2025 CANADIAN TAX UPDATE NEWSLETTER

Introduction

This newsletter summarizes some of the key updates and items I believe are worthy to share, in addition to highlighting some strategies moving forward.

I have divided this into topics, so that you can access what is of interest, by pressing on the link.

CRA Online Tools & Services

- MyAccount, MyTrust, MyBusiness, MyNonResident
- email notifications & digital mail
- Direct deposit
- CRA pre-authorized debit

Filing & Compliance

Tax reduction for first tier

- As of July 1st 2025, the lowest tax rate was reduced by one percentage point, from 15% to 14%.
- Since the tax cut was implemented halfway through the year, the CRA **applies a 14.5% tax rate for all 2025 income in tier 1.**
- The new 14% rate came into effect on January 1, 2026

2026 Federal and provincial tax brackets

Federal

Tax rate	**Taxable income threshold**
14%	on the portion of taxable income that is $58,523 or less, plus *for 2025, 14.5% tax rate is in effect*
20.5%	on the portion of taxable income over $58,523 up to $117,045, plus
26%	on the portion of taxable income over $117,045 up to $181,440, plus
29%	on the portion of taxable income over $181,440 up to $258,482, plus
33%	on the portion of taxable income over $258,482

Provincial (Ontario)

Tax rate	**Taxable income threshold**
5.05%	on the portion of taxable income that is $53,891 or less, plus
9.15%	on the portion of taxable income over $53,891 up to $107,785, plus
11.16%	on the portion of taxable income over $107,785 up to $150,000, plus
12.16%	on the portion of taxable income over $150,000 up to $220,000, plus
13.16%	on the portion of taxable income over $220,000

Provincial (Alberta)

Tax rate	**Taxable income threshold**
8%	on the portion of taxable income that is $61,200 or less, plus
10%	on the portion of taxable income over $61,200 up to $154,259, plus
12%	on the portion of taxable income over $154,259 up to $185,111, plus
13%	on the portion of taxable income over $185,111 up to $246,813, plus

Tax rate	Taxable income threshold
14%	on the portion of taxable income over $246,813 up to $370,220, plus
15%	on the portion of taxable income over $370,220

Provincial (British Columbia)

Tax rate	Taxable income threshold
5.06%	on the portion of taxable income that is $50,363 or less, **plus**
7.7%	on the portion of taxable income over $50,363 up to $100,728, **plus**
10.5%	on the portion of taxable income over $100,728 up to $115,648, **plus**
12.29%	on the portion of taxable income over $115,648 up to $140,430, **plus**
14.7%	on the portion of taxable income over $140,430 up to $190,405, **plus**
16.8%	on the portion of taxable income over $190,405 up to $265,545, **plus**
20.5%	on the portion of taxable income over $265,545

Provincial (Nov Scotia)

Tax rate	Taxable income threshold
8.79%	on the portion of taxable income that is $30,995 or less, **plus**
14.95%	on the portion of taxable income over $30,995 up to $61,991, **plus**
16.67%	on the portion of taxable income over $61,991 up to $97,417, **plus**
17.5%	on the portion of taxable income over $97,417 up to $157,124, **plus**
21%	on the portion of taxable income over $157,124

CRA e-filing window

- CRA normally opens electronic filing for T1 personal returns for the prior calendar year in late February each year.
- **CRA electronic filing services opens February 23, 2026** for 2025 returns. No returns can be filed electronically before that date.

Filing and payment deadlines for 2025 returns

For the 2025 tax year (filed in 2026), standard CRA deadlines remain;

- RRSP contribution deadline: 2 March 2026 (because 1 March 2026 is a Sunday)
- Tax return filing deadline (no self-employment or business income): 30 April 2026.
- Balance owing payment deadline: 30 April 2026.

- Self-employed (and spouse) filing deadline: 15 June 2026, but any balance owing is still due 30 April 2026.
- Deceased final tax returns;
  - If death occurred between Jan – Oct 2025, the deadline is April 30 2026
  - If death occurred between Nov – Dec 2025, the deadline is 6 months after the date of death

Interest and penalties

- Note that interest on unpaid balances starts the day after the payment due date, even if they have until June 15 to file.
- Late filing penalties (5%) and interest start to accrue on May 1 2026.

