

Special Report

Federal Budget November 4, 2025



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learn.knowledgebureau.com/kbn

learn@knowledgebureau.com

1.866.953.4769



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Special Report on the November 4 Federal Budget

ISBN No. 978-1-77297-306-8

Publisher: Knowledge Bureau, Inc. 187 St. Mary's Road, Winnipeg, MB R2H 1J2

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Contributors:

- Barbara Britto
- Geoff Currier
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- Alan Gordon
- Evelyn Jacks

Editorial:

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BUDGET 2025: A MOVE AWAY FROM SELF ASSESSMENT AND MISSED TAX REFORMS

There will be a departure from Canada's long successful self-assessment system in the Liberal government's first budget in 19 months – the longest period in history between budgets at 567 days.¹ Those who were waiting for a significant tax reform will be disappointed: the budget lists over three pages of yet-to-be passed, complex tax provisions dating back to 2019. There were also a few unexpected surprises. Here are some highlights; detailed coverage follows:

T1 Filing by CRA. Finance is proposing that starting in the 2025 tax year, CRA have the discretionary authority to file tax returns on behalf of certain individuals with certain types of income under the Basic Personal Amount plus the age and/or disability amount. This is a fundamental systems change with significant discretion granted to the CRA.

Big Deficits, High Interest Costs. In addition, there will be an unprecedented \$78.3 Billion deficit in 2025-2026. Total deficit spending of over \$322 Billion will occur in the forecast period ending 2030, culminating in a public debt of \$1,600 Billion. Interest charges will rise from \$53.4 Billion in 2025, rising each year and reaching 76.1 Billion by 2030. This is in one year almost as much as Canada spends on OAS benefits for seniors in 2025 (\$80.3 Billion) and more than twice what is spent on the Canada Child Benefit.

Tepid Economic Growth. Overall, despite the theme, Canada Strong, the numbers tell a different story: there is tepid economic growth in the forecast period, continued high unemployment and tax complexity, with over three pages of unpassed provisions from prior years, still on the table.

Tax Competitiveness Miss. Canada's competitiveness could be enhanced by reducing personal and corporate tax rates at a time when the global economic order is being reshaped and workers from highly prized professions and entrepreneurial investors are searching for new opportunities.

Small Personal Tax Changes. You'll learn more about:

1. **A Top Up Tax Credit.** The 15-per-cent rate will be allowed for non-refundable tax credits in excess of the first income tax bracket threshold.
2. **The Personal Support Workers Tax Credit.** Eligible PSWs will be able to claim 5 per cent of their **eligible** earnings, up to \$1,100 per year, for the 2026 to 2030 taxation years
3. **End to Double Dipping on Medical Expenses.** It was possible to claim some of the same expenses under the Medical Expense Credit and the Home Accessibility Expense Credit. That will be discontinued for the 2026 and future tax year.
4. **In a surprise move the UHT (for 2025 and future years) and Luxury Tax (exception for luxury vehicles) have been discontinued. Also cancelled: The Canadian Entrepreneur's Incentive and 100% resource expense deduction under the Alternative Minimum Tax.**

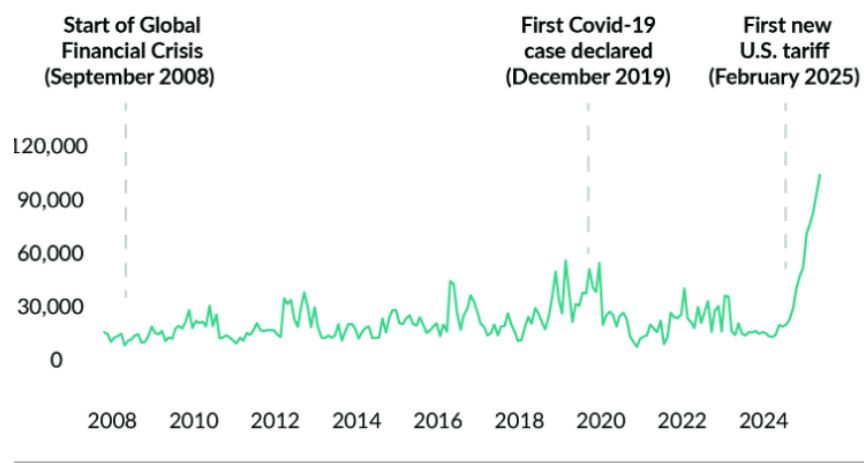
¹ The longest period between federal budgets in Canadian history before this was 482 days, from March 2, 1943, to June 27, 1944, under the King government at a time of war.

5. **Carbon Tax Rebate Dollars Dry Up.** No further CCR payments would be made in respect of tax returns, or adjustment requests, filed after October 30, 2026.

THE ECONOMIC OUTLOOK

“This is not a transition. It is a rupture—a generational shift taking place over a short period of time.”

The Budget leans heavily on the current uncertainty surrounding international trade, particularly with the United States to make its case for its numbers. To underscore the point, the Budget offered a World Uncertainty graph



The response to the uncertainty: “More than 75% of our actions this year are to respond to significant global economic shifts; 42% of Budget 2025 is to strengthen Canadian sovereignty and 36% is to bring down costs for Canadians.”

What does that mean to the average Canadian? Unfortunately not much change in take home pay or job security, especially for young people, in the short term. The government’s projections for unemployment suggest that it will peak about 7.2% by the end of the year although youth unemployment remains high, at 14.7% in September. Unemployment is projected to stay high – over 6% - across the forecast period.

