Year-end tax planner

Helping individuals and owner-managed businesses save tax

October 27, 2025

The Year-end tax planner is designed primarily for individuals who have accumulated some wealth or own their own businesses (large or small).

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What's new?

Federal

Personal income tax rates – lowest rate decreasing from 15% to 14.5% for 2025 and to 14% for 2026 (p. 5)

Capital gains inclusion rate – will remain at ½ (the proposed increase to ⅔ will no longer proceed) (pp. 39, 40)

Accelerated first year capital cost allowance (CCA) deductions – enhanced first-year CCA deduction proposed for eligible property that is acquired and becomes available for use after 2024 and before 2034, including a 100% CCA deduction for eligible manufacturing and processing (M&P) and specified clean energy equipment and zero-emission vehicles acquired and available for use before 2030 (p. 10)

Scientific research and experimental development (SR&ED) – SR&ED tax incentive program significantly enhanced for taxation years beginning, and property acquired, after December 15, 2024 (pp. 12, 16)

Voluntary disclosures program (VDP) – revised and improved for VDP applications made after September 30, 2025 (pp. 13, 14)

Canada Revenue Agency (CRA) online mail – CRA switched to online mail for most business communications (p. 13)

Trade tariffs and government support – in response to various US tariffs imposed on Canadian imports to the United States, the Canadian government has imposed surtaxes on certain US-origin steel and aluminum goods and fully assembled vehicles imported into Canada, and are providing government support to certain Canadian business sectors (pp. 33, 36)

Provincial/territorial

Corporate income tax rates (pp. 9, 41)

- Nova Scotia – small business rate decreased from 2.5% to 1.5% and small business threshold increased from $500,000 to $700,000 on April 1, 2025
- Prince Edward Island – general corporate rate decreased from 16% to 15% and small business threshold increased from $500,000 to $600,000 on July 1, 2025

Personal income tax rates (p. 40)

- Alberta – new $60,000 tax bracket (with 8% rate), starting 2025
- Manitoba – starting 2025, basic personal amount is phased out for individuals with income exceeding $200,000
- Nova Scotia – non-eligible dividend rates increased in 2025
- Prince Edward Island – income tax rates changed in 2025

Nova Scotia HST rate – decreased from 15% to 14% on April 1, 2025

Online mail – Alberta Tax and Revenue Administration and Revenu Québec transitioning to online mail for most business communications (p. 13)

Ontario made manufacturing ITC – rate and eligibility temporarily enhanced for property acquired and available for use after May 14, 2025 (p. 15)

Quebec SR&ED – SR&ED tax credits are consolidated into one new tax credit for R&D, innovation and pre-commercialization (p. 16)

Year-end tax planning checklists

Working with your PwC adviser is essential when considering the following year-end tax planning tactics.

In addition to tax considerations, your financial plan should reflect investment philosophies, sound business practices and motivational goals. Owner-managers should ensure that sufficient funds are retained to meet business objectives; given the uncertainty in the economic environment, cash flow management is especially important.

On November 4, 2025, the federal government will release its 2025 budget. Please refer to our 2025 federal budget *Tax Insights*, which will be available at www.pwc.com/ca/budget, for details of new tax initiatives that may be relevant for you or your business.

Owner-managed businesses

- ☐ **Salary/dividend mix** – Determine the preferred mix of salary and dividends for you and other family members for 2025.
  - ☐ Salaries to family members – Pay a reasonable salary to a spouse or child who is in a lower tax bracket and provides services to your business. This also allows family members to have earned income for CPP, RRSP and childcare expense purposes. You must be able to substantiate that the family member has actually performed services that are commensurate with their remuneration.
  - ☐ Dividends to family members – Consider paying dividends to adult family members who are shareholders in your company and in a lower tax bracket, but be mindful of the “tax on split income” (TOSI) rules (see below), which will affect this strategy. Individuals with no other income can receive up to approximately $76,000 in dividends without triggering any income tax, depending on the individual's province or territory of residence and the ability of the corporation to pay eligible dividends. Note that this strategy may increase the dividend recipient’s alternative minimum tax (AMT) exposure.
  - ☐ “Income sprinkling” and “tax on split income” (TOSI) – “Income sprinkling” (i.e. shifting income that would otherwise be realized by a high-tax rate individual – for example through dividends or capital gains – to low- or nil-tax rate family members) among family members using private corporations is subject to the TOSI rules, which can cause income to be taxed at the highest marginal tax rate. You must consider whether non-salary amounts received by your family members are subject to TOSI. Consult your PwC adviser to review the “income sprinkling” and TOSI rules; and discuss strategies to ensure amounts received by a family member will not be subject to TOSI.

- ☐ Consider all relevant factors, including the owner-manager's marginal tax rate, the corporation's tax rate, provincial health and/or payroll taxes, RRSP contribution room ($187,833 of earned income in 2025 is required to maximize RRSP contributions in 2026), CPP contributions and other deductions and credits (e.g. for childcare expenses and donations).

- ☐ Alternative minimum tax (AMT) – Be aware that significant changes to the federal AMT regime have increased the complexity of the AMT calculation and make it difficult to determine when AMT applies to you, for taxation years beginning after 2023. Contact your PwC adviser to discuss how these and corresponding provincial AMT changes could affect your 2025 year-end planning options. See our *Tax Insights* "Changes to the alternative minimum tax are enacted: How will it affect individuals and trusts starting 2024?" at www.pwc.com/ca/taxinsights.

- ☐ If you do not need cash, consider retaining income in the corporation.

  - Tax is deferred if the corporation retains income when its tax rate is less than the individual owner-manager's rate. See **Table 1** on page 37 if the owner-manager is taxed at the top marginal tax rate. However, also consider the rules that can reduce the small business deduction if a passive investment portfolio is accumulated within a private company (see "Passive investments" below), which can reduce the benefits of this strategy.

  - In times of economic uncertainty, retaining income in the corporation will help its cash flow and allow the corporation to have income and pay corporate tax that may be recovered by possible future business losses.

  - Consider the effect of retaining income in the corporation on corporate share value for estate and shareholder agreement purposes, as well as possible exposure of retained funds to ongoing business risks.

- ☐ All provinces and territories – Be aware that:

  - the lowest federal marginal personal income tax rate is proposed to decrease from 15% to 14.5% for 2025, and then to 14% for 2026

  - distributing dividends that trigger a refund of "eligible refundable dividend tax on hand" (ERDTOH) or "non-eligible refundable dividend tax on hand" (NRDTOH) may not be a cash positive transaction, if you are subject to the top personal tax rate and live in:

    - Alberta, British Columbia, Manitoba, New Brunswick, Prince Edward Island, Saskatchewan or the Yukon – for non-eligible dividends

    - Newfoundland and Labrador, Nova Scotia, Ontario or Quebec – for eligible and non-eligible dividends

  This is because the dividend refund rate (i.e. 38 1/3%) is less than or equal to the top personal tax rate on the dividends (see **Table 3** on page 40). However, also consider the rules that target tax advantages achieved if a passive investment portfolio is accumulated within a private company (see "Passive investments" below).

☐ **Passive investments** – Be aware that the small business deduction (SBD) for a year of a Canadian-controlled private corporation (CCPC) that (together with associated CCPCs) earns more than $50,000 of passive investment income in the previous year will be reduced by $5 for every $1 of that investment income over $50,000 (it is eliminated at $150,000 of investment income). As a result, the tax advantages of accumulating a passive investment portfolio within an active private corporation are reduced. Contact your PwC adviser to discuss how these rules affect you and how you can plan to minimize their effects on your business.

To minimize the impact of these passive investment rules, consider:

- ☐ ensuring that passive investment income within your associated corporate group does not exceed $50,000 in a year
- ☐ deferring the sale of portfolio investments with accrued capital gains if passive investment income approaches the $50,000 threshold in a given year
- ☐ investing in alternative investment vehicles (i.e. certain life insurance policies and individual pension plans, which should not be subject to these rules)
- ☐ structuring your operations to earn more income in New Brunswick or Ontario, to benefit from those provinces' small business tax rate (New Brunswick and Ontario do not parallel the federal rules on passive investment income)

☐ **Substantive CCPCs –** Be aware that a private corporation resident in Canada that is not a CCPC and that is controlled, directly or indirectly, by one or more Canadian resident individuals (or would, if each share of a corporation that is owned by a Canadian resident individual were owned by a particular individual, be controlled by the particular individual), is considered a "substantive CCPC" and is treated similarly to a CCPC for purposes of its investment income taxation. Contact your PwC adviser to discuss how these rules may affect you and how you can plan to minimize their effects on your business.

☐ **Dividend tax regime –** Understand how the dividend tax rules affect dividend distributions.

- ☐ To the extent possible, designate dividends (or any portion of a dividend) as eligible dividends. Private companies must make the designation at the same time as, or before, payment of the eligible dividend. Late eligible dividend designations may be accepted in certain cases, if made within three years after the day the designation was first required to be made.
- ☐ Consider electing to treat all, or part, of any excess eligible dividend designation as a separate non-eligible dividend, to avoid the 20% penalty tax on the excess.
- ☐ Canadian-controlled private corporations (CCPCs)
  - Determine the CCPC's ability to pay eligible dividends in the year by estimating its general rate income pool (GRIP) as at its year end.
  - Consider distributing dividends in the following order:[a]
    1. Eligible dividends that trigger an ERDTOH refund, to the extent the corporation has an ERDTOH balance.[b]
    2. Non-eligible dividends that trigger an NRDTOH refund.[b]
    3. Eligible dividends that do not trigger an ERDTOH refund.
    4. Non-eligible dividends that do not trigger an NRDTOH refund.

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[a] However, depending on the jurisdiction of residence, paying non-taxable capital dividends should be the first, second or third preference.

[b] Distributing dividends that trigger a refund of ERDTOH or NRDTOH may not be a cash-positive transaction. See page 5 for more information.

- Consider making the election that permits a CCPC to be treated as a non-CCPC for purposes of the dividend tax regime. For a newly incorporated CCPC that is expected to earn only active business income and will not benefit from the small business deduction, this would eliminate the need to calculate and monitor its GRIP before paying eligible dividends.
- A CCPC that will become a non-CCPC (i.e. planning to go public or become controlled by non-residents) should consider the effect of the federal dividend tax rules, as well as the deemed year-end rules.

☐ Non-CCPCs

- Determine whether the non-CCPC must pay non-eligible dividends before it can pay eligible dividends, by computing its low-rate income pool (LRIP) immediately before payment of the dividend.
- A non-CCPC that will become a CCPC should consider the effect of the federal dividend tax rules, as well as the deemed year-end rules.

☐ **Canadian Entrepreneurs' Incentive (CEI)** – Structure the business, if eligible, so that the shares of your small business corporation, and your farm or fishing properties, become eligible for the CEI, which is proposed to be effective starting 2025. The CEI reduces the inclusion rate (from ½ to ⅓) on up to $2 million of capital gains per individual during their lifetime (the $2 million will be phased in over five years in annual increments of $400,000) and will apply in addition to the lifetime capital gains exemption (LCGE, discussed below under QSBC share status). Discuss the complexities with your PwC adviser.

☐ **Qualified small business corporation (QSBC) share status**

☐ Structure the business so that corporate shares become or remain eligible for the $1.25 million (to be indexed after 2025) LCGE, which is available to all individuals. Discuss the complexities with your PwC adviser.

☐ Intergenerational business transfers – if you are contemplating the sale of your business, family farm or fishing corporation to a corporation owned by your children or grandchildren, discuss with your PwC adviser what additional conditions must be met to ensure that the transfer is eligible for the LCGE.

☐ Recognize that forgoing bonus and/or dividend payments and stockpiling passive investments could cast doubt on whether substantially all of the assets of a CCPC are used in an active business, in turn jeopardizing the ability to claim the LCGE, among other things. Consider restructuring to allow excess funds to be moved on a tax-deferred basis out of the operating company to preserve access to the LCGE (e.g. by segmenting investment assets into a separate entity) – contact your PwC adviser to discuss how this might be accomplished on a tax-efficient basis.

☐ Consider crystallizing the LCGE and/or restructuring to multiply access to this exemption with other family members. This may be of particular interest if your business is expanding and becoming successful outside of Canada. Contact your PwC adviser to discuss if this would benefit you.

☐ A cumulative net investment loss (CNIL) may reduce your ability to use your remaining LCGE. To reduce or eliminate any CNIL, consider receiving dividends and interest income, instead of salary, from your company.

- ☐ **Cash flow management –** Recognize that managing your business cash flow is critical, especially in times of economic uncertainty. For example, to reduce working capital cash outflows, reduce or defer tax instalments (if lower taxable income is expected), maximize federal and provincial refundable and non-refundable tax credits (e.g. SR&ED investment tax credits and film, media and digital incentives), trigger capital losses to recover tax paid on capital gains in previous years, and recover any income, sales or customs tax overpayments from previous years.

- ☐ **Remuneration accruals –** Accrue reasonable salary and bonuses before your business's year end. Ensure accrued amounts are properly documented as being legally payable at the business's year end and are paid within 179 days after the business's year end, and that appropriate source deductions and payroll taxes are remitted on time following payment of the remuneration.

- ☐ **Retirement compensation arrangements (RCAs) –** Consider setting up an RCA to help fund your retirement.

- ☐ **Employee profit sharing plans (EPSPs) –** Consider setting up an EPSP as an alternative to paying bonuses.

- ☐ **Retirement income**

  - ☐ If you are retaining funds in your company to save for your retirement, consider other saving options (e.g. RRSPs, TFSAs) to manage the negative implications of the passive investment rules that target the accumulation of passive investment income within a private company (see "Passive investments" on page 5).

