

Year-end Tax Planning Guide for 2025

November 2025



Would you like to reduce your income taxes? Proper tax planning should be a year-long activity. However, there is still time to implement a few strategies that could reduce your taxes.

The following are a few simple and effective strategies that can be implemented before the end of 2025 or early in 2026.

Among other things, this is the last chance to take advantage of the additional three-year grace period for repaying the HBP, applicable to withdrawals made up to December 31, 2025. So now is the time to plan your RRSP withdrawals if you're buying your first home!

Additionally, it is worth noting that the planned increase in the capital gains inclusion rate, originally set to take effect in 2024, has been permanently cancelled. The inclusion rate has therefore remained at 50% for both 2024 and 2025, with no increase expected for 2026.¹ As such, no specific planning is required in this regard.

Some federal measures scheduled to come into effect in 2025 but whose adoption has been delayed due to the calling of elections, worth monitoring. This particularly includes enhancements aimed at encouraging investments, such as the accelerated capital cost allowance and the Scientific Research and Experimental Development (SR&ED) tax credit. In his November 4, 2025, budget, the Minister of Finance reaffirmed his intention to implement these measures. Given the delays surrounding their implementation, eligible taxpayers will likely need to file amended tax returns to benefit from these measures retroactively. The Canada Revenue Agency (CRA) is expected to issue guidelines on this matter in the coming months.

Don't hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine the measures that apply to your situation.

TAKE ADVANTAGE OF MEASURES THAT ENCOURAGE INVESTMENT

Various tax measures, including the capital cost allowance and the different investment tax credits described below, are intended to encourage economic activity and innovation.

Consider planning your investments in a way that maximizes your credits and deductions. If you are thinking about investing in such assets, your Raymond Chabot Grant Thornton advisor can assist you with the necessary steps to benefit from them.

Capital Cost Allowance (CCA)

The Minister of Finance of Canada announced the reinstatement of the immediate expensing for assets included in classes 43.1, 53, 54, 55 and 56, so that a 100% deduction in the first taxation year applies to the following classes of property:²

| Class | Description of assets | Rate |
|----------|---|------|
| 43.1 | Equipment for clean energy production | 75 % |
| 44 | Patents or rights to use patented information, whether limited in duration or not | 25 % |
| 46 | Data network infrastructure equipment and related systems software | 30 % |
| 50 | General-purpose electronic data processing equipment and system software | 55 % |
| 53 | Machinery and manufacturing equipment | 75 % |
| 54 to 56 | Zero-emission vehicles | 75 % |

An immediate expensing measure applicable to **buildings used 90% or more for manufacturing and processing purposes** was also announced as part of the federal budget of November 4, 2025. This measure, which applies to buildings acquired as of November 4, 2025, and that become ready for use before 2030, also covers eligible additions and transformations made to eligible buildings.

Assets in other classes acquired since 2025 and which become ready for use before 2030 entitle the holder, in the first year, to an

¹ In a [statement released on March 21, 2025](#), the Office of the Prime Minister of Canada announced that the government was abandoning the increase in the capital gains inclusion rate, maintaining the rate at 50%.

² These assets must become ready for use before 2027; 2030 for assets included in classes 43.1, 53, 54, 55 and 56.

³ Regular CCA rate applicable to the class of assets.

accelerated CCA of 150% of the normally permitted CCA (without half-rate).

Eligible residential complexes located in Canada and specifically built for rental purposes are also entitled to enhance CCA of 10%, provided their construction began after April 15, 2024, and before 2031, and they are ready for use before 2036.

Quebec has announced its intention to align with several of the measures introduced by the federal government.

Plan your acquisitions to maximize the CCA

Acquiring assets eligible for these temporary CCA measures may prove particularly advantageous. If you are considering acquiring a new depreciable asset, think about doing so before the end of the fiscal year. This way, you will be entitled to a CCA for that year, provided the asset is ready for use.

Furthermore, the disposal of assets that have increased in value may result in significant tax liabilities, while a terminal loss may arise from the disposal of assets that have depreciated more rapidly. Planning the timing of the disposal can help defer or reduce the potential tax resulting from the sale of a major capital asset.

Investment and Innovation Tax Credit (C3i)

The C3i is a refundable tax credit that can be claimed in Quebec by companies across all sectors for their acquisition of assets such as manufacturing and processing equipment, computer equipment, and certain management software packages. Rates ranging from 15% to 25%, depending on the region, apply to expenses incurred for acquiring eligible assets up to December 31, 2029⁴.

Tax Credits for SR&ED

New CRIC of Quebec

Since March 25, 2025, the new refundable tax credit for SR&ED, innovation, and pre-commercialization (CRIC) replaces the former Quebec measures related to SR&ED, as well as the tax credit for technological adaptation services and tax credit for design (industrial component).

The CRIC has a base rate of 20%. This rate is increased to 30% on the first \$1 million of eligible expenditures in addition to the applicable exclusion threshold, regardless of the eligible corporation's assets.

Salary and subcontracting expenses, as well as certain capital expenditures related to SR&ED, are eligible for this credit.

Enhanced federal tax credit

The federal investment tax credit for SR&ED consists of a non-refundable tax credit of 15% and a refundable tax credit of 35% on the first portion of expenses incurred by an eligible corporation.

For taxation years beginning after December 15, 2024, the cap on eligible expenses for the 35% refundable tax credit has increased from \$3 M to \$6 M, and this credit, which was previously available to CCPCs, has been extended to eligible Canadian public corporations.

Furthermore, capital expenditures incurred for SR&ED purposes after this date are now eligible for a partially refundable tax credit⁵.