It is also unlikely that there will be much tax relief in the future. Nominal GDP (the number upon which the tax revenues are based) will drop in 2025-2026. Canadian taxpayers will also face unprecedented deficit spending resulting in annual debt servicing costs that will peak at more than \$76 billion by 2030 – a staggering number that is more than double the amount to be paid under the Canada Child Benefit.

One of the themes of this budget is the aim of reducing operating spending in favour of increased capital spending. The stated goal is to balance the day to day operating spending with revenues by 2028-29 along with maintaining a declining deficit to GDP ratio.

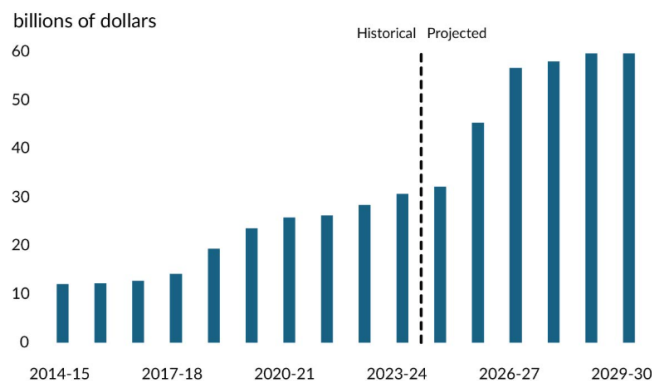
The Budget claims that the strategy will allow \$1 trillion in the next five years in capital spending. However, the national debt will be \$1.6 Trillion by the end of the forecast period.

The tables below provide greater clarity:

Table A1.1
Average Private Sector Forecasts
per cent, unless otherwise indicated

	2025	2026	2027	2028	2029	2025-2029
Real GDP growth¹						
2024 Fall Economic Statement	1.9	2.1	2.1	2.0	2.0	2.0
Budget 2025	1.1	1.2	2.0	1.9	2.0	1.6
GDP inflation¹						
2024 Fall Economic Statement	2.0	2.0	2.0	2.0	2.0	2.0
Budget 2025	2.4	1.8	2.0	2.0	2.0	2.0
Nominal GDP growth¹						
2024 Fall Economic Statement	3.9	4.2	4.1	4.0	4.0	4.0
Budget 2025	3.5	3.0	4.1	4.0	4.0	3.7
Nominal GDP level (billions of dollars)¹						
2024 Fall Economic Statement	3,188	3,321	3,457	3,595	3,738	
Budget 2025	3,180	3,276	3,409	3,545	3,686	
Difference between Budget 2025 and FES 2024	-8	-45	-48	-50	-52	-40
3-month treasury bill rate						
2024 Fall Economic Statement	2.9	2.6	2.8	2.8	2.8	2.8
Budget 2025	2.6	2.3	2.5	2.6	2.6	2.5
10-year government bond rate						
2024 Fall Economic Statement	3.1	3.2	3.3	3.4	3.5	3.3
Budget 2025	3.3	3.4	3.5	3.6	3.6	3.4
Exchange rate (US cents/C\$)						
2024 Fall Economic Statement	74.2	75.6	76.1	76.4	76.5	75.8
Budget 2025	72.2	75.1	76.4	77.0	77.4	75.6
Unemployment rate						
2024 Fall Economic Statement	6.7	6.2	6.0	5.8	5.7	6.1
Budget 2025	7.0	6.8	6.4	6.1	6.0	6.4
Consumer Price Index inflation						
2024 Fall Economic Statement	2.0	2.0	2.0	2.0	2.0	2.0

Capital investments, historical and projected



PIT
REVENUES
UP 19% IN
THE
PERIOD;
CIT FLAT

	2024– 2025	2025– 2026	2026– 2027	2027– 2028	2028– 2029	2029– 2030
Income tax revenues						
Personal income tax	234.3	237.9	244.9	257.1	268.7	278.9
Corporate income tax	97.0	97.1	96.7	96.7	96.8	100.6
Non-resident income tax	13.5	13.7	14.0	14.2	14.4	14.7
Total	344.8	348.7	355.6	368.0	380.0	394.2
Excise tax and duty revenues						
Goods and Services Tax	52.5	54.4	56.5	58.3	60.2	62.7
Customs import duties	6.3	9.9	6.3	6.6	6.9	7.2
Other excise taxes/duties	13.1	13.2	13.3	13.4	13.5	13.6
Total	71.9	77.5	76.2	78.3	80.6	83.5
Other taxes	0.0	0.0	2.7	1.9	2.1	2.1
Total tax revenues	416.7	426.2	434.4	448.2	462.6	479.8

The Expense Outlook

billions of dollars

	Projection					
	2024– 2025	2025– 2026	2026– 2027	2027– 2028	2028– 2029	2029– 2030
Major transfers to persons						
Elderly benefits	80.3	83.1	88.8	94.5	99.4	104.3
Employment Insurance benefits	24.9	30.5	31.9	30.4	31.3	32.6
Canada Child Benefit	28.6	30.1	31.0	31.7	32.4	33.4
COVID-19 income support for workers	-2.2	0.0	0.0	0.0	0.0	0.0
Total	131.6	143.7	151.8	156.6	163.1	170.3

Summary Statement of Transactions

billions of dollars

	Projection					
	2024– 2025	2025– 2026	2026– 2027	2027– 2028	2028– 2029	2029– 2030
Budgetary revenues	511.0	507.5	523.2	541.3	560.2	583.3
Program expenses, excluding net actuarial losses	489.9	525.2	528.4	537.9	549.7	568.3
Public debt charges	53.4	55.6	60.0	66.2	71.4	76.1
Total expenses, excluding net actuarial losses	543.3	580.9	588.3	604.1	621.2	644.4
Budgetary balance before net actuarial losses	-32.3	-73.4	-65.2	-62.8	-60.9	-61.1

