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Tax Alert – Canada

2025 budget implementation bill no. 1 introduced in House of Commons

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 18 November 2025, Bill C-15, *Budget 2025 Implementation Act*, No. 1, received first reading in the House of Commons. Bill C-15 implements the measures contained in the detailed notice of ways and means motion (NWMM) that was tabled on 17 November 2025, incorporating a long list of outstanding legislative proposals.

More specifically, the bill includes certain income tax measures announced in the 2025 federal budget and the 2024 federal fall economic statement (notably, the reinstatement of accelerated capital cost allowance (CCA) for most capital properties, enhancements to the scientific research and experimental development (SR&ED) program, and substantial changes to Canada's transfer pricing rules); various other previously announced tax measures included in draft legislation on 15 August 2025, 30 June 2025, 23 January 2025, 12 August 2024 and 9 August 2022; the previously announced increase in the lifetime capital gains exemption and extension of the mineral exploration tax credit; and some new amendments. The previously released measures have been amended (where applicable) to take into account comments received since their initial release.

Bill C-15 also includes various indirect tax and other non-income tax measures. Notably, the bill includes the repeal of the digital services tax, effective as of 20 June 2024. Transitional provisions require that any amount paid to the CRA as tax, penalties or interest under the *Digital Services Tax Act* be refunded to the taxpayer, with interest from the day the payment was received by the government until the day it is refunded by the CRA.



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Note that the CCA measures announced in the 2025 federal budget relating to the immediate expensing for manufacturing and processing buildings and accelerated CCA for low-carbon liquefied natural gas facilities are not included in Bill C-15. For more information on these two measures, see [EY Tax Alert 2025 Issue No. 52, Federal budget 2025](#).

The following is a summary of the income tax measures contained in Bill C-15, listed by their previous release date or announcement date. Some of these measures may be covered in additional detail in one or more separate upcoming tax alerts.

Business and international tax measures

Because of the minority status of the federal government, the business income tax measures contained in Bill C-15 will be considered substantively enacted (for financial reporting purposes) when the bill passes third reading in the House of Commons.

Bill C-15 includes the following business and international income tax measures.

Measures from the 2025 federal budget or first announced in Bill C-15

- ▶ **Carbon capture, utilization and storage (CCUS) investment tax credit (ITC)** - Extension of the full credit rates for the CCUS ITC by five years, so that the full credit rates will apply from 2022 to the end of 2035 (instead of 2030, as currently enacted) and the reduced credit rates will apply from 2036 to the end of 2040. The extension is deemed to come into force on 4 November 2025. Various technical amendments previously included in the 12 August 2024 draft legislation, as well as some new technical amendments, are also included in the bill. For example, the time for late filing the applicable prescribed form to claim the credit is extended until the later of 31 December 2026 (instead of 31 December 2025) and one year after the taxpayer's filing-due date for the taxation year, and a new definition for "excluded CCUS equipment" is introduced for purposes of simplifying the description of Class 57 property; both of these amendments apply as of 1 January 2022.
- ▶ **Clean electricity ITC** - Expansion of qualifying corporations eligible to claim the credit to include Canada Growth Fund Inc. and any wholly owned subsidiary of Canada Growth Fund Inc., applicable in respect of eligible property that is acquired and becomes available for use on or after 4 November 2025. A separate amendment (first announced in the 2024 federal fall economic statement) also expands the list of qualifying corporations to include the Canada Infrastructure Bank, applicable in respect of eligible property that is acquired and becomes available for use on or after 16 December 2024. Any financing provided by either of these two entities will not reduce the cost of eligible property in computing the tax credit. Various new amendments are also included in Bill C-15 (e.g., to define what constitutes nuclear energy property as claimable clean electricity property, and amendments to the time for late filing the prescribed form to claim the credit). See also "Clean electricity ITC implementation" (below).
- ▶ **Clean energy equipment: Class 43.1 eligibility** - Various new amendments to CCA Class 43.1, including amendments to exclude pollution abatement equipment from Class 43.1

eligibility (applicable on Royal Assent of Bill C-15), as well as amendments to ensure any transmission equipment otherwise eligible for inclusion in Class 43.1 now meets, as of 17 November 2025, certain additional conditions (as outlined in the new definition “eligible transmission equipment”) and to exclude from Class 43.1 any fixed location energy storage property that is a battery used in automotive equipment and property used to charge vehicles or other automotive equipment (applicable to property that is acquired and becomes available for use on or after 17 November 2025).

