

February 19, 2026

# Income Tax Update 2025

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*The information presented reflects our current understanding of tax legislation and administrative practice as of the date of presentation. Changes to legislation, its interpretation, or administrative procedures may affect the accuracy or applicability of the information provided.*

*The material included is general in nature and is not intended to replace professional advice.*



# Budget 2025 / Bill C-15

# Underused Housing Tax

- Budget 2025 proposed to eliminate the Underused Housing Tax (UHT) starting with the 2025 calendar year
- To be repealed on January 1, 2025
- Included in Bill C-15 tabled November 4, 2025
- UHT still applies for 2022 to 2024
- Previous amendments to the UHTA were contained in Bill C-69 (RA-June 20, 2024):
  - Reduce penalties
  - Expansion of excluded owner to include specified Canadian corporation, partnership & trust



# Canadian Entrepreneurs' Incentive

- Budget 2024 proposed the Canadian Entrepreneurs' Incentive (CEI) that would reduce the capital gains inclusion rate to one third on the disposition of qualifying shares with the maximum being phased in \$400,000 per year starting January 1, 2025 (max \$2m)
- Budget 2025 confirmed the government will not be proceeding with the **Canadian Entrepreneurs Incentive**





# CRA lifts moratorium on penalties “fee for service reporting” for trucking industry

## Starting 2025 Tax year



The screenshot shows the top of the CRA website. It includes the Government of Canada logo and name in both English and French, a search bar, and a 'CRA sign in' button. The main content area features a breadcrumb trail, a news release title, a 'From:' line, and a 'News release' section with a date, location, and agency name. The body text discusses the lifting of a moratorium on penalties for failing to report fees for services in the trucking industry for the 2025 tax year and subsequent years.

Government of Canada / Gouvernement du Canada

Search CRA

Franglais

MENU

CRA sign in

Canada.ca > Canada Revenue Agency (CRA)

## CRA strengthens compliance in trucking sector by lifting the moratorium on T4A penalties

From: [Canada Revenue Agency](#)

### News release

December 4, 2025      Ottawa, Ontario      Canada Revenue Agency

Trucking is vital to connecting Canada’s vast and expansive territory and bridging our united economies. But tax non-compliance in the trucking sector has allowed some companies to avoid tax obligations, undercutting compliant competitors and denying workers the benefits and pensions they have earned.

To restore fairness, the Canada Revenue Agency (CRA) is making changes to improve compliance in the trucking industry.

As of today, the CRA has lifted the moratorium on penalties for failing to report fees for services for the 2025 tax year and subsequent tax years. Businesses in this sector will now be assessed penalties if they fail to report payments for services exceeding \$500 in a calendar year that are made to a [Canadian-controlled private corporation](#) in the trucking industry. These payments must be reported to the CRA in box 048 – fees for services – of the [T4A slip](#) by February 28, 2026. Since this date falls on a Saturday, an information return will be considered on time if the CRA receives it or it is postmarked on or before March 2, 2026.

