



2026 New Year's Tax Changes

Canadian Taxpayers Federation

DECEMBER 2025

Canadian
Taxpayers
Federation

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has hundreds of thousands of supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Update emails. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24 fiscal year, the CTF raised \$6.3 million on the strength of 74,858 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.



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Introduction

The New Year's Tax Changes report outlines the major tax changes in 2026 in each province, such as changes to income taxes, sales taxes and carbon taxes. After adding up income taxes, sales taxes, property taxes and all other taxes, the average Canadian family pays 42 per cent of its budget in taxes, according to the [Fraser Institute](#).

This report highlights the tax changes in 2026 and provides cost estimates for increases to income taxes, payroll taxes, such as the mandatory Canada Pension Plan and Employment Insurance payments, carbon taxes, alcohol taxes, among others.

Federal Government

The New Year will be bringing a mixed bag for Canadian taxpayers. The federal government is reducing some taxes and increasing others.

While the government cut the lowest income tax bracket, it is also increasing payroll taxes in 2026. While the government ended the consumer carbon tax, the government reaffirmed its commitment to increasing the industrial carbon tax through Budget 2025. Federal alcohol taxes will also increase again in 2026.

Payroll Taxes

In total, federal payroll taxes (CPP and EI tax) will cost a worker making \$85,000 or more \$5,770 in 2026. Their employer will also be forced to pay \$6,219.

Any worker making \$85,000 or more will pay \$262 more in payroll taxes in 2026 than they did in 2025.

There is also a [second CPP tax](#) which began in 2024 and is increasing again in 2026. The "CPP2" will be applied on income between \$74,600 and \$85,000, and the maximum tax amount will be \$416 in 2026.

Year	Tax rate	Maximum pensionable earnings	Employee tax	Employer tax
2025	4%	\$81,200	\$396	\$396
2026	4%	\$85,000	\$416	\$416
Increase			\$20	\$20

This means that the overall CPP tax paid for workers earning \$85,000 or more will be about \$4,646, for a total increase of \$216 (CPP + CPP2) in 2026.

Canada Pension Plan

The maximum pensionable earnings covered by the [CPP tax](#) is increasing in 2026. Employers and employees will each be required to pay \$4,230 in 2026. This represents a \$196 tax increase in 2026 for both employees and employers (for workers earning \$74,600 or more).

Year	Tax rate	Maximum pensionable earnings	Basic exemption	Employee tax	Employer tax
2025	5.95%	\$71,300	\$3,500	\$4,034	\$4,034
2026	5.95%	\$74,600	\$3,500	\$4,230	\$4,230
Increase				\$196	\$196

Employment Insurance

The [EI tax](#) rate is being slightly reduced, but the maximum insurable earnings will increase. That will require employees to pay \$1,123 and employers to pay \$1,572 into EI in 2026. This represents a \$46 EI tax increase for employees and a \$64 EI tax increase for employers (for workers earning \$68,900 or more).

Year	Tax rate	Maximum insurable earnings	Employee tax	Employer tax
2025	1.64%	\$65,700	\$1,077	\$1,508
2026	1.63%	\$68,900	\$1,123	\$1,572
Increase			\$46	\$64

Income Tax

The government cut the lowest income tax rate from 15 to 14 per cent. The tax cut will save the average taxpayer [\\$190](#) in 2026, according to the Parliamentary Budget Officer.

Carbon Taxes

The government cancelled its consumer carbon tax effective April 1, 2025. The carbon tax was \$80 per tonne or 17.6 cents per litre of gasoline. Canadians are saving \$11.30 on every 64-litre fill up due to the end of the consumer carbon tax.

However, the government still charges carbon taxes through its industrial carbon tax and a hidden carbon tax embedded in fuel regulations.

[Budget 2025](#) commits to “strengthening” the industrial carbon tax and “setting a multi-decade industrial carbon price trajectory that targets net zero by 2050.”

The industrial carbon tax will [increase](#) to \$110 per tonne in 2026.

Budget 2025 did not release any further details on how much the industrial carbon tax will cost Canadians.

The federal government also charges a hidden carbon tax through fuel regulations that came into effect in 2023. This hidden carbon tax will add up to [17 cents](#) per litre to the price of gasoline when the regulations are fully implemented in 2030, according to the PBO. This hidden carbon tax will cost the average family up to \$1,157 in 2030, according to the PBO. There are no rebates with this hidden carbon tax.

Alcohol Taxes

First passed in the 2017 federal budget, the alcohol escalator tax automatically increases excise taxes on beer, wine and spirits every year with inflation and without a vote in Parliament.

Federal alcohol taxes are expected to increase by two per cent on April 1, 2026. The alcohol tax hike will cost taxpayers an estimated \$41 million in 2026.

Since being imposed, the alcohol escalator tax has cost taxpayers about \$1.6 billion, according to industry estimates.

Taxes already account for about half of the price of alcohol.

Home Taxes

The government [eliminated](#) the GST for first-time home buyers on new homes up to \$1 million. This will save first-time homebuyers up to \$50,000 on a new home valued up to \$1 million. The government also reduced the GST for first-time home buyers on new homes between \$1 million and \$1.5 million.

