VIDEO TAX NEWS

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Editorial Board:
Caitlin L. Butler CPA, CA
Joseph R. Devaney CPA, CA
Hugh C. Neilson FCPA, FCA, TEP

WHAT'S INSIDE

1 Government Releases

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FINANCE RELEASES

1. **June 29, 2025** – The Department of Finance issued a News Release (**Canada rescinds digital services tax** to advance broader trade negotiations with the United States) stating that the digital services **tax collection will be halted** and legislation will be brought forward to **rescind the tax**.

   the digital services tax will be repealed

   A July 3, 2025 Financial Post article (Companies caught in digital services tax crossfire as CRA won't issue refunds, Kim Moody) noted that CRA indicated that it does **not** have the **authority to refund** payments already made **until the legislation** is formally repealed. A recent update to CRA's digital services tax website noted the same position.

CRA RELEASES

1. **July 9, 2025** – On the EFILE news and program updates webpage, CRA provided the reminder that **beginning July 15, 2025**, representatives will **need to use Represent a Client** to obtain access to an **individual's account** – the ability to gain access through **EFILE** software will **no longer be available** (see VTN 524(8161)). The five-day processing time frame for this method will be replaced with instant

   new process for obtaining access

access. Alternatively, taxpayers can add representatives through their CRA My Account. On July 17, 2025, CRA issued a Tax Tip providing similar information.

The change will not impact authorization requests submitted through EFILE for business clients.

2. **July 4, 2025** – **Form T1141**, Information Return in Respect of **Contributions to Non-Resident Trusts**, Arrangements, or Entities has been updated to require **additional information** in respect of items such as the following:

    - **joint elections**;
    - **foreign** jurisdiction tax **identification number**;
    - **supporting documents** relied upon to complete the form;
    - details on **whether property contributed** other than funds was **taxable Canadian property**; and
    - **non-resident trust**, arrangement or entity **details**.

additional information required in respect of contributions to non-resident trusts

3. **July 3, 2025** – **Form T1142**, Information Return in Respect of **Distributions from** and **Indebtedness to** a **Non-Resident Trust** has been updated to require **additional information** in respect of non-resident trusts and settlors as well as supporting documents.

4. **July 3, 2025** – CRA posted a webpage indicating that it is **changing** the method of **delivering most mail** from paper **to online only** for about 500,000 benefit recipients. Affected taxpayers will receive an **email notification** and a letter from CRA with more information on what is changing. The change applies to some **benefit recipients** who are **registered for a CRA account** and currently receive paper mail.

See **Appendix A** for a listing of **resources prepared** by **Video Tax News** that are available on the Video Tax News portal and for recently released/updated **CRA publications and forms**.

OTHER RELEASES

1. **June 26, 2025** – **Bill C-5**, One Canadian Economy Act received Royal Assent. The Bill focused on removing federal **barriers** to **internal trade** and **labour mobility**.

2. **June 25, 2025** – A Competition Bureau of Canada News Release (**Landlords** and **property managers: agreeing with competitors on rental prices is illegal**) reiterated that it is **illegal** for **competitors** to **agree about** any of the following and such actions are a criminal offence under the Competition Act:

- **rental prices**, including any increases or surcharges;
- the **terms** of their **leases**, including amenities and services; and
- **restricting the housing supply** by artificially reducing the availability of rental units.

3. **June 20, 2025** – The Office of the **Taxpayer's Ombudsperson** released its **Annual Report** for **2024-2025: Clearing the Path**, which provided the following two recommendations:

   - CRA should **review** its **content** on **Canada.ca** to **remove redundant information** and to make sure the information it provides is relevant, clear, concise and easy to find, with the review being completed and changes started to be implemented by spring 2026; and
   - CRA should provide a **permanently funded grant program** for organizations participating in the **Community Volunteer Income Tax Program** and the Income Tax Assistance – Volunteer Program to support their **free tax clinics** and help them offset their operating costs.

tax information on Canada.ca may be improved or cleaned up

4. **June 3, 2025** – Bill C-2, Strong Borders Act was introduced. This Bill would prohibit **businesses and charities** from **receiving cash** payments of **$10,000** or more, whether in a single transaction or as the sum of a series of transactions. The Bill would also **significantly increase penalties** on reporting entities for non-compliance with the **Proceeds of Crime** (Money Laundering) and Terrorist Financing Act (the Proceeds of Crime Act).

2 Personal Tax

528(2)

FIRST-TIME HOME BUYERS' CREDIT – MOBILE HOME

A May 2, 2025 **Technical Interpretation** (2024-1021711E5, Xiaowan Yao) noted that **eligibility** for the first-time home buyers' credit requires that the **individual's interest** in the **qualifying home** be **registered** in accordance with the **land registration system** or other similar system applicable where the **home is located** (Subsection 118.05(2)).

ensuring the taxpayer is listed on title

As a consequence, a **mobile home** situated on **land rented** by the taxpayer would **not qualify** where the **taxpayer's interest** was **not registered** in the applicable land registration system.

Editors' comment
The new housing rebate (Excise Tax Act Section 254), new residential rental rebate (Excise Tax Act Section 256.2) and proposed first-time home buyers' GST rebate (see VTN 527(8310)) do not similarly require that the owner be

reflected in the relevant land registration system.

3 Business/Property Income 528(3)

RENTAL LOSSES

A June 25, 2025 **Tax Court of Canada** case (Blecha vs. HMK, 2019-3390(IT)I) considered whether a taxpayer's arrangement with his mother constituted a **genuine rental activity** that was a **source of income** such that he could deduct **rental losses** from 2015 to 2017. While he reported modest rental revenue in the period, he claimed **significant expenses**, resulting in net losses exceeding $10,000 per year. CRA denied the rental losses on the basis that the property was **not a source of income**.

whether there was business-like behaviour and fair market value rent

Taxpayer loses
The Court found that the arrangement **lacked commercial substance**. Despite **receiving** some rent payments, factors such as the **familial relationship**, **absence** of some **lease terms**, lack of **marketing**, **below-market rent**, **no third-party tenants** and **absence of profit-making** intent or **business-like** behaviour led the Court to conclude that the arrangement was not commercial in nature and was not undertaken in pursuit of profit. Rather, the arrangement was a personal endeavour which entailed a combination of assisting his mother and renovating a future principal residence. As a result, the Court found that **no source of income existed**, which prevented the deduction of related expenses.

REIMBURSEMENT OF MEAL ALLOWANCES

no 50% addback on certain reimbursements

In general, the deduction for **food**, beverage or entertainment expenses is limited to 50%. However, this limit does not apply if the taxpayer is **reasonably compensated** for those expenses and the compensation amount is **specifically identified in writing** to the person paying the compensation (Paragraph 67.1(2)(c)).

whether the meal allowances were clearly reimbursed

A February 21, 2025 French **Technical Interpretation** (2021-0902871I7, Lucie Allaire) considered whether **meal allowances reimbursed** to a taxpayer under a **fixed-price contract** could qualify. The fixed-price contract involved the sale, installation and maintenance of goods for a set total price, payable in instalments over time. Interim invoices were issued, and while meal allowances were not specifically listed in the contract or broken out in the invoice totals, a note in the invoices disclosed the cumulative amount of meal allowances to date.

CRA confirmed that payments under **interim invoicing** in a fixed-price contract may be treated as **reimbursements for expenses**, such as reasonable meal allowances for employees, incurred to fulfill the contract.

Thus, such amounts can be viewed as **paid even** though they are **not separately itemized** or referenced in the contract itself.

whether the reimbursed amounts were specified in writing, even if as a note

Also, CRA concluded that a **note on interim invoices** identifying the cumulative amount of reasonable meal allowances paid or payable up to a certain date **met the requirement** that the amount be **"specifically identified in writing"** to the payer. The condition was met even though the notation disclosed only the relevant amounts but no further detail (such as specific locations or per diem breakdowns). Therefore, the **50% limitation** would **not apply** to the taxpayer **being reimbursed**. However, the 50% limit **would apply** to the taxpayer **paying the reimbursement**.

