

2026 ONTARIO BUDGET HIGHLIGHTS

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March 26, 2026

The 2026 Ontario budget is the latest in a series of fiscal updates titled: [*A Plan to Protect Ontario*](#). And this latest document doesn't deviate from the government's core focus for the past year: managing economic uncertainty, affordability and targeted investments in key areas such as transit, housing and healthcare.

As the Hon. Peter Bethlenfalvy, Ontario's Minister of Finance said in his statement, the government's plan is "cautious where it must be, but ambitious where it should be."

Despite the economic and fiscal projections pointing to rougher seas ahead, *A Plan to Protect Ontario* signals that the government does not see this as a moment for radically changing course. Instead, it's choosing to focus its energy on keeping the province's economy and finances on an even keel.

Ontario's Economic Outlook

The \$244.2 billion 2026 budget projects middling real GDP growth, fewer housing starts and elevated unemployment compared to forecasts made in the [*2025 Ontario Budget*](#). Trade tensions with the U.S. and global instability continue to weigh on the province.

Ontario's economy proved more resilient than expected in 2025, with real GDP growth coming in at an estimated 1.2%, above the 0.8% projected in the 2025 budget. Compared to the 2025 budget, the 2026 budget has revised real GDP growth down slightly for 2027 and 2028, while holding 2026 projections steady at 1.0%. Unemployment forecasts are now projected at 7.4% in 2026, 6.9% in 2027 and 6.4% in 2028, an increase across the reporting period. Inflation, measured by the Consumer Price Index, ran lower than projected in 2025 at 1.9%, with projections settling at 2.1% in 2026 and returning to 2.0% from 2027 onwards.

Projections around new homes have weakened significantly. The 2026 budget projects 65,400 housing starts in 2025, down from the 71,800 projected in the 2025 budget. The downward trend continues throughout the forecast period, with a total of 31,300 fewer housing starts projected between 2026 and 2028 compared to the 2025 budget estimate.

2026 Ontario Budget: Highlights and Takeaways

Key Economic Data: Budget 2025 vs Budget 2026

p = projection, e = estimate

Key Economic Data	2025	2026p	2027p	2028p
Real GDP (%)				
Budget 2025	0.8	1	1.9	1.9
Budget 2026	1.2e	1	1.7	1.8
Difference	0.4	0	-0.2	-0.1
Consumer Price Index (%)				
Budget 2025	2.3	2	2	2
Budget 2026	1.9	2.1	2	2
Difference	-0.4	0.1	0	0
Unemployment rate (%)				
Budget 2025	7.6	7.3	6.6	6.2
Budget 2026	7.7	7.4	6.9	6.4
Difference	0.1	0.1	0.3	0.2
Housing starts (000s)				
Budget 2025	71.8e	74.8	82.5	85.9
Budget 2026	65.4p	64.8	70.3	76.8
Difference	-6.4	-10	-12.2	-9.1

Fiscal Outlook

The province is projecting a \$12.3 billion deficit for 2025-26, an improvement of \$2.3 billion compared to the \$14.6 billion forecast in the 2025 budget. The improvement is driven primarily by stronger-than-expected taxation revenues, partially offset by higher program spending in health, social services and justice.

However, the path to balance has been pushed out and the near-term outlook has deteriorated compared to the 2025 budget. The deficit is now expected to widen to \$13.8 billion in 2026-27, reflecting slowing projected economic growth, major new spending

commitments and rising debt servicing costs. The deficit is expected to narrow to \$6.1 billion in 2027-28 and return to a modest surplus by 2028-29. This represents a one-year delay to a balanced budget compared to the 2025 budget's projections, which had anticipated a surplus of \$0.2 billion by 2027-28.

Changes to the Presentation of Information in the Province's Financial Statements

With the issuing of new standards for government financial reporting by the Public Sector Accounting Board (PSAB), Conceptual Framework for Financial Reporting in the Public Sector and Section PS 1202 *Financial Statement Presentation* (Conceptual Framework and Reporting Model), the government has updated how it presents information in its financial statements in the 2026 budget to include the estimated impact on the presentation in the *Public Accounts of Ontario 2026–2027*.

The name, calculation and presentation of the current net debt indicator in the Consolidated Financial Statements have been revised and will now be referred to as “net financial liabilities.” Net financial liabilities will exclude non-financial liabilities and non-financial assets, including externally restricted endowments held in perpetuity. This change is fiscally and economically neutral.

Tax Action Plan

In the [2025 Fall Economic Statement](#), the government committed to a multi-year Tax Action Plan with the goal of making Ontario the most competitive jurisdiction in Canada. Budget 2026 outlines the first steps in this Tax Action Plan by introducing accelerated capital allowances and other immediate write-offs, similar to those in the federal government's Productivity Super-Deduction, to lower the cost of certain capital investments. The plan also includes a cut in the Small Business Corporate Income Tax rate to 2.2% (from 3.2%) and a temporary rebate of the HST for new homes valued up to \$1 million, with a declining portion of the HST rebated on new homes above this price. This measure builds on the federal-provincial initiative to rebate the HST for first-time home buyers of new homes up to \$1 million announced last year.

