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Written Submission for the Pre-Budget Consultations in Advance of the Fall 2025 Federal Budget

Co-operatives and Mutuels Canada (CMC)

For More Information

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List of Recommendations

- **Recommendation 1:** Partner with the Co-operative Housing Federation to increase funding for the Co-op Housing Development Program and ensure that Build Canada Homes leverages this investment to create more co-operative homes, faster.
- **Recommendation 2:** Scale up renewable energy co-operatives (RECs) by ensuring they have equitable access to federal clean energy investment tools, including tax credits, financing, and capacity-building supports. This will empower Canadians to directly participate in the energy transition, fostering social license, and building more distributed, resilient energy solutions.
- **Recommendation 3:** Facilitate investment in agricultural co-operatives by ratifying the Tax-Deferred Co-operative Share (TDCS) Program as a Permanent Fiscal Measure before its expiry in December 2025.
- **Recommendation 4:** That the government establish a pilot Canadian Co-operative Capacity Building Program with \$30 million in federal funding over five years, to support business transitions, succession conversions, and co-op development services.
- **Recommendation 5:** Catalyze business investment by ensuring co-operative entrepreneurs beyond those in agriculture and fisheries can access the Small Business Deduction (SBD).
- **Recommendation 6:** Retain and create locally rooted small businesses by launching a Canadian Co-operative Capacity Building Program, including support for business conversions to co-operatives for successful transfers and succession.
- **Recommendation 7:** Ensure that incentives to promote employee ownership, such as the \$10M Employee Ownership Trusts (EOTs) Incentive to sellers, applies to worker co-op conversions scenarios.
- **Recommendation 8:** Establish a federal Co-operative Investment Plan to support capitalization of qualifying co-operatives and federations of co-operatives that need equity capital for their development, similar to Quebec's Co-operative Investment Plan.
- **Recommendation 9:** Establish and resource a Co-operative Centre, like the Rural Economic Development to coordinate federal engagement and policy alignment.
- **Recommendation 10:** Invest in better co-operative data, evidence and knowledge infrastructure to build understanding of the unique strengths of the co-op model and the public policy, legislative and regulatory barriers to growth.
- **Recommendation 11:** Audit and clarify eligibility for federally funded programs and initiatives, and review risk assessments processes based on worldwide best practices for social economy enterprises, of which Quebec is a recognized leader.
- **Recommendation 12:** Unlock and leverage the potential of new and existing Co-op Investment Funds, to advance national economic priorities by filling gaps left by existing programs like Futurpreneur, BDC, NRC-IRAP, which are not well-adapted to support the co-operative enterprise model.

Body of Submission

Co-operatives and Mutuals Canada (CMC) welcomes the opportunity to provide its' submission for the 2025 pre-budget consultations. As the national voice for Canada's co-operative and mutual enterprises, we represent a diverse sector serving over 10 million Canadians and contributing to every major industry and region in the country.

In the face of rising economic uncertainty, persistent affordability challenges and deepening regional inequality, Canadians are looking for practical, proven solutions that will deliver lasting value. Co-ops and mutuals have been an integral part of Canada's social and economic landscape for more than 150 years. Canada's co-operatives are one of the most effective yet under-leveraged tools to address these challenges.

Canadian-owned and proven across the country, co-ops are locally focused economic drivers and community-based entities that are powerful tools for nation-building. They anchor economic development locally, foster social cohesion, and respond directly to regional needs. By reinvesting in local economies, serving underserved populations, and delivering high public value with modest investments, co-operatives turn national policy goals into tangible, lasting outcomes. This makes them ideal partners in advancing Canada's social and economic priorities.

Co-operative enterprises not only reflect Canadian values, but research has also shown that a clear majority of Canadians (57%) have a deep connection to the values that underpin the co-operative model—economic participation, democratic control, and community empowerment. The Government of Canada's own studies shows that co-ops are more resilient, innovative and adopt more advanced technology than other SMEs, generating wealth and wellbeing for Canadians from coast to coast to coast. Our enterprise model aligns naturally with Canada's social and economic priorities, from housing and food security to clean energy, small business development and more.

