November 24, 2026

Estimated distributional effects of personal income tax changes in Bill C-15



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In response to a request by the Standing Senate Committee on National Finance, this analysis summarises the estimated distributive impact of personal income tax changes proposed in Bill C-15, Budget 2025 Implementation Act, No. 1, tabled in Parliament on November 4, 2025.

Key Findings

> Of the 13 assessed personal income tax changes in Bill C-15, PBO estimates the total budgetary impact in 2026-27 is $602.9 million.

> Tax filers in each of the first three federal tax brackets receive a smaller share of the budgetary impact than their share of the number of personal income tax filers, while the top bracket receives a disproportionately large share, with 28 per cent of the total budgetary impact while accounting for only 2 per cent of tax filers.

> Tax filers in the fourth and fifth federal tax brackets receive a greater share of the budgetary impact than their share of filers and taxable income for measures related investments, notably three measures linked to capital gains and two measures linked to accelerated depreciation of assets.

> On a per capita basis, tax filers in the first to fifth federal tax brackets received an average of $17, $8, $12, $48 and $355, respectively, from the combined measures.

The Standing Senate Committee on National Finance requested an analysis of the collective impact of all measures proposed in Bill C-15, disaggregated by impact on low-, middle- and high-income earners.[1] [2]

Bill C-15, Budget 2025 Implementation Act, No. 1, is an omnibus bill that creates, repeals, or amends nearly 60 federal acts. Given the broad scope of the bill, PBO assessed that income tax policy changes are best suited for this analysis mainly because of their direct impact on individuals. As a result, Parts 2 to 5 of Bill C-15 are not included in this analysis.

The next sections describe the approach used to identify the measures included in this analysis and the estimation and distribution methods used. Finally, the estimated budgetary cost of each measure for fiscal year 2026-27 is presented as well as the estimated distribution of the budgetary costs to low- middle- and high-income earners using the 2026 federal personal income tax brackets.[3]

Identifying policy changes suited for analysis

PBO reviewed each income tax policy change in Part 1 of Bill C-15 to identify measures that would directly impact individuals, which were principally personal income tax measures. Some business income tax measures can have an impact on self-employed individuals and were considered in the analysis. However, measures only impacting corporate income tax were excluded from analysis.[4] The list of 13 federal income tax policy changes that were selected for this analysis is presented in Table 1.[5]

Estimation and distribution methods

To estimate the distributive impact of each federal income tax policy change on individuals, PBO required:

- An estimate of the budgetary impact for fiscal year 2026-27, and
- A method to distribute the estimated budgetary impact across individuals by income group.

Due to the nature of the measures under consideration, some of which rely on specialized data and analysis, PBO elected to assess distributional impacts by federal income tax brackets, rather than income quintiles, for comparability of the analysis presented in this report.

Estimated budgetary impact

Of the 13 measures listed in Table 1, PBO had previously independently estimated the aggregate budgetary impact of the following four tax policy changes in Bill C-15:

- Personal Support Workers Tax Credit
- Supporting Employee Ownership Trusts
- Accelerated Capital Cost Allowance for Eligible New Purpose-built Rental Housing
- Accelerated capital cost allowance and immediate expensing measures

For the other nine measures, budgetary impacts shown reflect Finance Canada estimates from Budget 2025, Fall Economic Statement 2024 and related information obtained from Finance Canada through Information Request RI0929.

Table 1 below presents the estimated 2026-27 budgetary impact for the 13 federal income tax policy changes presented in this analysis grouped by type of tax policy change (credit, deduction, exemption, timing preference).[6]

Types of tax policy

Credit: a tax credit is subtracted from tax payable for a given taxation year. Non-refundable credits can only reduce tax payable to zero, meaning that leftover credit amounts are lost. By contrast, a refundable tax credit can result in negative tax owing, in which case the remaining balance is paid to the individual as a tax refund.

Deduction: a deduction is subtracted from the calculation of taxable income for a given taxation year. Because of the progressive rate structure of the federal personal income tax system, a deduction will be worth more for a taxpayer in a higher tax bracket as opposed to a tax credit which applies the same credit rate to all taxpayers.

Exemption: if an amount is exempted from tax, it is not included in the calculation of taxable income.

Timing preference: a timing preference changes the taxation year for which income will be included in the calculation of taxable income or the taxation year that a deduction will be taken compared to a certain benchmark system. For example, the cost of equipment is usually deducted over its useful life (i.e. over multiple taxation years), but immediate expensing will allow the cost to be deducted entirely in the taxation year of acquisition.