To date, the enhancement of the federal investment tax credit for SR&ED is not administered by the CRA because it was not passed before the April 2025 federal elections. The Department of Finance has reiterated its intention to implement it in its November 4, 2025, budget. Once the measure is adopted, the CRA is expected to publish guidelines outlining the steps to be followed so that eligible taxpayers can benefit from it retroactively from its effective date.

Investment tax credits for the clean economy

Corporations that acquire assets as part of clean energy projects, such as carbon capture, utilization and storage, and clean technologies, may benefit from refundable 'green' tax credits, with rates ranging from 15% to 60%, along with certain accelerated CCA rules.

Additionally, a 10% credit is available on the cost of eligible buildings used in specific segments of the electric vehicle supply chain.

Requirements related to employee compensation and apprentice hiring may apply; otherwise, the base rate of most of these credits may be reduced by 10%.

ADVICE FOR BUSINESSES AND THEIR MANAGERS

As a shareholder-manager, properly structure your compensation

If you are the owner-manager of a Canadian-controlled private corporation, it could be to your advantage to properly structure the mix of salary, bonus and dividends in your compensation package. Optimal planning does not only consider the individual's and the corporation's tax rate; various other factors have an impact on this analysis.

Consider declaring a bonus

A bonus is often preferred over salary, since the payment can be deferred until after the company's year-end and, in some cases, can defer the individual's taxation. Declaring a bonus at year-end can help reduce the corporation's income to the amount that qualifies for the small business deduction (SBD). Like salary, a bonus is deductible from the company's income, making it possible to achieve this result, which is not the case with a dividend.

A bonus, like salary, may entitle you to contribute to your RRSP since it is considered earned income for purposes of the RRSP contribution limit.

Your earned income must be at least \$187,833 in 2025 to be able to make the maximum RRSP contribution of \$33,810 in taxation year 2026.

Rethink your salary-dividend mix

The salary-dividend mix decision should consider various rules that affect corporate and individual tax.

⁴ The credit rates, which vary according to the economic vitality of the region, are increased by 5% until the end of 2029.

⁵ Capital expenditures, including payments related to the use or the right to use a property which, if acquired by a taxpayer, would be considered a capital asset. Excludes buildings.

The corporate tax rates in Quebec are as follows, for 2025 and the following years⁶ :

| | 7 | |
|-----------------------|--------------|--------------|
| Quebec | 3.2% | 11.5% |
| Federal ⁸ | 9.0% | 15.0% |
| Combined rates | 12.2% | 26.5% |

Depending on the nature of its income, a corporation can accumulate a general rate income pool (GRIP) entitling it to pay eligible dividends, taxable at a lower rate, to its shareholders. However, refundable dividend tax payable on investment income can only be refunded to the corporation if it pays ordinary dividends to its shareholders, which has an impact on the overall tax rate.

There is a significant gap between the tax rates applicable to ordinary and eligible dividends. The difference is even greater between the rates applicable to dividends and those applicable to capital gains, making this type of income even more advantageous.

The following table illustrates the maximum marginal tax rates applicable in Quebec, Ontario, and New Brunswick, based on the type of income earned by an individual.

| 2025 | Eligible dividends | Ordinary dividends | Capital Gains | Other income |
|---------------|--------------------|--------------------|---------------|--------------|
| Quebec | 40.11% | 48.70% | 26.65% | 53.31% |
| Ontario | 39.34% | 47.74% | 26.76% | 53.53% |
| New Brunswick | 32.40% | 46.83% | 26.25% | 52.50% |

Some planning options make it possible for shareholder-managers to receive amounts taxable at the capital gains rate. Ask your Raymond Chabot Grant Thornton advisor if setting up such a structure would be beneficial.

In addition to the shareholder's and corporation's tax rate, the salary-dividend analysis should consider factors such as payroll taxes, RRSP and QPP/CPP contributions and access to various tax deductions or credits based on income at both a personal and corporate level.

There is no "rule of thumb" that owner-managers of private corporations can use to determine the best overall compensation method. Tailored planning is required. Don't hesitate to contact your Raymond Chabot Grant Thornton advisor to discuss these matters.

Pay a reasonable salary to your spouse or children

If your spouse or children work for the family business, consider paying a reasonable salary for the bona fide services they provide. This strategy will be worthwhile if their marginal tax rate is less than yours,

while providing them with earned income for QPP/CPP and RRSP purposes. Such a strategy makes it possible to split income without being subject to the rules regarding tax on split income.

Repay advances and other amounts due to your corporation within the prescribed period

If your corporation granted you a loan or advance during the year, you would normally have to repay these amounts within one year following the end of the fiscal year during which the loan or advance was made to you. Otherwise, you might have to include the amount of the loan or advance in your income as a taxable benefit.

Example: If your corporation's financial year-end is June 30th, an advance made on July 3, 2023, and unpaid on June 30, 2025, will be included in your income for the 2023 taxation year, that is, the calendar year during which the loan was granted to you. If you repay the loan in 2025, you will be entitled to a deduction equal to the repaid amount in your 2026 tax return.

Shareholders who received a loan from their company may also be required to include a taxable benefit in their income in respect of interest, to the extent the interest rate on the loan is lower than the quarterly rate prescribed by the tax authorities.⁹

There are some exceptions to these rules. If you have borrowed or received an advance from your corporation, we suggest you review the tax consequences with your tax advisor.

