

Welch LLP®



Insight into the

ONTARIO BUDGET

of March 26, 2026

Welch LLP
www.welchllp.com

Includes insight into measures that affect individuals, businesses, and more.

Welch LLP®
Audit • Tax • Accounting • Advisory

Insight into the Ontario Budget of March 26, 2026

On March 26, 2026, the Ontario government presented its 2026 Budget – *A Plan to Protect Ontario*. The budgetary deficit for 2025-2026 is projected at \$12.3 billion, increasing to \$13.8 billion in 2026-2027, before decreasing to \$6.1 billion in 2027-2028 and a projected surplus in 2028-2029.

Corporate and Business Tax Measures

Corporate Tax Rates

The Budget proposes to reduce the small business corporate tax rate applicable to Canadian-controlled private corporations from 3.2% to 2.2% effective July 1, 2026, resulting in the following corporate tax rates:

2026 Corporate Income Tax Rates				
	Active Business Income			
	General	Small Business (CCPC)	Business Limit	Investment Income (CCPC)
Ontario	11.5%	2.2%	\$500,000	11.5%
Combined Federal/Ontario	26.5%	11.2%	\$500,000	50.17%

Capital Cost Allowance (CCA)

The Budget announced that the Ontario government intends to mirror federal measures to accelerate CCA deductions in respect of certain types of assets, including:

- immediate write-off of the cost of manufacturing and processing (M&P) buildings acquired after November 3, 2025 and first used before 2030;
- immediate write-off of the cost of M&P machinery and equipment, certain clean technology assets and zero-emission vehicles;
- immediate write-off of the cost of productivity-enhancing assets acquired after April 15, 2024 and available for use before 2027;
- immediate write-off of the cost of capital expenditures for SR&ED activities;

- the accelerated write-off of purpose-built rental housing to 10% declining-balance (from 4% declining-balance) for buildings that begin construction between April 16, 2024 – December 31, 2029 and are available for use before 2036; and
- reinstatement of the Accelerated Investment Incentive, which provides an accelerated first-year CCA deduction for most types of assets.

Regional Opportunities Investment Tax Credit (ROITC)

The Budget proposes that the ROITC, which provides a tax credit for the construction, renovation or acquisition of commercial/industrial buildings in certain designated regions of Ontario, will be eliminated effective January 1, 2027. Expenditures incurred on or before December 31, 2026 would continue to be eligible for the ROITC.

Personal Tax Measures

Personal Tax Rates

No changes to personal tax rates were announced in the Budget for the 2026 calendar year. However, as a result of the proposed reduction in the CCPC small business corporate tax rate, the dividend tax credit for non-eligible dividends will be reduced on January 1, 2027, resulting in a slight increase in the effective tax rates for non-eligible dividends beginning in 2027.

Other Measures

Enhanced Harmonized HST Relief on New Homes

The Budget proposes to temporarily enhance the Ontario HST New Housing Rebate and the New Residential Rental Property Rebate to fully remove the 8% provincial portion of the HST for qualifying new homes valued at up to \$1 million. While these rebates currently provide for a maximum rebate of up to \$24,000, while the enhanced rebates will provide for a maximum rebate of up to \$80,000 for new homes valued up to \$1.5 million, with this maximum reduced linearly for homes valued between \$1.5 million and \$1.85 million. A rebate of \$24,000 would continue to be available for new homes valued at or over \$1.85 million.

It is proposed that the enhanced rebates would be available from April 1, 2026 – March 31, 2027 for agreements of purchase and sale entered into during that period, construction must begin by December 31, 2028 and the home must be substantially completed before December 31, 2031.

First-Time Home Buyers HST Rebate

The Budget announced that Ontario will work with the federal government to align timing of the Ontario the First-Time Home Buyers HST Rebate with the federal rebate, which would make both effective for purchase and sale agreements entered into on or after March 20, 2025 and before 2031.

Reach out to your Welch LLP advisor to discuss how these changes impact you and your business.