SR&ED – GROSS NEGLIGENCE PENALTIES

A June 17, 2025 RSM article (SR&ED policy changes raise compliance risks for Canadian businesses, Heather Forbes, Aly Herlein, Cassandra Knapman, Benjamin Wilson) discussed CRA's **policy** on **gross negligence penalties** (Subsection 163(2)) for **scientific research and experimental development** (SR&ED; Section 127) claims.

The article provided several **examples** where CRA **may assess** gross negligence penalties, such as when a taxpayer knew that a project did not involve SR&ED or knew that the SR&ED activities did not occur but submitted a claim nonetheless. Penalties may also apply when a taxpayer files a claim after being **advised in writing** that the amounts would **not qualify** or when **unsubstantiated amounts** are claimed despite **written guidance** on the **required support**.

gross negligence penalties may apply even if the ITC is never allowed

The article also noted that CRA has **updated** their **policy** to provide **clearer guidance** on **when** and **how** these **penalties** will be **applied**. For example, CRA noted that these penalties can be applied to **amended tax returns**, regardless of whether they include a **new SR&ED claim or adjust an existing claim**.

The article reiterated that the **penalty** is equal to the **greater** of **$100** and **50%** of the **total** of the following amounts:

- the **understated Part I tax** payable reasonably attributable to the **false statement** or omission; and
- the **refund** of the **overstated SR&ED** refundable investment tax credit (**ITC**) claimed.

The article also noted that CRA will treat the overstated ITC as deducted before any other ITCs, and when the penalty applies to a refundable ITC, CRA will calculate the amount on the entire overstated refund.

4 Capital Gains/Losses 528(4)

COSTS OF ACQUISITION AND DISPOSAL

CRA accepted the principal residence designation with no designation filed, but only in the course of an appeal to Tax Court

A June 25, 2025 **Tax Court of Canada** case (Kalwa vs. HMK, 2019-4431(IT)G) reviewed various issues related to the **disposal of seven properties**, six in 2016 and a seventh in 2017. By the **trial date**, **all issues** had been **resolved** in respect of **three properties**, and CRA had accepted that a **fourth property** was **fully exempt** as the taxpayer's **principal residence** despite the **failure to file** Form T2091IND Designation of a Property as a Principal Residence by an Individual (Other Than a Personal Trust). The Court noted that 2016 was the first year in which this filing was required. During the **appeals process**, CRA had accepted that each of the three remaining **properties** was held on account of **capital**.

The **remaining issues** related to those three properties were claims for **costs of acquisition and disposal** and a **gross negligence penalty** in respect of the **property not reported** in the taxpayer's return.

Taxpayer loses, mostly – costs of acquisition and disposal
There was **no dispute** that the **costs** in excess of $105,000 had been **incurred**. CRA had concluded that the **expenses** were **not outlays or expenses** for the **purpose of acquiring, improving or disposing** of the capital assets. The Court noted that costs relevant to computing **capital gains** are **limited** to **expenses or outlays** that either form part of the **cost of the property** or were made or incurred for the **sole purpose** of **disposing of the property**. As a result, the Court ruled that:

- **costs** such as property taxes, mortgage interest, condominium fees, property insurance, painting and utilities that would be **deductible** as **rental expenses** are **not capital outlays** and can neither increase the adjusted cost base (ACB) of the property nor be deducted as outlays to dispose of the property;
- **costs of obtaining financing**, such as appraisal, lender title insurance and finance costs, are **not expended** to **improve the property** and are similarly **irrelevant** to computing a **capital gain**;

non-deductible expenses are not necessarily relevant to determining capital gains

- **flooring** shipped to a **different property** was **more likely** used to improve that property and therefore **not allowed** against the gains under review;
- **half** of a $735 appraisal fee was allowed on the basis that it likely related to **property under review**; it was **unclear** which properties were **appraised** as the **invoice** reflected two properties with no breakdown; and

requesting detailed invoices or a breakdown where multiple services are obtained

- an **overlooked title insurance** expenditure of $1,000 was **conceded by CRA** and **allowed**.

Taxpayer loses – gross negligence penalties
In respect of the **gross negligence penalty** applied to the taxes on the **unreported disposition** of one property, the Court noted the following:

not making the same mistake twice

- the taxpayer had **previously** been **reassessed** for failure to report a **property disposition** in 2011, and was reassessed, **penalized and "red-flagged"** by CRA in that regard;
- the taxpayer's assertion that this property was believed to be a **principal residence** was **unreasonable** as it had **never been occupied** by the taxpayer or his family and its **ownership overlapped** that of the other residence accepted by CRA;
- the transaction was **significant**, with **proceeds** of $2.880 million and a **purchase price** of $2.274 million;
- the **taxpayer** was **experienced in real estate, finance and business** matters;
- the **taxpayer** had **reviewed** the **return**;
- the taxpayer's claims that his **accountant's incompetence** resulted in the omission were **discounted** as his **accountant** did **not testify** and there was **no evidence presented** of deficiencies in their work; and

blaming the accountant requires evidence

- CRA's decision **not to penalize** the unreported disposition of a property for which **CRA accepted** a **late principal residence designation** did **not** reflect an **inconsistent assessing** decision as no taxes resulted from that disposition.

These facts **demonstrated gross negligence** on the part of the taxpayer, so the **penalty** was **upheld**.

5 Purchase/Sale of a Business 528(5)

INTERGENERATIONAL BUSINESS TRANSFERS (IBT) – RELEVANT GROUP ENTITIES

The **IBT rules** permit an **exception** from **deemed dividends** when parents transfer shares of their corporation (Opco) to a corporation controlled by their children (Subsections 84.1(2.3), (2.31) and (2.32)). The requirements for both the **immediate** and **gradual** IBT rules include numerous detailed criteria that must be met both at the **transaction date** and for as much as **ten years afterwards** (see VTN 520(7954)). Several versions of the legislation were released, with various changes and amendments.

a careful review of whether the vendors must reduce or dispose of their interests in other entities

Several requirements **restrict** the ability of the **vendors** to hold any **control or ownership** of the **business sold**. These extend **beyond Opco** – the restrictions must be met for **all relevant group entities** within a corporate group. A **relevant group entity** is any person or partnership that carries on, at the disposition time, an **active business**, referred to as a **relevant**

business, that is relevant to determining the status of **Opco's shares** as qualified small business corporation (QSBC) shares or shares of a family farm or fishing corporation. When determining control of a partnership for these purposes, a partnership is deemed to be a corporation with each member of the partnership deemed to be a shareholder with the number of shares proportionate to their partnership interest.

An April 29, 2025 French **Technical Interpretation** (2024-1036641E5, Simon Lemieux) reviewed these requirements in the context of the following corporate structure:

- **Opco** was a small business corporation **owned equally** by A and B, who were **spouses** and therefore **related**;
- **Rentco** was a CCPC **owned entirely** by A;
- **Rentco** owned **real estate** used **exclusively** by **Opco** in its active business operations;
- **Rentco** had **no employees**, its **only asset** was the **real estate** and it had **no other operations** besides leasing that real estate to Opco; and
- there were **no intercorporate debts or shares** held between Opco and Rentco at any time.

this issue where the business real estate is held in a separate corporation

A and B wished to **sell Opco**, and possibly **Rentco**, to **Holdco**, a corporation **owned** by their **adult child**, C.

CRA confirmed that **Rentco** would **not** be a **relevant group entity** in respect of **Opco**. They did not provide their reasoning but referred to more detailed information in a second Technical Interpretation (2024-101064; not yet released). It appears that CRA's conclusion resulted because Opco held no shares or debts in Rentco, such that Opco's status as a QSBC would not be affected by any business carried on by Rentco. As Rentco would not be a relevant group entity, **ongoing ownership** and/or control of **Rentco** by **A** would **not jeopardize** the **exception** from deemed dividends on the **sale of Opco** to Holdco.

