VIDEO TAX NEWS

Monthly Tax Update Newsletter

November 2025 — ISSUE 531

WHAT'S INSIDE

1 Government Releases

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FINANCE RELEASES

1. **Late-Breaking News: October 30, 2025** – The Department of Finance issued a News Release (Minister Champagne **clamps down on Driver Inc. scheme** in **Budget 2025**) announcing that **CRA** will receive additional **funding** to **lift** the **moratorium** on **penalties** for **failure to report fees for service** transactions (see VTN 528(8334)) in the **trucking industry** and to implement a **focused program** that **addresses non-compliance issues** related to **personal services businesses** (see VTN 516(7790)) and reporting fees for service. Proposed amendments would also allow greater **information sharing** by CRA with **Employment and Social Development Canada** to allow the latter to more effectively address **driver misclassification** in the trucking industry. See VTN 528(8335) for a discussion of the Canadian Trucking Alliance's advocacy for such enforcement actions by CRA.

2. **Late-Breaking News: October 27, 2025** – The Department of Finance issued a News Release (**Budget 2025** to invest in **Canadian workers**) announcing that the Budget will include a **temporary** five-year **personal support workers tax credit**. Eligible workers will be able to claim a **refundable** tax credit equal to **5%** of their **eligible earnings**, to a **maximum credit** of **$1,100** per year. This new tax credit will be **available** in provinces and territories that are **not covered** by a **bilateral agreement** with the federal government to **increase wages**

these upcoming projects focused on the trucking industry

for personal support workers.

The specific provinces and territories were not noted. A Health Canada webpage refers to bilateral agreements in respect of three types of workers, but these appear to exist in all provinces and territories, so the specific workers targeted are unclear.

new personal tax credit proposed for personal support workers

Several **non-tax initiatives** were also announced, including the following:

- expansion of the **union training and innovation program** to boost union-based apprenticeship in Red Seal trades;
- **restrictions** in the use of **non-competition agreements** in **employment contracts** for **federally-regulated** businesses; and
- creation of a **foreign credential recognition** action fund.

the impact of these proposals on clients' businesses

3. **October 10, 2025** – The Department of Finance issued a News Release (Canada's new government is lowering costs to help Canadians get ahead) announcing that, starting with the **2026** year, CRA will prepare a **pre-filled tax return** in CRA's **My Account online filing system** for about **1 million** lower-income individuals with simple tax situations. It is planned to increase to **5.5 million** for the **2028** tax year.

4. **October 6, 2025** – The Department of Finance issued a News Release (Government of Canada modernizes its budgeting approach to deliver generational investments) and backgrounder announcing a new approach to **future federal budgeting**. Starting with Budget 2025, the federal **budget** will be **released in the fall** with an economic and **fiscal update** released each **spring**. The purpose of the change is to provide certainty and predictability to businesses, governments and other parties to plan ahead and enable projects to begin as soon as construction season starts.

   the new timing of federal budgets

   The government is also introducing the Capital Budgeting Framework, which is described as a new way of structuring the federal budget to separate day-to-day operating spending from capital investment.

CRA RELEASES

1. **Late-Breaking News: October 28, 2025** – CRA announced that **new business number registrations**, including adding **new program accounts** to existing business numbers, **must** be done **online** through **Business Registration Online** (BRO) effective November 3, 2025. **Calls** to the business enquiries (BE) line will be **directed to BRO**. CRA noted the following **situations** where **BRO cannot** be used:

   getting online for business registrations

- **reactivating** a previously closed account;
- registering a Canadian business with **only non-resident owners**; and
- registering a **business owned by another business** (e.g. a partnership or corporation).

these situations where registration must be done by phone or mail

In these situations, registration must be done by **calling** the **BE line** or by **paper filing**. CRA's announcement did not indicate whether paper filing would remain an option for other registrations.

2. **October 20, 2025** – On the EFILE news and program updates webpage, CRA provided details about the **2026 EFILE program**. CRA noted that, for **renewals on or after October 20, 2025**, efilers must update their software with the **newly assigned password**. As of **January 30, 2026** at 11:59 pm ET, CRA will **temporarily stop accepting T1 and T3** transmissions to update their systems for the next filing season.

3. **October 15, 2025** – On the EFILE news and program updates webpage, CRA stated that, starting **February 2026**, CRA will implement a process that **associates EFILE accounts** with **specific certified T1 and T3 software** to strengthen the security of the submissions process. For the **October 2025** renewal process, CRA will **automatically associate** EFILE accounts with software used **historically**. Software preference status can be updated by contacting the EFILE helpdesk.

advising CRA of 2026 software product changes

4. **October 2, 2025** – CRA added a webpage (**First-time home buyers' (FTHB) GST/HST rebate**) setting out details of the **enhanced rebate** for **first-time home buyers** (see VTN 527(8310)). The webpage noted that the rebate is **not yet law** and may change. **Applications** are **not yet available**, and claims will **not be processed** prior to **Royal Assent**. The webpage indicated that **no new forms** will be created. Rather, forms for the **existing new housing rebate** will be modified to **include** the **FTHB GST/HST rebate**.

rebate claims will not be processed until the legislation is enacted

5. **September 15, 2025** – CRA updated the **digital services tax** (DST) webpage to state that they would administer the government's announced removal of the DST and will not require businesses to file a DST return or pay any DST-related amounts. DST already paid will be **refunded with interest** if the rescinding legislation receives Royal Assent.

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. **October 21, 2025** – The Office of the Auditor General (OAG) released its **report** on CRA **Contact Centres**. The report found that just **18%** of callers **reached an agent within 15 minutes** or less (the target was 65%).

   Approximately 20% of total calls received by agents were for non-account-specific enquiries. The OAG tested the **accuracy** of those types of responses by making 167 test calls, noting that **business-tax responses** were accurate **just over 54%** of the time, while responses to **individual-tax** responses were accurate **17%** of the time. The OAG compared these results to responses from CRA's **Charlie the Chatbot**, finding it to be accurate on **33%** of questions. The OAG also examined **publicly available** conversational **artificial intelligence tools**, finding them accurate on **83%** of questions.

   the accuracy of call centre answers

   The report also noted that, when **considering all calls** received (not just non-account-specific), **accuracy** in respect of **individual tax** and **business taxes** were **84%** and **90%**, respectively. These numbers were derived by reviewing recorded calls that CRA used for their own quality assurance process.

   The report also noted that only **9%** of a call **centre agent's evaluation** was based on the **accuracy and completeness** of their answers. 45% was based on productivity (adherence to schedule and call handle time), 10% was behaviour, and the remaining 36% was based on other quality of service standards (such as communication skills).

   CRA responses to the OAG recommendations were included in the report. On the same day, October 21, 2025, the Minister of Finance and National Revenue and the Secretary of State (Canada Revenue Agency and Financial Institutions) also responded to the report.

   On October 22, 2025, the Office of the Taxpayers' Ombudsperson issued a statement which noted that the service improvement measurements were done during slow seasons and stated that it was concerned about whether CRA could maintain improvements beyond the 100-day period. The release also encouraged CRA to examine why it was receiving so many calls and what could be done to reduce them.

2. **September 12, 2025** – The Canada Employment Insurance Commission announced that the 2026 **EI premium rates** will be **1.63% for employees** and **2.28% for employers** (1.4 x the employee rate). The maximum insurable earnings for 2026 will increase to $68,900 from $65,700 in 2025, attracting maximum premiums of $1,123 for employees and $1,572 for employers.

   EI costs for 2026

2 Canada's COVID-19 Response 531(2)

COVID-19 BENEFIT ELIGIBILITY ROUND-UP

As CRA continues their **post-payment reviews** related to the **Canada Emergency Response Benefit** (CERB), **Canada Recovery Benefit** (CRB), **Canada Recovery Caregiving Benefit** (CRCB) and related programs, the Federal Court also continues to consider applications for judicial review of the reasonableness of CRA's decisions to deny benefits.

Informal earnings
An August 8, 2025 **Federal Court** case (Khairy vs. CRA, T-2996-24) reviewed CRA's denial of **CERB** on the basis that the taxpayer did **not meet** the **$5,000 prior period earnings test**. The taxpayer was a relatively **new immigrant to Canada** (arrived in 2015) without any formal bookkeeping training. In the relevant period, the taxpayer provided **cleaning and childcare services**, was **employed** at a **bakery** and found temporary work through a hiring agency. The **majority** of her receipts were in **cash**.

invoices to support cash receipts may be sufficient in certain contexts

In finding that **CRA's denial was unreasonable**, the Court noted that at **no point** did **CRA provide** an **explanation** as to **why** the **detailed invoices** provided were **insufficient** and **why further information** was **necessary**. The Court noted that it was especially problematic in light of the taxpayer's unquestioned explanations for why she could not provide such information. The Court also noted that CRA's expectations of **additional information** to substantiate earnings, such as a **business number**, **advertising** or **contracts**, were **not reasonable** in the taxpayer's context. The Court also found it **unreasonable** for CRA to say that the taxpayer's use of estimates, instead of precise amounts, made it impossible for them to **determine eligibility.**

Late request for second review
A September 2, 2025 **Federal Court** case (Mentis vs. CRA, T-1667-24) considered whether CRA's refusal to **conduct a second review** of the taxpayer's CERB and CRB eligibility due to a **missed 30-day deadline** was procedurally fair and reasonable. While the CERB Act has no deadlines or dispute procedures, the CRB Act allows for a review provided that the request is made within 30 days of notification of the decision or such longer period as the Minister determines (Section 31 of the Canada Recovery Benefits Act).

getting those requests in on time!

The taxpayer, a self-employed individual, received CERB and CRB payments from March 2020 to October 2021 but was later found ineligible by CRA for failing to meet the **$5,000 prior earnings test**. In February 2022, CRA notified the taxpayer of their right to request a second review within 30 days. Instead, the taxpayer submitted a letter **seven months later** seeking assistance regarding the repayment demand, but did **not explicitly request**

a second review. CRA considered the letter to be a request for a second review and rejected it because it was late.