Take full advantage of your capital gains deduction

The cumulative capital gains deduction limit for qualified small business corporation (QSBC) shares and for eligible farm or fishing property is \$1,250,000.¹⁰

Various conditions must be satisfied for small business shares to qualify as QSBC shares, including some that apply for the 24-month period preceding the sale. If you're planning to sell shares or other property that is eligible for this deduction, consider checking if you qualify and structuring the transaction to benefit from the maximum amount.

In some cases, you could consider crystallizing your capital gains deduction while your corporation qualifies. This would be the case, for example, if you anticipate accruing significant amounts of liquidity or surplus assets that are not used in the business. If you've already crystallized this deduction on your shares or on your farm or fishing property, consider making sure that you can claim the maximum deduction available at the time of their disposal, considering the increased limits.

Setting up a family trust could make it possible to multiply this deduction among the trust beneficiaries at the time the shares are sold.

⁶ The general combined corporate tax rate is 26.5% in Ontario (25% for manufacturing and processing businesses) and 29% in New Brunswick, while the applicable rate for income that qualifies for the SBD is 12.2% and 11.5% respectively in these provinces.

⁷ The SBD is progressively reduced when the taxable capital of the corporation (including associated corporations) exceeds \$10M, and it is completely eliminated when it reaches \$50M. Eligibility for the maximum SBD rate is subject to several restrictive rules, including the criterion of paid hours in Quebec.

⁸ For federal purposes, the rates with and without the SBD are reduced to 4.5% and 7.5% respectively for qualifying zero-emission technology manufacturing and processing income.

⁹ The rate is 3% of the last quarter of 2025.

¹⁰ This threshold will be indexed starting in 2026. The adoption of the Canadian Entrepreneurs' Incentive, which would have reduced the inclusion rate of capital gains realized on the sale of a qualifying share, up to the applicable limit (which was to reach \$2 million in 2029), was abolished in the federal budget of November 4, 2025. This measure, announced in the 2024 budget, which was to gradually come into effect starting in 2025, will therefore never be implemented.

If you realize a significant capital gain, you may be subject to an alternative minimum tax (AMT)¹¹. The additional tax paid can be recovered over the following seven years, provided that the regular tax exceeds the AMT in those years. This aspect should be properly planned before selling assets eligible for the capital gains deduction, as you could end up paying a substantial AMT without the possibility of recovering it if you no longer have sufficient income in retirement.

Feel free to discuss these matters with your Raymond Chabot Grant Thornton advisor.

Plan your business succession

If you're planning to transfer your business to your children or grandchildren, you should be aware that rules exist to make it easier to transfer the shares of small business or of a family farm or fishing corporation.

The government has also put rules in place to facilitate the use of employee ownership trusts (EOT), which can provide an additional option to facilitate a transfer to successors without the direct ownership of shares by employees. Business owners can benefit from a tax exemption of up to \$10M on capital gains realized on the sale of their shares to an EOT before December 31st, 2026. This exemption is also available for the sale of shares to an eligible worker cooperative. However, the conditions for applying these exemptions are very restrictive and the measures are not easily implemented.

If you are planning to transfer shares to your children, grandchildren or your employees, contact your Raymond Chabot Grant Thornton advisor to discuss opportunities in this area.

Make your employees twice as happy by offering them a non-taxable gift

As an employer, you can offer your employees certain tax-free non-cash gifts and rewards to mark a special occasion or recognize an outstanding achievement. The total value of all gifts and rewards offered must not exceed \$500 per year. In Quebec, the \$500 limit applies to both gifts and rewards such that an employer may offer a total value of \$1,000 per year to each employee, without any tax impact.

For federal purposes, in addition to gifts and rewards, a tax-free, non-monetary gift of a maximum \$500 value may also be offered to an employee once every five years to recognize the years of service or mark an anniversary.

Although such gifts/rewards will not be taxable to your employees, the amount paid can still be deducted as a business expense.

There are numerous administrative guidelines for employee gifts and rewards. Your Raymond Chabot Grant Thornton advisor can help you navigate this information.

Hire interns or workers with a severely limited capacity for employment

Employers can avail themselves of tax credits for hiring interns (Quebec) and creating apprenticeship jobs (federal). In Ontario, hiring a student enrolled in a qualifying cooperative education program may also give rise to a tax credit. Find out about available tax credits for hiring and training. In Quebec, the credit is enhanced if the intern is

part of a minority (Indigenous person, immigrant or person with a disability).

In Quebec, you could also benefit from a refundable tax credit if you hire persons with a severely limited capacity for employment such as persons with a disability or persons who receive a social solidarity allowance. The credit is equal to the employer contributions paid in a calendar year.

Finance your employees' public transit costs

In Quebec, you can deduct twice the amount spent on a public transit pass paid or reimbursed before 2028 for an employee to commute to work. The same goes for expenses incurred by employers who offer an inter-municipal transit service to their employees, provided that certain conditions are respected. Furthermore, until the end of 2027, there is no taxable benefit for employees. Such an expense can therefore be attractive from both an ecological and economic point of view.

ADVICE FOR EMPLOYEES

Reduce the taxable benefit relating to your employer-provided automobile

If your employer provides you with an automobile, you will have a taxable benefit included in your income related to the personal use of the vehicle. You should keep accurate records of business and personal use of the vehicle, for this calculation.

The taxable benefit consists of two components: a "standby charge" and an "operating cost benefit."

The standby charge benefit can be reduced if the vehicle is used more than 50% of the time for business purposes and annual personal driving is 20,000 kilometres or less. Any amount paid to your employer no later than December 31st for personal use of the vehicle during the year will decrease the value of your taxable benefit for the vehicle. Moreover, you will decrease or eliminate the operating cost benefit for 2025 by refunding your employer for part or all the operating expenses **before February 14, 2026**. You should check before if this option is to your advantage.