However, CRA opined that **Opco would** be a **relevant group entity** in respect of **Rentco.** As Rentco's **building** was **used primarily** (exclusively, in this case) by **Opco** in carrying on its **active business**, and **Opco** was **related to Rentco**, **Rentco** would meet the definitions of both a small business corporation and a **QSBC**. As this determination would **depend on Opco's active business**, **Opco** would be a **relevant group entity** in respect of **Rentco**, regardless of whether Rentco owned any shares or debt in Opco. As a result, **ongoing ownership** of **Opco** by **A or B** could **jeopardize** the **exception** from deemed dividends on the **sale of Rentco** to Holdco.

whether the status of the shares sold was dependent on the business of the other corporation or other entity

6 Owner-Manager Remuneration 528(6)

SHAREHOLDER LOANS AND DEEMED INTEREST BENEFIT – CRA GUIDANCE

two new folios on shareholder loans

On April 10, 2025, CRA released **two new Folios:** S3-F1-C1, Shareholder Loans and Debts and S3-F1-C2, Deemed Interest Benefit on Shareholder Loans and Debts, which provided administrative commentary related to **shareholder loans** and debts (Subsection 15(2)) and **associated deemed interest benefits** (Subsection 80.4(2)).

A July 2025 Tax for the Owner-Manager article (**CRA Revamps Guidance on Shareholder Loans and Associated Deemed Interest Benefits**, Tyler Warchola and Benjamin Felsher) provided commentary on these folios, highlighting updates from previous positions **relevant** to **owner-managers** and their advisors.

Shareholder vs. employee loans
CRA outlined the following factors that may indicate a loan to a shareholder-employee arose due to **employment** (Paragraph 1.58 of Folio S3-F1-C1), which is one of several requirements (Subsection 15(2.5)) to avoid a full income inclusion on certain loans to shareholder-employees:

- the **loan** was made on the **same terms** and conditions as **loans** made to **other non-shareholder employees**; or
- where the shareholder was the **only employee** of the corporation, the individual could establish that **employers** of a **similar size offer loans** of a **similar amount** under similar **terms** and conditions to **employees** with **similar duties** and responsibilities who are **not shareholders**.

Some of the factors that may suggest that a loan made by a corporation to a shareholder-employee arose due to their **shareholdings** include the following (Paragraph 1.59 of Folio S3-F1-C1):

whether the same loan would be advanced to non-shareholder employees

- the corporation **only** provides **loans to shareholders**;
- the terms and conditions of the **loan** to the **shareholder**-employee were **more favourable** than those for loans to non-shareholder employees;
- the loan was made to a **shareholder** who could **significantly influence** the **business decisions** of the corporation;
- the loan **amount** was **significant relative** to the **retained earnings** of the corporation; and
- the loan **amount** was **significant**, but the corporation did **not require any security**.

Accounting entries are not determinative

accounting records do not dictate the substance of the transaction

Both folios include commentary reiterating that the **substance** of a transaction must be **considered** and that the **tax treatment** is **not** based on the **accounting entries** (Paragraph 1.14 of Folio S3-F1-C1 and Paragraph 2.11 of Folio S3-F1-C2). CRA emphasized that tax consequences arise from what taxpayers have actually done and not from what they intended to do or what they might have done. The article cited a March 24, 2025 Tax Court of Canada case (see VTN 525(8184)), noting that, despite accounting records showing payroll, the transaction was actually a shareholder draw.

Series of loans – repayments

whether annual repayments of shareholder loans constitute a series

Where a **loan** is **repaid within one year** after the end of the **taxation year of the lender** in which the loan was made, the amount does **not** need to be **included** in the **income** of the **borrower** provided that the repayment was **not part of a series** of loans or other transactions (Subsection 15(2.6)). CRA noted that the **repayment** would generally be viewed as **part of a series** of loans where all or a portion of a loan is **repaid** before the end of the tax year of a lender and an amount is re-borrowed (Paragraph 1.84 of Folio S3-F1-C1). Whether a repayment has been sourced from re-borrowings is a question of fact. CRA stated that **repayment** will **not** be considered part of a **series** of loans if it can be shown that the **new loan** (Paragraph 1.85):

- was **from** an **independent source**;
- was received for a **genuine business purpose**; and
- was **not received** for the purpose of **repaying** the **existing shareholder loan** amount.

CRA also noted that **shareholder loan repayments** resulting from **applying dividends**, **salaries or bonuses** are not part of a series of loans (Paragraph 1.86 of Folio S3-F1-C1). This is the case even where the repayment is followed by additional borrowings. See VTN 444(4199) for similar comments.

Back-to-back loans

potential to trigger deemed interest or full income inclusion if using a third party to indirectly borrow money from one's corporation

The back-to-back loan rules can **extend** the **shareholder loan rules** (Subsection 15(2) full income inclusion and Section 80.4(2) interest benefit) to apply to a **loan from** a **third party** that acts as an **intermediary** between the shareholder and the corporation in which they hold shares (see VTN 421(2850)). These provisions are generally meant to capture situations in which the corporation itself, and not the intermediary, is the real source of the funding to the shareholder. CRA noted that, to the extent that interest accrues at a rate below the prescribed rate, a deemed interest benefit will arise (Paragraph 2.26 of Folio S3-F1-C2).

Editors' comment

There are several instances where these rules **may impact owner-managers**, such as in the following cases:

- when a **corporation guarantees** a third-party **loan received by a shareholder** (see VTN 428(3341));

- when a bank makes a **loan to** a **shareholder** and a **right to encumber corporate assets** is granted, the back-to-back loan rules may apply if the bank has sufficient discretion to exercise the right (see VTN 446(4287));
- while conventional security provided by a corporation in respect of a third-party loan to a shareholder should not attract these rules, CRA has opined that they would apply in a specific scenario where a **corporation acquired a term deposit** with a **bank**, and that bank **in return advanced a loan to a shareholder** using the term deposit as security (see VTN 438(3880); and
- back-to-back loan **international arrangements** using intermediaries to avoid the thin capitalization rules or Part XIII tax would be required to be disclosed as a notifiable transaction (see VTN 487(6454)).

caution to avoid inadvertently falling into these rules

Amending prior years' tax returns
CRA provided **examples** of where a **prior year's tax return** should be **amended** to consider these provisions (Paragraphs 2.34 to 2.36 of Folio S3-F1-C2).

A taxpayer may have **reported** a **shareholder loan** as **income** in the year it was received; however, they **subsequently** determined that it should **not** be **included** in the borrower's income as it was **repaid** within the **one-year period** (Subsection 15(2.6)). CRA stated that the taxpayer should **amend** the tax **return** to remove the shareholder loan amount previously reported and **add** the **deemed interest benefit** (Subsection 80.4(2)) for the relevant year(s).

ensuring to amend previously filed returns appropriately

In the **opposite** situation, a taxpayer may **not** have **reported** a shareholder **loan** as income in the year it was received, as they **anticipated repaying the amount** within the **required period**, but it was **not** in fact **repaid** within that period. In this case, the borrower's tax return for the year the loan was obtained should be **amended** to **include** the amount of the **loan** in income. If a **deemed interest** benefit was included in the return for that year (i.e. interest paid on the loan was insufficient to offset the deemed interest benefit), it should correspondingly be **removed**.

For **any loan to a shareholder**, **either** the **principal** is included in **income** on the date of advance **or** an **interest benefit** applies for the period that the loan is outstanding (unless sufficient interest was charged and paid on the loan).

See VTN 444(4199) for further discussions on shareholder loan issues.

