

Submission for the Pre-Budget Consultations in Advance of the Fall 2026 Federal Budget

Canadian Worker Co-operative Federation (CWCF)

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SOLIDARITY WORKS / LA SOLIDARITÉ NOUS RÉUSSIT



CWCF LIST OF RECOMMENDATIONS [aligned with the recommendations of Co-operatives and Mutuals Canada (CMC), of which CWCF is a member]

Recommendation 1: That the government provide funding in the amount of \$100 million over five years to launch a national Co-operative Investment Fund to provide repayable, patient capital for co-operative start-ups, expansions, and business conversions.

Recommendation 2: That the government amend the Income Tax Act to ensure all eligible co-operatives and member-owned Canadian-Controlled Private Corporations (CCPCs) can access the Small Business Deduction regardless of their sector.

Recommendation 3: That the government collaborate with the co-operative sector on the technical legislative drafting of the permanent \$10-million capital gains tax exemption to ensure robust protection for qualifying co-operative conversions.

Recommendation 4: That the government prioritize co-operative housing within Build Canada Homes' mandate and extend federal rental assistance through the Federal Community Housing Initiative beyond 2028.

Recommendation 5: That the government implement mandatory social value targets and community-ownership metrics to integrate co-operatives into the federal "Buy Canadian" procurement framework.

Recommendation 6: That the government provide funding to establish a national Co-operative Knowledge and Innovation Hub to address the sector's visibility gap through disaggregated data and standardized impact measurement

DETAILS OF SUBMISSION

Context

Canada entered 2026 at an economic inflection point. Persistent affordability pressures, a continued housing crisis, lagging productivity, and global market 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 jobs³.

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, the 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.

¹ Statistics Canada Report, “Update on the Entry into and Exit from Self-Employment and Business Ownership in Canada”,

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%93-93-summary-report.pdf>

³ CFIB, “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%93-93-summary-report.pdf>

As the national apex voice for worker-owned co-operatives, the Canadian Worker Co-operative Federation (CWCF) recommends six high-impact actions to future-proof Canada's growth.

Recommendation 1: Create a Co-operative Investment Fund

CWCF recommends an initial federal capitalization of **\$100 million** over five years to launch a purpose-built national fund providing repayable capital for co-operative growth.

- **Scaling 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.⁶
- **Securing Conversions:** 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.
- **Leveraging Capital:** Federal investment will act as a "cornerstone," de-risking the Fund to attract additional leverage of private and community capital.

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

CWCF calls for a targeted amendment to **Section 125 of the *Income Tax Act*** to harmonize tax treatment across all co-operative sectors.

- **Eliminating Disincentives:** Current rules inadvertently penalize Canadian-Controlled Private Corporations (CCPCs) for joining co-operatives by categorizing their income as "specified corporate income," creating a direct tax disadvantage compared to traditional SME counterparts. Restoring the SBD access will ensure that entrepreneurs are not unfairly penalized with a higher tax rate simply for choosing a co-operative business structure.
- **Unlocking 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.⁷ 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.
- **Professional Validation:** This recommendation 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.⁸ 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.

⁶ 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>

⁷ Xero, "Small business tax rate in Canada: Federal and provincial guide," <https://www.xero.com/ca/guides/small-business-tax-rates/>

Recommendation 3: Ensure Robust Implementation of Capital Gains Tax Relief

CWCF and Co-operatives and Mutuals Canada (CMC) welcome the permanent codification of the \$10-million capital gains tax exemption for sales to worker co-ops and Employee Ownership Trusts (EOTs).

- **Technical Oversight:** The focus now shifts to technical oversight; CWCF, along with CMC, will work closely with Finance officials to ensure final legislative drafting in the *Income Tax Act* remains robust and that “qualifying co-operative conversions” are fully protected.

Recommendation 4: Strengthen Co-operative Housing

CWCF joins with CMC and CHF Canada to call on the government to prioritize co-operative housing within the operational framework of [Build Canada Homes](#) (BCH), and to transition the [Federal Community Housing Initiative](#) (FCHI) and Canada Community Housing Initiative toward permanent programs that secure existing affordable homes. Although CWCF’s primary focus is on workplace democracy and employee-owned enterprise, workers need housing, and they need it to be affordable.

- **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 2030.⁹
- **Protecting 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

CWCF recommends integrating co-operatives and other types of social enterprises into the \$186-million Buy Canadian Policy framework.

- **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](#).
- **Scoring Metrics:** Formally include “community ownership” and “local profit reinvestment” as metrics within the 25% “Canadian Value” federal contract evaluations.
- **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.

Recommendation 6: Build a National Co-op Data Infrastructure

⁸ 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

⁹ Deloitte/Canadian Housing Renewal Association/ Housing Partnership Canada, “The Impact of Community Housing on Productivity,” https://chra-achru.ca/wp-content/uploads/2023/11/Community-Housing-and-Productivity-Study_final.pdf

CWCF joins with CMC to seek federal investment to establish a Co-operative Knowledge and Innovation Hub to bridge the "visibility gap" in current policy.

- **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.
- **Standardizing Impact Measurement:** Consistent impact measurement frameworks will allow for a unified understanding of how co-operatives 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.

About the Canadian Worker Co-operative Federation

CWCF, incorporated in 1992, is a national, bilingual grassroots membership organization of and for worker co-operatives, related types of co-operatives (multi-stakeholder co-ops and worker-shareholder co-ops), and organizations that support the growth and development of worker co-operatives.

Our vision is to be an economically resilient and inclusive worker co-operative network, at the centre of building a just and sustainable economy across Canada.

CWCF nurtures a resilient worker co-operative ecosystem by building organizational capacity and advancing collective action rooted in justice, democracy, and shared prosperity. We do this by supporting worker co-operative development, strengthening financial and operational foundations, and connecting co-operatives into a national movement capable of shaping economic systems.

CWCF is governed by a Board of Directors comprising of five regional directors: BC, Prairies, Ontario, Quebec, and Atlantic, two at-large directors and two Equity advisors.