

Canada moves ahead with changes to qualified investments for registered plans

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Authors: [Matias Milet](#), [Emily Gilmour](#), [Timothy Hughes](#), [Irene Kang](#), [Camille Andrzejewski](#), [Anna \(Mei Ling\) Li](#)

On May 6, 2026, the Canadian federal government introduced Bill C-31, which includes the [Budget 2025](#) proposals to add two new investment fund categories of qualified investments for registered plans and to repeal the registered investment regime.

[Budget 2025](#) included draft legislation for the proposed amendments to the rules that restrict investments that can be made by registered plans, including adding two new categories of qualified investments and repealing the registered investment regime. Further revisions to the draft legislation were released on [January 29, 2026](#).

New categories of qualified investments

Under current law, as long as an investment fund that is organized as a trust either qualifies as a mutual fund trust, is a registered investment, or has its units listed on a designated stock exchange, units of the fund are considered “qualified investments” for purposes of the rules governing registered plans. Bill C-31 proposes to add two new categories of trust units that would be considered qualified investments for registered plans at a particular time:

- Category 1: units of a trust that is subject to, and substantially complies with, the requirements of National Instrument 81-102 published by the Canadian Securities Administrators
- Category 2: units of a trust that, at the time of the qualified investment determination,
 - has a class of units outstanding that either has been lawfully distributed to the public without a required prospectus, registration statement or similar filing, or is qualified for distribution to the public
 - satisfies the conditions in subparagraphs (b)(i) to (vi) of the definition of “investment fund” in subsection 251.2(1) of the *Income Tax Act* (ITA) and
 - has its investments managed by a registered investment fund manager as described in National Instrument 31-103 published by the Canadian Securities Administrators

These two new categories of qualified investments are intended to capture most regulated retail and non-prospectus funds structured as trusts, including vehicles that might previously

have needed to qualify as a registered investment to be held by registered plans.

The above amendments, once enacted, would apply retroactive to November 4, 2025, the date of Budget 2025.

Registered investment regime

Budget 2025 proposed to repeal the registered investment regime as of January 1, 2027. The timeline remains the same in Bill C-31.

A “registered investment” is a trust (or corporation) that is formally registered with the Canada Revenue Agency under section 204.4 of the ITA so that its units (or shares) can be a qualified investment for registered plans, where they otherwise would not be. A “quasi mutual fund trust” is a registered investment that would be a mutual fund trust but for the failure to meet the mutual fund trust ownership/dispersal requirement, and that restricts its holdings to prescribed (qualified) investments. Quasi mutual fund trusts are subject to a penalty tax under the registered investment regime if they hold non-qualified investments (the registered investment tax).

Bill C-31 reflects the draft legislation released on January 29, 2026, which, as set out above, proposed to amend the registered investment regime to exempt trusts that qualify under Category 1 or Category 2 (i.e., many of those that currently are, or could be, registered as quasi mutual fund trusts) from the registered investment tax beginning November 4, 2025. As noted in Budget 2025, the two categories are expected to replace the registered investment regime, and accordingly Bill C-31 proposes to repeal the registered investment regime.

If you have any questions or require additional analysis on Bill C-31 as it relates to qualified investments and the registered investment regime, please do not hesitate to contact any of the authors.