



2025 FEDERAL BUDGET SUMMARY

INDIVIDUALS

- No changes to individual tax rates.
- A non-refundable top-up tax credit will be allowed to effectively maintain a 15% non-refundable tax credit rate for amounts exceeding \$57,375. This measure will apply until 2030.
- The Canada Revenue Agency (CRA) may prepare tax returns on behalf of lower income individuals meeting certain criteria.

CORPORATE

- No changes to corporate tax rates.
- A 100% deduction will be available for the cost of eligible manufacturing or processing buildings, and eligible additions to such buildings. This will apply to properties acquired and additions made on or after November 4, 2025, and used before 2030. The deduction rates will decline for buildings first used between 2030 and 2033 and eliminated thereafter.

- Enhancements will be made to the SR&ED program for the 35% refundable tax credit: the expenditure limit will be increased to \$6,000,000 and certain capital expenditures will be reinstated. The phase-out for the 35% credit will now range from \$15,000,000 to \$75,000,000. Canadian public corporations may also be eligible for this refundable rate.
- The ability to defer tax through intercorporate dividends in certain tiered corporate structures with mismatched year-ends will be eliminated for taxation years beginning on or after November 4, 2025.
- Transfer pricing changes are made to increase focus on economic substance and conditions, more closely align with the OECD methodology and provide greater legislative clarity. This means more structured expectations for how the CRA will apply the rules and what taxpayers must document and justify. The legislative update signals that the CRA expects more compliance and will have more levers for penalty exposure. The threshold for the transfer pricing penalty to apply from an assessment will be increased from a \$5,000,000 transfer pricing adjustment to a \$10,000,000 adjustment.

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OTHER MEASURES

- The bare trust reporting requirements will be deferred to taxation years ending on or after December 31, 2026.
- Anti-avoidance rules will be broadened for transactions designed to delay the 21-year deemed disposition rule through indirect trust-to-trust transfers, effective for transfers occurring on or after November 4, 2025.
- The Underused Housing Tax (UHT) is repealed as of the 2025 calendar year. As a result, no UHT would be payable and no UHT returns would be required to be filed in respect of the 2025 and subsequent calendar years.
- The Luxury Tax will no longer apply on the purchase of aircraft and vessels after November 4, 2025, but will continue to apply on vehicles.