PERSONAL USE OF CORPORATE VEHICLES

An April 28, 2025 French **Court of Quebec** case (Placement PCD inc. et al. vs. QRA, 2025 QCCQ 1391) considered whether **luxury vehicles** (e.g. Ferrari, Lamborghini, Corvette etc.) acquired and maintained by the corporation were **legitimate promotional** or **business-use** assets eligible for approximately $300,000 in **deductions**. The Court also considered whether the availability of these vehicles to the shareholder gave rise to approximately $640,000 in **taxable benefits**.

whether used for business purposes and what support is available

Taxpayer loses – deductions
The corporation argued that owning such vehicles bolstered its **market credibility** with luxury tire dealers and served promotional functions (e.g. ride-and-drive events, brand image, trade shows, etc.). The Court found these claims to be largely **unsupported**. The vehicles were generally found to have **minimal or no business use**, with promotional claims largely unsubstantiated, exaggerated or fabricated. For example, although the corporation argued that the vehicles were used at multiple ride-and-drive events, only one such event was held and it involved only one guest. The Court mostly upheld the **denial of deductions** related to the luxury vehicles. The Court therefore did not need to consider whether the limitations on deductibility of expenses for passenger vehicles applied.

whether the vehicles were available to the shareholder

Taxpayer loses – taxable shareholder benefit
The Court found that **several vehicles** were made **continuously available** to the shareholder, meaning that the **full standby charge** (as well as operating charge) was applicable for each vehicle (Quebec Taxation Act Sections 117, 41 and 41.0.1, which parallels the federal Income Tax Act Subsection 15(5) and Paragraphs 6(1)(e) and (k)). **No logs** or significant **other documentation** were provided to demonstrate that the vehicles were **not available** to the shareholder for portions of the year. The Court also noted that some of the vehicles were even transported to shareholder's personal home in Florida during the winter.

The corporation also **sold a 2012 Corvette** to the shareholder **for $12,000**. The shareholder **resold** the vehicle **76 days later** for **$149,468**. The **benefit attributable** to the transfer of this asset for less than fair market value was calculated as the difference between the eventual sale price and the transfer price (Quebec Taxation Act Section 111, which parallels the federal Income Tax Act Subsection 15(1)).

Taxpayers win and lose – gross negligence penalties
Gross negligence penalties were **upheld** in respect of the **shareholder benefits**; however, **penalties** assessed for the disputed **automobile deductions** were **reversed** as the taxpayers' **position**, while incorrect, was **not implausible or in bad faith** (Quebec Taxation Act Section 1049, which parallels federal Income Tax Act Subsection 163(2)). For example, the corporation argued that allowing employees to use luxury vehicles as prizes served a legitimate business purpose. While the Court questioned whether

there was any real value in using the vehicles as a motivational tool, the position itself, though ultimately incorrect, was not so unreasonable as to constitute gross negligence.

REAL ESTATE ISSUES – LACK OF DOCUMENTARY EVIDENCE

significant changes in income of a particular entity may trigger audits

A May 6, 2025 French **Court of Quebec** case (Varadi vs. QRA, 2025 QCCQ 1544) reviewed several issues related to the taxpayer's **real estate ventures**. In the early 2010s, the taxpayer **transferred personally held real estate assets to** a **corporation**, resulting in a significant reduction of his personal income. While the restructuring was not subject to any adjustments by Revenu Québec (RQ), the **significant drop in income attracted RQ's attention**.

basis for assessing outside the normal reassessment period

RQ argued that there was a **misrepresentation** attributable to **carelessness**, neglect, willful default or fraud (Subparagraph 152(4)(a)(i)) for the **2014** year. The taxpayer had provided a **valid waiver** to allow an assessment outside of the normal reassessment period for the **2015 year** (Subparagraph 152(4)(a)(ii)). The **2016 and 2017 years** fell within the **normal reassessment period**.

Taxpayer wins – cost base of real estate

The taxpayer **acquired a building** in **1986** for **$1,257,200** (including property transfer taxes). During the nearly 30 years of ownership, the building underwent significant work, including substantial efforts to **convert it** into **condominium units**. The taxpayer stated that these **costs were capitalized** and **reported** accordingly in their **tax returns**. Although the taxpayer reported the cost base at disposition of $1,712,480, they only provided **invoices** to **support** capital **expenditures of $91,786** during the audit. RQ stated that they could not verify these expenditures on the tax returns filed. **RQ** also noted that they could **not** go back **before 2010** in their own system to **verify reported expenditures**. **RQ refused any addition** to the property's **cost base beyond** the amounts from the **1986 acquisition**.

records of capital expenditures in a permanent file

The Court found that **RQ's** position was **not realistic**. The taxpayer had **owned** the property for **nearly 30 years** and **converted** the building to **condominium units**, which the Court noted would have **inevitably generated significant costs**. The taxpayer also **described** the **renovations** in detail and credibly. As such, the Court found that the **taxpayer's reported adjusted cost base** of $1,712,480 was **credible**.

Taxpayer loses – capital losses

The taxpayer also reported **capital losses** totalling $1,171,377 for the years 2014 and 2015 in respect of capital **investments** in a **corporation** operating a retirement residence. However, the taxpayer could **not explain** what the losses referred to and the **CPA** who assisted the taxpayer could only **provide minimal support** by producing a note indicating a loan receivable of

$100,000. As there was **no evidence** to establish that a **loan existed**, that the alleged loan was made to **earn income** or that any **loan** that was advanced had **become bad**, the denied capital loss was upheld. The Court stated that accounting entries do not create a legal reality.

support for loans and cash transfers, even if made to a related corporation

The Court also noted that **bank statements**, **proof of bank transfer**, copies of **checks**, **loan agreements**, **notes** or any **other document** which could have supported the information contained in the general ledger or in the accounting entries **could have been helpful** in demonstrating the funds advanced but were never provided by the taxpayer, despite the requests made.

the need for documentary evidence of the nature of non-taxable receipts

Taxpayer loses – international fund transfers
In 2015, the taxpayer **received** the equivalent of **over CAD $500,000** from a **foreign bank account,** allegedly from his son. The taxpayer was **unable** to provide **concrete evidence** or **plausible testimony** as to the **origins** of the money. The taxpayer provided **no bank statements**, and the son did not testify. As such, the Court upheld RQ's assessment of the **unreported income** of the full amount.

Taxpayer loses – personal expenditures paid by the corporation
The Court ruled that $107,913 of **corporate expenditures** over a two-year period (2016 through 2017) were **shareholder benefits** as the taxpayer could **not establish** the **business purposes** of the expenditures. In addition, the corporation paid the **cell phone bill** for the shareholder's **spouse**, who was not an employee, and therefore the total amount was a **shareholder benefit**.

Taxpayer loses – assessment outside the normal reassessment period
The Court noted that the taxpayer had been a **businessperson** for **many years** and was surrounded by various **professionals** (for example, due to the transfer of personally held real estate to a corporation). In addition, the **taxpayer** and **corporations** in which he was a shareholder had been **audited** in the **past**, which resulted in additional taxes being payable. With this **history**, **knowledge** and experience, the Court found that the taxpayer **lacked diligence** and was either **indifferent or negligent** regarding his **tax obligations**. The Court allowed RQ to **assess outside the normal reassessment period** for the 2014 year (related to the denied capital losses).

7 Corporate Reorganization 528(7)

REORGANIZATION BETWEEN SIBLINGS AND THEIR CHILDREN

Owners of a corporation may decide to part ways and continue their businesses separately. Such corporate divisions may be done on a **tax-deferred basis** when structured appropriately. This is easier where the shareholders are **related** as **fewer limitations** apply (Paragraph 55(3)(a)). For this purpose, **siblings** are **deemed not** to be **related** (Subparagraph 55(5)(e)(i)), **except** where the dividend was paid or received in a series of transactions by a **qualified small business corporation** or family farm or fishing corporation (defined in Subsection 110.6(1)). When the shareholders are **not related**, the **complexity level** is significantly **increased**, requiring a proportionate division of each type of property between the shareholders. Due to the **complex rules** surrounding these reorganizations, they are **common subjects** of **Advance Tax Rulings** from CRA.

