



BUILDING FOR LONGEVITY: A CO-OPERATIVE ROADMAP FOR A RESILIENT CANADA

2026 FEDERAL BUDGET RECOMMENDATIONS



APRIL 2026

Canada entered 2026 at an economic inflection point. Persistent affordability pressures, a continued housing crisis, lagging productivity, and global markets instability are raising costs and exposing regional and sectoral vulnerabilities. Geopolitical volatility, climate-related disruptions, and shifting trade dynamics are tightening margins for households and enterprises alike—complicating planning, slowing investment, and testing economic resilience.

Canada’s economic strength has always been rooted in its people, and its entrepreneurial spirit. Yet, we are not reaching our full economic potential; currently more businesses are exiting than entering the market, marking a declining rate of entrepreneurship across the country.¹ Businesses are struggling to invest and scale, and Canadians are feeling the consequences in their daily lives. According to 2025 Abacus research, 90% of Canadians report that essentials like good jobs, healthcare access, and housing feel harder to secure than they used to.² This, coupled with the fact that three-quarters of business owners are set to retire over the next decade, threatens the closure of vital community services and the loss of millions of jobs.³

Co-operatives are the structural solution to this moment. As community-owned economic catalysts operating across many sectors, co-operative enterprises have been an integral part of Canada’s social and economic landscape for more than 150 years. They serve as fundamental engines for local resilience by creating good jobs, prioritizing local ownership, and reinvesting back into the communities in which they operate.

Co-operatives power the economy by:

- **Securing Economic Sovereignty:** By prioritizing local ownership, co-ops ensure that profits and decision-making power remain rooted in Canada.
- **Driving Productivity and Innovation:** Co-ops are proven innovators, outperforming traditional SMEs in both innovation rates (39% versus 28%) and the adoption of advanced technologies (17.4% versus 13.7%).⁴
- **Stabilizing the Market:** In times of volatility, the co-operative “at-cost” model acts as an anti-inflationary stabilizer, providing predictable costs in essential sectors like housing.

Canadians recognize this advantage. With over 14 million Canadians belonging to at least one co-op, credit union, caisse or mutual, and a strong majority of Canadians (81%) that see co-operatives as a primary solution to some of Canada’s biggest challenges, including affordability and inequality.⁵ In a moment defined by volatility and uncertainty, co-operatives increasingly stand out as institutions that offer what Canadians are seeking most: stability, local control, fairness, and a meaningful voice in economic decisions. In other words, co-operatives stand out as a model people trust to endure and evolve through uncertainty.

The co-operative sector stands ready to partner with the Government of Canada to advance the Build Canada Strong agenda. In Budget 2026, government can unlock this potential by making co-operatives easier to finance, easier to procure from, and easier to measure. By aligning procurement, modernizing tax rules and improving data visibility, we can level the playing field and accelerate progress on housing, business succession and regional resilience.

As the national apex voice for co-operatives and mutuals, Co-operatives and Mutuals Canada (CMC) recommends six high-impact actions to future-proof Canada’s growth.



Recommendation 1: Create a Co-operative Investment Fund

What it does: This recommendation seeks an initial federal capitalization of \$100 million (delivered in tranches over five years) to launch a purpose-built national fund for co-operative start-ups, expansions, and business conversions. The Fund will provide repayable capital tailored to the ownership and growth realities of co-operatives. Federal capital will serve as a “cornerstone investment”, de-risking the Fund to attract an additional 2:1⁶ leverage of private and community capital from value-aligned investors.

Why it powers the economy: Beyond its role in supporting communities most at risk, this Fund is a strategic tool for economic sovereignty and the scaling of domestic business ownership. By addressing the structural misalignment in Canada’s capital ecosystem, this Fund would function as a powerful lever to scale domestic ownership and secure the long-term productivity of the Canadian economy.