Lastly, since the standby charge is calculated on the original cost of the vehicle, consider purchasing an older vehicle from your employer at its fair market value after a few years.

Acquire new tools to carry out your trade

If you are an employed tradesperson, you may be entitled to a tax deduction of \$1,000 for the cost of new tools that you are required to purchase as provided in the conditions of your employment. This measure applies to new tools other than electronic communication devices and electronic data-processing equipment. The deduction applies and corresponds to the portion of the purchase cost exceeding \$1 471\$ (1 430\$ in Quebec).

Therefore, if you haven't purchased new tools with a total cost of at least \$2 471\$ during the year, consider doing so before the end of the year.

¹¹ Particularly on the portion of the gain that is not eligible for the deduction. Individuals who receive a significant taxable benefit from stock options could also be affected.

If you are a teacher or an early childhood educator and purchased eligible school supplies, you could benefit from a refundable tax credit up to \$250 for federal purposes.

Deduct expenses related to your home office

If you had to work from home in 2025, you could deduct expenses for that purpose if certain conditions are met.

Deductible expenses include electricity, water, heating, internet access fees, and cleaning products reasonably attributable to the home office (e.g., based on the proportion of space used). However, mortgage interest and depreciation are excluded. Property taxes and insurance premiums are not deductible, except for commission-based employees.

Consult your Raymond Chabot Grant Thornton advisor to learn about the requirements to meet and the documents needed, including your employer's certification.

Take advantage of non-taxable benefits

Tax legislation provides various non-taxable benefits for employees, including, for example, repayment of moving expenses when certain criteria are met. Instead of negotiating a salary increase, consider asking your employer to grant non-taxable benefits.

ADVICE FOR INVESTORS

Labour-sponsored funds: Be aware of upcoming restrictions

Taxpayers who purchase shares in labour-sponsored fund, such as those of the FSTQ and Fondation, are eligible for a 15% federal and provincial tax credit on a maximum investment of \$5,000.

For shares acquired as of 2027, the credit will no longer be available (at both levels) for individuals whose income is taxed at the highest rate in the personal income tax brackets for the second preceding year (the reference year). Consequently, you will not be able to claim this tax credit in 2027 if your 2025 taxable income exceeds \$129,590.

Plan the realization of your capital gains and losses

If you have realized a capital gain in 2025 or in any of the last three years, consider selling investments with unrealized losses before the end of the year. You may be able to reduce your 2025 taxes and possibly even recover taxes paid in the three prior taxation years or reduce the tax payable on future capital gains. However, you should consider obtaining investment advice prior to making this type of a decision.

The loss may be denied if you sell the property to certain related persons or entities, such as your spouse, a corporation that you or your spouse controls, your RRSP, your tax-free savings account (TFSA) or if one of these persons or entities holds or purchases the same or an identical property in the 30 days after its disposition. However, you can generally transfer the loss of property to a child or other family member without being caught by these rules.

If your spouse or common-law partner has realized a capital gain and you own investments with an unrealized loss (or vice-versa), there are ways to transfer the loss to the spouse with the gain. Your tax advisor can assist you in implementing this planning strategy.

When disposing of listed shares, remember that the disposition is deemed to take place at the settlement date, which can sometimes be two business days after the trading date. Different dates may apply for foreign exchanges. If you want a sale to close in 2025, you should contact your broker to ensure that the transaction settles before the end of the year.

Furthermore, disposing of virtual currency may result in capital gains (or losses). As such, you are required to keep records of your cryptocurrency transactions, including specific documents and information. In Quebec, the obligation to declare any crypto assets held during the year and to include this declaration with your income tax return is added to these requirements.

Structure your loans to maximize your interest deduction

Non-deductible interest (mortgage, personal loans, credit card balances) is paid with after-tax dollars. Consequently, you must earn \$200 in pre-tax dollars to repay \$100 in non-deductible interest.¹²

If you are going to borrow, you should borrow the maximum amount for business and investment purposes and as little as possible for personal reasons.¹³ Conversely, when repaying debt, as much as possible, pay off loans on which interest is non-deductible before you repay those on which interest is deductible.

If you are currently incurring significant interest fees that are not deductible in the calculation of your taxable income, feel free to contact a Raymond Chabot Grant Thornton tax advisor who can help you take certain steps to restructure your loans and make your interest fees deductible.

ADVICE REGARDING YOUR RESIDENCE

Did you acquire a residence in 2025 or are you planning such a purchase? You may be entitled to tax assistance!

Tax credit for the purchase of a new home

If you or your spouse acquire a first home for use as your principal residence,¹⁴ you may be entitled to a non-refundable tax credit of \$1 450 for federal purposes¹⁵, and of \$1 400 in Quebec. You could therefore benefit from a total amount of \$2 850.

Home Buyers' Plan (HBP)

The HBP entitles individuals and their spouse to each withdraw up to \$60 000 from their respective RRSP, without any tax impact, to buy a first home¹⁶.

The HBP is a loan that must be repaid to the RRSP in annual instalments. Any unpaid instalment becomes taxable.

¹² Based on an approximate marginal tax rate of 50%.

¹³ Interest expenses incurred to invest in a registered account, such as an RRSP or TFSA, are not deductible.

¹⁴ An individual is considered to have purchased a first home if neither this individual nor his/her spouse were owner-occupiers of another home during the previous year or the four previous calendar years.

¹⁵ Maximum credit of \$1,400 starting in 2026, due to the rate reduction from 14.5% to 14%.

