



CESTNICK

TAX MATTERS

What some of the federal budget's fine print means for your finances

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My kids tell me I'm boring. Then I assure them I wasn't boring before they were born. It was the years of raising them that made me this way. If the truth be known, I secretly do think I'm boring. I mean, who gets excited about reading a document called "A second Act to implement certain provisions of the budget tabled in Parliament on November 4, 2025," which was introduced this week? Well, I do. Today, let me share with you the relevant, if not exhilarating, parts of this week's Notice of Ways and Means Motion (NWMM) so that you don't have to read it yourself.

Control over RESPs

In this NWMM, the government is revising the rules around registered education savings plans (RESPs) to allow certain caregivers to become the "subscriber" to the RESP. The subscriber is the one who controls the RESP and can even make withdrawals or transfers to their own RRSP in certain situations. The current rules are awkward in the case of marriage breakdown, or the death or incapacity of a subscriber. The new wording allows a person to become a "designated

subscriber," acquiring a subscriber's rights if this is done under a written agreement.

Dividend refund mechanism

If a Canadian private corporation earns passive investment income, it will pay tax at about 50 per cent, but some of that tax is refundable to the corporation once it pays a taxable dividend to its shareholders. This is called "refundable dividend tax on hand" (RDTOH). In the past, it was possible to time dividend payments so that the corporation would get a refund even before the individual shareholder had paid his or her taxes on the dividend. This was accomplished using a second corporation (or more than one) with a different year-end than the corporation paying the dividend. The second corporation would receive the dividend then pay it out to the individual shareholder. The NWMM changes the law so that the dividend refund is suspended until the taxable dividend is received by the shareholder. If you're a business owner with multiple corporations, speak to your tax adviser about this change.

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Flipped property rules

In 2023 the government introduced the “flipped property” rules that require you to pay tax on the sale of residential real estate as regular business income, not as a capital gain, if you own the property for less than 12 months. This also has the impact of denying the principal residence exemption for these sales. The NWMM tightens the rules to prevent folks from side-stepping the business income treatment through the use of trusts and deemed disposition rules.

Mortgage guarantee ceiling

This change will likely fly under the radar but it's worth noting. Section 15 of the National Housing Act is being revised to raise the ceiling on federally guaranteed mortgage securities under the National Housing Act to \$1-trillion. This is an increase in the backstop that the government is willing to provide to mortgage lenders. The practical impact is that this will keep more insured mortgage financing flowing through the system, supporting access to credit for homebuyers through the Canadian Mortgage and Housing Corporation (CMHC). It will especially help first-time homebuyers who may not have a 20 per cent down payment to make on a home.

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Multigenerational home renovations

The multigenerational home renovation tax credit (MHRTC) is a refundable tax

credit that can allow you to claim up to \$50,000 of expenses related to creating a self-contained secondary unit for eligible relatives to live in. Since the MHRTC was introduced in 2023, these relatives have included parents, grandparents, a child, grandchild, sibling, aunt, uncle, niece or nephew who is either at least 65 years old or is eligible for the disability tax credit. The NWMM expands the definition of qualifying relatives to include a spouse or common-law partner of any of these individuals. This change applies retroactively to 2023, so if you renovated in the past couple of years you may be able to file an amendment to claim the credit.

Employee group insurance

This legislation changes the treatment of employer contributions to group sickness or accident insurance plans. In the past, our tax law would count as a taxable benefit certain employer contributions to employee benefit plans where the benefits, if they were paid out, would be tax-free to the employee. The tax on these employer contributions could often be avoided if the plan were administered through certain structures. This week's NWMM changes the wording of the tax law so that any employer contributions to these plans become taxable to the employee if the future benefits will be tax-free. The bottom line? You might see a higher taxable income number on your T4 slip going forward.

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