- **Scaling Canadian Ownership:** The Fund will provide the patient capital necessary to start and scale co-operatives, which have been found to be more innovative than traditional SMEs. Data confirms that 39% of co-operatives are classified as innovators compared to 28% of traditional SMEs, and they are more likely to adopt advanced technologies (17.4% versus 13.7%)—making them critical drivers of an innovative economy.⁷
- **Securing Business Conversions to Co-ops:** This Fund will facilitate business conversions to co-operatives by providing the essential financing required for employees to purchase businesses from retiring owners. This strategy is grounded in evidence from the "Business Conversion to Co-operatives in Canada: A Landscape Report" (2024), led by Dr. Marcelo Vieta, which analyzed over 400 successful conversions to make the case that co-operative buyouts are a robust, yet underutilized pathway for business continuity that preserves the productive capacity of local communities.
- **Resilient Regional Sovereignty:** Because co-operatives are locally rooted, the Fund ensures that business profits and decision-making power stay within Canada, strengthening regional supply chains and economic stability. Evidence shows co-operatives have nearly double the survival rate of traditional SMEs, ensuring that public investment supports long-term regional stability.⁸



Recommendation 2: Expand the Small Business Deduction (SBD) access

What it does: This recommendation calls for a targeted amendment to Section 125 of the Income Tax Act to ensure that all eligible co-operatives and qualifying member-owned Canadian-Controlled Private Corporations (CCPCs) beyond the agriculture and fisheries sectors can access the Small Business Deduction (SBD). Currently, tax rules introduced in 2016 (Bill C-29) inadvertently categorize income earned through a co-operative as “specified corporate income,” which restricts a member’s ability to claim the SBD. This amendment would harmonize the tax treatment of co-operatives across all sectors, thereby levelling the playing field for Canadian co-operative entrepreneurs.

Why it powers the economy: Expanding the SBD access removes a structural barrier to growth, ensuring that entrepreneurs who choose the co-operative model are not put at a competitive disadvantage compared to traditional private corporations. It does this by:

- **Eliminating Growth Disincentives:** As it stands, the current tax treatment creates a significant disincentive for CCPCs to join or remain within a co-operative, as it places them at a direct tax disadvantage compared to their traditional SME counterparts. Restoring SBD access will ensure that entrepreneurs are not unfairly penalized with a higher tax rate simply for choosing a co-operative business structure.
- **Unlocking Reinvestment Capital:** Restoring the SBD will allow co-operative members to access a combined federal/provincial tax rate of approximately 9% to 13%, rather than the 27% general corporate rate they are currently forced to pay on income earned through the co-operative.⁹ This correction will remove an unintended 14-18% tax penalty, directly freeing up capital for members to reinvest in equipment, technology, local job creation and more.





- **Encouraging Inclusive Entrepreneurship:** Ensuring the tax system is sector-neutral encourages more Canadians to utilize the resilient co-operative model to address local challenges, particularly in rural or underserved regions.
- **Professional validation:** This proposal aligns with the long-standing recommendations of the Joint Committee on Taxation of the Canadian Bar Association and CPA Canada to resolve technical distortions that penalize collectively owned business models.¹⁰ This signals that the amendment is a necessary “cleanup” of the Income Tax Act to ensure it functions as intended for all small business owners.



Recommendation 3: Make the \$10 million capital gains tax relief for business conversions to worker co-ops and EOTs permanent

What it does: This recommendation seeks to codify a permanent seller tax exemption for qualifying transactions to worker co-operatives and Employee Ownership Trusts (EOTs). While robust succession planning often requires a five-year lead time, a permanent exemption provides the regulatory certainty needed for owners to commit to these models—bringing Canada in line with international peers like the United States and United Kingdom.

Why it powers the economy: Employee ownership is a critical tool for maintaining Canada’s domestic economic sovereignty. By creating a powerful incentive for business owners to sell to their employees and to convert the business to a worker co-operative rather than external competitors or private equity firms, this policy ensures that companies remain Canadian, anchoring ownership, investment, and revenue within our borders. This directly addresses the declining rate of entrepreneurship and the crisis of mass retirements currently facing the country. A 2023 report by the Canadian Federation of Independent Business (CFIB) found that over 75% of Canadian small business owners—representing over \$2 trillion in assets—intend to exit their businesses by 2033, yet fewer than 10% have a succession plan.¹¹