Some federal income tax policy changes are tax expenditures under both personal income tax and corporate income tax. PBO estimated the share of each tax policy change attributable to personal income tax using cost information projected by the

Department of Finance Canada in its Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2026.[7]

Table 1

Estimated 2026-27 budgetary impact of federal personal income tax policy changes

Personal income tax measure by type	Budgetary impact ($ millions)	Share attributed to personal income tax (%)	Budgetary impact attributed to personal income tax ($ millions)
Credits			
Home Accessibility Tax Credit and Medical Expense Tax Credit	-5	100	-5.0
Personal Support Workers Tax Credit	310	100	310.0
Mineral Exploration Tax Credit	55	100	55.0
Critical Mineral Exploration Tax Credit	2	100	2.0
Top-Up Tax Credit[8]	15	100	15.0
Total credits	377		377.0
Exemptions			
Exempting the Canada Disability Benefit from Income	20	100	20.0
Lifetime Capital Gains Exemption (LCGE) increase	155	100	155.0
Capital Gains Exemption for Employee Ownership Trusts and Worker Cooperatives	25	100	25.0
Total exemptions	200		200.0
Deductions			
Disability Supports Deduction	3	100	3.0
Total deductions	3		3.0
Timing preferences			
Capital Gains Rollover on Small Business Investments	1	100	1.0

Agricultural Cooperatives: Deferral of Tax on Patronage Dividends Paid in Shares	**8**	**33.3**	**2.7**
Accelerated Capital Cost Allowance for Purpose-Built Rental Housing	**341**	**4.6**	**15.7**
Immediate Expensing for Productivity-Enhancing Assets	**191**	**1.8**	**3.5**
Total timing preferences	**541**		**22.9**
Overall total	**1,121**		**602.9**

Source:
Parliamentary Budget Office and Department of Finance Canada.

Note:
Estimates for 2026-27 are presented on an accrual basis as would appear in the budget and public accounts.

A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).

As shown in Table 1, the largest estimated budgetary impacts come from credits and exemptions:

- **Credits (refundable and non-refundable):** The majority of the $377 million of the budgetary impacts defined as tax credits is from the introduction of the Personal Support Workers Tax Credit.
- **Exemptions:** $200 million of the estimated budgetary impact are federal income tax exemptions, the majority though the Lifetime Capital Gains Exemption (LCGE) increase.[9]
- **Deductions:** $3 million in Disability supports deduction accounts for all the estimated budgetary impacts identified as federal income tax deductions.
- **Timing preference:** $22.9 million of the estimated budgetary impacts are considered as tax policy changes that permits the deferral of federal tax relative to the benchmark tax treatment, for instance by delaying the recognition of income or gains as income, or by accelerating the use of deductions. The majority is due to the change to the Accelerated Capital Cost Allowance for Purpose-Built Rental Housing.[10]

Distribution method

For its distributional analysis, PBO allocated the budgetary impacts between the five federal tax brackets using a combination of sources.[11]

For policy changes whose costs were not previously estimated by PBO, Finance Canada provided an allocation of the budgetary spending and personal income tax filer counts by income tax brackets in response to Information Request RI0929.

In most other cases, PBO used Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) to determine the distributional impact based on historical income dynamics and source of income.[12]

Distributional impact

To provide context as to the baseline distribution of personal income tax filers, Table 2 provides the number of tax filers, their total taxable income and average taxable income across income tax brackets reported in SPSD/M.[13]

Table 2

Baseline distribution of total number of tax filers, total taxable income and average taxable income in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Total number of personal income tax filers (millions)	**18.5**	**8.7**	**2.2**	**0.6**	**0.5**
Share of tax filers (%)	**61**	**29**	**7**	**2**	**2**
Total taxable income ($ millions)	**536,828.4**	**714,527.8**	**305,686.6**	**133,633.9**	**260,314.4**
Share of taxable income (%)	**28**	**37**	**16**	**7**	**13**

Average taxable income ($)	**29,031**	**81,785**	**142,121**	**211,764**	**547,433**

Source:
Parliamentary Budget Office.

The estimated distribution and the per capita distribution of each personal income tax policy change in 2026-27 are expressed in Tables 2.1 to 2.13 below.

These distributional impact amounts are obtained by multiplying the 2026-27 budgetary impacts attributed to personal income tax presented in Table 1 by the estimated allocation shares for each personal income tax bracket presented in Tables 2.1 to 2.13 as a share of the total impact.

Per capita distributional impacts are obtained by dividing the estimated distributional impact amounts by the total number of personal income tax filers in each bracket presented in Table 2. The per capita impact includes all personal income tax filers in each tax bracket, even those that the policy change would not affect. As a result, the impact per person is smaller than a distributional impact calculated only for personal income tax filers affected by the policy change.

