VIDEO TAX NEWS

Monthly Tax Update Newsletter

February 2026 — ISSUE 534

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1 Government Releases

534(1)

FINANCE RELEASES

1. **Late-Breaking News: January 29, 2026** – The Department of Finance released a series of proposals that included **draft legislation** to implement several measures from **Budget 2025**, the **2024 Fall Economic Statement** and other sources. Consultation closes on February 27, 2026. See VTN 534(8601) for a Department of Finance. listing of **tax measures** that the draft legislation would **implement**.

2. **Late-Breaking News: January 26, 2026** – Prime Minister Mark Carney announced that the **goods and services tax (GST) credit** would be **replaced by** the **Canada groceries and essentials benefit**. The Department of Finance issued a backgrounder (The new Canada Groceries and Essentials Benefit) on the same date, providing **additional details**. The benefit would be similar to the GST credit, but would include a **25% increase** for **five years** beginning in **July 2026** (subject to Royal Assent). In addition, a **one-time payment**, equal to **50%** of the **GST credit** for the 2025-26 year, would be provided by **June 2026** (subject to Royal Assent).

   new name and temporary enhancement of the GST credit

   Bill C-19 was tabled on January 28, 2026 to **implement** these provisions.

   The Prime Minister also announced **immediate expensing for greenhouse buildings** acquired on or after **November 4, 2025** and that become available for use before 2030.

   proposed immediate expensing for greenhouse buildings

3. **January 14, 2026** – The Department of Finance announced the **2026 automobile deduction limits** and expense **benefit rates** as follows:

    - The **limit** on the **deduction** for **non-taxable allowances** paid by an employer to an employee using a personal vehicle for business purposes **will increase** in 2026 by one cent **to 73 cents per km** for the first 5,000 kms driven and to **67 cents** for each additional km. For Yukon, the Northwest Territories and Nunavut, the tax-exempt allowance will continue to be four cents per km higher, which is 77 cents for the first 5,000 km driven and 71 cents for each additional km.
    - The ceiling on the **capital cost** for **CCA** of most passenger vehicles will **increase to $39,000** from $38,000, and the limit for **zero-emission** passenger vehicles will **remain** at **$61,000**.
    - The limit on **leasing costs** will **remain** at **$1,100/month** for new leases entered into on or after January 1, 2026.
    - The **maximum allowable interest** will **remain** at **$350/month** for new loans entered into on or after January 1, 2026.
    - The **general prescribed rate** used to determine the **taxable benefit** relating to the personal portion of automobile **operating expenses** paid by employers will **remain** at **34 cents per km**. For taxpayers employed **principally in selling** or leasing automobiles, the rate will **remain** at **31 cents per km**.

these increases

CRA RELEASES

1. **Late-Breaking News: January 20, 2026** – CRA released the **2025 meal** and **vehicle rates** used to calculate **travel expenses** for **moving expenses**, **medical expenses** and the **northern residents deduction** under the **simplified method**. A flat rate of **$23/meal**, to a maximum of **$69/day** (sales tax included) per person, is available without receipts. See VTN 534(8600) for the **per kilometre travel rates** that can be used based on the province or territory where the travel began.

no change to meal rate for simplified method

2. **January 20, 2026** – CRA emailed stakeholders announcing that **T4** and **T5** slips submitted using the **web forms application** through **My Business Account** or **Represent a Client** were being **rejected**. This issue does not affect submissions using a web access code. CRA stated that they anticipate **resolving** this issue by the **end of January 2026**.

3. **January 12, 2026** – CRA emailed stakeholders announcing that the following **webpages** have been **reorganized** to better assist workers and payers with questions about determining a **worker's status** and the associated CPP and EI obligations:

- employment status: employee or self-employed;
- request a CPP/EI ruling; and
- if you receive a CPP/EI ruling.

4. **December 18, 2025** – CRA posted a **webinar** (Persons with disabilities and their caregivers) originally presented on December 9, 2025 discussing the **disability tax credit** (DTC) including the **application process**. Various **benefits, credits and programs**, some of which require DTC eligibility, were also discussed.

this webinar for clients who may be eligible for the disability tax credit

5. **December 16, 2025** – CRA released their **CRA service consultations 2024 – Summary report**, highlighting the following key desires from **participants**:

   - to **interact** with **CRA** more **easily**;
   - more **personalized support**, such as additional **department-specific call lines**, improved **call routing**, the ability to **submit an enquiry online** and **receive a callback** from an appropriate agent and a **main point of contact** on a **taxpayer's file** so the taxpayer does not have to repeat their situation to different agents;
   - simple and **secure identity verification** by phone and online;
   - tax **filing** and **accessing benefits** to be **simplified**, with more investment in **automation**; and
   - **files** to be **processed** in a **transparent** and **timely manner**, including more detailed and accurate **updates** on **processing timelines**, **status** of **files** and **expected completion dates**, as well as more **two-way communication**, such as being notified if supporting documentation is missing so the issue can be fixed early and avoid extra steps like having to file an objection.

whether the feedback will lead to improvements

See VTN 534(8599) for a listing of **resources prepared** by **Video Tax News** that are available on the Video Tax News portal and for recently released/updated **CRA publications and forms**.

OTHER RELEASES

1. **December 31, 2025** – The **Canada student loan forgiveness program** webpage was updated to indicate that the **significant expansion** of **eligible occupations** (see VTN 523(8106)) would apply effective **December 31, 2025**. The finalized regulations (SOR/2025-271 and SI/2025-128) were published on that date.

   The change expanded student loan relief from coverage of doctors and nurses to also include early childhood educators, dentists, dental hygienists, pharmacists, midwives, teachers, social workers, personal support workers, physiotherapists and psychologists working in rural or remote areas.

more occupations may now qualify for student loan forgiveness

The **new** eligible **occupations** will be added to **online applications** through My Service Canada Account in **March 2026**. **Paper applications** may be filed earlier but will not be reviewed until March 2026.

Employment and Social Development Canada has provided a **postal code lookup tool** to assist in determining whether a region qualifies. However, they cautioned that it is **currently being updated** and may not be fully accurate.

2. **December 18, 2025** – The Government of Canada published the Notice of Proposed Settlement and Settlement Approval Hearing webpage, that discussed the **proposed settlement** resulting from a **privacy breach** from March 1 to December 31, **2020** related to several federal government **online accounts**. A December 18, 2025 Treasury Board of Canada Secretariat statement noted that **government departments** sent out **direct notifications to individuals** believed to have been **impacted**.

   Only class members who were **victims** of **unauthorized access** by third parties to their personal information contained in their **CRA account**, their **My Service Canada account**, or another Government of Canada account accessed using a **GCKey** between June 15 and August 30, **2020** (see credential stuffing cyberattack in VTN 469(5416)) would be **entitled** to **payments** under the proposed settlement. Settlement **payments would vary** depending on the type and number of claims. Parties can **verify** whether they would be **eligible** claimants on the Government of Canada Privacy Breach Class Action – Proposed Settlement webpage. Details on how to **opt out** of the proposed settlement (for example, to maintain an independent claim) are provided on this webpage. Any opt-out must be completed by **February 20, 2026**.

   verifying whether any clients were eligible to make a claim

   A hearing on the **proposed settlement** will be before the Federal Court on March 31, 2026.

2 Canada's COVID-19 Response 534(2)

HARDEST-HIT BUSINESS RECOVERY PROGRAM

A December 17, 2025 **Tax Court of Canada** case (Postalong Technology Inc. vs. HMK, 2025-1420(IT)I) considered the taxpayer's entitlement to payments under the **hardest-hit business recovery program** (HHBRP; see VTN 483(6233)) for periods 24 to 28 (December 2021 to May 2022). In this case, the condition in dispute was whether the **revenue** for each applicable month was **50% or less** than that of its pre-COVID comparative month. The

whether monthly revenues could be supported with documentation

taxpayer argued that CRA **improperly used estimated monthly revenues** for both the current and comparative months (calculated from annual totals reported in the tax returns), rather than the actual monthly figures. The taxpayer's director insisted that its **early 2022 revenue** was **drastically lower** than the monthly average CRA used, citing monthly figures of approximately $1,500. As such, the taxpayer argued that they fell well below pre-COVID monthly figures of approximately $5,000.

Taxpayer loses
The court found the taxpayer's **evidence unreliable** and **inconsistent** (e.g. the underlying accounting records did not match the claims). The explanations for distinguishing between revenue and shareholder cash infusions were vague and contradictory. Further, the court found it unconvincing that there could **only be** approximately **$7,000** earned in the **first five months** of the 2022 taxation year and **$138,000 in the remaining** seven without any substantive description as to why. As such, in the absence of reliable source documents, the court used CRA's consistent approach in estimating revenues (averaging the declared corporate tax return revenue) to **uphold their denial** of HHBRP claims for periods 24 to 28.

COVID-19-RELATED COLLECTIONS

ongoing redeterminations and collections from CRA

A December 30, 2025 CBC article (CRA says it's owed $10 billion in COVID-related benefits sent to ineligible recipients, Sonya Varma) noted that about $14 billion in COVID-19-related benefits were **inappropriately paid** out, but $4 billion had been recouped, leaving **$10 billion outstanding**. A licensed insolvency trustee in Vancouver, BC noted that he sees clients every week trying to resolve their pandemic repayments and that although **CRA** was **initially lenient**, their **approach** appears to have **changed** in the last few months. The insolvency trustee also stated that there is **no statute of limitations** on money owing to the government.

Editors' comment
Neither the CERB Act nor the CRB Act specifically limits the period in which the government may verify or redetermine benefit eligibility. However, there are collections period limitations set out at the how long a debt can be collected by the CRA webpage.

3 Personal Tax

534(3)

PROVINCIAL RESIDENCY – TEMPORARY EMPLOYMENT

A June 9, 2025 French **Court of Quebec** case (Lafontain-Potvin vs. QRA, 2025 QCCQ 6965) reviewed whether the taxpayer was a **resident** of **British Columbia** (BC) as he claimed, or of **Quebec** as he had been assessed, for 2017.

The **taxpayer's evidence** and testimony indicated that he was **employed in Vancouver** from August 31, 2016 to December 15, 2017 and occupied a series of three **residences** in the **Vancouver** area from September 1, 2016 to December 31, 2017. From December 23, 2017 to January 11, 2018, he **visited his parents** in Quebec, after which he **flew to Belize**. He **did not return to BC**.

