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Budget 2025: Canada Strong – A Co-operative Lens on Canada's Federal Priorities

On November 4, 2025, the Government of Canada released its [2025 federal budget: *Canada Strong*]. Framed against a backdrop of rising global uncertainty, persistent affordability pressures, slowing productivity, and tightening fiscal constraints, Budget 2025 seeks to chart a path toward stability, resilience and inclusive growth. The plan emphasizes investment-driven growth as the foundation for long-term competitiveness and fiscal sustainability.

For Canada's co-operative and mutual sector, this context reinforces the enduring relevance of co-operative solutions to the country's most pressing economic and social challenges. In an era demanding both fiscal prudence and social impact, the co-operative model offers a proven pathway to inclusive growth, shared prosperity, and community resilience—ensuring that economic progress remains locally rooted and people-centred.

Budget 2025 reveals a clear policy pattern that will shape how the federal government partners with businesses and communities in the years ahead. The plan underscores a preference for targeted incentives, co-investment models, and partnership frameworks—tools designed to advance productivity, resilience, and affordability.

The key policy levers used in Budget 2025 include:

- **Targeted tax measures and incentives** to spur business investment and innovation.
- **Co-investment and financing instruments** pairing public capital with private or community funds.
- **Programming funding through the Regional Development Agencies (RDAs)** to drive regional economic growth.
- **Legislative and regulatory reforms** leveraging modernization as a competitiveness tool
- **Partnerships and enabling frameworks** that engage local and sectoral delivery partners.
- **Targeted, measurable transfers and time-limited supports** for evidence-based delivery
- **Public procurement and market shaping** to promote inclusive growth and local value creation.

For co-operatives and mutuals, these levers represent an opportunity to align with the federal government's investment-led, partnership-based approach—positioning co-operatives as trusted delivery vehicles that combine community ownership with economic performance.

By tailoring future advocacy around these mechanisms—tax incentives, co-investment, procurement, regional delivery, and measurable social impact—Co-operatives and Mutuals Canada (CMC) and our members can ensure that the co-operative model remains central to Canada's growth and competitiveness agenda.

Ahead of Budget 2025, Co-operatives and Mutuals Canada (CMC) submitted detailed recommendations outlining the sector's key priorities. We are pleased to see several of these measures in the budget that reflect our pre-budget recommendations, including:

- The extension of the Tax Deferred Co-operative Share (TDCS) Program until 2030;
- Continued support for co-operative housing; and
- A commitment to the capital-gains tax exemption on sales of businesses to worker cooperatives.

In a time of disruption and uncertainty, co-operatives and mutuals remain resilient, and reliable partners in delivering scalable solutions to Canada's most urgent challenges.

The State of Canada's Economy

Budget 2025 notes that Canada's economy has slowed but continues to show resilience amid rising global uncertainty. Real GDP grew by only 0.2 per cent in the first half of 2025, as weaker exports and business investment offset modest gains in household spending.

Inflation has stabilized near the Bank of Canada's 2 per cent target, while unemployment has risen modestly to 7.1 per cent as the labour market cools. Despite these headwinds, international institutions such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) expect global growth to slow in the second half of 2025 and into 2026, while Canada is projected to remain among the strongest-performing G7 economies over that time period.

Budget Highlights for the Co-operative Sector

As noted above, budget 2025 includes several key messages that reflect CMC's pre-budget recommendations and demonstrate growing recognition of the co-operative model's economic and social value.

1. **Extension of the Tax-Deferred Co-operative Share (TDCS) Program**
   Budget 2025 extends the period during which agricultural co-operatives can distribute tax-deferred patronage dividends paid in shares to their members until the end of 2030. This renewal ensures continued access to a proven capitalization tool that enables co-ops to reinvest in equipment, infrastructure, and innovation. While CMC welcomes the extension, we continue to call for the TDCS to be made a permanent feature of Canada's tax system to provide long-term certainty and to strengthen agricultural co-operatives' competitiveness.

