

KPMG

GMS Flash Alert

2026-295 | 11 November 2026

Canada – Federal Budget for 2026 Presented

Prime Minister Mark Carney and Finance Minister François-Philippe Champagne presented Canada's 2026 federal budget on November 5, 2026.[1]

The budget includes several tax measures that could affect individuals, including globally mobile employees, and their employers. These include changes related to the T1 filing and payment due date, instalment thresholds, Form T1135 reporting thresholds, the moving expense deduction, the scholarship, fellowship, and bursary income exemption, notice of objection deadlines, administrative penalties, and the prohibition on the purchase of residential property by non-Canadians.

For a more detailed analysis, see the special edition of *TaxNewsFlash-Canada*[2] which summarizes the announced tax changes and was prepared by members of the KPMG National Tax Centre, as well as other publications and communications from KPMG in Canada.

WHY THIS MATTERS

Uniform T1 filing and payment due date: A single filing and payment due date for all individuals would remove the current mismatch under which some taxpayers have a later filing deadline but an earlier payment deadline. This could reduce confusion and the risk of late-payment interest and penalties.

Higher instalment thresholds: Fewer individuals will be required to pay tax by instalments, reducing their administrative burden and their exposure to penalties for insufficient instalments.

Higher T1135 reporting thresholds: Higher thresholds for both the filing requirement and the simplified reporting method will reduce the number of Form T1135 filings and allow more of the remaining filings to use the simplified method, reducing complexity and tax preparation costs.

Flat-rate moving deduction: An optional flat-rate deduction could simplify moving expense claims, which may increase the number of claims made and reduce costs for employees and employers.

Broader scholarship, fellowship, and bursary exemption: Students who receive tuition assistance from an employer will no longer be precluded from claiming the exemption for scholarship, fellowship, and bursary income.

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Extended notice of objection deadline: A longer objection period could reduce the need to file a notice of objection while working with the Canada Revenue Agency (CRA) to resolve assessment issues.

Increased administrative penalties: Fixed-dollar penalties will be adjusted for inflation and scaled to taxpayer size to act as an effective deterrent. Employers may therefore have a greater incentive to comply with their payroll obligations, particularly for their inbound business travelers.

Changes to the prohibition on the purchase of residential property by non-Canadians: The prohibition is extended by two years to January 1, 2029, but new residential properties will be exempt. Relocating employees will continue to face restrictions on purchasing a home, but the new exemption could make relocation to Canada more attractive for some.

Key Highlights

May 15 Filing and Payment Due Date

Effective for the 2027 and subsequent taxation years, the T1 filing and balance-due date will be May 15 for all individuals. Currently, most individuals must file and pay by April 30, while self-employed individuals and their spouses or common-law partners have a June 15th filing deadline but must still pay any balance by April 30.

A single deadline would eliminate this source of confusion. The later date would also give taxpayers more time to receive their tax information and prepare accurate and complete returns – the current March 31 deadline for issuing certain tax slips has historically left little time to incorporate this information before filing. Together, these changes may reduce interest and penalties on late-filed or inaccurate returns.

Instalment Thresholds

Effective January 1, 2028, the instalment threshold increases from $3,000 to $7,500 ($4,500 for Quebec residents), and the thresholds will be indexed to inflation. In addition, individuals with business income may instead make a single annual instalment payment equal to two-thirds of the tax owing by December 31. The higher threshold could relieve taxpayers with moderate investment income or capital gains from having to calculate instalment payments and from exposure to the related penalties.

T1135 Reporting

For taxation years ending after 2026, the threshold at which taxpayers (including individuals, corporations and trusts) must file Form T1135 to disclose specified foreign assets and accounts increases from $100,000 to $200,000, based on the total cost of assets and total value of accounts. The threshold for using the simplified reporting method also increases, from less than $250,000 to less than $500,000.

Taxpayers whose specified foreign assets and accounts have a total cost amount between $100,000 and $200,000 will no longer need to file. This could apply, for example, if a US account temporarily holds $150,000 from an employment or investment transaction before the funds are transferred to a Canadian account.

Taxpayers who were previously ineligible to use the simplified reporting method but fall below the new simplified-method thresholds will also see reduced complexity, particularly those holding foreign securities in non-Canadian brokerage accounts, which must otherwise be reported individually. Together, these changes could reduce the number of T1135 filings and allow more of the remaining filings to use the simplified method, lowering tax preparation costs for employers.

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Moving Deduction

Effective for the 2027 and subsequent taxation years, taxpayers claiming moving expenses for an eligible relocation may elect to deduct a flat $1,000 instead of tracking their actual expenses. This removes the need to retain receipts and itemize expenses, which could simplify the return preparation process.

Scholarship, Fellowship, and Bursary Income

Effective for the 2027 and subsequent taxation years, students enrolled in a qualifying or specified educational program could claim a full or partial exemption for scholarship, fellowship, or bursary income even if they received financial assistance from an arm's-length person. As a result, receiving employer or other arm's-length assistance would no longer prevent a student from claiming the exemption.

Notice of Objection Deadline

For most taxpayers, the deadline to file a notice of objection to an income tax assessment is extended from 90 days to one year after the day the notice of assessment is sent. For individuals and graduated rate estates, the deadline is the later of one year after the notice of assessment is sent and two years after the relevant filing due date.

The change will apply to assessments sent on or after the day that is three months after the enacting legislation receives Royal Assent. Given longer CRA service times for reviewing and resolving disputes increasing, the extended deadline could reduce the administrative burden on taxpayers who would otherwise need to file a notice of objection to protect their tax position.

Administrative Penalties

Administrative penalties are being amended, with most fixed-dollar penalties increased to account for inflation. These fixed-dollar penalties would subsequently be indexed to inflation every five years.

Penalties would also be scaled to taxpayer size so that they may remain effective deterrents. This applies to penalties for failing to provide required information on a form, failing to file certain tax forms and failing to comply with certain obligations. Medium-sized corporations and partnerships will be subject to penalties of three times the base amounts, and large corporations and partnerships would generally be subject to penalties of eight times the base amounts.

New penalties will also apply to repeated failures to file tax forms and to repeated failures to comply with obligations that do not carry a more specific penalty.

Prohibition on Purchases of Residential Property by Non-Canadians

The prohibition, which was scheduled to expire on January 1, 2027, has been extended to January 1, 2029.

The prohibition is also being amended to exempt new residential properties, a measure intended to encourage foreign investment in new housing.

KPMG INSIGHTS

The 2026 budget focuses on simplifying compliance rather than changing tax rates. Employers with globally mobile employees and their advisers might wish to consider the following actions:

- Update assignee communications, tax calendars, and service-provider timelines to reflect the May 15th filing and payment due date, beginning with the 2027 taxation year.

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- Revisit instalment and Form T1135 guidance for assignees, as fewer individuals may be required to make instalments or file Form T1135, and more taxpayers may qualify for the simplified reporting method.

- Confirm that payroll and information-reporting processes are robust in light of the higher, size-based administrative penalties.

- Factor the extended prohibition, and the new exemption for new residential properties, into relocation planning for non-Canadian employees moving to Canada.

If employers, assignees and/or their program managers have questions about these measures, their application and potential impacts, they should consult their qualified tax professional or a member of the GMS tax team with KPMG in Canada (see the Contacts section).

ENDNOTES:

1 Government of Canada, "Budget 2026," last updated on 5 November 2026.

2 *TaxNewsFlash-Canada*, "2026 Federal Budget Highlights," 5 November 2026, No. 2026-49.

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Contacts

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