The court noted the following in concluding that the taxpayer had **not severed his ties with Quebec**:

- the **leases** for his **residences** in BC ran from **September 1, 2016 to November 30, 2017**;
- his **connections** to **BC** were **consistent** with **temporary employment** in BC (these included registering his Vespa scooter in BC, obtaining a BC driver's license, opening a bank account in BC and registering for BC health insurance), and **similar ties** to Quebec had been maintained;
- his **automobile insurance** from July 30, 2016 to July 30, 2018 reflected a **Quebec address**;
- the taxpayer **returned to Quebec** in December 2017 and had **not** subsequently **returned to BC**;
- the taxpayer received a **refundable credit** from **Quebec** for the period from July 1, 2016 to June 30, 2017 which he cashed, despite the notice of determination stating that a change in circumstances such as **permanently leaving Quebec** must be **reported**; and
- **CRA reassessed** the taxpayer's 2017 federal tax return (filed as a BC resident) to reflect him as a **resident of Quebec**, resulting in a **refund** due to the Quebec abatement and he **did not object**.

physical absence is not automatically a change of residency

ensuring all tax filings reflect provincial residency consistently

The taxpayer had **stayed in BC** for work **temporarily** but had **not severed ties** with **Quebec**, where he was held to be **resident** on December 31, 2017.

PREPAID TUITION FEES

In a November 27, 2025 **Tax Court of Canada** case (Ojaide vs. HMK, 2024-1669(IT)I), the taxpayer was enrolled as a **full-time student** in a PhD program at a **foreign university**. His **tuition fees** were **paid** on a **monthly** basis. The **taxpayer claimed** the **total payments** in the year ($10,700 CAD), including an **overpayment** credited to his fees for the subsequent year. **CRA** reduced the claim to the **fees** payable **for** the **taxation year** ($9,587 CAD), **disallowing** the **prepayment** for the subsequent year.

Taxpayer loses
After an extensive textual, contextual and purposive analysis, the court concluded that the credit for **tuition fees** is available for **fees for the taxation year** of the claim. Any **prepayments** would **only** be **available** for claim when the **education occurs**.

tuition fees are claimed when the education is received, not when the fees are paid

Editors' comment
Any claim for the prepaid tuition fees was not discussed in the case. Presumably, the taxpayer would be able to claim a credit for the prepaid fees in the subsequent year, which was not under appeal.

INSTALMENTS – REPAYMENTS OF BENEFITS

A recently released June 28, 2023 **Technical Interpretation** (2022-095140117, Julia Clarkson) discussed whether **repayments** of the **Canada Recovery Benefit** (CRB Act Subsection 8(2)) or **Employment Insurance** (EI Act Section 145) payable on a taxpayer's personal income tax return are **included** in **net tax owing** (defined in Subsection 156.1(1)), which is the **basis** for **required instalment payments** (Sections 155 and 156) for individuals.

not everything on the personal tax return is relevant to determining required instalments

CRA noted that these benefit repayments are **not taxes** but rather are a **liability** to **repay** a benefit previously received, calculated under **separate legislation**. As a result, they would **not** be **included** in **net tax owing** and would **not** be **relevant** in the calculation of **instalment requirements**.

Editors' comment
Although not discussed in the interpretation, the required repayment of Old Age Security (commonly referred to as a "clawback") is a tax (Part I.2) and is relevant in calculating instalment requirements.

APPLICATION OF BENEFITS AGAINST DEBTS TO THE CROWN

the potential confusion when the same benefits must be repaid for multiple reasons

A December 4, 2025 **Federal Court** case (Pan vs. AGC, T-2568-24) reviewed an application for **judicial review** of CRA's decision to **apply** the taxpayer's **Canada carbon rebate** against an **alleged** outstanding debt. Due to her 2020 **earned income**, the taxpayer was required to **repay** the **full CRB received** in that year ($3,000), which she alleged that she did. Subsequently, it was determined that she had received **employment insurance** and **Canada recovery benefits** (CRB) for the **same period**, which required **repayment** of a **portion** of the **CRB**, resulting in a $1,000 balance owing. She **contested** that balance and requested a reconsideration.

Subsequently, **CRA informed** her that her **Canada carbon rebate** was being **applied** against the outstanding **debt**. She **requested** that this decision be **reconsidered** as she had **repaid** the CRB benefits so **no money** remained owing. CRA **refused** to reconsider.

whether the decision was fully explained

Taxpayer wins
CRA's communications **did not** provide the **reasons** for the **remaining** $1,000 **debt**. The court opined that this was a case where the **common practice** of using **form letters** resulted in **insufficient detail** regarding the

issue. An **affidavit** provided to the court addressed the **purpose** of the CRB and the **repayment requirement** but did **not explain** the reason for the specific **remaining debt**. The **taxpayer** had the **right** to **know why** the **decision** had been **made**, and this **required** such an **explanation**.

CRA submitted that the taxpayer could seek a **reassessment** at **any time**. The **court advised** the taxpayer to **do so** and provided several **provisions** of the Income Tax Act (specifically, Subsections 152(3), 152(4.2) and 164(2)) that she should **refer to** in pursuing this request.

The court **granted** judicial review, ordering that the decision be **redetermined** by another officer, and noted that this **redetermination** may be **unnecessary** if the taxpayer **succeeds** in obtaining the suggested **reassessment** of her tax liability.

Editors' comment
It was not clear what CRA was suggesting be amended in respect of the taxpayer's tax return.

4 Employment Income 534(4)

MEAL ALLOWANCES FOR TRAVEL

the basis for calculating meal allowances

A November 12, 2025 French **Technical Interpretation** (2022-0923141E5, Marie-Chantal Lamarche) provided commentary on whether a **meal allowance calculated** solely on the **number** of **kilometres travelled** was reasonable and thus non-taxable. CRA stated their position that, while a meal allowance can be calculated based on distance, time or any other criteria, a meal **allowance based solely** on **one of these criteria cannot**, in itself, be **reasonable**. In providing their comments, CRA assumed that the employer was not a personal services business and that no employee was a shareholder of the employer.

CRA specifically focused on **reasonable non-taxable travel allowances** for travelling in the **performance of duties away from the municipality** and metropolitan area where the employee ordinarily worked (or to which they ordinarily reported; Subparagraph 6(1)(b)(vii)). They opined that whether an amount is reasonable is a **question of fact**; however, they **generally accept** that an employer may **use $23/meal**, consistent with comments in T4130 Employers' Guide - Taxable Benefits and Allowances.

practical challenges in documenting whether an allowance is reasonable

To determine whether an allowance is reasonable, CRA stated that an employer must **compare** the **reasonable meal costs** their **employees will incur to the allowance** paid for meals. CRA provided the following **non-exhaustive list** of **factors** for determining whether a meal allowance is reasonable:

- the **average cost of regular meals** in the region the employee travels to;
- the **availability of food options** along the employee's route;
- the **availability of free meals** provided to the employee; and
- the **exchange rate** (if the employee travels outside of Canada).

whether the employee meets the conditions to claim a deduction

An **allowance** that is **too high** or **too low relative** to the expenses an employee is expected to incur in that situation is **not reasonable** and must be **included** in the individual's employment **income**. However, the individual may claim a deduction for their actual meal expenses provided that they satisfy the following:

- the **conditions** for claiming a **travel expense** as an employee (Paragraph 8(1)(h));
- the **requirement** to be away from the municipality for at **least 12 hours** (Subsection 8(4)); and
- the proper application of the **relevant addback** (typically 50%, subject to exceptions; Section 67.1).

CRA also stated that **taxable benefits** paid to an employee, including allowances that do not meet the conditions for being non-taxable, are **subject** to **payroll withholding** (Paragraph 153(1)(a) and Regulations Section 101). **Failure** to withhold on such payments results in the application of **penalties** (Subsection 227(8)) and **interest** (Subsection 227(8.3)).

standard rules for deductions apply to allowances paid

CRA stated that an employer's **deduction** of **meal allowances** may also be **limited** where an expense is **not reasonable** (Section 67). In addition, the **relevant addback** (typically 50%, subject to exceptions; Section 67.1) must also be **applied** by the employer where a reasonable non-taxable meal allowance is paid to an employee.

Editors' comment
While not discussed in this interpretation, CRA has previously noted (see VTN 406(1987)) that they consider the meal allowances rates from the National Joint Council (which well exceed $69/day) to be reasonable.

SPECIAL WORKSITE – PROJECT-BASED WORK

In a June 9, 2025 French **Court of Quebec** case (Montplaisir vs. QRA, 2025 QCCQ 6998), the **taxability** of **lodging and travel allowances** received by the taxpayer (M) from their employer (Nco) for 2017 and 2018 was at issue. Nco was an engineering firm that provided **contract services** to its client (Vco). M was assigned to work on **several separate projects** for Vco over a **ten-year period**.

Annually, Vco would request **services** from Nco based on its needs and budget, under a contract with **no guarantee of renewal**. When Vco no longer needed Nco's services, Nco would reassign its personnel to other projects. Although the annual purchase orders from Vco stipulated a fixed

term, the **personnel** could be **released before the end of the term** if the project was completed, interrupted or if there were no more funds.

nature of the work and relationship

Over the ten years, all of M's projects and their extensions ranged from **8 to 19 months**. The **distance** from M's home to the worksite **prevented him from commuting daily**. M originally rented a room near the worksite, returning home on weekends and one evening during the week to spend time with his spouse and children. As the projects continued, he rented an **apartment** near the worksite. **Unsure** of **how long** the **contracts** with Vco would last and aware that **Vco could terminate** them at any time, M did **not consider moving** his **family** closer to the worksite. He hoped that a major project would take off closer to his home, so he could be reassigned to that region.

The taxpayer argued that the **allowances** he received were in respect of a **special worksite** (Quebec Taxation Act Section 42, which parallels federal Income Tax Act Subsection 6(6)), as the work for Vco in the further location was **temporary in nature**. **Revenu Québec** (RQ) argued that the allowance was **taxable** and should be included in the taxpayer's income as it did not meet the conditions of a special worksite.

