

CIBC MELLON

2026 CIBC Mellon Leadership Series

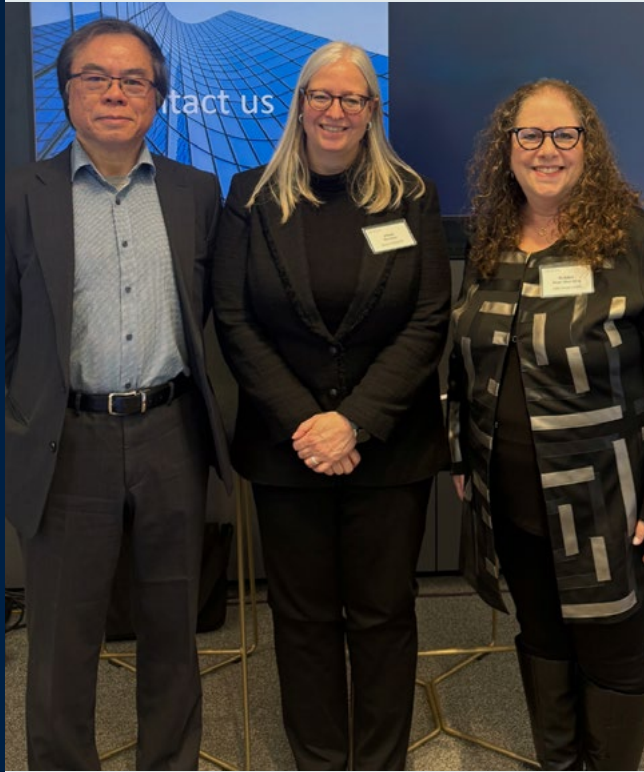
CANADIAN TAX OUTLOOK

MARCH 2026





CIBC Mellon hosted the Canadian Tax Outlook Breakfast in Toronto, featuring a technical discussion on U.S., Canadian and global tax developments affecting financial institutions, investment funds and market participants.



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OUR EXPERTS



SIMON LEE

Vice President, Tax

Simon Lee is Vice President, Tax at CIBC Mellon. Simon is responsible for CIBC Mellon's tax advisory, including planning and analysis, and sharing insights and considerations to the organization on tax legislation. He has over 20 years of experience in the taxation of financial services.



JILLIAN NICOLSON

Partner, Operational Tax, Canadian Practice Leader, Financial Services Organization, Ernst & Young LLP

Jill is a partner in Ernst & Young's Financial Services Organization tax practice in Toronto, leading EY's Canadian Operational Tax practice. With over 20 years of experience advising financial services clients, she specializes in information reporting and withholding, and heads EY Canada's QI, FATCA, and Common Reporting Standard practices. Jill chairs the FATCA/CRS working group at IFIC and is a member of several industry tax committees. She is a Chartered Professional Accountant with a Bachelor of Commerce from the University of British Columbia, and is a frequent speaker on US and Canadian tax reporting matters.



DEBBIE PEARL-WEINBERG

Executive Director, Tax and Estate Planning, CIBC Private Wealth

Debbie Pearl-Weinberg is a tax and estate planning lawyer. She is Executive Director, Tax & Estate Planning with CIBC Private Wealth. She was previously General Tax Counsel to CIBC. Debbie was an adjunct professor at the University of Toronto Law School. Debbie is a member and former chair of the Securities and Investment Management Association Taxation Working Group. She writes and consults on a variety of personal and small business tax issues. Debbie is a speaker both internally to CIBC advisors, and at industry conferences, symposiums, and client events.

CANADIAN TAX

CAPITAL GAINS INCENTIVES INCLUDING EMPLOYEE OWNERSHIP TRUSTS

Debbie Pearl-Weinberg reviewed current and proposed measures relevant to small business dispositions and related incentives. She distinguished between established measures, including the lifetime capital gains exemption, and proposals that remain in bill or draft form, including a proposed increase in the lifetime capital gains exemption for qualified small business corporation shares for 2026.

She also highlighted the employee ownership trust rules, including the availability of a \$10 million capital gains exemption on qualifying transfers to an employee ownership trust, one exemption per corporation, and the availability of a capital gains reserve over up to 10 years, noting that the 21-year deemed disposition rule does not apply to employee ownership trusts. She further noted that the measure is set to expire after this year, and referenced public discussion and lobbying activity relating to potential extension.

On the worker cooperative exemption, she noted it remains draft and referenced its \$10 million exemption concept and expiry timing.

