

VIDEO TAX NEWS

Monthly Tax Update Newsletter

December 2025 — ISSUE 532

Editorial Board:

Caitlin L. Butler CPA, CA

Joseph R. Devaney CPA, CA

Hugh C. Neilson FCPA, FCA, TEP

WHAT'S INSIDE

1. Government Releases
2. Federal Budget
3. Canada's COVID-19 Response
4. Personal Tax
5. Employment Income
6. Business/Property Income
7. Capital Gains/Losses
8. Farming/Fishing
9. Corporate Tax
10. CRA
11. Estate Planning
12. International
13. GST/HST
14. Did You Know...
15. Appendix

1 Government Releases

532(1)

FINANCE RELEASES

1. **November 19, 2025 – Bill C-4**, Making Life More Affordable for Canadians Act, completed the report stage between second and third reading in the House of Commons. This Bill would **reduce the lowest marginal tax rate** from 15% to 14% effective July 1, 2025, **enhance the first-time home buyers' GST rebate** (see VTN [527\(8310\)](#)) on new homes valued at up to \$1.5 million and **repeal the consumer carbon tax** (see VTN [526\(8216\)](#)). The **Standing Committee on Finance** made a significant **amendment** to the proposed **first-time home buyers' GST rebate**. It would be available for **agreements** entered into on or after **March 20, 2025**, the date that Prime Minister Mark Carney first announced the rebate (see VTN [524\(8143\)](#)). The effective date was previously proposed to be May 27, 2025.
2. **November 18, 2025** – The Department of Finance issued a News Release (Minister Champagne introduces **legislation to implement Budget 2025: Canada Strong**) announcing the introduction of **Bill C-15, Budget 2025 Implementation Act, No. 1**. The Bill received **first reading** on the same date. **Numerous tax and other measures** from both **Budget 2025** and **previous announcements** were included in the Bill. See Appendix B for a list of the measures included. **Explanatory notes** were released on November 25, 2025.

first-time home buyers' GST rebate proposed to apply to earlier agreements

first budget bill includes numerous measures previously announced

3. **November 14, 2025** – The Department of Finance announced the rates per employee for the **Canada carbon rebate for small businesses** for the 2024-25 fuel charge year. The **per employee rate** for employees working in each **relevant province** are as follows:

Province	Per-Employee Rate (\$)	<i>these rates for the final rebate payment</i>
Alberta	120	
Saskatchewan	153	
Manitoba	110	
Ontario	98	
New Brunswick	69	
Nova Scotia	78	
Prince Edward Island	56	
Newfoundland and Labrador	127	

Payments are **expected** to be issued by CRA **before the end of 2025**.

4. **November 12, 2025** – The Department of Finance announced the **prescribed interest rate** for the **first quarter of 2026** (January 1 – March 31, 2026). The rate remains unchanged at 3% for corporate refunds and the calculation of taxable benefits. The rate remains at 5% for personal refunds and 7% for arrears and instalment interest.

5. **November 4, 2025** – **Budget 2025** (Canada Strong) was introduced in the House of Commons. In the period leading up to **Budget 2025**, many **proposals** were **announced in advance**.

the impact of the budget proposals

VTN has produced a related **top nine list** of the key considerations for **accountants** and small business **advisors**. See the **Federal Budget** section of this newsletter for a summary of the proposals. **Additional details** of some significant proposals are discussed **throughout the newsletter**.

CRA RELEASES

1. **Late-Breaking News: November 24, 2025** – CRA updated their webpage to include the **2026 indexation** adjustment for **personal income tax** and **benefit** amounts.

With an **indexation increase** of **2.0%** for 2026, the **old age security repayment** will begin at \$95,323, and the top federal bracket will commence at \$258,482. The **lifetime capital gains exemption** limit will rise to \$1,275,000.

this 2% increase to rates and brackets

The 2025 **TFSA dollar limit** will remain at **\$7,000**.

See Appendix C for a listing of these indexed amounts.

2. **October 31, 2025** – CRA updated their webpage with the **2026 limits** for **registered pension plans** and **RRSPs**.

The **2026 RRSP deduction limit** (which equals the prior year's money purchase limit) is **\$33,810** (requiring earned income in 2025 of at least \$187,833). The **2027 limit** will be **\$35,390** (requiring earned income in 2026 of at least \$196,611).

The **money purchase limit** for **2026** is **\$35,390**, increasing from \$33,810. The **defined benefit** limit is one-ninth of the money purchase limit, meaning **\$3,932** for **2026**, which is up from \$3,757 in 2025. The **deferred profit-sharing plan** limit is half of the money purchase limit, meaning this will be **\$17,695** for **2026**, up from \$16,905 for 2025.

remuneration planning for clients focused on RRSP maximization

3. **October 31, 2025** – CRA updated their webpages to include the **maximum pensionable earnings** under the CPP for **2026** of **\$74,600**, up from \$71,300 in 2025, computed according to Canada's average weekly wages and salaries. The associated rate will remain at **5.95%**. This will result in a maximum employee and employer contribution of \$4,230 and a maximum self-employed contribution of \$8,461 for 2026.

The additional maximum pensionable earnings under **CPP2** for **2026** will be **\$85,000**, up from \$81,200. CPP2 contribution rates for 2026 will remain at **4.00%**, applicable to earnings from \$74,600 to \$85,000. This will result in a maximum employee and employer contribution of \$416 and a maximum self-employed contribution of \$832 for 2026.

planning for the increased cost in 2025

Therefore, for earnings of \$85,000 or higher, the maximum employee and employer contributions for 2026 will be **\$4,646** and **\$9,293** for **self-employed individuals**.

See **Appendix D** for the updated CPP and EI rates for 2026.

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**.

2 Federal Budget

532(2)

2025 FEDERAL BUDGET

Budget 2025 (Canada Strong) proposed various tax and non-tax financial measures. **No changes** were proposed to **personal or corporate tax rates**.

A **basic summary** of selected items is set out below.

On **November 18, 2025**, **Bill C-15, Budget 2025 Implementation Act, No. 1**, was **tabled** in the House of Commons (see VTN **532(8470)**). This bill **included** several provisions of **Budget 2025** along with **other measures**.

A listing of **previously announced measures** that the government stated it **intends to proceed with** is included in **Appendix E**.

PERSONAL MEASURES

Budget 2025 proposed the following personal measures:

- **Automatic federal benefits for lower-income individuals – CRA** would be provided with the discretionary authority to **file a tax return** on behalf of certain lower-income **individuals** (see VTN **532(8493)**).
- **Personal support workers tax credit** – A new temporary **refundable tax credit** of 5% of eligible earnings would be available for eligible **personal support workers** working for eligible **health care establishments** (see VTN **532(8480)**). This provision was **included** in **Bill C-15, Budget 2025 Implementation Act, No. 1** (see VTN **532(8470)**).
- **Top-up tax credit** – A new **temporary non-refundable tax credit** to effectively **maintain** the **15% marginal tax rate** for **non-refundable tax credits** claimed on **amounts in excess of the first income bracket** (\$57,375 in 2025). **Without this credit, certain individuals** with non-refundable tax credit amounts exceeding the first income tax bracket threshold may be left with a **higher tax cost** due to the reduction in the lowest marginal tax rate (14.5% for 2025 and 14% for 2026 and onwards) being applied to non-refundable tax credits. The amount of this credit would be computed by applying a rate of 3.45% (for 2025) or 7.14% (for 2026 and onwards) to the amount of non-refundable credits calculated at the lowest marginal tax rate for the year (14.5% for 2025 and 14% for 2026 and onwards) on credit amounts that exceed the lowest marginal tax bracket (e.g. \$57,375 for 2025). For example, a taxpayer with total credit amounts of \$60,000 for 2025 would receive an additional credit of \$13 ($(\$60,000 - \$57,375) \times 14.5\% \times 3.45\%$). The credit would be available for 2025 through 2030. This provision was **included** in **Bill C-15**.
- **Qualified investments for registered plans** – The **rules** relating to registered plan investments in **small businesses** would be **streamlined** and simplified, while maintaining the ability of registered plans to make such investments (see VTN **532(8506)**).
- **Home accessibility tax credit modification** – An **expense** claimed under the **medical expense tax credit** would be **prohibited** from **also** being claimed under the **home accessibility tax credit** for the **2026 and subsequent taxation years**. This provision was **included** in **Bill C-15**.

*new credit for certain
personal support workers*

*no more claiming a single
expense for both medical
and home accessibility tax
credit purposes*

- **Canada carbon rebate payments to individuals** – To support the winding down of mechanisms to return fuel charge proceeds due to the removal of the federal consumer carbon tax as of April 1, 2025 (see VTN 524(8143)), **Budget 2025** proposed to provide that **no payments** to individuals would be made in respect of tax **returns filed after October 30, 2026**. The final quarterly payment was paid starting in April 2025 to eligible households.
- **Canada disability benefit** – A **one-time supplemental** Canada disability benefit **payment of \$150** would be available in respect of **each disability tax credit certification**, or re-certification, giving rise to a Canada disability benefit entitlement, retroactive to the launch of the Canada disability benefit (see VTN 516(7801)). Following the successful completion of the regulatory process, the first supplemental payments are expected to be made to recipients before the end of 2026-27.
- **Canadian entrepreneurs' incentive** – The government confirmed the **cancellation** of the Canadian entrepreneurs' incentive (see VTN 517(7825)).
- **Alternative minimum tax proposals** – The government confirmed its intention to **proceed** with the alternative minimum tax proposals included in the August 12, 2024 draft legislation, **other** than changes related to **resource expense deductions**, which will not proceed (see VTN 517(7819)).
- **EI parental benefits during bereavement** – Claimants receiving **EI parental benefits** would be eligible for an additional eight weeks of parental benefits in the event of the **death of their child**.

retroactive claims for individuals must be made by October 30, 2026

BUSINESS MEASURES

Budget 2025 proposed the following **business measures**:

- **Accelerated CCA** – A series of proposals to allow accelerated CCA (some announced previously) referred to as the “productivity super-deduction” were included. These were the **immediate expensing for manufacturing and processing buildings**, reinstatement of **accelerated CCA for low-carbon liquefied natural gas facilities**, an extension to the **accelerated investment incentive (All)** and **immediate expensing for productivity-enhancing assets** (see VTN 532(8483)). The extension to the All and immediate expensing for productivity-enhancing assets provisions were **included** in **Bill C-15, Budget 2025 Implementation Act, No. 1** (see VTN 532(8470)).
- **Tiered corporate structures – dividend refunds** – New rules would **defer certain dividend refunds** that would normally be received on dividends paid to **affiliated corporations** (see VTN 532(8491)).
- **Scientific research and experimental development (SR&ED) expansion** – Proposals to broaden and enhance the SR&ED program, first detailed in the 2024 Fall Economic Statement (see VTN 521(7955)), would **proceed**. These proposals included enhancing the

more CCA incentives to consider

investment tax credit and restoring the eligibility of capital expenditures for both the deduction against income and the investment tax credit. In addition, **Budget 2025** also proposed **increasing** the **expenditure limit** for the SR&ED program's enhanced 35% tax credit from the previously announced \$4.5 million to \$6 million. These provisions were **included** in **Bill C-15**.

- **Worker misclassification: trucking sector – New funding** would be provided for CRA to implement a program to address **non-compliance** related to **personal services businesses** and to **lift the moratorium on reporting fees for services** in the trucking sector. Amendments would allow CRA to share information with the Employment and Social Development Canada for the purpose of addressing worker misclassification (see VTN [532\(8494\)](#)). The information-sharing provision was **included** in **Bill C-15**.
- **Agricultural cooperatives: patronage dividends paid in shares – An extension** to the **temporary deferral of income taxes** and **withholding** obligations on patronage dividends received from agricultural cooperatives by their members in the form of eligible shares to apply in respect of those issued before the **end of 2030** (a five-year extension) was proposed (see VTN [532\(8490\)](#)). This provision was **included** in **Bill C-15**.
- **Clean economy tax incentives** – A number of amendments and enhancements to tax incentives related to the clean economy would be introduced (see VTN [532\(8484\)](#)). These provisions were **included** in **Bill C-15**.

focus on classification of workers in the trucking sector

INTERNATIONAL MEASURES

Budget 2025 proposed to implement various amendments to modernise Canada's **transfer pricing rules** to better **align** with **international principles** (see VTN [532\(8508\)](#)). These provisions were **included** in **Bill C-15, Budget 2025 Implementation Act, No. 1** (see VTN [532\(8470\)](#)).

