Written Submission for the 2026 Pre-Budget Consultations in Advance of Budget 2026

By: Life Sciences Ontario

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List of Recommendations

Recommendation #1 Implement an integrated life sciences commercialization and competitiveness strategy

Recommendation #2 Establish a dedicated life sciences scale-up capital vehicle

Recommendation #3 Accelerate adoption and market access for life sciences innovation

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The Honourable François-Philippe Champagne
Minister of Finance and National Revenue
Department of Finance Canada
Ottawa, Ontario
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Pre-Budget Consultation in Advance of the 2026 Federal Budget

Dear Minister Champagne,

On behalf of Life Sciences Ontario (LSO), thank you for the opportunity to provide input ahead of Budget 2026.

LSO is a not-for-profit, fully member-funded organization dedicated to championing Ontario's dynamic life sciences sector. We collaborate with government, academia, industry and partner organizations to promote commercial success and sector growth. Through advocacy and education, LSO seeks an aligned and inclusive voice on policy issues to support the commercial success and growth of Ontario's life sciences companies.

Budget 2026 comes at a consequential moment for Canada's economy. Recent Canada-U.S. trade developments, including continued tariff uncertainty and the suspension of bilateral trade negotiations, have reinforced the need to build greater economic strength at home, diversify Canada's international partnerships and provide greater certainty for Canadian businesses.[1] Prime Minister Carney has framed the government's economic strategy around strengthening Canada's independence and sovereignty, making the country more competitive for strategic sectors to "invest, build and grow," and diversifying trade through greater strength at home.[2] Life sciences should be central to that strategy. The sector strengthens productivity, attracts investment, supports health and economic security, builds resilient domestic capabilities and creates highly skilled jobs. In Ontario alone, the life sciences sector generates at least $74.6 billion in annual revenue and supports more than 101,000 direct jobs, with over 650,000 jobs captured under a broader definition of the sector.[3]

The federal government has taken important steps to recognize life sciences as a strategic driver of Canada's economic growth, health security, and competitiveness. The Pharmaceutical and Life Sciences Sector Task Force reinforced this direction, calling for life sciences to be treated as a strategic, nation-building sector while identifying persistent barriers to commercialization and

[1] Prime Minister of Canada, "Statement by Prime Minister Carney on Canada-U.S. Trade Negotiations," August 21, 2026.
[2] Prime Minister of Canada, "Prime Minister Carney delivers remarks on Canada-U.S. trade negotiations," August 22, 2026
[3] Life Sciences Ontario, *Economic Impact Report 2025* (Toronto: Life Sciences Ontario, November 2025).

scale-up, access to capital, clinical trials, health data, regulation and market access.[4] The government has also launched the Canada Strong Fund, advanced the dedicated $200 million Growth VCCI Life Sciences Stream, enhanced SR&ED incentives, and continued investments in health-data interoperability and work on regulatory modernization.[5,6,7]

Budget 2026 should now turn that work into action. The barriers are well understood. The priority should be removing them. Canada's life sciences sector can help advance the government's goal of strengthening the domestic economy, improving health system resilience and attracting investment. To realize that potential, innovations developed here must have a better opportunity to be commercialized, financed, adopted and scaled in Canada. This requires an integrated approach that reflects the breadth of the ecosystem, including biotechnology, biopharmaceuticals, medical technologies, and diagnostics, digital health, artificial intelligence, advanced therapies and life sciences manufacturing.

To support these goals and translate recent commitments into action, we respectfully submit the following recommendations for consideration in Budget 2026:

Recommendation #1 Implement an integrated life sciences commercialization and competitiveness strategy.

We recommend that the federal government build on the Biomanufacturing and Life Sciences Strategy and recent federal initiatives to establish an integrated approach to commercialization, research competitiveness and growth across Canada's life sciences ecosystem.