A July 2025 Tax for the Owner-Manager article (**Butterfly reorganizations** under paragraph 55(3)(a) **between sibling shareholders** and the **integration of their children**, Olivier Paquet) discussed a possible approach to transfer **two** of a corporation's three **businesses to the children** of the corporation's shareholders (two siblings) on a tax-deferred basis.

whether the recipients were related to the original owners

In this situation, complications could arise because **each of the children**, while related to one of the shareholders of the subject corporation (their parent), was **not related to the other** (their aunt/uncle). To address this, the author proposed a **two-stage reorganization**. First, each sibling would incorporate a holding corporation (Holdco) and then a subsidiary (Subco) to that Holdco. The sibling would transfer shares in the subject corporation (Opco) to Subco in exchange for preferred shares. Then, Opco would transfer one of its businesses into Subco, receiving preferred shares in return. The intercorporate shares would be cross-redeemed in exchange for demand notes, which would then be cancelled by way of compensation. Once complete, this process would be mirrored for the other sibling. Once the businesses had been separated, each sibling would sell the shares of their Holdco to their child at fair market value (which would be nominal since the value would reside in the preferred shares of Subco).

The author noted that the **timing of events** and **redemption of shares** should be **carefully considered** so as to **maintain QSBC status** in the relevant corporations. The article also noted that CRA has not opined on whether GAAR would apply.

8 Corporate Tax 528(8)

CANADA CARBON REBATE FOR SMALL BUSINESSES

Direct **carbon rebates** to **CCPCs** in provinces where the federal fuel charge applied (Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; see VTN 514(7687) and 519(7898)) were paid in the fall of 2024. Various **subsequent announcements** of **amendments** to the initial and/or future payments were made over the following months (see VTN 520(7918) and 521(7955)). On June 30, 2025, draft legislation was released. A July 3, 2025 backgrounder provided further details, including the following:

- the rebate will be made **non-taxable**, **retroactive** to the first rebate payments;
- the **final payment** will be in respect of the 2024-25 fuel charge year; however, the **rates** have **not been set** and the **timing** of these payments remains unknown;
- CCPCs must file a **tax return** for a year ended in calendar 2024 by **July 15, 2025** to receive the final rebate;
- CCPCs that **filed** a tax return for a fiscal year ended in calendar 2023 **after** the **July 15, 2024** deadline, but **by December 31, 2024**, will receive the rebate for the **2019-20 to 2023-24** fuel charge **years**;
- the provision restricting rebates for corporations that were involved in a **merger or amalgamation** prior to 2023 will be **amended** to **remove** reference to a **merger** so that this provision will apply only where an **amalgamation** occurred prior to 2023; and
- **no changes** will be made to the **calculation** of the rebates (the backgrounder specifically noted that previous announcements of expansion of eligibility to cooperative corporations and credit unions, minimum payments for smaller businesses and a phaseout for larger businesses included in the 2024 Fall Economic Statement (see VTN 521(7955)) would not proceed).

non-taxable status of the rebate now in draft legislation

no deadline extension for the final carbon rebate payment

Both the backgrounder and an update to the CRA webpage on the **tax treatment of the rebate** indicated that businesses **filing returns now** may **exclude** the **rebate** from income. However, in the event the **legislation** is **not enacted**, they may be **reassessed, with interest**. CRA will provide details on **amending returns** that have **already reported** the rebate **when** the **legislation** making it non-taxable is **enacted**. The **legislation** was expected to be **introduced in the fall**, when Parliament resumes sitting.

any amendment to remove the rebate from filed returns is still some time away

9 CRA

FEES FOR SERVICES – CONSULTATION RESULTS

In general, **every person paying fees**, **commissions** or other amounts **for services** to anyone is **required to report** the information in prescribed form (Paragraph 153(1)(g) and Regulations Subsection 200(1)).

Currently, CRA's administrative policy requires fees paid **to other businesses** for services provided to be reported in **box 048 of** the **T4A slip**. In general, CRA has only required such disclosures where payments for services to a business have **exceeded $500** in a calendar year. Despite this requirement, CRA instituted a **moratorium on penalties** in 2011 (one which is still in place) to allow service providers the opportunity to understand and prepare for the reporting obligation.

In 2024, CRA launched a **consultation** seeking insight into the challenges that Canadian businesses and organizations may face when **reporting fees for services** (RFS). On March 4, 2025, CRA released the results from the online questionnaire and working group consultations.

The **feedback** provided by participants included the following points:

- the **T4A** slip is **not** the **appropriate reporting vehicle** for RFS since this slip is typically associated with payroll;
- the current **$500 reporting threshold** may be **too low**;
- there is a **lack of clarity** on what **constitutes** a **reportable service**, particularly when goods and services are not distinguished on an invoice; and
- there is a need for **enhanced communication** and **educational resources** to ensure businesses and organizations fully understand their RFS obligations.

how these concerns may be addressed in CRA's future policy

Participants provided the following **recommendations**:

- a **phased implementation** approach focusing on **specific sectors** first to help businesses and organizations become aware of and comply with the RFS requirement; and
- the **creation of exemptions** to alleviate administrative burden based on size and type of business.

CRA said **feedback** from this consultation and other engagement efforts will help **clarify** the **RFS requirement**, **streamline processes** and better support businesses in understanding their tax obligations.

CRA provided **no specific timeline** for changes to their current administrative policy.

INDEPENDENT CONTRACTORS – TRUCKING INDUSTRY

A CBC article (Ever heard of Driver Inc.? Canada's trucking industry is calling it a $1B scam, Robyn Miller) discussed **concerns** in the trucking industry where **trucking corporations** may be **misclassifying drivers as independent contractors** rather than employees in an effort to **avoid payroll taxes**, such as EI, CPP and workers' compensation premiums (see VTN 502(7084)).

concern from industry associations

The article discussed concerns of the **Canadian Trucking Alliance** (CTA) that **corporations** engaging in these activities are gaining an **unfair advantage** over those that are compliant. It also noted that **workers** are **losing certain protections**, such as fair pay, overtime pay, vacation pay, and health and safety protections.

whether CRA audit activity (IC vs. employee, PSB, etc.) will accelerate in the future

The CTA **suggested** that CRA should lift the existing moratorium on assessing **penalties** for failing to **report fees paid for services** in box 048 of the T4A to help **CRA** identify and **audit** corporations that rely heavily on **incorporated workers**. The article reported a CRA statement that they are working toward **lifting** the **moratorium before enforcement commences**.

misclassification issues beyond tax

The article also noted that **changes** to the **Canada Labour Code** (CLC) in 2024 (Bill C-69, which received Royal Assent on June 20, 2024; see VTN 515(7708)) included amendments that placed the **burden** on **payers** to **prove** that a **worker** was **not** an **employee**. See the June 20, 2024 backgrounder (Legislative changes to support federally regulated employees) for further discussion on these changes. Also, see VTN 507(7352) for a discussion on Employment and Social Development Canada's guidance on employment misclassification under the CLC. This noted that even though a worker may have incorporated to avoid employee status for ITA purposes, they may still be an employee for CLC purposes.

