

Ontario Budget 2026 –Business Owner Brief

Official Ontario Government sources:

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[Annex: Details of Tax Measures and Other Legislative Initiatives](#)

[Highlights of the 2026 Budget](#)

[Minister's Foreword \(context on tariffs and uncertainty\)](#)

[Economic and Fiscal Outlook in Brief](#)

Context

The 2026 Ontario Budget is framed in the context of tariffs, trade disruption, and broader geopolitical uncertainty affecting Ontario's economy. The Annex provides detailed descriptions of key tax measures and other legislative initiatives proposed in the Budget. This brief summarizes each Annex heading in plain language, with business-owner-relevant implications and illustrative examples.

Quick snapshot (key measures & dates)

- Small business CIT rate: 3.2% → 2.2% effective July 1, 2026 (prorated for straddle years).
- Non-eligible dividend tax credit rate: 2.9863% → 1.9863% effective January 1, 2027.
- Enhanced Ontario HST housing/rental rebates (provincial portion): proposed April 1, 2026, to March 31, 2027 (timing conditions apply).

Lowering Taxes for Small Businesses

Ontario's general corporate income tax (CIT) rate is 11.5%. Up to \$500,000 of active business income earned by small Canadian-controlled private corporations (CCPCs) and associated CCPC groups is eligible for the small business rate (currently 3.2%). The \$500,000 limit begins to phase out when taxable capital employed in Canada exceeds \$10 million and is fully phased out at \$50 million.

Proposed change: Ontario is proposing to cut the small business CIT rate from 3.2% to 2.2% effective July 1, 2026. The reduction would be prorated for taxation years straddling July 1, 2026.

Dividend tax credit integration: To align with the small business CIT cut, Ontario proposes reducing the small business (non-eligible) dividend tax credit rate from 2.9863% to 1.9863% effective January 1, 2027. This will reduce the dividend tax credit for non-eligible dividends.

Accelerated Capital Cost Allowance and Immediate Expensing

Ontario continues to align with federal measures that allow businesses to claim accelerated Capital Cost Allowance (CCA) and immediate expensing on certain depreciable assets. These rules permit faster tax write-offs compared to traditional depreciation, providing a meaningful cash flow benefit in the year assets are acquired.

Under the proposed framework, businesses may claim a full (100%) deduction for eligible capital expenditures, including manufacturing and processing machinery and equipment, related buildings, greenhouse structures, certain clean technology property, zero-emission vehicles, and assets that support productivity improvements or research and development activities.

In addition, enhanced CCA rates apply to specific asset classes. This includes accelerated write-offs for liquefied natural gas equipment and related infrastructure, as well as an increased CCA rate of 10% (up from 4%) for purpose-built rental housing. For most other depreciable property, the reaccelerated investment incentive allows first-year CCA claims of up to three times the normal rate.

These measures are intended to encourage capital investment by allowing businesses to deduct a larger portion of costs upfront. While the benefit is primarily one of timing, the ability to accelerate deductions can significantly reduce taxable income and improve near-term cash flow. Businesses should consider how these rules align with their broader tax position, particularly in light of the temporary reduction in the small business tax rate and expected changes to personal taxation in 2027.

Enhancing Harmonized Sales Tax Relief on New Homes

Ontario proposes temporarily enhancing the Ontario HST New Housing Rebate and New Residential Rental Property Rebate to fully remove the 8% provincial portion of HST paid for qualifying new homes valued at up to \$1 million.

Current rules: The existing provincial rebates provide a 75% rebate of the provincial portion of the HST, up to a maximum rebate of \$24,000, on qualifying new or substantially renovated homes.

Proposed enhancement window: April 1, 2026, to March 31, 2027 (subject to federal regulatory changes). Purchasers of a primary residence could be eligible if they enter into an agreement of purchase and sale with a builder during this window. Construction must begin on or before December 31, 2028, and the home must be substantially completed on or before December 31, 2031. Homes bought as a long-term rental property must have construction beginning before April 1, 2027, and be substantially completed on or before December 31, 2029.

Rebate amounts under the enhancement: Maximum \$80,000 for homes valued at or under \$1 million; maintained up to \$1.5 million; linear reduction for higher values; for homes valued at or above \$1.85 million, a rebate of \$24,000 would continue (as under current rules).

Use requirement: The home must be used as a primary place of residence (New Housing Rebate) or as a residential rental property (New Residential Rental Property Rebate).

Illustrative examples

- A purpose-built rental developer may see improved project feasibility and cash flow if eligible rebates reduce embedded provincial HST costs during the enhancement window.
- A qualifying buyer of a new home may receive a higher provincial rebate than under the prior \$24,000 maximum, subject to the home value thresholds and timing conditions.

Eliminating the HST New Housing Rebate and New Residential Rental Property Rebate

Ontario proposes that eligibility for the provincial HST New Housing Rebate and New Residential Rental Property Rebate end after the enhancement period. Further transitional details are expected to be provided in the 2026 Ontario Economic Outlook and Fiscal Review.

Ontario notes that eligibility for Ontario's proposed HST rebate for first-time home buyers and the Ontario HST Purpose-Built Rental Housing Rebate would not be affected and would continue to follow federal eligibility criteria for qualifying properties.

Expanding HST Relief for First-Time Home Buyers on New Homes

Following changes to federal draft legislation for the GST/HST First-Time Home Buyers' Rebate, Ontario indicates it will work with the federal government to align the Ontario rebate's effective period with the federal rebate. This would mean both the Ontario and federal rebate would be available where an agreement of purchase and sale with a builder is entered into on or after March 20, 2025, and before 2031. Ontario states other rebate parameters it previously announced would remain unchanged.

Ontario Trillium Benefit (OTB) Lump-Sum Payment Threshold

Ontario proposes increasing the OTB lump-sum payment threshold from \$360 to \$500 starting with the 2026–27 benefit year (July 1, 2026, to June 30, 2027). This change affects the timing of payments (more recipients receive the full benefit upfront) but does not change the total benefit amount.

Operational details: Starting July 2026, recipients with OTB of \$500 or less would receive a single lump-sum payment in the first month of the benefit year; those receiving more than \$500 would continue monthly payments (unless they elected a lump-sum at year-end).

For full details, please visit the Ontario government's website here:

<https://budget.ontario.ca/2026/contents.html>