


2025 FEDERAL BUDGET



at your fingertips

Finance Minister Francois-Philippe Champagne delivered Canada’s first budget under Prime Minister Mark Carney’s leadership on November 4, 2025. Budget 2025 was built on the theme of “Building Canada strong” and separated for the first time the concepts of operational spending versus capital spending with promises to limit increases in operational expenditures and investing in Canada’s future. By investing in our future, the government has promised to grow our economy. While it is impossible to encapsulate the entire budget in a few pages, there are proposals within the Federal Budget that are important to you, your family and your business. Here are some of the highlights divided by various themes that may affect you and your family’s lives and your business as our government endeavours to reduce the deficit by approximately \$20 billion over the next five years.

Highlights	Budget Proposal	Implication of Change
 Spend Less to Invest More	<ul style="list-style-type: none">• Over the next 5 years to reduce the operational deficit to nil• Increase 100% of the deficit to capital expenditure• No promise to eliminate deficit• Investments include over the next 5 years:<ul style="list-style-type: none">• \$25B in housing• \$30B in defense and security• \$115B in infrastructure• \$110B in productivity and competitiveness• Reduction of the number of public service employees by 40,000 over the next 5 years	<ul style="list-style-type: none">• Generally the theme is that we should not expect increases to program spending but rather investments in Canada’s future• That being said, many programs are preserved that help millions of Canadians including:<ul style="list-style-type: none">• Canada Child Benefit• National School Food Program• Canada Disability Benefit• Old Age Security• Canada Student Loan and Grant Program• \$10-a-day Child Care• Canada Workers Benefit• Canada Dental Care Plan

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 <p>Middle Income Tax Cut</p>	<ul style="list-style-type: none"> • Lowest personal income tax rate reduced from 15% to 14% over the next two years for those who earn up to \$57,375 	<p>This change is expected to save individuals \$420 per year and couples \$840 per year</p>
	<ul style="list-style-type: none"> • Personal Support Workers tax credit <ul style="list-style-type: none"> • Eligible PSWs working for eligible health care establishments receive a refundable tax credit for 5% of eligible earnings • Credit capped at \$1,100 	<p>This measure is considered temporary but no timeline is provided. It is intended to provide targeted tax relief and recognition to a critical but often low-paid workforce in the health care system, in an effort to improve recruitment and retention of these essential personnel</p>
 <p>Automatic Federal Benefits (AutoFiling)</p>	<ul style="list-style-type: none"> • For certain low-income Canadians, their tax returns will automatically be filed • Targets Canadians who are required to file a tax return to receive benefits 	<p>To eliminate the barrier of tax-filing for up to 5.5 million low-income Canadians (including seniors) who often fail to file taxes because of complexity or lack of resources. The goal is to ensure they receive the vital benefits they are entitled to (like the GST/HST credit and Canada Child Benefit), directly boosting their affordability and standard of living.</p>
 <p>Productivity Super-Deduction</p>	<ul style="list-style-type: none"> • Accelerate Capital Cost Allowance to 100% (immediate expensing) for new buildings used for manufacturing and processing 	<p>To make Canada a more fiscally competitive jurisdiction for capital investment. By allowing businesses to write off the cost of new investments faster, the government lowers the effective tax burden on new business investment, incentivizing companies to purchase modern machinery, equipment, and technology to boost long-term productivity and economic growth.</p>

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 National Defence and Intelligence	<ul style="list-style-type: none"> • \$81.8 billion of cash spending over next five years including: <ul style="list-style-type: none"> • \$20.4B for Recruitment and Retention • \$19B for Defence and Infrastructure Sustainment • \$17.9B to expand military capabilities • \$10.9B for digital infrastructure and cyber defence • Represents 9x the commitment in the last budget 	<p>Part of long-term defence policy update to increase military spending to 2% of GDP by 2030 (and eventually 5% by 2035)</p> <p>This is a historic investment necessary to protect Canadian sovereignty, meet international obligations and respond to global instability</p>
 21-Year Rule for Trusts	<ul style="list-style-type: none"> • New anti-avoidance measure for trusts • Extends current anti-avoidance rule to indirect transfers 	<p>There is an anti-avoidance rule that prevents trusts from transferring to another trust to begin the 21-year clock for the deemed disposition of capital property within a trust.</p> <p>This extension of the provision will serve to close the planning opportunity where assets could be passed through a corporation owned by another trust.</p>
 Scientific Research and Experimental Development Tax Incentive Program (SR&ED Credit)	<ul style="list-style-type: none"> • In 2024 an enhanced rate of 35% was announced and the expenditure limit raised to \$4.5M from the previous \$3M • The 2025 budget proposes to raise this limit to \$6M retroactively to taxation years that begin on or after December 16, 2024 	<p>Encourage more people to buy zero emission vehicles</p>
 Investment Tax Credit for Carbon Capture, Utilization and Storage	<ul style="list-style-type: none"> • CCUS provides tax credits for the support of related eligible expenditures • Those rates were set to reduce in 2030 • The budget announced the extension of the higher tax credit rates through 2040 	<p>Rather than try to force power authorities to build cleaner energy, the government is making an effort to incentivize them to do it faster.</p>
 Disability Supports	<ul style="list-style-type: none"> • A one-time \$150 supplemental payment will be provided to help recipients of the Canada Disability Benefit (CDB) offset the cost of their Disability Tax Credit (DTC) certification or re-certification. This payment is retroactive to the launch of the CDB program. • The budget confirms the government's intention to bring forward legislation to exempt the Canada Disability Benefit from being treated as income under the <i>Income Tax Act</i>. 	<p>The supplemental payments are expected to cost \$115.7M over four years.</p> <p>Exempting the CDB from tax ensures that CDB recipients keep the full value of their benefit and do not see a reduction in other federal income-tested benefits and programs that they rely on</p>

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 <p>Ensuring Safety of Canadians</p>	<ul style="list-style-type: none"> • \$1.3B border plan including 1,000 new border agents • Hiring of 1,000 new RCMP officers • Implementing a new National Anti-Fraud Strategy • Creation of Financial Crimes Agency • Bail Reform 	<p>One of the key themes of the budget was to re-enforce that Canadians can count on feeling like they live in one of the safest countries in the world. In order to do this, a stronger approach has been adopted.</p> <p>Reinforcing borders, cracking down on organized crime and illegal trafficking and protecting Canadians across the country so that we can live, work and worship in peace.</p>
 <p>Supporting Construction, Housing Supply and Trades</p>	<ul style="list-style-type: none"> • \$115B investment over five years for infrastructure through the Build Communities Strong Fund • \$13B for Build Canada Homes over five years including \$2.8B for indigenous housing • Streamlined approvals • Expanded Union Training and Innovation Program with \$75M investment over five years • Foreign Credential Recognition Action Fund of \$97M over five years 	<p>Addressing Canada's housing shortage and using the construction industry as a driver of economic growth were key budget themes.</p> <p>In order to do that, we require more skilled workers. While training is one way to ramp up the work force, recognizing foreign credentials for skilled workers entering the Canadian workforce, including construction workers is key. The Foreign Credential Action Fund will also target the healthcare industry where there are significant shortages.</p>

 **Talk to your advisor for more advice and information on managing your finances.**

Source: *Building Canada Strong. Federal Budget 2025*

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