2025 Personal Tax Planning Tips

As 2025 winds down, it's a great time to check in on your finances and explore some tax-saving opportunities and planning strategies that can help you reach your financial goals.

There are a few changes to keep in mind this year. For instance, automatic tax filings are available for lower-income individuals, a new personal support workers tax credit, and the elimination UHT filings and the luxury tax on aircrafts and vessels.

Should you have any questions relating to how the following will affect you and your family or any other aspect of personal or corporate income taxation, please contact one of the members of our tax group at **admin@dusanjwirk.com** or call **(250) 220-7311**.

Know your deadlines

There are various deadlines to be aware of around tax time. Here is a list of the common payment deadlines for the deduction or credit to be included in 2025:

Due by December 31, 2025
- Charitable gifts
- Political contributions
- Medical expenses
- Union and professional membership dues
- Investment advisor fees, interest, and other investment expenses
- Certain child and spousal support payments
- Deductible legal fees
- Student loan interest
- If you turned 71 in 2025: Contributions and winding up your RRSP

Due by January 30, 2026
- Interest on family income splitting loans
- Interest payable by you on loans from your employer, to reduce your taxable benefit

Due by March 1, 2026
- RRSP (and spousal RRSP) contributions
- Contributions to Home Buyers' Plan or a Lifelong Learning Plan.

Tax planning tips

Consider maximizing your Registered Retirement Savings Plan (RRSP) contributions

You have until March 1, 2026 to make your RRSP contributions (and spousal RRSP contributions) for 2025. The maximum contribution is 18% of last year's "earned income" to a maximum of $32,490 in 2025 ($33,810 for 2026). The earned income maximum for 2025 is $180,500 ($187,834 for 2026).

Contributing to you RRSP reduces the amount of taxes you pay. For example, if you are in the top tax bracket in British Columbia (53.50% in 2025), every $1,000 contributed to your RRSP can save you $53.50 in taxes. Consider contributing to a spousal RRSP account as a way to even out your collective income in your retirement years, or as a means to defer converting to a RIFF if there is a difference in age.

Over-contributing to your RRSP can be costly so be aware of the contribution room you have available and any adjustments that can reduce this amount (i.e. employers' contributions, unclaimed amounts). A 1% per month penalty is applied to excess contributions until the amount is withdrawn.

Are you turning 71 in 2025? You will need to wind-up your RRSP by December 31, 2025 if you turned 71 during the year. There are a few ways to do this. Consider discussing your options with both your D&W tax advisor and your investment advisor. Keep in mind that in this circumstance you only have until December 31 (not March 1, 2026) to contribute to your RRSP for 2025.

Consider realizing investment gains/losses

Review your unregistered investment portfolio with your advisor and consider selling investments currently at a loss to offset any gains incurred during the year, or incurred in the previous 3 years:

- Ensure the settlement date occurs before December 31
- Be aware of the tax rules related to superficial losses (buying and selling investments at a loss within a 60 day period) and ensure any subsequent repurchases are not made within 31 days of the sale.

If you have any unused capital losses from a previous year, consider selling some investments currently at a gain to utilize those losses and increase cash flow.

Consider making a charitable donation

Not only does making a charitable donation support a great cause that is important to you, but it can also help reduce your taxes. Whether you choose to make a cash donation or a gift of property ("gift-in-kind"), making the gift by December 31, 2025 ensures the tax credit can be applied to your 2025 taxes. Any unclaimed donations can be carried forward for 5 years. In British Columbia, the first $200 of annual donations are eligible for a 20.06% tax credit, and donations above $200 are eligible for a tax credit of 45.80% or 53.5% depending on your income level. For example, a $1,000 donation can save you between $406 and $468 of tax. If you are considering making a substantial donation in 2025, consult with your D&W advisor to determine the most tax-efficient means to make your donation.

Consider maximizing you First Home Savings Account (FHSA) contributions

Consider opening a First Home Savings Account (FHSA) if you are looking to purchase your first home within the next 5 years. You are eligible to open this account if you're 18 or older, living in Canada, and haven't owned a home (or lived in one your spouse owned) in the current year or the past four years.