  - ☐ Consider setting up an individual pension plan (IPP) as a means of enhancing retirement income.

- ☐ **Employee ownership trusts (EOTs) –** If you are contemplating a transfer of ownership to your employees, discuss with your PwC adviser whether you should consider using an EOT (the first $10 million of capital gains realized on the sale of a business to an EOT can be tax-exempt, for qualifying dispositions of shares that occur before 2027).

- ☐ **Employee stock options –** Be aware that only the employer or employee (not both) can claim a tax deduction for cashed-out stock options. For options that are not subject to the $200,000 annual vesting limit rules, the company must file an election if it chooses to forgo the tax deduction.

- ☐ **Remote workforce –** If employees continue to work remotely, consider what functions they perform, and from where, and discuss with your PwC adviser the implications that a remote workforce may have on the structure of compensation, taxable benefits, payroll and payroll tax, corporate tax and immigration.

- ☐ **Personal services business (PSB) –** If you earn service income in a corporation, consider whether your business could be considered a PSB by the Canada Revenue Agency (CRA). Contact your PwC adviser to discuss whether the PSB rules apply and the tax implications if your company is a PSB.

- ☐ **Donations –** Make charitable donations and provincial political contributions (subject to certain limits) before year end. (Also, see "Charitable donations" on page 21 in the **Investors** checklist.)

- ☐ **Employment insurance (EI) premium rebate –** Determine whether your business qualifies for a reduction to the employer EI premium rate. To be eligible, the business must offer its employees a wage-loss replacement plan for short-term disability.

- ☐ **EI premiums for owners or related persons –** Consider whether owners (or those related to the owners) are engaged in insurable employment. If they are not, they may not be required to make EI premium payments.

- ☐ **Corporate withdrawals** – Make tax-effective withdrawals of cash from your corporation (e.g. by paying tax-effective dividends or non-taxable capital dividends, returning share capital or repaying shareholder loans).
  - ☐ Consider strategies to reduce the effective rate of tax on corporate withdrawals. Contact your PwC adviser to discuss these strategies and the implications, if any, of postponing their implementation to 2026.
  - ☐ Capital dividend account – If your company has a capital dividend account balance, consider paying non-taxable capital dividends and pay them before triggering any accrued capital losses on the sale of corporate assets.
- ☐ **Corporate income**
  - ☐ General rate – If your company is subject to Prince Edward Island's general and M&P tax rate, consider deferring income to after 2025 by maximizing discretionary deductions (e.g. capital cost allowance) in 2025, because Prince Edward Island's general and M&P tax rate decreased from 16% to 15% on July 1, 2025.
  - ☐ Small business rate
    - If your company is entitled to the small business rate in Nova Scotia or Prince Edward Island, consider deferring income to after 2025 by maximizing discretionary deductions in 2025, because:
      - Nova Scotia's small business tax rate decreased from 2.5% to 1.5% and its small business threshold increased from $500,000 to $700,000 on April 1, 2025
      - Prince Edward Island's small business threshold increased from $500,000 to $600,000 on July 1, 2025
    - Quebec CCPCs should review the eligibility criteria to ensure they qualify for Quebec's CCPC tax rate and consider how to minimize this rate. To be eligible, Quebec CCPCs are required to meet the "activities" test or "hours paid" test. For example, Quebec CCPCs should consider structuring their operations to increase the percentage of activities attributable to manufacturing and processing (M&P) and the primary sector (based on M&P and primary sector labour costs) to help meet the "activities" test. See footnote 5 of **Table 4** on page 41 for more information.
- ☐ **Final corporate tax balances** – Pay final corporate income tax balances and all other corporate taxes imposed under the *Income Tax Act* within two months after year end (three months for certain CCPCs), to avoid non-deductible interest charges.
- ☐ **Avoidance transactions and mandatory disclosure** – Report to the CRA:
  - ☐ "avoidance transactions" meeting certain conditions
  - ☐ "notifiable transactions" (five types of transactions have been officially designated for this purpose), and
  - ☐ "uncertain tax treatments"

  Contact your PwC adviser to discuss any transactions which might be reportable to the CRA.

  Certain provinces also require disclosure of certain aggressive tax avoidance transactions (e.g. Quebec's equivalents to the federal reportable and notifiable transactions regimes).
- ☐ **Beneficial ownership registers** – Discuss with your PwC adviser whether your privately held corporation is required to maintain a "transparency register" of individuals with significant control over the company, if it is incorporated:

- ☐ federally, under the *Canada Business Corporations Act* (note that the federal government also has a publicly accessible beneficial ownership registry of federally governed privately held corporations), or
- ☐ provincially in British Columbia (a publicly accessible beneficial ownership registry of privately held BC corporations is also expected to be launched soon), Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan and, effective June 1, 2025, in the Yukon.

Be aware that, in Quebec, most Canadian and foreign businesses (incorporated and unincorporated) are required to disclose their “ultimate beneficiaries” to the publicly searchable Registraire des entreprises du Québec (REQ).

☐ **Depreciable assets**

- ☐ Accelerate purchases of depreciable assets and ensure that they are available for use at year end.
- ☐ Take advantage of the Accelerated Investment Incentive (AII), which allows an increased first-year CCA deduction for eligible depreciable assets acquired after November 20, 2018 and available for use before 2028 – generally applies to all capital property subject to the CCA rules, except M&P and specified clean energy equipment, which are subject to their own enhanced CCA deduction (see below). The AII is being phased out for property that becomes available for use after 2024 and before 2028. However, there is a federal proposal to reinstate the AII for qualifying property acquired after 2024 and that becomes available for use before 2030, with the increased first-year AII deduction gradually phased out for property that becomes available for use after 2029 and before 2034.
- ☐ Purchase eligible M&P and specified clean energy equipment (after November 20, 2018) and, in the year it becomes available for use, take advantage of an enhanced CCA deduction of, for equipment that becomes available for use:
  - after 2023 and before 2026, 75%
  - after 2025 and before 2028, 55%

  There is a federal proposal to reinstate the 100% CCA deduction for eligible M&P and specified clean energy equipment acquired after 2024 and that becomes available for use before 2030, with the 100% first-year CCA deduction phased out for property that becomes available for use after 2029 and before 2034. (Also, note that provincial M&P investment tax credits [ITCs] may apply to your purchase.)
- ☐ Purchase eligible zero-emission passenger vehicles (after March 18, 2019, or, for eligible zero-emission automotive equipment not designed for use on highways or streets, after March 1, 2020) and, in the year they first become available for use, take advantage of an enhanced CCA deduction of, for vehicles/equipment that become available for use:
  - after 2023 and before 2026, 75%
  - after 2025 and before 2028, 55%

  There is a federal proposal to reinstate the 100% CCA deduction for eligible zero-emission vehicles acquired after 2024 and that become available for use before 2030, with the 100% first-year CCA deduction phased out for property that becomes available for use after 2029 and before 2034.

- ☐ Purchased property in 2025 that is eligible for CCA class 44, 46 or 50 (i.e. patents, certain data network infrastructure equipment and general-purpose electronic data processing equipment and related system software) to benefit from a proposed measure that allows you to claim an immediate write-off (i.e. 100% CCA deduction), for property that becomes available for use before 2027.
- ☐ If you own a residential rental property business, accelerate the start of any planned new eligible purpose-built rental projects to take advantage of a proposed accelerated CCA deduction of 10%, for projects that begin construction after April 15, 2024 and before 2031, and are available for use before 2036.
- ☐ Quebec CCA – Note that Quebec generally parallels the federal measures that provide increased first-year CCA deductions on eligible depreciable property, as described in the points above.
- ☐ Consider delaying the sale of a depreciable asset that will result in recaptured depreciation until after your 2025 taxation year end.
- ☐ Discuss with your PwC adviser the merits of making a special election to treat leased fixed assets as purchased under a financing arrangement.

☐ **Reserves** – Identify and claim specific reserves for doubtful accounts receivable or inventory obsolescence.

☐ **Business income reserve** – If you sold goods or real property inventory in 2025 (or the two preceding years) and proceeds are payable after the end of the year, you may be able to defer tax on related profits by claiming a reserve over a maximum of three years.

☐ **Intangibles** – If capital losses are available, discuss with your PwC adviser the potential benefits of recognizing capital gains on intangible assets to use these losses. A portion of the increased cost base of the intangible asset may be deducted in the future in determining taxable income.

☐ **Dispositions** – Consider deferring, until after year end, planned dispositions that will result in income.

☐ **Intercompany charges**

- ☐ Ensure charges are reasonable given changes in the economy and in the facts or circumstances related to the transactions.
- ☐ Consider adjustments to intercompany charges to reduce overall taxes paid by the related group. For example, charge reasonable mark-ups for services provided by related corporations.

☐ **Capital gains reserve** – If you sold, or will sell, capital property in 2025 and received proceeds that include debt, you may be able to defer tax on part of the capital gain by claiming a capital gains reserve over a maximum of four years, which results in the capital gain being included in income over a maximum of five years.

☐ **Foreign exchange** – Consider triggering a foreign exchange loss that is on account of capital before year end, to offset capital gains in the current or previous three years.

☐ **Shareholder loans to your corporation** – Determine whether your corporation would benefit from deductible interest on shareholder loans made to the corporation, rather than additional salary or bonus payments that may be subject to payroll taxes.

- ☐ **Shareholder loans from your corporation –** Repay shareholder loans from your corporation no later than the end of the corporation's tax year after the one in which the amount was borrowed, to avoid a personal tax income inclusion (exceptions apply).

- ☐ **Taxable capital –** If your CCPC's taxable capital for federal tax purposes in 2025 exceeds $10 million, together with all associated companies, it will lose access to a portion of the small business deduction in 2026 (with access lost entirely once taxable capital exceeds $50 million). Monitor your taxable capital and discuss with your PwC adviser ways to reduce taxable capital before your company's year end.

- ☐ **Scientific research and experimental development (SR&ED)**

    - ☐ Taxable capital – If your CCPC's taxable capital for federal tax purposes in 2025 exceeds $15 million ($10 million for taxation years beginning before December 16, 2024), together with all associated companies, it will lose access to a portion of the enhanced 35% SR&ED ITC amount in 2026; access will be lost entirely once taxable capital exceeds $75 million ($50 million for taxation years beginning before December 16, 2024). A new alternative gross revenue test (to determine a company's eligibility for the enhanced 35% SR&ED ITC) is available for CCPCs on an elective basis. Monitor your taxable capital and discuss with your PwC adviser ways to reduce taxable capital before your company's year end, or whether the gross revenue election is more beneficial for your company. For details of all proposed changes that will enhance the SR&ED tax incentive program, see our *Tax Insights* "SR&ED updates: Enhanced credits, expanded eligibility and emerging opportunities" at www.pwc.com/ca/taxinsights.

    - ☐ Ensure claims in respect of SR&ED expenditures or ITCs are filed by the deadline, which is ordinarily 18 months after the corporation's year end.

    - ☐ For a partnership, file SR&ED claims (Form T661) with the partnership information return no later than 12 months after the earliest of all filing due dates for the return of income of the members for the tax years in which the partnership's fiscal period ends. ITCs allocated to corporations by the partnership must be supported by a partnership information slip (T5013).

    - ☐ Discuss with your PwC SR&ED adviser whether:

        - changes to the tax treatment of certain concessional loans could benefit your SR&ED claims
        - certain provincial SR&ED claims should be renounced by the tax return filing due date

- ☐ **Clean economy ITCs –** Claim refundable ITCs for:

    - ☐ carbon capture, utilization and storage (CCUS)* if you incur eligible expenses that relate to the purchase and installation of eligible equipment that is part of a new eligible CCUS project that captures CO2 emissions in Canada and becomes available for use before 2041

    - ☐ clean technology adoption* if you acquire eligible new property (includes equipment that generates heat or electricity from non-emitting sources, electricity storage equipment, charging or refueling equipment) that becomes available for use before 2035

    - ☐ clean hydrogen and clean ammonia production* if you incur eligible expenses relating to the purchase and installation of eligible equipment that produces hydrogen from electrolysis or natural gas and becomes available for use before 2035

- ☐ clean technology manufacturing* if you acquire eligible property relating to manufacturing of zero emission technology, extracting or recycling of critical minerals or qualifying electric vehicle buildings that becomes available for use before 2035
- ☐ clean electricity generation, distribution and interprovincial transmission if you acquire eligible equipment that becomes available for use before 2035 (for projects that did not begin construction before March 28, 2023)

* Applications are now being accepted; consult with your PwC adviser for assistance.

Businesses can claim only one of the above noted ITCs for the same eligible expenses or property (exceptions apply), and certain labour requirements must be met to claim the full ITC rate for these same ITCs (except for the clean technology manufacturing ITC).

☐ **Capital gains rollover –** If you sold, or will sell, eligible small business corporation (ESBC) shares in 2025, invest the proceeds in other ESBC shares by April 30, 2026 (proposed to be extended to December 31, 2026), to be eligible to defer all or part of the capital gain. (Applies to individuals only and draft legislative proposals expand what qualifies as an ESBC share, among other enhancements.)

☐ **Electronic filing (e-filing), payments and CRA correspondence**

- ☐ If you submit more than five federal information returns annually, be aware that you are required to e-file those returns; also all corporations are required to e-file their corporate income tax returns, and make any payments that exceed $10,000 to the Receiver General for Canada electronically (some exceptions apply).
- ☐ If you operate a business in Quebec, be aware that e-filing is required for RL slips, if more than five slips are submitted annually, and that payments to Revenu Québec exceeding $10,000 must be made electronically (some exceptions apply).
- ☐ Ensure that you have access to (and frequently monitor) your CRA My Business Account, because most business communications and correspondence from the CRA will now be sent electronically. See our *Tax Insights* "Canada Revenue Agency transitions to online mail for business correspondence: Are you ready?" at www.pwc.com/ca/taxinsights. Alberta Tax and Revenue Administration and Revenu Québec are also transitioning to online mail, which will be the default method for most business communications in Alberta (effective April 1, 2026) and Quebec (in the fall of 2025).