EXPENSES
FOR
PEOPLE
UP 29%

PUBLIC
DEBT
COSTS UP
42.5%

PERSONAL TAX MEASURES

Personal Support Workers

Effective: 2026 to 2023 taxation years

ITA section 122.93(1) added. A temporary, refundable Personal Support Workers Tax Credit is proposed, allowing **eligible** Personal Support Workers (PSWs) to claim 5 per cent of their **eligible** earnings, up to \$1,100 per year, for the 2026 to 2030 taxation years. These PSWs must be working at an **eligible** health care establishment.

What is an eligible PSW? An eligible Personal Support Work (PSW) main duties must include assisting patients with the activities of daily living and mobilization. They must ordinarily provide 1-on-1 care and essential support as directed by a regulated health care professional or provincial community health organization.

What is an eligible health care establishment? These include hospitals, nursing care facilities, residential care facilities, community care facilities for the elderly, home health care establishments, and other similar regulated health care establishments.

What are eligible earnings? These include all taxable employment income, with the exception of British Columbia, Newfoundland and Labrador, and the Northwest Territories. Those jurisdictions have signed alternative bi-lateral agreements that increase the wages of PWS's.

When is it available? A tax return would be required to be filed in order to be eligible for the refundable tax credit, which means the support will not be available until the spring of 2027.

Automatic Federal Benefits for Lower-Income Individuals

Effective: 2026 tax year. This is in a consultation process until January 30, 2026.

ITA Subsection 150.1(4) replaced and 150.2(1) added. It is proposed that CRA will be authorized to file tax return on behalf of **eligible** individuals with certain income. The individual's income must be below the federal BPA or provincial equivalent and in addition:

- The income sources are from specified slips filed with the CRA
- The taxpayer missed filing a return at least once in the preceding three taxation years
- The taxpayer has not filed a return for the taxation year prior to, or within 90 days following the tax filing deadline for the year.
- *Any other criteria as determined by the Minister*

CRA would provide the taxpayer with the information it has available to file the return, and the taxpayer would have 90 days to review and submit any changes. All assessment, objection and appeals processes would apply. In the event that the CRA files on behalf of a taxpayer and then determines that the requirements were not met, the filing will be deemed not filed. It is unclear what happens next in that case.

The filings may be held up as confirmation of marital status may be required, together with the filing of a spouse or common-law partner return (they may qualify to have auto-filing as well). At that point, the CRA would file on the taxpayer's behalf and issue a notice of assessment.

Any individual taxpayer can **opt out** of automatic tax filing.

First-Bracket Tax Cut

Effective: July 1, 2025

Bill C-4 (completed second reading at the time of writing), ITA subsection 118(10) amendment

Middle-Class Tax Cut, which reduces the first marginal personal income tax rate from 15 per cent to 14 per cent, applying to taxable income up to \$57,375 in 2025. Due to the effective date, this would mean the rate would be 14.5% for the 2025 taxation year, and 14% for subsequent tax years.

Top-Up Tax Credit

Effective: 2025 to 2030 taxation years

ITA subsection 118(11) added, 118.61(1); 118.61(2)(b) replaced

A new temporary, non-refundable **Top-Up Tax Credit** is proposed for the 2025 to 2030 taxation years to ensure that individuals whose non-refundable tax credit amounts exceed the first income tax bracket threshold (\$57,375 in 2025) do not see their tax liability increase due to the rate reduction associated with the Middle-Class Tax Cut. If that happens the new Top-Up Tax Credit would provide for a 15% rate for non-refundable tax credits on amounts in excess of the first income tax bracket.

Qualified Investments for Registered Plans

Effective: November 4, 2025. The repeals would be effective January 1, 2027

ITA subsection amendments: 108(2), 122.1(1), 132.2(3)(h), 135.2(1), 146(4)(b)(ii), 146.1(5), 146.3(1), 146.3(2)(e.1), 146.3(6.4)(a), 146.4(1), 146.4(4)(I), 146.4(5)(b), 204, 204.8(1), 205(1), 207.01(1), 207.01(12)(c), 211.6(1), 233.2(4)(c)(ii)(E) and (F), 233.3(1), 248(1), 259(5), 211(1), 211(2)

Regulations: 4900(1), Part XLIX. Repealed : 146(1), 146.1(1), 146.3(1), 146.4(1), Part x.2

These proposed measures concern Qualified Investments for Registered Plans. They also harmonize the existing rules that govern what Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Tax-Free Savings Accounts (TFSA), Registered Education Savings Plans (RESPs), Registered Disability Savings Plans (RDSPs), First Home Savings Accounts (FHSAs), and Deferred Profit Sharing Plans (DPSPs) can invest in.

Currently, these plans can invest in a broad range of assets, including publicly traded securities, mutual funds, government and corporate bonds, and guaranteed investment certificates. Key proposals arising from stakeholder consultations include:

1. Simplifying Qualifying Small Business Investments:

- The more broadly applicable rules covering investments in specified small business corporations, venture capital corporations, and specified cooperative corporations would be **maintained and extended to RDSPs under the first set of rules which include RRSPs, RRIFs, TFSAs, RESPs, and FHSAs**.
- The second set of rules, which apply only to certain plans (RRSPs, RRIFs, RESPs and DSPSPs) and cover eligible corporations, small business investment limited partnerships, and small business investment trusts, will be **repealed**.
- In short, shares of eligible corporations and interest in small business investment limited partnerships and small business investment trusts would no longer be qualified investments.
- These amendments would generally apply as of **January 1, 2027**.