Taxpayer wins

a single location can be a regular place of work and a special worksite

The court stated that, even if a person is **assigned** to **work** at a **specific location** for a **certain period of time**, that location becomes their **regular place of work** for the period, but does **not preclude** the **possibility** that the location is **also** a **special worksite**.

whether a long period of work actually represented several smaller temporary projects

The court stated that **determining** whether a worksite is **temporary** should **not** be conducted **retrospectively** but rather should be based on **facts known** at the time the **work is commenced**. The court stated that, although the taxpayer worked continuously at the worksite far from home for ten years, **each assignment** concerned a **specific construction project** or grouping of smaller projects. Upon **completion** of each assignment, M's services were **terminated**. Each assignment was requested with a **separate purchase order**. The court further noted that there was **no promise of continued work** beyond each project; **work** for Vco was **contingent** on available **projects** and **budget**. The fact that the work continued for **ten years** did **not undermine** the arrangement's **temporary nature**.

The court found that **M's work** at Vco's site was **temporary** in nature; as such, **allowances** paid were in respect of a **special worksite** and thus were **non-taxable**.

CANADIAN ARMED FORCES – DEDUCTION

In a recently released December 14, 2023 **Technical Interpretation** (2023-096697I7, Judy Ho), CRA commented on the **deduction** against **employment income earned** by **members** of the **Canadian Forces** and **police officers** serving on a **deployed international operational mission** (as determined by the Minister of National Defense or a designate; Subparagraph 110(1)(f)(v)). The **deduction** is **limited** to the amount that would have been earned at the **maximum** rate of pay applicable to a Lieutenant-Colonel of the Canadian Forces during the mission. Earnings eligible for this deduction should be reported in code 43 of the T4, Statement of Remuneration Paid (slip).

whether a deduction is available

While CRA opined that **income** is **earned** when the **employment services are actually performed** (regardless of when the income is received), amounts are included in income in the year that they are received (Subsection 5(1)). CRA opined that, the taxpayer may claim a **deduction** in respect of **employment income earned** while serving on a deployed international operation mission for the taxation **year** when the associated income is **received**. This **principle** was applied to **several detailed scenarios**, including **retroactive pay increases**, **recruiting allowances**, **settlement payments**, **delayed reporting issues and mission status approval**, **prorating deduction caps** when access to relief changes within a period and **cash-out** of **leave payments**.

For example, **retroactive payments** must be **traced** to when the **services were performed** and would only be **eligible** for a **deduction** in respect of the **portion** of **payments** earned during **qualifying mission services**, and to the extent that the **combined deduction** claimed in the **year** that the services were **provided** and the year the **retroactive payment** was received does **not exceed the maximum deduction allowed**. As another example, CRA opined that **not all income processed** (paid) **during the time** that a member is **serving on a qualifying mission** would automatically qualify for a deduction; the amounts must relate to payments earned during the qualifying mission service.

5 Business/Property Income 534(5)

PROFESSIONAL FEES – SHAREHOLDER DISPUTE

A November 12, 2025 French **Court of Quebec** case (Hypertec Systèmes Inc. (Hco) vs. QRA, 2025 QCCQ 6704) considered whether $1,322,170 in professional fees were deductible. These **legal**, **accounting** and **consulting fees** were incurred in the context of a **shareholder dispute** that led to an oppression remedy. A significant portion of the fees related to the establishment of a **special committee** mandated by court order to assess

the financial health and governance structure of the corporate group (Hgroup) in which Hco operated. Revenu Québec (RQ) argued that the expenses were **not incurred** to earn **business income**. They also argued that the expenses related either to the creation of a separate entity (Hypertec DCS) or to the protection of the personal interests of certain shareholders. In final submissions, RQ attempted to raise a new argument that the expenditures were capital in nature.

Taxpayer wins

whether the expenditures allowed the business to operate and earn income

The court agreed with the taxpayer. It held that Hco played a **central administrative role** within Hgroup and incurred the fees to **resolve governance deadlock**, comply with **court-ordered mandates** and facilitate **business continuity**. The court emphasized that the majority of the expenses were **related directly** to Hco's **administrative functions** and aimed at maintaining the group's **operational viability** and capacity to generate income. Even if the expenses primarily supported the group as a whole, Hco **derived income** from providing those administrative services and the expenses were **integral to its operations**. The court noted that incidental expenses to the income-earning activity, such as maintaining relations with shareholders, were necessary for carrying out the business activities. As such, the expenses were **incurred to earn business income** and were therefore **deductible**.

whether a lasting benefit resulted from the expenditure

The court also noted that RQ was **too late** in the proceedings to raise the argument that expenditures were **capital**, but even if it was not too late, they still were not capital expenditures. The court noted that the expenditures were to resolve **temporary governance issues**, **not create lasting** value. They were not extraordinary nor incurred to acquire, improve or replace an asset.

6 Capital Gains/Losses

534(6)

CRYPTO-ASSETS – INCOME OR CAPITAL GAINS?

A December 9, 2025 **Tax Court of Canada** case (Amicarelli vs. HMK, 2022-2250(IT)G) reviewed a **business loss** of **$473,242** claimed by the taxpayer in respect of **bitcoin** losses caused by "some unknown **fraud**." The **taxpayer argued** that her bitcoin **investing** constituted an **adventure** or concern **in the nature of trade**, which is included in the definition of business (Subsection 248(1)). **CRA argued** that either there had been **no actual loss** or, if there was, that it was a **capital loss**.

Summary of key facts
The taxpayer was a **full-time employee** of Air Canada throughout the period. She opened an account in 2017 with a Canadian **cryptocurrency exchange**, QuadrigaCX (QCX), which she used **solely** to acquire **bitcoin**. The taxpayer testified that she **checked her account daily** and spent **several hours per week** contemplating and completing purchases. She made **more than 100 bitcoin purchases**, encouraged by good initial results, as a **fast track** to **retirement**. Although the **exact number** of purchases was **unclear** (some transactions had identical timestamps), the court concluded that **at least 75 transactions** occurred, and the exact number did not change the analysis. The taxpayer **financed** the purchases with **personal savings** (including cashing her RRSPs) and **debt** (including a second mortgage and credit card advances).

maintaining records of online accounts

She provided **source documents** that she described as a **record of deposits** and a **record of purchase transactions**. The **taxpayer** claimed that the **bitcoin** held with QCX were lost to **theft** in December 2017, when her **account balance** suddenly **fell to nil**. The court noted that **documentation** confirming this **nil balance** would have been helpful.

The taxpayer testified that she **sent electronic mail** to QCX and sought **assistance** from an **information technology service provider**, but that her **Gmail records** of these communications were **deleted over time** by Gmail. The court noted the **failure to preserve** this **correspondence** seemed **odd**. The taxpayer indicated that she **could not afford** to engage a **computer recovery expert** after discussion of possible strategies to salvage her QCX account.

QCX **ceased operations** in 2019 following a widely publicized scandal (see VTN 451(4523) for a discussion of media articles in this regard) and subsequently filed for **creditor protection**. The taxpayer **did not** file a **claim** as a creditor, nor did she **contact police** at any point.

imperfect evidence may still be persuasive

Did the investment occur?
The court indicated that, while the **evidence** was **imperfect**, it demonstrated that the taxpayer engaged in **regular and systemic** bitcoin **purchases** in 2017. The court further noted that **going "all in"** with QCX was **consistent** with human behaviour in previous **economic frenzies** (including gold rushes and the dot com bubble). The **financing** was **consistent** with this interpretation and, based on the **available evidence**, the court **accepted** the total **purchases** of $473,242.

use of media and other resources as indirect evidence

Were the funds lost?
The court noted that **no single theory** of what occurred was established. It was **possible** that her **account** had been hacked, possibly by accessing the list of passwords stored in her Gmail account. Alternatively, the loss may have resulted from **malfeasance within QCX**. The taxpayer's assertions were **consistent** with other evidence, including an Ontario Securities Commission report, that **issues** with **QCX accounts** were reported in **early**

2018, consistent with the timing alleged by the taxpayer. The **lack of documentation** of the nil balance was **problematic**; however, the **available evidence** and testimony were sufficient to **establish** that the **loss** was **more likely than not** incurred as claimed.

Was the loss incurred on income or capital account?
The court noted that there would be **no loss** if there was **no source of income**, which was asserted by CRA. The court **dismissed** this argument as there was **no evidence** of actual or planned **personal use** of the bitcoin acquired. The taxpayer's **purpose** could only have been to **achieve a profit or a gain**.

these resources for differentiating income and capital transactions

The court referred to Interpretation Bulletin IT-459, Adventure of Concern in the Nature of Trade and Interpretation Bulletin IT-218R, Profit, Capital Gains and Losses from the sale of Real Estate and **past case law** (Friesen vs. HMQ, 3 SCR 103, decided by the Supreme Court of Canada) citing these bulletins as a summary of **relevant factors** to consider. The court first summarized these factors and then **described their application** to the **loss on bitcoin** in this case.

Subjective intention
The subjective **intention of the taxpayer** was clearly to **earn a profit**, indicating **income** transactions. This **intention** then had to be **objectively analyzed**.

the extent of activity surrounding the investment

Actual conduct
The taxpayer devoted **time** and **effort monitoring** both the account and the market. She made **regular purchases**. Her activities went **beyond dabbling** and were **more consistent** with the activities of a **trader or dealer**. Although her odd conduct after the loss clouded this, her overall conduct still indicated **income** transactions.

Connection to business/profession
There was **no connection** between the taxpayer's regular **employment** and the **QCX activity**, which indicated **capital** transactions. However, this factor carried **little weight** in respect of this activity.

possible uses for the investment other than resale at a profit

Nature of the property
The court noted that **no interest, dividends or royalties** are **paid** on bitcoin. **Resale** at a **profit** was the **only way** for the taxpayer to generate a return, indicating **income** transactions. The court acknowledged the possibility that bitcoin could be held for personal use, be part of a wider strategy to structure financial instruments or otherwise be used in a broader income-earning activity; however, there were no indicators of any of these elements in the specific case. Rather, it was purchased on **speculation**, with initial results spurring optimism and further purchases. This indicated **income** transactions.