The capital gains tax relief provides a strategic alternative to business closures, preventing the loss of community anchors and essential jobs. Beyond mere preservation, shifting to employee and worker ownership drives measurable gains:

- **Proven Productivity:** Over 100 studies across numerous countries have found that employee ownership strengthens productivity, pay, and job stability.¹²
- **Aligned Incentives:** It repositions workers as active participants in an organization's success, incentivizing them to drive innovation and long-term growth.¹³

Recommendation 4: Strengthen co-operative housing

What it does: This recommendation seeks to secure the long-term health of Canada's housing ecosystem by pairing the creation of new supply with the protection of our existing affordable housing stock. Specifically, it calls for the prioritization of co-operative housing within the operational framework of Build Canada Homes (BCH). To prevent the loss of existing affordable homes, this recommendation also seeks a near-term extension of federal rental assistance through the Federal Community Housing Initiative (FCHI) and Canada Community Housing Initiative, beyond its 2028 mandate, transitioning it toward a permanent program that secures rental assistance for low-income households.

Why it powers the economy: A strong and productive economy relies on a stable workforce, and that stability is only possible when workers have access to housing that is predictable and shielded from the extreme fluctuations. By integrating the co-operative model into the Build Canada Homes Crown corporation mandate, the government can leverage a high-capacity delivery partner that builds and operates at cost, maximizing the impact of every public dollar. This approach will leverage housing not just as a social good, but as an economic asset, as evidenced by its impact on national productivity, fiscal efficiency and regional stability:

- **Driving National Productivity:** Research confirms that increasing Canada's non-market housing to bring Canada's community housing stock in line with international benchmarks, specifically the 7% OECD average as a share of total housing stock will add between \$67-\$136 billion to Canada's GDP by 2030.¹⁴

- **Protecting the Federal Investment:** Extending the FCHI is a vital defensive measure. It will prevent a “net-zero” gain where the benefits of new construction through BCH are offset by the loss of existing deeply affordable units, safeguarding billions in previous federal investments.
- **Efficiency in Scaling:** As BCH matures into its standalone role as a Crown corporation, co-operatives offer a proven, mission-driven governance structure capable of serving as the operational partners for the federal government’s large-scale affordable and community housing projects. This partnership will ensure that these new developments remain community-owned assets rather than becoming speculative commodities.

Recommendation 5: Advance Social Procurement and “Buy Canadian” strategy via co-operatives and other types of social enterprise

What it does: This recommendation seeks to fully integrate co-operatives and social enterprises into the \$186-million Buy Canadian Policy framework. Now that the \$5 million threshold expansion (active as of June 2026) has broadened the policy’s reach, the government should:

- **Establish Mandatory Social Value Targets:** Build on the current framework by establishing a “preferred supplier” status or mandatory targets for co-operatives and social enterprises, mirroring the successful 5% Indigenous procurement mandate.
- **Embed Mission-Driven Criteria in the 25% “Canadian Value” Score:** Formally include “community ownership” and “local profit reinvestment” as high-scoring metrics within the 25% evaluation score for federal contracts.
- **Optimize the Small Business Procurement Program:** Direct a dedicated stream of the now-active \$79.9 million program toward technical assistance to help co-operatives and other social enterprises maintain their role in federal supply chains.





Why it powers the economy: Social procurement is a budget-neutral lever that ensures that “Buy Canadian” also means “Stay Canadian.” By prioritizing co-operatives, the government anchors wealth within local communities and maximizes the return on every tax dollar spent. Thereby leveraging:

- **The Stability Advantage:** Co-operatives are twice as likely to succeed over the long term with an average age of 44 years compared to 18 years for traditional SMEs.¹⁵
- **Fiscal Efficiency:** Directing spend toward resilient, domestic contractors like co-operatives will allow the government to utilize existing procurement budgets to expand deliver on Build Communities Strong objectives—such as regional development and workforce training—without requiring no new departmental spending.



Recommendation 6: Build a national co-op data infrastructure

What it does: This recommendation seeks a targeted federal investment to establish a Co-operative Knowledge and Innovation Hub to collect, analyze, and disseminate disaggregated, timely, and sector-specific data. This infrastructure will support improved national data collection for co-operatives, enabling the tracking of longitudinal trends, economic contributions, and system-level outcomes while developing consistent impact measurement frameworks for use across the co-operative ecosystem.