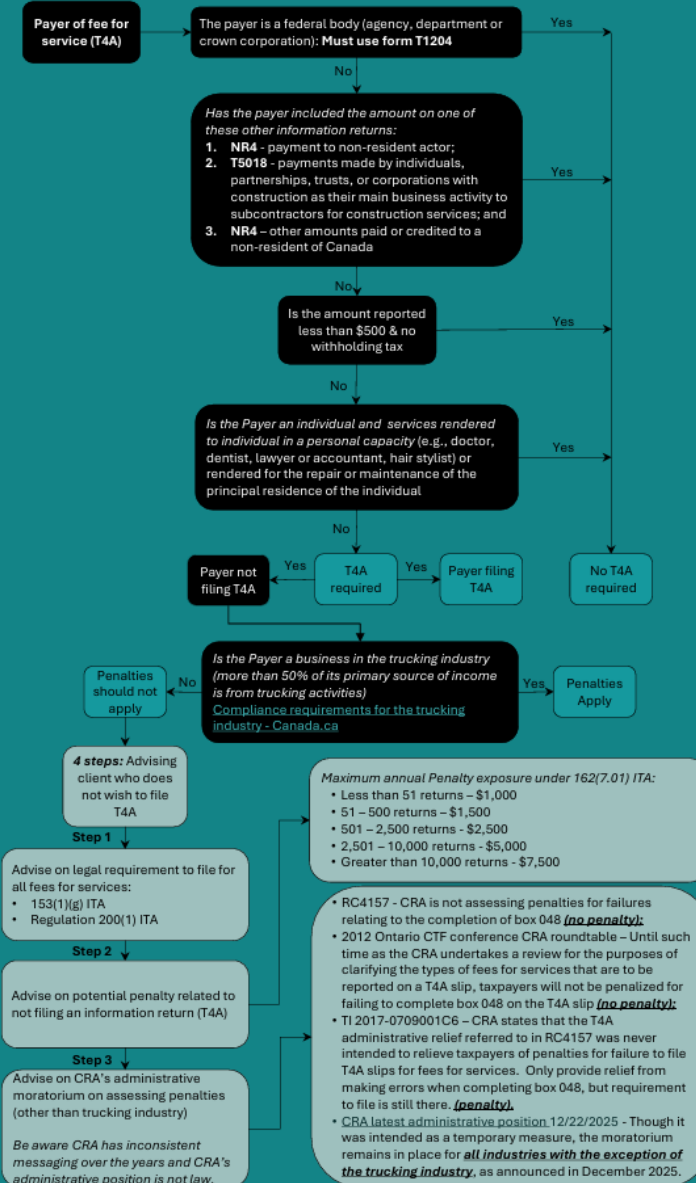
# T4A – Reporting Fee for Service

[Tax 360 - Link to T4A Flowchart](#)

## T4A Decision Tree

updated 02-07-2026

*This document is provided for general informational purposes only and does not constitute professional advice.*



# Reporting by Non-profit Organizations

## T1044 reporting – August 2025 draft legislation

Every person exempt under 149(1)(e) or 149(1)(l) must file T1044 NPO information return within 6 months, if:

- a) the total of taxable **dividends, interest, rentals or royalties in the period exceeds \$10,000;**
- b) preceding fiscal period – **total assets exceeded \$200,000;**
- c) T1044 **required to be filed for a preceding fiscal period;** or
- d) the total of all amounts each of which is an **amount received** in the period by the person, including as or on account of capital, exceeds ~~\$50,000~~–\$100,000

Subject to January 29, 2026 Consultation:

- Effective date changed - fiscal periods beginning on or after January 1, ~~2026~~2027
- \$50,000 received to \$100,000



# Reporting by Non-profit Organizations

## Short-form information returns

For NPOs (exempt 149(1)(e) & (l)) that are **not required** to file Form T1044:

- Short-form information return
  - **Activities** - a description activities, including whether it conducts activities outside Canada
  - **Financials** - the total assets, total liabilities and total amounts received for the period; and
  - **Governance** - the name and address of each director, officer or trustee

Subject to January 29, 2026 Consultation:

- Effective date changed - fiscal periods beginning on or after January 1, ~~2026~~ **2027**
- **Exception:**
  - Total amounts received  $\leq$  \$10,000
  - Not an organization
  - Required to file T1044



# Scientific Research and Experimental Development

- “expenditure limit” is used to determine the enhanced investment tax credit (35%)
  - Budget 2025 proposed to increase the expenditure limit to \$6M (from \$4.5M proposed in FES)
- Government will implement other FES 2024 changes
  - Taxable capital phase-out threshold increased to \$15M (from \$10M) with full phase-out at \$75M (from \$50M)
  - Extend eligibility to eligible Canadian public corporations
- Applies to taxation years beginning on or after December 16, 2024