☐ **Voluntary Disclosures Program (VDP) –** If your business has failed to comply with its tax obligations (which would result in a tax liability), consider submitting an application to the VDP. The CRA has revised its VDP effective October 1, 2025; the changes simplify and allow greater access to the VDP, as well as enhance the benefit relief that may be obtained by increasing the amount of interest relief for certain types of disclosures. See our *Tax Insights* "The Canada Revenue Agency revises its Voluntary Disclosures Program effective October 1, 2025" at www.pwc.com/ca/taxinsights.

☐ **Luxury tax –** If your business sells, leases or imports, for personal use, vehicles, aircraft or vessels, be aware that you are required to collect and remit a federal luxury tax on vehicles and aircraft valued over $100,000, and on vessels valued over $250,000 (exemptions apply).

☐ **GST/HST and QST (simplified regime)**

- ☐ GST/HST and the digital economy – If you:
  - make supplies of cross-border digital products and services to consumers in Canada

- operate a digital accommodation platform that facilitates the supply of short-term accommodation by non-registered residential property owners, or
- operate an online marketplace platform

you are required to register for, collect and remit GST/HST when your annual sales to consumers in Canada exceed $30,000.

- ☐ QST registration – If your business makes digital and certain other supplies to "specified Quebec consumers," even if it is not resident in Quebec and has no physical or significant presence in the province, consider whether it is required to register under the simplified QST regime.
- ☐ Be aware that businesses registered under the simplified regime cannot recover GST/HST and QST paid as an input tax credit or input tax refund. Similarly, GST/HST and QST paid to a business registered under the simplified regime cannot be claimed as an input tax credit or input tax refund. Consult the CRA's website to check whether a vendor is registered under the simplified regime.

☐ **GST/HST and QST (general regime)**

- ☐ Ensure that GST/HST (and QST, if applicable) has been correctly charged, collected and remitted on taxable supplies and that input tax credits/input tax refunds have been claimed on eligible expenses throughout the year.
- ☐ Filing a closely related election – If your business is a member of a closely related group of Canadian corporations and/or partnerships, the group members should consider filing Form RC4616 to treat certain taxable supplies as having been made for nil consideration. The election would allow GST/HST and/or QST to not apply to certain taxable intercompany transactions, if specific conditions are met, and generally gives the group a cash flow benefit.
- ☐ Determine whether the following common GST/HST and QST traps apply to your business:
    - Management/intercompany fees – Ensure that GST/HST and QST is charged on management and intercompany fees billed within your corporate group. An election to avoid having to charge GST/HST and/or QST may be available (see "Filing a closely related election" above).
    - Place of supply rules – If your company sells to customers in different Canadian provinces, be aware of the various place of supply rules, to ensure that the GST/HST is being correctly applied.
    - Input tax credit documentation – Ensure your company has obtained all required written documentation to support input tax credit claims. You can check the CRA and Revenu Québec websites to verify the GST/HST and QST registration numbers of the suppliers from which your company made purchases.
    - Taxable benefits – Determine whether your company is required to remit GST/HST and QST on amounts reported as taxable benefits for employees and shareholders.

☐ **GST/HST Voluntary Disclosures Program (VDP)** – If your business has failed to comply with its GST/HST obligations (which would result in a tax liability), consider submitting an application to the VDP. The CRA has revised its VDP effective October 1, 2025; the changes simplify and allow greater access to the VDP, as well as enhancing the benefit relief that may be obtained by increasing the amount of interest relief for certain types of disclosures. See our *Tax Insights* "Changes to the Canada Revenue Agency's Voluntary Disclosures Program for GST/HST and other taxes" at www.pwc.com/ca/taxinsights.

- ☐ **GST/HST rental rebate –** If your business builds multi-unit rental properties, be aware that the GST/HST rental rebate has been enhanced (so that builders are relieved from paying the federal component of GST/HST) for eligible projects that begin construction after September 13, 2023 and before January 1, 2031, and complete construction before 2036. See our *Tax Insights* "Enhanced GST/HST rebate for purpose-built rental housing: Recent developments and observations" at www.pwc.com/ca/taxinsights. Also determine whether there is any additional relief for the provincial component of HST (e.g. New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island have implemented similar measures for new construction of rental units in their province).

- ☐ **PST**

  - ☐ If your business is registered for PST in British Columbia, Saskatchewan and/or Manitoba, ensure that PST is charged (in addition to 5% GST) on the sale of taxable goods, software and services, unless the customer claims an exemption and provides either a PST registration number or an exemption certificate.

  - ☐ File PST returns on time so that eligible commissions in British Columbia can be claimed; this reduces the amount of tax to remit.

  - ☐ Note that if PST was not paid on supplier invoices for taxable goods and services, the company may be required to self-assess the tax on the PST return and remit it to the provincial government.

  - ☐ British Columbia – If you are:

    - a non-resident of British Columbia located in Canada that sells taxable goods, or are located in or outside Canada and sell taxable software and/or telecommunication services to customers in British Columbia and earn specified BC revenues exceeding $10,000 on an annual basis, you are required to collect and remit BC PST

    - an (in-province or out-of-province) operator of an electronic distribution platform or are an on-line marketplace facilitator, you are required to collect and remit BC PST on the sales and leases made in British Columbia (including any marketplace facilitation services provided to sellers)

  - ☐ Manitoba – If you provide audio and video streaming services, an online marketplace that sells taxable goods sold by third parties or operate an on-line accommodation platform for sales to Manitoba consumers, you are required to collect and remit Manitoba PST, regardless of whether you have a physical presence in Manitoba. Similarly, PST will apply on cloud computing services accessed by a Manitoba resident, effective January 1, 2026.

  - ☐ Saskatchewan – If you are an (in-province or out of province) operator of an electronic distribution platform, on-line accommodation platform or are an on-line marketplace facilitator, you are required to collect and remit Saskatchewan PST on the sales of taxable goods and services for consumption or use in Saskatchewan facilitated by those platforms or marketplaces.

- ☐ **Provincial or territorial tax incentives –** Benefit from provincial or territorial tax incentives and enhancements to these incentives. For example, determine whether your company qualifies for:

  - ☐ M&P ITCs – available in Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario (temporary enhancements to the Ontario made manufacturing ITC rate and eligibility, for M&P buildings and equipment acquired and available for use after May 14, 2025), Prince Edward Island, Quebec and Saskatchewan.

- ☐ SR&ED tax credits – available in all provinces (except Prince Edward Island) and the Yukon. Be aware of significant changes to the federal and Quebec SR&ED programs – see our *Tax Insights* at www.pwc.com/ca/taxinsights:
  - "SR&ED updates: Enhanced credits, expanded eligibility and emerging opportunities"
  - "2025-2026 Québec budget: Tax highlights"
- ☐ Media (film, digital and animation) tax incentives – available in all provinces and territories (in 2025, enhancements were made in British Columbia (higher rates for film and digital media incentives, among other enhancements), and in Newfoundland and Labrador and the Northwest Territories (higher credits or rebates are available)). See our publications at www.pwc.com/ca/bigtable:
  - The Big Table of film and video incentives in Canada
  - The Big Table of digital media incentives in Canada
  - The Big Table of animation incentives in Canada
- ☐ Apprenticeship tax credits – available in some provinces (e.g. British Columbia – training tax credits; Manitoba – paid work experience tax credit; Ontario – graduated apprenticeship grant).

Employees

- ☐ **COVID-19 federal benefits –** If you repaid any COVID-19 benefit amounts in 2025, deduct the repayment amount from your income in your 2025 tax return.
- ☐ **Income timing –** Defer the receipt of certain employment income if your marginal personal tax rate will be lower in 2026 than in 2025; or accelerate receipts if your marginal personal tax rate will be higher in 2026 than in 2025.
- ☐ **Employee loans –** Ensure that any interest you intend to pay relating to employee loans for 2025 is paid on or before January 30, 2026.
- ☐ **Home office –** If you work out of your home, try to arrange your employment terms so that you can deduct certain expenses related to your home office.
- ☐ **Moving expenses –** If you moved to be closer to work, your moving expenses may be deductible.
- ☐ **Employee stock options –** If there is a possibility of claiming the $1.25 million (to be indexed after 2025) lifetime capital gains exemption, consider exercising your Canadian-controlled private corporation (CCPC) stock options. A taxpayer must own shares (not options) for at least 24 months to qualify for a capital gains exemption claim. Note that any tax on the exercise of CCPC stock options is payable only when you sell the shares and must still be paid even if the share value drops after the date of exercise.
- ☐ **Stock options in public companies**
  - ☐ Be aware that, for employee stock options granted after June 30, 2021, a $200,000 annual vesting limit is imposed on options that can qualify for the employee stock option deduction. The limit does not apply to options granted by CCPCs or non-CCPC employers with consolidated group revenue of $500 million or less.

- ☐ If you have stock options that are not subject to the $200,000 annual vesting limit rules and settled them for cash rather than receiving shares, ask your employer to elect to forgo the tax deduction so that you may claim a deduction for 50% of the benefit, if you would otherwise qualify.

- ☐ Consider the tax benefits of donating your stock option securities (also see “Charitable donations” on page 21 in the **Investors** checklist).

☐ **Reduce income tax deductions at source –** If you will have excess tax deductions or non-refundable tax credits in 2026, request reductions in your payroll income tax withholdings early in 2026 (federal Form T1213; Quebec Form TP-1016-V).

☐ **Company car**

- ☐ Try to reduce or eliminate your operating cost benefit and/or your standby charge benefit if you have a company car. Regarding the operating cost benefit:
  - reimburse your employer for some or all of the personal use portion of the actual operating costs
  - reduce your personal driving (to under 50% of total driving, if possible)

  To reduce or eliminate your standby charge benefit:
  - reduce the number of days the car is available to you
  - have your employer sell the automobile and repurchase it or lease it back
  - do not use the automobile for personal driving
  - choose a less expensive vehicle

- ☐ Tracking motor vehicle use – Keep an automobile logbook to support motor vehicle expense and taxable benefit calculations.

Refer to our booklet, *Car Expenses and Benefits – A Tax Guide (2025)* at www.pwc.com/ca/carexpenses for more information and a paper or electronic log.

☐ **Retirement savings plans, profit-sharing plans and RRIFs**

- ☐ Take advantage of contribution limits:

	2025	2026
Registered retirement savings plan (RRSP) / Pooled registered pension plan (PRPP) Saskatchewan Pension Plan (specified pension plan)	$32,490	$33,810
Defined contribution registered pension plan (RPP)	$33,810	Indexed
Deferred profit-sharing plan (DPSP)	$16,905	

- ☐ If your taxable income is below the highest tax bracket, consider maximizing your RRSP contributions each year and not claiming the amount as a deduction until a future year when your taxable income is in a higher tax bracket.

- ☐ Pooled registered pension plan (PRPP) – If you do not have access to an employer-sponsored pension plan, consider joining a PRPP, a voluntary savings plan that is similar to a defined contribution RPP (or a group RRSP plan).

- ☐ Saskatchewan Pension Plan (SPP) – If you do not have access to an employer-sponsored pension plan:
  - consider joining the SPP
  - ask your employer to set up a business plan with the SPP

  The SPP is a voluntary savings plan that is similar to a defined contribution RPP (or a group RRSP) and is available to Canadian (not just Saskatchewan) residents and businesses. The maximum contribution for an individual (including an employee) is now the same as that for an RRSP – $32,490 for 2025, subject to available RRSP room. (The SPP also accepts transfers from RRSPs, RRIFs and unlocked RPPs, with no dollar limit.)

- ☐ **Canada training credit** – If you are aged 25 to 65 and enrolled at an eligible educational institution, claim the federal refundable tax credit on tuition and fees associated with training (annual credit is subject to a cumulative annual allowance of $250 per year; $5,000 maximum lifetime tax credit).
- ☐ **Labour mobility deduction for tradespeople** – If you are an eligible tradesperson or apprentice and meet certain conditions, deduct up to $4,000 of eligible travel and temporary relocation expenses annually, to a maximum of 50% of employment income from construction activities at a particular work location.
- ☐ **Nova Scotia more opportunities for skilled trades (MOST) tax refund** – Be aware that, if you are a Nova Scotia resident under the age of 30 who is employed and registered in certain skilled trades and occupations, you will receive a refund of provincial personal income tax paid on your first $50,000 of earned income.
- ☐ **Electronic payments** – Make any payments that exceed $10,000 to the Receiver General for Canada and Revenu Québec electronically (some exceptions apply).
- ☐ **GST/HST and QST rebate** – Determine whether you can claim a rebate to recover GST/HST and QST included in work-related expenses you have deducted (e.g. home office expenses, supplies and automobile expenses) for income tax purposes.