The Court noted that the **eligibility decision** itself was **not under review**, but rather whether the **decision not to accept** the request to do a second review was **reasonable**. The Court found that the decision was grounded in a **coherent and justifiable rationale** and therefore denied the judicial review request.

Medical accommodation

A September 26, 2025 **Federal Court** case (Matthew vs. AGC, T-3271-24) addressed an application for judicial review of CRA's decision to deny CRB. The Court focused on a breach of procedural fairness relating to **accommodating a disability**.

whether CRA considered accommodation

The Court found that the taxpayer had explicitly notified CRA reviewers of her **mental health conditions** (clinical depression and agoraphobia), which impacted her **ability to engage** in the review process. Despite this, **CRA failed to acknowledge** or respond to her disclosures, or to consider whether accommodation was needed, thereby contravening CRA's own guidelines and federal duties under accessibility law.

The Court also quoted a **Federal Court of Appeal** case (Haynes vs. AGC, 2023 FCA 158), which stated that federal government agencies and institutions have an "obligation to ensure functional equality for those with disabilities who come before them." The Court emphasized that **procedural fairness includes accommodating disabilities** during administrative reviews and granted the judicial review. The application was granted due to a breach of procedural fairness.

Second judicial review

A September 11, 2025 **Federal Court** case (Ryckman vs. AGC, T-2961-24) addressed an application for judicial review of CRA's decision to **deny CRB** on the basis that the taxpayer did **not stop working for COVID**-related reasons.

The taxpayer **ceased work** in December 2019 due to a **medical condition**. His **treatment was delayed due to COVID-19**-related service disruptions, which extended his inability to work into the CERB eligibility period (March–September 2020). After receiving CERB payments, CRA later ruled him ineligible, claiming his **work cessation predated** the **pandemic** and was unrelated.

CRA may still deny a claim after a judicial review

A previous **Federal Court** case (Ryckman vs. AGC, T-2130-23; no written decision) had found that CRA's **initial decision** was **unreasonable** due to CRA's own admission and ordered a redetermination. In completing the redetermination, CRA **again denied eligibility**, prompting this second judicial review application.

The Court found that CRA's **new decision** was **also unreasonable**, primarily because a detailed application record containing an affidavit and legal arguments (from the first judicial review) was acknowledged but not substantively addressed.

The Court did not issue a directed verdict on eligibility but remitted the matter to CRA for **another redetermination** by a different officer. **Costs of $1,500** were awarded to the taxpayer in recognition of this being his second successful judicial review, as well as to encourage earlier settlement when the results of the judicial review application should have been apparent.

3 Personal Tax 531(3)

DISABILITY TAX CREDIT (DTC) – SLEEP APNEA

A September 12, 2025 **Tax Court of Canada** case (Halvorson vs. HMK, 2024-905(IT)I) reviewed the taxpayer's **eligibility** for the **DTC**. The taxpayer argued that the use of a **continuous positive airway pressure** (CPAP) device to treat his severe obstructive **sleep apnea** constituted **life-sustaining therapy** administered at least two times a week, for a total duration averaging **not less than 14 hours a week** (Subparagraph 118.3(1)(a.1)(ii)). CRA agreed that **all other requirements** for the DTC were met.

Taxpayer loses
The Court concluded that **time spent** while **falling asleep**, including such time after a **sleep disruption**, did **not require** taking **time away** from normal **everyday activities** and therefore was **not included** in the time required to **receive** the CPAP **therapy**. As the **time directly spent** to prepare the CPAP machine for use, put the mask on and maintain the machine was only about **40 to 50 minutes per week**, the **requirements** for the **DTC** were **not met**.

time directly spent to receive life-sustaining therapy

Editors' comment
CRA has confirmed that some costs related to CPAP devices are eligible for the medical expense tax credit (see VTN 498(6910)).

EDUCATION-RELATED TRAVEL ALLOWANCES

A January 29, 2025 **Technical Interpretation** (2024-1018131E5, Randa El-Kadi) discussed the **tax treatment** and requirement to issue **reporting slips** for two programs related to **travel and accommodation payments** for **medical students and residents** connected to **remote underserved communities**. Both programs provided reimbursements for **travel** (on a per kilometre basis) and **accommodations**.

travel reimbursements may be scholarships

Medical students

The first program applied to **medical students** taking **elective courses** in **underserved remote communities** at least 100 kilometres away from their home medical school. CRA opined that these were **scholarships or bursaries** as they were paid as **financial assistance** to enable the student to **pursue their education**. These amounts would be included in **income** (Paragraph 56(1)(n)) to the extent that they **exceed** the student's **scholarship exemption** (Subsection 56(3)). CRA confirmed that **T4A slips** would be **required** to be issued (Regulations Paragraph 200(2)(a)), including these amounts in Box 105, and that **no income tax, CPP or EI withholdings** were required.

Editors' comment

While CRA did not address the amount of the scholarship exemption, it seems likely that the payments would be in respect of the students' enrolment as a qualifying student in an educational program, such that the entire amount would be exempt from tax.

employment-related incentives are included in income

Medical residents

The second program applied to **medical residents** who had completed their academic education and were now **employees** of **academic hospitals** engaged in **postgraduate medical training** leading to **licensure**. Their allowances were paid as an **incentive** to accept placements in **underserved northern communities** in an unspecified province. CRA opined that these were **earnings supplements** under a government-sponsored program to **encourage** the recipients to obtain or retain specific **employment**. Such payments are included in **income** (Subparagraph 56(1)(r)(i)). CRA confirmed that **T4A slips** would be **required** to be issued (Regulations Paragraph 200(2)(c)), including these amounts in Box 128, and that **income tax withholdings** were required (Paragraph 153(1)(s)) but that **CPP and EI** were **not applicable**.

PROVINCIAL RESIDENCY

A September 12, 2025 French **Court of Quebec** case (Wygodny vs. QRA, 2025 QCCQ 4305) reviewed the taxpayer's claim that he was **resident** in **Ontario**, and **not Quebec**, for the years 2014 through 2018. His **wife** (from his second marriage) **resided** in **Quebec**; however, he argued that **he never left Ontario**. The couple **wintered in Florida**. The Court undertook a **detailed analysis** of his **residential ties**.

these sources of evidence of where an individual resides

Spouse and housing

The Court noted that the taxpayer's **relationship** with his **spouse** began over **30 years previously**, although they were only **married** in 2012. His **spouse** owned **three homes in Quebec** (one of which was co-owned with the taxpayer). The taxpayer had used these as **mailing addresses** for insurance and bank statements, was on **utility** and **internet** accounts (and testified he paid for the internet so he could work from that property). His **tax**

returns and **credit card statements** reflected a **Quebec address** that was the head office of a corporation in which his spouse was a shareholder and director. The taxpayer was a party to **legal actions** related to the properties against a carpet supplier and a cabinet installer. The **legal documents** for one such action stated that the **couple resided** at the residence in Quebec.

The only Ontario address he provided to Revenu Québec (RQ) was the former residence of his adult son. The other locations that he testified he stayed at in Ontario belonged to other non-dependent family members. He commonly stayed in hotels when in Ontario.

The Court noted that the taxpayer's **spouse** and **home(s)** were **significant residential ties** to Quebec.

Lifestyle purchases

The Court highlighted the following items from an "**exhaustive analysis**" of the taxpayer's **bank statements** for the five years in question undertaken by RQ to **understand his lifestyle**:

- 120 purchases from **hardware stores**, 116 in Quebec and 4 in Ontario, indicating **renovations and improvements** he made to the Quebec residences;
- 306 **grocery purchases** in Canada, 292 in Quebec and 14 in Ontario;
- 276 **restaurant purchases** in Canada, 207 in Quebec and 69 in Ontario;
- 49 payments to **hotels** in Ontario and one in Quebec, consistent with access to housing in Quebec and not in Ontario; and
- 95.83% of **health care and pharmacy** payments in Quebec, although the taxpayer testified to having Ontario health care coverage (with no evidence of medical services received in Ontario).

lifestyle demonstrated by spending records

The Court noted that the above indicated a **centralized lifestyle** in **Quebec** and **more temporary, irregular** stays in **Ontario**.

Other elements

publicly available information

The Court also noted that the couple's **air travel** arrivals and departures often were from **Quebec**. Several **newspaper articles** reflected his and his spouse's attendance at various **charity events** in Quebec.

Although the taxpayer held an **Ontario driver's license**, it was obtained in 2014 to **replace** his **Quebec license**, shortly after an earlier review of his residency began. He also **transferred** registration of two **vehicles in Quebec** to his spouse around the same time. The Court interpreted this as attempts to **disguise** or remove **residential ties**.

corroborating evidence

The taxpayer's **spouse** and other relatives did **not testify**, although the taxpayer initially indicated that they would, leading the Court to believe their testimony would not have favoured his case.

While his **income** was derived largely from **sources in Ontario**, it was primarily income requiring **minimal attention** (e.g. commercial rental properties) that could be **managed remotely**, as they were when the taxpayer wintered in Florida.

the nature of income sources

Taxpayer loses
The Court concluded that the evidence **clearly established** that the taxpayer had taken up **residence** in **Quebec**, so his **appeal** was **dismissed**.

PROVINCIAL RESIDENCY – WHICH COURT?

An October 7, 2025 **Tax Court of Canada** case (Cadeno vs. HMK, 2023-2115(IT)I) **dismissed** the taxpayer's appeal of her **provincial residency** because the Tax Court has **no jurisdiction** over determinations of provincial residency. The appeal was required to be filed in the **provincial court** of the province where the taxpayer had been **assessed as resident**.

legal advice on the correct court for an appeal

The Court **criticized CRA's communications**, which referred only to **appeals** to the **Tax Court**, noting that it may be **too late** to appeal to the correct court by the time the taxpayer learns that the Tax Court lacks jurisdiction. The Court noted this was the **third** such case that **this judge** had seen in the past two years.