Financing
The court noted the **costly financing** including incurring high-rate credit card debt and cashing RRSPs thereby accelerating tax and losing contribution room. This **aggressive** financing strategy reflected a **bona fide expectation** of a significant **return through appreciation** of bitcoin. This indicated **income** transactions.

Holding period
While the **lack** of any **sales** was indicative of a **long-term hold**, and therefore **capital** transactions, **retention** of **appreciating** assets for the better part of a year was **not inconsistent** with a goal of **profit on resale**.

Cause of loss
The court noted that **losses** due to **theft or fraud** are a **business risk**. Such losses are **deductible** where they are **incidental** to the **business activity**. The **risks** of investing through **unregistered, unregulated** market actors were **clear** and supported by the Ontario Securities Commission report. The **material risk** was incurred in pursuit of **material profits** and, just as substantial **gains** would be taxable as **ordinary income**, **catastrophic losses** are symmetrically **deductible**.

losses from theft or fraud can be a normal business cost

The court concluded that the **objective factors supported** the **subjective intent** to generate a **profit on resale** of the bitcoin; the **loss** was therefore a **fully deductible** business loss.

LOSSES ON OBSOLETE CRYPTO-ASSETS

An April 10, 2025 **Technical Interpretation** (2025-1050641E5, Joyce Fung, CPA, CA) addressed questions regarding **crypto-assets** still **held** by a taxpayer, but that have **no** active **trading market**, are **unable** to be **sold or liquidated** and have nominal or **nil market value**.

Business inventory
CRA first discussed such assets **held as inventory** in the course of **carrying on a business**. Business inventory can be **valued** (Subsection 10(1) and Regulations Section 1801) on either of the following **bases**:

- **each item** at the **lower** of the **cost** at which it was acquired or its **fair market value** (FMV) at the end of the year; or
- the **entire inventory** at its **FMV** at the end of the year.

these alternatives for inventory valuation

CRA noted that, where **inventory** held in the course of **carrying on a business** declines in value and is **written down** to its **FMV**, any **recovery** of value in a **future year** would be **income** as it must be adjusted to the **lower** of its **original cost** and **current FMV** (**Editors' comment**: this differs from generally accepted accounting principles (GAAP) where a write-down to FMV becomes the new cost of the inventory).

this difference between GAAP and tax inventory valuation rules

CRA also cautioned that these valuation alternatives **do not apply** to inventory held in an **adventure** or concern in the **nature of trade**, which can only be valued at **cost** (Subsection 10(1.01)).

no writedowns of inventory held in an adventure in the nature of trade

CRA referred to Interpretation Bulletin IT-473R, Inventory Valuation for further information.

Realizing losses by burning crypto-assets

this option for realizing losses on obsolete crypto-assets

CRA then commented on the concept of **"burning" crypto-assets**. They indicated their understanding that burning meant the **permanent removal** of crypto-assets **from** a **circulating supply**. This might be achieved by **transferring the crypto-assets** to a burn address, by **calling** a **burn function** of a smart contract or by using other mechanisms available in the particular blockchain. CRA opined that, provided that neither the **taxpayer** nor **any other person** could **control or use** the obsolete **crypto-assets** at **any future time**, the crypto-assets would be **disposed of by burning**, resulting in any **unrealized loss** being recognized. While CRA referred only to crypto-assets held on income account, it seems reasonable to expect that capital losses would also be realized by burning the crypto-assets.

getting details of what the client means by "burning" crypto-assets

CRA stressed that this would **not apply** to **crypto-assets** that are **only temporarily removed** from the circulating supply. CRA noted that some taxpayers refer to **crypto-assets moved** to an **address** under the **taxpayer's control**, to be **retrieved** and **sold** at a **later** time as having been burned. Such assets would **not be disposed of**, so **no losses** would be realized. It would be a **question of fact** whether the crypto-assets were **permanently removed** by any process used by the taxpayer.

Documentation

In response to the question of **documentation** to **support** such **losses**, CRA noted the **expectation** that the taxpayer be able to provide **evidence** of the **FMV** of **inventory**. In the context of **obsolete crypto-assets**, CRA suggested maintaining evidence that **trading** of the obsolete crypto-assets has been **suspended** on crypto trading platforms and/or of a nil or **nominal trading price**, such as **screenshots** from crypto trading platforms. Alternatively, the taxpayer could provide **information** that they relied on to **determine** that the **project or network** related to the obsolete crypto-assets has **failed** or **been abandoned**. As examples, CRA suggested **announcements** or correspondence **from** known **project team members** indicating **abandonment** and **announcements** of **materially crippling regulatory actions** or court orders **imposed on the project** and/or its team members.

these examples of relevant documentation

To support the **burning** of obsolete crypto-assets, CRA would **require** the **transaction ID** or **transaction hash** of the transaction in which the crypto-assets were burned.

CRA noted that their examples were provided as **general guidance** and were neither prescriptive nor exhaustive. Any determination of **documentation required** would be considered on a **case-by-case basis**.

BENEFICIAL OWNERSHIP

documenting the intentions of placing children on title

A recently released July 14, 2023 **Technical Interpretation** (2022-0948061E5) reviewed whether a taxpayer **remained** the **beneficial owner** of 100% of her **residence** after adding her two **daughters** to title for **nominal consideration**. Her daughters had **signed an acknowledgement** that the **intention** was **not a gift** to them, but that the property **pass equally** to **all six** of the **taxpayer's children** on her death. The **taxpayer** paid **all costs** related to the property and **neither daughter lived in it**.

CRA noted that the **beneficial owner** would report **all gains** on the property and could **offset those gains** using the **principal residence exemption**. **All relevant factors** must be considered to determine **beneficial ownership**, including the following:

the rights and obligations of each relevant party

- the **rights** to:
  - **possession**;
  - collect **rent**;
  - **mortgage** the property;
  - **transfer title** to the property (by sale or by will);
- the **obligations** to:
  - **maintain** and **repair** the property; and
  - **pay property taxes** related to the property.

CRA noted that this was **not** an **exhaustive** list of relevant factors, and that **all relevant factors** must be considered to determine **beneficial ownership**. However, CRA opined that, **based on** the **facts provided**, the **taxpayer** was likely the **beneficial owner** throughout her lifetime, with **no disposition** when her **daughters** were **added to title**.

CHANGE OF USE – ELECTION TO AVOID DEEMED DISPOSITION

not claiming CCA if there is a possibility of converting the property to a principal residence

Where a **capital property** previously used to **earn income** is converted to **personal use**, it is **deemed** to be **disposed** of and reacquired for its fair market value (Subsection 45(1)). Where the property **becomes** an individual's **principal residence**, an election can be filed to **avoid** the **deemed disposition** (Subsection 45(3)). This election is generally **not available if CCA** was ever **claimed** on the property. Unless CRA requests the election sooner, it is required to be **filed** for the **year** that the **property** is **actually disposed of**. This election permits the property to be **designated** as the taxpayer's **principal residence** for up to **four years** in which it was **not ordinarily inhabited**.

A September 26, 2025 **Technical Interpretation** (2022-092388117, Christina Foggia) discussed a number of issues related to the **filing requirements** for this election in the context of the **following facts** related to a **specific taxpayer**:

- in **2014**, the taxpayer **converted** an **income-earning** property to their **principal residence**;
- in **2017**, the taxpayer **filed** an **election** to **avoid** the **deemed disposition** in respect of the **2014 change of use**; and
- in **2020**, the taxpayer requested an **amendment** to **report** the **deemed disposition** on the **2014 tax return** on the basis of **rescinding** the **election**.

Deadline for election
CRA **confirmed** that the **2017 election** was **valid** and was **not late**, assuming there had been **no demand** to file the election made **by CRA**. Provided all other requirements were met, the **election** was **due** at the same time as their **tax return** for the **year of sale**. Generally, the **principal residence designation** would be **filed** at the **same time**.

Rescinding the election
There is **no provision** for **rescinding** this election; however, the taxpayer could **request permission** to **revoke** the election under the **taxpayer relief provisions** (Subsection 220(3.2)), resulting in the **deemed disposition** in 2014. In the context of **this election**, there would be **no penalty** if the revocation were allowed provided the **deadline to elect** had **not passed**. In this case, it appeared that the taxpayer still owned the property in 2020.

not making the election early so there is no need for taxpayer relief if the taxpayer changes their mind

Demand for election
CRA opined that a **demand** for such an **election** would need to include **explicit instructions** and a **deadline** for filing the election (it is required within 90 days of demand; Paragraph 45(3)(a)).

Death of the taxpayer
CRA opined that a **deemed disposition** on the **death** of the owner of the property would be an **actual disposition** in the context of the election. As a result, the **election** would be **due** with the **final personal tax return**, as would the **principal residence designation** (which could include a designation for up to four years during which the property was not ordinarily inhabited, as noted above).

past changes of use of a residence owned in the year of death

7 Owner-Manager Remuneration 534(7)

INTERGENERATIONAL BUSINESS TRANSFERS (IBT) – ELECTION

The **IBT rules** permit an **exception** from **deemed dividends** when parents transfer shares of their corporation (Opco) to a corporation controlled by their children (Childco; Subsections 84.1(2.3), (2.31) and (2.32)). The requirements for both the immediate and gradual IBT rules include numerous detailed criteria, including the **requirement** to **file** an **election** (see VTN 520(7954)).

whether to file the election for greater certainty

A communication on CPA Canada's Tax360 platform from Ryan Minor, CPA, Director of Tax at CPA Canada, reported that CRA has updated the T2066 Election for Immediate or Gradual Intergenerational Business Transfer webpage to state that this **election** should **not** be **filed** with **CRA**. Rather, taxpayers should **keep** it **with** their **records** in case CRA asks for it later. The election form must be **completed** on or before the **filing due date** of the transferor for the year the disposition of the subject shares occurs.

Editors' comment
Practitioners should be careful to properly maintain records of the elections retained. The normal reassessment period for the disposition year is extended by three years for an immediate business transfer and by ten years for a gradual business transfer to allow any required reassessments to be made.

process for retaining the election

It is also important to note that, while CRA has stated that the "election should not be filed with CRA," it should still be prepared and executed so it is available if they request it. If the election cannot be located and submitted at that time, this could result in the loss of tax benefits resulting from the IBT. The legislation requires that the taxpayers should "file the election with the Minister" (Subparagraphs 84.1(2.31)(h)(ii) and 84.1(2.32)(i)(ii)).