- ▶ **Clean technology manufacturing ITC** - Expansion of the list of critical minerals eligible for the clean technology manufacturing ITC to include antimony, gallium, germanium, indium and scandium, applicable in respect of property that is acquired and becomes available for use on or after 4 November 2025. Various technical amendments previously included in the 12 August 2024 draft legislation to clarify and expand the credit rules (with some modifications since their last release), as well as some new technical amendments, are also included in the bill. For example, the time for late filing the applicable prescribed form to claim the credit is extended until the later of 31 December 2026 and one year after the taxpayer’s filing-due date for the taxation year (instead of simply one year after the taxpayer’s filing-due date).
- ▶ **SR&ED: expenditure limit** - Increase, from \$3 million to \$6 million (instead of to \$4.5 million as proposed in the 15 August 2025 draft legislation), in the annual expenditure limit on which Canadian-controlled private corporations (CCPCs) and eligible Canadian public corporations are entitled to earn a 35% SR&ED ITC, effective for taxation years that begin on or after 16 December 2024. See “SR&ED program enhancements” (below) for related amendments on SR&ED.
- ▶ **Transfer pricing rules** - Significant amendments to Canada’s transfer pricing rules in section 247 of the *Income Tax Act* (the Act), applicable to taxation years and fiscal periods that begin after 4 November 2025. The amendments replace the existing transfer pricing adjustment and recharacterization rules with a single adjustment application rule that will apply if the “actual conditions” of the relevant transaction or series differ from “arm’s length conditions.” An interpretation rule is also 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. Amendments are also made to the transfer pricing penalty provisions and documentation requirements. See [EY Tax Alert 2025 Issue No. 53, Budget 2025 introduces revised transfer pricing rules](#).
- ▶ **Intergenerational business transfers** - New technical amendments clarify the conditions for a business transfer to qualify as an immediate intergenerational business transfer or a gradual intergenerational business transfer. For example, the condition for the child (or at least one member of the child group) that controls the purchaser corporation to be actively engaged on a regular, continuous and substantial basis in the business can still be met (depending on the particular facts and circumstances) even if the individual does not work in the business an average of at least 20 hours per week during the year or the portion of the year in which the business operates. The previously announced amendment to Regulation 600 to add the elections for immediate and gradual business transfers to the list of prescribed elections for which the minister may extend the time to

make an election or grant permission to amend or revoke an election is also included. These amendments are deemed to have come into force on 1 January 2024.

- ▶ **Patronage dividends paid in shares (agricultural cooperatives)** - Extension of the temporary deferral of income taxes and withholding obligations on patronage dividends received as eligible shares until their disposition or deemed disposition. Specifically, the temporary deferral measure, which was set to expire at the end of 2025, will continue to apply in respect of eligible shares issued before the end of 2030.

Measures released as draft legislative proposals on 15 August 2025

- ▶ **SR&ED program enhancements** - In addition to the increase in the expenditure limit noted above, various other amendments to enhance the SR&ED tax incentive program, generally applicable to taxation years beginning on or after 16 December 2024, including:
 - ▶ **Phase-out thresholds** - Increase, from \$10 million and \$50 million, to \$15 million and \$75 million, respectively, in the prior-year taxable capital phase-out thresholds for purposes of determining the annual expenditure limit (with CCPCs having the option to determine their annual expenditure limit on a different basis than taxable capital – see below).
 - ▶ **Refundability** - Extension of the 35% refundable SR&ED ITC to eligible Canadian public corporations, up to the increased annual expenditure limit. However, for CCPCs that elect and eligible public corporations, the \$15 million and \$75 million phase-out thresholds for determining the annual expenditure limit will essentially be based on the corporation's average annual revenue over the preceding three fiscal years ending before the current taxation year.
 - ▶ **Capital expenditures** - Reinstatement of the pre-2014 eligibility of capital expenditures (for property acquired after 15 December 2024 or lease costs incurred after that date) to both the SR&ED income deduction and the 15% or 35% SR&ED ITCs, and related consequential amendments.
- ▶ **Deferring tax using foreign resident corporations** - Updated amendments to eliminate the tax-deferral advantage available to CCPCs and their shareholders earning investment income through controlled foreign affiliates, generally applicable for taxation years beginning on or after 7 April 2022 (with further modifications to take into account comments received since their last release). Specifically, the relevant tax factor (RTF) applicable to CCPCs and substantive CCPCs is adjusted from 4 to 1.9 (i.e., the RTF currently applicable to individuals), so that a deduction in respect of foreign tax paid that fully offsets foreign accrual property income (FAPI) inclusions is available only where the foreign tax rate is at least 52.63% (rather than 25%). Amendments also address the integration of FAPI that is repatriated to and distributed by CCPCs and substantive CCPCs to individual shareholders by way of adjustments to the calculation of the corporation's general rate income pool and capital dividend account calculation. However, two elective carve-outs from these changes are also provided (through the introduction of "foreign accrual business income" (FABI) and the "FABI surplus" pool).

The updated amendments, including the FABI relieving regime, are introduced for taxation years that begin after 2025.

