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OCTOBER 2026 | VOLUME 37 | ISSUE 1

Ryan Tax Review

The October 2026 Ryan Tax Review examines a fast-moving tax and trade environment for Canadian businesses, with practical insight across customs duty, government funding, income tax, SR&ED, and indirect tax. This issue looks at how companies can move beyond headline tariff rates to assess true customs exposure, including classification, origin, valuation, CUSMA qualification, and available relief. It also reviews expanded tariff response funding through the Canada Strong Diversification Fund and the Regional Tariff Response Initiative, along with planning considerations tied to Canada's proposed Productivity Mega Deduction. Businesses will also find guidance on strengthening SR&ED claims in light of the Vortex Energy decision and an update on British Columbia's PST exemption for qualifying goods shipped out of province by a purchaser.

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Beyond the Tariff Rate:

How Canadian Businesses Can Manage New Cross-Border Costs



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For Canadian businesses trading across borders, September brought another significant shift in an already volatile tariff environment.

Effective September 8, 2026, Canada introduced new counter-tariffs of 15%, 25%, and 50% on targeted U.S.-origin goods, adding another layer of cost and complexity for Canadian importers, manufacturers, and businesses operating integrated North American supply chains. These measures also follow continued U.S. tariff actions on Canadian goods, reinforcing an increasingly complex and evolving trade environment on both sides of the border.

Canadian exporters are also facing significant U.S. tariff pressures. In some cases, companies acting as both exporters of record from Canada and importers of record into the United States may directly absorb those added import costs. Even where the U.S. customer is the importer of record, higher tariffs can still make Canadian products less competitive by increasing landed costs and putting pressure on pricing, customer demand, and margins throughout the supply chain.

Now that Canada's latest measures are in effect, businesses should take a closer look at how tariffs apply to their operations and what options may be available to manage the impact.

Start with Classification and Country of Origin

A tariff rate of up to 50% naturally attracts attention, but the headline rate does not necessarily tell a business what it will ultimately pay.

Tariff classification determines whether a product falls within the scope of a particular measure. Our experts recommend validating classifications carefully because an incorrect classification may unnecessarily place a product within the scope of a surtax.

Businesses should also confirm the true country of origin. A product entering Canada from a U.S. supplier does not automatically qualify as U.S.-origin. Goods may be shipped through the U.S. while originating somewhere else entirely. Only qualifying U.S.-origin goods within the relevant classifications are subject to Canada's new surtaxes. For companies importing large volumes or maintaining extensive product portfolios, reviewing both classification and origin can provide a much clearer picture of actual tariff exposure.

Look at the Total Duty Cost

Businesses should also avoid focusing on one tariff in isolation. Multiple layers of duty may apply at the same time, including ordinary customs duties, anti-dumping or countervailing duties, sector-specific tariffs, and newer retaliatory tariffs.

Our experts recommend taking a broader view and assessing the company's overall effective duty rate, including opportunities related to tariff classification, country of origin, customs valuation, duty drawback and recovery, applicable exclusions or relief measures, supply-chain structures, and trade agreement qualification. The objective is to understand the full customs duty cost and identify where legitimate opportunities may exist to reduce it.

Review Valuation and Supply-Chain Structures

Customs valuation can also materially affect duty costs. For businesses with related-party transactions, intermediaries, or multi-tier sales structures, it may be worthwhile to review how goods are sold, which parties are involved, and whether certain costs can appropriately be excluded from the declared customs value.

> It's going to eat into any profit, and often the profit doesn't even add up to 50%. Ultimately, it's going to end with the consumer.
>
> — Maureen Gilfoy, Director of Customs Duty, Ryan



For some businesses, however, supply and procurement strategies alone may not be enough. Integrated North American supply chains can amplify the impact of new tariffs, especially when goods cross the border several times during production. Ryan's experts have highlighted the automotive and pharmaceutical sectors as examples where repeated cross-border movement can create significant exposure.

Consider an aluminum producer in Canada supplying material to a U.S. can manufacturer, which then sells finished cans back to Canadian food manufacturers. As those cans cross the border multiple times before reaching consumers, tariffs can compound throughout the supply chain, increasing costs well beyond the initial import transaction.

