TaxMatters@EY

TaxMatters@EY is an update on recent Canadian tax news, case developments, publications and more.

Asking better year-end tax planning questions[1]

Kelsey Horning and Alan Roth, Toronto

Have you ever found yourself looking for tax savings while completing your tax return in April? If so, you've probably realized that at that point there's not much you can do to reduce your balance owing or increase your refund balance. By the time you prepare your tax return, you're looking back and simply reporting on the year that has ended.

But don't worry. As we approach the end of the year, there's still time left for forward-looking planning. You can approach year-end planning by asking yourself questions or going through a checklist.

Taking time out of your busy November and December to think about these questions may help you find ways to save money on your 2025 tax bill and beyond. Let's take a look at the questions, topics and tax planning techniques that may apply to you each year and upcoming tax changes.

Are there any income-splitting techniques available to you?

You may be able to reduce your family's overall tax burden by taking advantage of differences in your family members' marginal income tax brackets using one or a combination of the following:

- **Income-splitting loans** – You can loan funds to a family member at the prescribed interest rate of 3% (for loans made after June 30, 2025).[2] The family member can invest the money and the investment income will not be attributed to you (i.e., treated as your income for tax purposes), as

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[1] For more detail on topics such as personal tax for investors and for estate planning, see the latest version of *Managing Your Personal Taxes: a Canadian Perspective*.

[2] Loans made during the first two quarters of 2025 were subject to a prescribed rate of 4%. For loans made during the third and fourth quarters of 2025, the prescribed rate decreased to 3%. For more information on prescribed rate loan planning, see "Putting a prescribed rate loan in place" in Chapter 9, *Families*, in the latest version of Managing Your Personal Taxes: a Canadian Perspective.

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long as the interest for each calendar year is paid no later than January 30 of the following year. The terms of the loan should be documented in writing at the time the loan is made.

- **Reasonable salaries to family members** – If you have a business, consider employing your spouse or partner and/or your children to take advantage of income-splitting opportunities. Their salaries must be reasonable for the work they perform.[3] However, other income-splitting opportunities involving your business may be limited (see below re: income-splitting private corporation business earnings).
- **Spousal RRSPs** – In addition to splitting income in retirement years, spousal RRSPs may be used to split income before retirement. The higher-income spouse or partner can get the benefit of making contributions to a spousal plan at a high tax rate and, after a three-year non-contribution period, the lower- or no-income spouse can withdraw funds and pay little or no tax.[4]

Have you paid your 2025 tax-deductible or tax-creditable expenses yet?

- **Tax-deductible expenses** – A variety of expenses, including interest and child-care costs, can only be claimed as deductions in a tax return if the amounts are paid by the end of the calendar year.
- **Expenditures that give rise to tax credits** – Charitable donations, political contributions, medical expenses, home accessibility renovation expenses and tuition fees must be paid in the year (or, in the case of medical expenses, in any 12-month period ending in the year) in order to be creditable.
- **Consider whether deductions or credits may be worth more to you this year or next year** – If you can control the timing of deductions or credits, consider any expected changes in your income level and tax bracket or marginal personal income tax rate. Deductions will be worth more when you are subject to a higher marginal rate. In addition, your income level may affect the availability or value of certain tax credits (such as the medical expense credit and donation credit).[5]

Have you considered the proposed top-up tax credit for the 2025 tax year?

In the 2025 federal budget, the government introduced a new top-up credit for the 2025 to 2030 taxation years.[6]

The tax credit rate that applies to most nonrefundable income tax credits is equal to the income tax rate applicable to the lowest income tax bracket (i.e., $57,375 in 2025). In May 2025, the federal government announced a proposed reduction to this income tax rate from 15% to 14.5% for the 2025 taxation year, with a further reduction to 14% for 2026 and subsequent years. As a result, the tax credit rate applicable to most nonrefundable credits is also reduced.

The proposed top-up tax credit effectively maintains the 15% credit rate for nonrefundable tax credits claimed on amounts in excess of the lowest income tax bracket threshold. For example, if you have a very large tuition or medical expense claim, or a combination of those claims, exceeding $57,375 in 2025, the top-up credit will allow you to benefit from the 15% credit rate on the portion of the claim exceeding $57,375 for this taxation year.