Table 2.1
Distributional impact of the Home Accessibility Tax Credit and the Medical Expense Tax Credit in 2026-27

	First bracket (up to $58,523)	**Second bracket ($58,523.01 to $117,045)**	**Third bracket ($117,045.01 to $181,440)**	**Fourth bracket ($181,440.01 to $258,482)**	**Fifth bracket ($258,482.01 and up)**
Per capita ($)	-0.09	-0.25	-0.33	-0.32	-0.42
Total ($ millions)	-1.7	-2.2	-0.7	-0.2	-0.2
Share of total (%)	34	44	14	4	4

Table 2.2
Distributional impact of the Personal Support Workers Tax Credit in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	14.38	5.05	0.00	0.00	0.00
Total ($ millions)	265.9	44.1	0.0	0.0	0.0
Share of total (%)	86	14	0	0	0

Table 2.3
Distributional impact of the Mineral Exploration Tax Credit in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.10	0.23	0.93	3.64	98.63
Total ($ millions)	1.8	2.0	2.0	2.3	46.9
Share of total (%)	3	4	4	4	85

Table 2.4

Distributional impact of the Critical Mineral Exploration Tax Credit in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.01	0.01	0.05	0.16	3.36
Total ($ millions)	0.1	0.1	0.1	0.1	1.6
Share of total (%)	5	5	5	5	80

Table 2.5

Distributional impact of the Top-Up Tax Credit in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.00	0.64	1.58	3.01	8.62
Total ($ millions)	0.0	5.6	3.4	1.9	4.1
Share of total (%)	0	37	23	13	27

Table 2.6

Distributional impact of the Exempting the Canada Disability Benefit from Income in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	1.08	0.00	0.00	0.00	0.00
Total ($ millions)	20.0	0.0	0.0	0.0	0.0
Share of total (%)	100	0	0	0	0

Table 2.7

Distributional impact of the Lifetime Capital Gains Exemption (LCGE) increase in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.89	2.25	7.67	28.21	177.91
Total ($ millions)	16.4	19.7	16.5	17.8	84.6
Share of total (%)	11	13	11	11	55

Table 2.8

Distributional impact of the Capital Gains Exemption for Employee Ownership Trusts and Worker Cooperatives in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.00	0.03	0.93	5.94	39.96
Total ($ millions)	0.0	0.3	2.0	3.8	19.0
Share of total (%)	0	1	8	15	76

Table 2.9

Distributional impact of the Disability Supports Deduction in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.10	0.08	0.10	0.14	0.33
Total ($ millions)	1.8	0.7	0.2	0.1	0.2
Share of total (%)	61	24	7	3	5

Table 2.10
Distributional impact of the Capital Gains Rollover on Small Business Investments in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.00	0.01	0.05	0.15	1.34
Total ($ millions)	0.0	0.1	0.1	0.1	0.6
Share of total (%)	5	11	11	10	64

Table 2.11
Distributional impact of the Agricultural Cooperatives: Deferral of Tax on Patronage Dividends Paid in Shares in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.01	0.05	0.26	0.47	2.49
Total ($ millions)	0.2	0.5	0.6	0.3	1.2
Share of total (%)	6	18	21	11	44

Table 2.12
Distributional impact of the Accelerated Capital Cost Allowance for Purpose-Built Rental Housing in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.03	0.12	0.83	4.89	19.32
Total ($ millions)	0.6	1.1	1.8	3.1	9.2
Share of total (%)	4	7	11	20	58

Table 2.13
Distributional impact of Immediate Expensing for Productivity-Enhancing Assets in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	0.01	0.04	0.23	1.32	3.54
Total ($ millions)	0.1	0.3	0.5	0.8	1.7
Share of total (%)	4	9	14	24	49

Source:
Parliamentary Budget Office and Department of Finance Canada.

Note:
Estimates for 2026-27 are presented on an accrual basis as would appear in the budget and public accounts.

A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).

Distributional shares may not add to 100 due to rounding.

Overall, $305.3 million or 51 per cent of the total budgetary impact in 2026-27 distributed to the first federal income tax bracket, and $168.8, or 28 per cent, distributed to the top federal income tax bracket, as shown in Table 3.

Table 3

Total distributional impact and per capita distribution of federal personal income tax policy changes in 2026-27

	First bracket (up to $58,523)	Second bracket ($58,523.01 to $117,045)	Third bracket ($117,045.01 to $181,440)	Fourth bracket ($181,440.01 to $258,482)	Fifth bracket ($258,482.01 and up)
Per capita ($)	17	8	12	48	355
Total ($ millions)	305.3	72.3	26.5	30.0	168.8
Share of total (%)	51	12	4	5	28

Source:
Parliamentary Budget Office.