Self-employed individuals

- ☐ **COVID-19 federal benefits** – Note that if you repaid any COVID-19 benefit amounts in 2025, deduct the repayment amount from your income in your 2025 tax return.
- ☐ **Private health services plan (PHSP) premiums** – Determine whether PHSP premiums you paid can be deducted from your self-employment income. Premiums that are not deductible may be claimed as a medical expense (except in Quebec).
- ☐ **Pooled registered pension plan (PRPP)** – Consider joining a PRPP, a voluntary savings plan that is similar to a defined contribution RPP (or a group RRSP plan).
- ☐ **Saskatchewan Pension Plan (SPP)** – Consider joining the SPP, a voluntary savings plan that is similar to a defined contribution RPP (or a group RRSP). Canadian (not just Saskatchewan) residents can contribute up to $32,490 for 2025, subject to available RRSP room. (The SPP also accepts transfers from RRSPs, RRIFs and unlocked RPPs, with no dollar limit.)
- ☐ **Employment insurance (EI) special benefits** – Assess whether you want to opt in to the EI program to be eligible for maternity, parental, sickness or compassionate care benefits (exceptions apply for Quebec residents).

- ☐ **Tracking motor vehicle use –** Keep an automobile logbook to support motor vehicle expense and taxable benefit calculations. Except in Quebec, a logbook maintained for a sample period will be sufficient to support these calculations if:

  - ☐ you maintain a full logbook for a 12-month “base” period
  - ☐ you complete a sample logbook for a continuous three-month period in each subsequent year
  - ☐ business use in the sample logbook is within 10% of the results for the same three-month period in the base year
  - ☐ business use for the entire year as extrapolated from the subsequent sample log is within 10% of the base year result

  For a paper or electronic employee log, see our booklet, *Car Expenses and Benefits – A Tax Guide (2025)* at www.pwc.com/ca/carexpenses.

- ☐ **Incorporating a proprietorship –** Consider incorporating your unincorporated business. Discuss with your PwC adviser the additional commercial and tax benefits that incorporation could offer, and how the “income sprinkling,” “tax on split income” (TOSI) and passive investment (see page 5) rules could affect this decision.

- ☐ **Professional businesses –** If you are a professional who has an incorporated practice, consider how the “income sprinkling,” TOSI and passive investment (see page 5) rules will affect you. Contact your PwC adviser to discuss these rules.

Investors

- ☐ **Investment portfolio mix –** Because several types of investments are taxed differently, determine the optimal mix of investments in your portfolio and ensure that you are getting the best after-tax returns. Consider whether it is more beneficial to hold investments that yield eligible dividends rather than capital gains. This will depend on your marginal tax rate and province or territory of residence.

- ☐ **Alternative minimum tax (AMT) –** Be aware that significant changes to the federal AMT regime may create an AMT liability for individuals in situations where AMT never previously applied, for taxation years beginning after 2023, including (but not limited to) realizing capital gains, deducting life insurance premiums and carrying charges (such as interest expense) and utilizing loss carryforwards. Contact your PwC adviser to discuss how these and corresponding provincial AMT changes could affect your 2025 year-end planning options. See our *Tax Insights* ”Changes to the alternative minimum tax are enacted: How will it affect individuals and trusts starting 2024?” at www.pwc.com/ca/taxinsights.

- ☐ **Tax on split income (TOSI) –** Consider whether the income you receive from a Canadian private corporation is subject to TOSI and therefore taxed at the highest marginal personal tax rate; contact your PwC adviser to discuss exclusions to these rules. Note that only the dividend, disability and foreign tax credits can be claimed to reduce TOSI.

- ☐ **Tax-free savings account (TFSA) –** If you are a Canadian resident aged 18 or older, contribute to a TFSA. Contributions will not be deductible, but withdrawals and income earned in the TFSA will not be taxed. In addition:

  - ☐ ensure you contribute the maximum amount to your TFSA ($7,000 for 2025 and 2026)

- ☐ if you are planning a withdrawal from your TFSA, consider doing so before the end of 2025 instead of early in 2026–amounts withdrawn are not added to your TFSA contribution room until the beginning of the year after the withdrawal
- ☐ consider holding in your TFSA investments that produce income subject to higher tax rates (i.e. interest)

☐ **RRSP investment portfolio mix –** Determine the optimal mix of investments within your RRSP. Consider holding investments intended for capital growth outside your RRSP (to benefit from lower tax rates on capital gains and eligible dividends) and holding interest-generating investments inside your RRSP.

☐ **Investment holding company –** Residents of some provinces who earn investment income from portfolio investments that is subject to top marginal income tax rates (e.g. Ontario and Quebec) or lower marginal income tax rates, in certain cases, may benefit by holding these investments in a corporation, depending on the jurisdiction and type of income earned (see **Table 2** on page 38). Contact your PwC adviser to determine whether this could benefit you.

☐ **Stock exchange cut-off –** Consult your stockbroker to determine the last day on which a sale executed through a stock exchange will be considered a 2025 transaction for tax purposes (likely December 30 for Canadian and US exchanges).

☐ **Interest deductibility**

- ☐ If possible, repay debt that has non-deductible interest before other debt (or debt that has interest qualifying for a non-refundable credit, i.e. interest on student loans). Borrow for investment or business purposes and use cash for personal purchases.
- ☐ Remember that you can continue to deduct interest on an investment loan after you sell the investment (even if you sell at a loss), provided that you reinvest the proceeds from the sale in a new investment.
- ☐ Consider rules that limit the deductibility of investment expenses for Quebec tax purposes to the investment income earned in the taxation year. This limit does not apply to expenses incurred to earn active business income or to trusts, other than personal trusts.

☐ **Accrued capital losses**

- ☐ Sell securities with accrued losses before year end to offset capital gains realized in the current or previous three years. Be aware of the superficial loss rules, which limit the recognition of a loss.
- ☐ Close out option contracts with inherent capital losses in 2025, rather than 2026, to shelter taxable capital gains.

☐ **Accrued capital gains –** Consider delaying the sale of securities or other assets with accrued gains until 2026.

☐ **Capital gains deferral –** If you sold capital property in 2025, you may be able to defer tax on part of the capital gain by having the purchaser defer payment of the proceeds. This may allow you to claim a capital gains reserve over a maximum of four years, which results in the capital gain being included in income over a maximum of five years.

☐ **Mutual funds**

- ☐ Delay mutual fund purchases to January 2026, or consider selling mutual funds before year end, to minimize your allocation of taxable income for 2025. Be careful if you acquire a mutual fund during the year, because you may be allocated income that was earned by the fund before your purchase.

- ☐ If you are a non-resident investor in Canadian mutual funds, determine whether you can recover any excess Canadian withholding tax paid.

☐ **Charitable donations**

- ☐ When developing your charitable giving strategy, consider the after-tax cost of your donations, including the impact, if any, of AMT (see above).
- ☐ Donating securities – Consider the tax benefits of donating publicly listed securities with an accrued capital gain.
- ☐ Consider the most optimal structure to realize your charitable giving objectives, whether it is a direct gift to a registered charity, using a donor-advised fund account at a public foundation, or setting up a private foundation to exclusively represent your, your family's or your corporation's philanthropic interests.
- ☐ Quebec cultural donation incentives – If you make donations to support Quebec art and culture, claim Quebec's enhanced incentives for certain cultural donations:
  - Large donations to cultural organizations – an additional 25% non-refundable tax credit can be claimed by individuals (other than a trust) for an initial cultural donation of at least $5,000 (up to $25,000) to an eligible cultural organization.
  - Cultural patronage – a 30% non-refundable tax credit can be claimed by individuals (other than a trust) who have registered a pledge before March 26, 2025 of at least $250,000 (or at least $25,000 annually over no more than 10 years) to a cultural organization.
  - Public artwork and/or studio space – individuals and corporations that donate public artwork and/or buildings that can house artists' studios or cultural organizations can claim an amount that exceeds the fair market value of the donation.

☐ **Foreign investments**

- ☐ Foreign exchange gains and losses – Consider changes in foreign exchange rates when selling foreign securities or other foreign capital properties. Depreciation in the Canadian dollar relative to US currency may reduce the capital loss or add to the capital gain that will be triggered on the disposal, and vice versa when the Canadian dollar appreciates relative to US currency.
- ☐ Foreign accrual property income (FAPI) – If you or your corporation owns, alone or together with certain other persons, directly or indirectly, more than 50% of the voting rights in a foreign company, be aware of the obligation to include FAPI in income on an accrual basis, with a possible deduction for foreign income or profits taxes, and of the related compliance requirements.
- ☐ Foreign property reporting – If you hold foreign property with a total cost exceeding $100,000 at any time in the taxation year:
  - file form T1135 Foreign Income Verification Statement with your federal income tax return
  - be aware that a proposed provincial filing requirement will soon be implemented for Quebec residents

☐ **Trusts**

- ☐ Alternative minimum tax (AMT) – Be aware that significant changes to the federal AMT regime may create an AMT liability for trusts (other than graduated rate estates) in situations where AMT never previously applied, for taxation years beginning after 2023, including (but not limited to) realizing capital gains, deducting carrying charges (such as interest expense) and utilizing loss carryforwards. Contact your PwC adviser to discuss how these and corresponding provincial AMT changes could affect an inter vivos trust's 2025 year-end planning options. See our *Tax Insights* "Changes to the alternative minimum tax are enacted: How will it affect individuals and trusts starting 2024?" at www.pwc.com/ca/taxinsights.

- ☐ Note that there is a deemed disposition of trust property after 21 years. If the trust's 21st anniversary occurs in 2025 or 2026, discuss with your PwC adviser planning to avoid the deemed disposition of assets at fair market value on that date.

- ☐ Note that enhanced reporting rules require a trust to report the identity of all its trustees, beneficiaries and settlors, and each person who has the ability to exert control over certain trustee decisions, creating a new T3 return (and Schedule 15 beneficial ownership information) filing obligation for certain trusts. Also note that certain "bare trust" arrangements will have a filing requirement, beginning for the 2025 taxation year. Significant penalties can apply for non-compliance.

  Proposed amendments to these rules would reduce the number of trusts, including "bare trust" arrangements, that would need to file a T3 return and Schedule 15. Contact your PwC adviser to discuss how this may affect a trust that you are involved with. See our *Tax Insights* "Finance proposes to reduce the scope of the enhanced trust reporting rules" at www.pwc.com/ca/taxinsights.

☐ **Non-resident trusts (NRTs)**

- ☐ Consider rules that will generally deem an NRT to be resident for Canadian tax purposes if: (i) it has Canadian resident contributors, or (ii) certain former Canadian residents have contributed to an NRT that has Canadian resident beneficiaries. Consider whether elections available under the NRT rules should be filed so that, generally, only income derived from contributions by Canadian residents is taxable in Canada.

- ☐ Consider whether the following information returns need to be filed:
  - T1141, if you have contributed to an NRT
  - T1142, if you have received a distribution or loan from an NRT

☐ **Tax-free first home savings account (FHSA) –** If you are a Canadian resident aged 18 or older and would be a first-time home buyer, contribute to an FHSA to help save towards a qualifying first home purchase. The FHSA has an annual contribution limit of $8,000 ($40,000 lifetime limit; $8,000 unused contribution carryforward limit). Contributions are deductible (undeducted contributions can be carried forward and deducted in a later year), earnings on the savings are tax-free and qualifying withdrawals are non-taxable.

☐ **Home buyers' incentives –** If you are a first-time home buyer:

- ☐ consider withdrawing tax free up to $60,000 from your RRSP, under the Home Buyers' Plan, to acquire a home (also applies to a spousal RRSP). Amounts withdrawn must be repaid to your RRSP.

- ☐ claim these first-time home buyers' tax credits if you purchased a qualifying home to be used as your principal place of residence:
  - Federal – maximum credit is $1,500
  - Quebec – maximum credit is $1,400
  - Saskatchewan – maximum credit is $1,575 after 2024
- ☐ consider whether you are eligible to claim the GST/HST new housing rebate (sales tax rebates also available in some provinces); or the first-time homebuyers' GST rebate – see our *Tax Insights* "GST relief for first-time home buyers on new homes valued at up to $1.5 million" at www.pwc.com/ca/taxinsights.

☐ **Residential real estate** – Be aware that:

- ☐ if you sell your principal residence, you are required to report certain information on your income tax return for the sale to be tax-free, including Form T2091 to claim the principal residence exemption.
- ☐ an annual 1% underused housing tax (UHT) applies on the value of non-Canadian-owned Canadian residential property considered to be vacant or underused. Certain residential property owners in Canada are required to file an annual declaration for each Canadian residential property they own, even if they can claim an exemption from the tax.
- ☐ a home-flipping tax applies by deeming profits arising from certain dispositions of residential properties owned for less than 12 months to be business income and disallowing any principal residence exemption claim (exceptions apply for certain life events and must be disclosed in the individual's tax return); this also applies to an assignment sale, so that profits arising on certain dispositions of a right to acquire a residential property within a one-year period of its acquisition are deemed to be business income. If you are considering selling residential property, contact your PwC adviser to discuss how certain transactions during the previous 12-month period (e.g. amalgamation, wind-up or rollover) might affect the property's holding period for purposes of this tax.
- ☐ expenses incurred to earn short-term rental income are not deductible for income tax purposes:
  - in provinces and municipalities that have prohibited short-term rentals
  - when short-term rental operators are not compliant with the applicable licensing, permitting or registration requirements

☐ **Residential real estate in British Columbia**

- ☐ Speculation and vacancy tax (SVT) – If you own residential property in certain urban centres in British Columbia, you may be subject to the annual SVT. Note that, effective January 1, 2026, the SVT rate will increase from:
  - 2% to 3% for foreign owners and untaxed worldwide earners
  - 0.5% to 1% for Canadian citizens and permanent residents who are not untaxed worldwide earners
- ☐ Home-flipping tax – Be aware that a provincial tax (of up to 20%, depending on length of ownership) will apply to income from the sale of taxable properties owned for less than 730 days (exemptions are available) – consider deferring the disposition until after the two-year ownership period is met.