- ▶ **Excessive interest and financing expense limitation (EIFEL) rules** - Updated technical amendments to the definition of “adjusted taxable income” in subsection 18.2(1) of the Act, to ensure loss carryovers are properly accounted for and to address a potential circularity issue with respect to the add-back for amounts deducted under subsection 104(6). In addition, Regulation 600 is amended to add the excluded interest election and specified pre-regime loss election under the EIFEL rules, as well as the election under clause 95(2)(f.11)(ii)(E) to forgo a foreign accrual property loss, to the list of elections for which the minister may allow late-filing, amendment or revocation. These amendments are deemed to have come into force on 1 October 2023.
- ▶ **Government assistance and concessional loans** - Technical amendments to provide that an amount received as an “excluded loan” (as defined in subsection 12(11)) will not be treated as government assistance for purposes of various cost base adjustments and resource pools. These amendments are deemed to have come into force on 1 January 2020 and apply to loans made after 31 December 2019. Regulations 3100(1)(b) and 3100(3) (with respect to prescribed benefits for purposes of the definition of a tax shelter) are similarly amended and deemed to have come into force on 1 January 2022.
- ▶ **Foreign affiliate share-for-share exchange** - Updated technical amendments to the anti-avoidance rule in paragraph 85.1(4)(a) of the Act, which currently provides an exception to the rollover in subsection 85.1(3) for a transfer of shares of a foreign affiliate by a taxpayer to another foreign affiliate. Paragraph 85.1(4)(a) is reorganized and amended to strengthen the existing exception, as well as to extend the exception to circumstances in which there is a disposition to a non-arm’s length nonresident (other than a corporation that is a controlled foreign affiliate of the taxpayer or of a successor corporation, for purposes of section 17). Subsection 85.1(4.1) is also added to provide interpretive rules for determining whether a partnership is dealing at arm’s length (or not) with a person or other partnership for the purpose of applying paragraph 85.1(4)(a). Consequential amendments are also made to certain other provisions; for example, paragraph 93.1(3)(c) is amended to provide look-through rules for tiered partnerships for the purpose of applying subsection 85.1(4.1). These amendments apply in respect of dispositions that occur on or after 15 August 2025.
- ▶ **Foreign mergers** - Updated technical amendments to the anti-avoidance rule in subsection 87(8.3) of the Act, which provides an exception to the rollover provisions in subsections 87(4) and (5), with respect to a taxpayer’s shares of a predecessor foreign corporation in the context of a foreign merger where certain conditions are met. Given that subsection 87(8.3) is intended to prevent the use of certain structures aimed at circumventing the anti-avoidance rule in subsection 85.1(4), the conditions in paragraphs 87(8.3)(b) and (c) are restructured and amended consistent with changes to paragraph 85.1(4)(a) described above under “Foreign affiliate share-for-share exchange.” In addition, subsection 87(8.31) is added to provide interpretative rules for determining whether a partnership is dealing at arm’s length (or not) with a person or other partnership for the purpose of applying paragraph 87(8.3)(c). Consequential amendments are also made to certain other provisions; for example, paragraph 93.1(3)(c) is amended to provide look-through rules for tiered partnerships for the

purpose of applying subsection 87(8.31). These amendments apply in respect of dispositions that occur on or after 15 August 2025.

- ▶ **FAPI and tracking rules** - Amendments to introduce rules for determining the portion of an umbrella trust's FAPI that is attributable to a taxpayer (as a beneficiary of the trust or through a controlled foreign affiliate that is a beneficiary of the trust), where the trust is deemed under subsection 94.2(2) to be a nonresident corporation controlled by the taxpayer. An "umbrella trust" is a single trust consisting of several sub-funds, with a separate class of participating interests typically being issued for each sub-fund. The purpose of the new rules is to permit the determination of FAPI (as well as related deductions and filing requirements) to be based on the income, gains and losses of the particular sub-fund that the taxpayer has invested in (and no other sub-funds), provided certain conditions are met. Other amendments provide an exception to the deemed control rule under subsection 94.2(2) where the deemed control is triggered because the condition in subparagraph 94.2(1)(b)(i) is met in respect of one or more classes of fixed interests that are tracking interests. These amendments apply in respect of taxation years of trusts beginning after 26 February 2018.

In addition, new subsection 95(13) is introduced to ensure the tracking arrangement rules in subsections 95(11) and (12) do not apply in respect of a foreign affiliate of a taxpayer where avoiding, preventing or deferring the inclusion of any amount of FAPI in income under subsection 91(1) was not a purpose of creating, issuing, acquiring or holding a tracking interest. As well, the preamble of subsection 95(11) is amended to clarify that the tracking arrangement rules under that subsection do not apply in respect of a foreign affiliate that is otherwise a controlled foreign affiliate. These amendments apply in respect of taxation years of a foreign affiliate beginning after 26 February 2018.

- ▶ **International shipping** - Updated amendments relating to the introduction of an exemption from tax for the portion of a taxable capital gain of a Canadian resident corporation from the disposition of a vessel (including furniture, fittings and certain equipment) that can reasonably be considered to have accrued while the vessel was used by the corporation solely to earn income from international shipping, as well as for taxable capital gains from the disposition of personal or movable property that pertained solely to the operation of such vessels. These amendments apply to the portion of such a taxable capital gain that accrues on or after 31 December 2023. In addition, other amendments ensure that appropriate CCA is available in respect of a vessel that is used to earn exempt international shipping income in some taxation years and non-exempt income in other taxation years. Finally, each vessel that has been used to earn exempt international shipping income must be included in a separate Class 7 for CCA purposes. These amendments apply as of 31 December 2023.
- ▶ **Part II.2 tax on repurchases of equity: additional amendments** - Amendment to the definition of "reorganization transaction" in subsection 183.3(1) of the Act to include a winding-up under subsection 88(1). In addition, the anti-avoidance rule in subsection 183.3(5), which deems a covered entity to acquire its own equity if a specified affiliate of the covered entity acquires its equity, is extended to apply for purposes of the definitions in subsection 183.3(1). These amendments are deemed to have come into force on 1 January 2024. (Note that the proposed amendment to expand this rule to

circumstances in which a specified affiliate borrows equity of the covered entity, which was included in the 12 August 2024 draft legislation, is not included in Bill C-15.)