[3] For example, salaries comparable to what arm's-length employees would be paid in a similar capacity.
[4] If you receive eligible types of pension income in 2025, you may also elect on your income tax return to split up to one half of your eligible pension income with your spouse or common law partner, or vice versa.
[5] This is because the medical expense credit is subject to a net income threshold. Specifically, for 2025, the credit is available for eligible medical expenses in excess of the lesser of $2,834 and 3% of the individual's net income. In the case of the donation tax credit, the maximum claim for donations is generally limited to 75% of an individual's net income for the year (donations in excess of this threshold may, however, be carried forward) and higher-income donors are able to claim a 33% federal tax credit on the portion of donations above $200 made from taxable income that is subject to the federal 33% marginal personal income tax rate.
[6] For more information on the 2025 federal budget, see EY Tax Alert 2025 Issue No. 52, *Federal budget 2025*.

Are you self-employed and deducting capital expenditures in your business or profession?

If you are a self-employed individual earning unincorporated business, professional or rental income, you are entitled to claim capital cost allowance (CCA) on depreciable capital property (e.g., computers, office furniture and tools and machinery) if the property is acquired and available for use before the end of the year to earn such income. The amount deductible for the year depends on the CCA class to which the property belongs. If you are self-employed and are planning to acquire depreciable capital property in the near future, consider doing so before the end of the year to ensure you can claim CCA in 2025.

The accelerated investment incentive property rules significantly accelerate CCA claims for most new depreciable capital property acquisitions made before 2028. The rules apply to eligible property acquired and available for use after November 20, 2018 and before 2028, subject to certain restrictions. The federal government has proposed to extend this incentive for qualifying property that is acquired and becomes available for use before 2034.

The federal government has also proposed to allow for the temporary immediate expensing of certain productivity-enhancing assets — including patents, data network infrastructure equipment and related systems software and general-purpose electronic data-processing equipment and systems software — provided the eligible property is acquired on or after April 16, 2024 and becomes available for use before 2027. Property that becomes available for use after 2026 may continue to benefit from the accelerated investment incentive, subject to the applicable phase-out period.

The 2025 federal budget proposed to permit the temporary immediate expensing of eligible manufacturing or processing buildings, including the cost of eligible additions or alterations made to such buildings. A 100% deduction will be allowed in the first taxation year to the extent that at least 90% of the floor space is used for eligible purposes (i.e., to manufacture or process goods for sale or lease). Certain other conditions will apply.

This proposal will apply to eligible properties acquired on or after November 4, 2025 and first used for manufacturing or processing before 2030. Property that becomes available for use after 2029 may continue to benefit from accelerated depreciation rates until the incentive is fully phased out by the end of 2033.

For more details on these measures, see Chapter 6, *Professionals and Business Owners*, in the latest version of Managing Your Personal Taxes: a Canadian Perspective, EY Tax Alert 2025 Issue No. 52 , and EY Tax Alert 2024 Issues No. 42 and 63.

Do you hold passive investments in your private corporation?

A Canadian-controlled private corporation's (CCPC's) access to the small business deduction and, accordingly, the small business tax rate,[7] may be limited if the amount of passive investment income earned in the preceding year exceeds $50,000. Consult your tax advisor for possible strategies to mitigate the adverse impact of these rules.

For example, if you are considering realizing accrued gains in the corporation's investment portfolio before its 2025 taxation year end and the company is likely to cross the $50,000 income threshold by

[7] The small business deduction applies to the first $500,000 of active business income earned by a CCPC in the taxation year. This limit must be shared with a CCPC's associated companies. The provinces and territories also have their own small business tax rates, with most jurisdictions also applying a $500,000 active business income limit. The federal small business rate is 9% in 2025, whereas the federal general corporate rate is 15%. **See 2025 Corporate Income Tax Rates for Active Business Income** for more information on the 2025 federal and provincial small business rates.

doing so, consider deferring the gains to the following year so that the 2026 taxation year is not impacted. You may also consider the pros and cons of holding a portion or all of the portfolio personally instead of in the company.

