Top 8 Payroll Changes for 2026



There are 8 important CRA and provincial income tax changes that HR and payroll directors need to know about to complete their T4s and year-end CRA and provincial tax filings for 2025 and avoid costly errors moving forward into the new 2026 payroll year.

1. New T4 Codes for Reporting Employee Security/Stock Options (ESOs)

Tax changes affecting ESO deductions contained in Budget 2024 that were supposed to take effect in tax year 2025 have been deferred starting with options sold or exercised after December 31, 2025. **Result:** The 50% deduction for ESOs will continue for 2026 T4 filings, but employers must withhold 1/3 on amounts above the combined limit for future filings. Employers that fail to withhold or remit face potential CRA administrative penalties of 10-20%. So, it’s essential to avoid T4 errors.

What To Do: To report ESO benefits and related deduction for the 2025 calendar year on Box 4 of the T4 slip, employers may use either:

- Codes 38, 39, and 41 (for slips filed on or after January 12, 2026), or
- Codes 90, 91, and 92.

2. New Federal EI Premium Rates

Be sure to use the right federal premium rates in withholding and reporting EI deductions for the 2025 and 2026 tax years.

Federal EI Premiums & Maximums

Year	Maximum annual insurable earnings	Rate (%)	Maximum annual employee premium	Maximum annual employer premium
2026	$68,900	1.63	$1,123.07	$1,572.30
2025	$65,700	1.64	$1,077.48	$1,508.47

3. New Québec EI Premium Rates

Here are the EI premium rates and maximums to use when Québec is the province of employment:

Québec EI Premiums & Maximums

Year	Maximum annual insurable earnings	Rate (%)	Maximum annual employee premium	Maximum annual employer premium
2026	$68,900	1.30	$895.70	$1,253.98
2025	$65,700	1.31	$860.67	$1,204.94

4. New CPP Contribution Rates

Verify the accuracy of your 2025 CPP withholdings and use the right rates and exemptions in the coming year.

CPP Contribution Rates, Maximums & Exemptions

Year	Maximum annual pensionable earnings	Basic exemption amount	Maximum contributory earnings	Employee + employer contribution rate (%)	Maximum annual employer + employee contribution	Maximum annual self-employed contribution
2026	$74,600	$3,500	$71,100	5.95	$4,230.45	$8,460.90
2025	$71,300	$3,500	$67,800	5.95	$4,034.10	$8,068.20

5. New QPP Contribution Rates

Here are the new indexed QPP pensionable earnings and contribution rates for Québec employees. Use the data from the first table for the portion of the pensionable salary or wages that doesn’t exceed the QPP maximum pensionable earnings.

QPP Contribution Rates, Maximums, & Exemptions on Pensionable Earnings Below Maximum

Year	Maximum pensionable earnings	Basic exemption	Maximum contributory earnings	Employee + employer contribution rate (%)	Maximum employee contribution	Maximum employer contribution
2026	$74,600	$3,500	$71,100	6.30	$4,479.30	$4,479.30
2025	$71,300	$3,500	$67,800	6.40	$4,339.20	$4,339.20

Use the table below for the portion of the pensionable salary or wages that does exceed the QPP maximum pensionable earnings, if applicable.

QPP Contribution Rates, Maximums, & Exemptions on Pensionable Earnings Above Maximum

Year	Additional maximum pensionable earnings	Maximum pensionable earnings	Additional maximum contributory earnings	Second additional contribution rate (%)	Employee maximum second additional contribution	Employer maximum second additional contribution
2026	$85,000	$74,600	$10,400	4.0	$416	$416
2025	$81,200	$71,300	$9,900	4.0	$396	$396

6. Same Information Return Type for Single Filings Rule

Remember that as of January 1, 2025, all returns included in a single submission must correspond to the same information return type. So, for example, if you file a T4 information return type, you can file for multiple Business Numbers, but all returns must be T4 information return type. If not, the file will be invalid and rejected.

Although the XML can only include one form type, the summary count information is still needed since there can be multiple distinct returns. Hence the need for distinct summaries for the same form type.

A file can also include returns for multiple taxation years, such as a T4 return for the 2024 tax and a T4 return for tax year 2025.

7. Lower Federal Income Tax Rate for Lowest Bracket

Effective January 1, 2026, the federal income tax rate for the lowest income bracket decreased from 14.5% to 14.0%. Be sure to adjust your payroll withholdings and reporting for the new year accordingly. Here are the federal income tax rates and brackets for 2026:

- 14% for income under $58,523.
- 5% for income from $58,523 to $117,045.
- 26% for income from $117,045 to $181,440.
- 29% for income from $181,440 to $258,482.
- 33% for income of $258,482 and over.

8. Provincial Income Tax Changes

Five provinces made potentially significant income tax changes that took effect for the 2026 tax year.

Alberta Tax Bracket Changes

Alberta revised its income tax brackets. Effective January 1, 2026, use the following brackets and rates for Alberta tax withholdings:

- 8% for income under $61,200.
- 10% for income from over $61,200 to $154,259.
- 12% for income from over $154,259 to $185,111.
- 13% for income from over $185,111 to $246,813.
- 14% for income from over $246,813 to $370,220.
- 15% for income over $370,220.

Manitoba Tax Bracket Changes

Last July, Manitoba ended indexation of its Basic Personal Amount (BPAMB) and implemented a prorated BPAMB maximum of $15,969. The maximum Manitoba BPAMB for 2026 is $15,780. Here are the revised provincial tax brackets and rates to use for Manitoba employees in 2026:

- 8% for income under $47,000.
- 75% for income from $47,000 to $100,000.
- 4% for income of $100,000 and above.

Nova Scotia BPANS Changes

Until last year, Nova Scotia applied a formula to claw back, or reduce, the amount of

the Basic Personal Amount (BPANS) for taxpayers earning above $25,000. The higher annual earnings were above the $25,000 threshold, the greater the BPANS reduction until taxable income reached $75,000 at which point the BPANS would be totally eliminated. But last July, Nova Scotia got rid of the clawback mechanism and set the BPANS at a fixed maximum that applies to all taxpayers regardless of income. On January 1, 2026, that BPANS maximum increased from $11,744 to $11,932. **Action Point:** Companies must make sure they're using the newly indexed BPANS maximum and no longer applying the clawback formula to their Nova Scotia employees.

Prince Edward Island BPA Increase

Prince Edward Island's Basic Personal Amount (BPA) exemption increased from $14,650 to $15,000, effective January 1, 2026.

Saskatchewan Personal Exemptions Increases

Saskatchewan plans to raise its BPA (Basic Personal Amount), spousal and equivalent-to-spouse exemption, dependent child exemptions, and senior supplementary amounts are by $500 in each of the next 4 tax years. This is in addition to the annual indexation increases. For 2026, Saskatchewan's BPA will be $20,381.