2. **Continued Investment in Co-operative and Community Housing**
   The government reiterates its commitment to expanding non-market housing supply through Build Canada Homes, which explicitly recognizes the value of housing co-operatives within the national housing strategy. With a robust pipeline of shovel-ready projects across the country, the co-operative housing sector stands ready to partner with Build Canada Homes to deliver affordable, community-owned housing at scale. CMC joins the Co-operative Housing Federation of Canada (CHF) in recognizing the $2.8 billion investment for urban, rural, and northern Indigenous housing, emphasizing that this funding must advance reconciliation through an Indigenous-led delivery approach. There was a missed opportunity when it comes

to tackling housing affordability, the budget remained silent on the Federal Community Housing Initiative (FCHI), which is scheduled to expire in 2028. CMC joins CHF in urging the government to renew FCHI to preserve the mixed-income model that has been essential to housing co-ops affordability and sustainability.

3. **Extension of the Capital-Gains Tax Exemption for Sales to Worker Co-operatives**
   Budget 2025 confirms the $10 million capital-gains tax exemption on sales of businesses to worker co-operatives until December 2026. This measure helps retiring business owners transition ownership to their employees organized as a worker co-op, preserving jobs and local economic capacity. CMC joins the Canadian Worker Co-op Federation (CWCF) in asking the government to make the exemption permanent, to give sellers and worker co-ops conversions the certainty required for long-term transition planning. This is the kind of certainty that Canadian small businesses need to keep investing in growth and innovation.

4. **Additional Wins for Co-ops, Mutuals and Credit Unions**
   The new Buy Canadian Policy will ensure that federal procurement also support Canadian social enterprises, including co-operatives. This offers opportunities for co-operatives and social enterprises to participate in federal procurement that prioritizes domestic suppliers and community value.

Budget 2025 recognizes the important role credit unions play in maintaining a competitive financial sector and providing consumer choice. The Canadian Credit Union Association was pleased to see progress on some of their key advocacy priorities, including proposed amendments to the Bank Act, the Canada Deposit Insurance Corporation Act, and the Financial Consumer Agency of Canada Act to support credit union growth, facilitate entry into the federal framework, and allow the continuation of auto leasing activities.

Significant investments in infrastructure, skills, and clean-economy growth aligns with co-ops' contribution to local renewable energy, workforce development, and community-based innovation.

Continued focus on inclusive growth and regional resilience mirrors co-operatives' roles in anchoring economic activity in rural and underserved communities.

While Budget 2025 moves in the right direction by reaffirming co-ops' role in agriculture, housing, business succession and finance, it stops short of a systemic approach to co-operative development and financing. Missed opportunities include:

- **No Scalable Co-operative Investment Tools**
  Despite the budget's focus on productivity and innovation, it does not introduce new mechanisms to help co-operatives access growth capital. CMC will continue to advocate for co-investment partnerships, loan guarantees, and dedicated co-operative investment funds that enable co-ops to fully participate in Canada's investment-led growth agenda.
- **No expansion of the Small Business Deduction (SDB)**
  Budget 2025 did not address co-operative eligibility for the SBD, leaving many incorporated co-ops at a disadvantage compared with investor-owned firms in accessing critical small-business tax benefits.

- **Limited Progress on Renewable Energy Co-operatives**
  Despite major investments in clean energy class credits, Budget 2025 does not ensure explicit access for Renewable Energy Co-operatives to federal clean-energy incentives. CMC continues to advocate for equitable eligibility and capacity-building supports to enable communities to directly participate in Canada's net-zero transition.
- **Gaps in Social Finance and Development Infrastructure**
  The absence of new funding for social finance and co-op development represents a missed opportunity to scale proven community-finance tools. Strengthening Canada's social economy infrastructure would empower co-operatives to scale its' inclusive economic model and community impact.

The government's investment-led framework for the budget offers opportunities for partnership, yet broader institutional and fiscal reforms are still needed to position co-operatives and mutuals as central partners in Canada's economic transformation.

Overall Budget Highlights

The overall government spending for the 2025-2026 fiscal year is projected at $141 billion in new spending, offset by $51.2 billion in savings, amounting to a total net new spend of $89.7 billion. Fiscal projections show a deficit of $78.3 billion in 2025-2026, a marked increase from the deficit forecast in last December's fiscal update, which projected the deficit to be $42.2 billion in 2025-26.

Budget 2025 is organized around five main chapters that outline the government's plan to strengthen economic growth, build national resilience, address affordability, and ensure effective governance.

The following overview provides context as well as selected highlights and references that may affect or is deemed to be of interest for the co-operative and mutual sector.