The Ontario government makes clear in budget 2026 that these measures are the first step for what will be a multi-year action plan, with additional changes in the coming year.

In October 2025, CPA Ontario released [Tax Reform for Growth in Canada](#), and in January highlighted Ontario-specific recommendations in our [pre-budget submission](#) to the provincial government. Ontario's move to largely match, and in some cases apply more broadly than, the federal government's accelerated capital cost allowances will allow

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qualifying corporations to immediately expense (a 100% first-year write-off of expenses) the cost of buildings, machinery and equipment used in manufacturing or processing. While this measure could spur greater business investment in targeted sectors, [CPA Ontario continues to advocate with the federal](#) and Ontario governments to apply these measures broadly and to make them permanent, rather than time-limited.

Budget 2026 also includes additional tax changes, such as an increase in the threshold for the Ontario Trillium Benefit and simplification and reduction of alcohol taxes.

Health Care and Education

The 2026 budget makes what the government is referring to as “targeted investments” in health care and education, including an expansion of the province’s four-year investment in the Primary Care Action Plan to \$3.4 billion from 2025 to 2029, to expand patient access to a doctor or primary care physician. The government is also investing \$1.1 billion in additional hospital funding for 2026–27, and an additional \$1.1 billion over three years in home and community care.

In education, the government is investing \$66 million per school year in a Classroom Supplies Fund, providing homeroom teachers access to \$750 annually to reduce out-of-pocket expenses.

Infrastructure, Energy and Critical Minerals

Before “protect,” the word “build” was a frequent theme for Ontario budgets. The 2026 Ontario budget reiterates this government’s priority focus through its 10-year, \$210 billion capital plan and major projects, including Highway 413 and the Bradford Bypass, as well as the Ontario Line. The government’s plan to build the first of four small modular reactors at the Darlington nuclear site and construct all-season road access to the Ring of Fire was also referenced, as the government continues to make critical minerals a top priority.

AI, Innovation and Capital Markets

Artificial Intelligence

The 2026 budget recognizes that AI represents a significant economic opportunity for the province, citing research from Deloitte Canada, commissioned by the Vector Institute, which estimates AI adoption could generate \$122 billion in real GDP for Ontario and create an average of 17,600 new jobs annually between 2025 and 2035.

The 2026 budget commits to working with industry and academic partners to develop a comprehensive provincial AI strategy, to be launched in summer 2026. The plan will support

the scale-up of Ontario-based AI firms, expand access to sovereign compute and data resources and improve the province's energy infrastructure. The government also intends to establish clear governance frameworks and enhance AI literacy.

Through an additional \$107 million investment over three years, the government is renewing the Critical Technology Initiatives program, with another call for proposals upcoming.

Protect Ontario Account Investment Fund

Building on the Protecting Ontario Account announcement in the 2025 Ontario Budget, the government will establish the Protect Ontario Account Investment Fund, in which the government will invest up to \$4 billion to identify and execute on a pipeline of new economy-enabling investment opportunities in high-growth industries. The fund aims to crowd in investment from pension funds and other private capital to advance Ontario's long-term economic and strategic priorities.

New Tools to Combat Money Laundering

First announced in [2024 Fall Economic Statement](#), the Ontario government committed in the 2026 budget that it will be implementing a Beneficial Ownership Registry (BOR) in 2027. This new registry was developed in consultation with law enforcement, business owners and regulators, including CPA Ontario. The BOR is part of a coordinated, national framework to combat financial crime through a national, publicly accessible registry.

Cryptocurrency, Capital Markets and Financial Innovation

In its 2025 budget, the federal government announced its intention to introduce legislation to regulate the issuance of fiat-backed stablecoins in Canada with the *Stablecoin Act*. The Ontario government announced it will work with the federal government on the Canadian stablecoin regulatory framework, convening targeted consultations in the coming months on effective regulation of digital assets.

The government is positioning its foray into stablecoins to reinforce the province's status as an international hub for finance. The provincial government's continued advocacy for the City of Toronto to be selected as the headquarters of the [new Defence, Security and Resilience Bank \(DSRB\)](#), a multilateral lending institution to finance defence, security and resilience projects for NATO and allied nations, follows in the same mold. The province launched a comprehensive bid, supported by CPA Ontario, to host the Bank in the City of Toronto in the past year.

Conclusion

A Plan to Protect Ontario marks a continuation, not a deviation, from the path the government has charted over the past year as it grapples with a [challenging geopolitical environment](#). However, with Ontario's economic and fiscal performance projected to deteriorate in the near term, bolder action, including a more aggressive approach to reform in the Tax Action Plan, can put the province on a stronger trajectory towards competitiveness, productivity and growth.