SECTION 160 – MULTIPLE TRANSFERS OF THE SAME ASSET

Where a **person receives assets from** a non-arm's length **person who owes taxes** for the year or any preceding year, the recipient becomes jointly and severally **liable** for the **transferor's tax debts** (Section 160). This liability is limited to the **excess** of the fair market **value** (FMV) **of** the **property received** over the **consideration provided** for the property. CRA regularly uses this provision in their collection activities. Similar provisions exist in the Excise Tax Act (Section 325) and in Quebec (Quebec Taxation Act Article 14.4).

joint and several liability can be assessed on more than one taxpayer in respect of a single original debt

In an April 11, 2025 French **Court of Quebec** case (Fiducie de Propriétés Sami Bebawi vs. QRA, 2025 QCCQ 1353), an **individual** (**B**) **transferred real estate** valued at $2,159,100 for no consideration **to** a **trust** at a time when he was **indebted** to **Revenu Québec** (RQ) for more than $8,000,000. The **trust** then **transferred** the real estate **to B's former spouse** (**D**) for no consideration. RQ held both **D and** the **trust jointly and severally liable for B's tax liability** up to the value of the property received ($2,159,000). **D and RQ** then entered into a **settlement agreement** related to **D's joint and several liability for B's debt**. In this Court case, the **trust requested** the details of the **settlement** agreement, arguing that such a settlement by D would reduce the trust's joint and several liability for B's debt.

settlement of Section 160 liability does not reduce another taxpayer's Section 160 liability

Taxpayer loses

The Court found that the **trust's tax liability** arose from **its joint and several liability** for B's transfer of the real estate to the trust at a time when B was indebted to RQ. The **subsequent settlement** of **D's debt** (due to her joint and several liability for the trust's debt) had **no bearing** on the **trust's liability** (due to its joint and several liability for B's debt). As such, the Court found that the **requested documents** were **irrelevant** to resolving the trust's tax dispute.

LATE OBJECTION – INCORRECT MAILING ADDRESS

A **notice of objection** is required to be filed within **90 days** of the **date of the applicable assessment** (Subsection 165(1) and Excise Tax Act Subsection 301(1.1)). The assessment is deemed to have been made on the date that it was sent (Subsection 244(15)). As such, many disputes focus on whether, in fact, the assessment was sent (either by mail or electronically; Subsection 244(14)) by CRA. Where this deadline is missed, a taxpayer can **apply for an extension** to file a notice of objection within **one year** of the original deadline to file it (Paragraph 166.2(5)(a) and Excise Tax Act Paragraph 303(7)(a)). Where **CRA refuses** to allow the extension, their decision can be **reviewed by the courts**.

A June 23, 2025 **Tax Court of Canada** case (Zaugg vs. HMK, 2023-2297(IT)APP) reviewed **whether** the taxpayer had filed a notice of **objection** to his denied disability tax credit determination on a **timely basis**.

reviewing whether CRA's communication was actually sent to the address on file

In **2018**, CRA **mailed** a notice of **determination** to the address noted on the **disability tax credit Form T2201** submitted by the taxpayer. In **2019**, CRA **mailed** the **determination** to **another Toronto address** that they presumably obtained from the mail returned by Canada Post as undeliverable earlier. The taxpayer alleged that he did **not receive** either of the **letters**. The **taxpayer's address** on **CRA's files** was **different** from both of these locations. There was no indication on Form T2201 that the taxpayer's address should be updated to reflect the address on the Form. In **2023**, the taxpayer logged on to their **CRA online account**, discovered the notice of **determination** and **filed** an **objection within 90 days** of checking

the portal.

The Court found that CRA did **not** properly **send** the **notice of determination** in **2018 or 2019** as the notice was **not sent** to the **taxpayer's address on CRA's file**. Further, as there was **no evidence** of an **electronic notification** with respect to the determination being sent, the notice of determination was not deemed received by the taxpayer. As no deeming provision applied, the Court had to determine when the notice was actually received by the taxpayer. Based on the facts summarized above, the Court ruled that the **notice** was sent when the taxpayer **accessed** it through his **online CRA** portal in 2023.

As such, the **objection** was **filed** in a **timely manner**.

these requirements for online correspondence to individual taxpayers

If an individual had authorized CRA to provide communications electronically, then a notice (other than that related to the individual's business number) is deemed to be made available when it is posted to an individual's online account My Account; however, it is not presumed sent until an electronic message is sent to the individual (Subsection 244(14.1)). There was no indication in this case that the individual had authorized electronic communications; however, even if they had, CRA had not sent the required electronic message.

Editors' comment
While taxpayers cannot typically object to a nil assessment, they can object to a denied disability tax credit determination (Subsections 152(1.01) and (1.2)).

The provisions related to electronic correspondence with businesses (including GST/HST, payroll and corporate tax accounts) differ significantly from the rules for individuals. See VTN 526(8238) for details of these provisions.

10 Estate Planning 528(10)

LIFE INSURANCE – RETURN OF PREMIUMS

return of premium options can result in taxable income

In a May 16, 2025 **Technical Interpretation** (2025-1055731E5, Alex Johnstone), CRA provided general comments regarding **taxation** on the **maturity** of a **term life insurance policy**. The policyholder had received a **return of premiums** on the **expiration** of a **20-year term policy** and was subsequently issued a **T5 slip** for income resulting from that payment.

CRA confirmed that a **return of premium** benefit paid out on the **surrender or maturity** of the **life insurance** policy would be included in the **proceeds received** by the policyholder. To the extent that **proceeds exceed** the **adjusted cost basis** (ACB) of the policy, the **excess** would be **ordinary taxable income** (Paragraph 56(1)(j) and Section 148). The **ACB** is, in general terms, equal to the **cash premiums** paid for the policy, plus any income previously reported in respect of the policy, **minus** the **net cost of pure insurance** (NCPI; Regulations Section 308). The NCPI is calculated using **standard mortality assumptions** and generally reflects the **cost** of the **insurance coverage** received under the policy. As this **reduces ACB**, it also **reduces** amounts that can be **received tax-free** on disposition of the policy.

the policy ACB will not equal the full premiums paid as it will be eroded by the net cost of insurance coverage

CRA referred to a **Tax Court of Canada** case (White vs. HMQ, 2007-3803(IT)I) that upheld a similar income inclusion on a term life policy. The Court noted that the **term "return of premiums"** might easily **mislead** the **policyholder** regarding the **taxability** of such payments. However, the **tax law** was **clear** and significant **taxable income** resulted from the return of premiums.

CRA also addressed the **requirements** that the **policy issuer** file **T5 slips** in respect of any **income** resulting from **disposition** of a **life insurance policy** (Regulations Subsection 217(2)), reporting any policy gain in Box 14 – Other income from Canadian sources.

CRA noted that the **calculations** required to determine these amounts are **complex** and generally **require** information only available from the **insurer**. **Disagreements between policyholders and their insurers** about the terms and conditions of a particular policy are **not within CRA's authority**. CRA suggested contacting the **OmbudService for Life and Health Insurance** (https://olhi.ca/), which was created to help resolve disputes between insurers and their policyholders, to address any issues with the insurer's calculations.

this resource for resolving discrepancies related to insurance

FILING TRUST TAX RETURNS

On June 19, 2025, CRA updated and expanded their **webpages** on filing a trust's T3 return. The update largely **reorganized** and consolidated **existing information**. It reflected the **current law** that requires **returns for bare trusts** for 2023 and subsequent years and also reiterated CRA's waivers of returns for the 2023 and 2024 tax years.

this resource for guidance on filing tax returns for trusts

The webpage on getting ready to file provided detailed guidance on **Schedule 15 – Beneficial ownership information** of a trust (see VTN 504(7240)). CRA noted that **beneficial ownership information** filed in a **previous Schedule 15** can be **viewed** by trust administrators, tax preparers, and authorized representatives in My Trust Account.

this new use for My Trust Account

Editors' comment
Many practitioners have expressed concerns regarding the challenges of accessing My Trust Account due to the requirement that the "primary trustee" first register for both My Account and My Trust Account in order to authorize access by any other party.