# Scientific Research and Experimental Development

- Administrative changes
  - Implement an elective pre-claim approval process to provide businesses with an up-front technical approval of their eligible SR&ED projects before undertaking any work or incurring costs
  - Increasing the use of AI in program administration
  - Streamline the review process by eliminating unnecessary steps and reducing burdensome information requirements
  - Implemented as of April 1, 2026



# Alternative Minimum Tax

- August 12, 2024 technical legislation consultation
  - AMT base would exclude 50% of investment council fees
  - AMT base would allow resource deductions for flow-through shares

# Alternative Minimum Tax

## **Investment Council fees update:**

- 50% restriction for adjusted taxable income for investment council fees
- Bill C15
- Applies to 2024
- CRA – taxpayers should amend their returns



# Alternative Minimum Tax

## Resource related deduction update:

- Currently enacted legislation - 127.52(e) and (e.1) - the deduction for resource-related expenses cannot exceed the income generated from those resources in the year. If the individual's resource-related deductions are greater than their resource income, the excess is not allowed in calculating adjusted taxable income for AMT.
- August 12, 2024 proposed legislation - [Subclause 24\(3\)](#) proposed to repeal paragraphs 127.52(1)(e) and (e.1) deemed to apply to taxation years that begin after 2023
- November 4, 2005 Federal budget - Cancelled proposed Aug 12/24 repeal



# Alternative Minimum Tax

- Reminders:
  - trusts generally are not eligible for the annual AMT exemption
  - the changes to adjusted taxable income will result in trusts having to pay AMT despite having no taxable income

## Example:

- *Inter vivos* trust paying interest under a prescribed rate loan
- 50% of prescribed rate interest added back and taxed at 20.5%

# Alternative Minimum Tax



## Example: Prescribed Rate Loan Trust

### Facts:

- The trust receives a \$1,000,000 loan at the prescribed rate (assume 1% for illustration).
- The trust earns \$10,000 of interest income (e.g., from investments).
- The trust pays \$5,000 of interest expense on the loan.
- The trust allocates the net \$5,000 of income to its beneficiaries (i.e., the trust claims a deduction for the amount payable to beneficiaries, so regular taxable income of the trust is \$0).

### Regular Tax Calculation (Pre-AMT):

- Interest income: \$10,000
- Interest expense deduction: (\$5,000)
- Net income: \$5,000
- Deduction for income allocated to beneficiaries: (\$5,000)
- **Taxable income of trust: \$0**
- **Regular federal tax: \$0**



# Alternative Minimum Tax



## AMT Calculation (Post-2023 Rules):

- **Interest income:** \$10,000 (no adjustment)
- **Interest expense deduction:** Only 50% allowed for AMT purposes
  - Allowed:  $\$5,000 \times 50\% = \$2,500$
- **Net AMT income before allocation:**  $\$10,000 - \$2,500 = \$7,500$
- **Deduction for income allocated to beneficiaries:** The deduction for income allocated to beneficiaries is generally allowed for AMT purposes, so the trust can deduct \$5,000 (the amount allocated to beneficiaries). However, the AMT base is calculated after applying the 50% restriction on interest expense, so the deduction is not further restricted.

- **AMT base (Adjusted Taxable Income):**  $\$7,500 - \$5,000 = \$2,500$
- **AMT rate:** 20.5%
  - AMT payable:  $\$2,500 \times 20.5\% = \$512.50$

Net AMT income

AMT base

AMT payable:  $\$2,500 \times 20.5\% = \$512.50$

# Accelerated CCA

## Budget 2025

- Eligible M&P buildings including eligible additions or alterations
  - Temporary ***immediate expensing of 100%*** in the first taxation year that eligible property is used for manufacturing or processing
  - ***At least 90%*** of the building's floor space must be used ***for M&P***
  - Property must be acquired ***on or after November 4, 2025*** and first used in M&P ***before 2030***
  - Phased out:
    - 75% if first used in M&P in 2030 or 2031
    - 55% if first used in M&P in 2032 or 2033
  - **Not in Bill C-15**
  - **January 29, 2026 consultation**