2. Replacing the Registered Investment Regime: The current process requiring corporations or trusts to register with the Canada Revenue Agency (CRA) to be qualified investments would be eliminated as of **January 1, 2027**. It would be replaced with two new categories of qualified investments that do not require registration, including units of a trust subject to the requirements of National Instrument 81-102 (certain mutual funds and non-redeemable investment funds) or units of an investment fund managed by a registered investment fund manager as described in National Instrument 31-103 (which sets rules for managing investment funds, selling securities or providing investment advice) . The new trust rules apply as of Budget Day.

3. Technical Amendments: The qualified investment rules for the six types of registered plans (excluding DPSPs) would be consolidated into a **single definition** within the *Income Tax Act*, and the prescribed list of qualified investments in the regulations will be updated and reorganized by asset class (e.g., debt or equity instruments) for clarity.

Information Sharing on Subcontracting Misclassifications

Effective: On Royal Assent

ITA 241(4)(d) amended. This proposed amendment will enable a data-sharing agreement between Employment and Social Development Canada (ESDC) and the Canada Revenue Agency (CRA). CRA will be allowed to share taxpayer information (under the *Income tax Act*) and confidential information (under the *Excise Tax Act*) with ESDC for enforcement of the Canada Labour Code as it relates to the classification of workers.

At issue is the payment incorporated taxpayers who are essentially in an employer-employee relationship with the firm they are billing. These are arrangement known as Personal Services Businesses and the errors in billing and paying consultants in the trucking, construction and professionals services has been the subject of a pilot project begun in 2022.

According to Budget 2025, the deliberate misclassification of employees as independent has tax consequences: employers are not withholding and remitting the proper amounts of income tax, or making Canada Pension Plan and Employment Insurance contributions, or issuing required T-slips.

Misclassified employees may lose out on labour law protections, as well as applicable benefits and pensions. But most importantly, those incorporated contractors with a PBS are claiming deductions they are not eligible for and significantly understating their taxes as a result.

Therefore, the companies who hire these corporate consultants will be under scrutiny. **Reporting fees for service (RFS)** describes CRA's requirement that fees paid to other business for services provided are reported to the CRA, generally on a T4A slip. Since 2011, there has been a moratorium on assessing penalties for failing to complete box 048 (Fees for services). These penalties could result in 10% of the unreported amount of the fees for services.

Budget 2025 proposes to lift this moratorium in the trucking industry on Royal Assent. This will allow CRA to focus on addressing non-compliance in particular for Personal Service Businesses. As per the department of finance: *"The misclassification of employees as independent contractors is of particular concern in the trucking industry."*

Home Accessibility Tax Credit

Effective: 2026 and subsequent taxation years

ITA 118.041(1) adjusted, 118.041(4) repealed. The Home Accessibility Credit is a non-refundable tax credit of up to \$20,000 of eligible home renovation expenses – specific to make improvements for a qualifying individual 65 or older or eligible for the Disability Tax Credit. The Medical Expense Credit included certain expenses that include costs to renovate a home to improve access. Currently, both credits can be claimed for the same expense.

Budget 2025 proposes to change this credit to disallow double-claiming expenses under both the Home Accessibility Tax Credit (HATC) and the Medical Expense Tax Credit (METC).

Funding of Costs – Disability Tax Credit

The government intends to lower barriers to access the Canada Disability Benefit by providing a one-time supplemental Canada Disability Benefit payment of \$150 in respect of each Disability Tax Credit certification, or re-certification, giving rise to a Canada Disability Benefit entitlement.

Increase of Limits – Tax Court of Canada

The government intends to increase certain amount limits to access the informal procedure.

Early Retirement Incentive Program – Public Service Pension Plan

Eligible public servants will be able to retire with an immediate pension based on years of service with no penalty for early retirement if they leave in accordance with and subject to the parameters of the program.

Increased Fines for Predatory Debt Advisors

Maximum criminal fines of \$100,000 for individuals and \$1 Million for corporations will be levied to those unlicensed debt advisors dispensing irresponsible advice and non-compliance with the Bankruptcy and Insolvency Act.

21-Year Rule - Trusts

Effective: November 4, 2025

ITA 104(5.8) amended. Current anti-avoidance rules will be expanded to include indirect transfers of trusts property to other trusts with the intent of avoiding the 21-year. Normally, a transfer from one trust to another would inherit the original 21-year rule. To avoid this, a trust property could be transferred on a tax-deferred basis to a beneficiary that is a corporation – owned by a new trust, thus making the transfer “indirect”. This proposal would target these types of transfers.

Canada Carbon Rebate

Effective: October 30, 2026

On April 1, 2025, a final quarterly payment was made to eligible households for the CCR, following the cancellation of the federal fuel charge. This proposal would amend the Income Tax Act to eliminate any payments of CCR related to tax returns, or adjustments, filed after October 30, 2025. In other words, it is too late now to claim any prior access to the CCR.