For more information, see Chapter 6, *Professionals and Business Owners*, in the latest version of Managing Your Personal Taxes: a Canadian Perspective.

Do you income-split private corporation business earnings with adult family members?

Income tax rules may limit income splitting opportunities with certain adult family members through the use of private corporations.

For example, a business is operated through a private corporation and an adult family member in a low income tax bracket subscribes for shares in the corporation. A portion of the business's earnings is distributed to the family member by paying dividends. The tax on split income rules apply the highest marginal personal income tax rate (federal rate of 33% for 2025) to the dividend income received unless the family member meets one of the legislated exceptions to the application of this tax. For example, if the adult family member is actively engaged in the business on a regular basis by working an average of at least 20 hours per week during the year (or in any five previous, not necessarily consecutive, years), the tax on split income may not apply.

Consult with your tax advisor to learn more about how these rules might apply in your specific circumstances.[8]

Have you maximized your tax-sheltered investments by contributing to a TFSA or an RRSP?

Tax-free savings account (TFSA) – Make your contribution for 2025 and catch up on prior non-contributory years. You won't get a deduction for the contribution, but you will benefit from tax-free earnings on invested funds. Also, to maximize tax-free earnings, consider making your 2026 contribution in January.

TFSA withdrawals and recontributions – TFSA withdrawals are tax-free and any funds withdrawn in the year are added to your contribution room in the following year. But if you have made the maximum amount of TFSA contributions each year[9] and withdraw an amount in the year, recontributions made in the same year may result in an overcontribution, which would be subject to a penalty tax. If you have no available contribution room and are planning to withdraw an amount from your TFSA, consider doing so before the end of 2025, so that it's possible to recontribute in 2026 without affecting your 2026 contribution limit.[10]

Registered retirement savings plan (RRSP) – The earlier you contribute, the more time your investments have to grow. If you haven't maximized your contribution for 2025, consider doing so as soon as possible and consider making your 2026 contribution in early 2026 to maximize the tax-deferred growth. Just be mindful of your RRSP contribution limit to ensure you don't overcontribute. If your income is low in 2025, but you expect to be in a higher bracket in 2026 or beyond, consider

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[8] See also "Tax on split income" in Chapter 9, *Families*, in the latest edition of Managing Your Personal Taxes: a Canadian Perspective.

[9] The maximum contribution limit was $7,000 in each of 2025 and 2024, $6,500 in 2023, $6,000 in each of 2022, 2021, 2020 and 2019, $5,500 in each of 2016, 2017 and 2018, $10,000 in 2015, $5,500 in each of 2013 and 2014 and $5,000 for each of 2009 to 2012.

[10] See also TaxMatters@EY: Family Wealth Edition, July 2023, "Are you trading in your TFSA?" on the adverse consequences of carrying on a business in a TFSA.

contributing to your RRSP as early as possible, but holding off on taking the deduction until a future year when you will be in a higher tax bracket.

If you turn, or have turned, 71 years old in 2025, you must make any final contributions to your RRSP on or before December 31, 2025 to obtain a tax deduction on your 2025 personal tax return. In addition, you need to close your RRSP by the end of the year. For information on RRSP maturity options, see [TaxMatters@EY: Family Wealth Edition, April 2024, "Preparing for retirement: your RRSP and you.](#)"

If you have any remaining unused RRSP deduction room after your final RRSP contribution and your spouse or common-law partner is younger, you may continue to contribute to a spousal or common-law partner RRSP until the end of the year in which your spouse or common-law partner turns 71.

For additional tax planning tips relating to RRSPs, see Chapter 11: *Retirement Planning* in the latest version of *Managing Your Personal Taxes: a Canadian Perspective*.[11] For more information on calculating contribution room for RRSPs and TFSAs and the adverse consequences of overcontributing, see TaxMatters@EY, February 2025, "Failure to understand your RRSP and TFSA contribution room can prove costly."

Are you considering becoming a first-time home buyer?

