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Season's Greetings and 2025 Tax Update

January 2026

Dear Valued Client,

Happy New Year! As we welcome 2026, we hope you enjoyed a restful holiday season with family and friends. The start of a new year is a wonderful time to reflect on the past, set new goals, and, of course, prepare for the upcoming tax season. We are grateful for your continued trust and partnership, and we look forward to supporting you through another year of financial success and peace of mind.

A Year in Review: Stories from the Tax Trenches

Every tax season brings unique opportunities to make a difference in our clients' lives. One story that stands out from 2025 involves a family who discovered their child was eligible for the Disability Tax Credit (DTC). After a careful review of their situation, we helped them apply for the DTC and, once approved, request adjustments to prior years' tax returns. The result was a significant refund, as the DTC can be claimed retroactively for up to 10 years. This experience is a reminder that reviewing your family's circumstances and discussing any changes with us can uncover valuable tax benefits you may not have realized were available.

Key Dates and Deadlines for 2025

Please mark your calendars with these important dates for the 2025 tax year:

- February 2026: The CRA opens for electronic filing of 2025 returns.
- April 30, 2026: Deadline for most individuals to file their 2025 income tax and benefit return and pay any taxes owed.
- June 15, 2026: Filing deadline for self-employed individuals (and their spouses/partners). Note: any balance owing is still due by April 30, 2026.

Filing on time ensures you receive benefits and credits such as the GST/HST credit, Canada Child Benefit, and the Canada Dental Care Plan.

What's New for 2025?

The tax landscape continues to evolve. Here are some of the most significant updates for the 2025 tax year:



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1. Capital Gains Inclusion Rate—No Change for 2025

Despite speculation, the capital gains inclusion rate remains at 50% for all taxpayers. Only half of your capital gains are taxable, which is good news for investors and those considering the sale of appreciated assets.

2. Alternative Minimum Tax (AMT) Changes

The AMT calculation has changed for 2025. The minimum tax rate and basic exemption threshold have increased, and the calculation of adjusted taxable income for AMT purposes has been revised. Notably, 100% of capital gains are now included in the AMT calculation, while only 50% of capital loss carryforwards are included. This could impact high-income earners and those with significant capital gains or large charitable donations.

3. Home Buyers' Plan (HBP) Limit Increased

The HBP withdrawal limit increased from \$35,000 to \$60,000 for withdrawals made after April 16, 2024. Temporary repayment relief is also available for first-time participants, deferring the start of the 15-year repayment period by three years.

4. First Home Savings Account (FHSA)

The FHSA remains a powerful tool for first-time homebuyers. You can contribute up to \$8,000 per year, to a lifetime maximum of \$40,000. Contributions are tax-deductible, and qualifying withdrawals for a home purchase are tax-free. Even if you're not ready to contribute, opening an FHSA before December 31, 2026, will give you \$8,000 of contribution room for 2027.

5. Volunteer Firefighters' and Search and Rescue Volunteers' Amounts

The credit for eligible volunteer service has doubled from \$3,000 to \$6,000. If you performed at least 200 hours of eligible volunteer service in 2025, be sure to claim this enhanced credit.

6. Short-Term Rental Deductions

Starting January 1, 2024, you can only deduct expenses for short-term rentals if you comply with all applicable provincial and municipal registration, permit, and licensing requirements. If you own a short-term rental, ensure you are compliant to avoid losing valuable deductions.

7. Digital Services and Filing Enhancements

The CRA continues to improve its digital services. New features include a document



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verification service for instant access to My Account, online chat with CRA agents, and improved digital mail options. Electronic filing is faster and more secure, and direct deposit means you can receive your refund in as little as eight business days.

Reminders and Planning Tips

Maximize Registered Plan Contributions

- RRSP: The 2025 contribution limit is \$32,490 (18% of 2024 earned income, up to the limit). You have until March 2, 2026, to make your 2025 RRSP contribution, unless you turned 71 in 2025—in which case, you must contribute and wind up your RRSP by December 31, 2025.
- TFSA: The 2025 limit is \$7,000. If you've never contributed and have been eligible since 2009, your cumulative limit is \$102,000.
- RESP: Contribute at least \$2,500 per child to receive the maximum \$500 Canada Education Savings Grant. Missed years can be caught up, but the annual grant is capped at \$1,000 per beneficiary.

Income Splitting and Prescribed Rate Loans

With the prescribed rate at 3%, income splitting through family loans or trusts is once again attractive. By lending funds to a lower-income spouse or adult child at the prescribed rate, investment income can be taxed at their lower rate, reducing the family's overall tax burden.

Moving? Consider the Tax Implications

Your province or territory of residence on December 31, 2025, determines your tax rate for the year. If you're moving to a lower-tax jurisdiction, consider making the move before year-end. Conversely, if moving to a higher-tax province, delaying until January could save you money.

Principal Residence Sales and "Flipping" Rules

If you sold your home in 2025, you must report the sale on your tax return to claim the principal residence exemption. If you owned the property for less than 12 months, new "flipping" rules may apply, taxing the gain as business income unless a life event exception applies.

Short-Term Rental Compliance

If you earn income from short-term rentals, ensure you comply with all local registration and



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licensing requirements. Non-compliance means you cannot deduct related expenses, which could significantly increase your taxable income.

Digital Filing and Security

Register for My Account to access your tax slips, notices of assessment, and benefit information. The new document verification service allows for instant registration. Electronic filing is faster and more secure, and direct deposit means you can receive your refund quickly.

Be Scam Smart

Tax season is prime time for fraudsters. The CRA will never ask for personal or financial information by email or text. If you receive a suspicious message, do not respond—contact our office or the CRA directly for guidance.

A Final Word: We're Here to Help

Tax planning is a year-round affair, but the start of the year is a particularly important time to review your finances, make strategic decisions, and ensure you're taking advantage of all available opportunities. Whether you're considering a charitable gift, planning a move, or simply want to make sure you're not missing out on credits and deductions, we're here to help.

As always, we encourage you to reach out with any questions or to schedule a review. Our team is committed to helping you achieve your financial goals and navigate the ever-changing tax landscape with confidence.

Wishing you a joyful and prosperous New Year!

Warm regards,

Mike Kroekenstoel CPA, CGA

Principal

Accounting Plus Professional Corporation

P.S. Don't forget to gather your tax slips, receipts, and supporting documents early. The more organized you are, the smoother your tax season will be. And remember, we're just a phone call or email away if you need assistance. Visit our website at www.accountplus.ca for additional tax tips and planning advice.