# Accelerated CCA

- **FES 2024** - Reinstatement of the ***Accelerated Investment Incentive***, which provides an enhanced first-year write-off for most capital assets.
  - Qualifying property **acquired on or after January 1, 2025**
  - Becomes available for use before 2030
  - Phased out starting in 2030
- **FES 2024** - Immediate expensing of ***M&P equipment*** - CCA Class 53.
  - Qualifying property acquired on or after January 1, 2025
  - Becomes available for use before 2030
  - Phased out starting in 2030
- **Budget 2024** - Immediate expensing of productivity-enhancing assets, including ***patents*** (Class 44), ***data network infrastructure*** (class 46), and ***computers*** (class 50).
  - Property acquired on or after Budget Day (April 16, 2024)
  - Becomes available for use before January 1, 2027



# Accelerated CCA

- **FES 2024** - Immediate expensing of **zero-emission vehicles** - Class 54, 55, and 56.
  - Qualifying property acquired on or after **January 1, 2025**
  - Becomes available for use **before 2030**
  - Phased out starting in 2030
- **FES 2024** - Immediate expensing of **clean energy generation and energy conservation equipment** - Class 43.1 (and Class 43.2 for property acquired before 2025).
  - Qualifying property acquired on or after **January 1, 2025**
  - Becomes available for use **before 2030**
  - Phased out starting in 2030
- **FES 2024** - Immediate expensing of **capital expenditures** for **SR&ED**
  - Effective for taxation years that begin on or after the date of the FES (**December 16, 2024**)



# Accelerated CCA

- Eligible purpose-built rental projects
  - An accelerated CCA of 10% (otherwise 4%)
  - Construction begins ***after April 15, 2024 and before 2031***, and
  - Available for use before ***2036***
- These measures are contained in bill C-15

## **CRA stated they will administer the deductions**

- Tax 360 – comment from CRA posted by Ryan Minor:
  - *The T2 Schedule 8 is targeted to be updated in May 2026. Until then, taxpayers will need to manually calculate and override edits in their software to claim the correct CCA amount.*



# Bare Trust Reporting

## Finance explanatory notes:

*“This new subsection relies upon the existing trust concept of the **division of legal and beneficial ownership** and is intended, subject to the exceptions in subsection 150(1.31), to capture those arrangements that would normally constitute bare trusts **(provided those bare trusts are also express trusts under applicable law)**. This change, together with the exceptions in new subsection 150(1.31), is intended to provide more clarity on the arrangements that are subject to the reporting rules.”*

# Bare Trust Reporting

## Bill C-15

- Improved wording for bare trusts
  - “a trust includes an express trust that would not otherwise be considered a trust” (Bill C-15); versus
  - “a trust includes an arrangement under which a trust can reasonably be considered to act as agent for all the beneficiaries under the trust...” (current law)
- Coming-into-force date:
  - “taxation years that end after December 30, 2026”
  - old provision is repealed for taxation years that end after December 30, 2024



# Bare Trust Reporting - exceptions

- Family members holding a joint bank account
- A parent is on title to allow a child to obtain a mortgage
- Spouses jointly occupy a family home, but only one spouse is on title
- Partner holds property for the use or benefit of the partnership
- legal owner holds the property pursuant to an order of a court
- CRP is held for the use or benefit of one or more publicly listed companies
- tax exempt persons described under subsection 149(1) (Ex. NPO) holds funds they have received from the federal or provincial governments
- The trustee is a registered securities dealer acting in that capacity or a trust company regulated under the laws of Canada or a Province acting as an "investment entity" (as defined in subsection 270(1)), if
  - at any time, the only property in the trust is described in clauses (1.2)(b.1)(iii)(A) to (H), and
  - an information return is issued in respect of all of the income and gains of the trust to all of the beneficiaries of the trust.