¹⁶ The limit was \$35,000 per individual for withdrawals made before April 16, 2024. The HBP can also be used to buy out an ex-spouse's share of the family home or to acquire a new residence following a separation.

The repayment period is usually 15 years and begins in the second calendar year following the year of withdrawal. However, for withdrawals made between January 1, 2022, and December 31, 2025, the maximum repayment period begins in the fifth year following the withdrawal. Thus, the total maximum repayment period is extended to 18 years for withdrawals made by the end of the current year.

First Home Savings Account (FHSA)

The Tax-Free First Home Savings Account (FHSA) is designed to enable an individual to save for the purchase of a first home. Every adult can contribute \$8,000 annually to this account, up to a lifetime amount of \$40,000. Contributions paid are deductible. Income earned in the account and eligible withdrawals will not be taxable. It is possible to benefit from both the FHSA and the HBP for the purchase of the same home.

Consult your Raymond Chabot Grant Thornton advisor for the eligibility requirements of these plans.

Renovate to house an elderly or handicapped relative

You may be eligible for a non-refundable tax credit of up to \$2,900 if you incur up to \$20,000 in expenses to make your home safer and more accessible for a disabled person or someone aged 65 or older who lives with you.

Additionally, if you invest up to \$50,000 to create a separate living space within your home (a multigenerational dwelling) to accommodate such a person, you could benefit from a refundable tax credit of up to \$7,250¹⁷.

Be careful, however, as such renovations could result in a change of use of your principal residence and cause you to lose part of the exemption on the capital gain you realize on its sale. If you are making such expenditures to support a family member, talk to your advisor about the tax implications.

Maximize the tax credit for home support for seniors

If you or your spouse turned 70 in 2025, expenses incurred to purchase, rent, or install eligible items to help maintain autonomy at home may entitle you to a refundable tax credit. This credit corresponds to 39% of eligible service expenses incurred during the year, up to a maximum of \$19,500 (or \$25,500 for a dependent senior), resulting in a maximum credit of \$7,605 (or \$9,945 for a dependent senior)¹⁸.

Eligible services vary depending on your living situation (private seniors' residence, rental housing, personal home, etc.), and the credit may be reduced based on household composition and family income. Advance payments of the credit can be requested if certain conditions are met.

Find-out more about this advantageous tax credit.

Have work carried out on your residential wastewater treatment systems

If you have work carried out to upgrade residential wastewater treatment systems under an agreement entered into before April 1, 2027, you could claim a tax credit in Quebec. The credit is equivalent to 20% of the portion of eligible expenses exceeding \$2,500, up to a

maximum of \$30,000 (maximum total credit of \$5,500), for expenses paid by the individual and his or her spouse before January 1, 2028.

OTHER ADVICE FOR INDIVIDUALS

Review your estate planning as needed

The estate planning process should be undertaken as soon as possible in order to maximize the tax planning possibilities. The estate planning review process is also linked to the personal and family situation of each individual.

Québec's new parental union regime introduces significant changes to inheritance law, notably by recognizing the right of a common-law partner to inherit in the absence of a will, when the couple has had or adopted a child since June 30, 2025.

A review of your will in light of these changes may be necessary to ensure that your wishes are respected.

In addition to discussing it with your tax advisor, it would also be wise to seek informed guidance from a knowledgeable financial planning professional, including an insurance advisor.

Contribute to a Registered Retirement Savings Plan

You must make your 2025 RRSP contribution by March 1, 2026. However, if you turned 71 in 2025, your contribution must be made by December 31, 2025.

Your RRSP planning should consider your RRSP deduction limit¹⁹ as well as the following, among others:

- You can contribute any amount up to your maximum to your own RRSP, an RRSP set up for your spouse or common-law partner or a combination of both.
- If you are 71 or over, but you have eligible earned income in 2025 and your spouse or common-law partner is under the age of 71 at the beginning of the year, you can still make a spousal contribution to his or her plan;
- You can make an excess contribution of up to \$2,000 without having to pay a penalty. However, it will be important to earn eligible income in the subsequent years to deduct these amounts;
- You can also make a \$2,000 gift to your child or grandchild over the age of 18 so that he or she can make an RRSP contribution. They will be able to deduct this amount once they have earned eligible income;
- You can defer your RRSP contribution deduction if you expect to be in a higher tax bracket in the near future. Alternatively, make the maximum contribution each year, but don't claim the amount as a deduction until a future year when your taxable income is higher;
- If you're required to collapse your plan this year because you've reached age 71 in 2025, consider making an over-contribution in December based on your 2025 earned income (if any). Although you'll be charged a penalty tax for one month, you'll be entitled to an RRSP deduction in 2025;
- If your income is particularly low in 2025, consider making a withdrawal from your registered retirement income fund (RRIF)

¹⁷ These credits will be reduced to a maximum of \$2,800 and \$7,000 respectively, starting in 2026 due to the rate reduction from 14.5% to 14%.

¹⁸ The credit rate will be increased to 40% in 2026, for a maximum credit of \$7,800 (or \$10,200 for a dependent senior).

¹⁹ This amount is indicated in your 2024 Federal Notice of Assessment.

before the end of the year to avoid losing some deductions or non-refundable tax credits. Similarly, if you are at least 65 years of age, you could claim a pension income credit by purchasing an annuity or RRIF.

If you believe you can benefit from these measures, contact your Raymond Chabot Grant Thornton advisor.