Businesses may therefore need to reassess sourcing, production locations, suppliers, and how goods move through the supply chain.



Do Not Overlook the Canada-United States-Mexico Agreement

Despite the current trade tensions, the Canada-United States-Mexico Agreement (CUSMA) remains relevant. CUSMA can continue to reduce ordinary customs duties and, in some cases, provide exemptions from certain U.S. punitive tariffs for qualifying goods. Qualification can require a detailed review of a product's bill of materials and applicable rules of origin. For manufacturers, in particular, confirming that goods are properly qualified under CUSMA may help reduce overall duty exposure.

With future negotiations also creating uncertainty around the agreement, businesses should continue monitoring both current requirements and possible changes.

Prepare for Continued Change

Our customs duty experts have consistently identified the pace of tariff changes as a major concern for businesses. Sudden increases can disrupt purchase orders, pricing assumptions, customer agreements, and capital planning. This makes tariff management an ongoing process rather than a one-time compliance review.

Businesses with significant cross-border activity should regularly review classifications, origin determinations, customs values, sourcing structures, trade data, and changes to applicable tariff measures. That visibility can help organizations understand where exposure is concentrated and respond more quickly when policies change.

Consider Investment and Government Support as Part of the Response

For some companies, the longer-term response may require operational investment. That could include automation, changes to Canadian manufacturing capacity, new equipment, supply-chain changes, or diversification into new markets.

Government funding and tax incentives may help support eligible projects, but they should follow the business strategy rather than drive it. The starting point remains understanding where tariff pressure is occurring or future exposure may exist, identifying possible customs mitigation opportunities, and determining whether broader operational changes make sense. Funding and tax incentives can then be assessed as tools to support those plans.

From Tariff Reaction to Tariff Management

Canada's September counter-tariffs reinforce a broader lesson for cross-border businesses: tariff management cannot stop at checking the latest rate.

Classification, country of origin, customs valuation, trade agreement qualification, sourcing, relief measures, and tariff stacking can all influence the actual cost. With tariffs reaching as high as 50% in parts of the Canada-U.S. trade relationship, the financial impact can be substantial. Our experts have noted that costs at that level can exceed the margins many businesses have available to absorb them.

Ryan's Customs Duty and Government Funding teams can help Canadian businesses assess tariff exposure, identify potential duty-reduction and recovery opportunities, evaluate supply-chain and investment considerations, and determine whether available government support may align with planned projects.

As the Canada-U.S. trade environment continues to evolve, businesses that understand their full customs duty position and regularly reassess their options will be better positioned to manage both current pressures and future changes.

New Tariff Relief Funding:

Updates on the Canada Strong Diversification Fund and RTRI for Canadian Businesses



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Tariffs may be imposed at the border, but their financial impact can quickly find its way onto a business balance sheet.

For Canadian companies managing higher costs, disrupted supply chains, shifting export demand, or pressure on capital plans, the federal government's tariff response has expanded significantly. New measures announced in August 2026 include an additional $2 billion through the Canada Strong Diversification Fund (CSDF) and a further $1.5 billion investment in the Regional Tariff Response Initiative (RTRI).

Both programs are designed to help businesses respond to trade disruption, but they address different types of needs. The CSDF, administered through the Strategic Response Fund (SRF), is particularly relevant to larger tariff-affected businesses pursuing substantial investments or maintaining critical capital assets. The RTRI is delivered regionally and focuses heavily on SMEs, with support for immediate liquidity pressures and longer-term business pivots.

Canada's Tariff Funding Response Is Shifting from Adaptation to Resilience

Canada's tariff response funding has evolved considerably since the RTRI was first launched in 2025. On August 25, 2026, the federal government announced additional support, including $1.5 billion for the RTRI and $2 billion through the CSDF.

The government's latest RTRI information states that Canada's regional development agencies are delivering a combined $3.45 billion over four years. The initiative is intended to help tariff-impacted SMEs manage financial pressure, improve productivity, diversify markets, and strengthen supply chains.

The CSDF addresses another part of the challenge. Delivered through the SRF, it is designed to support businesses facing significant tariff impacts while helping preserve Canadian jobs, operations, capital investment, and industrial capacity.