# Bare Trust Reporting

## Bill C-15

- New exemptions from trust reporting (non-exhaustive):
  - Trust had been in existence for less than three months
  - Held assets with FMV < \$50k throughout the year (not limited to specific types of assets)
  - Held assets with FMV < \$250k throughout the year (limited to specific types of assets), all trustees are individuals, all beneficiaries are individuals (other than trusts) and related to each trustee, or a graduated rate estate of an individual who was related to each trustee in the year of death
    - related persons include aunts, uncles, nieces, nephews
  - Trust accounts of regulated professions for specific clients holding only money/GICs with FMV < \$250k throughout the year
  - See Tax 360 – [Trust reporting - evolution of draft legislation \(Table\) | All member community](#)



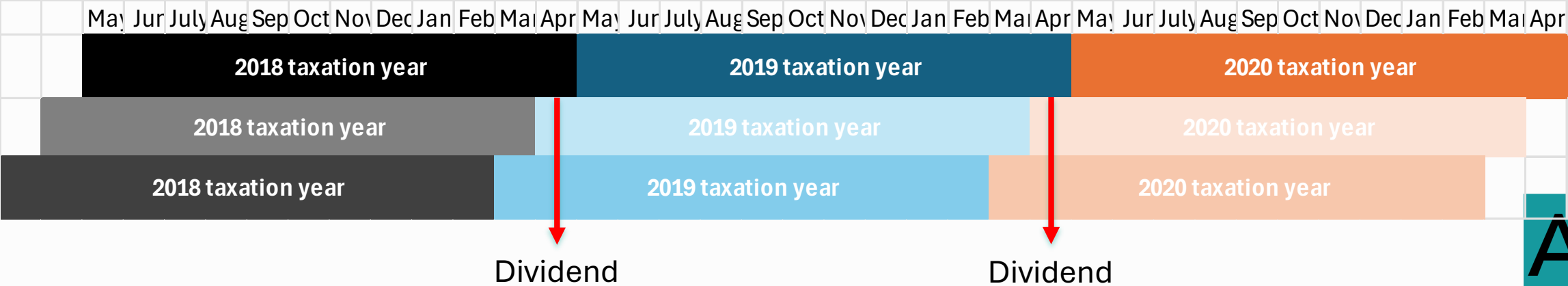
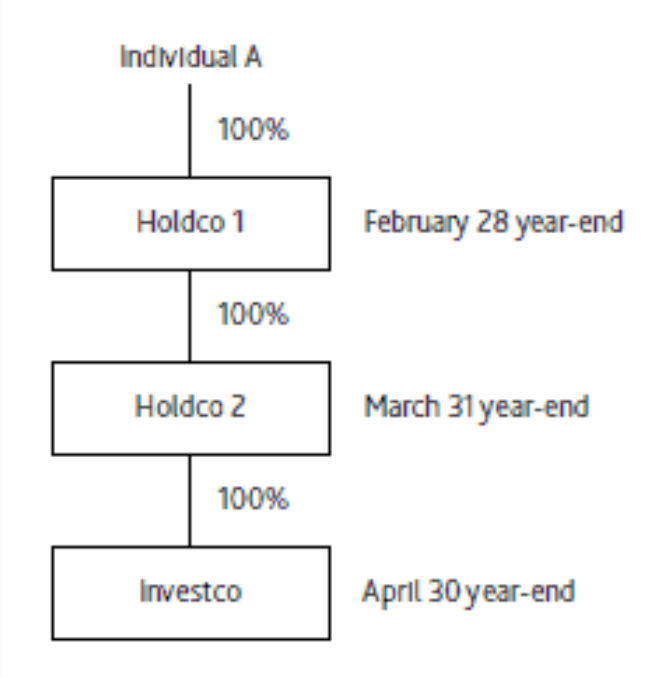
# Bare Trust Reporting

