NET ACCOUNTING

YEAR-END TAX PLANNING

December 31, 2025 is fast approaching… see below for a list of tax planning considerations. Please contact us for further details or to discuss whether these may apply to your tax situation.

SOME 2025 YEAR-END TAX PLANNING TIPS INCLUDE:

1) Certain expenditures made by individuals by December 31, 2025 will be eligible for 2025 **tax deductions or credits,** including digital news subscriptions, moving expenses, labour mobility tax credit expenditures, child care expenses, charitable donations, political contributions, registered journalism organization contributions, medical expenses, alimony, eligible employment expenses, union, professional or like dues, carrying charges, air quality improvement expenditures and interest expense. Ensure you keep all receipts that may relate to these expenses.

2) Certain expenditures for **surrogate mothers and fertility treatments** are eligible for the **medical expense tax credit** as of January 1, 2022.

3) A senior whose 2025 net income exceeds $93,454 will lose all, or part, of their **old age security** pension. Senior citizens will also begin to lose their age credit if their net income exceeds $45,522, and is fully eliminated at $105,709. Consider limiting income over these amounts, if possible. Another option would be to defer receiving old age security receipts (for up to 60 months) if it would otherwise be eroded due to high-income levels.

4) The recent Federal Budget has reinstated the immediate expensing of certain capital assets including buildings used for manufacturing and processes acquired from Nov 4, 2025, and used before 2030.The CCA deduction rate is gradually reduced for the years after 2030 and is eliminated after 2033. Some **zero-emission electric vehicles** purchased by businesses may be eligible for a 100% write-off and other capital assts will have a CCA rate of 150% of the usual CCA rate.

5) Consider **selling non-registered securities**, such as a stock, mutual fund or exchange-traded fund, that has declined in value since it was bought to trigger a capital loss that can offset capital gains in the year. Anti-avoidance rules may apply when selling and buying the same security, even where the same security is held in different brokerage accounts.

6) Consider **restructuring your investment** portfolio to convert non-deductible interest into deductible interest. It may also be possible to convert personal interest expense, such as interest on a house mortgage or personal vehicle, into deductible interest.

7) If you have equity investments or loans made to a Canadian small business that has become insolvent or bankrupt, an **allowable business investment loss** (ABIL) may be available. For loans to corporations to be eligible, the borrower must act at arm’s length. ABILs can be used to offset income beyond capital gains, such as interest, business or employment income.

8) If a **commercial debt** you owe (generally a business loan) has **been forgiven**, special rules apply that may result in additional taxes or other adjustments to the tax return.

9) Capital Gains Inclusion Rate Holds at 50% for 2025 and onwards. The proposed increase to 2/3 has been cancelled.

10) You have until March 2, 2026, to make tax-deductible **registered retirement savings plan** (RRSP) contributions for the 2025 year. Consider having the higher income earning individual contribute to their spouse’s RRSP via a “spousal RRSP” for greater tax savings.

11) You can make contributions to the new tax-free **first home savings plan (FHSP)** (started back in 2023). Eligible contributions are deductible, and withdrawals for eligible purposes (to purchase a first home) are not taxable. Up to $8,000 can be contributed annually, up to a maximum lifetime limit of $40,000. The contribution period is on a calendar year basis – the deadline is always December 31.

12) Individuals 18 and older may deposit up to $7,000 into a **tax-free savings account** in 2025. Consider a catch-up contribution if you have not contributed the maximum amounts for prior years. If you are opening a TFSA for the first time and have been over the age of 18 since 2009, you will have a limit of $102k in 2025. An individual's contribution room can be found online on CRA's My Account.

13) A **Canada education savings grant** for registered education savings plan (RESP) contributions equal to 20% of annual contributions for children (maximum $500 per child per year) is available. In addition, lower-income families may be eligible to receive a Canada learning bond.

14) A **registered disability savings plan** (RDSP) may be established for a person under 60 and eligible for the disability tax credit. Non-deductible contributions to a lifetime maximum of $200,000 are permitted. Grants, bonds and investment income earned in the plan are included in the beneficiary's income when paid out of the RDSP.

15) **Canada pension plan** (CPP) receipts may be **split** between spouses aged 65 or over (application to CRA is required). Also, it may be advantageous to apply to receive CPP early (age 60-65) or late (age 65-70).

16) Are you a **U.S. resident, citizen or green card holder**? Consider U.S. filing obligations concerning income and financial asset holdings. Filing obligations may also apply if you were born in the U.S.

    Information exchange agreements have increased the flow of information between CRA and the IRS. Collection agreements enable CRA to collect amounts on behalf of the IRS.

17) If income, forms or elections have been missed in the past, a **voluntary disclosure** to CRA may be available to avoid penalties. The Voluntary Disclosures Program has recently expanded..

18) Canada Greener Homes Loan Program – Closed to New Applicants. The federal interest-free loan program for energy-efficient home retrofits closed on October 1, 2025. Homeowners who applied before the deadline may still receive funding, but no new applications are being accepted.

19) The **Underused Housing Tax** (UHT) imposes a **national annual 1% tax** on the value of non-resident (for immigration purposes), non-Canadian owned **residential real estate** considered to be vacant or underused. In general, no disclosure or tax is required for citizens, permanent residents, and publicly traded corporations. However, some taxpayers, such as private corporations, must file an annual declaration, even if they meet an exemption such that they do not need to pay the 1% tax. The Federal Budget proposes to eliminate **UHT starting** for the **2025 calendar year**. No returns or tax are required for 2025 onward. However, **filing obligations and penalties still apply for 2022–2024**.

20) The Canada Dental Care Plan has been rolled out to all Canadians starting in 2025. It covers certain dental expense if they do not have dental insurance coverage. The benefit is available to families with an adjusted net income less than $90,000. Limited orthodontic services will also begin to be covered under this plan but the date has not be released yet. Applications can be made online.

21) Multigenerational Home Renovation Tax Credit applies to the construction of a secondary unit to enable a senior or adult family member with a disability, to live with a qualifying relation. The credit is 15% of qualifying expenses up to $50k, for a max. refund of $7,500. Renovation must be completed in 2025 to claim on your 2025 tax return.

22) The Alternative Minimum Tax (AMT) is designed to ensure that individuals, including certain trusts, with high gross income, who would otherwise pay little or no income tax because they have significant number of certain tax preference items, pay at least a minimum amount of tax for the year. The new rules broadened the application of the AMT a couple of years ago and may continue to impact high-income earners. This may impact you If you are considering realizing significant capital gains. Income-splitting trusts and prescribed rate loan structures may now trigger AMT unexpectedly. AMT paid can be carried forward for up to 7 years and used to offset regular tax in future years.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review should be done by a qualified professional.

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For any questions, contact us at contact@netaccounting.ca or 289 570 1NET (638).