Relative to the share of tax filers and the share of taxable income, the estimated budgetary impact is uneven across the five federal income tax brackets. Tax filers in each of the first three brackets receive a smaller share of the budgetary impact than their share of the number of personal income tax filers, while the top bracket receives a disproportionately large share, with a 28 per cent share of the total budgetary impact while accounting for only 2 per cent of tax filers. Yet, relative to taxable income, the estimated budgetary impact is larger in the first bracket (51 per cent of the budgetary impact for 28 per cent of taxable income) and top tax bracket (28 per cent of the budgetary impact for 13 per cent of taxable income). In both tax brackets their share of the budgetary impact is roughly double their share of total taxable income.

With respect to individual measures in C-15, tax filers in the first tax bracket receive a greater share of the budgetary impact than their share of filers and taxable income for the following measures:

- the Personal Support Workers Tax Credit (Table 2.2) and
- Exempting the Canada Disability Benefit from Income (Table 2.6).

Meanwhile, tax filers in the fourth and fifth brackets receive a greater share of the budgetary impact than their share of filers and taxable income for measures related to capital gains and accelerated depreciation of assets, notably:

- the Lifetime Capital Gains Exemption increase (Table 2.7),
- the Capital Gains Exemption for Employee Ownership Trusts and Worker Cooperatives (Table 2.8),

- the Capital Gains Rollover on Small Business Investments (Table 2.10),
- the Accelerated Capital Cost Allowance for Purpose-Built Rental Housing, and
- Immediate Expensing for Productivity-Enhancing Assets.

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Notes

[1] Bill C-15 received royal assent on March 26, 2026. An Act to implement certain provisions of the budget tabled in Parliament on November 4, 2025, 45th Parliament, 1st Session.

[2] For a brief description of the measures in Bill C-15 consult Legislative Summary of Bill C-15: An Act to implement certain provisions of the budget tabled in Parliament on November 4, 2025, Library of Parliament.

[3] As there is no common definition of a low-, middle- or high-income individual, the federal income tax brackets were used in this analysis.

[4] Corporate income tax changes might ultimately have an impact on the dividends received by individual shareholders but given the indirect impact and difficulty identifying who are the shareholders, they were not considered in the analysis.

[5] The following federal income tax policy changes in Bill C-15 fit the criteria of this analysis, but they are estimated to have relatively small (less than $500,000 annually) or no total budgetary impact in 2026-27 and are not included.

- Charitable Donation Deadline Extension,
- Synthetic Equity Arrangements (no tax-indifferent investor),
- The Alternative Minimum Tax (Indigenous exemption),

- Mutual Fund Corporations,
- Enhanced Trust Reporting
- Non-Resident Service Providers.

[6] The type of tax policy of each measure is based on the Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2026: part 3 - Canada.ca, Department of Finance Canada.

[7] For measures that have an impact on both personal income tax and corporate income tax, the Tax Expenditures report usually provides a breakdown between the two. The share of personal income tax from that breakdown was used to determine the percentage attributed to personal income tax in Table 1.

[8] The Top-up Tax Credit is a temporary non-refundable tax credit to offset an unintended effect to tax filers resulting from the reduction of the lowest personal income tax rate from 15 per cent to 14 per cent announced in May 2025 and included in Bill C-4. For a brief description of this measure consult section 2.1.29 of Legislative Summary of Bill C-15: An Act to implement certain provisions of the budget tabled in Parliament on November 4, 2025, Library of Parliament.

[9] The Report on Federal Tax Expenditures categorizes the LCGE as an exemption, but in practice it is not a true exemption that would be excluded from the calculation of taxable income. The taxable portion of a capital gain eligible for the LCGE is included in the calculation of net income (on which some income-tested benefits depend) but is then subtracted in the calculation of taxable income through the capital gains deduction on line 25400 of the T1 Tax return. Individuals using the LCGE will often be subject to Alternative Minimum Tax (AMT) on the year the gain is realized but will usually be able to recover the additional AMT paid within the next seven years because of the AMT carry-over. The same calculation applies to the Capital Gain Exemption for Employee Ownership Trusts, except the amount is explicitly excluded from the AMT calculation.

[10] For more information see Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2026: part 3 - Canada.ca, Department of Finance Canada.

[11] For the income thresholds of each bracket in 2026 consult: Current year tax rates and income brackets (2026) - Personal income tax - Canada.ca, Canada Revenue Agency.

[12] This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) using SPSD/M v.34.0.1. The assumptions and calculations underlying

the SPSD/M simulation results were prepared by the PBO and the responsibility for the use and interpretation of these data is entirely that of the PBO.

[13] Note that a personal income tax filer is defined as an individual who is estimated to pay $0 or more in federal or provincial income taxes prior to these policy changes, or who had negative income components, received provincial tax credits, child tax credits or the sales tax credit prior to these policy changes and filed an income tax return.

RP-2627-008-C - en
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