- Current definition of Settlor 17(15):
  - A "settlor" in respect of a trust at any time means any person or partnership that has made a loan or transfer of property, either directly or indirectly, in any manner whatever, to or for the benefit of the trust at or before that time, other than, where the person or partnership deals at arm's length with the trust at that time:
    - (a) a loan made by the person or partnership to the trust at a reasonable rate of interest; or
    - (b) a transfer made by the person or partnership to the trust for fair market value consideration
- Proposed definition of settlor – Reg. 204.2(3)
  - any person or partnership that has directly or indirectly, in any manner whatever, transferred property to the trust at or before that time, other than a transfer made by the person or partnership to the trust for fair market value consideration or pursuant to a legal obligation to make the transfer

# Dividend Refunds

Example:

	<i>Investco</i>	<i>Holdco2</i>	<i>Holdco1</i>	<i>Individual</i>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>
Part IV tax	100	100	100	
Refund	-100	-100	-100	
Part I tax				100
	0	0	0	100



# Dividend Refunds

- New rule will suspend dividend refund
- The dividend refund of the payor corporation would be suspended on the payment of a taxable dividend to an “affiliated” recipient corporation until a subsequent taxation year when the recipient corporation pays a taxable dividend to a non-affiliated corporation or individual
- Applies to taxation years beginning on or after November 4, 2025
- New anti-deferral rule is not included in Bill C-15
- Subject to January 29, 2026 consultation
- CPA Canada has a technical working group reviewing (submission)



# Transfer Pricing



- **Delineation-First Analysis**
  - Focus on “economically relevant characteristics” (actual conduct, economic substance, not just contracts)
  - Includes contractual terms, functions, assets, risks, property/services, economic circumstances, business strategies
- **New Definitions**
  - “Economically relevant characteristics,” “actual conditions,” and “arm’s length conditions” now defined
  - “Conditions” broadly interpreted (price, margin, profit division, etc.)
- **Alignment with OECD Guidelines**
  - Statutory rule to apply transfer pricing rules consistent with 2022 OECD Guidelines
  - “Most appropriate method” must be selected per OECD standards
- **Adjustment & Recharacterization**
  - CRA can adjust to arm’s length conditions if actual conditions differ
  - Old recharacterization test eliminated; non-recognition of transactions now in line with OECD (exceptional circumstances)



# Transfer Pricing



- **Expanded Documentation Requirements**

- More detailed, contemporaneous documentation required
- Must address property/services, participants, functional analysis, method selection, economic context, group value creation
- Deadline to provide documentation reduced to 30 days
- Simplified documentation available in some cases

- **Penalty Thresholds Increased**

- Net adjustment threshold raised from \$5M to \$10M (or 10% of gross revenue)

- **Other Changes**

- Must consider options realistically available to parties
- Emphasis on economic substance and actual conduct

- **Effective Date**

- Applies to taxation years/fiscal periods beginning after November 4, 2025 (date verified)



# Personal Support Worker Tax Credit

- Eligible health care establishment
  - Hospital, care facilities (nursing, residential, community elderly), home health care and similar regulated health care establishments
- Eligible personal support worker
  - performs ***duties of employment*** in the capacity of a ***personal support worker*** for an ***eligible health care establishment during the taxation year***
  - ordinarily provides one-on-one care and essential support to optimize and maintain another individual's health, well-being, safety, autonomy and comfort consistent with that other individual's health care needs ***as directed by a regulated health care professional or a provincial or community health organization***; and
  - ***main duties of employment*** include assisting individuals with activities of daily living and mobilization



# Personal Support Worker Tax Credit

- Refundable credit equal to lessor of:
  - \$1,100
  - 5% of yearly eligible remuneration
- Yearly eligible remuneration:
  - Employment income of an eligible personal support worker for an eligible health care establishment ***in a province other than NL, NWT and B.C.*** (AND)
  - Certified by employer in prescribed form
- Some specific situations with additional rules
  - Bankruptcy
  - Death
- Five-year temporary measure – 2026 to 2030
- **Does not apply in 2025**



