PRE-BUDGET SUBMISSION

A Plan for Investment-Led Growth

Submission to the Department of Finance Canada
Business Council of Canada

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THEBUSINESSCOUNCIL.CA

Recommendations Summary

PRIORITY 1	PRIORITY 2	PRIORITY 3	PRIORITY 4
Modernize Canada's Corporate Tax System	**Remove Immediate Tax Barriers to Capital Formation**	**Financial Program for Interprovincial Trade Barriers**	**Build a Demand-Driven Workforce System**
Corporate Tax Review Launch an independent review of the corporate tax system in Budget 2026 that pursues greater simplicity, predictability and neutrality. **Tax Review Mandate** Benchmark Canadian tax competitiveness against the United States.	**Capital Cost Recovery** Extend eligibility of the Productivity Super-Deduction's 100 per cent immediate expensing treatment to capital-intensive infrastructure and resource classes currently excluded, including oil and gas. **Financial-Sector Taxes** Reassess the sector-specific taxes imposed on financial institutions since 2022. **EIFEL** Repeal EIFEL, or substantially revise it so legitimate borrowing for productive investment is not penalized.	**One-Economy Fund** Establish a performance-based fund that rewards provinces and territories for reforms that reduce barriers to internal trade and labour mobility.	**National Workforce Strategy** Launch a strategy built around projected employer demand, linked directly to Canada's investment agenda. **Workforce Bottleneck Funding** Create fast-moving funding to respond to labour bottlenecks tied to major investments. One option is expanding SWIF. **Employer Training Co-Investment** Support public-private co-investment tied to genuine additional training. **Worker Training Costs** Use grants or low-cost financing for upfront costs; consider income support and targeted tax relief in persistent-shortage occupations.

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INTRODUCTION

Four Principles

The Business Council of Canada (BCC) welcomes the opportunity to contribute to the Department of Finance's consultations in advance of Budget 2026.

Our submission is based on the simple idea that Canada should pursue an investment-led growth strategy that expands the country's economic capacity without compromising fiscal credibility.

Canada needs to mobilize unprecedented levels of capital in the coming years to strengthen its sovereignty and economic resilience. These objectives are at the heart of the federal government's economic agenda and are broadly supported by Canada's business leaders.

But attracting capital is only part of the challenge. Canada must also have the capacity to turn that investment into new projects and productive assets, while preserving confidence in the sustainability of public finances.

We support growth-enhancing public investment.

Strategic investments in trade infrastructure, defence, energy systems, critical minerals and digital technologies can strengthen Canada's economic capacity and resilience. But the federal government also needs to be prudent about how it spends. The government's priority should be to use its balance sheet in ways that expand the nation's productive capacity, particularly through commercially viable projects.

We believe preserving fiscal credibility is critical.

Investment and fiscal discipline are complements. Credibility is important because without it, efforts to bolster growth become impossible. If markets punish Canada for its debt, interest rates could surge and that will undermine the whole project. That means an agenda centered around productive investment will require greater discipline elsewhere. It also means preserving trust in global debt markets with a credible medium-term fiscal framework, as the BCC argued in its fiscal policy report last year.

Fostering private investment will be key.

Government can't do it alone. Public policy must focus on creating the conditions that allow private capital to be put to work. In principle and where possible, broad improvements to the investment environment should be favoured over direct government spending or firm-specific subsidies.

Canada must also build the capacity to execute.

Mobilizing capital is only part of the challenge. Canada needs the workers, supply chains and institutions required to turn investment into completed projects and productive assets. For example, as major investments advance simultaneously across the economy, competition for critical skills will intensify. Budget 2026 should pair measures to stimulate investment with reforms that expand the country's capacity to deliver it.

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PRIORITY 1

Modernize Canada's Corporate Tax System

Canada's corporate tax framework is complex and fragmented. The government has already recognized the need for reform. In its 2025 election platform, it committed to conducting an expert review of the corporate tax system focused on fairness, transparency, simplicity, sustainability and competitiveness. Budget 2026 should follow through on that commitment by launching an independent review.