SALES AND EXCISE MEASURES

Budget 2025 proposed the following **sales and excise measures**:

- **Underused housing tax (UHT)** – The UHT would be **eliminated** as of the **2025** calendar year; no UHT would be payable and no UHT returns would be required in respect of the 2025 and subsequent calendar years. **Filing requirements**, penalties and interest in respect of **prior periods** would **not be removed**. This provision was **included** in **Bill C-15, Budget 2025 Implementation Act, No. 1** (see VTN [532\(8470\)](#)).
- **Luxury tax on aircraft and vessels** – The luxury tax on aircraft and vessels would be **eliminated** effective **November 4, 2025**. Registered vendors in respect of these items would be required to file a final return. The tax would remain applicable to vehicles (such as cars and SUVs) with a value above \$100,000. This provision was **included** in **Bill C-15**.

elimination of UHT moving forward

- **Carousel GST/HST frauds** – A new **reverse charge mechanism** (RCM) would be implemented on certain supplies in the **telecommunications sector** (such as providers of voice-over internet protocol (VoIP) services) to help prevent these schemes (see VTN [482\(6224\)](#)). **Suppliers** would **not** be required to **collect the GST/HST** payable on the supply; **recipients** would be required to **self-assess** and report the tax payable in their GST/HST return. If entitled, the recipient could claim an input tax credit (ITC) in the same return provided that they accounted for the GST/HST payable. The government will continue to **monitor** and assess the presence of **carousel fraud** in order to determine whether other supplies should also be subject to an RCM in the future. Feedback on these proposals can be submitted by email to Consultation-Legislation@fin.gc.ca by January 12, 2026.
- **Manual osteopathic services** – The government clarified that **osteopathic services** rendered **by** individuals who are **not** osteopathic **physicians** are **taxable** under the **GST/HST regime**. This measure would apply to **supplies made after June 5, 2025**. However, it would not apply to a supply of osteopathic services made from June 6, 2025 to November 4, 2025 if the supplier did not charge, collect or remit any amount as or on account of tax in respect of the supply. This provision was **included** in [Bill C-15](#).
- **Indigenous governments opt-in framework** – The government proposed to establish an opt-in framework for interested Indigenous governments to levy a **value-added sales tax**, under their own laws, on **fuel, alcohol, cannabis, tobacco and vaping products** within their reserves or settlement lands. This provision was **included** in [Bill C-15](#).

whether this mechanism is applied more broadly

OTHER MEASURES

[Budget 2025](#) proposed the following other measures:

- **Trust reporting and bare trust reporting deferral** – The government confirmed that it intends to **proceed** with the proposals in the **August 15, 2025 draft legislation** (see VTN [529\(8377\)](#)) to amend the trust reporting rules, subject to **modification**. **Reporting by bare trusts** would be **deferred** to apply to taxation years ending on or after December 31, 2026. These provisions were **included** in [Bill C-15](#), [Budget 2025 Implementation Act, No. 1](#) (see VTN [532\(8470\)](#)).
- **21-year rule: broadening the anti-avoidance rule** – The **current anti-avoidance rule** that prevents **avoiding the 21-year rule** for direct trust-to-trust transfers would be **broadened** to include **indirect transfers** of trust property to other trusts applicable to transfers of property that occur on or after **November 4, 2025**.

one-year deferral on bare trust reporting obligations

broadening of the anti-avoidance rule

Editors' comment: This proposal would address one sub-category of a notifiable transaction (see VTN [508\(7404\)](#)) under the mandatory disclosure rules.

- **Non-profit organizations' (NPO) reporting obligations** – The government stated that it **intends to proceed** with proposed **expansions** to the existing **reporting requirements** for **NPOs** by requiring basic filings for smaller NPOs not otherwise required to file and adding regular filing requirements for entities with receipts over \$50,000 (see VTN [531\(8456\)](#)). However, this would be deferred to apply for taxation years beginning on or after **January 1, 2027** rather than commencing for 2026. The government is reviewing the feedback it received from consultations with stakeholders and will release final proposals in due course with the objective of minimising any additional administrative burden and clarifying which organizations are, or are not, subject to the new requirement.
- **Crypto-asset reporting framework and the common reporting standard** – The government stated its **intention to proceed** with the crypto-asset reporting framework and the common reporting standard (see VTN [513\(7643\)](#)), subject to a **deferred application date of January 1, 2027**.
- **Real-time payroll pilot project** – A **2-year pilot project** would be conducted to assess whether **EI eligibility** and entitlement can be determined accurately and securely using real-time payroll information.
- **EI work-sharing program – Temporary flexibility** would be provided in respect of the EI work-sharing program, as announced on March 7, 2025, to provide benefits to eligible employees who agree to work reduced hours due to a decrease in business activity beyond their employer's control (see VTN [524\(8141\)](#)).
- **Temporary EI measures** – Measures would enhance **income supports** for Canadian **workers** whose jobs have been **impacted** by the economic uncertainty caused by **foreign tariffs**.
- **Non-compete agreements** – The Canada Labour Code would be amended to **restrict** the use of **non-compete agreements** in employment contracts for **federally regulated businesses**, with consultations beginning in early 2026.
- **Foreign credential recognition** – \$97 million would be provided over **five years**, starting in 2026-27, to establish the **Foreign Credential Recognition Action Fund** to work with the provinces and territories to **improve** foreign credential recognition, with a focus on **health and construction sectors**.
- **Informal Tax Court access** – Limits to access the informal procedure in the Tax Court would be **reviewed**.
- **Cash payments of more than \$10,000** – The Proceeds of Crime (Money Laundering) and Terrorist Financing Act would be modified to **restrict** the **acceptance** of: **cash deposits** from one person into the account of another person; and a cash payment, **donation** or **deposit** of **\$10,000 or more**.
- **Fiat-backed stablecoins** – **Legislation** would be **introduced** to regulate the issuance of fiat-backed stablecoins in Canada. This provision was **included** in **Bill C-15**.

whether proposed reporting by NPOs would be more targeted

whether this pilot will lead to real-time payroll reporting requirements

[Budget 2025](#) also noted that a **comprehensive expenditure review** was conducted to identify ways to reduce annual spending on an organization-by-organization basis, intended to result in more than **\$9 billion in savings annually**. For example, spending would be reduced in CRA by winding down initiatives such as the digital services tax, the federal fuel charge and the Canada carbon rebate and the underused housing tax. Further, **artificial intelligence (AI) and process automation** would be used to reduce labour needs in compliance and collection activities.

how the use of AI by CRA may impact their services

3 Canada's COVID-19 Response

532(3)

CEWS – DEADLINE EXTENSION

An October 16, 2025 **Federal Court** case ([Imax Corporation vs. AGC, T-2200-24](#)) reviewed an application for **judicial review** of CRA's decision to **deny** a request to allow **late applications** for the **Canada Emergency Wage Subsidy (CEWS)** for two periods. The taxpayer had **filed claims** for the **first ten periods** but **failed to file** claims for **periods 11 and 12**. The taxpayer argued that the **impact of the pandemic** on its operations due to the closure of movie theaters **and** a series of **personnel issues** in its tax and finance departments constituted **exceptional circumstances** that should result in **CRA** exercising its **discretion** to permit late applications for the two periods in question.

Taxpayer loses

CRA had concluded that, while the taxpayer's **tax team** may have been **short-staffed**, the taxpayer had **received calculations** from its accountants **months in advance** of the filing deadlines. Further, the taxpayer **met other filing deadlines**, and CRA indicated that the taxpayer could have **instructed their accountants to complete the filings** to deal with being **short-staffed**. The Court held that **CRA's decision** was **reasonable** and was **consistent** with the **explanatory notes** to the legislation providing discretion to CRA. As a result, the **application** for judicial review was **dismissed**.

whether the taxpayer could have engaged external assistance to meet the relevant deadlines

JUDICIAL REVIEW – BAD LEGAL ADVICE

A September 17, 2025 **Federal Court** case ([Doheney vs. AGC, T-3115-24](#)) considered whether the taxpayer was **improperly denied CRB** for 2019 due to their legal counsel's refusal to comply with CRA's **request for documentation** supporting her amended tax return.

The taxpayer initially reported a net self-employment loss of \$414 for 2019, which was below the required \$5,000 previous earnings threshold. While CRA was reviewing her CRB eligibility, she submitted an **amended 2019 return** showing net income of \$6,389 removing multiple business expenses. **CRA asked for documentation** proving that these disallowed expenses

were personal or non-deductible to confirm her net income genuinely met the eligibility requirement.

The taxpayer's **legal counsel refused** to provide the requested receipts and expense details, asserting that no audit was underway, which the Court noted was legally incorrect.

The Court found that **CRA's denial** of CRB was **reasonable**, given the lack of documentary evidence to support the amended return. However, it also ruled that the taxpayer had **suffered a procedural unfairness** due to **incompetent representation**. As such, the Court granted the application for judicial review.

providing the supporting information when requested

4 Personal Tax

532(4)

PERSONAL CARE WORKER CREDIT – BUDGET 2025

Budget 2025 proposed to provide **eligible personal support workers** working for **eligible health care establishments** with a **refundable tax credit** of **5%** of **eligible earnings** (providing a credit of up to \$1,100). The proposal was included in **Bill C-15, Budget 2025 Implementation Act, No. 1** (see VTN **532(8470)**). Amounts earned in **British Columbia, Newfoundland and Labrador** and the **Northwest Territories** would **not be eligible**, as federal funding is already provided to increase personal support workers' wages in these jurisdictions. This measure would apply to the **2026 to 2030 taxation years**.

credit not available in all provinces and territories

To qualify, the person must ordinarily provide **one-on-one care** and essential support to optimise and maintain another individual's health, well-being, safety, autonomy and comfort, consistent with that individual's health care needs as **directed** by a **regulated health care professional** or a **provincial community health organization**. The person's **main employment duties** must include **helping patients** with **activities of daily living and mobilization**.

The person must work for an **eligible health care establishment**, which would be **hospitals, nursing care facilities, residential care facilities, community care facilities** for the **elderly, home health care establishments** and other similar **regulated health care establishments**.

only those working in an eligible establishment would qualify

Eligible earnings would include **all taxable employment income**, including wages and salaries, and employment benefits (as well as similar tax-exempt income and benefits earned on a reserve by a status Indian) earned as an eligible personal support worker performing employment duties for eligible health care establishments.

Employers would need to **certify** their employees' eligible earnings in **prescribed form** and manner.

requirement for employers to certify earnings

Individuals would need to **file a tax return** to be eligible.

PROVINCIAL RESIDENCY – BORDER CITIES

An October 9, 2025 French **Court of Quebec** case ([Yasari et al. vs. QRA, 2025 QCCQ 5184](#)) reviewed the taxpayers' claim that they were resident in **Ontario**, and not Quebec, from 2013 through 2016. The taxpayers were a married couple that resided in the **Ottawa-Gatineau** region which straddles the provincial border, making the **determination more difficult**.

The taxpayers argued that they **permanently relocated to Ontario** from Quebec in **2012** when they purchased a **home in rural Ontario** near Ottawa after the wife was diagnosed with a serious illness. They **retained their property** in **Quebec** after moving to Ontario. During the relevant period, the **husband worked in Ontario**, while the **wife** divided her time between **Ontario and Quebec**. The taxpayers stated that the more rural setting would be better for the family, considering the serious health condition of the wife.

Taxpayer wins

The Court found that the taxpayers **permanently settled in Ontario in 2012**, with no intention of returning to Quebec, based on the following factors:

- **health cards were issued in Ontario** in 2012 (wife) and 2013 (husband and child), at which point the taxpayers cut up and discarded their Quebec cards;
- the wife's significant **medical care** was provided in **Ontario**;
- the taxpayers obtained their **Ontario driver's licenses** and **registered their vehicle** in Ontario;
- the taxpayers' **son** (age 16) **testified** that he was a resident of Ontario for as long as he could remember, and his **schooling** and **extracurricular** activities took place in **Ontario**;
- **employer and government documents** were **updated** to reflect the Ontario address;
- the husband's **professional affiliation** switched from CPA Quebec to **CPA Ontario**; and
- following the wife's death in 2020, the husband and son **continued to reside in Ontario**.

evidence of daily life

government and professional documents

The Court further found that, as the taxpayer's residence was in a **rural location**, several **services** and **goods** needed to be **obtained** in the **city**. As the taxpayers worked in the **Ottawa-Gatineau** region, it was **not unusual** to access services/goods in this **region on either side of the provincial border**. The Court further noted that keeping the **Quebec property** was **not fatal** to the claim: it was **used rarely** by the taxpayers (about 4-5 days per month), **visits** were mostly for **security, maintenance and insurance purposes** and the **claim** that they did not sell it immediately due to the wife's

owning and maintaining property in another province is not fatal

illness was **reasonable**.

5 Employment Income

532(5)

STOCK OPTION DEDUCTION – ARM’S LENGTH REQUIREMENT

An October 30, 2025 **Tax Court of Canada** case ([Homburg vs. HMK, 2019-3485\(IT\)G](#)) considered whether the taxpayer was **eligible** for the **50% stock option deduction** related to stock options exercised in 2005 and 2007.

CRA argued that the taxpayer was **ineligible** as the taxpayer was **not dealing at arm’s length** immediately after the agreement was made with the two corporations (referred to collectively as HII) that granted the options (Clause 110(1)(d)(iii)(B)). The taxpayer argued that **two family trusts** held **de jure control** of the corporate group, thereby distancing him from control of HII. The trusts were created by the taxpayer for the benefit of family members and had professional trustees unrelated to the taxpayer.

stock option benefits are less tax-effective for non-arm’s length employees

Taxpayer loses

The Court found that the taxpayer failed to provide adequate and reliable **evidence to establish ownership structures**, the trust assets or shareholdings at the relevant times to support this argument.