- ☐ Clean buildings tax credit – Claim this 5% refundable tax credit if you incurred and paid (before April 1, 2026 under a contract entered into after February 22, 2022) eligible retrofit expenditures that improve the energy efficiency of multi-unit residential buildings with four or more dwellings (and certain prescribed types of commercial buildings) in British Columbia.
- ☐ Land transfer tax – Claim an exemption from the province's general property transfer tax for purchases of new qualifying purpose-built rental buildings, in addition to an exemption from the 2% property transfer tax that applies to the fair market value of the residential component of a taxable transaction that exceeds $3 million if certain conditions are met.

☐ **Residential real estate in Nova Scotia** – Be aware that, if you are a non-resident of Nova Scotia and purchase residential real estate in the province, you may be subject to a 10% non-resident deed transfer tax on the acquisition of the property (5% for transactions entered into before April 1, 2025), in addition to the province's general land transfer tax.

☐ **Residential real estate in Ontario** – If you are not a citizen or permanent resident of Canada and purchase residential real estate in Ontario, be aware that Ontario applies a 25% non-resident speculation tax (i.e. additional land transfer tax that applies to certain foreign persons and entities) to certain residential properties throughout the province.

☐ **Luxury goods** – Be aware that a federal luxury tax applies on purchases, leases and imports, for personal use, of vehicles and aircraft valued over $100,000 and of vessels valued over $250,000 (exemptions apply).

Parents, spouses and caregivers

☐ **Estate planning arrangements**

- ☐ Review arrangements annually to ensure they meet your objectives and continue to align with current tax rules.
- ☐ Consider strategies to minimize probate fees (for example, owning assets in a holding company, combined with a dual will strategy, may reduce probate fees). Before acting, discuss with your tax and legal advisers, because the best plan for you will depend on your province or territory of residence and your personal circumstances.
- ☐ Review your will to ensure that it will be valid.

☐ **Income splitting**

- ☐ Prescribed rate loans – If you have cash to invest and a spouse or children in a lower tax bracket, consider a prescribed rate loan strategy in which you lend to a personal trust to invest in marketable securities, with the resulting net income allocated to your children, spouse and/or other adult family members. The loan should be set up before January 1, 2026 to take advantage of the current prescribed interest rate (3% for the fourth quarter of 2025); however, if you expect the prescribed interest rate to decrease in 2026, consider postponing any such lending until then. The alternative minimum tax rules (see page 5) should be considered before implementing this strategy.
- ☐ Note that income earned by discretionary inter vivos family trusts must be paid or made payable to beneficiaries by December 31, 2025 to be included in the beneficiaries' income.

- ☐ If you own shares in a private corporation and have set up a trust to split income with your adult children, discuss with your PwC adviser how the "income sprinkling" and "tax on split income" (TOSI) rules will affect you (see page 4).

- ☐ Give money or make an interest-free loan to your spouse or adult child to contribute to their tax-free savings account (TFSA). The attribution rules do not apply (while the funds are invested in the TFSA), because the income earned is tax-free.

- ☐ Interest on intra-family loans outstanding in 2025 must be paid on or before January 30, 2026, to avoid attribution of income.

☐ **Registered education savings plan (RESP)**

- ☐ Contribute to an RESP for your child or grandchild.

- ☐ Plan for the RESP to receive the maximum lifetime Canada education savings grant of $7,200, which depends on the amount of annual RESP contributions and the beneficiary's age.

- ☐ If your child's RESP is eligible, claim the:

  - British Columbia training and education savings grant ($1,200 for an RESP beneficiary born after 2005)

  - Quebec education savings incentive (lifetime maximum of $3,600)

- ☐ Discuss with your PwC adviser the tax consequences of withdrawing funds from an RESP, especially if your children who are the beneficiaries of the RESP do not pursue post-secondary education or do not require all the funds in the RESP for their education.

☐ **Childcare expenses**

- ☐ Pay childcare expenses for 2025 by December 31, 2025, and get receipts.

- ☐ Remember that boarding school and camp fees qualify for the childcare deduction (limits may apply), as does the cost to advertise or use a placement agency to find a childcare provider.

- ☐ If you reside in Newfoundland and Labrador, claim the province's childcare tax credit; the non-refundable tax credit amount equals the childcare expenses that are deductible from the parents' income.

- ☐ If you reside in Ontario, claim the Ontario childcare access and relief from expenses (CARE) tax credit; a refundable credit of up to 75% of eligible childcare expenses for individuals with family income up to $150,000.

- ☐ If you reside in Quebec, claim the province's refundable tax credit for childcare expenses, which can provide up to 78% of qualifying childcare expenses, but be aware that, starting 2026, only child care expenses incurred for a child under 14 (previously under 16) at any time during the year are eligible for the credit (the age requirement does not apply to dependants with a mental or physical infirmity).

☐ **Registered disability savings plan (RDSP) –** If your child qualifies for the disability tax credit and if RDSP assets or income will not disqualify your child from receiving provincial or territorial income support, you should:

- ☐ set up an RDSP to qualify for Canada disability savings bond (CDSB) payments (lifetime maximum of $20,000 per child)

- ☐ contribute to an RDSP to qualify for Canada disability savings grant (CDSG) payments (lifetime maximum of $70,000 per child)
- ☐ plan to optimize the lifetime CDSG paid to an RDSP by taking into account annual CDSG limits, which depend on net family income

☐ **Caregiver tax credit** – If you are a caregiver, claim available federal and provincial/territorial caregiver tax credits. Note that Ontario also has a seniors care at home tax credit (see “Ontario seniors care at home tax credit” on page 29 in the **Seniors** checklist).

☐ **Multigenerational home renovation tax credit** – Claim this tax credit if you create a secondary dwelling unit which enables an eligible person (over 64 years or, if eligible for the disability tax credit, over 17 years) to live with a qualifying relative (15% on up to $50,000 of eligible expenses incurred for a qualifying renovation, maximum credit of $7,500). Also see “Home renovation tax credits” on page 29 in the **Seniors** checklist for information on other similar available credits.

☐ **Children’s fitness, arts and wellness tax credits** – If your child is enrolled in eligible programs of fitness or non-fitness activities, claim the following provincial or territorial fitness and arts tax credits (note that amounts may be higher for children with disabilities):

- ☐ Manitoba – fitness tax credit, and children’s arts and cultural activity tax credit
- ☐ Newfoundland and Labrador – physical activity tax credit
- ☐ Nova Scotia – children’s sports and arts tax credit
- ☐ Prince Edward Island – children’s wellness tax credit
- ☐ Quebec – youth activities tax credit
- ☐ Saskatchewan – active families benefit (enhanced, starting 2025)
- ☐ Yukon - children’s fitness tax credit and children’s arts tax credit

Pay the expenses by December 31, 2025, and retain receipts

☐ **Fertility treatment tax credits** – If you incur eligible fertility treatment-related expenses and you reside in Manitoba, Nova Scotia or Quebec, or, starting in 2025, in Ontario, Saskatchewan or the Yukon, claim the province’s fertility treatment tax credit (annual or lifetime limits may apply, depending on the jurisdiction).

☐ **Employment leave by spouse** – If your spouse is leaving the workforce, consider timing contributions to, and withdrawals from, a spousal RRSP to provide your family with extra disposable income.

☐ **Children abroad** – Consider whether your will and estate plan need to be updated for children who no longer reside in Canada. If your children live in the US, discuss the tax implications with your PwC adviser.

Students

- ☐ **Education, tuition and textbook tax credits –** Claim these credits, where available, if you attend post-secondary school.
- ☐ **Canada training credit –** If you are aged 25 to 65 and enrolled at an eligible educational institution, claim this federal refundable tax credit on tuition and fees associated with training (annual credit is subject to a cumulative annual allowance of $250 per year; $5,000 maximum lifetime tax credit).
- ☐ **Scholarships and other amounts**
  - ☐ Exclude from your income the full scholarship, fellowship or bursary for attending an elementary or secondary educational program, or for a program that entitles you to the education tax credit. Exceptions apply.
  - ☐ Note that postdoctoral fellowship income is considered “earned income” for purposes of determining an individual’s RRSP contribution limit.
- ☐ **Unused and unclaimed tax credits**
  - ☐ If you are unable to use your education, tuition or textbook tax credits, you may transfer them to your spouse, parent or grandparent (subject to limitations).
  - ☐ Remember that the carry-forward period is generally:
    - indefinite for unclaimed education, tuition and textbook credits
    - five years for unclaimed student loan interest
- ☐ **Lifelong Learning Plan –** Consider making a tax-free withdrawal from your RRSP to finance the full-time training or education (part-time for students who meet one of the disability conditions) for yourself, your spouse or your common-law partner. You may withdraw up to $10,000 in a calendar year and up to $20,000 in total. Amounts withdrawn must be repaid to your RRSP, to avoid future income inclusions.
- ☐ **Moving expenses –** If you moved to attend school or moved from school to work or home, your moving expenses may be deductible.
- ☐ **Post-secondary students in Canada –** If you are enrolled as a student in an educational program at a post-secondary educational institution in Canada, request educational assistance payments from your RESP.
- ☐ **Foreign university –** If you are a full-time student at an educational institution outside Canada in a course that is at least three consecutive weeks and leads to a degree:
  - ☐ claim the tuition, education and textbook tax credits (if available in your province or territory)
  - ☐ request educational assistance payments from your RESP
- ☐ **Graduates –** If you graduate from an eligible post-secondary program and live and work in the following provinces, determine whether you are eligible for the:
  - ☐ Quebec tax credit for recent graduates working in remote resource regions
  - ☐ Saskatchewan graduate retention program (credit increased for post-September 30, 2024 graduates).

Also, note that Nova Scotia provides a personal tax refund for certain individuals under the age of 30. See "Nova Scotia more opportunities for skilled trades (MOST) tax refund" on page 18 in the **Employees** checklist.

Seniors

- [ ] **Inter vivos trust** – If you are over the age of 64 and live in a province with a high probate fee, consider establishing an inter vivos trust as part of your estate plan.
- [ ] **Old Age Security (OAS)**
  - [ ] If you no longer receive OAS benefits because your income is too high, consider ways to reduce or defer income so that you can continue to receive this government pension.
  - [ ] Consider whether the allocation of pension income from a spouse or receipt of "eligible" dividends (subject to a 38% gross-up) will trigger an OAS clawback. Instead of receiving eligible dividends, consider earning capital gains. Only a portion of the gain (i.e. 50%) is included in income for OAS purposes.
  - [ ] Note that you can defer starting your OAS benefit for up to 60 months after your date of eligibility (i.e. age 65 years). This will permanently increase your monthly payment by 0.6% for every month of deferral. (Note that deferring the start date will make you and your spouse or common-law partner ineligible for certain low-income benefits during the deferral period and that you cannot earn increases in your eventual monthly benefit during certain months when you are non-resident.)
- [ ] **Canada pension plan (CPP)/Quebec pension plan (QPP)**
  - [ ] If you receive CPP or QPP payments:
    - consider splitting the CPP or QPP income with your spouse by requesting to share the payments
    - be aware that:
      - if you are employed or self-employed and are aged 60 to 70, you must contribute to the CPP (however, if you are aged 65 to 70, you can elect to stop these contributions; the election can be revoked in the following year)
      - if you are an employee in Quebec aged 65 or older, you can elect to stop paying QPP contributions if you are receiving a QPP or CPP retirement pension; if you are aged 73 years and older, you are no longer required to pay QPP contributions
  - [ ] If you do not receive CPP payments and are aged 60 to 70, determine the best time to start collecting CPP benefits. If you start before age 65, benefits are reduced by 0.6% for each month before age 65 that you began receiving CPP benefits; if you start after turning 65, benefits are increased by 0.7% for each month after 65 that you delay receiving your CPP, up to age 70. The maximum QPP pension eligibility age is 72.
- [ ] **Your RRSP** – If you turn 71 in 2025, you must wind up your RRSP by the end of the year. This means that you can:
  - [ ] make your 2025 RRSP contribution only until December 31, 2025
  - [ ] contribute (before the normal March 1, 2026 deadline) to your spouse's RRSP until the end of the year your spouse reaches age 71, if you have unused RRSP contribution room or earned income in the previous year

- ☐ defer taxes on all or a portion of the amount in your RRSP by transferring the funds to a RRIF or a life income fund
- ☐ make a contribution for 2026 by December 31, 2025, and pay any applicable penalty

For more information, see “Retirement savings plans, profit sharing plans and RRIFs” on page 17 in the **Employees** checklist.

☐ **Pension income**

- ☐ If you receive pension income (e.g. from an RPP, RRSP or RRIF), consider allocating up to half of this income to your spouse or common-law partner. Consider if it is beneficial to withdraw additional amounts from your RRIF to allocate up to half of this withdrawal to your spouse or common-law partner.
- ☐ Have $2,000 of pension income if you are age 65 or older so that you can claim the maximum pension credit.
- ☐ Quebec – Note that you can split retirement income with your spouse for income tax purposes only if you turned 65 before the year end, or on the date you ceased to be resident in Canada or died.

☐ **Your RRIF** – If your RRIF investments declined in value and you think that the investments will rebound, consider an “in-kind” withdrawal (e.g. transfer to a non-registered investment account at your financial institution or a tax-free savings account, subject to the contribution room available) to satisfy the RRIF’s minimum withdrawal requirements. Income tax must still be paid on the fair value of the withdrawal.

☐ **Individual pension plans** – Be aware that if you have a defined benefit RPP that was created primarily for you and you are over 71, you must make minimum withdrawals.

☐ **Ontario seniors care at home tax credit** – If you are a resident of Ontario aged 70 or older (or have a spouse or common-law partner aged 70 or older) at the end of the year, claim this refundable tax credit of 25% on up to $6,000 of claimable medical expenses (maximum credit of $1,500 is gradually phased out if family net income exceeds $35,000).