The maximum contribution amount is $8,000 per year (up to a lifetime maximum of $40,000) and starts accumulating once the account is open. Like an RRSP account, contributions made reduce your taxable income and any money you earn in the account is sheltered from tax. Funds can be withdrawn tax-free if they are used to purchase a qualifying home and meet all the qualifying withdrawal conditions. You can also combine this with the Home Buyer's Plan from your RRSP to help fund the same home purchase if all the qualifying conditions are met.

Other items to consider

Consider paying your instalments

If your income is similar to the prior year ensure your personal tax instalments for 2025 are all paid to avoid interest and penalties. The final instalment payment is due December 15.

Maximizing your Tax-Free Saving Account (TFSA) contributions

You can contribute up to $7,000 to your TFSA if you're 18 or older and living in Canada. If you've never contributed before and you're 32 or older you could be eligible to contribute up to $102,500 in 2025 due to unused contribution room from previous years.

Also, if you're planning to take money out of your TFSA, consider making the withdrawal before December 31 so that you can re-contribute in January 2026. Any withdrawals made after December 31 will have to wait until 2027 for additional contribution room to be available. Similar to RRSP, over-contributions can be costly with a penalty of 1% per month applied to excess contributions until the amount is withdrawn.

Maximizing you Registered Education Savings Plan (RESP) contributions

If you have a child under 18, consider registering for a Registered Education Savings Plan (RESP) account to help save for their post-secondary education. When you contribute up to $2,500 annually (to a lifetime maximum of $50,000 per child), you will receive a $500 grant from the government under the Canada Educations Savings Grant program (to a maximum of $7,200 per child up to 18 years old). This entitlement is carried forward to later years (with restrictions) so if there are some missed or partial payments made during the years, catch-up payments can still access the grant.

While RESP contributions do not reduce taxable income like contributions to your RRSP account, any income you earn in the account is sheltered from tax until it's withdrawn to pay for post-secondary education, at which time it is taxed at the hands of the student.

Moving for work/school

If you've moved at least 40 kilometers to be closer to work, to run a business, or to be a full-time post-secondary student during the year you may be eligible to claim certain moving expenses against your income to reduce your taxes. Be aware that moving to another province or territory could impact your provincial tax rate, either higher or lower, as where you live on December 31, 2025 determines your provincial tax rate for the entire year. If you can delay the move until the new year, consider the tax impact of each scenario.

Selling a home during the year

If you sold your principal residence this year, details of the sale will need to be reported on your 2025 tax return. Keep any documents related to the sale to be used to prepare your tax return. If the sale is unreported, you could lose the principal residence exemption, which means you may be required to pay tax on the gain from the sale.

If you owned the home for less than 12 months before the sale, the “residential property flipping” rules may apply unless certain conditions are met. If the rules apply, the gain would be taxed as business income instead of a capital gain which generally means paying higher taxes, and you wouldn’t qualify for the principal residence exemption.

Trust reporting (including bare trusts)

Trusts are required to report the name, address, date of birth, jurisdiction of residence and taxpayer identification number (e.g., SIN) of the settlor, trustees, beneficiaries (including contingent beneficiaries) and protector on its annual trust return. If your trust is a bare trust, you are not required to file a trust income tax return for the 2025 tax year to report the additional information and will only need to provide these details if the CRA specifically requests them.

Please contact your D&W advisor to help you identify any trust arrangements that may be affected, including bare trust and in-trust accounts.

Taxpayer relief request

The deadline to make a taxpayer relief request related to the 2015 tax year is December 31, 2025. This deadline specifically relates to relief requests for the 2015 tax year, as well as any interest that accrued during the 2015 calendar year for tax owing on any previous tax year.

Auto-tax filings

CRA is expanding its automatic tax filing services. If you have a family member whose taxable income for year is below $16,129, below $60,454 if they are 65 years of age or older, or eligible for the disability tax credit, and they meet other criteria they may be eligible for CRA’s automatic tax filing program – SimpleFile.

Personal Support Workers

New in 2025, eligible personal support workers meeting certain criteria would be eligible for an additional tax credit of up to $1,100.

How we can help

Although tax time only comes once a year, talking to your D&W advisor throughout the year can help facility tax planning strategies to save you money. Should you have any questions about how to implement any of the above items, or how these might impact yourself and your family, please contact one of the members of our tax group at **admin@dusanjwirk.com** or **(250) 220-7311.**