Home buyers' plan (HBP) – If you're a first-time home buyer,[12] the HBP allows you to withdraw up to $60,000[13] from your RRSP to finance the purchase of a home. No tax is withheld on RRSP withdrawals made under this plan. If you withdraw funds from your RRSP under the HBP, you must acquire a home by October 1 of the year following the year of withdrawal and you must repay the withdrawn funds to your RRSP over a period of up to 15 years, starting generally in the second calendar year after withdrawal. However, for HBP withdrawals made between January 1, 2022 and December 31, 2025, a three-year extension is granted, meaning you do not have to begin making repayments to your RRSP until the fifth calendar year after withdrawal. As this temporary measure is ending soon, consider making a withdrawal before the end of the year to take advantage of the repayment extension.

Tax-free first home savings account (FHSA) – The FHSA, a registered account, is also available to help individuals save for a down payment on their first home. You may contribute up to $8,000 each year to an FHSA, subject to a lifetime limit of $40,000, and a maximum of $8,000 in unused FHSA contribution room can be carried forward. Contributions to an FHSA are tax deductible and income earned in the account is not subject to tax. Qualifying withdrawals made to purchase a first home are non-taxable.

You are considered a first-time buyer for purposes of the FHSA if you did not live in a qualifying home as your principal place of residence that was owned by either you or your spouse or common law partner in any of the four previous calendar years or during the time in the current year before you open the FHSA. This means that you may be able to requalify as a "first time" buyer if you have not owned a home for several years.

[11] Depending on your personal circumstances, you may also wish to contribute to a first home savings account (FHSA), a registered education savings plan (RESP), or a registered disability savings plan (RDSP) to maximize your tax-sheltered investments. It is advisable to consult with a financial advisor or your EY tax advisor to determine how to effectively direct your contributions. See below for more information on FHSAs and RESPs.

[12] You are considered a first-time home buyer if you or your spouse or partner have not owned a home that you lived in as your principal residence in any of the previous four calendar years or during the period in the current year before the time of withdrawal, excluding the 30 days immediately before the withdrawal. For example, if the withdrawal is made on August 1, 2026, the relevant period is January 1, 2022 to July 1, 2026. An individual may requalify, in certain circumstances and subject to certain conditions, for the HBP following the breakdown of a marriage or common law partnership even if they do not otherwise qualify as a first-time homebuyer.

[13] The withdrawal limit was increased from $35,000 to $60,000 for 2024 and later years in respect of amounts withdrawn after April 16, 2024.

A first-time home buyer may make withdrawals under both the FHSA and the HBP in respect of the same qualifying home purchase. Unlike amounts borrowed under the HBP, amounts withdrawn under the FHSA do not need to be repaid.

If you expect to be a first-time home buyer in the next few years, consider opening an FHSA in 2025 so you can start accumulating contribution room. For more information about FHSAs, see Chapter 9, *Families*, in the latest version of Managing Your Personal Taxes: a Canadian Perspective and TaxMatters@EY: Family Wealth Edition, February 2023, "Focus on housing."

First-time home buyers' tax credit – Also, first-time home buyers who acquire a qualifying home may be eligible to claim a non-refundable federal income tax credit of up to $1,450 for 2025.[14]

You are considered a first-time home buyer for purposes of this credit if neither you nor your spouse or common-law partner owned a home and lived in it as your principal place of residence in the calendar year of purchase or in the preceding four calendar years. In addition, the property must be occupied as your principal place of residence within one year of its acquisition. The credit may be split with your spouse or common-law partner, or with another individual, if any, who jointly owns the property with you, which may be your spouse or common-law partner, as long as the total credit claimed by you and the other individual does not exceed the maximum credit.

Have you maximized your education savings by contributing to an RESP for your child or grandchild?

Contributions – Make registered education savings plan (RESP) contributions for your child or grandchild before the end of the year. With a contribution of $2,500 per child under age 18, the federal government will contribute a grant of $500 annually up to a lifetime maximum of $7,200 per beneficiary.[15]

Non-contributory years – If you have prior non-contributory years, the annual grant can be as much as $1,000 in respect of a $5,000 contribution.[16]

Is there a way to reduce or eliminate your non-deductible interest?

Interest on funds borrowed for personal purposes is not deductible. Where possible, consider using available cash to repay personal debt before repaying loans for investment or business purposes on which interest may be deductible.