INDIRECT PAYMENTS

A January 2026 Tax for the Owner-Manager article (**Taxation** of **Redirected Income**: Subsection 56(2), Balaji (Bal) Katlai and Hugh Neilson) discussed issues surrounding the taxation of indirect payments (Subsection 56(2)) when a taxpayer attempts to **transfer income or benefits** from themselves **to another party**. This provision results in the **income** or benefit being **taxable** to the **taxpayer**. It applies if **all** of the **following conditions** are met:

- the payments were **made** to a person **other than** the **reassessed taxpayer**;
- the **allocations** were at the direction or with the **concurrence** of the **reassessed taxpayer**;
- the payments were made for the **benefit** of the **reassessed taxpayer** or for the benefit of **another person** whom the reassessed taxpayer **wished to benefit**; and
- the payments **would have been** included in the **reassessed taxpayer's income** if they had been received by him or her.

whether all of these conditions were met

The article noted that while this provision can **deem a taxpayer** to have **received the income** it does **not relieve** the **actual recipient of taxation**, potentially resulting in the same income being taxed twice. For example, in an October 1, 2008 Federal Court of Appeal case (Hasiuk vs. HMQ, A-591-07), a **corporation** was contracted to **construct a building**; however, the **proceeds** of the contract were **directed** to a **corporation owned by the son** of the sole shareholder of the original corporation. The recipient corporation reported the income. CRA reassessed the **sole shareholder** of the original corporation to include the **sale proceeds** on the basis that he directed the payment to his child's corporation.

risk of double taxation

The article noted some further **practical considerations** with respect to the indirect payment provision:

- this provision will **not typically apply** where taxpayers **split income** by **issuing shares** to multiple family members and **paying dividends** in accordance with the **corporation's articles**;
- this provision will **not typically apply** in **estate freeze transactions** where dividends are paid from common shares to a trust, as such dividends are not attributed to the freezer, provided the freezer has no entitlement to the dividends; however, other attribution and anti-avoidance rules (e.g. Section 74.4, see VTN 525(8186)) should be considered; and
- where a **non-arm's length transfer** occurs at **less than fair market value** (FMV), the transaction may be deemed to occur at FMV (Subsection 69(1)), in addition to the indirect payment provisions attributing income to the directing party, resulting in double or triple taxation.

SHAREHOLDER BENEFIT ON LAND REALTY TRANSFER

A December 22, 2025 French **Tax Court of Canada** case (Touchette et al. vs. HMK, 2019-108(IT)G) considered **transfers of real estate** from a **corporation** (9co) **to the shareholder** (T) and related construction costs for 2010, 2011 and 2012. T, a land surveyor and the sole shareholder of 9co, was involved in real estate development projects both through his corporation and personally.

CRA argued that some **transfers** occurred at **less than fair market value** (FMV), leading to an **underreported gain** for the corporation and an equivalent **shareholder benefit** (Subsection 15(1)). CRA also argued certain **expenses paid** for and deducted **by 9co** were **shareholder benefits**. **Gross negligence** penalties were also assessed.

support for the timing of the transfer

Taxpayer loses – date and FMV of property transfers
T argued that he **acquired** the lots in **July 2009** through a **verbal agreement**, concurrent with his personal acquisition of a neighbouring lot. He argued that this was supported by his involvement in early construction activities and the issuance of permits. However, the court found this testimony unsubstantiated and uncorroborated, particularly as there was **no written agreement**, **no notarial act** until 2010 and **no** corroborating **witness** testimony. Rather, the court found that the transfer occurred on the date indicated in the notarial deeds (January 14, 2010 for lot 243 and April 16, 2010 for lot 252).

who conducted the valuation

In respect of the **FMV**, T submitted that the lots were **overvalued** and **proposed** a **lower FMV** to reflect the alleged cost of fill work required to make the properties suitable for construction ($93,600 for lot 243 and $100,662 for lot 252) based on his own analysis. However, the court noted that these figures were **not supported** by **credible or detailed evidence**, such as actual cost breakdowns or expert testimony, and that T was not a certified appraiser. Instead, the court found that the **values proposed** by a **certified appraiser** (in respect of the values on the notarial deed date) were **correct** ($74,500 for lot 243 and $138,000 for lot 252).

where expenditures could relate to either personal or business, ensuring invoices are sufficiently detailed

Taxpayer loses, mostly – amounts paid by the corporation
There was a period of time in which **personal construction projects overlapped** with **corporate work** conducted in the same geographic area. As such, CRA questioned whether **expenditures** paid by 9co were truly **corporate or personal**. The court found that approximately **$27,000** of expenditures **were corporate** as they could be clearly tied to 9co's work through a **reasonable explanation** or a **connection** to a 9co project by **timing** or **description**. The remainder, approximately **$73,000,** was found to be **personal** based on insufficient invoice detail, lack of itemization and absence of a link to 9co work or a direct tie to personal work.

whether there were deliberate attempts to hide information

Taxpayer wins – gross negligence penalties
The court noted that **gross negligence penalties** (Subsection 163(2)) require more than mere carelessness or poor recordkeeping. The court noted that CRA acknowledged that the **books were well kept**, invoices existed and there were **no deceptive entries** or **attempts to hide** income or expenses. While the **scale** of disallowed expenses could **raise concerns**, the court found that the evidence did **not** establish a **high degree of negligence** or subjective knowledge of wrongdoing. The taxpayer had offered explanations for the expenses, even if not accepted by the court. There was also no sign of fraudulent intent or conduct insulting to common sense. The **penalties** were **not upheld**.

8 CRA

CRA SYSTEM – PLANNED OUTAGES

monitoring these webpages

CRA publishes and provides online updates to **notify users** of **planned service outages**, including on the following webpages:

- system maintenance details;
- EFILE news and program updates; and
- CRA account availability (see the additional service maintenance section).

GROSS NEGLIGENCE PENALTIES – ADJUSTMENT REQUESTS

gross negligence penalties can be applied to false statements made outside of a tax return

A June 24, 2025 **Technical Interpretation** (2022-095616I7, Mei Ng) discussed the assessment of **gross negligence penalties** (Subsection 163(2)) related to a **false statement** made **outside** of a **tax return**, such as in a T1 adjustment request. CRA stated that the **penalty** can **apply** due to **false statements** or omissions made in a **return filed**, as well as to other **false statements** or omissions made **for** the **purposes** of the **Income Tax Act**.

CRA further stated that **any written document**, such as a **request to amend a tax return and** the **invoices attached** would be **included** in the **broad definition of a return** for the purposes of this provision, consistent with a March 7, 2014 Tax Court of Canada case (see VTN 393(37)) and two other technical interpretations (2012-045215I7 and 2013-048516I7). As such, **gross negligence penalties** may be imposed in respect of **false statements** made in these types of written documents. CRA also noted that a **liability for tax** and an **understatement of income** are **not preconditions** for the application of gross negligence penalties.

The **onus** is **on CRA** to **establish** the facts **justifying** the **penalty assessment**; CRA must provide evidence and discharge its burden of proof in respect of the assessment.

CRA's previous statement (2010-035651I7) that assessing a gross negligence penalty is "premature" when a false invoice is provided with an amendment request is **no longer valid**.

CRYPTO-ASSETS REVIEWS AND AUDITS

A December 8, 2025 Advisor.ca article (Canada's crypto tax crackdown reaps millions — but no criminal charges yet, Darryl Greer) discussed recent **CRA activity** related to crypto-asset transactions, noting that in the last **three years**, CRA's 35 auditors in the crypto-asset program have worked on over **230 files** and **assessed over $100 million** in taxes.

continued audit activity in the crypto-asset sector

Unnamed persons requirement (UPR)
The article stated that CRA has **applied** to the Federal Court (MNR vs. Dapper Labs Inc., T-3043-25) to **authorize** a **UPR** to obtain information on the **top 2,500 users** of **Dapper Labs Inc.**, a corporation involved with **non-fungible tokens** that also runs its own blockchain and line of **crypto wallets** for holding digital assets. The article noted that the corporation did **not oppose** the **application**, although the number of impacted users was reduced from the top 18,000 (originally requested by CRA) following negotiations.

The article noted that the following information was provided in an affidavit filed by a **CRA official** as part of the court proceedings:

- **approximately 15%** of Canadian taxpayers who use **crypto-asset platforms** have **not filed** their **taxes** on time or at all, and **30% of users** who have filed returns are categorized as **high risk for non-compliance**;
- there have been **five criminal investigations** initiated between 2020 and 2025, although no charges have been laid yet;
- the built-in **anonymity** within the crypto-asset space, the **volume** of **transactions** and the **ease** of **setting up accounts** on many crypto-asset platforms have all contributed to **compliance-related challenges for CRA**; and
- the **use** of **crypto-assets greatly expanded** during the **COVID-19** pandemic.

preparing for increased use of crypto-assets by clients

The article noted that Budget 2025 proposed to **establish** a Canadian **financial crimes agency** by the **spring** of **2026**. The agency would investigate complex cases of money laundering, organized criminal activity and online financial scams.

While not noted in the article, Budget 2025 also stated the government's **intention to proceed** with the **crypto-asset reporting framework** and the common reporting standard (see VTN 513(7643)). However, the proposed effective date was delayed to **January 1, 2027** rather than January 1, 2026 (see VTN 532(8477)).

UNNAMED PERSONS REQUIREMENTS (UPR) – SHOPIFY

Shopify records must be preserved for the duration of the appeal

In 2025, the Federal Court **refused** to authorize **CRA's application** for a **UPR** requiring disclosure of information related to **Shopify merchant** accounts with a **Canadian address** for **six years** (see VTN 527(8300)). **CRA** has **appealed** this decision to the **Federal Court of Appeal** (FCA; MNR vs. Shopify, A-240-25). The FCA has issued an interim order requiring Shopify to **preserve data** until the Minister's appeal before the FCA has been concluded, as requested by CRA. A December 22, 2025 Globe and Mail article (Federal Court orders Shopify to retain inactive account data in undeclared income crackdown, Irene Galea) further discussed this issue.