Review your RRSP and other registered plans portfolio composition

Various rules govern the types of investments which may be held in a registered plan and failure to comply with them could prove very costly. For example, you may be contravening these rules if your plan has shares or debt in a public or private company in which you own a significant interest. These rules were also amended as part of the November 4, 2025, federal budget.

If you think you might be at risk, it is strongly recommended that you consult your Raymond Chabot Grant Thornton advisor to determine available options to reduce the negative consequences.

Take advantage of the Registered Education Savings Plan (RESP) and Registered Disability Savings Plan (RDSP)

Based on your personal and family situation, you may be able to make contributions to other registered plans such as the RESP and RDSP. Unlike an RRSP, contributions to these plans are not deductible, but they may give entitlement to substantial government grants in an amount based on the plan contribution and family income.

There is no tax on these grants or on the income earned in such a plan until the amounts are withdrawn. Don't delay investing in these plans so you won't lose your right to grants.

Don't forget to plan a withdrawal strategy for funds held in a RESP before your beneficiary children start post-secondary studies. Sound tax and financial planning helps to optimize the benefits of such a plan.

Don't forget your TFSA

For the year 2025, any individual 18 years of age or older can invest up to \$7,000 in a TFSA.²⁰ Income earned in a TFSA is never taxed, even when it's withdrawn. If you require funds for personal purposes, consider withdrawing the amount from your TFSA. The amount will not be taxed, and you will be able to contribute the same amount to the plan as of January 1st of the year following the one in which the withdrawal was made.

For some individuals, a TFSA may be more beneficial than an RRSP, even though TFSA contributions are not deductible. Your Raymond Chabot Grant Thornton advisor can help you make informed decisions on the right plan for you, based on your personal situation.

Also think about making a donation to your child or grandchild over 18 years of age to invest in their TFSA.

Keep an eye on your instalment requirements

If you are required to make quarterly tax instalments, you should review your expected 2025 tax liability before remitting your final instalment (which is due December 15, 2025). This is particularly

important when your salary and your combined income (dividends, interest, capital gains etc.) vary from year to year, if you received unusual income inclusions last year, or expect increased deductions this year. Be vigilant as the tax authorities charge significant interest on late or deficient instalment payments.

If you discover that you should have been making higher instalments during the year, it is possible to catch up because the tax authorities will generally calculate credit interest on overpayments and apply that against interest deficiencies. Example: If you had to make quarterly tax instalments of \$6,000 during the year, no interest should be charged if, instead of making payments of \$6,000 each on March 15th and June 15th, you paid \$12,000 on May 1st.

To offset a late instalment payment, you could have your source deductions on a bonus or your RRSP or RRSF increased. If it is properly calculated, this increased deduction at source will have the same effect as though the instalments had been paid on time.

Pay your expenses in 2025 and get your receipts

Before the end of the year, you should make certain payments and keep your receipts so that you can claim all of the deductions and credits to which you are entitled for 2025.

In particular, consider:

- Medical expenses paid for you, your spouse or common-law partner, minor children, as well as amounts paid by you or your spouse or common-law partner for another dependant (ask your pharmacist, dentist and specialist to give you your receipts for the year);
- Childcare expenses;
- Investment costs (interest and brokerage fees);
- Moving costs;
- Tuition fees and interest on student loans.

Changes to watch for in Quebec in 2026

Starting in 2026, services provided by naturopaths, homeopaths, osteopaths, and phytotherapists will no longer be eligible as medical expenses in Quebec.²¹ Plan your consultations with these specialists before the end of 2025.

In addition, the maximum age of a child eligible for the childcare expenses tax credit will be reduced from 16 to 14 years. Your credit may therefore be reduced starting in 2026.

Rental property owners: check the deductibility of your expenses

If you own one or more rental properties, the vehicle expenses you can deduct depend on several factors. Keep your receipts and a log of your travel to enter the kilometres driven regarding this income source.

Furthermore, expenses incurred to earn income from the short-term residential property rentals (services such as Airbnb), including interest charges, are not deductible if the property does not meet registration or permit requirements.²²

²⁰ Amount indexed annually since 2010 and rounded to the nearest \$500. An individual born before 1991 (who was therefore under the age of 18 in 2009) has accumulated rights totalling \$102,000 in 2025.

²¹ These expenses were already not eligible at the federal level.

²² Applies to rental properties leased for consecutive periods not exceeding 90 days at the federal level. In Quebec, this restriction applies to residential property located in

Combine your charitable donations

In general, charitable donations over \$200 result in tax savings calculated at the highest marginal tax rate. Since donations made by a spouse can be claimed by the other spouse, think about combining your donations if it makes it possible to benefit from a higher tax credit rate.

Plan your return to school

For federal purposes, since 2019, individuals aged from 26 to 65 years can accumulate \$250 per year (lifetime maximum of \$5,000) in a notional account for the Canada training credit limit account. Individuals can claim a refundable credit equal to 50% of training fees incurred during the year, up to the maximum amount accumulated at the end of the previous year. For example, individuals who accumulate rights since 2019 and have never claimed the training credit can claim a maximum amount of \$1,250 in 2025 if they incur eligible training costs of at least \$2,500 during the year.

Consider finding employment in a remote region if you are a recent graduate

In Quebec, new graduates who begin employment in an eligible remote region²³ within 24 months following their graduation date are entitled to a non-refundable tax credit equal to 40% of the eligible salary. This credit is subject to a maximum annual amount of \$3,000, with a lifetime limit of \$10,000 for individuals with college and university diplomas and \$8,000 for new graduates with professional training from a high school.