RRSP OVERCONTRIBUTIONS – REASONABLE ERROR

double-checking RRSP room

A June 19, 2025 **Federal Court** case (Lucas vs. AGC, T-1067-24) addressed an application for judicial review of CRA's decision to **deny penalty tax relief** on excess RRSP contributions. The contribution was made on April 17, 2021 and was **erroneously** based on the taxpayer's **2019 notice of assessment** instead of being based on the notice of assessment for **2020**. The taxpayer discovered the error in April 2022 and filed **Form T3012** requesting a **withdrawal without source deductions**. CRA **allowed** the **withdrawal**; however, they **also required** that the taxpayer file a **T1-OVP Return** and assessed **penalty tax, late filing penalties and interest**. In response to the taxpayer's **requested waiver** of the penalty tax, CRA concluded that the **excess contribution** did **not** result from a **reasonable error** (Subsection 204.1(4)); therefore, **relief** was **denied**.

CRA does not consider delays in processing Form T3012 a reason to extend relief

Taxpayer loses
The Court agreed with CRA that the taxpayer's **honest error** of looking at the **wrong assessment** was **not** a **reasonable** error. CRA also noted that **Form T3012** was **not required** to **withdraw the excess amount**, only to avoid source deductions, so any **further delays** while this form was processed did **not constitute** a **reasonable error** (see VTN 337(2920) for a discussion of the alternatives for withdrawal of excess contributions). The application for **judicial review** was therefore **denied**.

11 Charities/NPOs 528(11)

DINING, RECREATION AND SPORTING NPOS – SALE OF PARTIALLY USED PROPERTY

whether the property was used exclusively for certain activities

Tax-exempt **non-profit organizations** (NPOs) that provide **dining, recreational or sporting facilities** to their members must pay **tax on capital gains unless** the disposed property was **used exclusively** for and directly in the course of providing the aforementioned services or facilities for their members (Subparagraph 149(5)(e)(ii)).

A May 6, 2025 **Technical Interpretation** (2024-1031071E5, Michel Gauthier) considered whether a golf club's **parcel of land used briefly** as a golf range but **otherwise vacant** could qualify as "property used exclusively for and directly in the course of providing... facilities."

CRA noted that, although the property was used as a driving range for **five out of the 35 years** it was owned by the golf club, it remained **unused** for the remaining **30 years**. CRA stated that the terms “exclusively” and “directly” **require consistent** and **actual use** – not merely intended or historical use. As such, the disposition would **not likely be eligible** for the exception from taxation.

whether there was consistent use of the asset

CRA also flagged **concerns** about the club’s **NPO status** (Paragraph 149(1)(l)), given its public-facing services such as green fees, rentals and a restaurant, which could suggest a **profit motive**.

RETROACTIVE APPLICATION OF NON-RETROACTIVE LEGISLATION

A June 13, 2025 **Federal Court of Appeal** (FCA) case (Cloth vs. AGC, A-299-23) considered whether the Minister of Finance’s **refusal** to recommend a **remission order** (Subsection 23(2) of the Financial Administration Act) was **unreasonable** in light of **different** treatment among donors in a **tax shelter program**.

The taxpayer participated in a **tax shelter** between 2001 and 2003, which promised tax credits exceeding cash donations. CRA disallowed the full credits, but later **settled partially** for **post-December 20, 2002 donations**, aligning with the retroactive introduction of split-receipting rules (effective on that same date). The taxpayer sought a remission order to achieve **equitable treatment for earlier donors** with those whose gifts were accepted under the new rules. In essence, the taxpayer wanted a remission order that would retroactively apply legislation that was not passed as retroactive.

newly effective legislation does not necessarily have retroactive effect

The Federal Court (FC) previously upheld the Minister’s decision. The **FCA reaffirmed** this conclusion, **noting** that CRA had appropriately considered whether the legislation was retroactive, and emphasizing the **discretionary nature** of remission orders.

12 Relationship Breakdown 528(12)

CANADA CHILD BENEFIT – PRIMARILY RESPONSIBLE PARENT

A June 17, 2025 **Tax Court of Canada** case (Kaur vs. HMK, 2024-2084(IT)I) reviewed whether the taxpayer was the **parent** who **primarily fulfilled** the **responsibility** for the **care** and **upbringing** of her two children and was thus eligible for the Canada child benefit (Section 122.6). The taxpayer’s status as a **shared-custody parent** for the CCB was **not in dispute**.

The **taxpayer** was **responsible** for the children on **weekends**, while her **former spouse** was **responsible** for them **during the week**, in accordance with an Interim Consent Parenting Order. The taxpayer argued that the **quality of care** that she provided to the children while they were with her every weekend was **superior to** the **quantity of care** that her former spouse provided to the children while they were with him during the weekdays.

Taxpayer loses

legislation prioritizes quantity over quality of care

The Court found that the **former spouse**, and not the taxpayer, was **primarily responsible** for the care and upbringing of the children based on the amount of time the former spouse was responsible for the children **during the week**, as opposed to just on the weekends. The Court reviewed the following factors, finding that the former spouse was responsible for all of these during the week (Regulations Section 6302):

- **supervising** the **daily activities** and needs of the children;
- **maintaining** a **secure environment** in which the children reside;
- arranging **medical care** for the children;
- arranging **educational, recreational** and **athletic activities** for the children;
- attending to the needs of an **ill child**;
- attending to the **hygienic needs** of the children; and
- providing **guidance** and **companionship** to the children.

13 International

528(13)

REGULATION 105 WAIVERS

CRA can **waive** or **reduce withholding** required (Regulation 105) where **non-resident service providers** can demonstrate that the **withholding tax** on payments received for work rendered in Canada **exceeds** their ultimate **tax liability** in Canada.

On June 30, 2025, CRA commenced a consultation in respect of these waivers, looking for commentary on the following:

information is being sought in these areas

- **simplifying the waiver process** and reducing administrative burden for non-resident service providers and Canadian collaborators;
- **compliance challenges** for non-residents; and
- **practical administrative** and **digital solutions** to improve the waiver process.

The survey will remain open until August 29, 2025.

US – ONE BIG BEAUTIFUL BILL

On July 4, 2025, the One Big Beautiful Bill Act was signed into **law**. For **individuals**, some of the major changes included a **new deduction** of up to $12,500 for those filing as single on **overtime earnings** and up to $25,000 on **tip income**. Increased deductions are available for married couples filing joint returns. **Seniors** over age 65 will be eligible for a **new $6,000 deduction** (on top of the standard deduction), and the **estate tax lifetime exemption** will remain at **$15,000,000** per spouse for 2026 and will be subsequently indexed for inflation (the limit was previously subject to a sunset clause that would have reduced it significantly in 2026; see VTN 519(7909)).

For **businesses**, some of the changes included the reinstatement of **100% bonus depreciation** on assets with an expected life of 20 years or less (retroactive to January 20, 2025, the date of presidential inauguration) and the **full immediate expensing** of **research and development** and newly constructed **manufacturing facilities**.

these newly passed US tax changes

As indicated previously, Section 899, which could have significantly **increased withholding taxes** for non-US persons resident in Canada, was **eliminated** from the Bill (see VTN 527(8306)).

The following articles highlight more of the many changes under this Bill:

- "One Big Beautiful Bill Act" Tax Policies: Details and Analysis (Tax Foundation, Garrett Watson, Huaqun Li, Erica York, Alex Muresianu, Alan Cole, Peter Van Ness, Alex Durante);
- Tax changes under Trump's "big beautiful bill" — in one chart (CNBC, Kate Dore and Jessica Dickler); and
- Big Beautiful Estate Plan: Impact Of The Big Beautiful Bill (OBBBA) (Forbes, Martin Shenkman).