BUSINESS & CORPORATE TAX MEASURES

Productivity Super Deduction

Effective: Immediately

To boost productivity and attract investment, this is set of enhanced tax incentives that allow businesses to **immediately expense a larger portion of new capital investments**; specifically **machinery, equipment, technology**, and other productivity-enhancing assets, while strengthening Canada’s global competitiveness. Specifically there will be:

- **Reinstatement of the Accelerated Investment Incentive** for most capital assets. This would mean that assets acquired in 2025 would qualify to claim up to 3X the normal rate until 2029; 2x the normal rate in 2030 to 2033 and then from 2034 onward, the normal rate
- **100% immediate expensing** of the following until 2029, 75% from 2030 to 2031, 55% from 2032 to 2033 and the normal rate from 2034 onward:
 - Manufacturing and processing machinery and equipment
 - Clean energy generation, conservation equipment, and zero-emission vehicles
 - Productivity-enhancing assets (e.g., patents, data networks, computers)
 - Capital expenditures for scientific research and experimental development (SR&ED)

Immediate Expensing for Manufacturing and Processing Buildings

Effective Date: Applies to eligible property acquired on or after Budget Day (November 4, 2025) and first used for manufacturing or processing before 2030.

Overview: Budget 2025 introduces a temporary measure allowing businesses to immediately expense the full cost of eligible manufacturing or processing buildings—including qualifying

additions or alterations—in the year the property is first used, provided that at least 90% of the building’s floor space is dedicated to such activities.

Eligibility Criteria: To qualify for immediate expensing, the property must:

- Be newly acquired and not previously owned by the taxpayer or a non-arm’s-length party.
- Not have been transferred to the taxpayer on a tax-deferred “rollover” basis.

Change in Use: If the building’s use changes after immediate expensing is claimed, recapture rules may apply, potentially reversing some of the tax benefits.

Phase-Out Schedule: For eligible buildings first used after 2029, the following enhanced Capital Cost Allowance (CCA) rates apply:

- **75%** for property first used in **2030 or 2031**
- **55%** for property first used in **2032 or 2033**

No enhanced deduction is available for property first used after 2033.

Scientific Research and Experimental Development Tax Incentive Program

Effective Date: For tax years beginning on or after **December 16, 2024²**

Program Overview: Under the SR&ED tax incentive program:

- **Qualifying expenditures** are fully deductible in the year they are incurred.
- **Eligible expenditures** may also qualify for an **investment tax credit**, available at two rates:
 - **35% fully refundable credit** for **Canadian-Controlled Private Corporations (CCPCs)**
 - **15% non-refundable credit** for:
 - Corporations other than CCPCs
 - CCPCs whose expenditures exceed the enhanced credit threshold

Proposed Legislative Changes: The government intends to introduce legislation to implement the following measures outlined in the 2024 Fall Economic Statement:

- **Expenditure Limit Increases:**
 - Raise the SR&ED expenditure limit from **\$3 million to \$4.5 million**
 - Further increase the limit to **\$6 million**
 - Expand the phase-out boundaries for prior-year taxable capital:
 - Lower boundary: **\$15 million**
 - Upper boundary: **\$75 million**
- **Expanded Eligibility:**
 - Extend access to the **enhanced 35% refundable tax credit** to more **eligible Canadian corporations**
- **Capital Expenditure Restoration:**
 - Reinstate eligibility of **SR&ED-related capital expenditures** for:
 - **Income tax deductions**
 - **Investment tax credit claims**

² Date of Fall Economic Statement

Agricultural Cooperatives: Patronage Dividends Paid in Shares

Effective: Proposal to extend this measure in respect of eligible shares before the end of 2030

Overview: Tax rules were amended to permit a **temporary deferral of income tax and withholding obligations** on **patronage dividends** received in the form of **eligible shares**, including cases of **deemed disposition**.

Eligibility Conditions for Shares: To qualify as an *eligible share*, the following condition must be met: The share **must not be redeemable or retractable** within **five years** of its issuance, **except** in cases of:

- Death
- Disability
- Termination of membership

This measure supports cooperative members by deferring tax liabilities on dividends received as equity, provided the shares meet long-term holding requirements.

Critical Mineral Exploration Tax Credit

Effective: After Budget Day and on or before March 31, 2027

The Critical Mineral Exploration Tax Credit (CMETC) provides a 30 percent income tax credit to individuals who invest in eligible flow-through shares. This credit applies to specified mineral exploration expenses that are incurred in Canada and renounced to the investor.

Currently, the CMETC applies to exploration expenses related to the following critical minerals: nickel, cobalt, graphite, copper, rare earth elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, uranium, and lithium—including lithium extracted from brines.

Budget 2025 proposes to expand the list of eligible critical minerals under the CMETC. The additional minerals proposed for inclusion are: bismuth, cesium, chromium, fluor spar, germanium, indium, manganese, molybdenum, niobium, tantalum, tin, and tungsten.

Clean Technology Manufacturing Investment Tax Credit

Effective: Becomes available for use on or after Budget Day

The Clean Technology Manufacturing investment tax credit offers a **refundable 30% credit** on investments in new machinery and equipment used to produce clean technologies or to extract, process, or recycle critical minerals such as lithium, cobalt, nickel, graphite, copper, and rare earth elements. **Budget 2025** proposes to **expand eligibility** to include five additional critical minerals: **antimony, indium, gallium, germanium, and scandium**.

Investment Tax Credit for Carbon Capture, Utilization and Storage

Effective: From 2022 to 2040

The CCUS investment tax credit is a **refundable tax credit** that supports eligible expenditures related to carbon capture, utilization, and storage.