From the BCC's perspective, the review should aim to produce a corporate tax system that is:

- simpler and more predictable;
- more competitive, particularly relative to the United States;
- as neutral as possible across sectors and forms of investment; and
- supportive of capital formation, productivity, labour supply and household savings.

PRIORITY 2

Remove Immediate Tax Barriers to Capital Formation

While the broader tax review proceeds, the government should move immediately to address tax provisions that discourage investment or constrain capital, given the urgency of the current moment. We propose three immediate steps:

1. Extend 100% accelerated capital cost recovery broadly across capital-intensive sectors, including oil and gas.
2. Reassess the sector-specific taxes imposed on financial institutions since 2022.
3. Repeal the Excessive Interest and Financing Expenses Limitation (EIFEL) rules or, at minimum, substantially revise them to ensure they do not penalize legitimate borrowing for capital-intensive investment in Canada.

On accelerated capital cost recovery

Canada's accelerated depreciation measures remain temporary and uneven across sectors and asset classes. This reduces their effectiveness.

We recommend the government extend the Productivity Super-Deduction's 100 per cent immediate expensing treatment to the capital-intensive infrastructure and resource classes currently excluded, including oil and gas production, mining, pipelines, large power generation, LNG export facilities, and fibre-optic cable. This will better align the competitiveness of Canada's capital cost recovery regime with the United States' 100 per cent bonus depreciation. Where full expensing cannot be extended, the government should at minimum enhance first-year deduction allowances already available across sectors.

On financial-sector taxes

The government should reassess the additional taxes imposed on financial institutions since 2022. Whatever their original rationale, these measures now form part of a permanent sector-specific tax burden.

That matters because Canada's financial institutions are not simply another source of tax revenue. They are a critical source of capital for households and businesses. Taxes that reduce retained earnings can also reduce the capital available to support lending and investment. The Canadian Bankers Association has argued that singling out one industry for additional taxation undermines competitiveness and economic growth. We agree. At a time when Canada is seeking to mobilize more private investment, Budget 2026 should examine whether these taxes remain consistent with that objective.

On the EIFEL rules

The EIFEL regime was introduced to address concerns about excessive interest deductions and international profit shifting. In practice, however, its broad application can also increase the cost of financing legitimate domestic investment by limiting the deductibility of interest on ordinary business borrowing.

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This is particularly consequential for capital-intensive industries, where major projects depend heavily on long-term debt financing. Limiting interest deductibility in this way risks discouraging precisely the kinds of investments Canada is seeking to attract.

The government should repeal the EIFEL rules. If it chooses to retain them, it should substantially revise the regime to ensure that bona fide borrowing used to finance productive investment is not disadvantaged.

PRIORITY 3

Financial Program for Interprovincial Trade Barriers

The federal government has taken important steps to reduce its own barriers to internal trade. But many of the most consequential remaining barriers fall within provincial and territorial jurisdiction and will require governments to change longstanding policies.

Budget 2026 should create a new Internal Trade Reform Fund (One-Economy Fund) that provides financial incentives to provinces and territories that implement reforms to improve internal trade and labour mobility.

> **Removing internal trade barriers produces benefits that extend well beyond the jurisdiction undertaking the reform, what economists call a positive externality. We all benefit from a more integrated national market. But the costs of reform fall primarily on individual provinces and territories.**

This mismatch between who bears the cost and who captures the benefit is a classic case for federal fiscal policy to help better align incentives.

There is already precedent for such an approach in Canada. In the 2024 Fall Economic Statement, the federal government announced it would consider attaching conditions to major federal transfers requiring provinces and territories to eliminate specific barriers to interprovincial trade and labour mobility. Budget 2026 should build on those commitments but favour a positive incentive rather than reductions in existing transfers.

Under the proposed fund, the federal government and participating provinces and territories would agree on specific reforms and measurable milestones. These could include mutual recognition of occupational credentials or regulatory requirements or other changes that allow goods and services to move more easily across provincial borders. Payments would be made as agreed reforms are implemented.

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PRIORITY 4

Build a Demand-Driven Workforce System

The Canadian government's ability to deliver its economic agenda will depend in large part on whether the country has enough people with the right skills, in the right places, at the right time.