Funding Snapshot: Canada Strong Diversification Fund (CSDF)

The CSDF supports Canadian businesses significantly affected by U.S. tariffs through two streams. Stream 1 supports projects that help businesses pivot operations, diversify markets, increase domestic production, and improve competitiveness. It primarily targets projects with more than $20 million in eligible costs and federal funding requests greater than $10 million.

Stream 2 provides $5 million to $30 million in nonrepayable funding to help tariff-impacted businesses maintain existing capital assets and operations. Businesses must generally have $20 million or more in annual revenue and have averaged $5 million or more in annual capital expenditure over the previous three years.

Funding Snapshot: Regional Tariff Response Initiative (RTRI)

The RTRI helps tariff-affected Canadian businesses manage immediate financial pressures while investing in longer-term competitiveness. The expanded initiative provides up to $2 million in liquidity assistance and up to $1 million for eligible nonrepayable pivot projects.

Eligible applicants are primarily established Canadian SMEs that can demonstrate tariff-related impacts. Eligible projects may include automation, technology adoption, capital investment, productivity improvements, and expansion into new markets. Applications are currently being accepted through Canada's regional development agencies, with criteria and processes varying by region.

> Our new government is focused on what we can control—building a stronger, more resilient economy here at home. That means investing in Canadian workers and businesses, strengthening our supply chains, and expanding our trade relationships to create good jobs and long-term growth.
>
> — John Zerucelli, Secretary of State (Labour)

Which Tariff Funding Program Fits Your Business?

The size of the funding package should not be the starting point for deciding where to apply. The project should come first.

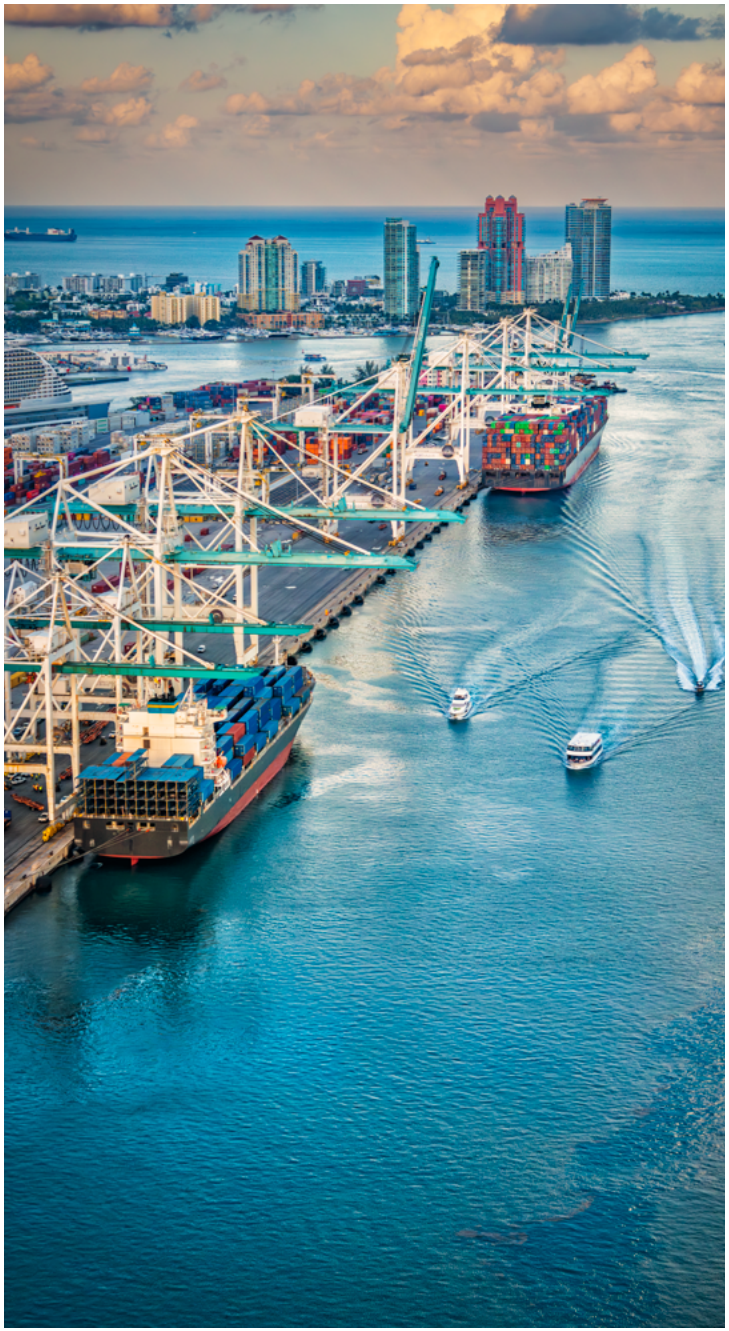
A larger manufacturer with substantial historic capital expenditures may find the CSDF Capital Maintenance stream particularly relevant. A company considering a major retooling or market-diversification investment may instead align with the CSDF's broader diversification objectives. For smaller businesses, the RTRI may provide a more appropriate route, particularly where tariff pressures create liquidity challenges or where the company plans investments in automation, productivity, new markets, or supply-chain resilience.