Although the Court could not find that the taxpayer had de jure control, he had **de facto control**, meaning that there was a **non-arm’s length relationship** (Paragraph 251(1)(c)), which disqualified the taxpayer from the 50% deduction. The Court came to this conclusion based on the taxpayer’s extensive **indirect ownership, executive positions and operational influence**, particularly through a complex web of related companies he controlled. In addition, public filings, including shareholder circulars and a prospectus, corroborated that he **maintained significant influence** over the corporations’ strategic direction, senior management and corporate structure.

whether de facto control existed

6 Business/Property Income

532(6)

ACCELERATED CAPITAL COST ALLOWANCE (CCA) – BUDGET 2025

Budget 2025 referred to a series of proposals to allow **accelerated CCA** as the “productivity super-deduction.” These included the **previously announced** immediate **100% CCA expensing** of the cost of **productivity-**

enhancing assets (classes 44, 46 and 50) originally proposed in [Budget 2024](#) (see VTN 513(7624)) and the **extension** of the **accelerated investment incentive** previously announced in the [2024 Fall Economic Statement](#) (see VTN 522(8071)). These proposals were included in [Bill C-15, Budget 2025 Implementation Act, No. 1](#) (see VTN 532(8470)).

Two new proposals were also included in [Budget 2025](#), but were **not** in [Bill C-15](#).

when these proposals will be enacted

Immediate expensing for manufacturing and processing buildings
Eligible buildings in Canada used to **manufacture or process** goods for sale or lease (manufacturing or processing buildings) can **electively** be **eligible** for a **CCA rate of 10%** provided that **at least 90%** of the building's **floor space** is **used in manufacturing or processing** (see VTN 499(6960)).

[Budget 2025](#) **proposed** to provide **immediate 100% CCA** expensing of the cost of **eligible manufacturing or processing buildings**, including eligible additions or alterations made to such buildings, provided the minimum 90% floor space requirement is met.

full deduction for the cost of these buildings

Property that has been **used**, or acquired for use, for any purpose **before it is acquired** by the taxpayer would be **eligible** for immediate expensing **only if neither the taxpayer nor a non-arm's-length person previously owned** the property **and** the property was **not transferred** to the taxpayer on a **tax-deferred rollover** basis.

In cases where a taxpayer benefits from immediate expensing of a manufacturing or processing building, and the **use of the building** is **subsequently changed**, **recapture** rules may apply. No details of these proposed rules were provided.

risk of recapture in a future year

This measure would be effective for eligible **property** that is **acquired on or after November 4, 2025** and is **first used** for manufacturing or processing **before 2030**. An enhanced **first-year CCA rate of 75%** would be provided for eligible **property** that is **first used** for manufacturing or processing **in 2030 or 2031**, and a **rate of 55%** would be provided for eligible **property** that is **first used** for manufacturing or processing **in 2032 or 2033**. The **enhanced rate** would be **phased out entirely** for property that is first used for manufacturing or processing **after 2033**.

Where the **maximum deduction** is **not claimed** in the year of acquisition, the **normal CCA rules** would apply to the undepreciated capital cost in **future years**.

Accelerated CCA for low-carbon liquefied natural gas (LNG) facilities
An **accelerated CCA** measure for **LNG equipment and related buildings** **expired** at the end of 2024. The measures **increased the CCA rate** for liquefaction **equipment** from 8% **to 30%** and for non-residential **buildings** used in LNG facilities from 6% **to 10%**. [Budget 2025](#) **proposed reinstating accelerated CCA** for LNG equipment and related buildings, but **only for**

enhanced CCA for some LNG facilities

low-carbon LNG facilities.

[Budget 2025](#) indicated that **details** regarding the new **emissions performance requirements** for these additional allowances will be provided at a **later date**. These measures would **apply to property acquired on or after November 4, 2025 and before 2035**.

CLEAN ECONOMY TAX INCENTIVES – BUDGET 2025

[Budget 2025](#) announced a number of **amendments and enhancements** to **tax incentives** related to the **clean economy**. These were included in [Bill C-15, Budget 2025 Implementation Act, No. 1](#) (see [VTN 532\(8470\)](#)).

Critical mineral exploration tax credit (CMETC)

[Budget 2025](#) proposed to **expand** the eligibility of the **30% CMETC** to **include** the following **additional critical minerals**: bismuth, cesium, chromium, fluorspar, germanium, indium, manganese, molybdenum, niobium, tantalum, tin and tungsten. This credit is available in respect of Canadian exploration expenses (CEE), including Canadian renewable and conservation expenses (CRCE) and Canadian development expenses (CDE) flowed out to individuals who invest in flow-through shares.

*additional eligible minerals
for credits received by
flow-through shares*

The following critical minerals are **currently eligible** for the CMETC: nickel, cobalt, graphite, copper, rare earth elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, uranium and lithium (including lithium from brines).

This measure would apply to expenditures renounced under **eligible flow-through share agreements** entered into **after November 4, 2025 and on or before March 31, 2027**.

Clean technology manufacturing investment tax credit (ITC)

[Budget 2025](#) proposed to **expand** the list of **critical minerals eligible** for the **30% clean technology manufacturing ITC** to include antimony, indium, gallium, germanium and scandium. This **refundable ITC** applies to investments in **new machinery and equipment** used to **manufacture or process** key **clean technologies**, or to **extract, process or recycle critical minerals** essential for clean technology supply chains, currently including lithium, cobalt, nickel, graphite, copper and rare earth elements.

*additional minerals added
to those permitting this
investment tax credit*

This measure would apply in respect of **property** that is **acquired and becomes available for use** on or after **November 4, 2025**.

Clean electricity investment tax credit (ITC) and Canada Growth Fund

[Budget 2025](#) proposed to include the **Canada Growth Fund** as an entity **eligible** for the **15% clean electricity ITC**. [Budget 2025](#) also proposed to introduce an exception so that **financing provided** by the **Canada Growth Fund** would **not reduce** the cost of eligible property for the purpose of computing the **clean electricity ITC** available to other entities. These

*financing from the Canada
Growth Fund will not
reduce available ITC*

measures would apply to eligible **property** that is **acquired and** that becomes **available for use on or after November 4, 2025**.

Carbon capture, utilization and storage (CCUS) investment tax credit (ITC)

The CCUS ITC provides three different **credit rates** depending on the purpose of the equipment, with the following credit rates **applying to eligible CCUS expenditures** incurred from the start of **2022 to the end of 2030**, **declining** for eligible expenditures that are incurred **from the start of 2031 to the end of 2040**:

- 60% (declining to 30%) for eligible capture equipment used in a direct air capture project;
- 50% (declining to 25%) for all other eligible capture equipment; and
- 37.5% (declining to 18.75%) for eligible transportation, storage and use equipment.

significant ITCs for eligible CCUS projects

The **extent** to which the CCUS ITC is **available** to a CCUS project and respective eligible equipment depends on the **end use of the carbon dioxide (CO₂)** being captured. Eligible uses include dedicated geological storage and storage in concrete but not enhanced oil recovery (EOR).

Budget 2025 proposed to **extend** the availability of the **full credit rates** by **five years**, so that the full rates apply to eligible expenditures incurred from the start of 2022 **to the end of 2035**, declining to the lower rates for eligible expenditures that are incurred from the start of 2036 to the end of 2040. A **previously announced review** of the CCUS ITC rates will be **undertaken before 2035** (rather than before 2030).

proposed five-year extension to higher ITC rates

CCUS – EXPENDITURES PRIOR TO PROJECT EVALUATION

A July 21, 2025 **Technical Interpretation** ([2024-1039761E5](#), Nicole Verlinden) considered whether a taxpayer can claim the **carbon capture, utilization and storage (CCUS) investment tax credit** for an expenditure incurred in a year **prior to receiving the initial project evaluation**.

CRA confirmed that a CCUS expenditure incurred before a project is recognized as a "qualified CCUS project" can still be considered a qualified CCUS expenditure, assuming the project later receives its initial project evaluation from Natural Resources Canada and other requirements are met (Section 127.44). Specifically, the acquisition cost of eligible property can be claimed in the year the cost was incurred, even if the project had not yet qualified at that time.

early expenditures may be eligible

7 Capital Gains/Losses

532(7)

INCOME VS. CAPITAL – REAL ESTATE

An October 23, 2025 French **Tax Court of Canada** case ([4490380 Canada Inc. vs. HMK, 2019-3561\(IT\)G](#)) reviewed whether the **disposition** of a building in 2015 resulting in a **gain** of \$9,663,075 was on account of **income or capital**. The taxpayer acquired the property in 2008, undertook significant construction on it from 2009 to 2011, and leased it until 2015, when they received an unsolicited offer to purchase the property and sold it at that time.

Taxpayer wins

The Court found that the taxpayer's witnesses were **credible** and accepted their testimony that the building was acquired as a **long-term investment**. **No plan** was made at the time of acquisition to **sell the building**; therefore, the acquisition was on account of capital. There was also no secondary intention to resell the property at a profit.

intention when acquiring property

The Court also concluded that the acquisition of the property was **not a risky project** or a **commercial endeavour**, based on the following factors:

- the building was part of a **multi-phase project**, **plans** were **drawn up** and **expenses incurred** to undertake **future phases** of the project;
- some of the **materials** used in construction were **chosen** to **reduce future long-term operating costs**;
- **efforts** were made to **rent** the **available premises** starting in 2009 until the building was fully rented in 2015;
- the property was held for **seven years** (four years of construction, three years of operation); and
- the **taxpayer received an unsolicited offer** to purchase the building (it was never listed or marketed for sale).

decisions during construction to support original intention

what prompted the sale?

The Court found that the taxpayer's **decision to sell** the property **resulted** from the **unsolicited purchase offer** several years after it was acquired.

The Court further stated that the **magnitude of the gain** realized on the sale of the property does **not** itself **demonstrate a primary or secondary intention** to resell the property at a profit.

ADJUSTED COST BASE (ACB) AND FAIR MARKET VALUE (FMV) OF REAL ESTATE

An October 7, 2025 French **Court of Quebec** case ([Dion vs. QRA, 2025 QCCQ 5182](#)) reviewed the **ACB** of a **real estate** parcel disposed of by the taxpayer and the FMV of another real estate parcel disposed of. While the taxpayer asserted that the ACB of the property was \$451,940, Revenu Québec (RQ) reduced it to \$238,667 as they **rejected all undocumented expenditures**. RQ also asserted that the **FMV** of the **property** transferred to the taxpayer's brother was \$395,000, based on a municipal assessment of the property, compared to the taxpayer's assertion that the property's FMV was \$282,000 based on a **professional appraisal** done less than two weeks from the transfer.

Taxpayer wins, partly

The Court **partially accepted** the taxpayer's **evidence** and allowed an increase of \$110,749 to the ACB. The Court accepted **evidence of cheques, credit card statements** and **transfers supported by bank account records** showing that **renovation costs were paid by the taxpayer**, even though the actual invoices were not provided. The Court reiterated that lack of documentation does not automatically disqualify a deduction if credible secondary evidence exists.

secondary evidence may help if invoices are not retained

The Court accepted the **taxpayer's FMV** of \$282,000 based on a **professional appraisal** conducted less than two weeks from the transfer. The Court noted that **municipal valuations** are based on **mass appraisals**, and rebuttable by individualized appraisals.

individualized professional appraisal

The Court finally stated that the fact that the professionals providing the appraisals had a business relationship or even a friendly relationship with the taxpayer did not affect their status as experts in any way. The Court noted that RQ did not argue that the reports were biased.

SALE OF SHARES IN ERROR

In a September 23, 2025, French **Court of Quebec** case ([Furois vs. HMK, 2025 QCCQ 4593](#)), the taxpayer accidentally sold shares, triggering a \$67,362 capital gain, while reviewing his stock portfolio on his phone while on **pain medicine** in the hospital. Realizing his error the next day, he **immediately repurchased the shares**.

being careful when reviewing financial matters on a phone

The taxpayer **argued** that there was **no sale of shares** as he accidentally pressed the button to confirm the sale. He also argued that, as CRA determined that the capital gain rollover provisions on the disposition of eligible small business corporation shares and acquisition of replacement shares (Section 44.1; see VTN [530\(8403\)](#)) applied, Revenu Québec (RQ) should come to the same conclusion.

Taxpayer loses

The Court found that, **although unintentional**, the **taxpayer sold the shares** and therefore realized the capital gain.

The Court further found that QRA's denial of the rollover provision was correct. The shares sold were not eligible small business corporation shares as they were shares of a public corporation. It was unclear why CRA allowed the deferral as it is only applicable on the disposition and acquisition of certain CCPC shares. A **decision by CRA is not binding on RQ**.

CRA and Revenu Québec can come to different conclusions

8 Farming/Fishing

532(8)

PATRONAGE DIVIDENDS PAID IN SHARES – BUDGET 2025

Prior to 2005, patronage dividends paid in shares by an agricultural cooperative to its members were **taxable to the members** in the year the **shares were received**. The cooperative paying the dividend was also required to **withhold taxes** from the dividend as a source deduction.

deferral where agricultural cooperative issues eligible shares to pay patronage dividends

A **temporary deferral of income taxes and withholding obligations on patronage dividends** received from **agricultural cooperatives** by their members in the form of **eligible shares** until the disposition (including a deemed disposition) of the shares has been **in place since 2005** and was set to expire at the end of 2025. **Budget 2025 proposed to extend this measure to apply in respect of eligible shares issued before the end of 2030**, a five-year extension. This measure was included in **Bill C-15, Budget 2025 Implementation Act, No. 1** (see VTN 532(8470)).