CRS 2.0 TIMING AND THE CRA'S TWO-BATCH GUIDANCE APPROACH

Nicolson provided an update on CRS 2.0 and related guidance. She noted that, in Budget 2025, the government deferred the effective date of CRS 2.0 requirements to January 1, 2027, and that draft legislation was released on August 15, 2025 followed by draft guidance materials in October 2025.

She also described a CRA industry call held in early November, and explained that CRA signaled it would separate guidance changes into two batches, with the first batch of changes released on December 19, 2025, and further changes anticipated in spring 2026. Nicolson emphasized CRA's characterization of the December changes as interpretive, meaning the statutory requirements did not change but the CRA's interpretation and expectations were clarified or expanded (likely based on audit findings).

\$10 MILLION

CAPITAL GAINS EXEMPTION
ON QUALIFYING TRANSFERS TO
EMPLOYEE OWNERSHIP TRUST

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EXEMPTION PER CORPORATION

CRS 2.0 TIMELINE

AUGUST 15, 2025

DRAFT LEGISLATION

OCTOBER, 2025

DRAFT GUIDANCE
MATERIALS

DECEMBER 19, 2025

BATCH ONE CHANGES
RELEASED

SPRING 2026

BATCH TWO CHANGES
EXPECTED

JANUARY 1, 2027

DEFERRED EFFECTIVE DATE

KEY INTERPRETIVE UPDATES, RESIDENCY ANALYSIS FOR PARTNERSHIPS

One of the most operationally significant areas discussed was CRA's updated approach to determining when a partnership is resident in Canada for CRS purposes.

Nicolson explained that prior guidance focused on the place of effective management of the partnership for determining residency and that updated guidance introduces a three-prong test for determining residency. Under the updated approach, a partnership will be considered resident in Canada if all partners (including end members) are resident in Canada, or if the place of effective management and control of the partnership's business is in Canada, or if the partnership was formed under the laws of a province or territory.

DOCUMENTATION EXPECTATIONS, UPDATED CRA FORMS AND A NEW "EFFECTIVE DATE OF TAX RESIDENCY" FIELD

Nicolson also discussed updates to the CRA self-certification forms. In particular, she flagged the addition of a field capturing the year and month of the effective date of tax residency for each country of residency declared. She noted industry concerns about the absence of validation rules and uncertainty as to whether the field must be completed for a self-certification to be considered valid. She also stated that industry had not yet had the opportunity to confirm CRA's expectations.

MULTIPLE FINANCIAL INSTITUTION REPORTING, FUND-BY-FUND REPORTING CLARITY

Another notable change discussed was CRA's clearer direction on reporting responsibilities where multiple parties may be involved in documentation and reporting, particularly in the investment fund context.

Nicolson explained that the CRA updated the CRS guidance to clarify that when a fund manager performs CRS reporting on behalf of a fund, the reporting financial institution name on the return must be the fund itself, not the fund manager or administrator, and that reporting is expected to be performed on a fund-by-fund basis. She described the implications for client name accounts and dealers who might otherwise have filed consolidated returns, noting the operational complexity of needing separate returns across a potentially large numbers of funds.

CRA ENFORCEMENT TRENDS, MISSING TIN LETTERS AND PENALTIES

The discussion also covered CRA enforcement activity across FATCA and CRS. Nicolson described the ongoing annual missing TIN notifications and noted that the CRA has also issued additional letters requesting that TINs for specific subsets of accounts with missing TINs be provided within 30 days. She observed challenges where letters were sent during postal disruptions, and noted that some institutions subsequently received significant non-compliance notices, triggering the start of an 18-month remediation window.

She also noted that CRA is now assessing penalties for failure to obtain self-certifications when required and for failures relating to missing TINs, specifically where an institution cannot evidence reasonable efforts and outreach.

ENHANCED TRUST REPORTING INCLUDING BARE TRUST DEVELOPMENTS

Pearl-Weinberg reviewed enhanced trust reporting requirements, including the expanded information required on Schedule 15 for reportable entities such as trustees, settlors, controlling persons and beneficiaries, including beneficiaries that are ascertainable with reasonable efforts and, where not ascertainable, sufficient detail to determine class membership.

She highlighted an exception for Alter Ego trusts and joint spousal or common law partner trusts, noting the practical benefit of not needing to report certain contingent beneficiaries for those trusts.

On bare trusts, she described the sequence of CRA announcements and exemptions, including CRA's December 2025 continuation of the exemption from trust return filing for 2025 in light of draft legislation that had not yet been enacted.