For further details on the above-noted amendments from the 15 August 2025 draft legislation, see [EY Tax Alert 2025 Issue No. 40, Finance releases draft legislation for various previously announced measures and technical amendments](#), and EY News 143-25, *Finance releases draft income tax technical amendments* (available to subscribers of the Federal Income Tax Collection on [Canadian Tax Library](#) and [Knotia](#)).

Measure released as draft legislative proposal on 30 June 2025

- ▶ **Canada carbon rebate for small businesses** - Amendments to ensure that the rebate will not be included in income for tax purposes, and to extend the 2023 T2 corporate income tax return filing deadline to 31 December 2024 (from 15 July 2024), for corporations to be entitled to the rebate for the 2019 to 2023 calendar years. Various technical amendments in relation to the rebate (e.g., on the continuation of predecessor corporations) are also included. These amendments are deemed to come into force on 20 June 2024.

Measures announced in the 2024 fall economic statement

- ▶ **CCA: reaccelerated investment incentive and immediate expensing** - Reinstatement of the accelerated investment incentive and immediate expensing measures for qualifying property acquired on or after 1 January 2025 and that becomes available for use before 2034. Eligible property acquired on or after 1 January 2025, and available for use before 2030, will qualify for an enhanced CCA deduction equal to three times the normal first-year deduction if the property is normally subject to the half-year rule, and equal to one-and-a-half times the normal first-year allowance if the property is not normally subject to the half-year rule. The enhanced allowance is phased out for property that becomes available for use after 2029 and before 2034. Property that becomes available for use after 2033 will no longer be eligible for an enhanced deduction. Similarly, immediate expensing is reinstated for manufacturing or processing machinery and equipment included in Class 53, clean energy generation and energy conservation equipment included in Class 43.1, and zero-emission vehicles included in Classes 54, 55 and 56, so that these vehicles and equipment will be eligible for a first-year 100% deduction if acquired on or after 1 January 2025 and they become available for use before 2030. The first-year enhanced deduction will be phased out for property that becomes available for use after 2029 and before 2034. Property that becomes available for use after 2033 will be subject to the normal CCA rate. Note that the formula for the reinstated rules incorporates the proposed immediate expensing rules for certain productivity-enhancing assets, as described below under “Accelerated CCA.”
- ▶ **Reaccelerated resource deductions** - Reinstatement of the accelerated deduction rules related to Canadian development expenses (CDE) and Canadian oil and gas property expenses (COGPE) for expenses incurred after 2024 and before 2034. The reaccelerated deductions will provide a total first-year deduction of 150% of the regular CDE or COGPE deduction for expenses incurred after 2024 and before 2030, and 125% of the regular CDE or COGPE deduction for expenses incurred after 2029 and before 2034. The rates

are prorated for taxation years that begin before 2030 and end after 2029, based on the amount of expenditures incurred before and after the end of 2029.

Measures released as draft legislative proposals on 12 August 2024

- ▶ **Accelerated CCA** - Temporary increase in CCA rates for certain property, including the following:
 - ▶ **Purpose-built rental housing** - Increase in the CCA rate, from 4% to 10%, for buildings or parts of a building that qualify as a new purpose-built residential rental, effective 16 April 2024. To qualify as a new purpose-built residential rental, construction must have started after 15 April 2024 and before 2031, and the property must become available for use before 2036.
 - ▶ **Certain productivity-enhancing assets** - Immediate expensing for eligible property in CCA Classes 44 (patents or the rights to use patented information for a limited or unlimited period), 46 (data network infrastructure equipment and related systems software) and 50 (general-purpose electronic data-processing equipment and systems software) that is acquired after 15 April 2024 and becomes available for use before 2027. As a result, such property will be eligible for a CCA rate of 100% in the first year in which it becomes available for use (prorated for short taxation years). Eligible property is property that meets the definition of “accelerated investment incentive property” or, in the case of property acquired after 2024, “reaccelerated investment incentive property.”
- ▶ **Clean electricity ITC implementation** - Introduction of a 15% refundable ITC for eligible investments in clean electricity property that is acquired (and becomes available for use) after 15 April 2024 and before 2035. The credit is available to qualifying entities, including taxable Canadian corporations, designated provincial Crown corporations, municipal corporations, corporations owned by an Aboriginal government or similar Indigenous governing body, and pension investment corporations, as well as trusts that hold an interest in a limited partnership as their sole undertaking, where each beneficiary is a pension investment corporation. In addition, qualifying entities that are members of a partnership will be entitled to claim their share of the partnership’s tax credit, subject to certain allocation rules. Clean electricity property eligible for the credit must be situated in Canada and intended for use exclusively in Canada, must not have been used for any purpose before its acquisition, and must not be part of a project that began construction before 28 March 2023. Certain labour requirements, including prevailing wage and apprenticeship requirements, will need to be met to receive the 15% credit rate. If the labour requirements are not met, a credit rate of 5% will apply. Various annual compliance requirements and recapture rules also apply. Various consequential amendments related to the introduction of this ITC, as well as new technical amendments, are also included in Bill C-15. However, the conditions that were to be imposed on provincial Crown corporations to be eligible for the credit are not part of Bill C-15, as these conditions have been removed by the 2025 federal budget. See [EY Tax Alert 2024 Issue No. 49, Canada’s new clean electricity investment tax credit](#) for more information on the key parameters of the credit.