Turning Tariff Pressure into a Funding Strategy

Tariff uncertainty is forcing Canadian businesses to make difficult investment decisions, sometimes much earlier than planned. The latest expansion of the CSDF and RTRI gives qualifying companies additional tools to protect existing operations while preparing for a less predictable trading environment.

Timing will matter. CSDF Capital Maintenance applications are being assessed through a continuous intake while funding remains available, and RTRI applications are being managed regionally as enhanced funding rolls out across Canada.

Ryan's Government Funding team can help assess your tariff exposure, identify the programs that best align with your investment plans, and build a funding strategy around upcoming projects. Connect with our team to discuss your eligibility for the CSDF, RTRI, and other government funding opportunities and get started on your next application.



Canada's Proposed Productivity Mega Deduction

What Businesses Should Be Thinking About



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The Government of Canada's proposed Productivity Mega Deduction (PMD) represents one of the most significant changes to Canada's capital cost recovery rules in recent years. The Department of Finance estimates that the measure would expand immediate expensing from approximately 15% of business investment in capital assets under the Productivity Super Deduction to roughly two-thirds, significantly broadening the range of investments eligible for immediate expensing.

The draft legislation contains several practical considerations that could matter more to businesses than the expansion itself: which assets qualify, how the new rules interact with the existing capital cost allowance (CCA) system, the impact on mergers and acquisitions (M&A) valuations, and whether the proposed permanent regime should change how capital investments are evaluated.

Permanent Expansion of Eligible Property Is the Real Story

The PMD has largely been described as an expansion of the Productivity Super Deduction introduced in the 2025 federal budget. While technically accurate, that description understates the change.

The Productivity Super Deduction provided immediate expensing for specified categories of property. The proposed PMD would make immediate expensing available on a much broader scale and on a permanent basis for qualifying depreciable property.

That is a meaningful change in the way businesses can approach capital planning. If enacted substantially as proposed, immediate expensing will become less of a temporary incentive to be captured before an expiry date and more of a standing assumption in longer-term investment models.



Exclusions Deserve Equal Attention

The government's announcement focuses on the expansion of eligibility. However, the draft legislation shows that the boundaries of the new regime will be just as important.

The proposed definition of "immediate expensing property" excludes a number of CCA categories, including property in specified portions of Classes 1 and 3; Classes 14, 14.1, and 51; and certain vehicles, qualified liquefaction equipment, and specified resource-related property. Property that does not qualify for the PMD will generally remain subject to existing CCA rules, including the enhanced first-year deduction under the Accelerated Investment Incentive where applicable.

For businesses, whether a particular expenditure falls within the immediate expensing regime may become an important consideration in future investment decisions.

Asset Classification Becomes More Important, Particularly in M&A

One practical consequence of the proposal is that CCA classification may carry considerably more economic significance in business acquisitions. Under the existing system, classification generally determines the rate at which the tax cost of an asset is recovered. Under the PMD, classification may determine whether the cost of an asset is recovered immediately or over a number of years.

Consider an acquisition in which the purchase price is allocated among equipment, buildings, and goodwill. If qualifying equipment can be deducted immediately while goodwill and certain buildings remain outside the PMD, the allocation of consideration may have a significant effect on the purchaser's tax profile.