MOVING EXPENSES – PURPOSE OF MOVE

A September 4, 2025 **Tax Court of Canada** case (Angus vs. HMK, 2024-1848(IT)I) reviewed the taxpayer's claim for **moving expenses** from **Vancouver,** BC to **Salt Spring Island,** BC, adjacent to Vancouver Island. The key issue was whether the taxpayer moved for **employment** or **personal** reasons. He was the **sole shareholder and employee** of a corporation that provided **logistical services** for **movie productions** filmed in BC.

purpose of the move for business owners

The taxpayer argued that, in 2021, the **COVID-19** pandemic had resulted in increased **production activity** on **Vancouver Island** as it was more open, requiring reduced COVID-19 protocols. **Many productions** that the taxpayer worked on both before and after the move were filmed in **various locations** in the BC Lower Mainland, Vancouver Island and Alberta. BC **credits** for **film production** also attracted production companies to these locations.

The taxpayer testified that he selected Salt Spring Island as a **central spot** with **reasonable land prices** where he and his corporation could secure premises for **trucks and equipment**. These reasons **supported** a **move** for business or **employment** reasons.

Taxpayer loses
An **email message** received by **Crown counsel** included several "**damaging admissions**" by the taxpayer. That email, originally sent to the

caution when using email

taxpayer's agent, indicated that the **decision** to **leave Vancouver** followed **two arson attempts** against a building adjacent to his residence. The email indicated that this was **very upsetting** to the **taxpayer's partner**, motivating the move. The email indicated that the taxpayer "**also worked** on a project that was being **filmed** on Vancouver Island," and that the **new residence** was "a lot closer than Vancouver." It was not clear how or why the email had been provided to Crown counsel.

Based on that email, the Court concluded that the **reason** for the move was the **arson attempts**, and their impact on the taxpayer's partner. Proximity to Vancouver Island for **work** was at most a **secondary reason**. As a result, the Court concluded that the **move** was made **primarily** for **personal reasons**, so the **moving expenses** were **non-deductible**.

4 Business/Property Income 531(4)

SOURCE OF INCOME – AMWAY

A September 3, 2025 **Tax Court of Canada** case (Sennaike vs. HMK, 2024-570(IT)I) considered whether the taxpayer's **Amway-related activities** constituted a **source of income** and therefore whether the **loses were deductible**. In 2019, the taxpayer reported gross revenue of $3,150, a net business loss of $3,254 and expenses of $6,404. In 2020, he reported gross revenue of $5,556, a net business loss totalling $12,684 and expenses of $19,036 (the case did not indicate why the 2020 numbers did not add up).

whether the activity was being conducted for personal development

Taxpayer loses
The Court found that the taxpayer's **participation in Amway** had a significant, if not predominant, **personal element**. The Court came to this conclusion because the taxpayer's testimony indicated that he wanted to develop as an entrepreneur and businessperson in the broad sense and that Amway was simply his vehicle for doing so. The Court found that the time and money invested in Amway's Leadership Training Development (LTD) program and **self-improvement resources** were geared more toward **personal development** than toward generating sales revenue.

Given that there was a significant personal element, the Court then considered **whether** the activities were conducted in a sufficiently **commercial manner**. It noted that **financial statements** did **not match sales receipts** and the taxpayer had failed to account for the cost of goods sold. The Court found it implausible that, if the taxpayer were truly acting in pursuit of profit, without any other motive, he would **ignore the costs of the goods he sold**.

The Court also noted the **large losses in comparison** to modest sales. It further observed the **lack of scalability** or a plan to move to profitability.

Additionally, the **failure to accept transactions** by cheque, credit card, e-transfer or debit was considered an indicator of non-commerciality.

whether there were accessible payment options

Ultimately, the Court concluded that the taxpayer's activities were **not a source of income** and the **losses** were therefore **not deductible**.

BUSINESS IN THE HOME EXPENSES

A July 14, 2025 French **Court of Quebec** case (Pintal vs. QRA, 2025 QCCQ 2913) considered the **portion of expenses** incurred that would be **deductible** against income from a **home-based daycare** for 2012 to 2014.

Home use costs (property taxes, insurance, utilities etc.)
Over the years in question, between **30% and 39%** of the home was **used for the daycare**. The taxpayer argued that those **portions** of the home were used **exclusively** for daycare purposes. Revenu Québec (RQ) did not disagree with these percentages of space used, but argued that the ratios should be further **reduced for the portion of the day** and year that the daycare was **not operating**. This further reduction would have resulted in deductions being between 7% and 10% of the total expenditures.

what physical and legal barriers restricted use of the workspace

The Court found that the daycare space **remained inherently accessible** to the residents, especially outside daycare hours, as there were **no formal barriers** (e.g. locks, lease agreement, legal separation of space) preventing the family from accessing the daycare area. There was no evidence that the family was restricted from access, and **even if unused personally**, the space **remained available** to the family outside daycare hours. The Court agreed with RQ's apportioning of expenses.

Food costs
The taxpayer categorized **household food expenditures** and their related deductions as follows: 100% for items exclusive to the **daycare**, 0% for those exclusive to the **family**, 50% for **mixed items** and 39.13% for **indeterminate** items.

The largest amount of expenses fit into the final category. The 39.13% was calculated by **estimating** the number of **meals** prepared for the **daycare compared** to those for the **family**, using two meals per day for each daycare child and three for each family member (adjusted for absences). **RQ's determination** of this category, calculated at **between 24% and 28%**, was based on **rejecting the taxpayer's reduction** of meals for family **absences**, **adding snacks** to the family's food portion and making a few other modifications.

The Court found that the **taxpayer's method** for apportioning food costs was **reasonable**, that RQ's rejection of logical adjustments to personal consumption was not appropriate and that RQ's method was arbitrary. The taxpayer's ratio of 39.13% was accepted.

Editors' comment
The findings in respect of home use costs aligned with CRA's position that no time proration is required for segregated areas used exclusively for business; however, a reduction is required to the extent that a work space is not used exclusively in the business.

5 Capital Gains/Losses 531(5)

RESIDENTIAL PROPERTY FLIPPING RULE – ROLLOVERS

Effective January 1, 2023, all gains arising from the **disposition of residential property** (including rental property) **owned** by the taxpayer for **less than 365 days** are deemed to be **business income** unless a particular exception is met (Subsections 12(12) to (14); see VTN 489(6537)).

Where property is **transferred,** the **365-day clock** generally **restarts**, with **no exceptions** for **rollovers** or **related party transactions** (see VTN 523(8114)). For example, an **amalgamation** restarts the clock.

this potential conversion of recapture on a rental property to active business income

At the June 17, 2025 **STEP Canada National Conference CRA Roundtable** (Question 9), CRA **confirmed** that any **capital gains** and **recapture** on **residential property** sold by an **amalgamated corporation** within 365 days of the amalgamation date would be subject to the property flipping rules. As a result, these amounts would be **deemed** to be **income** from the sale of **inventory**, and therefore **active business income**, unless an exception to those rules applied.

rollover transactions will not always trigger the residential property flipping rule

CRA also opined that, if residential property held for less than 365 days were **transferred** on a **rollover basis** using Section 85, resulting in **no capital gain**, the **property flipping rules** would **not apply**. However, if the election resulted in a **capital gain** (however small), then both the **capital gain** and any **recapture** would be **deemed realized** on a sale of **inventory**. As real estate inventory is **not eligible property**, **no** valid **election** could be made under Section 85, so the property would be **deemed** transferred at **fair market value**, resulting in **all gains** being realized, and classified as **ordinary business income** in accordance with the property flipping rules.

CRA noted that they would **consider** applying **GAAR** if one of the **main purposes** of a transaction was to obtain a **tax benefit** that would not otherwise have been available.

Editors' comment
CRA did not comment on any specific tax benefits; however, they may have been addressing the possibility of using a rollover to realize recapture that would otherwise be specified investment business income (SIBI) to active

business income to avoid the RDTOH regime, or even converting a capital gain to business income in order to benefit from a tax deferral.

6 Farming/Fishing 531(6)

RESTRICTED FARM LOSSES – CHIEF SOURCE OF INCOME

A September 26, 2025 **Federal Court of Appeal** (FCA) case (Stackhouse vs. HMK, A-335-23) upheld a Tax Court of Canada (TCC) ruling, that found that the **restricted farm loss rules** applied (see VTN 509(7440)). The FCA decision also provided **additional guidance** on the **chief source of income test**. These rules apply where the taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income that is a subordinate source of income for the taxpayer (Subsection 31(1)).

The taxpayer was a **physician** who also **operated a farm** that produced organic beef. Although the taxpayer worked full time as a physician, the farming operation was significant, including **four full time staff**, over **800 head of cattle**, over **5,000 acres of land** and various buildings and pieces of equipment.

The TCC found that the **centre** of the taxpayer's **routine** was her **medical practice**. The **farming** business had always been **subordinate** to the medical practice as a source of income, rather than the other way around, and there was no indication that this would change in the foreseeable future.

whether the non-farming income was subordinate

The FCA upheld the TCC's decision and clarified that, if the taxpayer's **chief source of income** is **a combination** of **farming and another source**, the farming loss restriction still applies unless the **non-farming source is subordinate**. The Court rejected the taxpayer's argument that time, effort and capital investment alone should determine which source is subordinate. Instead, it confirmed that a comparative, flexible analysis of capital invested, time spent, income generated, potential profitability and the taxpayer's ordinary work routine is required.

7 Purchase/Sale of a Business 531(7)

INTERGENERATIONAL BUSINESS TRANSFERS (IBT) – TRUSTS AND HOLDING CORPORATIONS

The **IBT rules** permit an **exception** from **deemed dividends** when parents transfer shares of their corporation (Opco) to a corporation controlled by their children (Childco; 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.

One requirement of an IBT is that **Childco** be **controlled** by one or more **children from** the **IBT** for as much as **ten years after** the transaction. At the June 17, 2025 **STEP Canada National Conference CRA Roundtable** (Question 1), CRA discussed whether this **control requirement** could be met where the **Childco shares** were held by **holding corporations** and/or **trusts**, and **not directly** by the Child.