Credit Rates (2022–2030):

- 60% for capture equipment used in direct air capture projects
- 50% for other capture equipment
- 37.5% for transportation, storage, and usage equipment

Credit Rates (2031–2040):

- 30% for direct air capture equipment
- 25% for other capture equipment
- 18.75% for transportation, storage, and usage equipment

Eligibility:

The credit depends on the end use of captured CO₂. Eligible uses include dedicated geological storage and storage in concrete. **Enhanced oil recovery (EOR) is not eligible.**

Budget 2025 proposes to **extend the full CCUS credit rates by five years**, making them available for **eligible expenditures incurred from 2022 through 2035**. Expenditures from **2036 to 2040** will remain subject to the previously announced **lower credit rates**. Additionally, the government will **postpone the scheduled review** of the CCUS credit rates by five years. The review will now take place **before 2035**, instead of before 2030.

Clean Electricity Investment Tax Credit and Canadian Growth Fund

Effective: Available for use on or after Budget Day

The Clean Electricity investment tax credit is a **refundable 15% credit** on the capital cost of eligible equipment used for **low-emission electricity generation, electricity storage, and interprovincial transmission**. It is available to **taxable Canadian corporations, Crown corporations, municipal and Indigenous-owned corporations, pension investment entities, and the Canada Infrastructure Bank**. The credit may be reduced by other government assistance received.

Budget 2025 proposes two key changes:

- Add the **Canada Growth Fund** as an eligible entity.
- Exclude **Canada Growth Fund financing** from reducing the capital cost of eligible property when calculating the credit.

These measures apply to property **acquired and available for use on or after Budget Day**.

Eligible activities under the Canadian Exploration Expense

Effective: Amendment will be applied on Budget Day

Canadian exploration expenses (CEE) allow taxpayers to deduct costs related to identifying the existence, location, extent, or **physical quality** of a mineral resource in Canada. These deductions can be transferred to investors through flow-through shares, enabling a **100% immediate deduction**, and may qualify for the **Mineral Exploration Tax Credit** or **Critical Mineral Exploration Tax Credit**.

Budget 2025 proposes to clarify that expenses for assessing a mineral resource’s **economic viability or engineering feasibility** do **not qualify** as CEE. This amendment responds to a recent court ruling that interpreted “quality” more broadly under provincial law

Tax Deferral Through Tiered Corporate Structures

Effective: Will apply for taxation years on or after Budget Day

The Income Tax Act includes rules to prevent Canadian-Controlled Private Corporations (CCPCs) from deferring personal income tax on investment income. CCPCs pay an additional refundable tax on investment income, which is refunded when taxable dividends are paid to individual shareholders.

Corporate shareholders typically avoid tax on dividends through an inter-corporate dividend deduction. However, Part IV of the Act imposes a refundable tax when a corporation receives dividends from a “connected corporation” (one owning over 10% of votes and value), matching the payer’s dividend refund.

Some corporate groups use staggered year ends to defer tax by timing dividends so that the recipient’s tax liability falls in a later year than the payer’s refund claim.

Budget 2025 aims to curb this deferral strategy by suspending the payer’s dividend refund if the recipient’s balance-due date is later. Existing rules will still determine payer-recipient affiliation.

Exceptions include:

- If each recipient in the chain pays a dividend by the payer’s balance-due day, eliminating deferral.
- If the payer is undergoing an acquisition of control and pays a dividend within 30 days before the transaction.

Suspended refunds may be claimed later when the recipient pays a dividend to a non-affiliated corporation or individual.

EXCISE TAX MEASURES

Elimination of GST for First-Time Home Buyers (Bill C-4)

Effective: March 20, 2025

In a previously announced measure, the government is eliminating the Goods and Services Tax (GST) for first-time home buyers on new homes up to \$1 million and reducing the GST for first-time home buyers on new homes between \$1 million and \$1.5 million.

No GST/HST Treatment of Manual Osteopathic Services

On June 6, 2025, New Brunswick passed legislation to establish a regulatory body to govern the profession of manual osteopathy. Services supplied by qualifying manual osteopathic service

providers who are not osteopathic physicians have unintentionally become tax-exempt under the GST/HST legislation. They are taxable under the GST/HST. This will apply to supplies made after June 5, 2025, exceptions apply to those who did not charge the GST/HST.

Carousel Fraud

Effective: 2026

Budget 2025 announces proposed changes to the Excise Tax Act (the “Act”) to help prevent carousel fraud and improve the overall fairness of the Canadian tax system. Specifically, the government is proposing to introduce a new Reverse Charge Mechanism (RCM) beginning with certain supplies in the telecommunications sector.

Proposed New Rules: The proposed new RCM would apply to supplies of specified telecommunication services, which would be telecommunication services that enable:

- speech communication that is instant or with only a negligible delay between the transmission and the receipt of signals; or
- the transmission of writing, images, and sounds or information of any nature when provided in connection with services that enable such speech communication.

Remittance Requirement (Reverse Charge Rules): Suppliers, including non-residents, would not be required to collect the GST/HST payable on the supply. Recipients would be required to self-assess where the RCM applies to a supply of specified telecommunication services. If the recipient of specified telecommunication services is a GST/HST registrant at the time the tax becomes payable, the RCM tax will be eligible for an input tax credit. There will be a rebate mechanism to claim RCM tax paid in error in limited circumstances.

Suppliers must indicate on their invoices whether the services supplied are subject to the RCM and require self-reporting by the recipient.

Repeal of Underused Housing Tax (UHT)

Effective: Tax year 2025

The government’s intention to eliminate the Underused Housing Tax and related tax return filing as of the 2025 calendar year. The UHT was an annual 1% tax on the value of vacant or underused residential properties. The tax was originally aimed at non-Canadian owners, however, did impact many Canadian owners with burdensome annual tax reporting and punitive taxes. All UHT requirements continue to apply in respect of the 2022 to 2024 calendar years.