Important Rules in the Details

The regime is not limited exclusively to new property. Subject to the detailed eligibility and anti-churning rules, certain used property acquired on or after September 15, 2026, may qualify. At the same time, the rules are designed to prevent taxpayers from creating new immediate-expensing opportunities through certain related-party transfers and other transactions.

The proposed rules also make it clear that immediate expensing is not intended to create a second deduction under the CCA rules. Where a taxpayer claims the immediate expensing deduction for qualifying property, no other CCA deduction is available for that property for the year.

Planning Should Begin Before Enactment

The PMD remains proposed legislation, and the final rules may change. Companies with significant capital expenditures or acquisitions already in their planning pipeline should begin identifying which assets could qualify, which assets will likely remain subject to existing CCA rules, and whether transaction structures or purchase price allocations should be revisited.

Ryan Insight

The PMD will likely be remembered for expanding immediate expensing from a targeted measure to a much broader part of the capital cost recovery system. For businesses, the more important change may be what that expansion does to the underlying tax analysis. The distinction between qualifying and non-qualifying property becomes more significant. CCA classification matters more, purchase price allocations may have a greater impact on cash taxes, and the permanent nature of the regime allows tax depreciation assumptions to be built into longer-term capital planning.

Ryan can assist businesses in assessing how the proposed rules apply to capital expenditure programs, potential acquisitions and other transactions, from modelling the tax and cash flow impact of immediate expensing to reviewing CCA classifications and purchase price allocations.



Avoiding Common SR&ED Claim Mistakes

Lessons from the Vortex Energy Decision



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Energy Decision

Successfully claiming Canada's Scientific Research and Experimental Development (SR&ED) tax incentive requires more than developing an innovative product. A recent Tax Court of Canada (TCC) decision involving *Vortex Energy Services Ltd. v. The King*[1] reinforces that businesses must demonstrate technological uncertainty, follow a systematic process of experimentation, and maintain detailed documentation.



Background: The Vortex Energy SR&ED Claim

Vortex Energy Services Ltd. appealed the Canada Revenue Agency's (CRA) denial of its SR&ED tax credit claims for the 2014 and 2019 taxation years. The company's project focused on developing a mobile, high-efficiency direct-contact water heater for use in oil and gas extraction operations.

Although the system incorporated existing components, the company argued that combining them into a new mobile design required entirely new engineering guidelines. During testing, the first prototype experienced catastrophic structural failure, prompting redesigns and additional prototype development.

Despite these efforts, the TCC concluded that the project did not meet the definition of experimental development under subsection 248(1) of the Income Tax Act. Claimed expenditures of $1,454,874 for 2014 and $507,989 for 2019 were ruled ineligible for the SR&ED tax credit.

Why the Claim Was Denied

When assessing SR&ED eligibility, the court relied on the well-established "five questions" from *Northwest Hydraulic Consultants Ltd. v. The Queen*[2]. These questions remain an important legal framework despite the CRA's introduction of its "how and why" review approach in 2021.

No Technological Uncertainty Was Established

The court emphasized that technological uncertainty is assessed objectively based on what a competent professional in the field would know. Since Vortex did not present expert evidence to establish the alleged technological uncertainty and rebut the minister's assumptions that the challenges could be resolved using existing knowledge and routine engineering, the court concluded that no qualifying technological uncertainty had been demonstrated.

The Project Objective Was Not a Testable Hypothesis

The company argued that its hypothesis was that new engineering guidelines combined with software controls could produce a functional mobile heating system. However, the court determined this was a statement of the project's objective rather than a testable scientific or technological hypothesis.

Trial and Error Is Not Experimental Development

During testimony, the company acknowledged that much of its development process involved trying different solutions until something worked. The court concluded that this approach did not follow the scientific method because it lacked structured hypothesis testing designed to understand why particular outcomes occurred.

No Technological Advancement Was Demonstrated

Because the company did not provide expert evidence demonstrating that its work advanced technological knowledge beyond what was already known within the industry, the court found there was insufficient evidence of technological advancement. This illustrates that successfully building a working product does not automatically establish SR&ED eligibility.