Avoid the Old Age Pension Security refund

The government requires that Old Age Security payments be refunded when the pensioner's net income for the year exceeds a certain annual threshold, that is, \$93,454 in 2025. The full amount of the pension must be refunded when the net income is about \$152,062 (\$157,923 for individuals 75 years of age and older). If you have the ability to manage the amount of income you receive in a year, keep these thresholds in mind.

SALES TAX ADVICE

Compliance elections: reporting, periods and methods

The end of the year is a good time to review and optimize your GST/HST and QST practices.

The following could help maximize refunds and increase cash resources:

- If you are engaged in a mix of commercial and exempt activities, take time at the end of the year to review the method used in order to claim your input tax credits (ITC) and input tax refunds (ITR) based on your activities for the year;
- If you are generally in a refund position, you can change your filing frequency to monthly or quarterly to get your refunds earlier. This election must be filed at the beginning of your fiscal year;
- Certain businesses with a threshold amount of \$400,000 or less can elect to use the "quick method" to account for GST/HST and

QST and lessen their tax burden. Generally, the threshold amount includes taxable supplies, other than supplies of real property and financial services, and applicable taxes. This election must be filed at the beginning of the year;

- Consider reviewing the filing periods for the businesses in the associated group to ensure they are all consistent with current rules and based on the combined Canadian sales volume.

Closely related group

To simplify tax accounting and increase cash flow, some businesses are eligible to make an election with a member of a closely related group to treat supplies of goods or services between the group members as if they were made for no consideration. At year-end, review existing elections to ensure they are still valid and consistent with company practice, particularly if there has been any restructuring during the year. It is also important to consider this question if a unanimous shareholder agreement was introduced as it may alter a corporation's controlling interests.

The form must be filed with the tax authorities no later than the first day where one of the corporations is required to file a GST/HST and QST return for which the election is effective.

Employee expense-related advice

Don't forget to adjust for the GST/HST paid on meals, beverages, and entertainment if you claim the total tax throughout the year. Where applicable, this 50% adjustment is made on the return filed in the first reporting period immediately after the fiscal year-end.

GST/HST and QST must also be self-assessed with respect to employee taxable benefits regarding taxable goods and services. The tax must be reported in the return for the reporting period that includes the last day of February of the following year.

Joint ventures

Tax authorities have been applying the joint venture rules more strictly.

Ensure that transactions are processed appropriately by your joint venture since it could be difficult to limit the costs related to a future assessment. It is important to verify that the joint venture agreement is properly evidenced in writing and that the name of the person designated to manage taxes on behalf of all joint venture participants is qualified to do so in accordance with the Act. Note, however, that not all businesses with commercial activities can make the election to designate an individual to manage the taxes.

Don't hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine if your business can make this election.

Management and financial services companies

Generally, financial services are exempt for both GST/HST and QST purposes. However, some financial services supplied to non-residents by a financial institution may be zero-rated.

This is a good time to review your corporate structure to check if various provisions of the Act could be used by entities in the group to recover the GST/HST and QST payable within a corporate group,

Quebec and offered as a rental for a period not exceeding 31 days, which does not respect the requirements specified in the *Tourist Accommodation Act* and its regulations. Therefore, the non-compliance of a short-term rental in Quebec is not determined based on the rules governing a municipality or another province.

²³ The regions include Bas-Saint-Laurent, Saguenay-Lac-Saint-Jean, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec, Gaspésie, Îles-de-la-Madeleine, the RMCs of Antoine-Labelle, La Vallée-de-la-Gatineau, Mékinac and Pontiac as well as the agglomeration of La Tuque.

particularly if certain members have activities that include the supply of financial services.²⁴

It should be noted that the rules in this regard have been significantly amended in recent years.

Businesses in the construction and maintenance of public building and employment and temporary foreign worker recruitment agencies

Businesses in the construction and maintenance of public building sectors must obtain an attestation from Revenu Quebec that they must then remit to work providers. Clients of such businesses are required to obtain a copy of the attestation, verify its validity and authenticity in the manner specified to avoid potential penalties.

Employment and temporary foreign workers recruitment agencies must have a valid Revenu Quebec attestation to obtain or renew their permit. Clients of such agencies must verify the validity of their permit.

Consider reviewing your internal procedures to ensure that you are in compliance.

GST rebate for residential rental properties

For the construction of rental properties intended for long-term rental, a partial rebate of 36% of the GST is provided for homes valued at \$350,000 or less. The rebate declines for homes valued between \$350,000 and \$450,000. A 36% QST rebate is also available, but the rebate elimination thresholds are \$200,000 to \$225,000.

Furthermore, certain housing units built specifically for rental purposes are eligible for a full 100% GST rebate, provided that work related to the construction of these new rental housing units began after September 13, 2023, but before 2031, and be substantially completed before 2036. This measure allows for a full GST refund, regardless of the property's value. Eligible properties include those with at least four private apartments or at least ten private rooms or suites, where 90% of the units are intended for long-term rental and where construction is substantially completed no later than December 31, 2035.

However, several types of rental housing, such as single-family homes, duplexes, triplexes, condominiums, housing cooperatives, and homes located on leased land or in residential trailer parks, are not eligible for this temporary enhanced rebate.

Your Raymond Chabot Grant Thornton advisor can help you determine whether these measures apply to your project and assist you in taking the necessary steps to benefit from them.

Imported goods and services

The GST is generally payable at the time of import and collected by the Canada Border Services Agency when the goods are released from customs. A person who imports intangible property or services for use other than exclusively in its commercial activity must self-assess and pay the GST on its net tax return or non-registrant return. A registrant would generally be entitled to ITCs for the GST paid on import for the portion of the property or services used in its commercial activity, based on the usual rules.

