Chartered Professional Accountants of Ontario
69 Bloor Street East Toronto ON M4W 1B3
T. 416 962.1841 F. 416 962.8900 Toll Free 1 800 387.0735
CPAOntario.ca

September 8, 2026

Hon. François-Philippe Champagne,
Minister of Finance and National Revenue,
90 Elgin Street,
Ottawa, ON K1A0G5

Dear Minister Champagne:

CPA Ontario is pleased to provide input to the Ministry of Finance on Budget 2026. CPA Ontario very much appreciates the engagement we have had with your Office during this consultation period, including a roundtable discussion CPA Ontario organized in early August between our expert Tax Reform Advisory Group and your Director of Policy. The recommendations in this submission complement the guidance provided in that roundtable, the summary we have already provided to your Office and builds on proposals in CPA Ontario's *Tax Reform for Growth in Canada.*[1]

For Budget 2026, CPA Ontario recommends the Canadian government to:

1. *Introduce targeted pro-growth business tax reforms to support investment, innovation and scale-up in Canada;*
2. *Simplify the Income Tax Act (ITA) to reduce compliance costs and strengthen Canada's ability to attract and retain talent; and*
3. *Commit to an independent, comprehensive review of Canada's tax system.*

The submission below outlines specific policy measures under each of these pillars that the government can pursue to make meaningful progress in both the near and longer term.

We urge the government to include these targeted reforms in Budget 2026 and to commit to a comprehensive review of Canada's tax system. Doing so can deliver immediate gains in growth, innovation, and competitiveness, while also setting up Canada for long-term economic prosperity. Representing more than 106,000 Chartered Professional Accountants, CPA Ontario and its members play a pivotal role at the heart of Canada's economy and capital markets. Our members offer a wealth of expertise on how tax policy can drive economic growth, strengthen competitiveness, attract investment and support innovation. We welcome the opportunity to contribute further to the design and implementation of reforms in Budget 2026.

[1] CPA Ontario, *Tax Reform for Growth in Canada*, October 2025.

This is a defining moment for Canada's economic future. We have been hit by a series of shocks causing a seismic shift in the international order, the most jarring being the rupture with our largest trading partner. Additional forces, including global instability and the rise of generative AI, are causing a reordering of the global economy and Canada's place within it.

The call from Canadians is clear: now is the time to make the tough, but necessary decisions that will lay a new economic foundation for our country.

Canada has an important opportunity to attract substantial foreign investment and to spur domestic growth. We must act decisively to make the most of this generational opportunity. There are needed reforms to Canada's tax system that are easier to introduce and that can have an immediate impact. These should be implemented now, to drive growth, competitiveness and enable Canadian companies to better withstand the current economic upheaval. At the same time, Canada needs to plan for the longer-term, with a broad-based review of Canada's tax system necessary to deliver a stronger, more sovereign and more prosperous Canada.

Canada can lead. We need a tax system that helps us get there.

Recommendation 1: Introduce targeted pro-growth business tax reforms support investment, innovation and scale-up in Canada.

It is imperative the government incentivizes Canadian innovators and entrepreneurs to build, scale, and *stay* in Canada. Just as importantly, Canada must remain a hub and ideal home for investment and innovation. CPA Ontario recommends:

1. *Expanding the scope of the Productivity Super-Deduction to all businesses in all sectors and make it permanent;*
2. *Establishing a patent box regime, as committed to in the 2024 Fall Economic Statement;*
3. *Broadening capital gains rollover provisions for gains reinvested in qualifying Canadian assets within a specified period;*
4. *Eliminating the small business tax "cliff" in section 125 of the ITA; and*
5. *Lowering corporate income tax rates.*

Canada's combined corporate income tax rate exceeds both U.S. and OECD averages.[2] Lowering these rates is an important first step. Additionally, eliminating the "tax cliff," expanding and making the super-deduction permanent and broadening capital gains rollover provisions would provide much needed support to businesses in scaling up their operations in Canada. Meanwhile, an effective patent box regime would encourage domestic innovation and IP retention, advancing Canadian digital

[2] *Ibid.*

sovereignty. Altogether, these reforms would dramatically improve our global economic competitiveness and ability to retain Canadian innovation.