9 Corporate Tax

532(9)

DIVIDEND REFUNDS IN TIERED CORPORATE STRUCTURES – BUDGET 2025

Budget 2025 expressed **concern** that **tax planning techniques** have been employed to **defer tax on investment income by utilizing tiered corporate structures with mismatched year-ends**.

The tax issue addressed

For example, Payerco (Pco) might pay a taxable dividend on October 25, 2025 and receive a **dividend refund** for its tax year ended on **October 31, 2025**. If Receiverco's (Rco's) year-end is August 31, it would not be subject to **Part IV** tax on its dividend received until its **August 31, 2026** year-end,

likely resulting in a **10-month deferral of tax**.

Budget 2025 proposed to **limit the deferral of tax in corporate structures** with **mismatched year-ends** by introducing **complex measures** that would delay Pco from receiving a dividend refund in certain cases.

new rules to limit tax deferral where stacked corporations have differing year-ends

The proposal – deferral of dividend refund

The proposals would **deem** a **dividend** paid by Pco to **not** be a **taxable dividend** (referred to as a suspended dividend), resulting in **no dividend refund** to Pco at that time, if **Rco** meets the following conditions:

- is **affiliated with Pco** immediately before the time the dividend is paid;
- is a **private corporation** or a subject corporation (within the meaning assigned by Subsection 186(3));
- has a **balance-due day** for the taxation year in which it received the dividend that is **after** the **balance-due day** for the taxation year of **Pco** in which it paid the dividend.

whether the due date for the dividend recipient's taxes is later than for the dividend payer's taxes

Dividends would **not** be **suspended** if either of the following situations is present:

- **each Rco** in the chain of **affiliated corporations** pays a subsequent **dividend on or before the date on which Pco's taxes are due** (as no deferral would result for the affiliated corporate group); or
- Pco's dividend is paid **no more than 30 days before a loss restriction event**.

Dividend refund in a future year

The **suspended dividend** would be **deemed** to have been **paid** at the end of a particular taxation year when the total amount of the dividend is **paid out of the affiliated group to dividend recipients** that are **not connected with Pco**. The dividends paid out by the affiliated or connected corporations cannot generate a dividend refund to those dividend payers. This would require the suspended dividend to be traced through other entities in the corporate group, including trusts, partnerships and corporations.

no dividend refund until the taxable dividend is paid beyond the affiliated group

The **deemed payment** of the suspended dividend would result in **Pco** becoming eligible for its **dividend refund**.

The **suspended dividend** would **not** allow for a **dividend refund** if **Pco** is subject to a **loss restriction event** beyond the 30-day period relevant for the exclusion. Adjustments to reflect these proposals would **never become statute-barred**.

No Part IV tax for the dividend recipient

Rco would **not** be subject to **Part IV tax** on the **suspended dividend**, either in the year of receipt or the year in which Pco receives the deferred dividend refund. Part IV tax payable by other corporations receiving non-suspended dividends from Pco would be unchanged.

no Part IV tax for recipient of suspended dividend

Effective date

These measures would apply to **taxation years that begin on or after November 4, 2025**.

Legislative status

Although the draft legislation for these proposals was included in [Budget 2025](#), the measures were **not** included in [Bill C-15, Budget 2025 Implementation Act, No. 1](#) (see VTN [532\(8470\)](#)).

not included in a Bill yet

Other issues

The proposed new rules are **complex**. A **detailed review** of the structure of corporate groups will be required to determine situations where **dividend refunds will be delayed**, and to assess any **changes in historical dividend strategies** to minimize the impact of this proposal. As the details of the proposal could change during the legislative process, it may be preferable to delay this review until either the legislation is finalized or dividend planning is being done for fiscal years that will be affected by these proposals. Many concerns related to the proposals have been raised since the Budget was tabled.

when to invest time to review dividend planning based on proposals

For a further discussion of these proposals, see the 13-minute [video clip](#) by Kenneth Keung CA, CPA (CO, USA), CFP, TEP, LLB, MTAX.

CAPITAL DIVIDEND ACCOUNT – AMALGAMATION

Where **one** of the **main purposes** of a series of **transactions** which includes an acquisition of a share is to **receive a capital dividend** on the share acquired, the dividend is generally **deemed** to be paid and received as a **taxable dividend** (Subsection 83(2.1)), absent an exception.

A September 28, 2024 **Technical Interpretation** ([2025-1067941C6](#), Laurence Gagné) reviewed this anti-avoidance provision in the context of a scenario where Bco acquired the shares of Aco (unrelated to Bco) and subsequently, Aco and Bco were **amalgamated** to form ABco. **Aco** had a **\$100K capital dividend account** balance **prior to the amalgamation**.

the inability to purchase the capital dividend account

For the purposes of computing the new amalgamated corporation's (ABco's) **capital dividend account**, ABco will be **deemed** to be the **same corporation** as, and a continuation of, **each predecessor corporation**. However, if the above anti-avoidance provision would apply (Subsection 83(2.1)) to a predecessor corporation if a capital dividend were paid immediately before the amalgamation, **ABco will not be deemed** to be a **continuation of the predecessor corporation** (Paragraph 87(2)(z.1)).

In the situation examined, **one of the main purposes** of Bco **buying the shares of Aco** was to **acquire Aco's CDA balance**. As such, CRA opined that the **anti-avoidance provision** would have **applied** to a capital dividend on the shares of Aco immediately before the amalgamation. Therefore, upon amalgamation, **ABco would not be deemed** to be a **continuation of Aco**

and ABco's CDA would **not** include Aco's previous **CDA balance** of **\$100K**.

10 CRA

532(10)

AUTOMATIC TAX FILING FOR INDIVIDUALS – BUDGET 2025

Budget 2025 proposed to provide CRA with the discretionary **authority** to **file a tax return** on behalf of an individual who meets all of the following criteria:

- the individual would have **no taxes** on a federal tax return after considering only the basic personal amount, plus any age and disability credits they are entitled to;
- all **income** of the individual for the taxation year was from **sources** for which **specified information returns** have been filed with CRA;
- the individual has otherwise **not filed a return** for the taxation year prior to, or **within 90 days following**, the tax **filing deadline** for the year; and
- the individual has **not filed a tax return** for **at least one of the three immediately preceding taxation years**.

automatic filing for those meeting this criteria

Editors' comment

Some practitioners have noted that the final requirement seems uncertain. It can be interpreted as permitting automatic filing only if no return was filed in any of the three preceding years, or permitting automatic filing where no return was filed for any one of the three preceding years.

CRA may also implement any other criteria as appropriate.

Prior to filing a return, the **individual** would be **provided with the tax information** reflected by CRA for their review. The individual would have **90 days to confirm** or update it. If they take **no action**, **CRA could file the return**, issue a notice of assessment and determine any credit or benefit entitlements.

this opportunity to correct any errors in CRA's proposed filing

In some cases, CRA may need the individual to **confirm basic details**, such as marital status, before issuing benefits. Some benefits also require a **return from the spouse** or common-law partner, which CRA could also file if the eligibility criteria are met.

The existing assessment, objection and appeal processes would apply to assessments issued under these provisions. **If** it is determined after a tax return has been filed by CRA that the taxpayer did **not meet the requirements** for automatic tax filing, the tax return would be **deemed not to have been filed**.

Individuals would be able to opt out of automatic tax filing. This measure would apply to the **2025 and subsequent taxation years**. That is, filing could begin in 2026.

to commence with the 2025 year

Although the draft legislation for these proposals was included in [Budget 2025](#), the measures were **not** included in [Bill C-15, Budget 2025 Implementation Act, No. 1](#) (see VTN [532\(8470\)](#)). Interested parties can send comments to autotaxfiling-autoimpot@fin.gc.ca by January 30, 2026.

WORKER MISCLASSIFICATION – TRUCKING SECTOR – BUDGET 2025

[Budget 2025](#) noted that the government is concerned with the deliberate **misclassification of employees as independent contractors**, including engaging workers properly considered employees through employee-owned corporations. This results in payers not withholding and remitting income tax, CPP and EI contributions. Further, misclassified employees may lose out on labour law protections, as well as benefits and pensions available to employees.

Trucking sector

The government noted that this misclassification of employees has been particularly **common in the trucking industry** (see VTN [528\(8335\)](#)).

[Budget 2025](#) proposed to provide \$77 million over 4 years starting in 2026-27, with ongoing funding of \$19.2 million annually, for CRA to **implement a program** focused on the trucking industry that addresses **non-compliance** related to **personal services businesses** (see VTN [509\(7444\)](#)) and lifting the moratorium on penalties in respect of **reporting fees for services** (see VTN [528\(8334\)](#)).

new targeted program focusing on personal services businesses and reporting fees for services

Information sharing

[Budget 2025](#) also proposed to amend the Income Tax Act and the Excise Tax Act to allow CRA to **share information** with Employment and Social Development Canada for the **purpose of addressing worker misclassification**. This information-sharing measure would come into force on Royal Assent of the enacting legislation, included in [Bill C-15, Budget 2025 Implementation Act, No. 1](#) (see VTN [532\(8470\)](#)).

TAX-DRIVEN INSOLVENCY

A September 17, 2025 **Court of King's Bench for Saskatchewan** case ([HMK vs. Cameron Okolita Inc. et al, 2025 SKKB 151](#)) considered whether a **tax-driven bankruptcy** warranted a conditional or suspended discharge. The taxpayer had accrued **\$325,648 in personal income tax debt** (and a small amount of other debt) due to a **failure to file returns** between 2007 and 2009.

Around 2015, CRA made **arbitrary assessments** (now referred to as factual assessments) for 2007 and subsequent years. which assumed annual incomes near \$190,000, estimated using an American online business directory. CRA garnished his wages and seized approximately \$70,000. From 2018 to 2020, the taxpayer made significant efforts to become compliant. He successfully adjusted and filed returns for 2010 to 2017, with incomes ranging from \$8,620 to \$35,342. However, his efforts for 2007 to 2009 were **outside the objection** (Section 165) **and taxpayer relief** (Subsection 220(3.1)) **windows** so CRA had **no power to reassess** those years. Originally (in about 2015), approximately \$1 million in taxes, interest and penalties had been assessed.

responding to factual assessments quickly

Taxpayer wins, mostly

The Court found that the tax debt **arose from youthful neglect**, not malice or evasion. While there was **no substantial effort to repay** taxes initially, he also did not prioritize other creditors. His current financial circumstances of a modest income, young family, no surplus income and a combination of “full rehabilitation and an earned wisdom that is rare for many bankrupts” weighed heavily in his favour.

whether there were sincere rehabilitation efforts

The Court rejected both the trustee’s proposed one-day suspension and CRA’s proposed three-year suspension and suggested repayment of \$14,719. Given the \$70,000 in payments already garnished, the Court instead imposed a **conditional discharge** upon payment of \$3,585, representing **2.25% of the remaining principal income tax** debt.

RESPONDING TO CRA REQUESTS

In Question 2 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA discussed various issues in respect of the **timeline for responding to CRA requests** for information.

CRA noted that while the guidelines specify that taxpayers should be given **30 days from the date of the proposal letter**, the timeline may be **shortened** due to an impending **expiration of the normal reassessment period**. The deadline may be **extended** by up to 30 days for any reasonable request for an extension of time to review the proposed adjustments. Alternatively, additional **extensions** may be granted related to factors or events that are **outside of the taxpayer’s control** (such as illness, death or natural disaster; CRA noted that a change in representative would also be considered).

these guidelines for extended time to respond to CRA

When the taxpayer does **not respond in time**, the auditor may **process the reassessment**, but should **first contact the taxpayer** to ensure that a response is not already transmitted or determine whether the taxpayer needs more time.

auditors should attempt to contact the taxpayer before assessing if no response was received

Auditors should review and **discuss representations** with the taxpayer **prior to closing the file**. CRA suggested that taxpayers do the following to ensure representations are fully heard:

- communicate their desire to discuss all their representations;
- advise as to whether further representations will be made; and
- maintain open communication and discuss reasonable options based on the circumstances.

For comments on a CRA communiqué directed at its auditors in respect of information requests and requirements ([AD-25-04, Obtaining Information During Compliance Activities](#)), see VTN 530(8408).

Editors' comment

CRA's response referred only to "auditors" and does not appear to address requests from other CRA divisions, such as pre-and post-assessment review, that are undertaken outside the audit division.

REPETITIVE PRE- AND POST- ASSESSMENT REQUESTS

In Question 3 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA was asked about **repeated annual requests for similar types of information in pre- and post-assessment review**. CRA noted that requests vary depending on the specific line items under examination. **Criteria** are determined on a **project-by-project** basis and **may**, in some cases, take into account a taxpayer's **historical compliance**. Before requesting the information, an agent would review the account to determine whether the rationale for the error has already been addressed.

