

eNews – November 9, 2026
STEP Canada Tax Technical Committee

RE: Budget 2026: Part VI.1 Relief for CCPCs Follows STEP Canada Submission

We are pleased to share an important advocacy win for STEP Canada members and the broader tax community.

In August 2026, the STEP Canada Tax Technical Committee asked the Department of Finance to repeal or fundamentally reform the Part VI.1 taxable preferred share regime for private corporations. The regime was designed to stop corporations from using preferred shares as a substitute for debt financing. Our submission showed that it was also catching ordinary estate freezes, succession and post-mortem planning, charitable gifts and reorganizations, where preferred shares are used for planning purposes and no financing is involved.

Budget 2026 proposes to:

- exempt CCPCs from Part VI.1 tax on dividends they pay or are deemed to pay, starting with dividends paid on or after November 5, 2026; and
- for taxation years ending after 2026, increase the dividend allowance from $500,000 to $1.5 million and raise the threshold that reduces it from $1 million to $3 million.

For practitioners, this means one of the so-called "Tax Nasties" is gone, at least for CCPCs. Part VI.1 has been a trap in routine private company planning for years. If enacted, these changes would take it off the table in most of the situations our submission raised.

We may also see further changes. Budget 2026 launches a broader review of the preferred share regime, and Finance is inviting stakeholders to comment by January 8, 2027.

This outcome reflects the value of sustained, technically rigorous advocacy. We thank the members of the submission subcommittee, Florence Marino, Kenneth Keung, Joan E. Jung, Sathees Ratnam, Pam Prior, and Michael Goldberg, as well as the broader Tax Technical Committee and the STEP members whose practical experience helped shape the recommendation.

Read STEP Canada's August 13 submission:
Part VI.1 Tax - Recommendation to Repeal or Reform in the Private Corporation Context

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Tax Technical Committee
STEP Canada

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STEP Canada, founded in 1998, has over 4,000 members with branches in the following cities and regions: Atlantic, Montreal, Ottawa, Toronto, Winnipeg, Saskatchewan, Calgary, Edmonton, and Vancouver, with chapters in Okanagan Valley, Southwestern Ontario and Vancouver Island. STEP is a multidisciplinary organization with the most experienced and senior practitioners in the field, including lawyers, accountants, financial planners, insurance advisors, trust professionals and wealth managers. They provide domestic and international advice on trust and estates, including planning, administration, and related taxes.