- ▶ **Clean hydrogen ITC** - Various technical amendments to clarify the clean hydrogen ITC, effective 28 March 2023. Further, the rules relating to the calculation of carbon intensity of hydrogen produced (and to be produced) by a clean hydrogen project have been amended. Various new amendments are also included, for example, to extend the time for late filing the applicable prescribed form to claim the credit until the later of 31 December 2026 (instead of 31 December 2025) and one year after the taxpayer's filing-due date for the taxation year, and to clarify shared filing requirements in respect of a clean hydrogen project.
- ▶ **Clean technology ITC** - Expansion of the clean technology ITC to include certain equipment that is part of a system that generates electricity or heat (or both) from waste biomass, effective in respect of property that is acquired after 20 November 2023 (provided the property has not been used for any purpose before its acquisition). Consequential amendments requiring environmental compliance also apply, effective 21 November 2023. In addition, various technical amendments are made to the clean technology ITC rules, such as amendments relating to the payment of tax for recaptured credits (along with joint, several and solidary liability) in the context of a partnership and amendments to ensure that the capital cost of a clean technology property excludes any expenditure incurred for a preliminary work activity (i.e., any activity that is preliminary to the acquisition, construction, fabrication or installation of the property), effective 28 March 2023. Various new amendments are also included, for example, to modify the eligibility rules for small nuclear energy property and to extend the time for late filing the applicable prescribed form to claim the credit until the later of 31 December 2026 and one year after the taxpayer's filing-due date for the taxation year (instead of simply one year after the taxpayer's filing-due date).
- ▶ **Other clean economy tax credit proposals** - Introduction of a new rule under the clean economy tax credit partnership rules in section 127.47 of the Act to account for situations where the cost of a particular property that is owned by a partnership is eligible for more than one clean economy tax credit, effective 28 March 2023. An amendment is also made to clarify the non-application of the labour requirements under section 127.46 for the preparation or installation of clean technology property described in CCA Class 43.1(d)(i) (certain active solar heating equipment and ground source heat pump system equipment) or in Class 56 (zero-emission self-propelled equipment that is not a motor vehicle, including certain additions and alterations), effective 28 November 2023. Consequential amendments are also made to various regulations relating to clean energy property, including expansion of the application of environmental compliance rules in Regulation 1104(17) to all property described in Class 43.1 or Class 43.2 and to limit application to situations where there is substantial non-compliance with environmental laws, effective as of 21 November 2023.
- ▶ **EIFEL technical amendments** - Amendments to the definition of "excluded interest" in subsection 18.2(1) of the Act to expand the circumstances in which an excluded interest election is available in respect of interest paid or payable to a financial institution group entity and to clarify the provision. Specifically, where the payee of interest or a lease financing amount is a financial institution group entity, an excluded interest election will be permitted if the payer is a financial institution group entity or would be a special purpose loss corporation under certain circumstances. The definition of "special purpose loss corporation" is also amended to clarify that it applies to a corporation that is formed

or exists solely for the purpose of generating a loss derived from interest paid or payable that will be used exclusively by a financial institution group entity. These amendments are intended in part to facilitate loss utilization transactions that are effectively between financial institution group entities but that rely on the use of a temporary, intermediary special purpose loss corporation. The amendments apply to taxation years ending on or after 12 August 2024.

