



**Coalition to Support
Investment in Canada**

Growing Public Capital To Build A Resilient Canadian Economy

**Written Submission to the Standing Committee on Finance
in Advance of Federal Budget 2026**

By: The Coalition to Support Investment in Canada

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Growing Public Capital to Build a Resilient Canadian Economy

Submitted by: The Coalition to Support Investment in Canada

List of Recommendations

Recommendation 1

The government should allow for **deferral of capital gains tax** when a Canadian resident taxpayer sells publicly listed equity securities and reinvests the proceeds in an initial public offering of a small or mid-size Canadian company (“CanCo”¹). Capital gains tax will be payable when shares are sold and not subsequently reinvested in a CanCo IPO.

Recommendation 2

The government should provide an immediate **tax credit** of 25¢ for each \$1 of CanCo shares purchased in the market by a Canadian resident taxpayer. The tax credit will be reversed to the extent the shares are sold for over the \$.75 effective cost basis.

Recommendation 3

The government should introduce a **reduced corporate tax rate** for CanCo’s for a five-year period following a go-public event.

Recommendation 4

The mandate of the **Canada Strong Fund** should explicitly include support for CanCos.

Recommendation 5

The government should encourage Canada’s pension plans, specifically the **Canadian Pension Plan Investment Board (CPPIB)**, to invest at least 1% of its assets in CanCos, possibly through the Canada Strong Fund.

¹ CanCo is defined as an operating public company resident in Canada with a market capitalization up to C \$1.5 billion and listed on a Canadian stock exchange. There are differing views among our group as to whether a CanCo must be exclusively listed on a Canadian exchange.

Who We Are

The Coalition to Support Investment in Canada (the “Coalition”) is a broad-based group of capital market participants with longstanding experience and expertise in Canada’s public capital markets, and a strong interest in related public policy. We have been watching the decline in Canada’s public capital markets – and the impact on Canadian small and mid-size companies, Canadian investors, and the Canadian economy - with increasing concern. The recommendations set out in this submission are designed to address that decline and build resiliency in the Canadian economy.

Healthier public capital markets will provide an opportunity for Canadians to invest in Canadian companies and will support a stronger Canadian economy. Canada’s small and mid-size companies are key drivers of our productivity, and, if supported through workable public policies, will be well placed to scale up to become competitors in the global marketplace. And as Canadian companies scale up, foreign investors will take notice.

The Coalition welcomes the opportunity to make this submission with a series of recommendations that we believe will go far to facilitate investment of public market capital in small and mid-size Canadian companies, building resiliency in the Canadian economy and setting Canadian companies up for success on the world stage.

Background

Healthy public markets are a key piece of the capital ecosystem that will contribute to Canada’s growth and resiliency. Support for our public capital markets is essential to unleashing new investment, creating better jobs and higher incomes for Canadians, and facilitating economic expansion.

Canada’s public capital markets are in decline.

- Over the past 20 years, the TSX has lost almost 30% of its listed operating companies, and capital raised in new IPOs for the last three years has decreased by over 80% compared to the average over the 10 preceding years.
- Capital issuance in the Canadian public markets averaged \$48B per year for the last 20 years ending 2021. Since then, yearly issuances have averaged roughly half of that, with smaller companies having the most difficulty accessing the market.² There was a significant decline in issuances after 2021 in Canada and the U.S., but the U.S. market recovered to over its 20-year average last year in 2024 and 2025, while Canada continues to lag historical levels.³

² Based on data recorded by FPAdvisor – Appendix 1

³ Based on data sourced from Dealogic – Appendix 2



- Over the past 10 years, investors have increasingly invested in money market funds over equity markets. Money market fund investments since 2016 have gone from a little over ~US\$2.7T to over ~US\$7.8T at the end of 2025. To put that into context, the TSX had market capitalization of US\$3.7T at the end of 2025. Money markets are a near cash investment often used to store cash as a source for future investments.⁴
- Over the last decade there has been a decrease in the level of participation by pension funds in the Canadian public markets, particularly in small and mid-size companies. The Canadian Pension Plan Investment Board (CPPIB) was a large and significant participant in the Canadian public markets in the early 2000's, but since the 2008-2009 financial crisis has essentially only invested in large companies.⁵

The decline in Canada's public capital markets is bad for Canadians, Canadian companies and the Canadian economy:

- Small and mid-size Canadian companies – key drivers of Canada's economic growth - are struggling to find capital in Canada.
- Canadians who want to invest in Canadian companies and participate in their growth have limited options.
- Small and mid-size Canadian companies are being forced to seek capital in foreign capital markets or from foreign private equity sources, often resulting in the sale of a Canadian business to a foreign buyer. Canada is losing its small, growing companies to foreign buyers who see their potential and reap the rewards.
- Canadian companies strapped for capital can not spend appropriately on productivity improvements and R&D. Canada is consequently losing head offices, human capital, intellectual property and tax revenue, which in turn erodes Canada's economic sovereignty.