☐ **Home renovation tax credits** – If you incur eligible expenditures of up to $20,000 federally ($10,000 in British Columbia and New Brunswick, and $5,000 in Saskatchewan), to make certain home renovations or alterations that increase the mobility or safety of a senior, determine whether you can claim the:

- ☐ federal home accessibility tax credit – this non-refundable tax credit is valued at up to $3,000; it also applies to renovations made to help an individual who qualifies for the disability tax credit
- ☐ refundable provincial seniors’ home renovation tax credits that are available in British Columbia and New Brunswick (maximum annual value of $1,000)
- ☐ non-refundable home renovation tax credit, available in Saskatchewan starting 2025 (maximum annual value of $525 for expenses related to a senior, otherwise $420)

Also, see “Multigenerational home renovation tax credit” on page 26 in the **Parents, spouses and caregivers** checklist for information on the federal refundable tax credit.

Individuals and businesses with international connections

☐ **Investment income earned through foreign subsidiaries –** Be aware that changes to the tax treatment of investment income earned by CCPCs (and substantive CCPCs, see "Substantive CCPCs" on page 6 in the **Owner-managed businesses** checklist) through foreign affiliates, proposed for taxation years beginning after April 6, 2022, will:

- ☐ reduce the deductions that these corporations may claim for foreign tax related to their foreign accrual property income and dividends received from taxable surplus and hybrid surplus
- ☐ provide integration of personal and corporate taxes through the capital dividend account, instead of the general rate income pool

Contact your PwC adviser to discuss how these rules affect you and how you can plan to minimize their effects on your business.

☐ **Foreign reporting requirements –** Review your foreign holdings to determine whether you have a reporting obligation.

- ☐ Canadian-resident individuals, corporations, trusts and certain partnerships that own specified foreign property with a total cost exceeding $100,000 at any time in the year are required to file Form T1135 (a similar reporting requirement is coming soon for Quebec residents).
- ☐ Taxpayers resident in Canada (as well as certain partnerships) that own shares of a non-resident corporation that is a foreign affiliate at any time in the year must file an information return (Form T1134) that is due 10 months after a taxpayer's year end. Other forms may also be required.

☐ **Global minimum tax –** Discuss with your PwC adviser whether your business may be subject to Canada's global minimum tax rules (generally effective for multinational enterprises with global consolidated revenues of at least €750 million). See our *Tax Insights* at www.pwc.com/ca/taxinsights:

- ☐ "Canada releases Global Minimum Tax Act" (June 21, 2024 update)
- ☐ "Finance releases draft legislation to implement the undertaxed profits rule"
- ☐ "Finance releases draft legislation to amend the Pillar Two rules and integrate the foreign affiliate regime with Pillar Two"

☐ **Digital services tax (DST) –** If your business paid Canadian DST, a 3% non-income tax that became effective the 2024 calendar year, but was rescinded before June 30, 2025 (the first filing and payment deadline), contact your PwC adviser to discuss the DST refund process. See our *Tax Insights* "Canada intends to rescind its *Digital Services Tax Act*" (July 2, 2025 update) at www.pwc.com/ca/taxinsights.

☐ **Sale of property by non-residents –** If you plan to purchase taxable Canadian property from a non-resident vendor, ensure that you withhold tax from the amount paid and remit the tax within 30 days from the end of the month in which the purchase occurred, unless:

- ☐ the non-resident vendor has obtained a clearance certificate, or
- ☐ after reasonable inquiry, there was no reason to believe that the vendor was not a resident of Canada

Canadian tax can be reduced or eliminated if Canada has a tax treaty with the non-resident's country of residence. Relief from certificate requirements may also be available for gains that, due to a tax treaty, are not taxed.

☐ **Electronic commerce –** Ensure that your electronic presence in a foreign jurisdiction does not trigger an unexpected foreign tax bill.

☐ **Accounts receivable and other debts owing from non-residents –** Ensure amounts outstanding bear interest at market rates. Exceptions apply.

☐ **Thin capitalization –** If your corporation has debt owing to a foreign lender that is a significant shareholder or related to a significant shareholder, consider whether the thin capitalization rules limit the deduction of interest on the debt and possibly trigger a withholding tax burden. The rules limit the deductibility of interest when the debt/equity ratio exceeds 1.5:1 and also apply to debts of a partnership in which a Canadian-resident corporation is a member. The rules also apply to Canadian-resident trusts and to non-resident corporations and trusts that operate in Canada, including when these are members of partnerships. See "Excessive interest and financing expenses limitation (EIFEL) regime" below for details of these rules that affect the deductibility of interest.

☐ **Excessive interest and financing expenses limitation (EIFEL) regime –** Discuss with your PwC adviser whether EIFEL applies to your business to limit the amount of net interest and financing expenses (IFE) that may be deducted in computing taxable income, and the availability of any strategies to mitigate possible negative impacts of these rules. Exemptions are available for CCPCs whose associated group has taxable capital employed in Canada of less than $50 million, groups of corporations or trusts whose aggregate net IFE in Canada is $1 million or less (including certain net IFE in foreign affiliates), or entities that carry on all or substantially all of their businesses, and other activities, in Canada, provided certain conditions are met with respect to non-resident investors/subsidiaries and IFE being paid to non-taxable entities. See our *Tax Insights* "Bill C-59: Excessive interest and financing expenses limitation (EIFEL) regime" (September 16, 2025 update) at www.pwc.com/ca/taxinsights.

☐ **Hybrid mismatch arrangements –** Be aware of rules that eliminate the tax benefits arising from hybrid mismatch arrangements (cross-border arrangements that are characterized differently under the tax laws of different countries). Discuss with your PwC adviser whether these rules affect you.

☐ **Transfer pricing –** If your corporation has transactions with a related non-resident person or partnership, ensure that each transaction is priced in accordance with the arm's length principle. Transactions with related parties can include, but are not limited to, sale/purchase of tangible goods, license of intangible property, provision/receipt of services and provision/receipt of loans. Consider:

- ☐ how prevailing economic, business and geopolitical factors, including supply chain, inflation and environmental, social and governance strategies have affected your business

- ☐ whether any changes to transfer prices are required before you close the accounting records (prepare relevant analyses to support any changes)

Prepare contemporaneous documentation that meets the requirements imposed by the Canadian transfer pricing rules, to mitigate potential penalties in the event of transfer pricing adjustments by the CRA and assist in the audit defence process. Discuss with your PwC adviser whether proposed revisions to Canada's transfer pricing rules should be considered when preparing your contemporaneous documentation. See our *Tax Insights* "Finance launches consultation on reforming and modernizing Canada's transfer pricing rules" at www.pwc.com/ca/taxinsights.

- ☐ **Payments to non-residents** – Be aware that:
  - ☐ you may be required to withhold 15% of payments made to a non-resident that relate to fees, commissions or other amounts in respect of services rendered in Canada (excludes remuneration that is subject to payroll withholding requirements); a provincial withholding equivalent may also apply.
  - ☐ subcontractor fee reimbursements in respect of services performed in Canada that are paid to a non-resident after September 30, 2024 are subject to the 15% withholding tax discussed above (however, to ease the transition, administrative relief from interest and penalties has been extended to June 30, 2026, for taxpayers who did not withhold the tax on these reimbursements); see our *Tax Insights* "Recent developments for Regulation 105 withholding (subcontractor fee reimbursements and waivers)" at www.pwc.com/ca/taxinsights.
  - ☐ non-residents generally prepare CRA Form NR301 (individual, corporation, trust), NR302 (partnership) or NR303 (hybrid entity) to support reducing withholding tax rates on payments from Canadians due to treaty benefits
  - ☐ non-resident employees could obtain a waiver from Canadian withholding requirements if remuneration is expected to be exempt in Canada under a treaty (submit in advance a waiver application to the CRA on Form R102-R)
  - ☐ certain non-resident employers with non-resident employees working temporarily in Canada are exempt from payroll withholding requirements (apply for non-resident employer certification, using Form RC473)
- ☐ **Electronic filing (e-filing)** – If you submit more than five information returns annually, be aware that you are required to e-file any information returns (also note that e-filing of corporate income tax returns is required for all corporations; some exceptions apply).
- ☐ **Sales taxes/value added tax and customs duty**
  - ☐ If your company has activities (e.g. selling, importing or exporting goods or supplying services) in foreign countries, confirm whether it is required to register for sales tax/value added tax (VAT) and/or register as an importer and pay custom duties and/or other levies in the other countries.
  - ☐ Ensure that documentation of your company's foreign transactions meets local requirements. Check whether the structure of the foreign transactions is optimal for sales tax/VAT and customs purposes.
  - ☐ If your business exports goods from Canada, it may be required to report those goods to the Canada Border Services Agency (CBSA) before export. The CBSA may impose significant penalties for non-compliance with export reporting violations.
  - ☐ If your company imports goods into Canada, you must register and participate in the CBSA Assessment and Revenue Management (CARM); importers that do not participate must formally declare their goods and pay the applicable duties/taxes due at the border before customs will release their goods. See our *Tax Insights* "Businesses importing goods into Canada must register for CARM – Action required! (October 2024 update)" at www.pwc.com/ca/taxinsights.
  - ☐ If your company imports goods and the price of those goods is impacted by a price change/adjustment post-importation, you may have a compliance obligation to report the price change/adjustment to the CBSA. Further, for imports from related parties, you must also be able to demonstrate to the CBSA (with sufficient

information) that the relationship has not influenced the purchase price of the imported goods. Contact your PwC adviser to discuss the matter further.

- ☐ Be aware that certain import activities increase the chance that your business will be audited by the CBSA. If the audit uncovers non-compliance and results in a negative audit finding, your business could be charged punitive interest and assessed penalties, in addition to any duties/taxes that would otherwise be owing. To avoid these potential customs risks, contact your PwC adviser to plan and implement appropriate compliance measures before you are audited. See our *Tax Insights* "Are your goods on the list? CBSA releases July 2025 trade compliance verification priorities" at www.pwc.com/ca/taxinsights.

- ☐ Note that, if your business conducts a self-initiated review and determines that it is non-compliant, penalties/punitive interest may not apply if the non-compliance is reported and corrected within the required time. If this time has passed and no CBSA action has commenced, your business may be eligible to report the corrections under the CBSA's Voluntary Disclosure Program and request a waiver of the penalties and punitive interest.

- ☐ If your company imports certain goods from the United States that fall under one of the targeted tariff classifications (e.g. certain steel, automotive or other products), it may be subject to additional surtaxes at a rate of 25% (refer to the Government of Canada's complete list of US products subject to counter tariffs that came into effect on September 1, 2025). Consider whether you are eligible for remission of surtaxes, which would be requested from the Department of Finance Canada. Also see "US federal changes" on page 36 in the **Individuals and businesses with US connections** checklist.

- ☐ If your company imports Chinese-made electric vehicles and/or steel and aluminum products, it may be subject to additional surtaxes at rates of 100% or 25%, respectively. Contact your PwC adviser to discuss alternate sourcing measures or mechanisms to mitigate these additional surcharges. See our *Tax Insights* "Canada to impose surtaxes on steel and aluminum products from China and Chinese-made electric vehicles" (October 29, 2024 update) at www.pwc.com/ca/taxinsights.

- ☐ If your company produces, sells or distributes goods in Canada or elsewhere, imports into Canada goods produced outside Canada, or controls an entity that is involved in these activities, ensure that it complies with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* to prevent prohibition of certain goods from being imported into Canada. Publish an annual report by May 31 that discloses the steps taken to prevent or mitigate the risk that forced or child labour exists in your operations and supply chains. Contact your PwC adviser to discuss whether this might apply to your business and how to comply with these new obligations.

Individuals and businesses with US connections

(This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding US federal, state or local tax penalties that may be imposed on the taxpayer.)

- ☐ **US income tax –** If you are a US citizen, green card holder or US-resident alien in 2025, consider US compliance obligations and determine whether you have fulfilled all of the US reporting requirements. If you have not, contact your PwC adviser to see if you are eligible for the following programs:

  - ☐ Streamlined Filing Compliance Procedures - designed for taxpayers who may not have been aware of their US filing obligations

- ☐ Relief Procedures for Certain Former Citizens – available for certain persons who have relinquished, or intend to relinquish, their US citizenship

☐ **US estate tax** – If you are:

- ☐ a US citizen who is a Canadian resident, determine your possible exposure to both US estate tax and Canadian deemed disposition on death tax and how to minimize the double taxation
- ☐ not a US citizen or resident, determine whether you hold any US property, including shares in US corporations (including stock options to acquire such shares), US real estate, debt obligations issued by US residents, interests in US partnerships, or any tangible personal property that is located in the United States, among other things; if so, determine your possible exposure to US estate tax and how to minimize it

☐ **US gift tax** – If you are a US citizen or green card holder, consider your exposure to US gift tax. For 2025, a US citizen has a basic lifetime exclusion amount of US$13.99 million,* an annual exclusion amount for a gift up to US$190,000 to a non-US spouse and up to US$19,000 to a child or any other done.

* The lifetime US estate and gift tax exclusion amount will increase to US$15 million after 2025 (indexed annually for inflation).

☐ **Canadian snowbirds** – If you are a "snowbird" – a Canadian who spends a significant amount of time in the United States – consider whether you meet the US "substantial presence test," which may make you liable for US income tax (however, if you do meet that test, you may still be eligible for the "closer connection" exception). Contact your PwC adviser to discuss your situation and whether you have a US filing or foreign reporting obligation.