Record keeping expectations

- The CRA requires taxpayers to keep adequate documentation to support income, expenses, and credits claimed on their tax returns. Depending on what is reported, this includes receipts, invoices, bank statements, contracts, mileage logs, and supporting documents for deductions and credits.
- Records must generally be kept for **at least six years from the end of the tax year to which they relate**. If you file late, the six-year period starts from the date the return is filed.
- Records may be kept in **paper or electronic format**, provided they are complete, readable, and accessible if requested by the CRA.
- Failure to keep proper records can result in denied deductions, reassessments, penalties, or interest.
- My recommendation is to take electronic images / scans and keep them for as long as possible.

<back to topics>

Miscellaneous

Vacant unit/Home tax program (VUT / VHT)

- The Vacant Unit Tax program aims to increase the supply of housing in the different cities by encouraging residential property owners to keep their properties occupied rather than vacant, by imposing a tax rate of 1% - 4% on the property's current assessed value.
- **All residential property owners** (regardless of residency status) are required to file a mandatory occupancy declaration annually—even if it is occupied
- **The "Deemed Vacant" Risk;** if you fail to submit your declaration by the deadline, your property will be **automatically deemed vacant**, and the tax will be applied to your property tax account.
- **Vacant** is when the property is unoccupied for more than **six months** (183+ days) in a calendar year.
- Implemented for Toronto, Hamilton, Windsor, Ottawa, Vancouver
- **Approved and planned rollout underway for early 2026; Oakville**

<back to topics>

Capital gains: current rules and proposed changes

Ongoing discussions about potential **changes to the capital gains inclusion rate** have seen the proposed increase—from ½ to ⅔—deferred multiple times, from June 2024 to 2025, then to 2026, and ultimately **cancelled or placed on hold**. For the foreseeable future, no increase is expected.

Because such measures are politically sensitive and may re-emerge, any significant disposition should be assessed based on the current legislation, regulations, and effective dates applicable at the time of the transaction

<back to topics>

2026 Benefits' payment schedules

For the majority of the benefits, they are paid are paid monthly or quarterly. Keep in mind that to continue receiving the benefits, tax returns must be filed every year. The family income impacts how much benefits payment is received.

Administered by **service Canada**

- Canada Disability Benefit.
- Canada Pension plan
- Old Age Security and Guaranteed Income Supplement.

Administered by the **CRA**

- GST/HST credit.
- Canada Child Benefit (CCB).
- Ontario Trillium benefit
- Canada Workers Benefit (CWB) advance payments.

- Alberta child and family benefit
- Newfoundland and Labrador disability benefit

Check the CRA Benefits payment dates - Canada.ca for detailed dates about the payments under each program.

<back to topics>

When should teenagers start filing

It is usually a good idea to for a teenager file a tax return once they start working (even part-time or summer jobs) because:

- If any tax was deducted from their pay, they will likely get a refund.
- Filing starts their RRSP contribution room for future years.
- It sets them up in the CRA system (making it easier later for student credits, benefits, and direct deposit).

While your teenage child can file as soon as they have any income, the key ages for government "cash-back" benefits are:

- **Age 18 (Ontario Trillium Benefit)**: He should file a tax return for the year before he turns 18. This ensures he starts receiving the Ontario Trillium Benefit (OTB) as soon as he hits his 18th birthday.
- **Age 19 (GST/HST Credit)**: He should file for the year before he turns 19. The Canada Revenue Agency (CRA) will then automatically send him the GST/HST credit starting the month after he turns.

All teenagers born in 2007 should file 2024 and 2025 tax return to get the benefits. Those born before April 1st 2008, get partial benefits.

<back to topics>

What to consider when starting to collect Canada Pension plan

CPP start age guidance

CPP pension can usually start any time between age 60 and 70, with lifetime benefits reduced for early start (before 65) and increased for deferral (after 65). The increase or reduction, at what age you start pension;

- **Start at 60** (early); (up to 36% less than at 65)
- **Start at 65** (balanced approach)
- **Delay to 70** (late for the **largest lifetime benefit**); (up to 42% more than at 65).

Things to consider;

- When to consider starting after 60, if health is poor or uncertain, there is lower life expectancy, you need the income to meet basic expenses, or you intend to preserve RRSP/TFSA for later years or estate planning.

- When to consider delaying closer to 70, you are in good health with family longevity, have other income to cover near-term needs, expect to be in a higher bracket later only (so the higher CPP the higher the tax), and want longevity insurance against outliving assets.