Luxury Tax on Aircraft and Vessels

Effective: November 6, 2025

The luxury tax is equal to the lesser of 10% of the total value of the subject item and 20% of the value above the relevant threshold (i.e., aircraft \$100,000, vessels \$250,000). Budget 2025 proposes to eliminate the luxury tax on aircraft and vessels, to provide relief to the aviation and boating industries and increase the overall efficiency of the luxury tax framework. However, the federal luxury tax remains for luxury vehicles. The ability to claim an eligible rebate will cease on **February 1, 2028.**

Crypto-Asset Reporting

Effective: Deferred to January 1, 2027

The OECD had developed a new framework call the Crypto-Asset Reporting Framework, or CARF to provide for automatic exchange of tax information in relation to transactions in crypto-assets. Budget 2024 proposed to implement the CARF in Canada. The provision was set to start in 2026 but will be deferred to 2027.

Reporting Requirements for Crypto-asset providers: The framework establishes reporting requirements for individuals and entities engaged in crypto transactions and holdings. This may include reporting on the acquisition, disposition, and ownership of crypto-assets, as well as the transfer of crypto-assets between parties. This includes personal information on each of their customers, for both Canadian and non-resident customers.

Investment Income Derived from Assets Supporting Canadian Insurance Risks

Effective: Tax years on or after November 4, 2025

To reduce the avoidance of tax on Canadian businesses that operate through foreign affiliates the government plans to amend the *Income Tax Act* to clarify that income derived from assets held by a foreign affiliate of a Canadian insurance company that support Canadian insurance risks is taxable in Canada.

Specifically, investment income derived from assets held by a foreign affiliate to back Canadian risks **is included in foreign accrual property income (FAPI) regardless of which entity holds those assets**. Investment income derived from assets backing Canadian risks encompasses both income from assets held to back such risks and assets included in regulatory surplus that back such risks. This clarifies the amounts are included in the Canadian tax base.

Transfer Pricing

Effective: November 5, 2025

Budget 2025 proposes to modernise Canada's transfer pricing rules to better align with the international consensus on the application of the **arm's length principle**. In addition, an interpretation rule would be added to ensure that Canada's transfer pricing rules are applied in a manner consistent with the analytic framework set out by the OECD Transfer Pricing Guidelines. Specifically: Cross-border transactions between non-arm's-length persons must be analyzed from a contractual and other "economically relevant characteristics". Two conditions must be met:

- there is a transaction or series of transactions between a taxpayer and a non-resident person with whom the taxpayer does not deal at arm's length; and
- the transaction or series (once it has been analyzed and determined) includes actual conditions different from arm's length conditions

A new definition of "**economically relevant characteristics**" and "**arm's length conditions**" will set out the main factors required for a transfer pricing analysis.

The new measures would also reduce the compliance burden placed on taxpayers by:

- increasing the federal threshold for the transfer pricing penalty from \$5 million to \$10 million transfer pricing adjustment
- Clarifying the transfer pricing documentation requirements
- Simplified documentation requirements when prescribed conditions are met
- Reducing the time to provide transfer pricing documents from 3 months to 30 days

Financial Crimes Agency

Effective: Spring 2026

As announced on October 20, 2025, Budget 2025 will leverage investments in federal law enforcement capacity to establish a new Financial Crimes Agency to be Canada's lead enforcement agency against financial crimes. This agency will be a best-in-class model that aims to unite the police and civilian expertise needed to investigate complex cases of money laundering, organised criminal activity, and online financial scams, and to recover illicit proceeds.

PREVIOUSLY ANNOUNCED MEASURES

Budget 2025 confirms that the government has considered each of the outstanding tax measures announced by the previous government and confirms that it intends to proceed with the following measures, as modified to take into account consultations and deliberations since their release.

Legislative and regulatory proposals: August 15, 2025

- Capital Gains Rollover on Small Business Investments;
- Reporting by Non-profit Organizations, subject to a deferred application date for taxation years beginning January 1, 2027 or later (the government is reviewing the feedback it received from consultations with stakeholders and will release final proposals in due course that minimise any additional administrative burden and clarify which organizations are, or are not, subject to the new requirement);
- Scientific Research and Experimental Development Tax Incentive Program;
- Crypto-Asset Reporting Framework and the Common Reporting Standard (subject to a deferred application date of January 1, 2027);
- Tax exemption for sales to Employee Ownership Trusts;
- Tax exemption for sales to Worker Cooperatives;
- Non-Compliance with Information Requests;
- Excessive Interest and Financing Expenses Limitation Rules;
- Substantive CCPCs;
- Goods and Services Tax/Harmonized Sales Tax (GST/HST) rules for the redemption of coupons;
- Technical tax amendments to the *Income Tax Act* and the *Income Tax Regulations* (subject to a deferred application date for reporting by bare trusts, so that it would apply to taxation years ending on or after December 31, 2026);
- Technical amendments to the *Global Minimum Tax Act*; and
- Technical amendments relating to the GST/HST and excise levies.

Legislative proposals: June 30, 2025

- Canada Carbon Rebates for Small Businesses are provided tax-free, and to extend the filing deadline for the 2019 to 2023 calendar years.

Announcement March 3, 2025:

- The extension of the Mineral Exploration Tax Credit announced on March 3, 2025.