Recommendation 2: Simplify the ITA to reduce compliance costs and strengthen Canada's ability to attract and retain talent.

To foster a more economically resilient and prosperous Canada, CPA Ontario strongly urges the government to simplify the overall tax system. CPA Ontario recommends:

1. *Eliminating niche tax expenditures that add complexity without clear economic benefit;*
2. *Capping the combined top marginal personal income tax rate at 50%; and*
3. *Reducing the number of personal income tax brackets and better aligning thresholds with OECD peers to retain and attract talent.*

Eighty-four percent of CPA Ontario members believe Canada's income tax system is overly complex and must be simplified.[3] Such complexity increases compliance costs and fosters uncertainty, deterring investment and capital formation.

Eliminating the excess of boutique income tax credits that are underused and/or no longer achieve their intended policy objectives, would remove significant compliance costs weighing down our tax system. Similarly, lowering combined marginal personal income tax rates to no more than 50%, while increasing the income thresholds at which they apply, would help attract *and retain* skilled workers, firms, and innovators. Unfortunately, Canada's current personal income tax regime has negative economic impacts. A 2024 Bank of Canada report found roughly 40 percent of Canadians who would rank in the top 1 percent of earners have already emigrated to the US,[4] and that this emigration accounts for up to 75 percent of the Canada-US per capita GDP gap.[5]

Implementing these measures would signal the government's resolve to lift the inefficiencies plaguing Canada's tax system and the intent to generate long-term certainty that attracts talent, investment and innovation.

Recommendation 3: Commit to a comprehensive review of Canada's tax system.

CPA Ontario urges the government to commit in Budget 2026 to an ***independent and comprehensive review of the Canadian tax system.***

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[3] CPA Ontario, *Shaping Tomorrow: Results from CPA Ontario's Survey of Members on Public Policy*, June 2025.
[4] Bank of Canada, *The Distributional Origins of the Canada-US GDP and Labour Productivity Gaps*, December 2024.
[5] *Ibid.*

We additionally recommend this review to consider a revenue-neutral shift in the tax mix, reducing reliance on economically harmful taxes while expanding the role of consumption taxes. Experience in other OECD countries shows such reforms can strengthen a country's investment and long-term economic growth.

The last comprehensive review on tax reform was in the 1960s through the Carter Commission. The lack of economic growth in Canada and the trade conflict with the US, combined with the majority-government structure in Parliament, provide both the opportunity and the means for the Canadian government to commit to a broad-based review of the tax system *now*. Informed by the successful (and unsuccessful) tax reforms already pursued in other countries, this review can be completed relatively quickly and efficiently.

Budget 2026 comes at a pivotal time. The government needs to act now to drive growth and support Canadians. With an eye to Canada's long-term, sustained prosperity, the government must also commit to a comprehensive review of the tax system.

This review is what Canada now needs most to unlock long-term economic growth, strengthen global competitiveness and attract needed investment.

About CPA Ontario

CPA Ontario is the regulatory and professional body responsible for oversight of Ontario's Chartered Professional Accountants (CPAs) and firms. With more than 106,000 members and 19,000 students, CPA Ontario represents nearly half of Canada's CPAs.

CPAs play a leadership role in the sectors that are critical to Canada's future, from natural resources to tech start-ups. Canada's capital markets and financial system depend on the strategic insight and technical expertise of CPAs. In this moment when building a stronger and more sovereign country hinges on building a more competitive economy, CPAs understand how public policy can shape investment decisions, drive innovation and support entrepreneurship.

Sincerely,

Carol Wilding

Carol Wilding, FCPA, FCA, ICD.D
President & Chief Executive Officer