<back to topics>

Tax Free Savings Account (TFSA)

Key benefits

- All investment earnings inside the TFSA are not taxed, which can significantly increase long-term growth.
- Unlike RRSP, money can generally be withdrawn at any time and for any purpose with no tax on the withdrawal
- Withdrawals do not impact federal and provincial benefits, as withdrawals are not counted as income for most income-tested benefits such as OAS or GIS.
- Unlike RRSPs, can keep contributing at any age and never have to collapse the account.
- Unlike RRIF, there no mandatory withdrawals:
- Unlike RRSP or RRIG, upon death, the fair market value of the TFSA on the date of death is received tax-free by the estate or named beneficiaries; it is not taxable income.

Contribution room and mechanics

- Contributions tart to accumulate form the age of 18.
- The TFSA contribution limit for 2025 is 7,000 dollars, in addition to any unused limits form prior years.
- **(caution) Current year withdrawals do NOT open room in the current year.** Amounts withdrawn in a year are added back to TFSA contribution limit in the **following calendar year, NOT added to the year of withdrawal's limit.**

Misconception

- **Overcontributions**, the CRA charges a 1% per month penalty on the excess until it is fixed. This can occur;
  - When you **put in more** than available TFSA limit,
  - **Recontributing too soon**, withdrawing and then recontributing the same amount in the same year can cause an overcontribution unless they clearly have enough unused room. **Using TFSA like a regular checking or savings account**, with frequent in-and-**out** transactions increase the risk of losing track of room and overcontributing.
  - **Relying blindly on CRA** "My Account" for the TFSA room. The available room with the CRA is at best as at the beginning of the year, current years transactions are not included. Since CRA room is not up-to-date; clients should keep their own contribution records and cross-check before adding money.

Positioning TFSA in planning

- Ideal for emergency funds and near-term goals when clients want access without tax consequences.
- Since growth is tax-free for life, it is also powerful for long-term investing alongside RRSPs.
- TFSAs are useful because unlike RRSPs and RRIFs withdrawals do not count as taxable income.

<back to topics>

Deceased, final returns and estate planning

Consult an estate advisor

Final returns and post-death returns

For a deceased person, income is split to before date of death and after date of death.

- A final T1 return must be filed for the year of death.
- Additional returns may be filed in special situations, potentially allowing income splitting across multiple returns and lower total tax others to report income earned after the date of death.

Typical year-of-death issues

- At death the CRA assumes a **deemed disposition of assets at fair market value** of most assets and capital property of the deceased.
- Since **Deemed disposition at death** triggers capital gains on most asset, **high income is generated** and taxed on the deceased's file return.
- RRSPs/RRIFs are generally fully taxable in the year of death unless rolled to an eligible spouse or financially dependent child/grandchild.
- Old Age Security (OAS), CPP/QPP, employer pensions and annuities may have special post-death and survivor provisions.

High level and generic strategies and recommendation to minimize tax impact at death, should **consult an estate / financial / investment / insurance advisor or planner**

- **Spousal rollover**; consider leaving RRSPs/RRIFs and capital property to the spouse to defer tax until the second death.
- **Reduce probate fees,** by designated beneficiaries or successor annuitants on registered plans, having property held in joint ownership with rights of survivorship.
- **Gifting or transferring** assets earlier (with caution re: attribution rules).
- **Gradual RRSP/RRIF "meltdown"**; if in relatively low brackets now but expecting a large RRIF/RRSP at death, consider higher RRIF/RRSP withdrawals or conversions to TFSA during life to smooth tax over years instead of one very high-rate year at death.
- **Using TFSAs** to shelter investment growth; TFSA growth and withdrawals are tax-free during life and on death; are excellent vehicles to hold growth assets and fund the final tax bill. When the TFSA is paid out there is no tax implications.
- **Life insurance** as a funding tool, permanent insurance can provide tax-free death benefits to fund the terminal tax bill.

- **Wills and codicils;** everyone should have a will. Keep wills updated and current and ensure alignment with your goals and wishes and beneficiary designations. Marital status changes or misalignment can create unexpected tax and probate outcomes.
- **Seek professional and specialized advise; investment, estate, law advisors.**

<back to topics>

Non-residents

The new non-resident account - electronic access

The CRA launched a new automated and online tool to access you Non-resident tax account through your Myaccount with the CRA. This service is available exclusively to account owners but not to authorized representatives. You should now be able to **add your non-resident account to your My Account**, giving you access to all related communications.