Documentation Was Insufficient

The court also found that the project's documentation fell short of SR&ED expectations. Although the company maintained some notes, they lacked detailed observations, measurements, hypotheses, and experimental results.

What Canadian Businesses Should Learn

This decision reinforces several important principles for organizations preparing SR&ED claims. Clearly identify the scientific or technological uncertainty, develop testable hypotheses, structure development as systematic investigation, and maintain contemporaneous documentation, including hypotheses, methodologies, observations, measurements, results, and conclusions.

Why This Decision Matters

The *Vortex* decision confirms that Canadian courts continue to rely on established SR&ED jurisprudence when evaluating eligibility, even as the CRA has modernized its administrative review process. For businesses investing in research and development, the ruling highlights that successful SR&ED claims require evidence demonstrating that the work addresses a genuine technological uncertainty through a disciplined, scientific process supported by thorough documentation.

Ryan's SR&ED professionals help Canadian businesses identify eligible projects, strengthen documentation practices, and prepare defensible claims that align with current legislation, CRA guidance, and evolving case law. Contact our team to discuss your SR&ED project.

[1] *Vortex Energy Services Ltd. v. The King, 2025 TCC 63 (CanLII).*
[2] *Northwest Hydraulic Consultants Ltd. v. The Queen, 1998 CanLII 553 (TCC).*



PST Exemption for Goods Shipped Out of British Columbia by a Purchaser



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The 2026 British Columbia budget announced an amendment to the Provincial Sales Tax Act (PTSA) that allows a vendor to grant a point-of-sale exemption to a business purchasing goods that will be removed from British Columbia, either by itself or a third party, for commercial use outside the province. Note that the goods must not be used within British Columbia, other than in storage or shipping.

To obtain the PST exemption, a purchaser should complete and provide form FIN 464, Certificate of Exemption - Goods Shipped Out of B.C. by the Purchaser, to the vendor where the goods will be shipped outside the province. Vendors are reminded that form FIN 464 should be retained to support any exemptions provided under the new provision in the event of a PST audit.

Additionally, a supply of goods is exempt when a supplier is shipping the purchased goods to a location outside British Columbia, provided the goods are not used, other than in storage provided by the vendor, while in the province. The PST exemption, in this circumstance, should be supported by the retention of appropriate documentation verifying the exportation of the goods, which can include a bill of lading, a shipping invoice, or similar documents.

A vendor may also complete optional form FIN 462, Out-of-Province Delivery Exemption, to assist in identifying goods that will be delivered outside British Columbia; however, the form must be accompanied by supporting documentation to substantiate the exemption.

Ryan *Tax*Direct®

Navigating evolving indirect tax measures requires clarity and timely insight. Ryan *Tax*Direct® provides businesses with access to experienced tax professionals who can help interpret legislative changes, assess compliance impacts, and identify strategic opportunities arising from new measures.

If you have any questions about how the British Columbia PST exemption for goods shipped out of the province by the purchaser may affect your organization, connect with our team through Ryan *Tax*Direct® to discuss next steps.



Ryan Training

Client Training

October	On-Demand	Retail Sales Tax in Canada – Fundamentals
	On-Demand	Retail Sales Tax in Canada – Exemptions and Real Property
November	11/19/2026	Cross-border Transactions – Part 1
	11/26/2026	Cross-border Transactions – Part 2
December	12/10/2026	The Sales Tax Implications of Taxable Benefits – Part 1
	12/17/2026	The Sales Tax Implications of Taxable Benefits – Part 2
January	01/21/2027	The Sales Tax Implications of Taxable Benefits – Part 1
	01/28/2027	The Sales Tax Implications of Taxable Benefits – Part 2
February	02/18/2027	Value-Added Taxation in Canada - Fundamentals
	02/25/2027	Value-Added Taxation in Canada - Beyond the Basics
March	03/18/2027	GST/HST and QST - Place of Supply Rules for Property
	03/25/2027	GST/HST and QST - Place of Supply Rules for Services

Course start times vary. All course dates and times subject to change. Additional sessions may be added to accommodate client demand. For the most up-to-date course descriptions and dates, please visit the Ryan website.



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