1. **Building a stronger Canadian economy**
   This chapter outlines the government's plan to drive productivity and competitiveness through generational investments in infrastructure, and workforce growth. Key measures include the Productivity Super-Deduction, the Build Canada Growth Fund, and new incentives to attract private capital and skilled talent to strategic sectors.

   The focus on infrastructure and investment-led growth could open doors for co-operatives in renewable energy, housing, and regional development to position themselves as partners in delivering local, community-owned projects.

   The Productivity Super-Deduction is a new set of enhanced tax incentives that allow businesses to immediately write off a larger share of the cost of new capital investments, encouraging faster growth and innovation. It may benefit co-ops undertaking modernization, clean-tech investments or green infrastructure.

2. **Shifting from reliance to resilience**
   This chapter emphasizes reducing economic dependence on global supply chains and strengthening domestic capacity in energy, food, and manufacturing. It advances trade

diversification, strategic resource development (critical minerals), and supports for agri-food and clean-energy resilience. Trade diversification measures could create opportunities for co-op export partnerships, particularly in agri-food, forestry, and clean technology.

As previously announced in September 2025, to help companies adapt to changing trade conditions, the government is launching a Regional Tariff Response Initiative worth up to $1 billion over three years through Regional Development Agencies. The initiative is available for businesses to apply to now through the RDAs website listed below: FedDev Southern Ontario, Atlantic Canada, Canada Economic Development for Quebec Regions, CanNor Economic Development Agency, FedNor, PrariesCan, PacifiCan. This funding will help affected businesses modernize operations, expand into new markets, and protect local jobs.

The government will also expand the eligibility criteria for the Critical Mineral Exploration Tax Credit to include additional critical minerals. This measure is expected to benefit individuals who invest in flow-through shares of mining exploration companies—typically higher-income earners, many of whom are men. Businesses engaged in mineral exploration will also benefit directly, while mining workers and certain communities, including Northern and Indigenous communities, may experience indirect advantages. Overall, the initiative may help incentivize future supply of key critical minerals essential to Canada's economic and strategic interests.

3. **Empowering Canadians**

Centered on affordability and inclusion, this chapter introduces Build Canada Homes to accelerate housing construction and expands supports for renters, first-time buyers, and lower-income households. It also invests in childcare, education, and workforce development to improve opportunity and well-being.

Investments in the Workforce include:

- Establishing the Foreign Credential Recognition Action Fund to work with the provinces and territories to improve the fairness, transparency, timeliness, and consistency of foreign credential recognition, with a focus on health and construction sectors.
- Implementing a new reskilling package for workers, making Employment Insurance more flexible and with extended benefits, and will be launching a new digital jobs and training platform with private-sector partners to connect Canadians more quickly to careers.
- Introducing a temporary Personal Support Workers Tax Credit, under which eligible personal support workers employed in the remaining provinces and territories could claim a refundable tax credit equal to 5 per cent of their eligible earnings, providing support of up to $1,100 per year.

Investments in Families include:

- Maintaining the $10-a-day, Canada-wide early learning and childcare. This also includes $625 million over four years, beginning in 2023-24, for the Early Learning and Child Care Infrastructure Fund.

4. **Protecting Canada's sovereignty and security**

This chapter frames security broadly, encompassing national defence, economic sovereignty, and cyber resilience. It introduces new defence investments, strengthens border and supply-chain protections, and advances cybersecurity and technology-protection measures.

The emphasis on economic security and resilience resonates with co-ops' role in stabilizing local economies and maintaining essential services in rural and remote communities.

Mutual insurers may find relevance in policies strengthening Canada's financial and digital infrastructure, particularly regarding cyber-risk management and critical infrastructure protection.

Defence procurement and local-supply initiatives could indirectly open doors for co-ops through the Buy Canada Policy and the community-benefit frameworks.

5. **Creating a more efficient and effective government**
   This chapter focuses on achieving efficiency through expenditure reviews, public-service modernization, and digital transformation. The goal is to redirect savings from operations toward productivity, housing, and infrastructure priorities.

   The commitment to modernize public procurement and expand social procurement criteria provides a platform for co-ops and mutuals to be recognized as eligible suppliers delivering community value.

   Efforts to improve program accountability and performance measures aligns with CMC's call for better co-operative data, impact metrics, and interdepartmental coordination. This will lead to greater federal coordination for co-operatives, and increased visibility of co-ops and mutuals in data and policy frameworks.