonstrates a commitment to making Canada a more attractive place to invest and grow.

Adoption of timely measures to improve Canada's global competitiveness are critical and we are committed to work with government today on targeted interventions to build on recent positive developments. In Budget 2026, we call on the federal government to go even further: to incentivise entrepreneurship, improve Canada's global competitiveness, simplify the tax code and introduce pro-growth policies that help advance small, medium and large businesses across the country. The government must also commit to a broad-based review of Canada's tax system.

Together, these reforms will build the tax system designed to enable Canadian firms to thrive in the 21st century.

Principles for Reform

1

Incentivize Entrepreneurship and Growth in Canada

Tax policy should encourage business creation, innovation, investment and expansion. Canadian entrepreneurs should have every reason to build, scale and keep their businesses in Canada.

We call on the government to:

- **Broaden capital gains rollover provisions for gains that are reinvested** in qualifying Canadian assets within a specified period, including for intergenerational farm transfers amongst a broader range of family members.
- Establish a **Canadian Patent Box Regime** that grants a preferential corporate income tax rate on IP exclusively developed in Canada.

2

Improve Canada's Global Competitiveness

Canada competes globally for investment, talent and capital. Recent US tax reforms have strengthened the US' competitive position. Canada must respond with policies that make this country a preferred destination for businesses looking to invest, innovate and grow.

We call on the government to:

- Work with the Council of the Federation to **lower General Corporate Income Tax Rates** to regain Canada's corporate tax advantage that helped drive economic growth earlier in the 2000s.

3

Simplify the System

Complexity imposes significant costs on Canadians and businesses. Billions of dollars are spent each year on tax compliance, diverting resources away from business investment, job creation and household priorities. Tax reform should make the system easier to understand, simpler to administer and less costly to navigate.

We call on the government to:

- **Implement Group Corporate Taxation** enabling parent companies and their subsidiaries to file a joint income tax return, a model used across the G7.
- **Simplify tax filing and establish clear plans and timelines** by CRA to increase fairness and certainty.
- Review recently introduced **tax policy measures and eliminate those, such as the Excessive Interest and Finance Expense Limitation**, that have added administrative difficulty and raised uncertainty and compliance risk.



Support Small Business Growth

Small businesses are the backbone of Canada's economy, yet business closures are outpacing new business creation, while rising costs, regulatory burdens and labour shortages continue to challenge smaller firms. A modern tax system should help them reinvest, expand and create jobs. Through lowering structural barriers, incentivizing reinvestment and rewarding early-stage capital risk, Canada can once again be a magnet for ambitious builders and create the environment for local enterprises to transform into global competitors.

We call on the government to:

- **Lower the federal small business tax rate** to improve cashflow for smaller enterprises.
- **Increase the Small Business Deduction earnings threshold** and index it to inflation to spur renewed growth.



Build a Tax System for the 21st Century

Canada needs a tax system that is fit for today's modern, AI-driven economy. Canada's economy has changed dramatically since the 1960s Carter Commission, the last comprehensive review of the tax system more than half a century ago.

A focused review, supported by clear timelines, meaningful consultation and international experience and evidence, would help identify practical reforms that can improve competitiveness and drive growth for decades to come.

We call on the government to:

- **Commit in the 2026 Budget to a comprehensive review of the tax system.**

A Call to Action

Canada has the talent, resources and institutions needed to succeed in today's global economy. The world wants what Canada has.

Now is the time to create the conditions necessary to unlock Canada's potential.

Today's economic challenges demand more than incremental change. They require a tax system that rewards investment, encourages entrepreneurship, supports business growth and strengthens Canada's competitiveness.

The Productivity Mega-Deduction is an important start. Budget 2026 should build on that momentum with targeted reforms and a commitment to modernizing the tax system for the future.

We stand ready to work with the federal government to achieve that goal.

This is a moment to act with ambition, purpose and urgency. Let us seize it and build a more productive, competitive and prosperous Canada for generations to come.

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