CRA noted that audits are selected **based on a risk assessment**, which include various factors, such as the **likelihood or frequency of errors** and whether there are **indications of non-compliance**. Once a return is identified as high-risk, CRA will review information from various sources to determine whether an audit is needed to address the identified risks. CRA **looks at the information it has on file** for the taxpayer and **may compare** it to **similar files** or consider information from other investigations.

whether there are indications or risks of non-compliance

DELAYED SLIPS POSTED ONLINE BY CRA

In Question 8 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA acknowledged that there were **delays in processing and posting slips** at the beginning of 2025. CRA noted that the delays resulted from the **implementation of a new data validation** process and that **similar delays are not expected** to occur in 2026.

slip posting delays in 2025 not expected for 2026

FAILURE TO MAKE ELECTRONIC PAYMENTS

In Question 9 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA confirmed their previous comments to CPA Canada (see VTN [527\(8296\)](#)) that **penalties would not be assessed** in respect of **payments above \$10,000** not being made **electronically**. There are currently no plans to reevaluate this administrative position.

no penalties for non-electronic payments over \$10,000

TAX PAYMENT GRACE PERIOD

In Question 10 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA confirmed that there is a **20-day grace period** for which no **interest will be accrued** following the date of a personal tax notice of assessment (granted in accordance with Section 161.2). The period is extended to the next business day if the 20th day falls on a weekend or holiday.

In some cases, **interest** is reflected **on the notice of assessment** even though the tax may have been paid by the due date. CRA's **system** generally **recognizes** the **effective date of payment** and the **interest will be automatically corrected**. In some cases, clerical review and manual adjustment may be required.

these automatic corrections

PILOT PROJECTS

In Question 12 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA provided a few comments on recent **pilot projects**.

Personal services businesses (PSB)

Phase one and two of the **project** have been **completed** (see VTN [516\(7790\)](#)). Information obtained will be used to **guide CRA's continuing education** and **compliance** activities.

reviewing PSB risk with clients at risk

Editors' comment

[Budget 2025](#) proposed funding to conduct an enforcement project in respect of PSBs in the trucking sector (See VTN [532\(8474\)](#)).

Underused housing tax (UHT)

Starting in **November 2023**, CRA commenced a **series of pilot projects** focused on **clarification** and **education**. CRA noted that **2,461 files were audited** from November 1, 2023 to August 29, 2025, recovering \$5,941,501 in UHT. Over 9,000 files in respect of dispositions by non-residents (related to Section 116 Certificates of Compliance) were referred to UHT. CRA has the legislative authority to decline to issue a certificate of compliance if the non-resident owner is not compliant with UHT obligations. CRA indicated that a full compliance program would commence after October 2025.

missed filings can affect certificate of compliance applications

CRA also listed the following **common filing issues**:

- **paper filed returns** frequently contain **errors**, such as incomplete information or conflicting details;
- there is confusion around the **definition of residential property**, especially among condo owners using properties as hotels or time-shares who incorrectly claim to be excluded owners; and
- there are frequent misinterpretations of the **property valuation rules**; for example, some filers in British Columbia incorrectly used assessment values from the wrong year to calculate their UHT liability.

Editors' comment

CRA's comments were made prior to the [Budget 2025](#) announcement that UHT would be cancelled for 2025 and onwards, with filings for previous years still required (VTN [532\(8476\)](#)).

Extension period for supporting foreign tax credit claims

In February 2024, CRA commenced a project that **granted an extension of up to 90 days** for **foreign tax credit** reviews. CRA stated that it will **continue until February 2026** and be reevaluated then.

the ability to request an extension

PLANNED CRA ELECTRONIC ENHANCEMENTS

In Question 14 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA provided the following comments on **planned electronic enhancements**:

- there are **no planned EFILE eligibility enhancements** for the **2026 season**; however, CRA intends to progressively eliminate EFILE and NETFILE restrictions for additional non-resident returns in the coming years;
- CRA is looking at options to expand the number of forms (like the [T1044 Non-Profit Organization \(NPO\) Information Return](#)) that can be filed electronically;
- updates to **several forms** and applications within the online portals have been commenced that would enable users to **save their progress** and complete them at a later time; and
- CRA will add **portal access** for **non-resident tax accounts** (Part XIII passive income tax) to view and manage their accounts starting in October 2025, with representative access beginning in February 2026.

ability to save progress when completing forms

PROCESSING BACKLOGS

In Question 15 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA provided comments on processing time and issues in different areas.

GST/HST returns with real estate assessments

CRA has a **real estate appraisals program** (REAP), which assesses the **accuracy and reliability of reported fair market values** (FMVs). CRA noted that **providing external appraisal** reports and detailed records of the **appraisal method used** assists them in optimizing their screening process. REAP will only initiate its own appraisal when a significant discrepancy of the FMV is determined at the screening stage.

providing a third-party appraisal and/or details of appraisal method

Certificates of compliance (Section 116)

A **non-resident vendor** is required to obtain a **certificate of compliance** by filing [Form T2062](#) 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)). 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 [Form T2062](#) and issued a compliance certificate (Form T2068; Subsection 116(2)).

CRA is implementing **measures to improve processing speed**, including plans to process the most complex files more efficiently. Taxpayers are also encouraged to **apply** for an **individual tax number (ITN) early** in the Section 116 application process. CRA will implement a procedure to **expedite ITN processing** when the form checkbox indicates a **disposition of taxable Canadian property**. CRA noted that having an ITN or submitting a complete ITN application can save two to four weeks in processing [Form T2062](#). As well, submitting payment with the form can reduce timelines by several weeks.

applying for an ITN early

GAAR

In Question 19 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA provided a few comments on the application of the new GAAR rules.

The **new GAAR penalty** (effective June 20, 2024) of **25% of the additional tax** would **not apply** if, at the time the transaction was entered into, it was reasonable to conclude that GAAR would not apply based on the transaction being **identical or almost identical** to a transaction that was the subject of **published administrative guidance** or **statements made by the Minister** or another relevant government authority or one or more court decisions (see VTN [505\(7279\)](#)).

CRA noted that **public statements** by themselves, such as at a **roundtable**, constitute such guidance. This also includes releases such as **Technical Interpretations 2024-100825117** (regarding GAAR examples in **IC 88-2**), **2024-1016011E5** (regarding crystallized and accrued capital gains) and **2023-098794117** (regarding post-mortem pipelines).

CRA also noted that the threshold for a transaction to be “identical or almost identical” is high. Entering into a **transaction** that is **similar to**, or uses the **same general strategy**, is **not sufficient**. Taxpayers seeking more certainty can apply for a ruling.

the high bar to meet to be identical or almost identical

Editors' comment

Protection may also be sought by disclosing the transaction on **Form RC312 Reportable Transaction and Notifiable Transaction Information Return**.

CRA ADMINISTRATION OF UNENACTED TAX PROPOSALS

In Question 4 of the **2025 Chartered Professional Accountants of Canada (CPAC) Provincial Questions for the CRA**, CRA commented on their **policies** when determining whether they **administer a proposal** that has **not received Royal Assent**.

In certain circumstances, **CRA can consider** administering a provision based on proposed amendments when it is **included in a Notice of Ways and Means Motion** (NWMM) that is tabled. However, this approach can **only** be considered if the proposal does **not** provide for a **payment** out of the consolidated revenue fund or a **refund**, in which case **Royal Assent must first be obtained**. In this context, administering the proposal generally means **permitting taxpayers to file** and be **assessed** on the basis of the proposal. While CRA may decide to make the necessary publication and system changes to allow for this, it **cannot enforce compliance** with proposed legislation until it becomes law.

CRA may allow taxpayers to file based on some proposals, but cannot enforce compliance prior to Royal Assent

11 Estate Planning

532(11)

QUALIFIED INVESTMENTS FOR REGISTERED PLANS – BUDGET 2025

Budget 2025 proposed to simplify and streamline the rules relating to **registered plan investments in small businesses**, while maintaining the ability of registered plans to make such investments.

In particular, **RDSPs** would be permitted to **acquire shares of specified small business corporations**, venture capital corporations and specified cooperative corporations (as is currently allowed for RRSPs, RRIFs, TFSAs,

RDSPs could hold shares of a specified small business corporation

RESPs and FHSAs). In addition, shares of eligible corporations and interests in small business investment limited partnerships and small business investment trusts would no longer be qualified investments (for RRSPs, RRIFs, RESPs and DPSPs).

These amendments would apply as of **January 1, 2027**. Interests in small business investment limited partnerships and small business investment trusts that are acquired before 2027 under the current rules would continue to be qualified investments. The government noted that shares of eligible corporations would continue to be qualified investments under the rules relating to specified small business corporations.

Budget 2025 also proposed to make a number of other technical legislative amendments to simplify the qualified investment rules. Notably, the **qualified investment rules for six types of registered plans** (i.e. all plans except DPSPs) would be consolidated into **one definition** in the Income Tax Act.

one definition of qualified investment for several registered plans

These proposals stem from the consultation announced in **Budget 2024**, aimed at improving rules related to registered plans (see VTN **513(7638)**).

PREFERRED BENEFICIARY ELECTION AND TOSI

Trust income that is paid or payable, and therefore taxable, to a **beneficiary** is **split income** for tax on split income (TOSI) purposes where the income is **derived** directly or indirectly from one or more **related businesses** in respect of the individual for the year (Paragraph (c) of the definition of split income in Subsection 120.4(1)).

A **preferred beneficiary (PB) election** allows certain trusts to **allocate income** to a **disabled beneficiary** without an amount actually being paid or made payable, such that the allocation is **taxed in the beneficiary's hands** (typically at a low marginal tax rate) as compared to being taxed in the trust (Subsection 104(14); see VTN **421(2867)**). **Income** reported by a beneficiary under a **PB election** will **not** be **split income**. While the **definition of split income** for a **beneficiary** includes several types of trust allocations (Paragraph (c) of the definition of split income in Subsection 120.4(1)), the definition does **not include income** allocated under a **Subsection 104(14) PB election**. As such, income that resulted from a PB election is not split income subject to top-rate taxation to the beneficiary under the TOSI rules.

income taxed in a beneficiary's hand due to a preferred beneficiary election may not be subject to TOSI

An allocation from a trust to a beneficiary is, by default, ordinary property income to the beneficiary (Subsection 104(13)). However, to the extent that a trust's income includes dividends or capital gains, the **trust** can **designate** that amounts of income **paid, payable or elected** under the **PB election** be **dividends or capital gains to the beneficiary** (Subsections 104(14), (19) and (21)). Where no designation is made, the income is **ordinary income** to the **beneficiary** and not eligible for any rules that apply to specific types of income (e.g. gross-ups and dividend tax credits for dividends).

However, if a **designation** is made such that the allocation is a **dividend** or **capital gain** to the **beneficiary**, the **dividend** or **capital gain** may be subject to **TOSI**, as these streams of income are included in **split income** under **separate provisions** (Paragraphs (a) and (e) of the definition of split income in Subsection 120.4(1)). As these provisions are not limited to income from a trust, they **can apply TOSI** to dividends or capital gains taxed to the beneficiary under a **PB election**, unlike trust income for which no designation is made.

designations to access favourable tax rules for income from the trust may also attract TOSI

A November 2025 Canadian Tax Focus article ([Preferred Beneficiary Election: TOSI Exception and the T3 Compliance Trap](#), Roman Belenky and Amandeep S. Bhagtana) discussed the above interaction of making a **PB election** and **designating** that the **allocation** be a **dividend or capital gain** to the **beneficiary**, in the context of the **TOSI** regime (see VTN [459\(4887\)](#) and [445\(4256\)](#)).

The article noted that, as tax software often **automatically allocates taxable capital gains and dividends** to the **corresponding boxes** on the T3 slip (thus designating the allocations for these purposes), regardless of whether a PB election is made, the allocation may be subject to **TOSI**. As such, practitioners should ensure that the designation for allocations to be dividends or capital gains to the beneficiary is **not automatically checked** by the tax software without proper consideration. Practitioners may need to manually override the tax software's automatic designation.

identifying the software automatic designation and overriding if appropriate

Not making these **designations** in the context of a PB election may have **other implications** for both the trust and the beneficiary. For example, the dividend tax credit and gross-up may be wasted in the trust. In addition, without a designation, the beneficiary would not be deemed to have received a dividend and therefore, no dividend tax credit would be available.

12 International

532(12)

TRANSFER PRICING – BUDGET 2025

The accepted **international standard** for **transfer pricing** is the **arm's length principle** set out in Article 9 (Associated Enterprises) of the **Organisation for Economic Co-operation and Development (OECD)** Model Tax Convention on Income and Capital and **included in** Canada's bilateral **tax treaties**. In addition, the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the "OECD Transfer Pricing Guidelines") present **internationally agreed principles** and provide **guidelines for the application** of the arm's length principle.

[Budget 2025](#) proposed to **modernise Canada's transfer pricing** rules to **better align** with the **international consensus** on the application of the arm's length principle. In addition, an **interpretation rule** would be added to **ensure** that Canada's **transfer pricing rules** are applied in a manner **consistent with** the analytic framework set out by the **OECD Transfer Pricing Guidelines**.

proposed alignment of Canadian transfer pricing principles with current international standards

The **intention of transfer pricing analysis** is to determine the **price** that **would have been charged** between **arm's length parties** in **comparable circumstances**, taking into account the options realistically available to them at the time of entering into the transaction or series. The arm's length price is the fair market value that should be charged, and the **tax authorities can reassess** taxpayers transacting at **other values**.

reviewing past transfer pricing analyses using current guidance

In addition to modifying the manner in which acceptable transfer prices must be determined, the new rules would **modify** certain **administrative measures**. These include the following items:

- **increasing** the **maximum threshold** for the **transfer pricing penalty** to apply from a \$5 million transfer pricing adjustment to a **\$10 million adjustment** (this would cap the existing threshold of 10% of gross revenue, which would be the lower amount for taxpayers with gross income less than \$100 million);
- **clarifying** the transfer pricing **documentation requirements** and also more closely aligning them with the new definitions and the requirements to select and apply the most appropriate method;
- providing for **simplified documentation requirements** when **prescribed conditions** are met (no further details were provided in [Budget 2025](#)); and
- **reducing the time to provide transfer pricing documentation** from 3 months to **30 days**; the **requirement** for taxpayers and partnerships to make or obtain the **appropriate records or documentation** by their documentation-due date, generally the **due date for their tax return** for the year in which the transactions occurred, would remain **unchanged**.

ensuring the requirements for contemporaneous documentation are met

This measure would apply to **taxation years** that **begin after November 4, 2025**. The proposals were included in [Bill C-15, Budget 2025 Implementation Act, No. 1](#) (see VTN 532(8470)).