While we are pleased to see increasing interest by institutional investors to invest in large Canadian companies and major projects, it remains the case that small and mid-size Canadian companies – key drivers of the Canadian economy – remain below the radar for these large investors. Even companies with a market cap of over \$1 billion are simply too small for these institutional players. With the introduction of targeted and thoughtful public policy changes, there is an opportunity to attract retail investors to these companies and provide Canadians with the opportunity to contribute to – and benefit from - the growth of Canada's small and mid-size companies.

⁴ Based on the ICI All Money Market Funds Index – Appendix 3.

⁵ [CPP Public Disclosure](#).

Recommendations and Rationale

The Recommendations set out below are designed with one primary goal in mind – increasing capital in Canada’s public markets. The recommendations are designed to make it easier for small and mid-size Canadian companies to raise capital, and for Canadians to participate in the growth of these home-grown companies. We believe that **facilitating access to capital is essential to strengthening Canada’s economy, creating new jobs and growth.**

Note on the definition of small and mid-size Canadian companies (“CanCo”): For the purposes of these recommendations, we have defined “small and mid-size Canadian company” as an operating public company resident in Canada with a market capitalization up to C \$1.5 billion and listed on a Canadian stock exchange (referred to as “CanCo”).⁶ There are differing views among our group as to whether a CanCo must be exclusively listed on a Canadian exchange.

Recommendation 1

The government should allow for **deferral of capital gains tax** when a Canadian resident taxpayer sells publicly listed equity securities and reinvests the proceeds in an initial public offering of a small or mid-size Canadian company (“CanCo”). Capital gains tax will be payable when shares are sold and not subsequently reinvested in a CanCo IPO.

- This recommendation is conceptually similar to U.S. tax policies designed to encourage investment in emerging growth companies, including the Qualified Small Business Stock (QSBS) rollover provisions under IRC Section 1045, which permit deferral of capital gains taxes where proceeds are reinvested into qualifying small business equities.

Recommendation 2

The government should provide an immediate **tax credit** of 25¢ for each \$1 of CanCo shares purchased in the market by a Canadian resident taxpayer. The tax credit will be reversed to the extent the shares are sold for over the \$.75 effective cost basis.

- A tax credit will provide a meaningful incentive for retail investors to provide more risk capital to growing Canadian companies.

⁶ The TSX and TSXV collectively represent approximately 95% of Canada’s listed operating company ecosystem. This subset represents \$176 billion of aggregate market capitalization, with an average market cap of \$117 million.

Recommendation 3

The government should introduce a **reduced corporate tax rate** for CanCo's for a five-year period following a go-public event.

- Providing CanCo's with a reduced corporate tax rate in their initial years as a public company will free up capital to grow the business in these critical early years.

Recommendation 4

The mandate of the **Canada Strong Fund** should explicitly include support for CanCos.

- Small and mid-size Canadian companies – key drivers of Canada's economic growth - are struggling to find capital in Canada. And Canadians who want to invest in Canadian companies have limited options.
- By investing in CanCos, the Canada Strong Fund can help promising Canadian companies to grow and compete on the world stage, while also providing Canadian investors an opportunity to participate in this growth.
- Investment by the Fund will send a strong signal to international investors of the real growth potential of these Canadian companies.
- Support for CanCo's will create a stronger, more independent, and more resilient economy for all Canadians

Recommendation 5

The government should encourage Canada's pension plans, specifically the **Canadian Pension Plan Investment Board (CPPIB)**, to invest at least 1% of its assets in CanCos, possibly through the Canada Strong Fund.