VOLUNTARY DISCLOSURES PROGRAM (VDP) CHANGES – CRA COMMENTS

The **revised VDP**, applicable to disclosures submitted on or after **October 1, 2025**, introduced **prompted** and **unprompted disclosures**, replacing the former general and limited streams. **Unprompted** applications will normally be eligible for **75% relief** of applicable **interest** and **100**% **relief** of applicable **penalties** (referred to by CRA as general relief). **Prompted** applications will normally be **eligible** for **25% relief** of applicable **interest** and **up to 100% relief** of applicable **penalties** (referred to by CRA as partial relief).

In response to an access to information and privacy (ATIP) request, guidelines for CRA agents regarding **pre-disclosure discussions** under the **revised VDP** (see VTN 530(8405)) were posted on LinkedIn by the requester, Alex Klyguine of Taxpayer Law in Toronto, ON.

The following comments related to the **type of relief**, if any, that CRA would **provide**:

relief for prompted applications

- **penalty relief** for **prompted** applications would generally be **100%**; however, CRA's comments of "**up to 100%** relief of applicable penalties" were made to **allow flexibility** in the handling of new and emerging compliance activities;
- taxpayers who received a **CRA letter** (TX11/TX14) **related** to an **error or omission** that the taxpayer wishes to disclose may still be eligible for **partial relief**;
- taxpayers who have received an **arbitrary assessment** (also known as a factual assessment; Subsection 152(7)) will **not** be **eligible** for relief in respect of those years arbitrarily assessed; and
- taxpayers who received a **general educational letter** without a specific issue or year could still be eligible for **general relief** as an unprompted application.

CRA also stated that a taxpayer must disclose **all known errors** and **omissions** in their **tax matters**, including any related to arm's length or non-arm's length transactions or circumstances. However, supporting documentation (e.g. returns, forms, statements, schedules) is only required for the **most recent six years, increased to ten years** if disclosure relates to assets or income **outside Canada**.

still need full disclosure, but more limited supporting documents to be initially provided

CRA stated that the new program is **not retroactive** and only applications received on or after October 1, 2025 will be processed under the revised VDP. They provided the following additional comments related to **transitioning** to the **new VDP**:

new program is only applied prospectively

- taxpayers **cannot resubmit applications** under the old program to be considered under the **new VDP** (for example, to obtain greater interest relief); and
- applications **denied** as not being voluntary under the **old program cannot** be **resubmitted** under the new VDP.

CRA also noted that a **second administrative review** may be requested in cases such as where an application was **originally denied as incomplete**, where **only partial relief** was **granted** and where a **payment arrangement** was **denied**.

Thank you to Alex Klyguine of Taxpayer Law in Toronto, ON for making the ATIP response available.

TAXPAYER RELIEF – REDUCTION IN TAX LIABILITY

A December 23, 2025 **Federal Court** case (Pathak vs. AGC, T-961-24) reviewed an application for **judicial review** of CRA's **denial** of taxpayer **relief for interest** of $43,982 **and gross negligence penalties** of $110,909 resulting from the taxpayer **failing** to **report taxable capital gains** for the 2019 and 2020 years.

The taxpayer argued that he **failed** to report **taxable capital gains** for those years because the financial institutions **failed** to **issue him a T5 slip**. As the investments were on a **downward trend**, the taxpayer **estimated** (incorrectly) that there would ultimately be **very little tax**. After filing the application for taxpayer relief in 2023 (for the 2019 and 2020 years), the taxpayer identified 80 tax slips related to the investments and hired an accountant to **refile his tax returns**. **Large capital losses** from other year(s) were discovered by the accountant. They were **carried back to 2019** through **2021** (interest and penalties for 2021 were not at issue), reducing the **total tax from $286,752 to $26,081**. However, **penalties were not reduced** and most of the **interest remained**.

losses carried back do not reduce penalties or interest

The taxpayer argued that the **disproportionality** of penalties and interest relative to the final tax liability made the **CRA's denial of relief unreasonable**.

high bar for relief due to financial hardship

CRA **denied relief** on the basis that it was the **taxpayer's responsibility** to contact his advisor for relevant information to **report capital gains**. CRA further noted that it was the **taxpayer's choice to invest** in the stock market, at his own risk, and the **loss in value** of investments was **not out of the taxpayer's control**. In addition, CRA stated that the taxpayer's claim of **financial hardship** was **unsupported**: the taxpayer had given **other creditors priority** over his tax debt, he had continued to **contribute to his RRSP** and he been **making more** than the **minimum monthly payments** on his **credit cards**.

Finally, CRA **considered** the taxpayer's **arguments** regarding **disproportionate penalties** but chose **not** to **exercise discretion** based on them. CRA stated that the **taxpayer** did **not accurately estimate** the **taxes for 2019 and 2020** at the **time he filed**, and that the **penalties** were **imposed accordingly**, despite the fact that the tax for the year was subsequently reduced due to capital losses carried back.

Taxpayer loses
The court found that CRA's **denial of relief** was **not unreasonable**. The court **rejected** the taxpayer's **argument** that CRA failed to consider the unfairness of the penalties/interest being disproportionate to the final tax amount.

computation of penalty should be appealed to Tax Court

The court further stated that, should the taxpayer wish to **dispute** the **correctness** of the **gross negligence penalties**, they should appeal to the **Tax Court**, as such a dispute is outside of the jurisdiction of the Federal Court.

TAXPAYER RELIEF – ACCOUNTANT'S ERROR

systems to ensure returns do not get missed

A December 17, 2025 French **Superior Court of Quebec** case (Pereira vs. QRA, 2025 QCCS 4590) reviewed an application for **judicial review** of Revenu Québec's (RQ's) **denial** of taxpayer **relief** for **penalties** of $41,002 and **interest** of $7,997 in respect of the **late-filed return**. The taxpayer's **accountant** acknowledged that he had simply **forgotten to file** the **return** on time even though the taxpayer provided all information on a timely basis. While CRA provided relief, RQ did not.

Taxpayer loses
The court found that **RQ's denial** was **reasonable**; **professional error** is **not** an **extraordinary circumstance** for which discretionary relief can be granted. The court also stated that the fact **CRA waived the penalty** was **irrelevant** to RQ's analysis.

TAXPAYER RELIEF – INADEQUATE EXPLANATION FROM CRA

whether the decision-maker provided adequate support

A December 12, 2025 **Federal Court of Appeal** (FCA) case (Jennings-Clyde Inc. D/B/A/Vivatas Inc. vs. AGC, A-268-24) **overturned** a **Federal Court** (FC) **decision** (see VTN 517(7830)) on the basis that **CRA** did **not provide** an **adequate explanation** for the **refusal**. The FC previously found that CRA's determination that they had no discretion to issue a refund to a corporation that had not filed a tax return within three years after its year-end was reasonable.

The FCA stated that **administrative decision-makers**, such as CRA, have the power to affect people's lives, sometimes significantly, and thus **must explain** their decisions. The FCA noted that providing **adequate explanations** serves several important functions:

reviewing the reasoning for denying a request

- **often leads** to more and better thinking and thus **better decision-making**, as decision-makers often **discover gaps** or **flaws** in reasoning or the need for more submissions when writing up their explanations;
- **informs** the **impacted person** that the decision-maker **considered** their **key arguments** and rejected them for some reason; and
- **furthers the transparency**, **legitimacy** and **accountability** of administrative **decision-makers** to the parties before them, other regulatees, reviewing courts and the wider public; the court specifically noted that this is something needed more than ever in these days of widespread skepticism, cynicism and mistrust of government.

For example, the FCA stated that, when administrative decision-makers **interpret** a **legislative provision**, they must show **genuine**, **non-tendentious**, explicit or implicit **analysis** of the **text**, **context** and **purpose** behind a legislative provision, which was not done in this case.

The court noted that **concise reasoning** is **acceptable**, as long as the **logic is clear** and **traceable**.

Accordingly, the judicial review was **granted**, and the matter was remitted to another decision-maker for redetermination.

Finally, the court observed that **if** the insufficient reasoning provided by decision-makers was due to **inadequate funding** and **resources** then **CRA must complain**. Those responsible, including the politicians who oversee and instruct CRA, should take note. The court noted that "Ensuring the wheels of justice, both administrative and judicial, turn quickly, adequately and properly is not a luxury, frill, or optional extra; it's one of the most basic things governments owe to those they govern."

PROVISION OF DOCUMENTS TO CRA

A December 19, 2025 **Federal Court** case (MNR vs. Cohen at al., T-2679-22) **refused** to **grant** an application for a **compliance order** (Section 231.7) to require taxpayers under audit to provide specific information. CRA argued that **not all requested information was provided**, while the **taxpayers argued** that they made **reasonable efforts** to obtain and provide the requested documentation.

if information or documents cannot be provided, explain why

Taxpayers win
The court was satisfied that the taxpayers did not possess and could not access all the documents and information requested. The court noted that the taxpayers provided a **detailed list** of **all documents** and information they **submitted**, including copies of 766 electronic files. When an **item** was **not delivered**, the taxpayers provided a **detailed explanation** including a description of their **efforts made** to deliver it. The following are some examples of these explanations:

- some **documents** were **archived**, **lost** or **forgotten** due to the **time elapsed** since the relevant taxation years;
- the **process** to **locate**, **obtain** and **convert** some documents to electronic format was **long** and **harsh**;
- **corporate respondents** had **limited resources** and capacity to locate and provide the requested documents; and
- **many** of the **requested documents** would have **already** been **obtained by CRA** from third parties.

The court found that the **taxpayers made reasonable efforts** to provide access to the information or documents sought by CRA, and therefore the **compliance order** was **not granted**.

9 Estate Planning 534(9)

ESTATE EXPENSES PAID USING CORPORATE ASSETS

In a December 12, 2025 French **Court of Quebec** case (Maranda et al. vs. QRA, 2025 QCCQ 7987), the taxpayers (siblings) **inherited** their father's shares of a **corporation** (Tco) upon his passing. Tco was then transferred to a corporation owned equally by the siblings. Both taxpayers were executors of their father's estate. **Tco** then **paid** the **estate's expenses** from 2013 through 2015, for which the taxpayers were assessed **shareholder benefits** of $344,946. Revenu Québec (RQ) assessed the taxpayers beyond the normal reassessment period.

