

2025 Federal Budget Highlights

The 2025 Federal Budget was released on November 4, 2025. The following points highlight the key tax measures of the budget:

Business Income Tax Measures

Immediate Expensing for Manufacturing and Processing Buildings

The measure provides temporary, immediate expensing for the cost of eligible manufacturing or processing buildings in the first taxation year the eligible addition is used and where 90% of the building's floor space is used to manufacture or process goods for sale or lease.

Eligible additions must be acquired on or after November 4, 2025 and must be put into use before 2030. The enhanced first-year CCA rate of 75% applies for eligible property first used in 2030 or 2031. The enhanced first-year CCA rate of 55% applies for eligible property first used in 2032 or 2033.

Scientific Research and Experimental Development (SR&E) Tax Incentive Program

There is an increase in the expenditure limit for the 35% tax credit from \$4.5M to \$6M starting for taxation years beginning or after December 16, 2024.

Tax Deferral Through Tiered Corporate Structures

The measure limits the deferral of tax on investment income through affiliated corporations with different year ends by suspending the dividend refund if the recipient corporation's balance-due day for the taxation ends after the payer corporation's due date.

The payer would be able to claim the dividend refund in a subsequent tax year once the recipient corporation pays a taxable dividend to an individual or non-affiliated corporation. This may result in earlier payment dates for certain taxpayers.



Individual Income Tax Measures

Top-Up Tax Credit

The non-refundable Top-Up Tax Credit maintains a 15% rate on non-refundable credits in excess of the first income tax bracket. The first income tax bracket was reduced to 14.5% in May 2025 for the 2025 taxation year and this change ensures no one is worse off with the reduction in the first tax bracket.

Tax Return Filing

The CRA can file a tax return on behalf of an individual who has income below either the federal basic personal amount or provincial equivalent, all income sources have been filed with the CRA, a return has not been filed at least once in the previous three tax years, and the individual has not filed a return within 90 days after the tax deadline for the year.

The CRA will provide 90 days for an individual to review the information and submit changes to the CRA before the return is filed.

Other Individual Tax Measures

- To introduce a temporary tax credit for personal support workers in eligible health care organizations with a refundable tax credit of 5% of eligible earnings up to \$1,100
- To permit RDSPs to acquire shares of specified small business corporations and shares of eligible corporations and to no longer permit other types of registered plans in acquiring shares of eligible corporations and interests in small business investment partnerships and trusts
- To amend the *Income Tax Act* so that an expense claimed under the Medical Expense Tax Credit cannot also be claimed under the Home Accessibility Tax Credit
- To broaden anti-avoidance rules for trust-to-trust transfers to avoid the 21 year rule.

Other Tax Measures

Underused Housing Tax

The Underused Housing Tax is eliminated in the 2025 calendar year and subsequent years. Requirements continue to apply for the 2022 and 2024 calendar years.

Luxury Tax on Aircraft and Vessels

To eliminate the luxury tax on certain subject aircraft greater than \$100,000 and subject vessels greater than \$250,000. Taxes eliminated start after November 4, 2025 and include tax on sales, imports, and improvements.

Previously Announced Measures

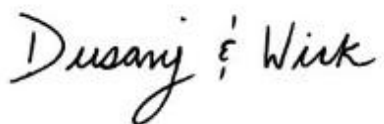
The government intends to proceed with the measures below proposed by the previous government. The full list of measures can be found in the Federal Budget.

- Deferred reporting by bare trusts that would end on or after December 31, 2026
- Increase in the Lifetime Capital Gains Exemption up to \$1.25M of eligible capital gains
- To ensure Canada Carbon Rebates for Small Businesses are provided tax-free
- Deferred application date beginning January 1, 2027 for reporting by Non-Profit Organizations
- Substantive CCPCs where a higher investment income tax rate would apply to all investment income of a non-CCPC
- Increased scope of Alternative Minimum Tax and changes to the tax rate and basic annual exemption

Further information:

The following document has the key details summarized from the 2025 Federal Budget.

If you have any questions about the 2025 Federal Budget and how it may impact your business, individual, or family taxes, please reach out to our team.



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