- ▶ **FAPI** - Amendments to the definition of FAPI in subsection 95(1) of the Act with respect to dividends received by a foreign affiliate of a taxpayer (or dividends received by a partnership of which a foreign affiliate of a taxpayer is a member) from another foreign affiliate of the taxpayer, consequential to the enactment of the hybrid mismatch arrangement rules in sections 12.7 and 18.4. In broad terms, the amendments replace in the FAPI definition, for purposes of determining whether interaffiliate dividends should be included in the recipient's FAPI, the reliance on the deductible dividend test under subsection 113(5) in the context of the hybrid mismatch arrangement rules with a different test. Consequential amendments are also made to the calculation of a foreign affiliate's exempt surplus, hybrid surplus, hybrid underlying tax, taxable surplus and underlying foreign tax under Regulation 5907(1). These amendments apply in respect of dividends received on or after 1 July 2024.
- ▶ **Financial institution mark-to-market property** - Amendments to Regulation 9002 to provide look-through rules in respect of shares held by a partnership for purposes of the exclusion from the mark-to-market rules for certain shares held by a credit union and to deem a wholly owned subsidiary of a credit union to be a credit union, applicable for taxation years beginning after 2023.
- ▶ **Insurer's policy reserve** - Amendments to the prescribed amount under Regulation 1400(3) used in calculating a reserve for non-life insurance policies of an insurer to provide a 5% deduction for the reinsurance contract held amount in respect of a group of reinsurance contracts, applicable for taxation years beginning after 2022.
- ▶ **Mutual fund corporations** - Amendments to preclude a corporation from qualifying as a mutual fund corporation if it is controlled by, or for the benefit of, a corporate group (including a corporate group that consists of any combination of corporations, individuals, trusts and partnerships that do not deal with each other at arm's length), applicable for taxation years beginning after 2024 (or after 2025 if the corporation was controlled by or for the benefit of a real estate investment fund on 16 April 2024). An exception is provided for a corporation that is in its first two years of existence and is a widely held pooled investment vehicle.
- ▶ **Part II.2 tax on repurchases of equity** - Various technical amendments, including amendments to the definition of "qualifying issuance" in subsection 183.3(1) (which generally has the effect of reducing Part II.2 tax payable) to include equity issued in certain arm's length exchanges, as well as to the definition of "reorganization transaction" to accommodate certain exchange-traded funds. Amendments are also made to section 183.4, concerning filing requirements for members of a partnership that is subject to Part II.2 tax. These amendments are deemed in force on 1 January 2024.

- ▶ **Synthetic equity arrangements** - Removal of the tax-indifferent investor and exchange-traded exceptions to the synthetic equity arrangement anti-avoidance rule, applicable for dividends received on or after 1 January 2025.
- ▶ **Withholding for nonresident service providers** - Amendments to allow the CRA to waive, over a specified period, the 15% withholding tax requirement for payments to a nonresident for services provided in Canada, if the nonresident would not be subject to Canadian income tax in respect of the payments because of a tax treaty, because the business is not carried on in Canada or because the income is exempt income from international shipping or operating an aircraft in international traffic, effective on Royal Assent. The waiver may apply in respect of a class of nonresident persons specified by the CRA.

Measure released as draft legislative proposal on 9 August 2022

- ▶ **Foreign affiliate suppression election** - Amendment to limit the application of subsection 88(3.3), which allows a taxpayer to elect to reduce the amount for which a distributed property is considered disposed of under paragraph 88(3)(a) on a qualifying liquidation and dissolution of the disposing foreign affiliate, to distributed property of the disposing foreign affiliate that is shares of another foreign affiliate. This amendment is intended to align the rule more clearly with its original policy intent by ensuring that any gain that could otherwise be realized on the disposition of the disposing foreign affiliate's shares cannot be eliminated or deferred when a deferral would be inappropriate. This amendment applies to dispositions that occur on or after 9 August 2022.

Measures affecting individuals, trusts and registered plans

Bill C-15 includes the following income tax measures affecting individuals, trusts and registered plans.

Measures from the 2025 federal budget

- ▶ **Expansion of the critical mineral exploration tax credit (CMETC)** - Expansion of the CMETC to include the following additional critical minerals: bismuth, cesium, chromium, fluorspar, germanium, indium, manganese, molybdenum, niobium, tantalum, tin and tungsten, applicable to expenditures renounced under eligible flow-through share agreements entered into after 4 November 2025 and on or before 31 March 2027.
- ▶ **Top-up tax credit** - Introduction of a new non-refundable top-up tax credit, which will effectively maintain the current 15% rate for non-refundable tax credits claimed on amounts in excess of the first income tax bracket threshold (i.e., \$57,375 for 2025). The top-up tax credit applies for the 2025 to 2030 taxation years.
- ▶ **Home accessibility tax credit** - Amendment to provide that an expense claimed under the medical expense tax credit will no longer be eligible for the home accessibility tax credit for 2026 and subsequent taxation years.
- ▶ **Personal support workers (PSWs) tax credit** - Introduction of a temporary five-year refundable tax credit for eligible PSWs working for eligible health care establishments,

for the 2026 to 2030 taxation years, equal to 5% of eligible earnings, with a credit cap of \$1,100 per year. The credit will be available in provinces and territories not covered by a bilateral agreement with the federal government to increase wages for PSWs (i.e., all provinces and territories other than British Columbia, Newfoundland and Labrador, and the Northwest Territories).

- ▶ **Workers classification** - Amendments to the Act and the *Excise Tax Act* to allow the CRA to share taxpayer information as it relates to the classification of workers with Employment and Social Development Canada, effective on Royal Assent of Bill C-15.