☐ **Canadian RRSPs, RRIFs, RPPs and DPSPs**

- ☐ If you are a US citizen, green card holder or US-resident alien in 2025, and are the beneficiary of a Canadian RRSP, RRIF, RPP and/or DPSP, determine:
  - what information you need to provide to the Internal Revenue Service (IRS)
  - the format for reporting this information
  - the reporting deadlines
- ☐ Be aware that US citizens and resident aliens who hold interests in Canadian RRSPs or RRIFs and meet certain other conditions can automatically qualify for a tax deferral. However, you may be required to disclose your RRSP and RRIF accounts on Form 8939 and/or Form FinCEN 114, "Report of Foreign Bank and Financial Accounts" (significant penalties apply for failure to file these forms).

☐ **Canadian Registered education savings plans (RESPs)** – If you are a US citizen, green card holder or US-resident alien in 2025, consult with your PwC adviser if you have an RESP or before contributing to an RESP.

☐ **Canadian Tax-free savings accounts (TFSAs)** – If you are (or became) a US citizen, green card holder or US-resident alien in 2025, contact your PwC adviser about your TFSA or before setting up a TFSA. Investment income earned in a TFSA may be taxable for US purposes in the year it is earned. In addition, if the TFSA is considered to be a trust, both you and the trust may have to report additional information to the IRS annually and failure to file the required forms could subject a US taxpayer to significant penalties.

☐ **Canadian mutual funds, exchange traded funds (ETFs) and real estate investment trusts (REITs)** – If you are a US citizen, green card holder or US-resident alien in 2025 and own an interest in Canadian mutual funds, ETFs or

REITs, ensure that your investment adviser knows this. You must file an annual information return with the IRS in respect of these investments.

- ☐ **US source income** – If you received income in 2025 from US sources that may be subject to US federal and/or state tax (e.g. employment and self-employment income earned in the United States; income and losses from participation in US limited partnerships, including US limited liability corporations [LLCs] treated as partnerships for US tax purposes; rent from US real estate, including short-term rentals of vacation homes; and US gambling winnings):

  - ☐ determine whether the income should be reported on a US non-resident return, and
  - ☐ if US tax was deducted at source on the income during 2025, determine whether:
    - the tax withheld was appropriate or if a reduction in the withholding tax rate is available under the Canada-US tax treaty
    - you should file a US non-resident return to obtain a full or partial refund
    - the US tax can be claimed as a credit on your Canadian tax return

  You may be required to provide Form W-8BEN, W-8IMY or W-8ECI for any US source payments that you receive, to have the appropriate non-resident withholding tax rates applied to the income.

- ☐ **US investments** – If you invest in (or are considering an investment in) alternative-type US investments (e.g. a US LLC), contact your PwC adviser to ensure you have considered both Canadian and US tax implications. In addition, consider whether certain withholding and income tax rules associated with the sale of some partnership interests may apply.

- ☐ **US taxpayers with Canadian shareholdings or investments** – If you are a US citizen, green card holder or resident (or plan to become a US resident) and own shares (directly or indirectly) of a Canadian private corporation or units of a Canadian partnership, or if you have a Canadian bank account or investments, determine how to minimize any additional US income tax reporting requirements or exposure to US income tax or double taxation. Penalties apply to certain late-filed information returns on foreign investments and foreign financial accounts reporting. Annual information returns must be filed by US persons who:

  - ☐ are US shareholders of controlled foreign corporations, US partners of controlled foreign partnerships or US beneficiaries receiving distributions from foreign trusts
  - ☐ have investments in passive foreign investment companies

- ☐ **US exit tax** – If you are considering renouncing your US citizenship or relinquishing your green card, ask your PwC adviser how you are affected by US rules that may impose a US exit or "mark-to-market" tax on certain types of properties, and other potential future US tax implications.

- ☐ **US federal income tax return/treaty-based tax return** – Determine whether you are conducting activities or have a permanent establishment in the United States that warrants filing US federal income tax returns or US treaty-based tax information disclosure returns.

- ☐ **Form 8858** – If you are resident in Canada and self-employed or own a Canadian rental property, but are a US citizen or green card holder, you may be required to file IRS Form 8858. Contact your PwC adviser to discuss whether you have a filing requirement.

- ☐ **US real estate –** If you sold US real estate (including certain shares of a US company that has 50% or more of its value attributable to US real estate) in 2025, or may sell US real estate, determine your US income tax reporting requirements and how to minimize any exposure you might have to US real property withholding tax and US federal and state income taxes under the *US Foreign Investment in Real Property Tax Act* (FIRPTA). State income tax withholding and/or income tax reporting requirements may also apply. Contact your PwC adviser for assistance with these tax withholding and reporting requirements.

- ☐ **US tax identification numbers –** Note that US tax laws may require you to obtain a US Employer Identification Number (EIN) or Taxpayer Identification Number (TIN) to comply with US income tax and/or FIRPTA withholding tax reporting requirements. Contact your PwC adviser for help with the application process.

- ☐ **US *Foreign Account Tax Compliance Act* (FATCA) –** If you are a US taxpayer holding financial assets with an aggregate value of more than US$50,000 outside the United States, you may be required by the US FATCA rules to disclose these investments to the IRS by filing Form 8938 with your US income tax return.

- ☐ **US *Corporate Transparency Act* (CTA) –** Determine whether your company was required to comply with the updated reporting and disclosure requirements of the CTA. Reporting companies were required to submit beneficial ownership information reports to the US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), for companies that were created or registered to do business in the United States:

  - ☐ before March 26, 2025, by April 25, 2025

  - ☐ after March 25, 2025, 30 calendar days after the company receives notice that its creation or registration to do business in the United States is effective

- ☐ **US federal changes**

  - ☐ If your company exports goods from Canada to the United States (or vice-versa), visit our Tariffs and Trade Policy Resource Centre to stay abreast of the evolving US tariff situation and consider alternative export and import models if required. In response to these US tariffs, the Canadian government has imposed surtaxes on certain US-origin steel and aluminum goods and fully-assembled vehicles imported into Canada, and is providing government support to certain Canadian business sectors (for Canadian federal and provincial/territorial tariff-related support programs, see Tariff relief: Unlocking government support). Also see our various tariff-related *Tax Insights* at www.pwc.com/ca/taxinsights on:

    - sector-specific US tariffs (steel and aluminum, automobiles and automobile parts, copper)

    - other US tariffs (reciprocal, border security)

    - US *de minimis* shipment exemption

    - Canadian surtaxes on certain US-origin goods and tariff-rate quotas on imports of steel mill products

  - ☐ Be aware that the new US administration's enacted *One Big Beautiful Bill Act* (OBBBA) permanently extends (with modifications) certain US business and international tax provisions enacted as part of the 2017 *Tax Cuts and Jobs Act* that were scheduled to change at the end of 2025. New measures in the OBBBA include:

    - permanently increasing the estate and gift tax exemption amount to US$15 million after 2025 (indexed annually for inflation)

- extending the 37% top individual income tax rate and adjusting lower tax brackets for inflation
- permanently restoring 100% bonus depreciation, expensing for US-based research and the EBITDA-based business interest expense limitation
- temporary bonus depreciation for qualified production property
- modifying, terminating and accelerating the phase-out of a wide range of the 2022 *Inflation Reduction Act* clean energy tax credits
- significant changes to various international tax provisions

Owner-managers of Canadian businesses with US connections and US citizens living in Canada should consider whether any year-end planning is necessary. Contact your PwC adviser to discuss the implications of the OBBBA's tax changes.

☐ **State and municipal taxes –** Ensure you comply with all state and municipal laws and taxes. Even if a Canadian business is exempt from US federal income tax under the Canada-US tax treaty, it may be subject to state income, franchise, sales and use, property and other taxes. State sales and use tax collection has also expanded, to require collection and remittance on e-commerce transactions made to customers within a state, even if the seller does not have a physical presence in the state. Businesses should determine whether they have established sales and use tax nexus in any additional states. Contact your PwC adviser for help with multi-state taxation and filing requirements.

Tables

Table 1: Integration – Active business income ($)

(twelve-month taxation year ended December 31, 2025, and $10,000 of active business income)

This table shows:[1]

- the income tax deferral if active business income is earned and retained in a corporation, as opposed to being paid out of the corporation as salary to the shareholder
- the tax saving (cost) if, instead of being paid out of the corporation as salary, the after-tax corporate income is paid out as a dividend to the shareholder in the same year

		Eligible for small business deduction[3]		No small business deduction[3]	
		Deferral	**Saving/(cost)**	**Deferral**	**Saving/(cost)**
Alberta[4]		3,700	(65)	2,500	(142)
British Columbia[5]		4,339	(12)	2,739	71
Manitoba		4,244	(3)	2,444	(314)
New Brunswick[6]		4,100	(44)	2,350	49
Newfoundland and Labrador[7]		4,419	86	2,569	(666)
Northwest Territories		3,805	528	2,255	173
Nova Scotia		4,325	(137)	2,500	(452)
Nunavut		3,450	125	1,950	(465)
Ontario[8]	General	4,222	30	2,792	(100)
	M&P			2,942	(9)
Prince Edward Island		4,200	(113)	2,150	(390)
Quebec		4,302[9]	26[9]	2,872	(76)
Saskatchewan	General	3,750	29	2,050	(114)
	M&P			2,250	27
Yukon[10]	General	3,900	(108)	2,100	(12)
	M&P			3,050	664

Table 2: Integration – Investment income ($)

(twelve-month taxation year ended December 31, 2025, and $10,000 of investment income)

This table shows:[2]

- the income tax deferral (prepayment) if investment income is earned and retained in a corporation, as opposed to being earned directly by an individual
- the tax saving (cost) if the after-tax corporate income is paid out as a dividend to the shareholder in the same year

	Portfolio Dividends		Capital Gains[11]		Interest	
	Deferral (Prepayment)	(Cost)	Deferral (Prepayment)	(Cost)	Deferral (Prepayment)	(Cost)
Alberta[4]	(402)	Nil	67	(177)	133	(354)
British Columbia[5]	(179)	Nil	142	(280)	283	(561)
Manitoba	(55)	Nil	(13)	(347)	(27)	(694)
New Brunswick	(593)	Nil	(8)	(301)	(17)	(603)
Newfoundland and Labrador[7]	787	Nil	57	(295)	113	(590)
Northwest Territories	(1,000)	Nil	(156)	(105)	(312)	(209)
Nova Scotia	325	Nil	67	(350)	133	(699)
Nunavut	(525)	Nil	(308)	(287)	(617)	(573)
Ontario	101	Nil	168	(220)	336	(440)
Prince Edward Island	(179)	Nil	(108)	(408)	(216)	(816)
Quebec	178	Nil	157	(270)	314	(539)
Saskatchewan	(869)	Nil	(158)	(279)	(317)	(557)
Yukon[10]	(940)	Nil	(133)	(362)	(267)	(724)

Notes to Tables 1 and 2:

1. Table 1 assumes that:
   - the individual is taxed at the top marginal income tax rate (only federal and provincial/territorial income tax, the employer portion of provincial health tax and the employee portion of Northwest Territories and Nunavut payroll taxes are considered)
   - when there is no small business deduction, the after-tax corporate income is paid out as an eligible dividend

   Different results may arise in special circumstances (e.g. for credit unions).
2. Table 2 assumes that:
   - the individual is taxed at the top marginal income tax rate
   - portfolio dividends received are designated as eligible dividends
   - no capital gains deductions are available
   - the non-taxable portion of the corporation's capital gain is distributed as a tax-free capital dividend
   - the taxable dividend paid (eligible for portfolio dividends, non-eligible for capital gains and interest) is sufficient to generate a full refund of refundable tax
3. The $500,000 federal small business threshold applies in all provinces and territories, except where the threshold is:
   - $700,000 in Nova Scotia after March 31, 2025
   - $600,000 in Prince Edward Island after June 30, 2025
   - $600,000 in Saskatchewan

   The figures in the table do not apply to income between the $500,000 federal threshold and the applicable provincial threshold (prorated for Nova Scotia and Prince Edward Island for 2025; $600,000 for Saskatchewan).
4. For Alberta, the figures assume that the individual is taxed at Alberta's personal income tax rate on incomes over $362,961. If the individual's income is $362,961 or less, but over $253,414, the figures are as shown in the table below:

		Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction	$3,600	($63)
	No small business deduction	$2,400	($136)
Table 2	Portfolio dividends	($540)	Nil
	Capital gains*	$17	($179)
	Interest	$33	($357)

* See note 11 below.

5. For British Columbia, the figures assume that the individual is taxed at British Columbia's personal income tax rate on incomes over $259,829. If the individual's income is $259,829 or less, but over $253,414, the figures are as shown in the table below:

		Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction	$3,976	$4
	No small business deduction	$2,376	$81
Table 2	Portfolio dividends	($689)	Nil
	Capital gains*	($43)	($295)
	Interest	($87)	($591)

* See note 11 below.

6. For New Brunswick, the figures in Table 1 do not apply to situations in which a Canadian-controlled private corporation (CCPC) is not eligible for the federal small business deduction (SBD), but is eligible for the New Brunswick SBD. This situation occurs because New Brunswick does not parallel the federal rules that phase-out the $500,000 SBD for CCPCs that earn between $50,000 and $150,000 of passive investment income in a previous taxation year. This mismatch in the federal/New Brunswick SBD results in a lower integrated tax rate on active business income.

7. For Newfoundland and Labrador, the figures assume that the individual is taxed at Newfoundland and Labrador's personal income tax rate on incomes over $1,128,858. If the individual's income is: (a) $1,128,858 or less, but over $564,429; (b) $564,429 or less, but over $282,214; or (c) $282,214 or less, but over $253,414, the figures are as shown in the table below.