Have you reviewed your investment portfolio?

Accrued losses to use against realized gains – While taxes should not drive your investment decisions, it may make sense to sell loss securities to offset capital gains realized earlier in the year. If the losses realized exceed gains realized in the year, they can be carried back and claimed against net gains in the preceding three years. Note that the last stock trading date for settlement of a securities trade in 2025 is Tuesday, December 30, 2025 for securities listed on Canadian or US stock exchanges.

Be mindful of the superficial loss rules, which may apply to deny a capital loss on the disposition of a security. These rules may apply if you, your spouse or common-law partner, a company either of you

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[14] Calculated as 14.5% of the maximum $10,000 claim amount. The maximum credit for 2025 is reduced from $1,500, corresponding to the proposed reduction in the personal marginal income tax rate on the lowest income bracket — which is the rate used to calculate most nonrefundable tax credits — from 15% to 14.5% for the 2025 taxation year. This will be followed by a further reduction to 14% for the 2026 and subsequent taxation years.
[15] This grant is referred to as the Canada education savings grant.
[16] For families of modest income, additional grant amounts may be available.

controls, or an affiliated partnership or trust (such as your RRSP, RRIF, TFSA or RESP) acquires the same or an identical security within the period beginning 30 days before and ending 30 days after the disposition and the security is still owned at the end of that period.

Realized losses to carry forward – If you have capital loss carryforwards from prior years, you might consider cashing in on some of the winners in your portfolio. As noted above, be aware of the December 30, 2025 deadline for selling securities listed on a Canadian or US stock exchange to ensure that the trade is settled in 2025. Or consider transferring qualified securities with accrued gains to your TFSA or RRSP (up to your contribution limit). The resulting capital gain will be offset by available capital losses and you will benefit from tax-free (TFSA) or tax-deferred (RRSP) future earnings on these securities.

Donation of securities with accrued gains – You may also consider donating publicly traded securities (e.g., stocks, bonds, Canadian mutual fund units or shares) with accrued gains to a charitable organization or foundation. If you do, the resulting capital gain will not be subject to tax and you will also receive a donation receipt equal to the fair market value of the donated securities.

Can you improve the cash flow impact of your income taxes?

Make sure you filed your prior-year return – If you didn't file your 2024 personal income tax return because you didn't owe any taxes, you may be missing out on certain refundable tax credits and benefits to which you may be entitled, such as the GST/HST credit.

Request reduced source deductions – If you regularly receive tax refunds because of deductible RRSP contributions, child-care costs or spousal support payments, consider requesting CRA authorization to allow your employer to reduce the tax withheld from your salary (Form T1213). Although it won't help for your 2025 taxes, in 2026 you'll receive the tax benefit of those deductions all year instead of waiting until after your 2026 tax return is filed.

Determine requirement to make a December 15 instalment payment – If you expect your 2025 final tax liability to be significantly lower than your 2024 liability (for example, due to lower income from a particular source, losses realized in 2025 or additional deductions available in 2025) you may have already paid enough in instalments. You are not required to follow the CRA's suggested schedule and are entitled to base your instalments on your expected 2025 liability. However, if you underestimate your 2025 balance and your instalments end up being insufficient, or the first two instalments (due in March and June) were too low, you will be faced with interest and possibly a penalty.[17]

Have you thought about estate planning?

Review your will – You should review and update your will periodically to ensure that it reflects changes in your family status and financial situation, as well as changes in the law.

Consider your life insurance needs – Life insurance is an important tool to provide for the payment of various debts (including taxes) that may be payable as a result of your death, as well as to provide your dependants with money to replace your earnings. Review your coverage to ensure that it remains appropriate for your financial situation.

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[17] Under the current-year option for paying instalments based on estimated taxes payable for the year, the instalments are required to be paid in four equal instalments in March, June, September and December. Therefore, if you decide to change to the current-year option late in the year, it's important to ensure your March and June instalments remain sufficient (i.e., equal to ¼ of your estimated taxes for the year) to avoid interest charges. The prescribed interest rate that applied to insufficient instalments was 8% in the first and second quarters of 2025, and 7% in the third and fourth quarters. For more information on instalments, see TaxMatters@EY, May 2023, "Paying insufficient instalments can be costly."