Measures released as draft legislative proposals on 15 August 2025

- ▶ **Capital gains rollover** - Enhancements to the capital gains rollover rules for qualifying dispositions of eligible small business corporation (ESBC) shares that occur after 31 December 2024. Specifically, individuals would have until the end of the calendar year following the year of disposition to acquire replacement shares (rather than until the day that is 120 days following the year of disposition). In addition, the definition of ESBC shares is expanded to include any issued shares (common and preferred shares, rather than only common shares) and to increase the limit to the carrying value of the assets of the ESBC and related corporations to \$100 million (from \$50 million).
- ▶ **Employee ownership trusts (EOTs)** - Various technical amendments to the enacted \$10 million capital gains exemption rules for qualifying business transfers by individuals under the EOT rules, which relate to the calculation of the deduction and the ordering rule for claiming more than one deduction in the same taxation year, as well as amendments to clarify the definitions of “employee ownership trust,” “qualifying business,” and “qualifying business transfer” to accommodate holding corporation situations. The amendments are deemed to have come into force on 1 January 2024. Various consequential amendments (some of which were previously released in the 12 August 2024 legislation) are also made to various provisions of the Act (such as to the lifetime capital gains exemption rules, applicable in respect of dispositions that occur on or after 12 August 2024).
- ▶ **Qualifying cooperative conversions** - Introduction of a 10-year capital gains reserve and a temporary \$10 million capital gains exemption for qualifying sales of shares by individuals to a worker cooperative corporation that meets certain conditions (referred to as a “qualifying cooperative conversion”), effective 1 January 2024. Bill C-15 includes certain amendments similar to the modifications made to the capital gains exemption for qualifying business transfers (under the EOT rules) described above. Various consequential amendments (some of which were previously released in the 12 August 2024 legislation) are also made to various provisions of the Act (such as to the lifetime capital gains exemption rules, applicable in respect of dispositions that occur on or after 12 August 2024).
- ▶ **Trust reporting requirements** - Updated relieving amendments to the trust reporting rules for express trusts and in respect of the reduction of the number of bare trusts that are required to file trust returns. In general, the amendments:

- ▶ Broaden the exceptions (under subsection 150(1.2)) from the requirement to file a return, applicable for taxation years ending after 30 December 2024 or 30 December 2025, depending on the specific amendment;
- ▶ Repeal subsection 150(1.3) of the Act (which has the general effect of making bare trusts subject to the reporting requirements in section 150 of the Act), effective for taxation years ending after 30 December 2024;
- ▶ Introduce new subsections 150(1.3) and (1.31) of the Act, which define the types of bare trusts that are subject to the reporting and provide exceptions for certain bare trusts (including a new addition for a registered securities dealer acting as a trustee and a regulated trust company acting as an investment entity) where specified conditions are met, effective for taxation years ending after 30 December 2026 (instead of 30 December 2025 as proposed in the 15 August 2025 draft legislation); and
- ▶ Clarify, among other things, that the additional reporting requirements for trusts (under Regulation 204.2) apply to trusts, other than those described in paragraphs 150(1.2)(a) to (r) of the Act, that are required to file an income tax return under subsection 150(1) of the Act, applicable for taxation years ending after 30 December 2024 or 30 December 2025, depending on the specific amendment.

Aside from the new bare trust exception mentioned above and certain new minor modifications included in Bill C-15, these amendments are described in more detail in [EY Tax Alert 2025 Issue No. 41, Updated proposals to modify the enhanced trust reporting requirements](#).

- ▶ **Canada child benefit (CCB)** - Amendment to clarify that in order for an individual to continue to be eligible to receive the CCB for six months following the death of a qualified dependant child, the individual must satisfy certain residency requirements and must not fall within the category of foreign government employees (and their family members and employed servants) who are exempt from tax in Canada. This amendment applies to months beginning after 31 August 2025.
- ▶ **Pension income and registered plans** - Technical amendments concerning various registered plans and the taxation of certain pension and benefit amounts, with various application dates. In general, the amendments relate to: (i) the tax treatment of amounts paid or transferred from a registered pension plan (RPP), registered retirement savings plan (RRSP) or registered retirement income fund (RRIF) to an unclaimed property authority (applicable in respect of amounts paid or transferred after 2026, rather than after 2025 as originally proposed); (ii) the establishment of an RRSP or a RRIF under the direction of an unclaimed property authority; (iii) additional consequential amendments related to the introduction of first home savings accounts (FHSAs); (iv) transfers of the commuted value of RPP annuity contracts on a tax-deferred basis in circumstances involving the breakdown of a marriage or common-law partnership (or other situations permitted under relevant pension legislation); (v) the exclusion of a right received by a lender under a securities lending arrangement from the non-qualified investment rules for Part XI.01 tax purposes; and (vi) the treatment of the appreciated value of tax-free savings account (TFSA) property following the death of the survivor's spouse or common-

law partner as an exempt contribution and the ability to have the full post-death balance of a trusted TFSA be excluded from the surviving spouse or common-law partner's income if an exempt contribution is made.

Measure announced in March 2025

- ▶ **Mineral exploration tax credit** - Extension of the mineral exploration tax credit to flow-through share agreements entered into on or before 31 March 2027. The credit was scheduled to expire on 31 March 2025.

Measure announced in the 2024 fall economic statement

- ▶ **Canada disability benefits (CDB): exemption** - Amendment to exempt amounts received under the CDB from income tax, to ensure that income-tested benefits and programs are not reduced as a result of CDB payments. This measure applies to taxation years that begin after 2024.