The questions posed assumed that there could be only one Childco that purchased shares in the IBT. CRA noted their earlier interpretation that **multiple simultaneous dispositions** could constitute a **single IBT** with all dispositions eligible for the exception from deemed dividends (see VTN 523(8118)), such that a group of children could each have their own Childco acquire Opco shares directly.

holding corporations could be used in an IBT

Holding corporations
CRA opined that **indirect control** through one or more holding corporations would **meet the control requirement** even where the children held no shares of Childco directly.

Trusts
CRA indicated that the **trustees** would exercise **voting rights** attached to **shares held** by a **trust**. The fact that **only children** were **beneficiaries** of a **trust** that **controlled Childco** would **not** mean that the **children controlled Childco**. Provisions that deem beneficiaries to own shares owned by the trust would not also deem those beneficiaries to hold voting rights attached to those shares or to control the corporation.

a careful analysis of who controls a corporation held by a trust

CRA further opined that, where there are **multiple trustees** of a **trust** that **controls Childco**, determining **which trustee(s) controls Childco** would require a review of **all pertinent facts**. However, in the absence of evidence to the contrary, CRA would generally **presume** that the **trustees** would constitute a **group** that **controls Childco** (see VTN 368(1392)).

INTERGENERATIONAL BUSINESS TRANSFERS (IBT) – TRUSTS

The **IBT rules** permit an **exception** from **deemed dividends** when parents transfer shares of their corporation (Opco) to a corporation controlled by their children (Childco; 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.

The IBT rules **limit** interests that the **parents** may **hold** in either **Opco or Childco** subsequent to the IBT. At the June 17, 2025 **STEP Canada National Conference CRA Roundtable** (Question 2), CRA discussed whether certain **shares of Childco** (that were **not sufficient** to provide **control** of Childco) that were held by a **trust** in which a parent (or their spouse or common-law partner) was involved would result in the **IBT failing** this requirement.

the implications of a parent being a contingent beneficiary

Contingent beneficiaries
CRA was asked whether the **parent** being a **contingent beneficiary** only in the event of the **death of a child**, or all of the children involved in the IBT, would cause the **IBT** to **fail**. While **shares** held by a trust can be **deemed** to be **owned, directly or indirectly**, by the **beneficiaries** of the trust under the IBT provisions (Paragraph 84.1(2.3)(c)), CRA indicated that they would **not consider** this **deeming provision** to apply to a person whose **interest** in the trust was **contingent** on an **uncertain event** such as the **death** of a child. As such, **during the child's lifetime**, the **parent** would **not** be considered to **own shares** that were held by the trust.

Editors' comment
CRA did not comment on deemed ownership subsequent to the death of the child. While some requirements of an IBT are deemed to be met where a purchaser child dies, the requirements related to future ownership of Opco or Childco shares by the vendor are not deemed to be met in such circumstances.

parent could be a trustee of a trust that does not control Childco

Trustee
CRA was also asked whether the **parent** being a **trustee** would result in them being **deemed** to own the **shares** held by the trust. CRA opined that **only beneficiaries** would be **deemed** to own **shares** held by the trust, so the parent's role as a trustee would not cause the IBT to fail.

Editors' comment
The question posed by STEP stated that the shares held by the trust would not be sufficient to control Childco. CRA's general presumption is that the trustees of a trust are a group that controls any corporation controlled by the

trust (see VTN 368(1392)). CRA did not comment on the implications of a parent being a trustee of a trust that held shares that provided voting control of Opco or Childco.

8 Corporate Reorganization 531(8)

PAID-UP CAPITAL (PUC) AVERAGING

A September 24, 2025 **Tax Court of Canada** case (D'Arcy et al. vs. HMK, 2021-252(IT)G) considered whether a series of transactions enabling **tax-free extraction** of **corporate surplus** through **PUC averaging** constituted abusive tax avoidance under **GAAR**.

being wary of tax planning proposals that use PUC averaging to increase PUC

The taxpayers conducted a series of rollovers (Section 85) in 2011 involving an operating company (Tech/Pro Heavy Industrial Inc.; Tech/Pro) and a holding company (Tiffany Holdings Ltd.; Tiffany). The transactions led to the issuance of shares of the same class in Tiffany to both Tech/Pro and the individual shareholders. This structure used the **PUC averaging rules** (Subsection 89(1)), resulting in inflated PUC for the individuals' shares in Tiffany. The inflated **PUC was later reduced** in 2013 and 2014 and **credited to their shareholder loan** accounts, which resulted in $250,000 and $107,239 in tax-free withdrawals (using the lifetime capital gains exemption). CRA reassessed each individual for deemed dividends of their respective portions (under Subsection 84(4)) totalling $125,000 (2013) and $53,620 (2014), alleging that GAAR applied as the taxpayers misused the PUC averaging rules.

whether new capital was injected

Taxpayers lose

The Court concluded that, while the transactions were technically compliant, the manner in which the relevant provisions (Section 84.1 and Subsection 89(1)) were applied **violated the object, spirit and purpose of the provisions**, which is to prevent tax-free extraction of corporate surplus in non-arm's length transactions using the lifetime capital gains exemption (LCGE). The Court noted that the PUC increase was **not supported by new capital** contributions but rather achieved solely through sophisticated tax planning exploiting the PUC averaging rules. Following other cases (such as that discussed in VTN 444(4201)), the Court held that the transactions defeated the rationale of the provisions relied upon and therefore were abusive within the meaning of GAAR.

The taxpayers' claim that the **purpose was creditor-proofing** was **rejected** as irrelevant to the GAAR test, which **focuses on the purpose** and effect of **specific transactions** within the series, **not solely the overall intent**.

9 CRA

CRA SERVICES – 100-DAY PLAN

CRA has launched a **100-day Service Improvement Plan** webpage that provides **updates** on several **service-related matters** (see 530(8412)), including the items noted below.

- As of October 20, 2025, **existing CRA account users** can **register** for **new credentials without** having to **call CRA** if they are locked out of their account or have forgotten their sign-in information.
- As of October 20, 2025, the **manage balance service** within My Account allows taxpayers with tax **debts of $1,000** or more to **independently** set up **payment arrangements** without the need to speak with a collections officer. Additional options include making full or partial payments, scheduling payment plans, connecting with a collections officer or requesting a callback.

new self-serve options available online

- CRA's **progress tracker service** in My Account now provides the status of the following topics: **T1 assessments**, **T1 adjustment requests**, **Canada child benefit applications**, **disability tax credit applications**, **relief** of penalties and interest **requests** and file a formal dispute/**objections requests** (this update has since been removed from CRA's webpage).
- From October 20, 2025 to January 30, 2026, **surplus agents** from the **phone lines** will be **reallocated** to support key workloads while **maintaining a 70% calls-answered target** (this update has since been removed from CRA's webpage).
- As of October 6, 2025, CRA launched a system enhancement for **T1 adjustments** to **automatically process** an additional 115,000 requests annually.

whether processing times for T1 adjustments will decline

- CRA launched a **pilot** program to offer **callback requests** for **certain disability tax credit enquiries**. From September 15 to October 17, 2025, there were 1,302 callback requests.

CORPORATIONS – MANDATORY ELECTRONIC FILING

All corporate tax returns are **required** to be filed **electronically** for tax years beginning after December 31, 2023, with very limited exceptions (Section 150.1 and Subsection 205.1(2) of the Regulations). The requirement results from a **legislative change** that **removed** the **exception** from mandatory filing for corporations with gross revenues of $1 million or less (see VTN 503(7116)).

ensuring to file electronically

A September 18, 2025 National Post article (He sent CRA a paper tax filing for his inactive company. CRA sent back a $1,000 fine, Christopher Nardi) reported that CRA has **assessed** the $1,000 **penalty** in respect of **11,640 corporations** (including 4,840 inactive ones) for filing their 2024 tax return by paper, rather than electronically. CRA noted that the law does **not** provide any **exceptions** related to **inactive corporations** or those with **no revenues, expenses or taxes owing** and that CRA must follow and apply the legislation as enacted. However, CRA has discretion under the **taxpayer relief provisions** to cancel or waive penalties where taxpayers cannot meet their obligations due to **circumstances beyond the taxpayer's control**.

A communication on CPA Canada's Tax360 platform from Ryan Minor, CPA, Director of Tax at CPA Canada, reported that **CRA** is **automatically applying** these **penalties** where a corporation paper files a T2 inappropriately.

TAXPAYER RELIEF – INCORRECT CRA ASSUMPTIONS

A September 4, 2025 **Federal Court** case (Minion vs. AGC, T-655-24) addressed an application for judicial review of CRA's decision to **deny relief on arrears interest and instalment interest** accrued during the 2021 and 2022 taxation years. The taxpayer resided and worked in Canada but earned income from their US employer that withheld US taxes from their pay. There was no dispute that the taxpayer was **required** to **pay instalments** in Canada.

CRA **denied relief** on the basis that the taxpayer withdrew financial hardship as a reason for CRA to provide relief and that the taxpayer was **able to request** that her employer **reduce** the **amount withheld** from her pay.

whether CRA's denial is based on accurate facts

Taxpayer wins
The Court found there was **no evidence to support CRA's assertion** that the **taxpayer** was able to request **changes** to **withholdings** on her US income. As **one of the two reasons** for denying relief was **factually baseless**, the Court found that CRA's decision lacked a rational foundation, rendering it **unreasonable**.

As the application was granted, another reviewer at CRA would determine that individual's request for relief.

See VTN 529(8387) for an interpretation where foreign source deductions were required on the employee's remuneration. The foreign withholdings did not reduce the required Canadian source deductions despite the fact that the employee would be eligible for a foreign tax credit in respect of taxes payable to the foreign country.