Similarly, QST is payable by persons who bring goods into Quebec by self-assessment through their net tax return or the return of a non-registrant. As an exception, QST is not payable when a registrant brings goods or services into Quebec for use exclusively in the course

of its commercial activity. A registrant will be entitled to ITRs for the QST paid by self-assessment for the portion of the goods or services used in the registrant's commercial activity under the normal rules.

Non-resident suppliers who make sales of intangible property and services to Canadian residents who are not registrants are required to register for the simplified system and to collect the GST and QST.

As registrants who acquire intangible property or services from foreign suppliers, the end of the year is an opportunity to update your records with these suppliers. In particular, make sure they have your GST and QST registration numbers on hand, so they do not collect GST and QST from you by mistake if they are registered under the simplified system. If such tax was collected in error, you will have to claim a refund from the supplier, as the tax authorities do not refund this tax, nor do they allow ITCs/ITRs in this regard.

Businesses that are not exclusively engaged in commercial activities and that are required to self-assess GST or QST on imported taxable supplies should take advantage of the year-end to review their processes and validate whether the non-resident supplier is registered for the simplified system before proceeding with such self-assessment. Supplies made by a supplier registered in the simplified system are deemed to be made in Canada and are therefore not subject to the imported taxable supply rule.

Other sales taxes and international transactions

Tax registration and collection may be required, regardless of whether you have a permanent establishment in the jurisdiction.

If you have clients in Manitoba, Saskatchewan, British Columbia or abroad, check if you are required to register for sales taxes in these various jurisdictions. Registration requirements have been expanded in Manitoba, Saskatchewan and British Columbia for businesses that do not have a presence in these provinces.

E-commerce

If you work in e-commerce and have sales abroad or in western Canada, it may also be time to review your processes and structures in light of the OECD recommendations and global changes with respect to local regulations on the application and collection of sales taxes. For example, new rules have been implemented in the United States for online sales platforms that sell on behalf of third-party suppliers.

Economic Nexus for U.S. tax purposes

If you do business in the United States, you could be required to collect state sales tax even if your company does not have a permanent establishment in the state in question. Indeed, the concept of commercial presence (known as Nexus) is far more encompassing for U.S. sales tax purposes than it is for corporate tax. Economic Nexus creates a compliance obligation for non-residents when they reach certain economic thresholds in a state, for example, \$100,000 in sales or 200 distinct transactions during the year. When that threshold is reached, the corporation may be required to register for sales tax in that state. As the thresholds and inclusions for calculating an economic Nexus vary from state to state, a case-by-case analysis is usually required.

²⁴ Including, for example, receiving dividends or interest.

Sales made in the European Union

As with sales carried out in the U.S., you must also take into consideration the rules regarding value-added tax (VAT) on sales made in the European Union (EU). Under these rules, you may be required to apply VAT to goods and services sold in Canada to EU member states from the first Euro invoiced.

If you do business in the EU, the U.S. or elsewhere in Canada, your Raymond Chabot Grant Thornton advisor can help you in determining your obligations regarding collecting and remitting the various sales taxes.

Not-for-profit organizations

Not-for-profit organizations (NPOs) are responsible for determining annually whether they can take advantage of partial rebates offered to eligible NPOs for sales taxes paid in the course of their exempt activities.²⁵ To qualify for rebates, an NPO must receive at least 40% of its revenue for the current fiscal year or the previous two fiscal years from government funding.

In practice, the partial sales tax rebates are requested using Form FP-2066 *GST/HST and QST Public Service Bodies' Rebate Application*, which must be produced:

- As per the NPOs reporting period if the NPO is a sales tax registrant (the QST number ends in TQ0001);
- On a quarterly basis if the NPO is registered for the purposes of partial rebates only (the QST number ends in DQ0001 and not TQ0001).

As a result, if an NPO demonstrates its eligibility at the end of its first reporting period, it will be necessary to file a FP-2066 form to apply for partial rebates for each tax returns reporting period.²⁶

End of the distinction between zero-rated and exempt supplies for dentists

The revocation of the administrative agreement with the Canadian Dental Association as of January 1, 2025, significantly changes the tax treatment of dental supplies. Dentists must now clearly distinguish between zero-rated supplies (such as orthodontic appliances) and exempt health care services in order to properly calculate ITCs (Input Tax Credits) and ITRs (Input Tax Refunds).

In addition, the tax authorities have clarified that artificial teeth will no longer be considered zero-rated supplies, but rather as part of an exempt health care service. This means that no commercial percentage can be attributed to these activities, and therefore, no ITC or ITR could be claimed for expenses related to the production of artificial teeth, including equipment such as CEREC.

However, orthodontists may continue to establish a commercial activity percentage, provided that orthodontic appliances are invoiced separately. Revenu Québec has announced its intention to align with this new policy, although no official guidance has yet been issued regarding QST.

In this context, professionals working in this field are advised to review their billing methods and ITC/ITR claims. To ensure compliance with

your practices, it would be wise to discuss this with your tax advisor. Increased vigilance is also recommended regarding future announcements from Revenu Québec.

Please do not hesitate to contact your Raymond Chabot Grant Thornton advisor to discuss any of the measures described herein.

For additional information, visit our website: rcgt.com.

²⁵ Form FP-523, Non-Profit Organizations – Government Funding allows NPOs to demonstrate their eligibility for such rebates. The form must be filed once a year, at the end of each reporting period during which the eligible NPO applied for partial rebates.

²⁶ Or two FP-2066 forms in the case of a half-yearly reporting period.