ASSIGNMENT OF PRE-SALE CONDO BY NON-RESIDENT

A recently released January 20, 2023 **Technical Interpretation** ([2014-0547171E5](#), Grace Tu, CPA, CA) reviewed whether the assignment of a **pre-sale agreement** to purchase a **Canadian condominium** required the **purchaser to withhold 25% of the proceeds** in the absence of a **certificate of compliance** (Section 116; see VTN [531\(8462\)](#)).

CRA opined that an **option to purchase real property** is **subject** to these **disclosure** and **withholding requirements**. Further, the property would **not** be **treaty-exempt property** to a **US resident** as the **Canada-US Tax Treaty** also includes **options** in the definition of **real property** (Article VI(2)).

*disclosure requirements
for assignment sales by
non-residents*

US FBAR PENALTIES

An October 9, 2025 **STEP** article ([US judgment casts doubt on IRS' right to assess foreign tax penalties](#)) discussed a September 9, 2025 **Northern District of Texas** court case (US vs. Sagoo; No. 4:24-CV-01159-O, 2025 WL 2689912) that held that **penalties for wilful non-filing** of a foreign bank account report (FBAR) were **unconstitutional**. The article noted that the **reasoning** could be extended to **other penalties**. However, recent **case law** has been **inconsistent**, leaving considerable **uncertainty** as to the IRS's ability to assess various penalties.

*this uncertain defense
against US penalties*

CAPITAL LOSS ON SHARES OF A FOREIGN AFFILIATE – GAAR

An October 14, 2025 **Tax Court of Canada** case ([Wuswig Inc. vs. HMK, 2018-2717\(IT\)G](#)) reviewed a **reassessment** of the taxpayer's **2018 tax return** and a **redetermination** of its **2007 capital losses**. CRA asserted that the **2007 capital loss** was generated in a manner that **abused** the provisions restricting **losses** on disposition of **shares of a foreign affiliate** and was therefore **denied** in accordance with **GAAR**. CRA **did not** reassess the **application of portions of the loss** in the taxpayer's **2007, 2010 or 2011** taxation years as those years were **statute-barred**. Reassessments of several other years were being held in abeyance pending the Court's decision on whether portions of the capital loss deducted in those years were properly denied.

*the potential for GAAR
assessments as tax
attributes are applied in
later years*

The facts of the case were complex. The taxpayer wished to **wind up** operations carried on in the US for decades through a **foreign affiliate** structure. **Winding up** the **US corporations** would have generated **capital losses** that would be **reduced** by **tax-exempt dividends** received during its ownership period (Subsections 93(2) and (2.01)). As these **tax-exempt dividends** significantly **exceeded** the **adjusted cost base** of the shares, the **capital loss** would have been **eliminated**.

Instead, a **reorganization** was undertaken, including **continuing** the **US corporation** into **Canada** prior to **winding up**. As there is **no continuity rule** providing for a reduction in capital losses on shares of a **Canadian corporation** for tax-exempt dividends received **while** it was a **foreign affiliate**, the **stop-loss** rule was **inapplicable**.

Taxpayer loses

The **taxpayer conceded** that the **capital losses** generated a **tax benefit** and that the **restructuring** was an **avoidance transaction**. The Court analyzed whether the strategy was **abusive**.

In an extensive review of the legislative history and other provisions of tax law, the Court noted that **explanatory notes** and other documentation related to the **stop-loss provision** were clear that this was an **anti-avoidance provision** intended to **deny capital losses** on shares of a **foreign affiliate** to the extent that the taxpayer received **non-taxable dividends** on those shares in accordance with the **foreign affiliate regime**. Further, a **similar stop-loss rule** (Subsections 112(3) and (3.01)) applies to certain shares of **Canadian corporations** where the taxpayer has received **non-taxable dividends** (e.g. capital dividends or intercorporate dividends deducted in computing taxable income; see VTN [482\(6213\)](#)), indicating a **consistent legislative intent** to **deny capital losses** on shares of closely-held corporations to the extent of **non-taxable dividends** received on those shares.

whether other provisions indicate that there is a consistent legislative intent

CRA was therefore able to **redetermine** the resulting **capital loss balance** carried forward from 2007 and **reassess non-statute barred years** where this **tax attribute** had been **applied**.

13 GST/HST

532(13)

GST/HST OFFSET BY REBATE – PROCESSING ISSUES

In Question 20 of the [2025 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#), CRA acknowledged a situation in which **GST/HST being reduced by rebates** may cause **processing issues**. For example, a dentist or medical practitioner may **sell** a practice to another practitioner and **collect GST/HST** on the sale of leasehold improvements or other real property. A **rebate** may be available on the **basic tax content** (defined in Excise Tax Act Subsection 123(1), basically the GST/HST paid on acquisition of, and improvements to, the property). In such cases, **CRA** would typically **process** the **GST/HST return first** and then **forward the rebate application to another tax centre for separate processing**. As such, the return would then be **assessed** and **indicate a balance owing** as the rebate has not yet been applied. The **rebate** may **not appear** in the taxpayer's account for several months, and

managing the expectations of clients who are in this scenario

during this period, the taxpayer may be **subject to collection activities**, such as reminder notices reflecting outstanding balances and calls from collection officers.

GST NEW HOUSING REBATE – OCCUPANCY

An October 7, 2025 **Tax Court of Canada** case ([Sharma vs. HMK, 2024-185\(GST\)](#)) considered whether the taxpayer was eligible for the **GST/HST new housing rebate** on the basis that the taxpayer:

- **intended** to use it as the **primary place of residence** for themselves or a qualifying relation (Paragraph 254(2)(b)); and
- was the **first to occupy the property as a place of residence** after it was substantially completed (Paragraph 254(2)(g)).

Taxpayer wins – intent

The Court found that the taxpayer had a **clear and settled intention** to use the property as her **primary place of residence**. The Court **accepted** the taxpayer's argument that she **intended to move into the new property** as it aligned with her spouse's **current and expected future role** in his **family business**, which was located within a **reasonable commute** from the new home. The taxpayer also had **family connections** close to the new home's location. She and her spouse also **wanted** to live in a **house** rather than a condominium. The Court also noted the following factors that supported the taxpayer's position that she intended to reside in the property as her primary place of residence: she did **not** have a **history of flipping homes**, she had **purchased contents insurance**, she **moved some belongings** into the property and there was **no evidence of another residence** after closing.

factors that could support the taxpayer's intention

The Court downplayed the **low electricity use**, noting that it is **not fatal** to a claim if properly explained. The Court accepted the taxpayer's explanation of low use due to her work travel and staying with family, partly due to health issues, among other factors.

low electricity use is not fatal

The Court further **accepted** the taxpayer's **explanation** for the **short duration of ownership** (December 1, 2015 to February 27, 2016). While the husband had intended to take over his family business, significant changes that undermined its viability led to a delay in his involvement. Additionally, the taxpayer received an unexpected job promotion that required her to spend time away from the new home. Both **unexpected events** resulted in a **short duration of ownership**.

Taxpayer wins – occupancy

The Court acknowledged **two competing lines of cases** regarding interpreting the occupancy test: a **stricter interpretation** requiring that **occupancy must have an element of permanence** or be consistent with **primary residence use** (e.g. [Gill vs. HMK, 2015-995\(GST\)](#)), and a **more flexible** interpretation requiring that occupancy only needs to be as a **place of residence**, not necessarily the **primary one** (e.g. see VTN [518\(7875\)](#)) and

507(7375)). All of these cases were heard in the informal procedures and therefore are not binding precedents.

The Court rejected the stricter approach, finding that a **place of residence does not require primary or permanent use**. That is, the threshold is some residential use, not permanent or frequent use.

place of residence does not require permanent use

The Court found that the **taxpayer's behaviour** was **sufficient to meet the occupancy test**. The Court stated that, while not all of the facts aligned with occupancy of the property, several **factors** identified by the Court, **on balance**, were **sufficient to overcome the lower bar** for the occupancy test. The taxpayer and her spouse **moved their personal belongings** (including furniture) to the property, did **not have any other home**, **slept** at the property (although not every night), had family in the area, had **means of receiving mail other** than at the **property** and had family and work obligations that impacted their time at the property.

This **occupancy** as a place of residence analysis **contrasts** the requirement that the taxpayer or a qualifying relation **intended** to use the property as the **primary place** of residence.

different thresholds for intended use versus first occupancy

The Court finally noted that if Parliament is dissatisfied with the outcome, the path is open for legislative amendment.

Another case – short occupancy

An October 15, 2025 **Tax Court of Canada** case ([Paglia vs. HMK, 2024-1119\(GST\)](#)) similarly found that the taxpayer was eligible for the **new housing rebate** even when residing in the property for a **short period of time** (February 2021 to January 2022).

The taxpayer and his **childhood friend** purchased the just over **600-square-foot condominium unit** together, explaining that while residing in the condo, one of the individuals would sleep on the sofa and the other on a bed. However, this **arrangement** was **not sustainable** as their **life circumstances changed**, and one entered into a relationship that became serious.

whether the living arrangement is sustainable

The Court further acknowledged that many of the following factors were **indicative of younger adults moving out** on their own for the **first time** and did **not impair** access to the new housing rebate: the taxpayer only **slept** in the **property 3-5 nights per week**, there was **low utility use** (due to long work hours in the construction industry, visiting parents on the weekend, and obtaining food and doing laundry periodically at their parents) and the taxpayer did not install internet until May (taxpayer explained that he primarily used his cell phone for internet, which the Court accepted).

behaviours may be different for people at different stages in their life

The Court found that the taxpayer **satisfied** both the **intention and occupancy tests** and was eligible for the new housing rebate.

14 Did You Know...

532(14)

ONTARIO – FALL ECONOMIC STATEMENT

On November 6, 2025, **Ontario** released its **2025 Fall Economic Statement**. Among other measures, the government stated that they would undertake the following:

- The **Ontario made manufacturing investment tax credit** would be **expanded** to also include machinery and equipment expenditures incurred in the taxation year immediately preceding the taxation year that the asset becomes available for use, retroactive to the beginning of the program on March 23, 2023. Currently, acquisition and use must occur in the same year.
- A new **non-resident speculation tax rebate** would provide relief for the purchase of a residential property (on or after November 6, 2025) that has been **repurposed for industrial** use.
- The Ontario Corporations Information Act would be modified to enable the creation of a **beneficial ownership registry** for **privately held business corporations** that would be implemented in 2027. Currently, this relevant information is required to be maintained by the corporation and provided to certain bodies upon request. This change would require proactive disclosure through an online registry.
- A **rebate** for the **full 8% provincial portion** of the **HST** on **new homes valued at up to \$1 million** (with some relief available on homes valued at more than \$1 million) would be made available for first-time home buyers. Above values of \$1 million the total provincial rebate would be gradually reduced down to \$24,000 when the value reaches \$1.35 million. The rebate for a home valued at more than \$1.35 million would remain at \$24,000. The province will work with the federal government to make Ontario's new rebate available for agreements of purchase and sale entered into on or after May 27, 2025. It is uncertain whether the proposed federal change of the commencement date to March 20, 2025 will be incorporated into the provincial version of the rebate. More information is available on the [Ontario lowering costs for first-time home buyers](#) webpage.

*a new beneficial
ownership registry*

*parallel provincial rebate
on new home purchases
by first-time buyers*

UPCOMING COURSES

[Personal Tax Update 2026](#)

Stay up to date this tax season with Video Tax News' **44th Annual Personal Tax Update**, an intense 7-hour T1 preparation course for Canadian accounting and tax professionals. Led by seasoned educators and tax specialists **Joseph Devaney CPA, CA** and **Caitlin Butler CPA, CA**, this practical session covers key developments including tax credits, capital gains, owner-manager issues, CRA changes and highlights from the **2025**

federal and provincial budgets.

Choose from **virtual live, in-person** or **pre-recorded** formats running from January to May 2026. Registration includes comprehensive course materials, a follow-up webinar and access to session recordings, making the course a trusted annual resource for practitioners across Canada.

*equipping your team to be
ready for action in T1
Season*

Newbies to Ninja: Personal Tax, 2026

Help your **newer preparers** build confidence in their ability to **efficiently and accurately** prepare personal tax returns this tax season with **Newbies to Ninjas: Personal Tax 2026**, a three-hour pre-recorded course designed to strengthen foundational personal tax return preparation skills. This practical program walks preparers through key personal tax topics, CRA administrative practices and the essential questions to ask for accurate, efficient return preparation.

