



# Tax Alert

September 23, 2026

## Proposed Productivity Mega-Deduction

As announced by the Federal Government on September 15, 2026, the government released draft legislation to implement a new accelerated deduction initiative for capital property called the **“Productivity Mega-Deduction.”**

Once enacted, this deduction will provide immediate expensing for a broad-based range of depreciable property on a permanent basis. This immediate expensing allows taxpayers to fully write off the cost of a capital investment in the year that it becomes available for use. Assets not eligible for immediate expensing under the new Productivity Mega Deduction Initiative may qualify for immediate expensing under the previously announced “Productivity Super Deduction” initiative, which applies to specific government identified capital investments. If neither immediate expensing initiatives apply, the capital investment will likely qualify for the enhanced first-year deduction under the Reaccelerated Investment Incentive.

Here is a summary of the Productivity Mega-Deduction Initiative as it applies to depreciable property:

- Acquired on or after September 15, 2026;

- New property, or if used property, it meets the following two conditions:
  - neither the taxpayer nor a non-arm’s-length person previously owned the property; and
  - the property has not been transferred to the taxpayer on a tax-deferred “rollover” basis.
- Includes all capital property that is subject to the CCA rules, except:
  - buildings (and additions to buildings) included in CCA classes 1 and 3;
  - property included in CCA classes 14 and 14.1 (e.g., franchises, licenses and goodwill), and class 51 (e.g., regulated natural gas distribution pipelines);
  - certain vehicles in classes 10 and 10.1; and
  - property depreciated under Schedule V and VI of the Income Tax Regulations.

In the coming weeks, the AC Group Tax Leadership will provide an in-depth review of this new initiative.

Contact your AC Group advisor to learn more about how we can help you navigate the complexities of the Canadian tax system and the information contained in this publication.

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