		$1,128,858 or less, but over $564,429		$564,429 or less, but over $282,214		$282,214 or less, but over $253,414	
		Deferral (Prepayment)	Saving (Cost)	Deferral (Prepayment)	Saving (Cost)	Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction	$4,370	$88	$4,321	$90	$4,222	$93
	No small business deduction	$2,520	($666)	$2,471	($667)	$2,372	($669)
Table 2	Portfolio dividends	$718	Nil	$649	Nil	$511	Nil
	Capital gains*	$32	($298)	$7	($301)	($43)	($306)
	Interest	$63	($595)	$13	($601)	($87)	($612)

* See note 11 below.

8. For Ontario, the figures in Table 1 do not apply to situations in which a CCPC is not eligible for the federal SBD, but is eligible for the Ontario SBD. This situation occurs because Ontario does not parallel the federal rules that phase-out the $500,000 SBD for CCPCs that earn between $50,000 and $150,000 of passive investment income in a previous taxation year. This mismatch in the federal/Ontario SBD results in a lower integrated tax rate on active business income.

9. For Quebec, the figures assume that the income is eligible for Quebec's small business income tax rate by meeting either:

   - the "activities" test (based on activities attributable to M&P and primary sector labour)
   - the "hours paid" test (based on current or previous year's remunerated employee hours)

   See footnote 5 of **Table 4** for more information.

10. For the Yukon, the figures assume that the individual is taxed at the Yukon's personal income tax rate on incomes over $500,000. If the individual's income is $500,000 or less, but over $253,414, the figures are as shown in the table below:

			Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction		$3,680	($98)
	No small business deduction	General	$1,880	($10)
		M&P	$2,830	$694
Table 2	Portfolio dividends		($1,244)	Nil
	Capital gains*		($243)	($371)
	Interest		($487)	($741)

* See note 11 below.

11. The figures in Table 2 relating to capital gains reflect a 50% capital gains inclusion rate; the proposal that would have increased the capital gains inclusion rate from ½ to ⅔, which was to have been effective for capital gains realized after June 24, 2024, will no longer proceed.

Table 3: Top combined federal and provincial/territorial marginal personal income tax rates (%)

In 2025, top rates apply to taxable income above $253,414 in all jurisdictions except:

- $362,961 in Alberta
- $259,829 in British Columbia
- $1,128,858 in Newfoundland and Labrador
- $500,000 in the Yukon

	Interest & ordinary income (2025 / 2026)	Capital gains[7] (2025 / 2026)	Canadian dividends (eligible) (2025 / 2026)	Canadian dividends (non-eligible) (2025 / 2026)
Federal only	**33.00**	16.50	24.81	27.57
Alberta[1]	**48.00**	24.00	34.31	42.31
British Columbia[2]	**53.50**	26.75	36.54	48.89
Manitoba[3]	**50.40**	25.20	37.78	46.67
New Brunswick	**52.50**	26.25	32.40	46.83
Newfoundland and Labrador[4]	**54.80**	27.40	46.20	48.96
Northwest Territories	**47.05**	23.53	28.33	36.82
Nova Scotia	**54.00**	27.00	41.58	49.99
Nunavut	**44.50**	22.25	33.08	37.79
Ontario	**53.53**	26.76	39.34	47.74
Prince Edward Island	**52.00**	26.00	36.54	47.92
Quebec	**53.31**	26.65	40.11	48.70
Saskatchewan	**47.50**	23.75	29.64	41.34
Yukon[5]	**48.00**	24.00	28.93	44.04
Non-resident	**48.84**[6]	24.42	36.72[6]	40.80[6]

1. For Alberta, the rates assume that the individual is taxed at Alberta's personal income tax rate on income over $362,961.* If the individual's income is $362,961* or less, but over $253,414,* the figures for 2025 and 2026 are as follows: Interest & ordinary income [47.00%]; Capital gains [23.50%]; Canadian dividends (eligible) [32.93%]; Canadian dividends (non-eligible) [41.16%].
2. For British Columbia, the rates assume that the individual is taxed at British Columbia's personal income tax rate on income over $259,829.* If the individual's income is $259,829* or less, but over $253,414,* the figures for 2025 and 2026 are as follows: Interest & ordinary income [49.80%]; Capital gains [24.90%]; Canadian dividends (eligible) [31.44%]; Canadian dividends (non-eligible) [44.63%].
3. For Manitoba, the rates assume that the individual is taxed at Manitoba's personal income tax rate on income over $400,000. If the individual's income is $400,000 or less, but over $253,414,* the figures for 2025 and 2026 are as follows: Interest and ordinary income [51.25%]; Capital gains [25.63%]; Canadian dividends (eligible [38.96%]; Canadian dividends (non-eligible) [47.65%]. These marginal rates reflect a gradual claw-back of the province's basic personal amount for individuals with net income between $200,000 and $400,000.
4. For Newfoundland and Labrador, the rates assume that the individual is taxed at Newfoundland and Labrador's personal income tax rate on income over $1,128,858.* If the individual's income is $1,128,858* or less, but over $253,414,* the figures for 2025 and 2026 are as shown in the table below:

		Interest & ordinary income	Capital gains	Canadian dividends (eligible)	Canadian dividends (non-eligible)
Taxable income	$564,429* - $1,128,858*	54.30%	27.15%	45.51%	48.38%
	$282,214* - $564,429*	53.80%	26.90%	44.82%	47.81%
	$253,414* - $282,214*	52.80%	26.40%	43.44%	46.66%

5. For the Yukon, the rates assume that the individual is taxed at the Yukon's personal income tax rate on income over $500,000 in 2025 and 2026. If the individual's income is $500,000 or less, but over $253,414,* the figures for 2025 and 2026 are as follows: Interest & ordinary income [45.80%]; Capital gains [22.90%]; Canadian dividends (eligible) [25.89%]; Canadian dividends (non-eligible) [41.51%].
6. Non-resident rates for interest and dividends apply only in certain circumstances. Generally, interest (other than most interest paid to arm's length non-residents) and dividends paid to non-residents are subject to Part XIII withholding tax.
7. The figures in Table 3 relating to capital gains reflect a 50% capital gains inclusion rate; the proposal that would have increased the capital gains inclusion rate from ½ to ⅔, which was to have been effective for capital gains realized after June 24, 2024, will no longer proceed.

* To be indexed for 2026.

Table 4: Combined federal and provincial/territorial corporate income tax rates (%)[1]

(twelve-month taxation year ended December 31)

<table>
<tr><th rowspan="3" colspan="2"></th><th rowspan="2" colspan="2">General and manufacturing and processing (M&P)</th><th colspan="4">Canadian-controlled private corporations (CCPCs)</th></tr>
<tr><th colspan="2">Active business income (ABI) earned in Canada to $500,000[2, 3]</th><th colspan="2">Investment income[4]</th></tr>
<tr><th>2025</th><th>2026</th><th>2025</th><th>2026</th><th>2025</th><th>2026</th></tr>
<tr><td colspan="2">Federal</td><td colspan="2">15.00</td><td colspan="2">9.00</td><td colspan="2">38.67</td></tr>
<tr><td colspan="2">Alberta</td><td colspan="2">23.00</td><td colspan="2">11.00</td><td colspan="2">46.67</td></tr>
<tr><td colspan="2">British Columbia</td><td colspan="2">27.00</td><td colspan="2">11.00</td><td colspan="2">50.67</td></tr>
<tr><td colspan="2">Manitoba</td><td colspan="2">27.00</td><td colspan="2">9.00</td><td colspan="2">50.67</td></tr>
<tr><td colspan="2">New Brunswick</td><td colspan="2">29.00</td><td colspan="2">11.50</td><td colspan="2">52.67</td></tr>
<tr><td colspan="2">Newfoundland and Labrador</td><td colspan="2">30.00</td><td colspan="2">11.50</td><td colspan="2">53.67</td></tr>
<tr><td colspan="2">Northwest Territories</td><td colspan="2">26.50</td><td colspan="2">11.00</td><td colspan="2">50.17</td></tr>
<tr><td colspan="2">Nova Scotia</td><td colspan="2">29.00</td><td>10.75[2]</td><td>10.50[2]</td><td colspan="2">52.67</td></tr>
<tr><td colspan="2">Nunavut</td><td colspan="2">27.00</td><td colspan="2">12.00</td><td colspan="2">50.67</td></tr>
<tr><td rowspan="2">Ontario</td><td>General</td><td colspan="2">26.50</td><td rowspan="2" colspan="2">12.20</td><td colspan="2">50.17</td></tr>
<tr><td>M&P</td><td colspan="2">25.00</td><td colspan="2">n/a</td></tr>
<tr><td colspan="2">Prince Edward Island</td><td>30.50</td><td>30.00</td><td colspan="2">10.00[2]</td><td>54.16</td><td>53.67</td></tr>
<tr><td colspan="2">Quebec</td><td colspan="2">26.50</td><td colspan="2">12.20[5]</td><td colspan="2">50.17</td></tr>
<tr><td rowspan="2">Saskatchewan</td><td>General</td><td colspan="2">27.00</td><td rowspan="2" colspan="2">10.00[2]</td><td colspan="2">50.67</td></tr>
<tr><td>M&P</td><td colspan="2">25.00</td><td colspan="2">n/a</td></tr>
<tr><td rowspan="2">Yukon</td><td>General</td><td colspan="2">27.00</td><td rowspan="2" colspan="2">9.00</td><td colspan="2">50.67</td></tr>
<tr><td>M&P</td><td colspan="2">17.50</td><td colspan="2">n/a</td></tr>
</table>

1. Different rates may apply in special circumstances (e.g. for credit unions). For taxation years beginning in 2022 and before 2035, reduced corporate income tax rates are available for eligible zero-emission technology M&P income.
2. The CCPC threshold is $500,000, except where it is:
   - $700,000 in Nova Scotia after March 31, 2025 – the rate that applies to active business income from $500,000 to:
     - $650,685 [prorated threshold for 2025] is 16.75%
     - $700,000 for 2026 is 16.5%
   - $600,000 in Prince Edward Island after June 30, 2025 – the rate that applies to active business income from $500,000 to:
     - $550,411 [pro-rated threshold for 2025] is 16%
     - $600,000 for 2026 is 16%
   - $600,000 in Saskatchewan – the rate that applies to active business income from $500,000 to $600,000 for 2025 and 2026 is 16%
3. The $500,000 CCPC threshold (see note 2 above for exceptions) is shared by associated CCPCs. It is reduced by the greater of:
   - $0.0125 (in Nova Scotia, $0.016267 for 2025 [due to pro-rated CCPC threshold] and $0.0175 for 2026; in Prince Edward Island, $0.01376 for 2025 [due to pro-rated CCPC threshold] and $0.015 for 2026; and in Saskatchewan, $0.015) for every $1 of a CCPC's previous year's taxable capital employed in Canada (on an associated basis) over $10 million (so that it is eliminated at $50 million of taxable capital)

     The clawback also applies to all provincial and territorial small business deductions, except that for Quebec, the thresholds are based on paid-up capital (on an associated basis).
   - $5 (in Nova Scotia, $6.50685 for 2025 [due to pro-rated CCPC threshold] and $7 for 2026; in Prince Edward Island, $5.50411 for 2025 [due to pro-rated CCPC threshold] and $6 for 2026; and in Saskatchewan, $6) for every $1 of a CCPC's previous year's passive investment income (on an associated basis) over $50,000 (so that the threshold is eliminated at $150,000 of investment income); this reduction also applies to all provincial and territorial small business deductions, except for New Brunswick and Ontario.
4. Rates on investment income are 23.67% higher than the general rates (see above), because:
   - CCPC investment income does not benefit from the 13% federal general rate reduction
   - the rates on investment income include a 10-2/3% tax that is refundable when the CCPC pays taxable dividends

These rates would also apply to investment income of a "substantive CCPC" (see "Substantive CCPCs" on page 6 in the **Owner-managed businesses** checklist). The following comments would also apply to a substantive CCPC.

Generally, 30-2/3% of a CCPC's aggregate investment income is added to its "non-eligible refundable dividend tax on hand (NRDTOH) account." This amount is refundable at a rate of 38-1/3% of taxable non-eligible dividends paid by the CCPC.

Eligible dividends paid by a CCPC produce a refund (at the 38-1/3% rate) only to the extent of its "eligible refundable dividend tax on hand (ERDTOH) account," that includes Part IV tax paid on eligible dividends from non-connected corporations and on taxable dividends from connected corporations to the extent the dividend generated a refund from the connected corporation's ERDTOH account.

The refundable portion of the CCPC's other investment income, and the portion of Part IV tax on dividends from connected corporations that is not included in the ERDTOH account, is added to its NRDTOH account, which is refunded to the extent of 38-1/3% of non-eligible dividends paid by the CCPC (if this calculated amount exceeds the NRDTOH account, the excess can then recover any remaining ERDTOH account balance).

5. Quebec CCPCs:
   - are eligible for the province's CCPC rate if the CCPC's:
     - activities that are attributable to M&P and the primary sector (i.e. agriculture, forestry, fishing and hunting, mining, quarrying, and oil and gas extraction) (based on M&P and primary sector labour costs) are at least 50% (the "activities" test), or
     - current or previous year's remunerated employee hours are at least 5,500 (the "hours paid" test)
   - will be subject to a tax rate between the province's CCPC rate and its general tax rate if the CCPC's:
     - activities that are attributable to M&P and the primary sector are under 50% and more than 25%
     - current or previous year's remunerated employee hours are less than 5,500 and more than 5,000

Let's talk

For a deeper discussion of how you can benefit from this *Year-end tax planner*, please contact your PwC adviser or:

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