TAXPAYER RELIEF – 10-YEAR LIMIT FOR REASSESSMENT FOR INDIVIDUALS

ten-year period to obtain tax refund

The **taxpayer relief provisions** allow CRA to **reassess** an **individual** (other than a trust) or a graduated rate estate to provide a **refund** of tax for any **tax year** that **ended within ten years before the calendar year** in which a taxpayer's **request is made** or a return is filed.

when the ten-year clock commences for retroactive payments if an individual dies

A June 19, 2025 French **Technical Interpretation** (2024-1045841E5, François Fournier-Gendron) considered the **10-year period** where a **beneficiary** of the estate of a **deceased individual** became **entitled** to a non-taxable retroactive **pay** adjustment in respect of the deceased person. CRA opined that the **10-year period** is calculated from the end of the **year** in which the **payment** was **received by the beneficiary**.

In the case considered, an individual **died** in **2008**, the estate was finalized in 2010 and a pay equity agreement was signed that granted the deceased the right to a **retroactive salary adjustment** in **2011**. Later in 2011, the employer **withheld tax** on the amount and made the **payment** to the beneficiary. CRA stated that the payment was not taxable to the deceased nor to the estate, as the pay equity agreement granting the right to the adjustment was signed after the individual's death. The **ten-year period** for this case is computed from the end of **2011**. While not explicitly noted by CRA, this would indicate that the **relief application** must have been filed by **December 31, 2021** to allow CRA the discretion to provide the **refund of tax withheld** in respect of the non-taxable retroactive payment.

TAXPAYER RELIEF – OUSTANDING BALANCE FOR DECADES

balance outstanding for many years

A September 26, 2025 **Federal Court** case (Banayot vs. AGC, T-632-24) addressed an application for judicial review of CRA's decision to **deny relief on penalties and interest charges** in respect of balances owing since 1995 and 1996. As a result of the unpaid balance, **CRA registered a lien** against the taxpayer's property and obtained **collection assistance from the IRS** (the IRS garnished the taxpayer's employment wages while he resided in the US, resulting in his termination by his employer). From 2008 to 2015, the taxpayer made payments but **never entirely repaid the debt**. The taxpayer unsuccessfully made taxpayer relief applications in 2001 and 2004.

arguing interest calculations are incorrect is not helpful in judicial reviews

Taxpayer loses

While the taxpayer argued that the **interest calculations** were wrong, the Court stated that this is an issue that **cannot** be resolved in an application for **judicial review**. The Court also noted that CRA's past decisions to take **collection measures**, including garnishing wages and placing liens on property, were **not** within the scope of this **judicial review** and therefore were not considered in determining whether CRA's decision was reasonable.

The Court found that CRA's denial of relief was **reasonable**, noting that the reasoning was **intelligible** and **logical**, and correctly applied the law. The Court further stated that, even if the taxpayer had been successful, the Court could not have granted the relief sought, namely a resolution of his case, a refund from CRA, damages and removal of the lien on his property.

TAXPAYER RELIEF – PROCEDURAL FAIRNESS

A September 17, 2025 **Federal Court of Appeal** (FCA) case (AGC vs. Maloney, A-340-24) **reviewed** a Federal Court case (FC; see VTN 519(7899)) that found that **CRA's denial of penalty and interest relief** was **procedurally unfair** and **substantively unreasonable**. The taxpayer was involved in an **offshore tax scheme**. The FC found that CRA's failure to disclose documents requested by the taxpayer related to their file resulted in a lack of procedural fairness. The FC further noted that it was unreasonable for CRA to fail to consider their own delays in resolving the objection, processing the taxpayer's first review and providing the information requested. CRA appealed the decision.

Taxpayer loses

The FCA found that CRA's failure to disclose the requested documents was **not procedurally unfair** as many of the documents were **irrelevant** to the issues in the court case.

paying tax balances in dispute to stop arrears interest from accruing

The FCA ruled that the **FC** formed its own views as to what was an appropriate delay and imposed those views, making its ruling a **correctness**, **rather than a reasonableness, review**. The FCA noted that **objections** involving a **tax shelter** are more **complex** and that the Minister cannot guarantee **how long** an objection will take to complete. The taxpayer was **warned multiple times** over several years about his debt, yet he **chose not to pay**, allowing the **interest** to **accumulate**. The FCA noted that the taxpayer was **responsible** for the **accuracy** and timeliness of his tax returns, and he **had the ability** to make payments on his tax debt but **chose not to**.

The FCA allowed CRA's appeal and dismissed the application for judicial review.

TAXPAYER RELIEF – DELAY IN RESOLVING TAX SHELTER DISPUTE

A September 17, 2025 **Federal Court** case (Rotfleisch vs. AGC, T-2099-24) addressed an application for judicial review of CRA's decision to deny **relief from arrears interest** related to a disallowed **charitable donation** from 2000.

The taxpayer participated in a **leveraged donation scheme**. CRA reassessed him in 2004, disallowing the majority of the claim and **held his objection in abeyance** pending the outcome of a similar case (see VTN

375(1369)) that was eventually concluded in favour of CRA in 2009.

In 2014, the taxpayer **requested interest relief** (Subsection 220(3.1)) on the basis that CRA's **long delay was unreasonable**. Only **partial relief** was granted (from December 6, 2013 to November 7, 2014). CRA denied relief for the remainder, noting that the **delay** in processing the objection was **not undue** given the **complexity and scale** of the related case. Further, the Court noted that the taxpayer had been **repeatedly advised** of the **accruing interest** and could have paid the balance earlier to stop it. The Court found **CRA's decision reasonable** so the application for judicial review was dismissed.

paying the outstanding balance early to avoid interest charges

10 Estate Planning 531(10)

TRUSTS FOR DISABLED INDIVIDUALS

A **qualified disability trust** (QDT) is a **testamentary trust** which elects with one or more disabled beneficiaries and is subject to **several complex criteria** (see VTN 398(1052)), including the restriction that a beneficiary may file an election with **only one trust** in any specific year. A QDT enjoys the benefits of **graduated tax rates** in 2016 and later years.

A trustee and a **preferred beneficiary** (PB) may jointly **elect** to have taxable **income** of a **trust** that is **not paid or payable** to the PB be **taxed to the PB** and not to the trust (Subsection 104(14)), within limits based on the terms of the trust (Subsection 104(15)). A **PB** must meet several criteria (see VTN 421(2867)). A beneficiary who is **eligible** for the **disability tax credit** (DTC) can be a PB where other relevant criteria are also met.

these complex planning opportunities for disabled beneficiaries

At the June 17, 2025 **STEP Canada National Conference CRA Roundtable** (Question 4), CRA was asked whether an individual eligible for the DTC could **elect** that **one trust** in which they are a beneficiary be a **QDT** and make a **PB election** with a **second trust** in which they are also a beneficiary.

CRA confirmed that the **requirements** of **each election** are **independent**, so **both elections** described above **could be made** as described.

Editors' comment
CRA has previously opined that a PB election could be made between a QDT and a PB (see VTN 421(2867)).

SPOUSAL TRUSTS

Upon death, a **deceased's property** is generally deemed to be disposed of at fair market value (Subsection 70(5)). However, property can also be transferred on a **tax-deferred basis** to a **surviving spouse** or **common-law partner**, or to a **testamentary spousal or common-law partner trust** (Subsection 70(6)). To be eligible, the property must **vest indefeasibly** with the eligible recipient within **36 months** of the death. However, upon **written application**, CRA may **permit a longer period** if it is reasonable.

At the June 17, 2025 **STEP Canada National Conference CRA Roundtable** (Questions 7 and 8), CRA addressed a number of questions involving **testamentary spousal or common-law partner trusts** (referred to as TST below).

when the residue of the estate is transferred to a trust under the will

Formal conveyance of residue
CRA opined that, where the **residue** of the **estate** is to pass to a **TST** in accordance with the deceased's will, the **absence** of a **formal conveyance** of the residue from the estate to the TST will **not preclude** the conclusion that the **residue** has been **transferred** to the TST. They cited a 1993 **Federal Court of Appeal** case (HMQ vs. Boger (A) Estate, A-1199-91) in this regard. Whether a transfer has taken place would be a **question of fact and law** requiring a **review** of the relevant **provincial law** and of all of the **facts and circumstances**.

trusts separate from the estate

Separate taxable entities
CRA indicated that a TST **must** be **created** under the **deceased's will** or certain **court orders** in relation to the taxpayer's estate. Any such **trust** would be a **separate taxable entity** from the estate and have its **own filing requirements**.

Editors' comment
The TST would not be a graduated rate estate. As a result, there has been some question as to whether a TST is required to file T3 trust returns for periods prior to receiving any assets. Under proposed legislation, a trust whose assets do not exceed $50,000 at any time in the year would be a listed trust, not subject to the broader filing requirements that commenced for 2023 and would not be required to file Schedule 15 (see VTN 529(8377)). That proposed amendment would only apply to taxation years ended after December 30, 2024.

Vesting indefeasibly
CRA noted that the term **vested indefeasibly** is **not defined** for income tax purposes. They cited the same **Federal Court of Appeal** case, which held that **vesting occurs** "where:

i. there is **no condition precedent** to be fulfilled before the gift can take effect; and
ii. the **persons entitled** are **ascertained** and **ready to take possession** forthwith, there being **no prior interests** in existence;

and that a vested interest is **indefeasible** where there is **no condition subsequent** of a determinable limitation set out in the grant."

assets can vest indefeasibly before they are legally transferred or distributed

CRA interpreted this to mean that a property **can vest indefeasibly** if there is a **specific, non-contingent and uncontested bequest** and if it is **clear** that there are **sufficient assets available** in the estate to **allow for the distribution** of the specific bequest. Once the **residue is clarified** and the beneficiaries have an **enforceable right** to the property, the **assets** can **vest** in the beneficiaries.

written application where estate administration will not be complete in 36 months

Administration longer than 36 months
CRA noted that property must **vest indefeasibly** within **36 months** of death or, upon **written application** during that period, such **longer period** as the Minister considers **reasonable** in the circumstances. See VTN 508(7409) for CRA's guidance on the process of obtaining such an extension.

CRA noted that the estate would **lose its status** as a **graduated rate estate** 36 months after the date of death, resulting in a **deemed year-end** on that date.

