



Tax Season Update: What's New for Businesses

- Reinstatement of the Accelerated Investment Incentive, which provides an enhanced first-year write-off for most types of depreciable property;
- Immediate expensing of clean energy generation and energy conservation equipment, manufacturing and processing equipment, and zero-emission vehicles;
- Immediate expensing of patents, data network infrastructure, and computers that are available for use before 2027.

The rules for the immediate expensing and reaccelerated investment incentive are largely the same as they were in previous years. Property must be "reaccelerated investment incentive property" to be eligible for any of the above measures. The CRA will be administering these measures throughout this tax-filing season.

Federal Budget 2025 announced temporary immediate expensing for the cost of eligible manufacturing or processing buildings, including the cost of eligible additions or alterations made to such buildings. This measure would be effective for eligible property acquired on or after November 4, 2025, and is first used for manufacturing or processing before 2030.

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The tax filing season has begun. As always, there are many key tax changes that affect filing the 2025 taxation year for businesses. Several of these pivotal changes are due to federal Bill C-15. Other key changes are specific to certain provinces. The CRA has also made some notable changes that will affect filing for 2025. This article discusses all the pertinent changes you should stay on top of this filing season.

Federal Changes Affecting Filing for 2025

Accelerated Capital Cost Allowance and Immediate Expensing

Federal Bill C-15 is implementing the following capital cost allowance ("CCA") measures:

Lastly, on January 26, 2026, the federal government announced that immediate expensing for greenhouse buildings would be introduced for buildings acquired on or after November 4, 2025 that become available for use before 2030.

Tax Deferral Through Tiered Corporate Structures

The government plans to limit the deferral of tax on investment income using tiered corporate structures with mismatched year ends. In general terms, the proposed limitation would suspend the dividend refund that could be claimed by a payer corporation on the payment of a taxable dividend to an affiliated recipient corporation if the recipient corporation's balance-due day for the taxation year in which the dividend was received ends after the payer corporation's balance-due day for the taxation year in which the dividend was paid. This measure is applicable to taxation years that begin on or after November 4, 2025. However, this change has not yet been officially enacted into law.

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

Bill C-15 proposes to make several changes to the SR&ED program that would:

- Increase the expenditure limit from \$3 million to \$4.5 million and increase the lower and upper prior-year taxable capital phase-out boundaries to \$15 million and \$75 million, respectively;
- Extend eligibility for the enhanced tax credit to eligible Canadian public corporations;
- Reinstate the eligibility of SR&ED capital expenditures for both the deduction against income and investment tax credit components of the SR&ED program;

- Increase the expenditure limit on which the SR&ED program's enhanced 35% credit can be earned, from the previously announced \$4.5 million to \$6 million.

Transfer Pricing

After consideration of stakeholder comments received during the consultation announced in Budget 2021, Bill C-15 proposes to modernize Canada's transfer pricing rules to better align with the international consensus on the application of the arm's length principle. In addition, an interpretation rule would be added to ensure that Canada's transfer pricing rules are applied in a manner consistent with the analytic framework set out by the OECD Transfer Pricing Guidelines.

Luxury Tax on Aircraft and Vessels

Bill C-15 would amend the *Select Luxury Items Tax Act* ("SLITA") to end the luxury tax on subject aircraft and subject vessels. All instances of the tax would cease to be payable after November 4, 2025, including the tax on sales, the tax on importations, and the tax on improvements. Registrations in respect of subject aircraft and subject vessels under the SLITA would be maintained after November 4, allowing registered vendors the opportunity to claim rebates for which they are eligible. All registrations in respect of subject aircraft and subject vessels would be automatically cancelled on February 1, 2028, after which time vendors would no longer be able to claim rebates.

Administrative Changes

Digital by Default

The CRA has fully transitioned to online mail as the default method of delivering most business-related correspondence. This means businesses are now receiving most of their business notices and

other correspondence through the CRA's secure online portal, My Business Account, instead of by mail. This change applies to:

- All new business number and program account registrations;
- All existing businesses registered for My Business Account; and
- All businesses which have given online access to a representative to view and/or modify information on their behalf via Represent a Client.

Regaining Access to Your CRA Account

If you are locked out of your CRA account or forgot your sign-in information, you can now regain access online – no need to call the CRA. Use the CRA's new self-service option to create new sign-in credentials and quickly get back into your account.