# Automatic Tax Filing

- The Minister may file a PTR for a Canadian resident if the following conditions are satisfied:
  - (a) individual has not notified the Minister to not file;
  - (b) individual has not filed a return in immediately preceding 3 years;
  - (c) individual has not filed a return on or before 90 days after the filing-due date;
  - (d) all of the individual's income was filed with CRA on information returns;
  - (e) individual's taxable income does not exceed (BPA, Age + Pension credits)
    - the lower of Provincial or Federal
  - (f) CRA notified individual of filed return and the individual has not, within 90 days of notice:
    - (i) filed a return, or
    - (ii) notified CRA of corrections that would increase the individual's taxable income beyond the threshold in paragraph (e); and
  - (g) the individual meets other conditions as determined by CRA
- If automatically filed – conditions met – deemed filed
- If automatically filed – conditions not met – deemed not filed

Applies  
starting 2025  
tax year



# Losses by Estates

- Eliminates double taxation on death
- Allows a loss to be carried back from GRE to final return
- Current legislation – “within the first taxation year of the estate”
- ***Proposed legislation – “within the first three taxation years of the estate”***
- NWMM – November 4, 2025 (*Budget 2025 Implementation Act, No 1*)
- Bill C15 – Introduced November 18, 2025

# Capital Gains Rollover

- Section 44.1 provides a capital gain rollover where an individual has made a “qualifying disposition” and reinvested proceeds on or before 120 days after the end of the year in common shares issued from treasury by an “eligible small business corporation” that, immediately before and after the share was issued, had a total carrying value of assets (with related corporations) of \$50M or less

## Fall Economic Statement

- Time to buy replacement share increased to the end of the following calendar year
- Replacement shares can be preferred shares issued from treasury
- Company (and related corporations) can have carrying value of \$100M or less
- Effective for dispositions on or after January 1, 2025

**Included in C-15**



# Other Outstanding Measures

- Government will proceed with:
  - Amendments to clean economy tax credits
    - **expand eligibility for the Clean Technology Manufacturing** investment tax credit to support polymetallic extraction and processing
    - **expand eligibility for the Clean Technology** investment tax credit to support generation of electricity and heat from waste biomass
- Clean Electricity Investment Tax Credit
- **Included in Bill C-15**

# Other Outstanding Measures

- Government will proceed with:
  - “non-compliance with information requests” (presumably the new CRA audit powers)
  - **Not included in Bill C-15**

# Liberal Campaign Promises Not In Budget

- expert review of the corporate tax system “based on the principles of fairness, transparency, simplicity, sustainability, and competitiveness”
- tax incentives for building Multi-Unit Rental Buildings (MURBs)
- flow-through share program for companies in AI, quantum computing, biotech and advanced manufacturing
- AI adoption tax credit for small and medium sized businesses
- the “patent box”