Death of surviving spouse
CRA reviewed the **TST implications** under the following **hypothetical facts**:

a. A dies, and the terms of A's will provide that their **assets** are left to their **spouse**, B, provided that **B survives A** by at least 30 days;
b. B **survives more than 30 days**, but **dies before** A's estate is **probated**, so there is **no transfer** of **legal title** from A's estate to B.

spousal rollover can still apply even if the surviving spouse dies before assets are distributed

While **all facts and circumstances** would need to be reviewed to determine whether property **vested indefeasibly** in B, CRA indicated that there was **no condition precedent** once B had **survived A by 30 days**. As such, the assets **could have vested indefeasibly** prior to B's death **despite not being transferred** to B.

ACQUISITION OF CONTROL – DISTRIBUTION OF SHARES BY TRUST

At the June 17, 2025 **STEP Canada National Conference CRA Roundtable** (Questions 11), CRA reiterated their view that the **trustees** of a **trust** have **legal ownership** of, and the right to vote, any **shares** owned by the trust. As a consequence, the **trustees control** any **corporation controlled by the trust**.

Where a trust has **multiple trustees**, the **determination** as to **which trustee or group** of trustees **controls the corporation** requires a **review** of **all the pertinent facts**, including the terms of the trust. However, in the absence of evidence to the contrary, **CRA considers** there to be a **presumption** that **all of the trustees** would constitute a **group** that **controls the corporation**.

CRA's view that the trustees as a group generally control corporations controlled by the trust

Where there is an **acquisition of control** of a corporation, the **loss deduction limitations** related to a loss restriction event (LRE; Subsection 111(5)) apply. Control is deemed **not to be acquired** as a consequence of a **transfer of shares** between **related parties** (Clause 256(7)(a)(i)(A)). Due to their view on control by trustees, CRA opined that a **distribution of shares** to a **beneficiary** would result in an **acquisition of control** if the shares distributed provided **voting control** to the beneficiary. This would be **avoided** only if the **beneficiary** was **related** to **each of the trustees**.

careful review of the acquisition of control rules if distributing shares from a trust

HOLDBACKS BY TRUSTEES – BARE TRUST?

At the June 17, 2025 **STEP Canada National Conference CRA Roundtable** (Question 13), CRA was asked whether a **holdback** by trustees **distributing assets** of a trust, retained pending receipt of a **clearance certificate** (Section 159), would constitute a **bare trust** separate from the trust from which assets were distributed.

this possible bare trust

CRA indicated that it was a **question of fact and law** whether the holdback would result in a **bare trust**; however, if a bare trust existed, and met no exceptions (Subsection 150(1.2)), it would be **required** to file a **T3 return** and **Schedule 15**. The **taxpayer** is **responsible** for **determining** whether their arrangement is a **trust**.

obtaining a legal opinion

Editors' comment
CRA did not discuss the possibility that the trustees held the amounts in the course of the original trust that was being distributed.

11 Charities/NPOs 531(11)

DRAFT LEGISLATION – FILING REQUIREMENTS FOR NPOS

these proposed amendments

The 2024 Fall Economic Statement proposed to **expand** the existing **reporting requirements for NPOs** in 2026 and onwards by **requiring basic filings for smaller NPOs** not otherwise required to file. In addition, the Statement included a proposal to add regular filing requirements for entities with gross revenues over $50,000 (see VTN 521(7955)). Draft legislation released on August 15, 2025 updated the $50,000 requirement to **consider** not just "gross revenues" but "**receipts**."

As defined in the Income Tax Act, an **NPO** is a **club**, **society** or **association** that is not a charity and that is organized and operated **exclusively** for any purpose **except profit**, no part of the income of which benefited any proprietor, member or shareholder thereof except in the promotion of amateur athletics in Canada.

the breadth of organizations that must file

A September 18, 2025 Globe and Mail article (The CRA is coming for your knitting club, Allan Lanthier) discussed this proposal. The article noted that the breadth of groups that could constitute an NPO is **very broad** and could, for example, include bridge clubs, bingo halls, knitting groups, sports organizations and parades.

On September 15, 2025, the **Joint Committee on Taxation** of the Canadian Bar Association and CPA Canada made a submission to the Department of Finance characterizing the legislation as **overly broad**. It noted that the filings would not likely provide meaningful information, yet the **compliance burden would be significant** and costly. Further, it noted that there would likely be non-compliance as many would be unaware of the obligation.

Editors' comment
As there is no de minimis rule or other exception from filing proposed, every organization that falls within the definition of NPO would be required to file a return.

CRA'S REVIEW AND ANALYSIS DIVISION

On October 2, 2025, the National Security and Intelligence Review Agency (NSIRA) released its **review of national security activities** conducted by **CRA's Review and Analysis Division** (RAD). RAD is a **specialized unit** responsible for ensuring that registered **charities are not being** used to **finance terrorism**. If a charity appears to present a risk, RAD can initiate a deeper review that may lead to an audit.

The report found that RAD often could **not justify why it audited** certain charities for alleged terrorism links. In many cases, RAD pursued **audits of groups that did not present credible risks** of terrorist involvement, which contradicted the CRA's public statements that RAD audits only the charities at the "highest risk" of terrorist abuse.

which charities were being reviewed

NSIRA concluded that RAD's processes **lacked rigour** and **transparency**, raising the risk that its decisions were "driven by bias and discrimination." Between 2009 and 2022, 67% of audited charities were discernibly Islamic, while 19% were Sikh.

In an October 2, 2025 release, CRA provided its response to the report, noting that it agreed with most recommendations.

FOUNDATION GIFTING TO US CHARITIES

An October 7, 2025 **Federal Court of Appeal** case (Priority Foundation vs. MNR, A-140-23) considered whether the **Canada-US Tax Treaty** (Article XXI(7)) allows a Canadian charity to treat **gifts to US charities** (Internal Revenue Code 501(c)(3)) as gifts to **qualified donees**.

In 2022, CRA issued a notice of **intention to revoke** the charitable registration of a Canadian public foundation (Priority) when CRA concluded that Priority had made gifts **to non-qualified donees** (US-based charities). Priority argued that the treaty allowed these gifts to be treated as gifts to "registered charities" for all Canadian tax purposes, making these gifts a **permitted use of funds** for registered Canadian charities.

whether the foundation made a gift to a US charity

Charity loses

The Court noted that Article XXI(7) **only allows individuals** and **corporations** to **claim tax relief** for donations **to eligible US charities** and only to the extent of their US-source income. It does **not transform US charities** into **"qualified donees"** nor does it authorize Canadian registered charities to make gifts to them. The Court stated that this deeming rule is specific to tax relief and does not extend to the overall framework governing charitable registration. As such, the **Court found** that CRA **properly revoked** Priority's **charitable registration status**.

12 International 531(12)

T1135 – PENALTIES

A September 25, 2025 **Tax Court of Canada** case (Laurie vs. HMK, 2024-1783(IT)I) reviewed **penalties** assessed for failure to file **Form T1135** for 2019 and 2020. The taxpayer acknowledged that the form was required but **argued** that she had exercised **due diligence** such that the **penalty was inapplicable**.

Taxpayer wins – **due diligence defense applies**
The Court held that a **due diligence defense** is **available** against this penalty, as the courts have concluded that such a defense **generally exists** regardless of whether it is **specified** in the **legislation**. The Court further noted that the taxpayer can satisfy a **due diligence test**, by showing **either** of the following:

these two tests to demonstrate due diligence in respect of a penalty assessment

a. they took **reasonable precautions** to **avoid the event** leading to the imposition of the penalty; or
b. they were **mistaken** as to a **factual situation** which, if it had existed, would have made their mistake innocent; however, the taxpayer must **also show** that it was a **mistake** that a **reasonable person would have made** in the same circumstances.

voluntary disclosure of overlooked T1135 filings

Taxpayer loses – did not demonstrate due diligence
The taxpayer had **previously failed** to file **T1135** forms for 2012, 2013 and 2014, corrected by **voluntary disclosure** undertaken when her accountant detected the omission. She had **not realized** that **securities** in a **Canadian brokerage account** were required to be disclosed.

She had **engaged** the accountant for assistance in filing **US tax returns** required because she was a **US citizen**. She subsequently **relinquished** her **citizenship** and commenced **preparing** her **own returns** in 2018.

She testified that she **researched foreign property** at that time in respect of an **individual retirement account** in the US, confirmed that investments in such an account were **not specified foreign property** (SFP) but had **not discovered** that investments held in a **Canadian brokerage account** were SFP.

whether a change in investment strategy results in T1135 filing requirements

The cost of her SFP in 2018 never exceeded $100,000; however, she engaged a **new investment advisor** in 2019, changing many of her investments, resulting in holding **SFP** with a **cost exceeding $100,000** in 2019 and 2020. She did **not revisit** the **T1135 requirements** when she prepared her returns for those years.

For the 2021 tax year, her **investment advisor** began issuing **documents** reporting the **cost** of her **US investments**, causing her to **realize** that she should have filed **T1135s** for **2019 and 2020**. She attempted to make a second **voluntary disclosure**, which CRA **rejected**, resulting in the penalties. See VTN 530(8405) for CRA's current voluntary disclosure program policies, including only accepting a second disclosure if the new application is related to a **different matter** or the circumstances are beyond the person's control.

The Court opined that the taxpayer was, outside the T1135 requirement, a **responsible taxpayer** and acknowledged that the **treatment** of **investments** held in Canadian accounts is **counter-intuitive**, especially considering that they are **not** considered **SFP** when held in **registered accounts**.

repeating the same mistake is not likely due diligence

The Court believed a **reasonable person might** make the same mistake; however, the Court **did not believe** that a **reasonable person** who had **made a mistake once** and **corrected it** through the **voluntary disclosure** system **would** make the exact **same mistake** again.

The taxpayer should have been **aware** that **foreign property** can require **disclosure** and could have **taken steps** such as **contacting** her **former accountant** to clarify the past voluntary disclosure. As she took no such steps, she was **not duly diligent** and the **penalties** were **upheld**.