Taxpayers lose
The court found that the taxpayers used Tco's cash to **pay estate expenses**, including $200,000 in provincial and federal taxes owed by the deceased and a $50,000 bequest to a beneficiary. Tco **recorded** these amounts as its own **expenses**, with the court finding that these amounts did not constitute advances to the siblings as argued by the taxpayer. In addition, there was **no evidence** that such payments were **reimbursed** to Tco prior to Tco being wound up, which resulted in a distribution of $830,287 directly or indirectly to the taxpayers. The court **upheld** the **shareholder benefit** income assessment **beyond** the **normal reassessment period**.

whether beneficiaries understand segregating personal and corporate expenses

10 International

534(10)

WITHHOLDING ON DIVIDENDS TO FOREIGN PARTNERSHIPS

A September 6, 2024 **Technical Interpretation** (2019-0796831E5, Ann Kippen) considered whether a **dividend** paid by a Canadian corporation **to** a **US partnership** with **US and German corporate partners** would qualify for the **reduced 5%** Part XIII **withholding tax** rate (from the default of 25%) under the Canada-US (US Treaty) and Canada-Germany (German Treaty) tax treaties.

When considering whether the 5% rate applies, CRA considers amounts paid to a partnership to be **paid** to its partners **in proportion** to the **partners' interests**. Therefore, the residence of each partner is relevant when determining which treaty to consider.

the residency of the partners

For the portion of the payment in respect of the **US partner** to be eligible, that partner must **own at least 10%** of the **voting stock** of the company paying the dividends. The US Treaty contains a **look-through provision** that **deems** a US resident corporation to **own its proportionate share** of voting stock held through a fiscally transparent entity (Article X(2)(a)). Since the US corporation held a **20% interest** in the US partnership (which owned all the shares of the Canadian corporation) in the example, it was **deemed to own 20%** of the Canadian corporation's voting stock and therefore the **reduced rate was applicable**.

the need to review the applicable treaty, as there are differences

For the portion related to the **German partner**, the German corporation must **control at least 10%** of the voting power of the Canadian corporation (Article 10(2)(a)), but there is **no look-through** provision. As the German partner held voting control over the partnership due to its **80**% interest, it controlled the partnership's shares representing **at least 10%** of votes in the Canadian corporation. As such, the **reduced rate was also applicable**.

voting rights held in the partnership

REDEMPTION OF SHARES HELD AFTER EMIGRATION

In a recently released March 11, 2022 **Technical Interpretation** (2019-0829251E5, Ina Eroff), an individual was **deemed to dispose** of shares held when they **emigrated from Canada**. Subsequently, the **shares were redeemed**, triggering Part XIII withholding tax on the deemed dividends. CRA considered whether the **Part XIII withholding tax** may be **credited** against the **departure tax**.

Upon **redemption** of the shares, a **dividend was deemed** to have been paid to the extent that the redemption proceeds exceeded the paid-up capital of the shares (Subsection 84(3)). The deemed dividend was subject to Part XIII tax. This share redemption would normally **result in a capital loss**; however, for non-resident shareholders, the capital loss is reduced by the amount of the dividends (Subsection 40(3.7) and Paragraph 112(3)(b)). As such, the taxpayer was concerned that there would be **double taxation**: first on the capital gain upon departure and then on the deemed dividend at redemption.

CRA noted that **a credit** is **allowed** in the **departure year** (Section 119), limited to the **lesser of** the following amounts:

- the income **tax attributable** to the **gain** on deemed disposition (Part I tax), and
- the **Part XIII tax paid** (as reduced by a treaty, if applicable) on dividends that reduced the capital loss.

share redemptions post-emigration may reduce tax for year of departure

CRA stated that, as the **deemed dividends** in this case **eliminate the capital loss** otherwise realized on the redemption, the **credit** would be allowed for the departure year.

The claim can be made by **filing an amended return** for the **departure year**. The deadline for this return is the filing **due date** for the tax return for the **year** in which the **shares are disposed** of. Provided that the taxpayer filed a return for the departure year and files an amended tax return by the above deadline, the departure year can be **reassessed outside** the **ordinary reassessment period** (Subsection 152(6.3)).

11 GST/HST

534(11)

COMMON GST/HST ERRORS

On December 5, 2025, CRA posted a **webinar** presented on November 26, 2025 (GST/HST Post Assessing Review). One topic discussed was **common reporting errors**, including the following:

- **switching** GST/HST and input tax credit (ITC) amounts;
- **errors** in **sales and revenues** such as **not including cents** or missing a number;
- entering the **same amount** for GST/HST and ITCs; and
- entering **only** the **net tax amount** for GST/HST.

these common errors attracting CRA scrutiny

PURPOSE-BUILT RENTAL HOUSING (PBRH) REBATE

A **100% GST rental rebate** is available for certain rental housing projects that **begin construction** between **September 14, 2023 and December 31, 2030** inclusive, and **complete** construction by **December 31, 2035** (see VTN 527(8311) and 506(7331)). On November 3, 2025, CRA released GST/HST memorandum 19-3-9, Purpose-built Rental Housing Rebate, replacing GST/HST Notice 336.

When does construction begin?
CRA reiterated that they **generally** consider **construction** to **begin** at the time that **excavation work begins**. They further noted that they do **not consider** any of the following to indicate that **construction** has **begun**:

- signing a **purchase and sale** agreement;
- **demolition**;
- **site** and environmental **testing**;
- **plan** development and **finalization**;
- **clearing**, remediation and **reclamation** activities;
- issuance of **permits**;
- **contracting** for the excavation; or
- **road construction**.

these steps may precede the beginning of construction

CRA indicated that the time of **initial excavation** would generally be the **beginning** of **construction** even if construction **temporarily ceases** and is **subsequently resumed**, and even where the **builder** or the **nature** of the **project** is **changed**. CRA provided **several examples** of the determination of the **beginning of construction** illustrating these interpretations.

changes of builder or project after excavation commences would not change the date on which construction began

Eligible and ineligible projects
CRA also provided **examples** of projects that would be **eligible or ineligible** for the rebate, including an **addition** to an **existing** multiple unit residential **complex**, **conversion** of **non-residential** property to a **residential complex** and **renovations** or **rebuilding** of **existing rental complexes**.

reviewing CRA's views if dealing with projects of this nature

Other issues
CRA also discussed eligibility of **student residences** under both existing and proposed legislation and **provincial purpose-built rental housing rebates** in New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island.

NEW RESIDENTIAL RENTAL REBATE – ONE YEAR OCCUPANCY

A December 12, 2025 **Tax Court of Canada** case (Sharma vs. HMK, 2024-2216(GST)I) considered whether a taxpayer was entitled to the **GST new residential rental property rebate** (Excise Tax Act Section 256.2). The main issue was whether the taxpayer had a **reasonable expectation** that the **first tenant** of the property would **occupy the unit for at least one year**, as required for the rebate.

After a **challenging search** for a **tenant during construction** of the property, the taxpayer agreed to a **ten-month lease** to a **tenant** unwilling to sign a longer lease. The **lease commenced** shortly after the taxpayer's **purchase closed** in November 2020; however, the **tenant vacated** the property at the end of July 2021, **eight months** into the lease. A **new tenant** entered into a **one-year lease commencing** in August 2021, **immediately following** the **departure** of the **first tenant**, and later renewed that lease.

a short initial lease may result in loss of the rebate

Taxpayer loses

The taxpayer's evidence did **not support** a reasonable **expectation** at the time that the lease was signed that the tenant would **occupy the unit** for at least **one year**. Any expectation was **uncertain** at best due to the tenant's **unwillingness** to sign a **longer lease** and the **taxpayer's knowledge** that this was partly because the **tenant** was **constructing a residence**. The court noted that the **second lease**, after the first tenant advised they would vacate the property, could **not** be **considered** based on the legislative requirements. It was **unfortunate** that the **rental market** required **flexible lease terms** to attract a tenant, resulting in an **inability** to **meet the requirements** to qualify for the rebate; however, this meant the **rebate** had to be **denied**.

Editors' comment

See VTN 519(7912) for a case where the taxpayer was able to support that, despite an initial lease for less than a year, there was a reasonable expectation that the tenant would occupy the property for at least one year.

COMMERCIAL ACTIVITY

whether a commercial activity exists

A November 10, 2025 French **Court of Quebec** case (Barrasso et al. vs. QRA, 2025 QCCQ 6575) considered whether a group of corporations and their sole shareholder (B) were engaged in a **commercial activity** for the purposes of claiming **input tax credits** (ITCs) and the related refunds in respect of QST for the period July 1, 2016 to December 31, 2018.

The supplies were primarily the **provision of rides** via the **ride-sharing** and car-pooling app, Amigo Express. Revenu Québec (RQ) had denied QST refunds totalling $12,735 and assessed $8,268 in penalties (a 15% penalty for the excess claim and an additional 50% for gross negligence), arguing that the activities were personal in nature and not commercial. The taxpayers

claimed that these rides were part of a **transportation business** run via B's corporations and connected to the management of a rental property that B needed to get to.

the purpose behind the supply

Taxpayer loses
The court found that the rides were pre-planned **personal trips** during which passengers occasionally joined to share costs, and that the structure (involving five different taxpayers), which included extensive inter-corporate billing, served primarily to create an appearance of taxable transactions to generate unjustified QST refunds.

whether the supply was provided in a business-like manner

The court emphasized that **no commercial activity** existed as there was **no profit motive** nor **business-like behavior**. Revenues were **minimal** ($5,600 over 20 months), expenses were **overstated** or circularly billed and **no credible business plan** or third-party commercial activity was presented. Further, even if the activities had been connected to **rental** supplies, those supplies were **not taxable** since the property in question **was residential**, and the associated rental income constituted **exempt supplies**.

In considering whether the **gross negligence penalty** applied, the court found that B **deliberately** created a complex network of intercorporate transactions to **fabricate** the **appearance of commercial activity** and improperly claim QST refunds, demonstrating an intent to deceive.

As a result, the court **upheld RQ's assessments** and confirmed the **gross negligence** penalties.