Legislative proposals: January 23, 2025

- extend the 2024 charitable donations deadline.

2024 Fall Economic Statement

- Exempting the Canada Disability Benefit from Income;
- Expanding Eligibility under the Clean Electricity Investment Tax Credit to the Canada Infrastructure Bank;
- Modifying the Small Nuclear Energy Eligibility under the Clean Technology Investment Tax Credit;
- Expanding Eligibility under the Clean Hydrogen Investment Tax Credit to Methane Pyrolysis; and
- Extension of the Accelerated Investment Incentive and Immediate Expensing Measures.

Legislative and regulatory proposals: November 19, 2024:

- remove the GST on the construction of new student residences
- suspension of the Agreement Between the Government of Canada and the Government of the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital under domestic law.

Legislative and regulatory proposals: August 12, 2024:

- Alternative Minimum Tax (other than changes related to resource expense deductions);
- Disability Supports Deduction;
- Charities and Qualified Donees;
- Registered Education Savings Plans;
- Avoidance of Tax Debts;
- Mutual Fund Corporations;
- Synthetic Equity Arrangements;
- Manipulation of Bankrupt Status;
- Accelerated Capital Cost Allowance for Productivity-Enhancing Assets;
- Accelerated Capital Cost Allowance for Purpose-Built Rental Housing;
- Withholding for Non-Resident Service Providers;
- Regulations related to the application of the Enhanced (100-per-cent) GST Rental Rebate to cooperative housing corporations;
- Clean Electricity Investment Tax Credit;

- Expanding eligibility under the Clean Technology Investment Tax Credit to support generation of electricity and heat from waste biomass;
- Proposed expansion of eligibility for the Clean Technology Manufacturing Investment Tax Credit to support Polymetallic Extraction and Processing;
- Amendments to the Global Minimum Tax Act and the Income Tax Conventions Interpretation Act;
- Technical tax amendments to the *Income Tax Act* and the *Income Tax Regulations*; and
- Technical amendments relating to the GST/HST, excise levies and other taxes and charges.

Legislative and regulatory proposals: July 12, 2024:

- implementing an opt-in Fuel, Alcohol, Cannabis, Tobacco and Vaping (FACT) value-added sales tax framework for interested Indigenous governments.

Budget 2024:

- The proposed exemption from the Alternative Minimum Tax for certain trusts for the benefit of Indigenous groups announced in Budget 2024.
- The proposed increase in the Lifetime Capital Gains Exemption to apply to up to \$1.25 million of eligible capital gains announced in Budget 2024.
- Legislative and regulatory proposals announced in Budget 2024 with respect to a new importation limit for packaged raw leaf tobacco for personal use.
- Tax measures to amend the *Excise Tax Act*, the *Air Travellers Security Charge Act*, the *Excise Act, 2001* and the *Select Luxury Items Tax Act* to give effect to the proposals relating to non-compliance with information requests and to avoidance of tax debts announced in Budget 2024.

Legislative and regulatory proposals: August 4, 2023:

- Technical amendments to GST/HST rules for financial institutions;
- Tax-exempt sales of motive fuels for export; and
- Revised Luxury Tax draft regulations to provide greater clarity on the tax treatment of luxury items.

Legislative and regulatory proposals: August 9, 2022:

- Technical amendments to the *Income Tax Act* and *Income Tax Regulations*; and
- Remaining legislative and regulatory proposals relating to the GST/HST, excise levies and other taxes and charges.

Budget 2021:

- Legislative amendments to implement the Hybrid Mismatch Arrangements rules.

Income Tax Measure: December 20, 2019:

- extend the maturation period of amateur athlete trusts maturing in 2019 by one year, from eight years to nine years.

TAX FILING MILESTONES

November

Nov 1: File T1 return to qualify for automatic Canada Workers Benefits advances

Nov 5: [KB CE Summit: Year End Tax Planning](#)

Nov 10: OTB payment

Nov 20: CCB payment

Nov 23 – 26: [KB Acuity Conference in Puerto Vallarta](#)

Nov 26: CPP, OAS, GIS benefits payment date

Nov 26: Canada Veterans' Disability Benefit payment date

Nov 27: ACFB payment

Nov 30: Finish Year End Planning Review

Review matured CSB, CPB, investment portfolios. **Contact Bank of Canada Unclaimed Properties Office**

Review donations strategies, transfer of shares to charity

Year-End Disability Plan: Make RDSP contributions for disabled persons, apply for matching grants and bonds

Year-End Education Funding Review – Top up RESP. Note waiver of interest on federal student & apprentice loans to March 2024.

Year-End RRSP Review – Over-/under-contributions

December

Dec 10: Bank of Canada interest rate announcement. OTB payment

Dec 12: CCB payment

Dec 15: Final quarterly tax instalment remittances – Review income to see if necessary

Dec 15: [KB Online Training - Winter Semester Begins](#)

Dec 22: CPP, OAS, GIS benefits payment date

Dec 23: Canada Veterans' Disability Benefit payment date

Dec 30: Final tax loss selling, transfer of shares to charity

Dec 31: Farmers/fishers deadline for annual instalment remittance. Also:

- Last day to contribute to own RRSP if age 71, close FHSA.
- Make RRSP, FHSA, RESP, RDSP Contributions
- NR6 Non-residents who collect rental income or timber royalties in Canada should file this form on or before the first day of each tax year, or when the first rental payment is due.
- Last day to correct errors and omissions to 2015 T1
- Canada Child Benefits: Correct errors & omissions. Retroactive payments for the CCB can be made for 10 years.

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