Major investments across the economy will generate significant demand for skilled trades, engineers, technicians, project managers and a wide range of other specialized workers. Many projects and sectors will draw on the same labour pools and training systems at the same time.

Without a more coordinated approach, workforce capacity risks becoming one of the principal constraints on Canada's ability to execute its investment and nation-building agenda. When Canada commits capital to a major investment, it should also ensure the workforce capacity exists to deliver it.

Budget 2026 should therefore build on the recently announced Team Canada Strong initiative by launching a National Workforce Strategy designed around current and projected employer demand. The strategy should provide a common framework for aligning federal workforce policy with Canada's investment agenda.

It should establish an ongoing process for identifying where workers will be needed and directing federal workforce interventions toward gaps.

The strategy should be developed with provinces and territories, with input from employers and training providers. It should be updated regularly as investment plans and labour-market conditions change, and include measurable milestones that make its progress assessable.

At its core, the strategy should be built around several operating principles.

- It should anticipate workforce needs tied to major investments, identify emerging shortages and align funding with forecasted employer demand.
- Training support should be flexible across providers, including colleges, polytechnics, union training centres and employer-based training programs.
- It should also be flexible across qualification pathways, from apprenticeships and diplomas to microcredentials. Support should be available to both unionized and non-unionized employers.
- Where persistent shortages cannot be met domestically in time, targeted economic immigration should provide an additional source of labour.

Immediate Budget 2026 Measures

A strategy alone will not expand workforce capacity, however. Budget 2026 should put fiscal tools behind it. We propose three measures.

1. Expand funding to respond to identified workforce bottlenecks

Budget 2026 should create new dedicated fiscal tools for responding to workforce bottlenecks identified through the National Workforce Strategy.

The funding should help expand the capacity of training institutions where shortages of facilities or equipment limit the number of workers who can be trained. It should also support employer-connected programs to more adequately respond to labour-market demand.

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The key should be to make funding solutions-focused and employer-facilitated. There should be a mechanism in place that allows employers to quantify the gap and aggregate information on what workers are needed, in what numbers, over what timelines. Training providers and provinces should then determine whether existing domestic capacity can meet that demand and, if not, what additional capacity is required.

The recently established Workforce Alliances can be calibrated to play an important delivery role. Rather than operating primarily as advisory bodies, they can also be used to bring together employers facing the shortage with training institutions and relevant governments to develop practical workforce delivery plans.

As far as fiscal tools go, one option is for Budget 2026 to expand the Sectoral Workforce Innovation Fund (SWIF). The federal government has already designed SWIF to address workforce needs identified by industry. It can support talent pipelines for major projects, encourage employer co-investment and can finance targeted workforce solutions through partnerships with employers and training providers. That makes it a natural vehicle for linking workforce policy more directly to Canada's investment agenda.

A key criterion of any new funding for this purpose should be speed.

2. Encourage greater employer investment in training

The Business Council supports the underlying goal of greater public-private co-investment in worker training, particularly in occupations experiencing clear shortages.

We believe any new funding mechanism should be available across industries and tied to genuine additional training rather than subsidizing expenditures employers would have undertaken regardless. One advantage of targeted measures is that they keep costs low.

An employer training tax incentive could also be considered, especially where a targeted funding mechanism proves difficult to design or administer.

3. Reduce financial barriers for workers entering shortage occupations

Budget 2026 should also address financial barriers facing people prepared to train for or enter occupations where Canada faces persistent shortages.

The appropriate instrument should depend on the nature of the constraint.

Where upfront training costs are the principal barrier, support could take the form of grants or low-cost financing. Often, high-demand occupational training can involve substantial upfront costs while falling outside conventional student-aid programs.

Income assistance may also be more appropriate where workers must temporarily leave paid employment to complete mandatory training.

Where a shortage is persistent and expected to endure, targeted tax relief could also be considered as an attraction and retention tool.

Nova Scotia's More Opportunity for Skilled Trades and Occupations program provides one Canadian model. It returns the provincial income tax paid on the first $50,000 of eligible earnings for workers under 30 in designated occupations, with the objective of attracting and retaining younger workers.

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