14 GST/HST

528(14)

MINING CRYPTOASSETS

whether mining services were provided to an identifiable recipient

Cryptoasset mining activity is generally **deemed not** to be a **taxable supply** (Excise Tax Act Section 188.2; effective February 5, 2022). As such, no GST/HST is required to be charged and input tax credits (ITCs) are not available. However, there is an **exception** that makes the activity a **taxable supply**. In this case, the supplier would be required to charge GST/HST but would be entitled to ITCs. To be eligible, the mining must be done for a **known third party** (i.e. the identity of the recipient is known to the miner; Excise Tax Act Paragraph 188.2(5)(a)). In addition, if **mining** is conducted **as part of a mining group**, the recipient of the mining services **cannot be** a

mining group **operator** (Excise Tax Act Paragraph 188.2(5)(b)). Where the recipient of the mining services is a non-arm's length non-resident, other conditions must be met for the exception to apply (Excise Tax Act Paragraph 188.2(5)(c)).

whether participating in a mining group

GST/HST Notice 324 (updated June 24, 2025) provides **guidance** on the provision. A "**mining group"** refers to a collection of persons who **pool property or services** to perform mining activities and share in the resulting mining payments. Taxpayers may be members of a group even if they act at arm's length to each other. To be considered a member of a mining group, CRA noted that a person must **share in both the risks and rewards** of mining. If a person receives **fixed compensation** or amounts based on **estimated rewards** without any adjustment for actual outcomes, they are **not considered to share** in the mining payments and thus are **not** part of a **mining group**.

Where the person is not a member of a mining group and is making supplies to a known third party, the supplies would be taxable. If the person was part of a **mining group**, a supply made to another member of the mining group (a known third party) would still be taxable unless the supply was made directly to a "mining group operator." A **mining group operator** is a person who **manages, coordinates or oversees** the mining operations of such a group. Services provided to the operator are not taxable supplies. If the group operator is providing a service to one of the other miners in the group, that service would be taxable.

15 Did You Know... 528(15)

AUDITOR GENERAL RECOMMENDATIONS – TRACKING TOOL

CRA's process on Auditor General's recommendations

The Office of the **Auditor General** of Canada's website contains a **searchable tool** that provides a **snapshot** of the progress of certain **departments** and **agencies** on **recommendations** from the Auditor General. The searchable tool includes **select** performance **measures** and **recommendations** from audits based on their continued relevance to parliamentarians and Canadians. Relevant departments submit updated data for integration into the searchable tool.

OVERVIEW OF CANADA'S DIGITAL ASSET SECTOR

A Whitepaper (From Chaos to Clarity: Canada's Blueprint for a Trusted and Competitive Digital Future) issued by the Canadian Blockchain Consortium provided an overview of the crypto and digital asset sector in Canada and abroad.

whether/how Canada will regulate the digital sector

It **compared Canada's policy** with jurisdictions such as Singapore, the UK, the US and Australia, and outlined why Canada should support and **regulate the digital asset industry** to protect consumers, ensure market stability and enable innovation within a trustworthy ecosystem. The paper underscored **low levels of financial and digital literacy in Canada** regarding **crypto**, noting that this gap contributed to **fraud risk**, misinformation and poor consumer decisions.

The 52-page document noted that **Canada's digital asset sector** is forecasted to **generate more than USD $81.6 billion by 2030**, reflecting a compound annual growth rate of 88.2% from 2023 to 2030. The paper also noted that the sector supported **nearly 5%** of the **Canadian workforce**.

The paper also provided several recommendations, including the following:

- introduce **tax incentives** for **energy-efficient digital asset mining**;
- develop a federal and provincial **blockchain literacy** and **consumer protection campaign**;
- **expand** the OECD-aligned **tax reporting** for digital assets via the Common Reporting Standard and **CryptoAsset Reporting Framework** (see VTN 513(7643)); and
- **define and classify digital assets** and blockchain technologies to provide clarity.

UPCOMING COURSES

this opportunity for an update of key developments over the past year

Tax Update 2025
Join us for our 41st annual Tax Update **seminar** to get **up-to-date and relevant tax planning tips and traps** for owner-managed businesses. These sessions offer **14 hours** of practical tax information through in-person or virtual platforms. Also, for those who prefer extra flexibility, do not forget about our pre-recorded option!

Instructors Caitlin Butler CPA, CA and Joseph Devaney CPA, CA will be joined by a special instructor, Hugh Neilson FCPA, FCA, TEP or Kenneth Keung CPA, CA, CPA (CO, USA), CFP, TEP, LLB, MTax.

Click here to see who is scheduled for your city or region. Limited spaces are available for in-person and virtual live offerings, so register early to secure your first choice.

Newbies to Ninjas: Corporate Tax

Do you need to train summer staff or new starts this fall? The 11th Edition of Newbies to Ninjas: Corporate Tax is open for registration! This concise online 3-hour topic-by-topic course will have your newer tax preparers completing corporate tax returns like ninjas. Sessions run every two weeks. Click here for further details.

getting your new preparers into the corporate tax groove

Ethics Courses

Every aspect of our profession brings ethical challenges. Strengthen your ethics framework – four new 1-hour ethics courses are now available! They include:

- Ethics in Action: Navigating the Sale of Tax Ideas and Plans
- Making Ethics Routine: The Power of Ongoing Conversations in Building Firm Integrity
- The Fine Line: Ethical Social Media Marketing and Content Creation for Professionals
- Demystifying AI for Accountants: Risks, Rewards and Ethics

these ethics courses bringing the theory into public practice

Each course offers practical insights to support sound professional judgment. They are available as a bundle with a 25% discount at here.

AI Tools in Tax: New Course!

Ready to **explore using AI** in your **tax practice** but unsure where to start? Join us for a **practical 1-hour pre-recorded course** that discusses how AI is changing Canadian tax planning, research and advisory services. It highlights how AI is reshaping workflows and client engagement, while offering practical insights into areas where AI can deliver value. The course also outlines **key factors** to consider when **evaluating** and **implementing new technology** tools and provides a **high-level framework** to support informed, future-ready decisions.

this resource for integrating AI into your tax practice

For further information, click here.

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APPENDIX A

Additional Video Tax News Resources and Recently Released CRA Publications and Forms

Video Tax News Resources

- Video Tax News Members Portal and Newsfeed
- Video Tax News Members Portal – A How To Use The Portal Video Tutorial (6 mins)
- Summary of Recent Tax and Benefit Proposals
- Tax on Split Income (TOSI) – Quick Reference Chart
- Underused Housing Tax (UHT) – Quick Reference Chart
- Selected Temporary CCA Incentives – Quick Reference Chart
- Life in the Tax Lane – 10 Minute Monthly Podcast/Video
- Technical Interpretations

CRA Guides/Publications

- T4114 Canada Child Benefit and related provincial and territorial programs
- T4127-JUL Payroll Deductions Formulas for Computer Programs - 121th Edition - Effective July 1, 2025
- RC4210 GST/HST Credit
- EDM9-1-1 General requirements for records
- NOTICE324 Mining Activities in respect of Cryptoassets
- RC4018 Electronic Filers Manual for 2024 Income Tax and Benefit Returns
- RC4049 GST/HST Information for Municipalities
- IC76-12R9 Applicable rate of part XIII tax on amounts paid or credited to persons in countries with which Canada has a tax convention
- EDN75 CANCELLED Repeal of Excise Duty Exemption for 100% Canadian Wine
- EDM4-1-1 Producers and Packagers of Wine
- EDN77 CANCELLED Excise Duty Exemption for 100% Canadian Wine Made from Honey or Apples

CRA Forms/Statements/Returns

- RC906 Request for Legal Assistance and/or Indemnification Form
- T3F Investments Prescribed to be Qualified Information Return
- RC907 Statement of Account
- T1141 Information Return in Respect of Contributions to Non-Resident Trusts, Arrangements, or Entities (2025 and later tax years)

- T2012 Election in Respect of a Capital Gains Dividend Under Subsection 130.1(4)
- B500 Luxury Tax and Information Return for Registrants

VIDEO TAX NEWS INC.
Phone: (877) 438 2057
Fax: (877) 437-4455
info@videotax.com
www.videotax.com

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