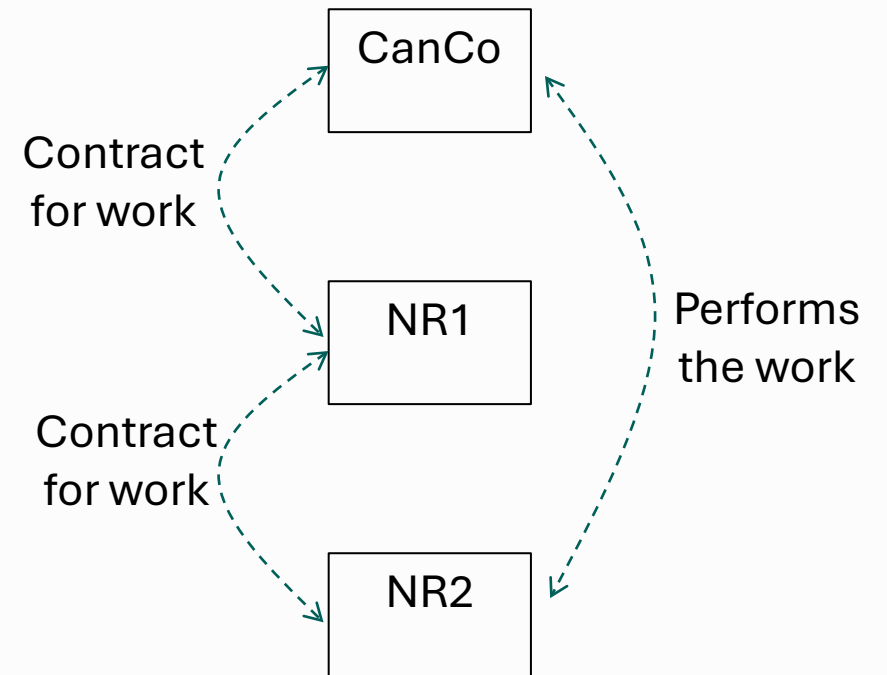
# Administrative Reminders

- New Voluntary Disclosures Program effective October 1, 2025
  - More generous than previous program
  - Two categories: prompted versus unprompted
- Digital by Default for business taxpayers
  - Business taxpayers may have been switched to digital because they had a representative with online access
- T1 accounts – representative access
  - No longer able to efile authorization form third party software
- EFILE renewal
  - Specify that software program(s) that will be used to submit returns



# Regulation 105

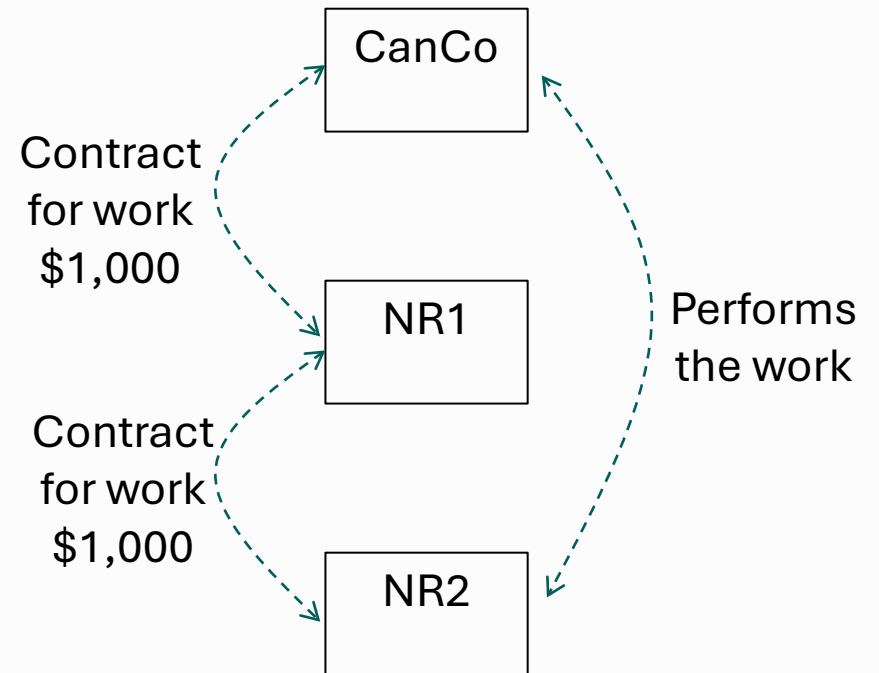
- Regulation 105 requires that every person who pays to a non-resident a fee, commission or other amount “in respect of” services rendered in Canada deduct or withhold 15% of such payment
- Consider the following situation
  - Non-resident taxpayer (NR1) enters into contract to perform some work in Canada
  - NR1 subcontracts the work to NR2 which does the work in Canada
  - NR1 withholds and remits Regulation 105 withholding (15%)
  - NR1 gets reimbursed for NR2’s fee from customer



# Regulation 105

- CRA changed its position to require withholding on subcontract pmts
- CPA Canada (and others) brought up inequities with this approach
- CRA agreed to follow old administrative position until June 30, 2026 (no Regulation 105 withholding for customer)

[Tax Insights: Recent developments for Regulation 105 withholding \(subcontractor fee reimbursements and waivers\) | PwC Canada](#)



**Thank you**  
Questions?