I highly recommend **adding your non-resident account to your My Account** to ensure you don't miss any important information and to stay on top of your tax matters.

When must a non-resident file a Canadian tax return

Non-residents can receive two types of income categories; each is taxed differently.

1. Income Subject to Part I Tax; **Canadian-source employment income** or **business income** performed in Canada, or **taxable capital gains from taxable Canadian property**.

2. Depending on the country of residency, certain types of income; investment income investment, OAS and CPP, pension and annuity and rental income are subject to tax withholding at the source. That would be the tax liability for this income, n o tax returns are required. In the case of investment income, if financial institutions are informed of your residency status, tax could be withheld at source, remitted to the CRA and reported on an NR4 slip and no tax return is required. In the case of rental income, it is almost always advisable to file a tax return as this would allow the claim of expenses and thus reduction of income, and a refund of extra taxes withheld and remitted.

It is extremely important that all payers as (sources of income) are informed of your residency status to ensure proper taxation.

Because non-resident rules interact with tax treaties and domestic elections, advice tailored to each non-resident is strongly recommended.

Non-resident tax slips; NR4, T4A-NR, …etc.

NR4 Slip

- Issued when **25% non-resident tax** is withheld
- This withholding is the default tax requirement for non-resident

T4A-NR

- For self-employed providing services for Canadian clients inside Canada.

(caution) Non-residents problematic slips; ex. T3, T5

These are resident tax slips and should not be issued to non-residents. If you are receiving those, you must inform your financial institutions to update your residency status and deduct the correct amount of taxes. You should reach out to your financial institution to ensure your residency status is up to date and the correct slips are issued.

It is extremely important that all payers (sources of income) are informed of your residency status to ensure proper taxation.

Non-residents with Canadian rental income (NR4 and NR6)

- Canadian **non-residents** must report **Canadian** source rental income, deduct eligible expenses (mortgage interest, property taxes, repairs, utilities, management fees, capital cost allowance, etc.).
- By default, non-resident individuals receiving Canadian rental income are subject to **25%** non-resident withholding tax on the **gross monthly rent**, which must be withheld, remitted monthly to the CRA and report annually on a special non-resident slips. This is the final tax liability if no return is filed.
- It is always **beneficial to file a tax return**, as one would be able to claim expenses against the income and taxed on net rental income. Actual tax would be lower than what was remitted to the CRA, and refund of the difference is possible.
- Through a form NR6, a non-resident and their Canadian resident agent to can elect to have tax withheld on **25% of estimated net rental income** instead of gross, provided the NR6 is approved by CRA in advance. When an NR6 is approved, the non-resident must file a Canadian section 216 rental income return to report actual net income and reconcile the taxes.
- Late monthly remittances are subject to late penalties and interests.
- Non-residents also have filing obligations where they dispose of taxable Canadian property (e.g., Canadian real estate, some shares) or have other Canadian-source income that is not fully and finally taxed via withholding.

- ****caution** All non-residents reporting Canadian rental income on their 2024 return who did not withhold or remit monthly taxes, received a note on their notice of assessments;** "*You did not report any Part XIII tax withheld on line 43700, "Total income tax deducted (amounts from all Canadian slips)" of your income tax and benefit return. You are required to have a 25% non-resident tax withheld on the gross rental income you receive from your Canadian property*." **This is a clear indicator that the CRA might start enforcing the regulation and charging interest on missed tax withholding payments.**

Filing and payment deadline

- Filing deadline for those using NR6 (tax withholding based on net income), deadline is June 30th the following year.
- Filing deadline for those NOT using NR6 (tax withholding based on gross income), deadline in two years from the end of the rental year.
- Balance owing payment deadline is April 30th of the following year.

For 2025 rental year	**Using NR6**	**No NR6**
Filing deadline	June 30th 2026	December 31st 2027

Balance owing deadline	April 30th 2026	April 30th 2026

<back to topics>

Income related topics

**** Most important is to retain all needed documents, invoices, receipts or any documentation that would prove the income and expenses reported (check [record keeping expectations]) ****

Employment expenses and T777

- Form T777 is used by employees to claim employment expenses (motor vehicle, home office, supplies, certain travel) where they are required to incur these expenses to earn income. Proper employer certification T2200 "employment conditions" is still required.
- The CRA guide on employment expenses remains the primary reference for which expenses are allowed, how to apportion between employment and personal use, and record-keeping expectations.