This will save taxpayers [\\$735 million](#) in 2026.

Luxury Tax

Budget 2025 ended the federal luxury tax on airplanes and boats. This will save taxpayers [\\$26 million](#) in 2026.

Underused Housing Tax

Budget 2025 ended the federal underused housing tax. This will save taxpayers [\\$30 million](#) in 2026.

British Columbia

Carbon Taxes

The B.C. government reduced the consumer carbon tax rate to zero, effective April 1, 2025. That saved B.C. households an average of \$410, according to B.C. government [estimates](#).

Drivers in B.C. still pay a hidden carbon tax that is buried in fuel regulations. It continues to cost B.C. drivers 18 cents per litre of gasoline.

Speculation and Vacancy Tax

The speculation and vacancy tax will [increase](#) from 0.5 to 1 per cent for Canadian citizens and permanent residents on Jan. 1, 2026. It will increase from two to three per cent for foreign owners.

The speculation and vacancy tax will cost B.C. taxpayers \$47 million in 2026-27.

PST Exemption on used Zero Emissions Vehicles

The PST exemption on used ZEVs was cancelled in May 2025, instead of expiring in 2027 as previously scheduled.

This early expiration is [estimated](#) to cost taxpayers \$54 million in 2026-27.

Alberta

Income Tax

The Alberta government kept its promise to [reduce](#) the provincial income tax from 10 per cent down to eight per cent for the first \$60,000 of earnings.

This cut is saving working families about \$1,500 per year.

Saskatchewan

Industrial Carbon Tax

The Saskatchewan government [set](#) its provincial industrial carbon tax to zero on April 1, 2025.

This removed the carbon tax from SaskPower bills, saving Saskatchewan families hundreds of dollars per year.

This change also makes Saskatchewan the only carbon tax-free province in Canada.

Income Tax

The Saskatchewan government is [continuing](#) with its planned income tax cuts announced in 2024. The government is increasing the personal income tax exemption, the spousal exemption, the child exemption and the seniors supplement by \$500 per year for the next four years. This will save a [family](#) of four \$2,100 over four years.

Education Property Tax

The Saskatchewan government [reduced](#) all Education Property Tax mill rates in Budget 2025. This cut will save property taxpayers about \$100 million per year.

Manitoba

Bracket Creep

The Manitoba government [hiked](#) taxes through bracket creep in Budget 2025. Bracket creep happens when the government stops indexing income tax rates to inflation. This means that through receiving a cost-of-living pay raise, inflation can automatically bump taxpayers into a higher tax bracket and increase their tax bill even though they can't afford to buy more.

Bracket creep will cost Manitoba taxpayers \$82 million this year. The cost to taxpayers of bracket creep will increase every year with inflation.

Education Property Tax

The Manitoba government is [increasing](#) the Homeowners Affordability Tax Credit from \$1,500 to \$1,600 in 2026.

This follows the change to replace the 50 per cent school property tax rebate and \$350 education property tax credit to a flat \$1,500 tax [credit](#) for principal residences in 2025.

This means that some Manitobans could see their property tax bill increase depending on what their house is worth.

Health and Education Tax

The government is [increasing](#) the payroll exemption threshold for the health and education tax from \$2.25 to \$2.5 million of annual payroll on Jan. 1, 2026. This means that businesses with payroll of less than \$2.5 million will pay no health and education Tax in 2026.

The threshold for the second bracket of the tax is also increasing from \$4.5 million to \$5 million. This means that businesses with an annual payroll of less than \$5 million will pay less health and education tax in 2026.

This tax cut will save businesses about \$8.5 million annually and exempt 150 additional Manitoba businesses from paying the tax entirely.

Ontario

Bracket Creep

The Ontario government indexes most of its tax brackets to inflation, but not the top two income tax brackets. This means that every year, as incomes go up with inflation, certain Ontarians pay more in income taxes as they are pushed into higher tax brackets. The [Low Income Individuals and Families tax credit](#) is also not indexed to inflation, so low-income Ontarians will also pay more in income taxes in 2026.

Income	Tax Increase
\$30,000	\$25
\$40,000	\$70
\$50,000	\$19
\$60,000	\$0
\$80,000	\$0
\$100,000	\$0
\$150,000	\$30
\$200,000	\$42

The table shows how much bracket creep will cost Ontarians at different income levels in 2026.

Ontario Health Premium

The Ontario Health Premium is automatically deducted from the wages of any Ontarian earning more than \$20,000 per year and its bracket thresholds are not indexed. The OHP kicks in for anyone earning more than \$20,000 annually and gradually increases to a maximum of \$900 per taxpayer. The base threshold of \$20,000 has remained the same since the [tax was introduced in 2004](#). The \$900 maximum applies to anyone earning \$200,600 or more, which has also not changed since the tax was first introduced. This means that every Ontarian earning more than \$20,000 is subject to bracket creep.

A taxpayer earning \$60,000 will pay \$600 because of the OHP in 2026.