Consider an estate freeze to manage tax on death and/or probate fees – An estate freeze is the primary tool used to manage the amount of tax that may arise on death and involves locking in (i.e., "freezing") the value of a business, investments or other assets and transferring the future growth of those assets to family members.

For details, see Chapter 12, Estate Planning, in the latest version of *Managing Your Personal Taxes: a Canadian Perspective*.

Consider a succession plan for your business – A succession plan involves devising a strategy to ensure that the benefit of your business assets passes to the right people at the right time.

These questions may seem familiar, but as tax rules become more complex, it becomes more important to think of the bigger tax picture continuously throughout the year, as well as from year to year as your personal circumstances change. Start a conversation with your tax advisor to find better answers.

Year-end tax to-do list

Before December 31, 2025:

- Make 2025 TFSA contribution.
- Make 2025 RESP contribution.
- Make 2025 FHSA contribution if you are saving to buy your first home.
- Make HBP withdrawal to take advantage of the temporary three-year extension of time before repayments are required
- Make final RRSP contribution if you are 71 years old at the end of the year and wind-up your RRSP by choosing to withdraw the funds, transfer the assets to a RRIF or purchase an annuity.
- Pay tax-deductible or tax-creditable expenses.
- Advise employer in writing if eligible for reduced automobile benefit.[18]
- If beneficial in your circumstances, request CRA authorization to decrease tax withheld from salary in 2026.
- Review your investment portfolio for potential dispositions to realize gains or losses in 2025 (note the last day for settlement of a trade in 2025 is December 30 on both Canadian and US stock exchanges).
- Make capital acquisitions for business.
- Evaluate owner-manager remuneration strategy (for more information see TaxMatters@EY, December 2023 "Year-end remuneration planning").
- Consider allowable income-splitting strategies.

Early 2026:

- Interest on income splitting loans must be paid on or before January 30.
- Make 2025 RRSP contribution (if not already made) by March 2.
- Make 2026 RRSP contribution.
- Make 2026 TFSA contribution.
- Make 2026 RESP contribution.

[18] See "Company car" in Chapter 7, *Employees*, in the latest edition of Managing Your Personal Taxes: a Canadian Perspective.

- Make 2026 FHSA contribution if you are saving to buy your first home.

These suggestions for year-end tax planning should help you set the agenda for a comprehensive discussion with your tax advisor this year and in years to come.

Tax Court applies a common-sense approach to the distance calculation for purposes of the moving expense deduction

De Kruyff v The King, 2025 TCC 116
Krista Fox and Caitlin Morin, Toronto, and Jeanne Posey, Vancouver

In this case, the Tax Court of Canada was tasked with determining the shortest normal route for purposes of eligible relocation expenses under the moving expense deduction rules. The Court decided the calculation should be made using a common-sense approach and the taxpayer's actual travel habits.

The case is notable for its consideration of modern technology — namely, Google Maps — in determining the shortest normal route between locations.

Background and facts

The taxpayer, an investment manager, tried to deduct almost $130,000 in relocation expenses following a change in jobs to reduce his commute time to his new work location. However, the CRA disallowed it on the basis that the distance between his old residence and new work location was not 40 km greater than the distance between his new residence and new work location, as required by the *Income Tax Act*.[19] In other words, the CRA argued that the taxpayer's relocation did not reduce his commuting distance by at least 40 kilometres.

In determining whether the 40-km threshold was met, the taxpayer and the CRA both used Google Maps to obtain the relevant travel distance and related data. The taxpayer produced a series of Google Maps that detailed a recommended route, the western route, which showed that the travel distance difference between his old and new residence was 47.4 kilometres. The CRA, on the other hand, used a different shortest normal route, the eastern route, which resulted in a difference of approximately 32.8 kilometres.

While the taxpayer and the CRA both conducted their Google Maps searches around 4:45 p.m., their searches resulted in different recommended routes because the CRA agent was located in the Pacific time zone and the taxpayer was in the Eastern time zone. The local time the agent selected was approximately 7:45 p.m. in Ontario, where the taxpayer resided and worked. This resulted in a route that did not reflect his actual commuting conditions, since traffic in the taxpayer's city is typically lighter at 7:45 than during rush hour.