To make Canada one of the most attractive jurisdictions for life sciences companies to invest, build and grow, Budget 2026 should:

- **Build on recent enhancements to Scientific Research and Experimental Development (SR&ED) and provide long-term predictability for life sciences Research and Development (R&D) and commercialization incentives.** Recent changes have expanded access to enhanced credit, increased expenditure limits and restored eligibility for qualifying capital expenditures.[8] The federal government should ensure the program

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[4] Pharmaceutical and Life Sciences Sector Task Force, *Pharmaceutical and Life Sciences Sector Task Force: Report to the Ministers of Health and Industry,* Government of Canada, July 24, 2026.
[5] Department of Finance Canada, *Canada Strong Fund,* April 27, 2026.
[6] Innovation, Science and Economic Development Canada, "Discussion guide: Life sciences stream," Venture Capital Catalyst Initiative, July 2026.
[7] Canada Revenue Agency, "*SR&ED News and Updates", 2026; Health Canada, 2026-27 Department Plan*, 2026
[8] Canada Revenue Agency, "SR&ED News and Updates," 2026.

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appropriately supports the realities of life sciences R&D, including eligible clinical research and other capital-intensive development activities.

- **Advance a federal patent box regime** to encourage the commercialization and retention of intellectual property developed through Canadian R&D.[9] Canada should create stronger incentives not only to generate intellectual property here, but to retain, commercialize and derive economic value from it here.
- **Prioritize passage and implementation of Bill S-5, the Connected Care for Canadians Act, with appropriate implementation resources**.[10] Greater health data interoperability will support clinical research, digital health, diagnostics, real-world evidence and the responsible adoption of artificial intelligence across the life sciences ecosystem.

These measures should be connected through a clear federal strategy with measurable outcomes for commercialization, investment, clinical research, Canadian intellectual property and company growth. Building Canadian innovation capacity is essential to reducing external dependencies and strengthening Canada's economic and health security.

Recommendation #2 Establish a dedicated life sciences scale-up capital vehicle.

We recommend that the federal government establish a dedicated source of late-stage capital to help Canadian life sciences companies scale and remain anchored in Canada.

Canada has demonstrated an ability to create promising life sciences companies but continues to face a significant gap in domestic late-stage and growth capital. The Pharmaceutical and Life Sciences Task Force identified this as a structural barrier that contributes to the loss of Canadian ownership, intellectual property and economic value as companies scale.[11]

At a time when the federal government is seeking to mobilize investment into strategic Canadian industries and strengthen Canada's economic independence, Budget 2026 should:

- **Establish a nationally anchored life sciences scale-up vehicle,** including through a dedicated life sciences investment sleeve within the Canada Strong Fund or an expanded mandate for the Canada Growth Fund, consistent with the recommendations of the Pharmaceutical and Life Sciences Task Force.[12]

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[9] Department of Finance Canada, 2024 *Fall Economic Statement,* December 16, 2024.
[10] Parliament of Canada, LEGISinfo, Bill S-5, *Connected Care for Canadians Act,* 45th Parliament, 1st Session.
[11] Pharmaceutical and Life Sciences Sector Task Force, *Pharmaceutical and Life Sciences Sector Task Force: Report to the Ministers of Health and Industry,* Government of Canada, July 24, 2026.
[12] Ibid

- **Build on the new $200 million Growth VCCI Life Sciences Stream** to mobilize greater private and institutional investment across the life sciences ecosystem, including biotechnology, medical technologies, diagnostics and digital health.[13]
- **Mobilize greater pension fund and institutional investment in Canadian life sciences,** by structuring federal investment programs to crowd in private capital, including greater participation from Canadian pension funds and other institutional investors, with investment decisions made at arm's length by experienced fund managers with life sciences expertise.[14][15]
- **Strengthen Canada's public capital markets for life sciences companies** by developing targeted incentives to increase domestic investment and help Canadian companies raise growth capital at home, including consideration of approaches such as flow-through shares or comparable tax-based investment incentives informed by international models such as the United Kingdom's Enterprise Investment Scheme.[16][17][18]

Together, these measures would help Canadian companies secure the capital they need to scale, compete globally and grow in Canada.