Home Taxes

Ontario is [following](#) the federal government and removing the eight per cent provincial portion of the HST for first-time homebuyers purchasing a home valued up to \$1 million. The Ontario government is also reducing the provincial portion of the HST for first-time home buyers on new homes between \$1 million and \$1.5 million.

This will save a first-time homebuyer up to \$80,000 on a new home valued up to \$1 million.

Ontario taxpayers will save about \$190 million in 2026.

Quebec

Quebec Carbon Tax

Quebec is the only provincial government that imposes a consumer carbon tax on its citizens.

Quebec's [provincial carbon tax](#) currently adds 9.6 cents per litre to the price of gasoline and 13.1 cents per litre to the price of diesel. For a family with a minivan, that represents an added cost of about \$7 every time they fill up.

Quebec's carbon tax is projected to [cost](#) 23 cents per litre of gasoline by 2030.

Year	Tax rate	Maximum pensionable earnings	Basic exemption	Employee tax	Employer tax
2025	6.4%	\$71,300	\$3,500	\$4,339	\$4,339
2026	6.3%	\$74,600	\$3,500	\$4,479	\$4,479
Increase				\$140	\$140

There is also a second [QPP Tax rate](#) applied on income between \$74,600 and \$85,000. The maximum tax amount will be \$416 in 2026.

Year	Tax rate	Maximum pensionable earnings	Basic exemption	Employee tax	Employer tax
2025	4%	\$81,200	\$3,500	\$396	\$396
2026	4%	\$85,000	\$3,500	\$416	\$416
Increase				\$20	\$20

Quebec Employment Insurance

The [Quebec EI](#) tax rate will decrease again in 2026, while the maximum insurable earnings continue to rise. This results in a net tax hike to taxpayers. Employees will pay \$896 and employers will pay \$1,254 into Quebec EI in 2026. This represents a tax increase of \$36 for employees and \$50 for employers compared to 2025.

Year	Tax rate	Maximum insurable earnings	Employee tax	Employer tax
2025	1.31%	\$65,700	\$860	\$1,204
2026	1.30%	\$68,900	\$896	\$1,254
Increase			\$36	\$50

Quebec Pension Plan

The maximum pensionable earnings covered by the [QPP tax](#) is increasing in 2026. Employers and employees will each be required to pay \$4,479 in 2026. This represents a \$140 tax increase in 2026 for both employees and employers (for workers earning \$74,600 or more).

Drivers License Tax and Insurance Costs

Drivers have been [exempt](#) from paying the insurance contribution and the provincial tax applied to that fee on Quebec driver's licenses since 2022. This measure was extended for a fourth consecutive year in 2025.

The government is shrinking the exemption in 2026. Instead, the government has announced a 75 per cent rebate on the insurance contribution.

Now a class five driver's licence without demerit points will cost \$50 in 2026. That's a \$23.50 increase compared to 2025.

New Brunswick

Sales Tax on Power Bills

The New Brunswick government [removed](#) the provincial 10 per cent sales tax from residential electricity bills as of Jan. 1, 2025. The rebate applies automatically to power consumption charges by the four provincial electricity providers. The average household will save about \$216 annually.

Nova Scotia

Sales Tax

The Nova Scotia government [reduced](#) the provincial sales tax by one percentage point as of April 1, 2025. This gives Nova Scotia the lowest provincial sales tax in Atlantic Canada. The reduction is expected to save the average household about \$350 per year, for a total savings of \$294 million provincewide.

Income Taxes

In 2025, the Nova Scotia government ended bracket creep by increasing tax brackets and the basic personal amount with inflation. The basic personal amount is the portion of income that an individual can earn before paying any provincial income tax. Combined with the sales tax reduction, these measures are expected to save the average Nova Scotia family more than \$1,000 this year.

Business Taxes

Nova Scotia reduced the small business tax rate from 2.5 to 1.5 per cent and increased the small business income tax threshold from \$500,000 to \$700,000. The income threshold is the amount a business can earn before moving from the small business tax rate to the higher general business rate. These changes are projected to save about 19,000 businesses \$43.9 million annually.

Prince Edward Island

Income Taxes

The Prince Edward Island government [adjusted](#) all personal income tax brackets by 1.8 per cent and increased the basic personal amount from \$14,250 to \$15,000. The basic personal amount is the portion of income an individual can earn before paying any provincial income tax. These changes will save Islanders about \$5.1 million.

Business Taxes

The provincial budget [reduced](#) the general corporate tax rate by one percentage point and increases the small business tax threshold from \$500,000 to \$600,000. The tax threshold is the amount a business can earn before moving from the small business tax rate to the general business rate. Together, these business tax changes are expected to save employers about \$9.3 million annually.

Newfoundland and Labrador

Gas Taxes

The provincial government [extended](#) its gasoline and diesel tax cut until March 31, 2026. The cut continues to save taxpayers eight cents per litre of gasoline and seven cents per litre of diesel.

With this latest extension, total savings for Newfoundland and Labrador taxpayers are now estimated at about \$180 million since the tax cut began in June 2022.