Lee added client-operational context from a trustee perspective, describing challenges where trusts may have very large beneficiary populations and trustees may not have beneficiary-level information readily available, requiring engagement with clients and their advisors. Lee also referenced draft legislative language observed in August 2025 that appears to provide potential trust reporting relief for certain Retirement Compensation Arrangements RCAs meeting specified conditions, and he encouraged attendees with RCAs to consult their tax advisors, noting the material remained draft.

GST/HST ON TRAILING COMMISSIONS

The panel also discussed developments relating to the GST/HST treatment of trailing commissions.

Jillian Nicolson noted that trailing commissions are now being treated as taxable supplies and outlined the potential implications for salespersons or agents receiving these payments. The discussion included the possibility that certain individuals receiving trailing commissions may need to register for GST/HST and the operational considerations this creates for firms.

Nicolson also referenced the need for organizations to review legal structures, contractual arrangements and invoicing practices in light of these developments. The panel noted the implementation challenges associated with the new requirements, particularly given the impending July 1, 2026 effective date of this change.

QUALIFIED INVESTMENTS AND REGISTERED INVESTMENTS

Debbie Pearl-Weinberg also discussed legislative developments relating to qualified investments under the Income Tax Act.

She explained that proposed amendments are intended to streamline the definition of qualified investments for registered plans by consolidating the definition within the legislation. The discussion referenced changes affecting mutual funds and unit trusts, including the introduction of two new categories of qualified investments.

Pearl-Weinberg noted that the proposed framework includes unit trusts that operate under National Instrument 81-102 as well as units that satisfy most of the definition of an investment fund and are managed by a registered investment fund manager.

The discussion also referenced draft legislation revisions introduced in January 2025 that included a point-in-time test intended to address practical considerations for the fund industry.

Pearl-Weinberg noted that the changes will coincide with the repeal of the Registered Investment regime.

The new categories of qualified investments are expected to take effect:

**NEW CATEGORIES
OF QUALIFIED
INVESTMENTS ARE
EXPECTED TO TAKE
EFFECT ON:**

November 4, 2025

**THE REPEAL OF
THE REGISTERED
INVESTMENT REGIME
IS SCHEDULED FOR:**

January 1, 2027



U.S. TAX

PUBLICLY TRADED PARTNERSHIPS AND U.S. TIN SOLICITATIONS

Jillian Nicolson began with a discussion of the implications of holding publicly traded partnership (PTP) interests and the operation of the Section 1446 regime. She noted that where a PTP earns U.S. effectively connected income, the holder may be treated as carrying on business in the United States, which is a key policy reason for the 1446 withholding and compliance framework.

A central operational issue discussed was the requirement for a U.S. taxpayer identification number to be included on applicable W-8 documentation for certain PTP holdings. Nicolson emphasized that qualified intermediaries must make reasonable efforts to solicit missing TINs and continue solicitations where a TIN is not provided, given the compliance implications for QIs.

Simon Lee added that CIBC Mellon has published prior Straight Talk coverage on related withholding and information reporting provisions, and he emphasized that QI solicitations must be completed by the end of January of the following calendar year in which an account holder acquired a PTP interest and in each of the next two calendar years if the account holder has not provided a TIN. He also noted the potential consequences where solicitation timelines are missed.



GLOBAL TAX OPERATIONS

DIGITAL CERTIFICATES OF RESIDENCY AND TAX RECLAIMS

In closing remarks, Lee discussed operational realities in global withholding tax and tax reclaim processes, and raised the topic of digital tax residency certificates. He observed that some European jurisdictions are beginning to accept digital certificates, while Canadian processes remain paper-based. He noted he had discussed the topic with an industry association contact and was asked to submit a written request for CRA consideration.





IF YOU HAVE FURTHER QUESTIONS

The information provided in this summary is for general informational purposes only and reflects the discussions held during the 2026 CIBC Mellon Leadership Series, Canadian Tax Outlook Breakfast. It does not constitute tax, legal or accounting advice. CIBC Mellon does not provide tax advice and encourages readers to consult their own qualified tax advisors regarding the application of any tax rules or legislative developments to their specific circumstances.

CIBC Mellon will continue to monitor legislative, regulatory and administrative developments and will provide updates through future client communications and publications as appropriate.

If you have questions regarding CIBC Mellon's role as an asset servicing provider, please do not hesitate to react out to your client manager.

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