- If CPPIB were to invest even a small % of its assets in CanCo's, Canadians would have an opportunity to support the growth of Canada's small and mid-size companies and reap the benefit of that growth in their retirement. This policy could also give Canadians confidence to make their own investments in CanCos.
- This approach would provide approximately **\$7 billion** in incremental capital to CanCos or an approximate **4%** increase in demand for this critical element of the marketplace
- If CPPIB were to adopt this approach, provincially regulated pension funds may be encouraged to follow suit.

Conclusion

The Recommendations set out in this submission will meaningfully support investment in Canada's public capital markets, making it easier for small and mid-size Canadian companies to raise capital, and for Canadians to participate in the growth of these home-grown companies. **Policies that support public capital markets in Canada are an investment in Canadians, Canadian companies, and the Canadian economy.**

The Coalition thanks the Committee for the opportunity to make this submission and welcomes any follow up questions.

Submitted by:

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With Support From:

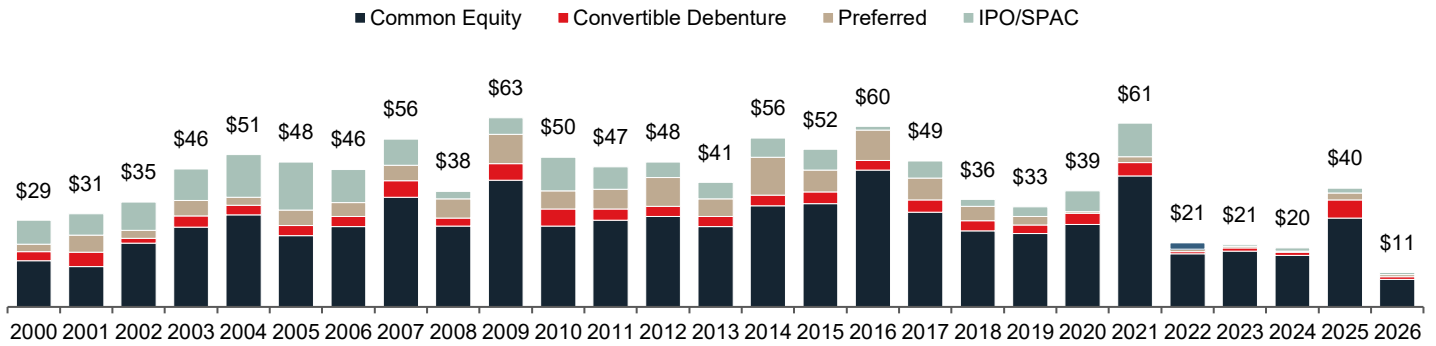
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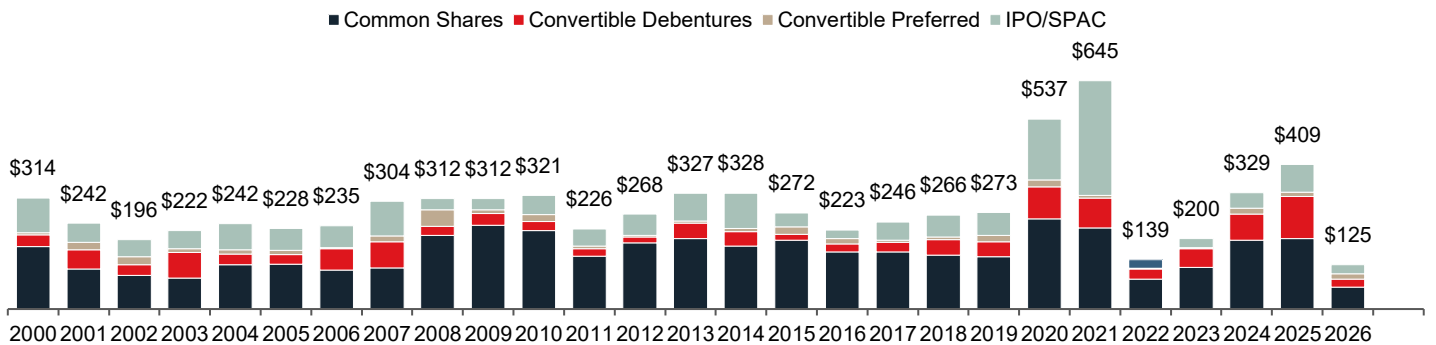
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APPENDIX 1: Canadian ECM Activity



APPENDIX 2: U.S. ECM Activity



APPENDIX 3: ICI All Money Market Funds Index