The CRA argued that allowing the taxpayer's appeal could reset the "litigation trap," which was removed in earlier decisions by the Tax Court in *Nagy v The Queen*[20] and the Federal Court of Appeal in *Giannakopoulos v The Queen*.[21] Those decisions determined that the shortest normal route was not a subjective measure of the taxpayer's chosen route or a straight-line approach, but rather an objective measure combining the shortest route with that of the normal route of the travelling public.

[19] Subsections 62(1) and 248(1) "eligible relocation".
[20] 2007 TCC 394.
[21] [1995] 2 CTC 316.

The taxpayer argued that he calculated the shortest normal route correctly during the actual time his job required him to travel, and that the CRA's calculation was incorrect because the local time selected was approximately three hours later.

Furthermore, to determine whether the established tests under existing case law had been adhered to, it was now necessary to use AI rather than old-school printed roadmaps, and to consider new highways, alternative routes in large urban centres and regionalization.

Finally, the taxpayer argued that a reasonable person would follow and adhere to the route suggested by Google Maps, which he had done.

Court's analysis and decision

After reviewing legal precedent, the Court concluded that the shortest normal route should not be based on the quickest route, but rather the route that most people would normally select. Further, the "normal route" should reflect common sense and actual travel habits.

The Court also noted the necessity of adapting to individuals' changing habits. The Court rejected the CRA's litigation trap argument, stating that earlier jurisprudence stood the test of time, but the passage of time combined with technological advancement changes how data is collected to determine the shortest normal route.

Given the proper use of Google Maps reflecting real-world conditions and the presumption that the CRA would have selected the western route if the proper local time had been used, the Court determined that the taxpayer's move met the 40-km threshold, making his relocation expenses deductible.

Lessons learned

In this decision, the Court applied a common-sense approach to the existing threshold test for eligible moving expenses by acknowledging real-world conditions and the evolution of people's travel habits. The taxpayer succeeded partly because he demonstrated that travel routes can vary significantly depending on the time of day, reinforcing the need to present context-specific evidence to support a deduction for relocation expenses.

This case highlights the important role new technologies play when applying earlier jurisprudence to the modern world. Taxpayers can generally rely on widely accepted and commonly used technologies when gathering and presenting evidence to support their claims, provided they use them correctly.

Publications and articles

Tax Alerts – Canada

Tax Alert 2025 No. 49 – CBSA releases notice of final determinations with respect to PET resin

Tax Alert 2025 No. 50 – CBSA releases notice of preliminary determinations with respect to cast iron soil pipe

Tax Alert 2025 No. 51 – CBSA extends surtax remission for two additional months

Tax Alert 2025 No. 52 – Federal budget 2025

Additional resources

Digital services tax jurisdiction activity summary
An updated version of EY's DST jurisdiction activity summary is now available. The summary outlines

the status, scope, rate, thresholds, exclusions and effective dates for 32 jurisdictions. It also includes links to relevant EY Global Tax Alerts and EY contact details.

EY's activity summary provides the latest information correct as of February 1, 2025.

Expanded Green Tax Tracker now available
The EY Green Tax Tracker can help you discover, research, monitor and act on sustainability tax policies worldwide with details on sustainability incentives, carbon regimes, green taxes and exemptions.

EY's Worldwide Personal Tax and Immigration Guide 2024-25
Governments worldwide continue to reform their tax codes at a historically rapid rate. Taxpayers need a current guide, such as the Worldwide Personal Tax and Immigration Guide, in such a shifting tax landscape, especially if they are contemplating new markets. The content is straightforward. Chapter by chapter, from Albania to Zimbabwe, we summarize personal tax systems and immigration rules in more than 150 jurisdictions. The content is current as of October 1, 2024, with exceptions noted.

EY's Worldwide Capital and Fixed Assets Guide 2025
Capital expenditures represent one of the largest items on a company's balance sheet. This guide helps you reference key tax factors needed to better understand the complex rules relating to tax relief on capital expenditures in 42 jurisdictions and territories.