LOSS OF SMALL SUPPLIER STATUS

fees for use of ride-sharing apps do not reduce gross revenue

In a December 22, 2025 **Tax Court of Canada** case (Boylu vs. HMK, 2020-1239(GST)I), the court reviewed whether an Uber **driver** was **required** to **collect** and remit **HST** on his **ride-sharing** revenues. CRA had assessed for **annual periods** ended December 31, 2015 and 2016, for **total HST** (13% in Ontario) of **$1,251** and **$7,319** respectively. HST was based on **gross revenues before** a **20% fee** charged and retained by the Uber **ride-sharing app**.

Taxpayer loses – self-employed
The court stressed that **limited evidence** (not including contracts between Uber and the taxpayer) and arguments had been presented on this issue and that the question of whether Uber **drivers** were **employees** or **independent contractors** was "hotly debated" and may be the subject of **more thorough litigation** in other court proceedings. However, the court was **obliged** to **rule** on this issue as an **employee** would **not** be providing **taxable supplies**. The court noted that its **decision** had **no precedential value** as the case was heard under the **informal procedure**.

The court then reviewed the **usual factors** considered in such **tax cases** historically, noting the following:

- there was **no common intention** based on the **taxpayer's testimony** that he **only knew** that he was **an Uber driver**, and **not** whether he was an **employee or independent contractor**, although **Uber** clearly **treated drivers** as **independent contractors**;
- the terms of the Uber **ride-sharing app**, including pricing and fees, were **non-negotiable** and **set by the app**, indicating **significant control** by **Uber**;
- the **taxpayer** controlled the **hours** he drove (both timing and total hours), the **rides** he **accepted** and the **locations** where he drove, indicating at least equally **significant control** by the **driver**;
- **Uber** controlled the **ride-sharing app**, an asset **important** to earning the ride-sharing income;
- the **taxpayer** controlled both the **vehicle** and his **cell phone**, assets of **similar importance** to earning the ride-sharing income; and
- the **taxpayer** testified that he **could also drive** for **other ride-sharing apps** such as Lyft.

this analysis of whether a ride-sharing driver is an employee or an independent contractor

Based on the **limited evidence** presented, the court ruled that the **taxpayer** was an **independent contractor** whose supplies were **taxable** for **HST purposes**.

Taxpayer wins in part – small supplier

The court noted that a **small supplier** (defined in Excise Tax Act Subsection 123(1)) is **not required** to register for or **collect HST**. Status as a **small supplier** generally exists as long as taxable supplies in the **four preceding calendar quarters** did **not exceed $30,000**, and to the end of the **first month after** this threshold is exceeded (Excise Tax Act Subsection 148(1)).

The court noted that **expenses** are **not deducted** in calculating taxable supplies, and that this **included** the 20% **fee paid** to the Uber **ride-sharing app**. The court noted that **no evidence** had been advanced that the **passengers paid the driver**, and not Uber or any other person, **for rides**.

when small supplier status ends

CRA had **assessed HST** on **all revenues** in **excess** of **$30,000** for the **2015 year**. This was **only correct** if the taxpayer earned **exactly $30,000** in the **first three quarters** of the year. Even then, he would have remained a small supplier for the first month of the fourth quarter. CRA **assumed** only **annual revenues**, and **no evidence** of the **breakdown** was provided by either party. The court therefore held that the **$30,000 threshold** was **met** in the **fourth quarter** of 2015, such that the taxpayer **ceased** to be a **small supplier** one month later on **February 1, 2016**.

The fact that it would have been **difficult or impossible** to **add HST** to the fares (and separately collect this addition) did **not change the requirement** to collect and **remit HST** on taxable supplies provided from February 1 to December 31, 2016. The court provided **no guidance** on how to **calculate**

revenues for this period.

The court noted that **taxi services** are **not eligible** to be **small suppliers**. Prior to a **legislative change** effective July 1, 2017 (see VTN 433(3676)), it was **uncertain** whether **ride-sharing** was a **taxi service**. As this had **not** been **argued** by either party, the court **accepted** that the taxpayer could be a **small supplier** in respect of his ride-sharing services.

the limits of credit card statements as support for ITCs

Taxpayer loses – input tax credits (ITCs)
The taxpayer argued that he should be allowed **additional ITCs** for cell phone, meal and highway toll charges **rejected by CRA**. The court reviewed the **documentation requirements** (see VTN 494(6779)) and concluded that these **could be met** by **credit card statements** only for **amounts under $30**. The court then ruled that **no additional ITCs** were available, for the **following reasons**:

- the **highway tolls** were **exempt supplies** (Excise Tax Act Schedule V Part VIII);
- the **telephone costs** each exceeded $30, were supported only by credit card statements and **no evidence** of the **allocation** between **business** and **personal** use had been provided; and
- any **meals** were solely for the **taxpayer's consumption** and were **personal** in nature.

12 Did You Know... 534(12)

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**.

equipping your team to be ready for action in T1 Season

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

Newbies to Ninja – Personal Tax, 2026 Edition
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 T1 preparation skills. This practical program walks

preparers through key personal tax topics, CRA administrative practices and the essential questions to ask for accurate, efficient returns.

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**!

combining this training with your firm's administrative procedures

13 Appendix 534(13)

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
- Life in the Tax Lane – 10 Minute Monthly Podcast/Video
- Technical Interpretations

CRA Guides/Publications

- Folio S4-F7-C1 Amalgamations of Canadian Corporations
- RC4157 Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary
- T4127-JAN Payroll Deductions Formulas - 122nd Edition - Effective January 1, 2026
- RC4022 General Information for GST/HST Registrants
- RC4120 Employers' Guide - Filing the T4 slip and Summary
- RC4460 Registered Disability Savings Plan
- T4079 Filing the T4RSP and T4RIF information returns
- T4032 T4032 Payroll Deductions Tables – Effective January 1, 2026 (multiple provinces and territories)
- T4008 T4032 Payroll Deductions Supplementary Tables – Effective January 1, 2026 (all provinces and territories)
- P105 Students and Income Tax 2025
- RC4177 Death of an RRSP Annuitant
- RC4178 Death of a RRIF Annuitant, PRPP Member, or ALDA Annuitant
- T4061 NR4 - Non-Resident Tax Withholding, Remitting, and Reporting
- RC4445 T4A-NR - Payments to Non-Residents for Services Provided in Canada 2025

CRA Forms/Statements/Returns

- RC325 Address change request
- T1007 Connected Person Information Return
- T3GR Group Income Tax and Information Return for RRSP, RRIF, RESP, or RDSP Trusts
- T3RET T3 Trust Income Tax and Information Return

- T4A-RCA Statement of Distributions from a Retirement Compensation Arrangement (RCA)
- T3GR-WS Worksheet for Part XI.1 Tax on Non-Qualified Property of an RRSP, RRIF, or RESP trust
- T3S Supplementary Unemployment Benefit Plan Income Tax Return
- NR601 Non-Resident Ownership Certificate - Withholding Tax
- NR602 Non-Resident Ownership Certificate - No Withholding Tax
- RC4625 Rollover to a Registered Disability Savings Plan (RDSP) Under Paragraph 60(m)
- T184 Capital Gains Refund to a Mutual Fund Trust
- T2000 Calculation of Tax on Agreements to Acquire Shares (section 207.1(5) of the Income Tax Act)
- T3M Environmental Trust Income Tax Return
- T3P Employees' Pension Plan Income Tax Return
- RC278 Release and Indemnification
- T1004 Applying for the Certification of a Provisional PSPA
- T183 Information Return for Electronic Filing of an Individual's Income Tax and Benefit Return
- T185 Electronic Filing of a Pre-authorized Debit Agreement
- RC249 Post-Death Decline in the Value of a RRIF, an Unmatured RRSP and Post-Death Increase or Decline in the Value of a PRPP
- T1090 Joint Designation on the Death of a RRIF Annuitant, PRPP Member, or ALDA Annuitant
- T2019 Death of an RRSP Annuitant - Refund of Premiums
- RC1 Request for a Business Number and Certain Program Accounts
- RC7301 Request for a Business Number and Certain Program Accounts for Certain Selected Listed Financial Institutions
- T215 Past Service Pension Adjustment (PSPA) Exempt from Certification or Permitted Corrective Contribution (PCC)
- T215SEG T215 Segment
- T215SUM Summary of Past Service Pension Adjustments (PSPAs) Exempt from Certification or Permitted Corrective Contributions (PCCs)
- T1149 Remittance Form for Labour-Sponsored Funds Tax Credits Withheld on Redeemed Shares
- T2152 Part X.3 Tax Return for A Labour-Sponsored Venture Capital Corporation
- T2152A Part X.3 Tax Return and Request for a Refund for a Labour-Sponsored Venture Capital Corporation

APPENDIX B

Moving, Medical and Northern Residents Deduction – Meal and vehicle rates used to calculate travel expenses for 2025 (simplified method)

The following rates are reproduced from CRA's webpage.

Province or territory	Cents/kilometre
Alberta	56.5
British Columbia	59.5
Manitoba	56.0
New Brunswick	59.5
Newfoundland and Labrador	61.5
Northwest Territories	70.0
Nova Scotia	59.5
Nunavut	70.5
Ontario	62.0
Prince Edward Island	58.5
Quebec	60.5
Saskatchewan	55.5
Yukon	70.5

Multiply the number of kilometres by the cents/km rate from the chart below for the province or territory in which the travel begins.

Simplified Claims - Meals:
If the simplified method is used, claim in Canadian or US funds a flat rate of $23 per meal, to a maximum of $69 per day (sales tax included) per person, without receipts. Even though receipts are not required, some documentation may be needed to support the claim.

APPENDIX C

DRAFT LEGISLATION RELEASED ON JANUARY 29, 2026

The Department of Finance stated that they are seeking feedback on the following items, as included in draft legislation released on January 29, 2026:

- qualified investments for registered plans;
- reporting by non-profit organizations;
- 21-year rule;
- Canada carbon rebate for households (winding down);
- immediate expensing for manufacturing and processing buildings;
- clean hydrogen investment tax credit (methane pyrolysis and technical amendments);
- carbon capture, utilization and storage investment tax credit (technical amendments);
- tax deferral through tiered corporate structures;
- eligible activities under the Canadian exploration expense;
- hybrid mismatch arrangements;
- investment income derived from assets supporting Canadian insurance risks; and
- Global Minimum Tax Act (technical amendments).

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