Recommendation #3 Accelerate adoption and market access for life sciences innovation.

We recommend that the federal government work with provinces and territories to create faster, more predictable and coordinated pathways for innovative medicines, medical technologies, diagnostics, digital health solutions and other life sciences innovations. Canada's ability to generate world-class innovation must be matched by its ability to adopt. Coordinated regulatory, assessment, reimbursement and procurement processes would improve patient access, encourage investment and make Canada a more attractive market in which to launch and scale innovative products.

Budget 2026 should:

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[13] Innovation, Science and Economic Development Canada, "Discussion guide: Life sciences stream," Venture Capital Catalyst Initiative, July 2026.
[14] Pharmaceutical and Life Sciences Sector Task Force, *Pharmaceutical and Life Sciences Sector Task Force: Report to the Ministers of Health and Industry,* Government of Canada, July 24, 2026.
[15] Innovation, Science and Economic Development Canada, "Discussion guide: Life sciences stream," Venture Capital Catalyst Initiative, July 2026.
[16] Pharmaceutical and Life Sciences Sector Task Force, *Pharmaceutical and Life Sciences Sector Task Force: Report to the Ministers of Health and Industry,* Government of Canada, July 24, 2026.
[17] Natural Resources Canada, *Tax incentives for Mining and Exploration,* Government of Canada.
[18] HM Revenue & Customs, *Apply to Use the Enterprise Investment Scheme to Raise Money for your Company,* Government of the United Kingdom, April 6, 2026.

- **Improve coordination across regulatory, assessment, reimbursement and procurement pathways**, including greater use of parallel and coordinated reviews where appropriate and value-based procurement approaches that consider patient outcomes, health system productivity, long-term value and economic benefits.
- **Advance regulatory modernization and adoption pathways for medical technologies and diagnostics.** This should include greater use of international regulatory reliance where appropriate, reduced duplication and clearer pathways to help clinically validated technologies move from regulatory approval and successful pilots to broader health system adoption.
- **Use public procurement more strategically to support life sciences innovation and strengthen Canada's health system.** Procurement should create clearer pathways for proven innovations to be adopted in Canada, while maintaining competition and prioritizing value, patient outcomes, health system performance and productivity.
- **For innovative medicines, review the PMPRB's current approach to international price referencing and price monitoring** [19]given recent shifts in international drug pricing policy, including U.S. Most-Favored Nation (MFN) policies, to ensure Canada remains a competitive launch market and that international price linkages do not unintentionally delay product launches, patient access, clinical research or investment.
- **Work with the pan-Canadian Pharmaceutical Alliance and provincial and territorial partners to accelerate negotiations,** including through better alignment with Health Canada and health technology assessment processes, with a target of achieving listing agreements within 30-60 days following a letter of intent, as recommended by the Pharmaceutical and Life Sciences Task Force.[20]

Improving the pathway from development to adoption would allow Canada to capture more of the value created by its own research and innovation. It would also help improve health system productivity, strengthen Canadian companies and make the country a more attractive market for global investment and product launches.

Conclusion

Canada has an opportunity to strengthen its life sciences sector as a source of economic growth, health security and global competitiveness. Budget 2026 can help translate recent federal

[19] Pharmaceutical and Life Sciences Sector Task Force, *Pharmaceutical and Life Sciences Sector Task Force: Report to the Ministers of Health and Industry,* Government of Canada, July 24, 2026.
[20] Ibid

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commitments into measurable results by creating the conditions for Canadian innovations to be developed, adopted and scaled at home, while fostering a competitive and predictable environment that attracts and retains investment in Canada. Strengthening these conditions will support long-term sector growth, reinforce domestic capacity and supply chains and help protect Canada's sovereignty.

Life Sciences Ontario looks forward to working with the federal government to advance these priorities.

Jason Field,
President and CEO
Life Sciences Ontario