EY's Worldwide Estate and Inheritance Tax Guide 2025
This guide summarizes the gift, estate and inheritance tax systems and describes wealth transfer planning considerations in 44 jurisdictions and territories.

Worldwide Corporate Tax Guide 2025
Governments worldwide continue to reform their tax codes at a historically rapid rate. Chapter by chapter, from Albania to Zimbabwe, this EY guide summarizes corporate tax systems in more than 150 jurisdictions.

Worldwide VAT, GST and Sales Tax Guide 2025
This guide summarizes the value-added tax (VAT), goods and services tax (GST) and sales tax systems in 150 jurisdictions, including the European Union.

Worldwide R&D Incentives Reference Guide 2025
The Worldwide R&D Incentives Reference Guide offers taxpayers the information necessary to identify and leverage opportunities to benefit from available incentives, especially relevant if they are contemplating new or expanded investments in R&D, innovation and sustainability.

Worldwide Transfer Pricing Reference Guide 2025
This publication is designed to help international tax executives identify transfer pricing rules, practices and approaches.

The information included in the guide covers 121 jurisdictions. It is meant to provide an overview for the covered jurisdictions regarding their transfer pricing tax laws, regulations and rulings; OECD Guidelines treatment; documentation requirements; transfer pricing returns and related-party disclosures; transfer pricing documentation and disclosure timelines; BEPS Action 13 requirements; transfer pricing methods; benchmarking requirements; transfer pricing penalties and relief from penalties; statutes of limitations on transfer pricing assessments; likelihood of transfer pricing scrutiny and related audits by the tax authorities; and opportunities for advance pricing agreements (APAs).

The content for the guide is updated as of April 30, 2025.

EY Center for Board Matters
The EY Center for Board Matters supports board members in their oversight role by helping them address complex boardroom issues.

EY TradeFlash
Welcome to EY's latest edition of TradeFlash, a companion to EY TradeWatch. This new publication provides a roundup of the latest developments in global trade around the world.

EY TradeWatch Issue 1, 2025
EY *TradeWatch* provides information about customs and international trade developments to help you develop strategies to manage duty costs and the risks of global trade, to improve trade compliance and to increase the operational effectiveness of international supply chains.

Websites

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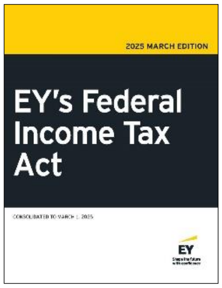
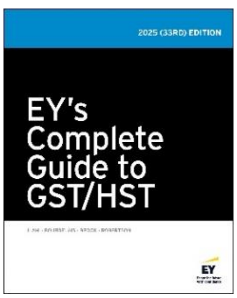


[EY's Federal Income Tax Act, 2025 Edition]

Editors: Albert Anelli, Janette Pantry and Linda Tang

Now available

Included with this edition: interactive online features and purpose notes for selected provisions. Purchase of a print book includes access to an online updated and searchable copy of the federal *Income Tax Act* as well as the pdf eBook. Consolidated to March 1, 2025, this edition contains amendments and proposals, including Bill C-59 (2024, c. 15), *Fall Economic Statement Implementation Act, 2023*, Bill C-69 (2024, c. 17), *Budget Implementation Act, 2024, No. 1*, August 12, 2024 legislative proposals [Technical amendments], August 12, 2024 legislative proposals [Budget 2024 and other proposals], September 23, 2024 notice of ways and means motion [Capital gains inclusion rate increase], December 16, 2024 Fall Economic Statement 2024, January 23, 2025 legislative proposals [Charitable donations] and February 21, 2025 legislative proposals [EV supply chain investment tax credit].



[EY's Complete Guide to GST/HST, 2025 (33rd) Edition]

Editors: Jadys Bourdelais, Thomas Brook, Sania Ilahi and David Douglas Robertson

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Canada's leading guide on GST/HST, including GST/HST commentary and legislation, as well as a GST-QST comparison. Written in plain language by a team of EY indirect tax professionals, the guide is consolidated to July 1, 2025 and updated to reflect the latest changes to legislation and CRA policy.

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