Simply put, co-operatives are an economic powerhouse that enhance community wellbeing. They:

- Contribute \$52.8 billion annually to Canada's GDP, including \$10 billion in taxes for all levels of government.
- Employ over 194,400 Canadians, largely in Main Street businesses, paying \$11.5 billion in salaries.
- Offer a solution to preserve local businesses, as 76% of small-business owners plan to exist within the next decade.
- Play a vital role in financial services—especially in underserved communities—through over 400 credit unions, *caisses*, and more than 60 insurance mutuals and co-ops, collectively generating over \$50 billion in revenue and managing \$700 billion in assets.
- Provide affordable homes for more than 250,000 people, fostering strong, stable communities.
- Serve rural and remote areas, with a third of co-ops headquartered in these regions.
- Include both non-profit (58%) and for-profit (42%) organizations united by a mission to meet shared economic, social, or cultural needs.
- Demonstrate exceptional resilience, with for-profit non-financial co-ops having survival rates twice as high as other SMEs—72% have operated for over 20 years.
- Lead in innovation, often adopting advanced technologies and outperforming other SMEs in creativity and adaptability.

In this submission, we outline practical, cost-effective policy recommendations that directly align with many of the government's mandate priorities and could advance Canada's Social Innovation and Social Finance Strategy.

CMC believes this budget provides an opportunity to unlock the full potential of co-operatives to drive Canada's economic transition and prosperity. Our recommendations fall under two strategic pillars:

Pillar I: Harnessing the Power of Co-operation to Build Canada

Recommendation 1: Strengthen Co-operative Housing

Housing co-ops have proven their ability to deliver inclusive, resilient communities across Canada for over 50 years. With [73 percent that see co-op and non-profit housing as a viable solution](#), and [61 percent that say increasing access should be a top federal priority](#), scaling this model is urgent. The Co-operative Housing Development Program (CHDP) has enabled billions in shovel-ready projects—complete with land, partnerships, and community backing—but available funding falls short. As Build Canada Homes is designed, the federal government must recapitalize CHDP to unlock the pipeline of shovel-ready projects and prioritize co-op and non-profit housing development.

Recommendation 2: Scale Renewable Energy Co-operatives (RECs)

The clean energy transition must be fast, fair, and inclusive. For many Canadians, it still feels distant, dominated by large corporations and disconnected from local realities. Renewable energy co-operatives (RECs) offer a powerful alternative, enabling communities to own and drive climate solutions. Though currently underrepresented in Canada's energy mix, RECs can play a pivotal role in meeting net-zero goals while enhancing affordability and public buy-in. The federal government should invest in scaling RECs by ensuring equitable access to clean energy tax credits, financing, and capacity-building tools—placing Canadians at the heart of the transition.

Recommendation 3: Make the Tax-Deferred Co-operative Share (TDCS) Program permanent

Agricultural co-operatives are vital to food security and rural economic resilience, especially amid rising costs, climate disruptions, and supply chain pressures. The [Tax-Deferred Co-operative Share](#) (TDCS) Program—a modest yet powerful too—helps these co-ops invest, innovate, and weather market volatility by deferring tax on patronage dividends issues as shares. With proven success and a cost of just \$3 to \$5 million annually, the program's scheduled expiry in December 2025 risks undermining rural economies and food security in Canada. Making the TDCS permanent is a fiscally responsible way to support Canada's agri-food sector and promote local economic growth.

Recommendation 4: Expand the Small Business Deduction (SBD) access

Many co-operatives and their member-owned Canadian-Controlled Private Corporations (CCPCs) are unfairly denied proper [access to the SBD](#) due to outdated tax definitions. This limits their ability to grow, raise capital, and compete—penalizing inclusive entrepreneurship and undermining the government's economic goals. Further amending Section 125 of the Income Tax Act to ensure eligible co-ops and qualifying CCPCs can access

the SBD would level the playing field, unlock investment, and support innovation and job creation in communities across Canada.