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!

Finish Strong – Last-Call CPD Options for 2025

With year-end approaching, now's the perfect time to wrap up any **remaining CPD hours**, including your **verifiable ethics credits**. If you still have gaps to fill this reporting season, Video Tax News has a range of high-quality, ready-to-go courses to help you finish strong.

Choose from our practical lineup:

- **Newbies to Ninjas: Corporate Tax, 11th Edition** — 3 hours, pre-recorded
- **Making Ethics Routine: The Power of Ongoing Conversations in Building Firm Integrity** — 1 ethics hour, pre-recorded
- **Ethics in Action: Navigating the Sale of Tax Ideas and Plans** — 1 ethics hour, pre-recorded
- **The Fine Line: Ethical Social Media Marketing and Content Creation for Professionals** — 1 ethics hour, pre-recorded
- **Demystifying AI for Accountants: Risks, Rewards and Ethics** — 1 ethics hour, pre-recorded
- **AI Tools in Tax: A Strategic Introduction to Implementation** — 1 hour, pre-recorded
- **Tax Update 2025** — 14 hours, pre-recorded

4-pack discount – Save 25% by registering for all **four 1-hour Ethics courses**.

All courses are pre-recorded, making it easy to complete your requirements before the year closes.

15 Appendix

532(15)

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

- [LTN5](#) Luxury tax not payable on subject aircraft and subject vessels
- [19-3-9](#) Purpose-built Rental Housing Rebate
- [RC4231](#) GST/HST New Residential Rental Property Rebate

CRA Forms/Statements/Returns

- [T4](#) Statement of Remuneration Paid (slip)
- [T4SUM](#) Summary of Remuneration Paid
- [CPT30](#) Election to Stop Contributing to the Canada Pension Plan, or Revocation of a Prior Election
- [T4A-NR-SUM](#) Summary of Fees, Commissions, or Other Amounts Paid to Non-Residents for Services Rendered in Canada
- [NR4](#) Statement of Amounts Paid or Credited to Non-Residents of Canada
- [NR4SUM](#) Return of Amounts Paid or Credited to Non-Residents of Canada
- [T4A-NR](#) Statement of Fees, Commissions, or Other Amounts Paid to Non-Residents for Services Rendered in Canada
- [TL11A](#) Tuition and Enrolment Certificate - University Outside Canada
- [TL11C](#) Tuition and Enrolment Certificate - Commuter to the United States
- [TL11D](#) Tuition Fees Certificate - Educational Institutions Outside Canada for a Deemed Resident of Canada
- [T2142](#) Part XII.3 Tax Return Tax on Investment Income of Life Insurers
- [T3APP](#) Application for Trust Account Number
- [T2202](#) Tuition and Enrolment Certificate

APPENDIX B

Tax Proposals Included in Bill C-15, Budget 2025 Implementation Act, No. 1

The summary to [Bill C-15](#), noted that it included legislation or regulations to implement the **following measures**:

- expanding the **rollover for eligible small business corporation shares** (see VTN [530\(8403\)](#));
- expanding the list of expenses recognized under the **disability supports deduction** (see VTN [513\(7619\)](#));
- **exempting the Canada disability benefit** from income (see VTN [521\(7955\)](#));
- aligning the **taxation of investment income** and active business income earned and distributed by **controlled foreign affiliates** with the rules that currently apply to Canadian-controlled private corporations (see VTN [530\(8420\)](#));
- **extending the deadline** for making certain **charitable donations** eligible for tax support in the **2024 tax year** (see VTN [521\(7955\)](#));
- increasing the **limit** under the **lifetime capital gains exemption** so that it applies on up to **\$1.25 million** of eligible capital gains, applicable to dispositions that occur on or after **June 25, 2024**, with indexation of the limit to resume in 2026 (see VTN [513\(7628\)](#));
- **exempting the first \$10 million in capital gains** on the **sale** of a business to a **worker cooperative** and amending the **corresponding exemption** for sales to an **employee ownership trust** (see VTN [530\(8404\)](#) and [529\(8351\)](#));
- removing the tax-indifferent investor exception to the **synthetic equity arrangement** anti-avoidance rule;
- improving the efficiency of the **home accessibility tax credit** (**Editors' comment**: this refers to eliminating the ability to claim the same expense for both this credit and the medical expense tax credit; see VTN [532\(8473\)](#));
- implementing the **personal support workers tax credit** (see VTN [532\(8480\)](#));
- **enhancing the SR&ED program** by **increasing the annual expenditure limit** and taxable capital phase-out thresholds for the **enhanced 35% SR&ED credit**, extending the **enhanced credit** to **eligible Canadian public corporations** and **restoring the eligibility** of **SR&ED capital expenditures** (see VTN [532\(8474\)](#) and [521\(7955\)](#));
- extending the **mineral exploration tax credit** for individuals who invest in eligible mining flow-through shares for two years **to March 31, 2027** at the current rate of 15% (see VTN [524\(8141\)](#));
- **expanding the eligibility of the critical mineral exploration tax credit** to bismuth, cesium, chromium, fluorspar, germanium, indium, manganese, molybdenum, niobium, tantalum, tin and tungsten (see VTN [532\(8484\)](#));

- amending the **Canada carbon rebate for small businesses (Editors' comment)**: this will include making the rebate non-taxable and providing payments for the 2019-20 to 2023-24 fuel charge years to corporations that filed a tax return for a fiscal year ended calendar 2023 by December 31, 2024; see VTN [528\(8333\)](#));
- extending the full **credit rates** for the **carbon capture, utilization and storage** investment tax credit to 2035 (see VTN [532\(8484\)](#) and [513\(7614\)](#));
- **expanding** the eligibility for the **clean technology investment tax credit** to support the generation of electricity and heat from **waste biomass** (see VTN [513\(7657\)](#));
- **expanding** the eligibility for the **clean technology manufacturing** investment tax credit to investments in eligible polymetallic projects and to additional qualifying materials (see VTN [532\(8484\)](#) and [509\(7439\)](#));
- providing a refundable **investment tax credit** to qualifying corporations and trusts for investments in certain **clean electricity property** (see VTN [501\(7046\)](#));
- amending the **alternative minimum tax** to **exempt certain trusts** for the benefit of **Indigenous groups** (see VTN [513\(7618\)](#));
- **precluding** a corporation from qualifying as a **mutual fund corporation** where it is **controlled by** or for the benefit of a **corporate group** (see VTN [513\(7614\)](#));
- **extending** the period during which **agricultural cooperatives** can distribute **tax-deferred patronage dividends** paid in shares to their members until the end of 2030 (see VTN [532\(8490\)](#));
- **narrowing** the rules related to **reporting by trusts** (see VTN [529\(8377\)](#); **Editors' comment**: this includes the deferral of bare trust filings until years ended on or after December 31, 2026; see VTN [532\(8477\)](#));
- providing the Minister of National Revenue with the **authority to waive** the **withholding requirement** for payments to certain **non-resident service providers** (see VTN [513\(7615\)](#); **Editors' comment**: see VTN [528\(8344\)](#) for information on a CRA consultation regarding the existing waiver process);
- allowing the **sharing of information** for the purposes of administering and enforcing the Canada Labour Code as it relates to the **misclassification of employees** (see VTN [532\(8494\)](#));
- reforming Canada's **transfer pricing rules** (see VTN [532\(8508\)](#));
- **reinstating** the **accelerated investment incentive** and **immediate expensing** for certain qualifying assets (see VTN [532\(8483\)](#) and VTN [522\(8071\)](#));
- providing an **accelerated capital cost allowance** of 10% for new eligible **purpose-built rental projects** (see VTN [513\(7624\)](#));
- providing **immediate expensing** for new additions of property in respect of **productivity-enhancing assets** (see VTN [513\(7624\)](#));
- introducing a **temporary non-refundable tax credit** applicable where an individual's **non-refundable tax credit amounts exceed** the **first income tax bracket threshold** (see VTN [532\(8473\)](#));

- implementing a number of **technical amendments** to correct inconsistencies and to better align the income tax law with its intended policy objectives (see below);
- **repealing** the **Digital Services Tax Act** and the Digital Services Tax Regulations and making consequential amendments to other legislation (see VTN [528\(8320\)](#));
- clarifying that supplies of **osteopathic services** rendered by individuals who are not osteopathic physicians are taxable under the **GST/HST** (see VTN [532\(8476\)](#));
- **extending** the enhanced (100%) GST rental rebate to **qualifying cooperative housing corporations** and **student residences** built by universities, public colleges and school authorities (see VTN [513\(7616\)](#));
- allowing **input tax credits** for **redeemed coupons** to be available only for payments made exclusively in the course of commercial activities (see VTN [529\(8351\)](#));
- **ending** the **underused housing tax** in respect of 2025 and future calendar years (see VTN [532\(8476\)](#));
- **ending** the **luxury tax** in respect of subject **aircraft** and subject **vessels** (see VTN [532\(8476\)](#));
- establishing an **opt-in framework** for interested **Indigenous governments** to levy a value-added **sales tax**, under their own laws, on **fuel, alcohol, cannabis, tobacco and vaping products** within their reserves or settlement lands (see VTN [532\(8476\)](#)); and
- enacting the **Stablecoin Act**, which **imposes duties** on persons that **create stablecoins** and make them available for purchase, directly or indirectly, by persons in Canada (see VTN [532\(8477\)](#)).

Technical amendments

The following proposals were not specified in the summary, but were included in [Bill C-15](#):

- **amending** the definition of being **actively engaged** in a business on a regular, continuous and substantial basis to include (rather than being defined as) meeting the 20-hour per week deeming provision under the tax on split income (TOSI) rules for either of:
 - the requirement that a child remain actively engaged after an **intergenerational business transfer (IBT)**; or
 - the requirements of the vendor to qualify for the \$10 million exemption on sale to an **employee ownership trust (EOT)** or workers cooperative;
- **restricting** deductions for **investment counselling fees** and modifying the treatment of capital gains from the **donation of flow-through shares** for purposes of the **alternative minimum tax** (see VTN [517\(7819\)](#));
- amending the **FHSA** rules regarding transfers to a **surviving spouse** as a result of the **death of a taxpayer**;

- extending the timeframe for **realizing losses** to which **Subsection 164(6)** would apply to permit losses realized in the **first three taxation years** of a **graduated rate estate** to be electively applied to the final personal tax return of the deceased (see VTN [517\(7839\)](#));
- adding elections related to **intergenerational business transfers** (IBTs), the \$10 million **exemption** on qualifying business transfers to **employee ownership trusts** (EOTs) or workers cooperatives and the **foreign accrual business income** (FABI) regime to the list of late, amended or revoked elections that CRA may accept under **the taxpayer relief** provisions (see VTN [517\(7832\)](#));
- adding a relieving provision in respect of **post-mortem pipelines** where there is a **non-resident beneficiary** (see VTN [517\(7841\)](#)); and
- **excluding** individuals from the requirement to **withhold** amounts on certain **rental payments** to non-residents (see VTN [517\(7840\)](#)).

APPENDIX C

Indexation adjustment for personal income tax and benefit amounts

Each year, certain personal income tax and benefit amounts are indexed to inflation using the Consumer Price Index data as reported by Statistics Canada.

Increases to tax bracket thresholds, amounts relating to non-refundable credits, and most other amounts below take effect on January 1 of the applicable year.

Increases in amounts for certain income-tested benefits like the goods and services tax credit, the Canada child benefit and Child disability benefit, take effect on July 1 to coincide with the beginning of the program year for payments of these benefits. For more information on the benefit years and benefit or credit payments see [Tax credits and benefits for individuals - Canada.ca](#).

The following chart provides the indexed amounts for two tax years based on the announced personal income tax and benefit commitments to date.

