Mechanical Contractors Association of Canada
BUILDING SMARTER TOGETHER

September 15, 2026

WHAT THE PRODUCTIVITY MEGA DEDUCTION MEANS FOR MCAC MEMBERS

Today, the Government of Canada announced a new Productivity Mega Deduction, focused on "boosting business investment, enhancing certainty and simplicity for businesses, and strengthening Canada's tax competitiveness". The change will expand immediate expensing to a much broader range of assets and sectors, including construction.

This has been one of MCAC's core advocacy priorities over the past year, and the expansion is an important recognition by government of the role our sector plays in advancing nation-building goals.

You can read our full media release here.

WHAT'S NEW?

The ***previous*** Productivity Super-Deduction (announced in Budget 2025) introduced 100% immediate expensing for a targeted range of investments, largely focused on manufacturing, processing, and clean energy. Other investments could still receive an enhanced first-year deduction through the Accelerated Investment Incentive, but not the full immediate expensing available under the Productivity Super-Deduction.

The ***new*** Productivity Mega Deduction significantly expands the range of investments that can access immediate expensing to an estimated two-thirds of capital assets. Importantly, construction is explicitly included as an eligible category.

For a contractor, the key change is straightforward: if a qualifying $100,000 piece of equipment is purchased and becomes available for use, the full $100,000 can be deducted against taxable income that year, rather than having the deduction spread over several years. This means the tax benefit is received earlier, improving cash flow in the year of the investment.

The new measure applies to eligible property acquired on or after September 15, 2026. It will reduce the Marginal Effective Tax Rate for the construction sector from 18.3% to 13.0%.

NEXT STEPS

MCAC has advocated for this expansion throughout the year, including through Hill Day and follow-up discussions with the Finance Committee, Department of Finance officials and political staff.

We will now follow up to confirm specific eligibility of the equipment and technologies MCAC has advocated for, including construction robotics and automation, digital construction and BIM technologies, advanced surveying and layout equipment, and prefabrication and modular construction technologies.

If members have questions about specific equipment or other aspects of the new measure, please reach out to the MCAC team directly.