Recommendation 5: Launch a Co-operative Capacity Building Program

With over 75% of SME owners set to retire in the next decade, Canada risks losing thousands of viable businesses—especially in rural areas—due to a lack of succession tools. Co-operatives offer a proven model for preserving local ownership, yet no federal support exists to enable co-op conversions or start-ups. A \$30 million, five-year [Co-operative Capacity Building Program](#) (CCBP) would fill this gap by funding co-op development, employee and community buyouts, and succession planning—helping retain jobs, services, and local wealth across the country.

Recommendation 6: Align Employee Ownership Trusts (EOTs) Incentive with worker co-ops

To promote fair and inclusive succession planning the federal incentive that exempts up to \$10 million in capital gains for business sales to EOTs should be extended to work co-ops. CMC and the Canadian Worker Co-operative Federation have outlined qualifying conditions, and while the government committed to this measure in Budget 2024 and 2024 the Fall Economic Statement, legislation has yet to follow. Passing this legislation would ensure tax fairness and support worker co-ops as a proven tool to preserve jobs and local economic assets.

Recommendation 7: Create a federal Co-operative Investment Plan

Co-ops face chronic barriers to raising equity capital, limiting their ability to grow and serve underserved markets. To close this gap, the federal government should establish a [Co-operative Investment Plan](#), modeled on Quebec’s long-standing Co-operative Investment Plan. By offering targeted tax incentives to individuals who invest in preferred shares of qualifying co-ops, this plan would unlock new capital, strengthen co-op development, and drive growth in strategic sectors.

Pillar II: Strengthening Data, Evidence and Awareness

Recommendation 1: Establish a Co-operative Centre

The lack of a federal coordination point for co-operatives leads to policy gaps and missed opportunities. From 1987 to 2013, the [Co-operatives Secretariat](#) played this role effectively. A modernized Co-operative Centre would restore that capacity—improving interdepartmental alignment, advising Cabinet, and positioning co-ops as key partners in delivering national priorities. This has strong backing from stakeholders and was reaffirmed in the [Motion-100 consultations](#).

Recommendation 2: Build a Co-operative Knowledge & Innovation Hub

Co-operatives are often overlooked in federal programs due to limited visibility in data and policy frameworks. While Statistics Canada provides macro-level insights, Canada lacks timely, detailed data on the co-op sector. With targeted investment, CMC can expand its database and establish a Co-operative Knowledge and Innovation Hub—offering real-time, sector-specific intelligence to inform responsive policy, close program gaps, and unlock the full economic potential of co-operatives. This was a key finding of the Motion-100 Consultations.

Recommendation 3: Modernize Program Eligibility and Risk Frameworks

Co-operatives are frequently excluded due to unclear eligibility criteria, risk models built for investor-owned firms, and limited staff awareness—despite co-ops strong record of delivering community-based solutions. Jurisdictions such as Quebec and several Organization for Economic Co-operation and Development (OECD) countries have adopted tailored frameworks for social economy enterprises that boost access and impact. CMC urges the federal government to lead a targeted review, through ISED, to modernize federal eligibility criteria, risk assessment approaches, ensuring co-ops can fully contribute to national priorities.

Recommendation 4: Invest in Co-op Investment Funds

Co-operatives are driving innovation and inclusive growth across Canada yet remain largely underserved by federal business development tools like Futurpreneur, BDC, and NRC IRAP, which are often structured for investor-owned firms. In contrast, co-op managed investment funds offer a sector-aligned, scalable financing solution. CMC calls on the government to partner with these funds through co-investment, guarantees, or matching capital—extending their reach, and ensuring public dollars support inclusive, community-rooted growth.

Conclusion

As Canada navigates a period of economic transition, co-operatives and mutuals offer a proven pathway to achieving Canada's economic, social and environmental goals. Co-operatives are already delivering results that matter to Canadians. CMC urges the federal government to adopt these recommendations to scale solutions that are community-driven, resilient, and aligned with the values and interests of Canadians.