Why it powers the economy: Harnessing the full potential of the co-operative model requires addressing a critical “visibility gap” in current policy and program frameworks. Without explicit inclusion in government data systems, co-operatives are frequently excluded from economic strategies, limiting their access to tools that support innovation and growth. These gaps were confirmed by the Motion-100 Consultations, which identified data voids as primary barriers to integrating co-operatives into national priorities.



While Statistics Canada provides essential macroeconomic insights, its data is often lagging and highly aggregated, limiting the analysis of real-time needs and regional impacts. CMC is uniquely positioned to bridge this gap by expanding its existing database into a robust digital infrastructure to:

- **Increase Efficiency of Federal Efforts:** Modernizing data collection on co-operatives will maximize the return on federal investment by ensuring programs are evidence-based and responsive to market needs. It will also enable the government to identify and remove specific legislative and regulatory barriers to growth, moving from static snapshots to a data-driven approach of unlocking co-operatives full economic potential.
- **Standardize Impact Measurement:** investing in consistent, practical impact measurement frameworks will allow for a unified understanding of how co-operatives reinvest locally, strengthen regional resilience and domestic supply chains.



CONCLUSION

Canada is at a turning point. To solve the housing crisis, keep local businesses within our borders, encourage entrepreneurship by levelling the playing field for all entrepreneurs, and boost national productivity, we must leverage proven models that keep and build wealth and decision-making in our communities.

The co-operative sector is ready to deliver. By making co-ops easier to finance, procure from, and measure, Budget 2026 can unlock a more resilient, stable, and fair economy for all Canadians.

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- [2] Abacus Research 2025 Summary Report “Canadians want stability - Co-ops deliver it.” <https://canada.coop/wp-content/uploads/Canadian-public-opinion-research-2025-%E2%80%93-summary-report.pdf>
- [3] CFID, “Succession Tsunami: Preparing for a decade of small business transitions in Canada,” <https://www.cfib-fcei.ca/hubfs/research/reports/2022/2022-10-EN-Succession-Tsunami-Preparing-for-a-decade-of-small-business-transitions-in-Canada.pdf>
- [4] ISED, “2023 SME Profile: Co-operatives in Canada,” <https://ised-isde.canada.ca/site/sme-research-statistics/sites/default/files/attachments/2023/2023-SME-Profile-Co-operatives-in-Canada-eng.pdf>
- [5] Abacus Research 2025 Summary Report “Canadians want stability - Co-ops deliver it.” <https://canada.coop/wp-content/uploads/Canadian-public-opinion-research-2025-%E2%80%93-summary-report.pdf>
- [6] The 2:1 leverage target is a conservative baseline, with the potential to reach the 7:1 ratio currently achieved by established models like Quebec’s PAGES 2025-2030 framework (French only) as the Fund matures.
- [7] ISED, “2023 SME Profile: Co-operatives in Canada,” <https://ised-isde.canada.ca/site/sme-research-statistics/sites/default/files/attachments/2023/2023-SME-Profile-Co-operatives-in-Canada-eng.pdf>
- [8] Ibid.
- [9] Xero, “Small business tax rate in Canada: Federal and provincial guide,” <https://www.xero.com/ca/guides/small-business-tax-rates/>
- [10] See submission titled June 2017 – CRA-Small Business Deduction Rules in Section 125. https://www.ctf.ca/EN/EN/Library/Joint_Committee_Submissions.aspx#:~:text=June%202017%20%2D%20CRA%2DSmall%20Business%20Deduction%20Rules%20in%20Section%20125
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About Co-operatives and Mutuels Canada (CMC)

CMC is the national, bilingual association representing co-operatives and mutuels of all types, sizes, and sectors across the country. Canada’s co-operative economy represents over 14 million Canadians and \$52 billion annually. Member-driven and mission-led, CMC brings together large co-operative enterprises, provincial associations, sector federations, and front-line co-ops to build a more co-operative economy.