T3 Filing and Bare trusts

Based on proposed legislation in Bill C-15, the CRA will not require bare trusts to file a T3 return, including *Beneficial Ownership Information of a Trust* (Schedule 15), for taxation years ending in 2025. Bare trusts will be required to file for taxation years ending on or after December 31, 2026—the implementation delayed again by another year.

The CRA is also administering amendments proposed by Bill C-15 that would expand the definition of a listed trust. Accordingly, more trusts may be eligible for the exemption from the requirement to file a return. Moreover, trusts that do not meet a listed trust exception that consequently must file a T3 return will not be required to also file Schedule 15 for taxation years ending on or after December 31, 2025.

Reporting for Non-Profit Organizations

In 2024, the federal government announced a tax policy change that would expand information re-

porting requirements for non-profit organizations ("NPOs"). The proposed changes would require all NPOs to file an annual information return for fiscal periods beginning on or after January 1, 2026. However, Federal Budget 2025 announced that the coming into force of these changes would be delayed by one year to 2027.

Provincial Changes Affecting Filing for 2025

Alberta

Effective April 1, 2026, the Alberta Tax and Revenue Administration ("TRA") will use online mail through TRA Client Self-Service ("TRACS") as the default method to deliver most correspondence related to corporations' corporate income tax accounts.

British Columbia

British Columbia's Scientific Research and Experimental Development ("SR&ED") tax credit is amended as follows to align with recent changes to the federal SR&ED tax incentive program:

- The expenditure limit for the refundable tax credit is increased from \$3 million to \$6 million;
- The taxable capital phase-out thresholds are increased from \$10 million and \$50 million to \$15 million and \$75 million;
- Capital expenditures are now eligible for the tax credit again; and
- Eligible Canadian public corporations are now able to claim the refundable SR&ED tax credit.

These changes are effective for taxation years that begin on or after December 16, 2024. The sunset date for the SR&ED tax credit is also removed.

The province will amend the BC mining exploration tax credit to clarify that expenses incurred for

the purpose of determining the quality of a mineral resource in Canada do not include expenses related to determining the economic viability or engineering feasibility of the mineral resource. This change aligns with the announcement in Federal Budget 2025.

Nova Scotia

Nova Scotia's small business income tax rate was reduced from 2.5% to 1.5% and the small business threshold was increased from \$500,000 to \$700,000, both effective as of April 1, 2025.

Prince Edward Island

PEI's general corporate income tax rate was reduced from 16% to 15%, effective July 1, 2025.

The threshold for PEI's 1% small business income tax rate increased from \$500,000 to \$600,000, effective July 1, 2025.

Québec

The contribution rate to the Health Services Fund ("HSF") will be reduced to 0% in 2026 and 2027 for the agriculture, forestry, and fishing sectors.

Québec taxpayers are now required to report foreign property held outside Canada with a total cost exceeding \$100,000. The requirement applies to taxation years or fiscal periods ending after December 30, 2025.

Significant changes have been made to the fiscal measures fostering research and development ("R&D") activities, including consolidating the R&D fiscal measures currently available into a new refundable tax credit for R&D, innovation, and pre-commercialization. Consequently, the following credits have been eliminated, effective March 26, 2025:

- the tax credit for scientific research and experimental development;
- the tax credit for university research and for research carried on by a public research centre or a research consortium;
- the tax credit for private partnership pre-competitive research;
- the tax credit for fees and dues paid to a research consortium;
- the tax credit for technological adaptation services; and
- the tax credit for design (industrial component).

The accelerated depreciation measures in place since 2018 have been extended for a further five years starting on January 1, 2025. Also, a new immediate expensing measure would be available for investments in buildings in the manufacturing sector—aligning with the federal measure. This measure will apply to property acquired on or after November 4, 2025, and will be phased out over a four-year period from 2030 to 2033.

Saskatchewan

Saskatchewan's small business corporate tax rate, which was scheduled to increase to 2% on July 1, 2025, will remain at 1% indefinitely.

Saskatchewan introduced a new non-refundable Small and Medium Enterprise Investment Tax Credit. It is equal to 45% of equity investment by qualified individuals or corporations in eligible small and medium-sized enterprises in either the food and beverage manufacturing sector or the machinery and transportation equipment manufacturing sector.

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