Measure from the 23 September 2024 NWMM

- ▶ **Lifetime capital gains exemption increase** - Updated amendments to increase the lifetime capital gains exemption (for individuals) for dispositions of qualified farm and fishing property or qualified small business corporation shares, from \$1,016,836 to \$1,250,000, with respect to dispositions that occur on or after 25 June 2024. Certain transitional rules apply, as well as consequential amendments to account for situations where a trust designates a taxable capital gain in respect of qualified property in favour of a trust beneficiary, effective for taxation years that begin after 2023. Indexation of the exemption will resume in 2026.

Measures released as draft legislative proposals on 12 August 2024

- ▶ **Alternative minimum tax (AMT)** - Amendments to the calculation of adjusted taxable income for AMT purposes, including changes with respect to the inclusion rate for capital gains on donations of a flow-through share class of property and limiting the deduction of investment counsel fees paid to earn income from property, applicable to taxation years beginning after 2023. The proposed amendment to fully allow for the deduction of resource expenses for AMT purposes was cancelled (as noted in the 2025 federal budget). This bill also includes new amendments to exempt from AMT certain Indigenous settlement trusts (as announced in the 2024 federal budget) and any capital gain that was eligible for the temporary deduction for qualifying cooperative conversions, applicable to taxation years that begin after 31 December 2023.
- ▶ **Disability supports deduction** - Expansion of the list of expenses recognized under the disability supports deduction, subject to specific conditions, effective for 2024 and subsequent years. Related to this measure, the list of prescribed devices or equipment that may be eligible for the medical expense tax credit is also expanded to include a navigation device for low vision for an individual with a vision impairment, effective for 2024 and subsequent years.

- ▶ **Graduated rate estates (GRES)** - Amendments to extend certain provisions of the Act from applying only in the first taxation year of a GRE of a deceased individual to the first three taxation years of a GRE, including amendments with respect to the employee stock option deduction in paragraph 110(1)(d) and the stop-loss rule in subsection 112(3.2) for a disposition of shares held by a trust as capital property. Similarly, amendments are made to extend the time period for the elective loss carryback rule applicable to dispositions by the legal representative of a deceased taxpayer in subsection 164(6) and the election available to the deceased's legal representative under subsection 164(6.1), allowing certain amounts in respect of exercised stock options to be carried back to the deceased's final taxation year and deducted in computing the deceased's income. These amendments generally apply in respect of deaths that occur on or after 12 August 2024.
- ▶ **Surplus stripping and post-mortem pipeline planning** - Amendments to the look-through rule in subsection 212.1(6) with respect to partnerships and trusts for the purposes of the corporate surplus stripping rules, to exclude a disposition of shares by a Canadian resident GRE (provided the GRE acquired the shares on and as a consequence of the individual's death and the individual had been resident in Canada immediately before their death). The amendments apply to dispositions that occur after 26 February 2018, and a related application rule allows a written application for a refund of excessive Part XIII tax paid to be made within 180 days of the enactment of the amendment, irrespective of the time limit that would otherwise apply to such applications under subsection 227(6).
- ▶ **FHSAs** - Clarifying amendments are made to subsection 146.6(15) with respect to the requirements for the designation of a survivor's amount. As well, the rules deeming there to be no change of beneficial ownership when property is transferred between certain registered plan trusts having the same holder or annuitant are extended to FHSAs, for the purposes of the tax-deferred rollover in subsection 107.4(1). Subsection 207.04(3) with respect to property that is both a prohibited and a non-qualified investment of a registered plan is also amended to apply to FHSAs for the purposes of Part XI.01 tax. These amendments are deemed in force on 1 April 2023.
- ▶ **Nonresident withholding tax** - Amendment to extend the application of subsection 214(15) of the Act, which deems certain amounts paid to a nonresident to be interest payments for the purposes of Part XIII withholding tax, to amounts paid or credited to a nonresident as consideration for certain debt restructurings. In addition, section 215 is amended to exclude an individual (other than a trust that is not a GRE) from the requirement to withhold and remit tax on rent paid to a nonresident for the use of residential property, and instead require the nonresident to remit the tax. These amendments are deemed in force on 12 August 2024.

Charity-related measure

Finally, Bill C-15 includes the following income tax measure relating to charitable donations, which was first included in draft legislation released on 23 January 2025.

- ▶ **Extension of 2024 charitable donation deadline** - Extension, to 28 February 2025, of the deadline for making charitable donations that qualify for tax support (i.e., the tax credit for individuals or deduction for corporations) for the 2024 taxation year. This

measure enters into force when Bill C-15 receives Royal Assent. For more information, see [*EY Tax Alert 2025 Issue No. 5, CRA to administer draft legislation to extend deadline for 2024 charitable donations*](#).

Learn more

A summary of the indirect tax measures included in Bill C-15 will be provided in an EY News article available to subscribers of the Excise Automated Reference Library (GST/HST & Excise) on [Canadian Tax Library](#) and [Knotia](#).

For more information, contact your EY or EY Law tax advisor.

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