Description	2026	2025
Indexation increase	2.0%	2.7%
Tax bracket thresholds		
Taxable income above which the 20.5% bracket begins	58,523	57,375
Taxable income above which the 26% bracket begins	117,045	114,750
Taxable income above which the 29% bracket begins	181,440	177,882
Taxable income above which the 33% bracket begins	258,482	253,414
Amounts relating to non-refundable tax credits		
Basic personal amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins ^{Footnote1}	14,829	14,538
Maximum enhanced amount of the basic personal amount for individuals whose net income for the year is less than the amount at which the 33% tax bracket begins	1,623	1,591
Basic personal amount (maximum) for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins ^{Footnote1}	16,452	16,129
Spouse or common-law partner amount (maximum) for individuals whose net income for the year is greater than the amount at which the 33% tax bracket begins ^{Footnote1}	14,829	14,538
Spouse or common-law partner amount (maximum) for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins ^{Footnote1}	16,452	16,129
Spouse or common-law partner amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins (maximum if eligible for the Canada caregiver amount for a dependent spouse or common-law partner) ^{Footnote1}	17,569	17,225
Spouse or common-law partner amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins (maximum if eligible for the Canada caregiver amount for a dependent spouse or common-law partner) ^{Footnote1}	19,192	18,816
Amount for an eligible dependant (maximum) for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins ^{Footnote1}	14,829	14,538

Amount for an eligible dependant (maximum) for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins ^{Footnote 1}	16,452	16,129
Amount for an eligible dependant for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins (maximum if eligible for the Canada caregiver amount for a dependant) ^{Footnote 1}	17,569	17,225
Amount for an eligible dependant for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins (maximum if eligible for the Canada caregiver amount for a dependant) ^{Footnote 1}	19,192	18,816
Canada caregiver amount for children under age 18, a dependant spouse or common-law partner, an eligible dependant	2,740	2,687
Age amount	9,208	9,028
Net income threshold for age amount	46,432	45,522
Canada employment amount (maximum)	1,501	1,471
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	8,773	8,601
Net income threshold for Canada caregiver amount	20,601	20,197
Disability amount	10,341	10,138
Supplement for children with disabilities (maximum)	6,032	5,914
Threshold relating to allowable child care and attendant care expenses	3,533	3,464
Adoption expenses (maximum per adoption)	19,972	19,580
Medical expense tax credit (3% of net income ceiling)	2,890	2,834
Refundable medical expense supplement		
Maximum supplement	1,534	1,504
Minimum earnings threshold	4,478	4,390
Family net income threshold	33,960	33,294
Old age security repayment		
Old age security repayment threshold	95,323	93,454
Certain board and lodging allowances paid to players on sports teams or members of recreation programs		
Income exclusion (maximum per month)	450	441
Tradesperson's tools deduction		
Threshold amount relating to cost of eligible tools	1,501	1,471
Advanced life deferred annuities (ALDA) ^{Footnote 2}		
Lifetime dollar limit	180,000	180,000
Canada training credit (CTC) ^{Footnote 3}		
Minimum working income threshold	12,058	11,821
Maximum net income	177,882	173,205
Goods and services tax/harmonized sales tax credit		
Adult maximum	356	349
Child maximum	187	184
Single supplement	187	184
Phase-in threshold for the single supplement	11,564	11,337
Family net income at which credit begins to phase out	46,432	45,521

Tax-Free Savings Account (TFSA)		
Annual TFSA dollar limit ^{Footnote 4}	7,000	7,000
Lifetime capital gains exemption for qualified farm or fishing property and qualified small business corporation shares ^{Footnote 5}		
Exemption limit	1,275,000	1,250,000
Exemption limit – before June 25, 2024	NA	NA
Exemption limit – after June 24, 2024	NA	NA
Additional exemption amount for qualified farm or fishing property	NA	NA
Additional deduction amount for qualified farm or fishing property (since ½ of the capital gain is taxable)	NA	NA
Deduction limit (since ½ of the capital gain is taxable)	637,500	625,000
Deduction limit before June 25, 2024 (since ½ of the capital gain is taxable)	NA	NA
Deduction limit after June 24, 2024 (since 2/3 of the capital gain is taxable)	NA	NA
Canada child benefit (CCB) ^{Footnote 6}		
CCB (base benefit, child under age 6)	8,157	7,997
CCB (base benefit, child aged 6 to 17)	6,883	6,748
Adjusted family net income at which phase out begins	38,237	37,487
Second phase out threshold	82,847	81,222
Base phase out amount for one eligible child	3,123	3,061
Base phase out amount for two eligible children	6,022	5,904
Base phase out amount for three eligible children	8,476	8,310
Base phase out amount for four or more eligible children	10,260	10,059
Child disability benefit (CDB)		
Maximum benefit	3,480	3,411
Family net income threshold for phase out	82,847	81,222
Children's special allowance (CSA)		
CSA base amount	Footnote 6	
Federal Canada Workers Benefit (CWB) ^{Footnote 7}		
Minimum working income threshold	3,000	3,000
Maximum benefit for single individuals with no children	1,665	1,633
Maximum benefit for families	2,869	2,813
Adjusted net income at which the benefit begins to phase out for single individuals with no children	27,392	26,855
Adjusted family net income at which the benefit begins to phase out for families	31,251	30,639
Secondary earner exemption	16,714	16,386
CWB disability supplement		
Minimum working income threshold	1,150	1,150
Maximum supplement	860	843
Adjusted net income at which the supplement begins to phase out for single individuals with no children	38,495	37,740
Adjusted family net income at which the supplement begins to phase out for families	50,377	49,389

Footnote 1: On December 9, 2019, the Government announced an increase to the basic personal amount. For individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins (\$150,473 for 2020), the basic personal amount increased to \$13,229 for 2020, \$13,808 for 2021, \$14,398 for 2022, \$15,000 for 2023. The amount is indexed after 2023. For individuals whose net income is greater than the amount at which the 29% tax bracket begins (\$150,473 for 2020), the increase in the basic personal amount gradually phases out so that the basic personal amount for individuals whose income is greater than the next tax bracket threshold (\$214,368 for 2020), remains unchanged (\$12,298 for 2020) and continues to be indexed.

Similar increases were announced for the maximum spouse or common-law partner amount and the maximum amount for an eligible dependant. The phase out of the increase is based on the individual's income rather than the income of the dependant.

Footnote 2: An individual is subject to a lifetime advanced life deferred annuity (ALDA) limit equal to 25% of a specified amount in relation to a particular qualifying plan. An individual is also subject to a comprehensive lifetime ALDA dollar limit of \$150,000 from all qualifying plans. The lifetime ALDA dollar limit is indexed for inflation for taxation years after 2020, rounded to the nearest \$10,000.

Footnote 3: The 2019 Federal Budget announced the Canada training credit (CTC) which started in 2020. Individuals can accumulate \$250 towards their Canada training credit limit each year if, in the preceding year, they met all eligibility conditions. An individual's Canada training credit limit for a year represents the maximum credit they can claim in that year, and will be reduced in the subsequent year by the amount of any CTC claimed. Eligibility conditions include a minimum working income threshold and a maximum net income threshold in respect of the preceding year. For example, the accumulation of a \$250 Canada training credit limit for 2020 was dependent on income in 2019; for 2020 the minimum working income threshold of \$10,000 and the maximum net income threshold (the amount at which the 29% tax bracket begins for the 2019 year – \$147,667) was applied to a taxpayer's income earned in 2019.

Footnote 4: Under changes announced by the Government in a Department of Finance news release on December 7, 2015, for 2016 and each subsequent year, the annual TFSA dollar limit is fixed at 5,000, indexed to inflation for each year after 2009, and rounded to the nearest \$500.

Footnote 5: Under changes announced in the 2015 Federal Budget, the lifetime capital gains exemption applicable to capital gains realized on the disposition of qualified farm or fishing property, disposed of after April 20, 2015, is the greater of (1) \$1 million and (2) the indexed lifetime capital gains exemption applicable to capital gains realized on the disposition of qualified small business corporation shares.

On September 23, 2024, the Government tabled a Notice of Ways and Means Motion that proposes to amend the Income Tax Act to increase the LCGE limit to \$1.25 million of eligible capital gains. In addition, the basic inclusion rate for all capital gains and losses will increase from one half to two thirds. This measure would apply to dispositions that occur on or after June 25, 2024. Indexation of the LCGE would resume in 2026.

[Capital Gains Inclusion Rate - Canada.ca](#)

Footnote 6: The Children's special allowance is the same amount as the Canada child benefit plus the Child disability benefit (where applicable). However there is no phase out for the Children's special allowance. See the Canada child benefit amounts for the two age groups.

Footnote 7: The CWB amounts may differ for residents of provinces or territories that sign reconfiguration agreements with the federal government to make specific changes to the design of the benefit. Currently, reconfiguration agreements exist with Alberta, Quebec and Nunavut.

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questions-individuals/adjustment-personal-income-tax-benefit-amounts.html>

APPENDIX D

Canada Pension Plan

Year	Max. Pensionable Earnings (CPP1) / Additional Max. Pensionable Earnings (CPP2) \$	Basic Exemption \$	Employee & Employer Contribution Rate: CPP1 / CPP2 %	Max. Annual Pensionable Employer & Employee Contributions: CPP1 / CPP2 \$	Max. Annual Pensionable Self-Employed Contributions CPP1 / CPP2 \$	Total (CPP1 and CPP2) Max. Annual Pensionable Self-Employed Contributions \$
2023	66,600	3,500	5.95	3,754	7,509	7,509
2024	68,500 / 73,200	3,500	5.95 / 4.0	3,868 / 188	7,735 / 376	8,111
2025	71,300 / 81,200	3,500	5.95 / 4.0	4,034 / 396	8,068 / 792	8,860
2026	74,600 / 85,000	3,500	5.95 / 4.0	4,230 / 416	8,461 / 832	9,293

Employment Insurance

Year	Maximum Annual Insurable Earnings \$	Employee's Premium Rate %	Employer's Premium Rate %	Maximum Annual Employee Premiums \$	Maximum Annual Employer Premiums \$	Total \$
2023	61,500	1.63	2.28	1,002	1,402	2,404
2024	63,200	1.66	2.32	1,049	1,469	2,518
2025	65,700	1.64	2.30	1,077	1,508	2,585
2026	68,900	1.63	2.28	1,123	1,572	2,695

Note: The province of Quebec has its own rates

APPENDIX E

Budget 2025 – Previously Announced Measures

In addition to items discussed above in conjunction with other proposals, Budget 2025 **confirmed** the government's **intention to proceed** with the following previously announced tax and related measures, as **modified** to consider **consultations**, deliberations and legislative **developments**, since their release.

All items that were included in **Bill C-15, Budget 2025 Implementation Act, No. 1** (see VTN [532\(8470\)](#)) have been **identified** with an * in the list below.

- Legislative and regulatory proposals released on August 15, 2025, including with respect to the following measures:
 - ***capital gains rollover on small business investments;**
 - **crypto-asset reporting framework** and the common reporting standard (subject to a **deferred** application **date** of **January 1, 2027**);
 - ***tax exemption** for sales to **employee ownership trusts;**
 - ***tax exemption** for sales to **worker cooperatives;**
 - **non-compliance with information requests;**
 - **excessive interest and financing expenses limitation** rules;
 - **substantive CCPCs;**
 - ***goods and services tax/harmonized sales tax (GST/HST)** rules for the **redemption of coupons;**
 - **technical tax amendments** to the **Income Tax Act** and the **Income Tax Regulations;**
 - technical amendments to the **Global Minimum Tax Act;** and
 - technical amendments relating to the **GST/HST** and excise levies.
- ***Legislative proposals** released on June 30, 2025, to ensure that all **Canada carbon rebates** for **small businesses** are **provided tax-free**, and to extend the filing deadline for the 2019 to 2023 calendar years.
- ***The extension** of the **mineral exploration tax credit** announced on March 3, 2025.
- ***Legislative proposals** released on January 23, 2025, to **extend** the **2024 charitable donations deadline.**
- Legislative and regulatory proposals announced in the [2024 Fall Economic Statement](#), including with respect to the following measures:
 - ***exempting the Canada disability benefit from income;**
 - ***expanding eligibility** under the **clean electricity investment tax credit** to the Canada infrastructure bank;
 - modifying the small nuclear energy eligibility under the **clean technology investment tax credit;** and
 - expanding eligibility under the **clean hydrogen investment tax credit** to methane pyrolysis.

- *Legislative and regulatory proposals to **remove** the **GST** on the construction of **new student residences** released on November 19, 2024.
- Legislative amendments to give effect to the suspension of the Agreement Between the Government of Canada and the Government of the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital under domestic law as of November 18, 2024.
- Legislative and regulatory proposals released on August 12, 2024, including with respect to the following measures:
 - ***alternative minimum tax (other than changes related to resource expense deductions)**;
 - ***disability supports deduction**;
 - charities and qualified donees;
 - registered education savings plans;
 - avoidance of tax debts;
 - *mutual fund corporations;
 - *synthetic equity arrangements;
 - manipulation of bankrupt status;
 - ***accelerated capital cost allowance for purpose-built rental housing**;
 - ***withholding for non-resident service providers**;
 - *regulations related to the application of the **enhanced (100%) GST rental rebate to cooperative housing corporations**;
 - ***clean electricity investment tax credit**;
 - *expanding eligibility under the **clean technology investment tax credit** to support generation of electricity and heat from waste biomass;
 - *proposed expansion of eligibility for the **clean technology manufacturing investment tax credit** to support polymetallic extraction and processing;
 - amendments to the Global Minimum Tax Act and the Income Tax Conventions Interpretation Act;
 - technical tax amendments to the Income Tax Act and the Income Tax Regulations; and
 - technical amendments relating to the GST/HST, excise levies and other taxes and charges.
- *Legislative proposals released on July 12, 2024, related to implementing an **opt-in** fuel, alcohol, cannabis, tobacco and vaping (FACT) value-added sales tax framework for interested **Indigenous governments**.
- *The proposed exemption from the **alternative minimum tax** for certain trusts for the benefit of **indigenous groups** announced in [Budget 2024](#).
- *The proposed increase in the **lifetime capital gains exemption** to apply to up to \$1.25 million of eligible capital gains announced in [Budget 2024](#).

- Legislative and regulatory proposals announced in [Budget 2024](#) with respect to a new importation limit for packaged raw leaf tobacco for personal use.
- Tax measures to amend the Excise Tax Act, the Air Travellers Security Charge Act, the Excise Act, 2001 and the Select Luxury Items Tax Act to give effect to the proposals relating to non-compliance with information requests and to avoidance of tax debts announced in [Budget 2024](#).



VIDEO TAX NEWS INC.

Phone: (877) 438 2057

Fax: (877) 437-4455

info@videotax.com

www.videotax.com

Video Tax News Inc. © December 2025