Self-employed, T2125 and GST/HST filing

- Self-employed individuals (including independent contractors and many gig-workers) report business or professional income and expenses on Form T2125 with their T1 return.
- Typical deductible expenses include home-office costs (on a reasonable business-use basis), vehicle expenses, supplies, advertising, professional fees, and certain capital cost allowance.
- GST/HST registration is generally required once worldwide taxable supplies exceed the small supplier threshold (commonly $30,000 in a 12-month period); once registered, periodic GST/HST returns must be filed and net tax remitted by the set due dates depending on filing frequency.

  GST/HST Filing

  - Self-employed individuals with taxable supplies over **$30,000** must register.
  - Filing frequency depends on revenue; instalments may be required.
  - This is a different process from filing the tax return.

Rental income (T776)

- Canadian residents must report **worldwide** rental income, deduct eligible expenses (mortgage interest, property taxes, repairs, utilities, management fees, capital cost allowance, etc.).
- Net rental income is taxed at the individual's marginal rates, and losses may be claimable subject to CRA scrutiny where there is limited profit motive.

<back to topics>

Canada enhanced benefit programs

One needs to file a tax return every year to receive benefits, even if there is no or little income.

Canada Disability Benefit (CDB)

- First eligibility month is June 2025, with payments began July 2025
- For the July 2025 to June 2026 period, the maximum benefit is $200 per month ($2,400 per year), indexed for inflation in later years
- Benefit amounts for July 2025–June 2026 are based on 2024 tax returns, must file tax return.
- The CDB is a recent federal monthly benefit for working-age adults with disabilities who have low income and are approved for the Disability Tax Credit (DTC).
- Eligibility requires being 18–64, resident in Canada, approved disability tax credit certificate, and within income thresholds.
- Benefit amounts are reduced as adjusted family net income exceeds specified levels, with different thresholds for singles and couples.
- Use the CRA calculator to estimate How much you could receive - Canada.ca

Canada Dental Care Plan (CDCP)

- Eligibility rules include; No other private dental insurance or coverage, family net income less than $90,000 and Canadian resident.
- The federal Canada Dental Care Plan is being phased in to provide dental coverage for uninsured Canadians with family income under certain thresholds.
- The amount a person pays for a service depends on how much they earn.

- It is not a tax credit claimed on the return; instead, it is an insurance-like coverage administered federally, but eligibility is confirmed using tax return information and income thresholds similar to other benefits.

<back to topics>

CRA Online Tools & Services

MyAccount, MyBusiness, MyNonResident, MyTrust

A secure portal that lets you view your personal income tax and benefit information and manage your tax affairs online.

I highly recommend to your own My Account, giving you better control and insight over your taxes; check for any uncashed cheques, review and manage authorized representatives, view status and details of tax return, view summary/detailed notice of assessment or reassessment, and a lot more.

Most recent additions is the automation of the non-resident account. Now you can add your non-resident tax account so that you can access it online.

CRA email notification and Canada Post

We have a had a couple of years, with issues affecting mail delivery across Canada. You can have your notice of assessment and other notices delivered to you electronically instead of paper mail. A must have.

Email notifications from the CRA let you know when important changes are made on your account and when you have mail to view in your My Account.

- You will need an email address and MyAccount to set it up.
- CRA Will notify you through an email of any changes to your personal information; address, direct deposit information, marital status, authorized representative and when a new mail is issued to you; notices of assessment / reassessment, benefit notices and adjustment notices.

CRA Direct deposit

You can register for direct deposit so that any benefits (ex. Canada Child Benefit, GST/HST, Trillium, Climate Action Incentive, refunds) are deposited directly into your bank account instead of being receive as a mailed-in check. It is faster and more reliable. You can do that by

1. Visiting you bank
2. Using MyAccount or MyCRA
3. Calling the CRA

CRA pre-authorized debit

- In some situations, individuals may need to make scheduled payments to the CRA. This can occur when:

    - payment arrangement has been set up to pay an outstanding balance, or
    - non-residents are required to withhold and remit non-resident taxes to the CRA.
- CRA My Account allows you to set up a pre-authorized debit schedule, helping ensure payments are made on time by the selected frequency, and without missed payments resulting interest and penalties.
- You can create a payment schedule by choosing the payment allocation, frequency, start date, number of payments, and payment amount.
- Payment schedules can be managed at any time, including making changes, stopping, or cancelling them.

<back to topics>