UNREPORTED FOREIGN DEPOSITS AND EARNINGS

A September 25, 2025 French **Court of Quebec** case (Feldman vs. QRA, 2025 QCCQ 4793) considered whether Revenu Québec (RQ) was entitled to reassess the taxpayer for 1994 to 2009 and 2013 to include **foreign-source income** totalling over $1.3 million outside the normal reassessment period. Gross negligence penalties and interest were also assessed. The majority of the income related to **capital deposited** in accounts **in Switzerland and Israel** under the taxpayer's control. Some of the income related to interest and capital gains earned on the deposits. The taxpayer argued that the deposits were gifts from his father and father in-law and that they were intended for his spouse so income should be attributed to her.

doing a voluntary disclosure if foreign assets are unreported

Taxpayer loses

The Court **rejected the taxpayer's assertions**, noting that he provided **no corroborating documentation** or **testimony** from relevant parties (e.g. Swiss bankers, family members, etc.) and his explanations were often contradictory or vague. The Court also noted that the **taxpayer** must have **had knowledge and control** of the funds as one of the deposits was **used as collateral** for a business loan in 1994. Both the deposits and related earnings were **taxable income**.

The Court then held that the taxpayer had **made false representations** by omission and intentionally **misled tax authorities** for nearly two decades, thereby justifying assessments outside the normal reassessment period, **gross negligence penalties** and use of indirect audit methods to reconstruct unreported income.

EXITING CANADA – PROVIDING SECURITY TO CRA

A September 2025 International Tax Highlights article (**Individuals and Trusts Exiting Canada**: **Providing Security** to the CRA, Balaji Katlai, Jin Wen and Kenneth Keung) examined the **types of security** that may be **provided to CRA** (Subsection 220(4.5)) to defer tax resulting from a **deemed disposition of assets** at fair market value when an individual or trust **ceases to be a resident** of Canada (Subsection 128.1(4)).

these acceptable forms of security

CRA has **broad discretion** to determine what constitutes adequate security. The **preferred option** is an **irrevocable letter of credit** from a bank, as it guarantees payment and requires no ongoing monitoring. Other **acceptable** but less favourable forms include **Canadian real estate** (with tax debt under 75% of equity), **corporate shares** (with reliable valuations and ongoing oversight) and **Canadian investment portfolios** (subject to volatility and reporting). Cryptocurrency and lines of credit are generally unacceptable due to volatility and revocability, respectively.

filing this election and contacting CRA

To benefit from the deferral, taxpayers must **file an election** before their balance-due date and **proactively contact** the CRA's Migration Unit. Although interest may accrue during CRA's review period, it is often reversed if the taxpayer has been cooperative. For trusts, the article suggests that using Canadian-based security may also raise residency concerns, as control over Canadian assets could suggest continuing management in Canada.

DISPOSITIONS BY NON-RESIDENTS

A **non-resident vendor** is required to **file Form T2062** with CRA no later than ten days after the sale of taxable Canadian property (TCP; Subsection 116(3)) but can choose to file in advance (Subsection 116(1)). Late filing carries a penalty of up to $2,500.

The purchaser is **required to withhold** 25% of the proceeds for income tax and remit this to CRA (Subsection 116(3)) within 30 days of the end of the month in which the sale takes place. This **withholding can be reduced** if CRA has processed the T2062 and issued a compliance certificate (Form T2068; Subsection 116(2)).

At the June 17, 2025 **STEP Canada National Conference CRA Roundtable**, CRA made various comments on this process and obligation.

Partial distributions (Question 6)

only one form submission needed

CRA noted that a **single** **Form T2062, Request by a Non-Resident of Canada for a Certificate of Compliance Related to the Disposition of Taxable Capital Property** can be filed where there will be **multiple capital distributions**. Any and all capital **distributions up** to the **certificate limit** would be **covered** under the single certificate of compliance.

Late submissions (Question 14)

When a **Canadian resident dies** owning real estate in Canada, a non-resident beneficiary will be found to have disposed of TCP when they receive the distribution from the estate. As a result of that distribution, the non-resident beneficiary is considered to have **disposed** of a portion of their **capital interest** in the **estate**. That interest is **taxable Canadian property** ("TCP") if the fair market value of the **real estate** represents **more than 50%** of the value of the estate's assets at some point in the last five years (definition of TCP in Subsection 248(1)). This means that the non-resident beneficiary must **file a notice of the disposition** (Form T2062). The **estate** is treated as the purchaser of the TCP and must **withhold** and **remit the required tax** or file Form T2062C if the interest qualifies as treaty-exempt property.

CRA commented on the implications of **filing these forms late**. In general, not filing on time means that the estate would be **liable for 25%** of the purchase price (Subsection 116(5)).

whether forms can be filed late

CRA stated that **late filing** of Form T2062 **by the non-resident** (Subsection 116(3)) **can be accepted** if it is complete and submitted before the due date of that year's tax return. However, a late Form T2062C (Subsection 116(5.02)) cannot be accepted. The estate would remain liable for the withholding tax and penalties (Subsection 227(9)) until CRA issues a certificate of compliance, which would relieve the estate's liability. CRA noted that it can cancel or waive penalties and interest if the delay resulted from circumstances beyond the taxpayer's control.

Rollovers (Question 15)

As in Question 14, consider the scenario where the **Canadian resident** owning real estate in Canada **dies** and a **non-resident beneficiary** receives a **distribution** from the estate. Unlike distributions to resident taxpayers (Subsection 107(2)), distributions to non-residents do not generally occur on a tax-deferred basis (Subsection 107(5)). However, a transfer at cost occurs for certain assets (e.g. those assets protected from a deemed taxable disposition at emigration, such as Canadian real estate).

valuations are still needed

Assuming that the tax-deferred rollover is available, CRA noted that the **consideration paid** by the trust is deemed to be the **fair market** value (FMV) of the property when the proceeds of disposition are less than the FMV (Subsection 116(5.1)). As such, a **valuation** (at FMV) is **still needed** as part of the Section 116 certificate of compliance process.

However, **administratively**, CRA will **accept** the **rollover amount (ACB)** as the **proceeds** for the purpose of **issuing the Section 116 certificate**, where there is no risk to the Canadian tax base (e.g. when gains on the property are taxed in the future).

The FMV provided to CRA during the process will still be noted on the certificate to acknowledge that the capital gain is only deferred, not eliminated. The ultimate gain will be taxed under Part I when the non-resident beneficiary later disposes of the real estate.

13 GST/HST

531(13)

NEW HOUSING REBATE – FRUSTRATED INTENTION TO RESIDE

An August 14, 2025 **Tax Court of Canada** case (Osagie vs. HMK, 2024-390(GST)I) considered whether a taxpayer was eligible for the **GST/HST new housing rebate**. The rebate related to a property in Caledonia acquired to permit the taxpayer and her family to move back to the greater Toronto area (GTA) due to perceived better employment opportunities. They had previously resided in the GTA, prior to residing in Windsor for three years. The **facts of the case** can be summarized as follows:

a. The taxpayer signed a **pre-build contract** on **March 9, 2019** for the property.
b. **Construction** was **delayed** in part due to COVID-19.
c. **Possession** was transferred on **October 7, 2020**.
d. The property was **rented** to a third party who occupied the property commencing **November 1, 2020**, under a **one-year lease**. The tenants became the **first to occupy** the property.
e. On **April 12, 2021**, the taxpayer **served notice** that the **lease** would **not be renewed** after October 31, 2021.
f. The **tenants vacated** the property on **April 29, 2021**.
g. The **taxpayer** and her family **moved into the property** by **August 31, 2021**.
h. The **family moved** to a new home close by in **May 2022** as they had decided this property was too small.
i. The property was **leased to third-party tenants**.

the intention and occupancy requirements

CRA **denied** the **rebate** on the basis that the **taxpayer** did **not intend** to use the property as her **primary place of residence** when entering into the purchase agreement (Excise Tax Act Paragraph 254(2)(b)), and that the **first individual** to **occupy** the property was **not** the **taxpayer or a relation** but rather was the tenant noted at (d), above (Excise Tax Act Paragraph 254(2)(g)).

Taxpayer wins – intention to reside
The Court noted that the taxpayer must **intend to reside** in the property but that they **need not intend** to be the **first person to occupy** the property. It also acknowledged that **events can occur** over an 18-month period that **change intentions**, and **only** the **intention when** the **agreement** was **signed** is **relevant**. The Court found the **testimony** by the taxpayer and her spouse to be consistent and **credible**, and noted the following **factors supporting** the taxpayer's **intent** and explaining the **delays** in occupying the property:

- the **construction delay** at (b), above, resulted in the property becoming available **after the school year commenced**, making a move at that time disruptive to the taxpayer's three children;
- the taxpayer **believed** that **COVID-19 restrictions prevented relocating** between cities, leading to the decision to rent to a resident close to the property;
- because both the taxpayer and her spouse were **health care workers**, they and their family had to regularly deal with **bouts of COVID-19**; and
- the family shared the **general anxiety and uncertainty** caused by the COVID-19 pandemic.

factors that could change the taxpayer's intentions

The **stated intention** was supported by the **actions taken** at (e) and (f) above to **move into** the **property** when these issues had passed. The Court concluded that the **taxpayer met** the **intention requirement**. The Court further accepted that the decision to **vacate the property** noted at (h), above, resulted from **experience living in the property** and did not reflect the **initial intention** being other than that which they had stated.

whether subsequent actions support the stated intention

Taxpayer loses – first occupancy
As the **third-party tenant** at (d) above was the **first occupant,** this **requirement** was **not met**.

Taxpayer wins – intention was frustrated
Examining the case law, the Court opined and **CRA agreed** that the occurrence of a **frustrating event** that **prevents** the taxpayer from **fulfilling their intent** can result in the **residency requirements not** being **required**. The following **three requirements** must be met to demonstrate a **frustrating event**:

i. the event must be **unforeseeable**;
ii. the event must be **beyond the control of the taxpayer**; and
iii. such event results in **the absence of real choice**, thereby making living primarily and habitually in the property impossible.

