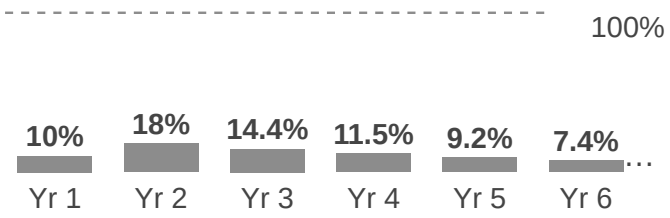
FEDERAL BUDGET 2026 · PROPOSED TAX CHANGE

# Deduct the full cost of most new business investments right away

The federal government **proposes** a permanent “Productivity Mega Deduction,” announced September 15, 2026, and confirmed in Budget 2026. It could still change.

## 1 What would change

**REGULAR CCA RULES (EXAMPLE)**




For most assets, you deduct only **a portion of the cost each year**, spread over many years. This is capital cost allowance, or CCA.

**PROPOSED**




Deduct **the full cost** in the year the asset becomes “available for use.” Finance estimates about two-thirds of business investment in capital assets would qualify, up from about 15% under Budget 2025 measures.

## 2 Examples the government says would qualify

- Manufacturing machinery
- Silos and combines
- Computers
- Software
- Vehicles (exceptions in section 3)
- Aircraft
- Patents
- Fibre-optic cable
- Roads and bridges

## 3 What would not qualify

- Most buildings, and additions to buildings
- Franchises, licences and goodwill
- Cars, and some vans and pickups, if used or assembled outside Canada
- A few other specialized assets

Most of these would still qualify for a larger first-year deduction under an existing temporary incentive. Qualifying manufacturing and processing buildings would get a separate, temporary full write-off proposed in Budget 2025.

## 4 Rules to know

### Bought on or after September 15, 2026

That is the proposed start date. The deduction is claimed in the year the asset becomes “available for use.”

### Used assets

A used asset qualifies only if neither you nor anyone you do not deal with at arm’s length (such as a related company) owned it before, and it did not come to you on a tax-deferred transfer (a “rollover”).

### Individuals and some partnerships

If you own the asset personally, or through a partnership that has individuals as partners, there would be limits on using the deduction to create or increase a loss.

General information only, not legal advice. These are proposals and draft legislation and may change before enactment.

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