CRA **conceded** that requirements (i) and (ii) were met but asserted that the family **could have moved** from Windsor to the Caledonia property. Specifically, there were **no provincial lockdown requirements** at the relevant times between (c) and (e), above, to **prevent a move**. It was **their choice** to remain in Windsor and rent the Caledonia property to unrelated

whether a frustrating event prevented occupancy

tenants.

While the Court **agreed** that there were no **lockdown requirements** specifically **prohibiting** a move, the Court held that the **unforeseeable events** that were **beyond the taxpayer's control** left the taxpayer with **no real choice**, citing the following factors:

- the parties **did** implement their intention as soon as possible **after the frustrating event**;
- a **change of schools mid-year** would have been **disruptive** and potentially harmful to the children, a concern **exacerbated** by the **pandemic**;
- the **family's** involvement in the **health care** system enhanced both their **exposure** to **COVID-19** and their **awareness** of the health risks as compared to other Canadians; and
- the concerns raised by the pandemic were **heightened** by their need to carry **two mortgages**, such that protracted **illnesses** or **isolation requirements** reducing their income would **further strain** their limited financial resources.

whether any other choice was practical

The Court concluded that these factors left **no real choice** but to wait until the **conditions** caused by the **pandemic stabilized** and, in the interim, to **mitigate** the financial costs of the **unoccupied property** by generating **rental income**.

Their ability to satisfy the **first occupancy requirement** was **frustrated** by unforeseeable events beyond their control. This **overrode** the **first occupancy requirement**.

The Court concluded that the **taxpayer** was **entitled** to the **rebate**.

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FINANCIAL TRANSACTIONS AND REPORTS – ACCOUNTANTS' RISK?

FINTRAC's (Financial Transactions and Reports Analysis Centre of Canada) **Obligations and guidance: Accountants webpage** provides information on **specific obligations** as imposed by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and associated Regulations for **accountants and accounting firms**.

The webpage notes that accountants and **accounting firms** are subject to the **PCMLTFA** when they **engage** in any of the following activities on behalf of a person or entity, or **give instructions on behalf of a person** or entity in respect of:

- **receiving or paying funds** or virtual currency;
- **purchasing or selling securities**, **real property** or immovables or **business assets or entities**; or
- **transferring funds**, virtual currency or securities by any means.

whether your activities may trigger anti-money laundering requirements

The website indicates that **giving instructions** means the practitioner is actually directing the movement of funds. For example, **instructing** a client's **legal counsel** to **initiate share sales** for **corporate reorganizations** (even if client consent is obtained) may be sufficient to fall within the scope of the PCMLTFA. An **accountant remitting payments** on behalf of their **client** to CRA may also fall within the scope of PCMLTFA.

Giving instructions contrasts with **providing advice**, which involves simply making recommendations or suggestions.

required compliance measures for FINTRAC

On October 9, 2025, FINTRAC announced that it imposed a $72,750 **administrative monetary penalty** on an **accounting firm** for **non-compliance** with Part 1 of PCMLTFA and the associated Regulations. The specific administrative violations related to the following:

- **failure** to develop and apply **written compliance policies** and procedures that are kept up to date and are **approved** by a senior officer;
- failure to assess and document the **risk of a money laundering** offence or a terrorist activity financing offence in the course of its activities, taking into consideration the prescribed factors; and
- failure to institute and document the **prescribed review of its compliance program** for the purpose of testing its effectiveness, to be carried out and the results documented every two years by an internal or external auditor of the person or entity.

internal systems to monitor and assess risk of money laundering

The release noted specifically that **financial entities**, money services businesses, **real estate brokers and sales representatives**, casinos and several **other business** sectors are **required** under the PCMLTFA to **keep** certain **records**, **identify clients**, **maintain a compliance regime** and **report certain financial transactions** to FINTRAC, including international electronic funds transfers, large cash transactions, large virtual currency transactions and suspicious transactions.

See VTN 526(8251) for a Court case where a real estate brokerage firm was also subject to an administrative monetary penalty.

ARTIFICIAL INTELLIGENCE (AI) GENERATED ERRORS – PRACTITIONERS' RISKS

risk of the use of AI without proper oversight

An October 7, 2025 CTV News article (Deloitte to partially refund Australian government for report with apparent AI-generated errors) reported that an **accounting firm** will repay part of its fee to the Australian government after a **report** that the firm prepared was found to **contain fabricated references and quotes** apparently generated by **AI**. The report included **invented legal citations and non-existent academic works**.

Editors' comment
This example of overreliance on AI underscores the need for **rigorous quality control** when using generative **AI tools** and the importance of **verifying all sources,** citations, legal references and context before client delivery. It also highlights the potential **reputational and contractual risks** when AI-generated content is not properly reviewed.

DATA BREACH – PHONE NUMBERS AND EMAIL ADDRESSES

a third-party supplier's data breach can impact our business and our clients

A September 25, 2025 National Post article (More than 880,000 phone numbers linked to government accounts stolen in data breach, Christopher Nardi) reported that a **data breach** involving the **federal government's multi-factor identification** provider, Interac-owned 2Keys, resulted in the **theft** of more than **880,000 phone numbers** and **85,000 email addresses**. The breach related to multi-factor authentication for users of **CRA's online portal** and **Canada Border Services Agency** (CBSA) accounts. While no passwords or sensitive personal data were breached, the stolen contact information was **used** for **phishing scams**. Victims received fraudulent messages linking to **fake Government of Canada login webpages**. **Victims** may have accidentally **disclosed sensitive information** on the fake login webpages.

BRITISH COLUMBIA – MINING EXPLORATION TAX CREDIT

whether the provincial credit may result in a federal income inclusion

A June 21, 2024 **Technical Interpretation** (2024-1009801E5, Olivier Bergeron) stated that the **BC mining exploration tax credit** should be **deducted** when computing an individual's **cumulative Canadian exploration expense** (CCEE) pool. This is because the amount of any **assistance**, such as the BC mining exploration tax credit, that the taxpayer has **received** or is entitled to receive in respect of Canadian exploration expense (CEE) should be **deducted from** the taxpayer's **CCEE pool** (Element J of the definition cumulative Canadian exploration expense in Subsection 66.1(6)). If such a deduction causes the taxpayer's **CCEE** to **become negative**, the taxpayer must include the negative balance in their

income (Subsections 66.1(1) and 59(3.2)).

UPCOMING COURSES

Personal Tax Update 2026

getting a jump on the upcoming personal tax season

Another personal income tax season is fast approaching, and so is the **early-bird deadline** of **November 28**, 2025 for the 44th annual **Personal Tax Update**. **Virtual live and in-person** 7-hour presentations will be offered from late January to early March 2026 **by geographic location**, allowing us to deliver targeted and practical content. Limited spaces are available for in-person and virtual live offerings, so register early to secure your first choice. If you prefer to **view on your schedule**, consider registering for our **pre-recorded sessions** running from **early March** through the month of April.

ensuring your team is ready for personal tax season

Join us for one full-day or two half-day (virtual live only) sessions for the effective and efficient completion of 2025 returns, and planning considerations for the coming year.

Newbies to Ninja – Personal Tax, 2026 Edition

Help your **newer preparers** enhance their ability to **efficiently and accurately** prepare personal tax returns with the updated version of this **basic T1** general **preparation course**. In addition to **core topics** like employment, business, investment and rental income, this concise pre-recorded online 3-hour topic-by-topic course incorporates **changes** including evolving **CCA incentives** and this year's newly introduced or modified credits and deductions.

Don't miss the **early bird discount** – register your team by **January 16, 2026**. Used in conjunction with your firm's presentation of administrative procedures, newer preparers will be preparing T1s and identifying **areas of concern** and **planning opportunities** like tax ninjas!

Tax Update 2025

catching up on the significant amount of changes

It's **not too late** to 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 want 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 session. Limited spaces are available for in-person and virtual live offerings.

Courses presented after November 4, 2025, will **incorporate** relevant aspects of the **2025 Federal Budget**. All course participants will receive a 60-minute **follow-up webinar** on December 5, 2025 with post-publication news and developments, including relevant updates from the 2025 Federal Budget.

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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)
- Status 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

- T4015 T5 Guide - Return of Investment Income 2025
- EDM1-1-1 The Excise Duty Program
- RC4137 Pension Adjustment Reversal Guide
- T4115 T5007 Guide - Return of Benefits 2025
- UHTN9 Exemptions for Residential Properties That Cannot be Used Year-round
- UHTN6 Exemption for Primary Place of Residence
- UHTN11 Exemption for New Owners
- UHTN7 Exemption for Qualifying Occupancy
- UHTN8 Special Rule and Elections for Individual Owners of Multiple Residential Properties
- UHTN12 Exemptions for Deceased Individuals and Their Personal Representatives or Co-owners
- UHTN13 Exemptions for New Residential Properties

CRA Forms/Statements/Returns

- T5013FIN Partnership Financial Return
- RC71 Statement of Discounting Transaction
- RC72 Notice of the Actual Amount of the Refund of Tax
- RC76 Application and Agreement to Obtain a Discounter Code / Discounter Direct Deposit Enrolment
- T5 Statement of Investment Income
- T5SUM Return of Investment Income
- RC199 Voluntary Disclosures Program (VDP) Application
- T5007 Statement of Benefits

- T5007SUM Summary of Benefits
- T183TRUST Information Return for the electronic filing of a Trust Return
- T4E Statement of Employment Insurance and Other Benefits
- T4EQ Statement of Employment Insurance and Other Benefits (Quebec)
- T4PS Statement of Employee Profit-Sharing Plan Allocations and Payments
- T5001 Application for Tax Shelter Identification Number and Undertaking to Keep Books and Records
- T5003 Statement of Tax Shelter Information
- T5003SUM Tax Shelter Information Return
- T5004 Claim for Tax Shelter Loss or Deduction
- NR4OAS Statement of Old Age Security Pension Paid or Credited to Non-Residents of Canada
- GST74 Election and Revocation of an Election to Use the Quick Method of Accounting
- TD1-IN Determination of Exemption of an Indian's Employment Income
- T3-DD Direct Deposit Request for T3

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