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TD Wealth

Federal Budget 2025

Personal and Private Company Tax Measures

November 2025

As your Wealth advisors we know you look to us to help make sense of what the Federal Budget means to you. We are pleased to share this brief summary of the most relevant personal and private company measures announced in today's release:

Productivity Super-Deduction

To boost productivity and attract investment, the government is introducing a “productivity super-deduction" which includes a set of enhanced tax incentives covering all new capital investment that allows businesses to write off a larger share of these costs right away. This includes immediate expensing of manufacturing or processing equipment, clean energy and energy conservation equipment, data networks, computers, and capital expenditures for scientific research and experimental development.

Scientific Research and Experimental Development (SR&ED)

The government intends to proceed with increasing the annual capital expenditure limit on which an enhanced tax credit of 35% can be claimed from $3M to $4.5M. The expenditure limit is currently phased out for a Canadian Controlled Private Corporation (CCPC) when capital is between $10M and $50M. Budget 2025 proposes to increase these phase-out thresholds to $15M and $75M.

Qualified Investments in Registered Plans

As noted in our prior year’s summary, Budget 2024 began consultations into changing permitted investments inside Registered Plans. Budget 2025 proposes to allow more investments in small businesses within Registered Plans. The government intends on replacing the registered investment regime with two new categories of qualified investments that will not require registration with the Canada Revenue Agency (CRA).

Personal Support Workers Tax Credit

Budget 2025 proposes the introduction of a Personal Support Workers Tax Credit. This new refundable credit of 5% of eligible earnings will save taxes of up to $1,100 per year. It will be available from 2026 to 2030 and only in certain provinces.

Top Up Tax Credit

To address "rare" circumstances where an individual could have their tax liability increased as a result of the recent reduction in the lowest personal income tax rate (from 15% to 14.5% in 2025, and to 14% in 2026), Budget 2025 proposes a measure to preserve the 15% credit rate for non-refundable tax credits claimed on amounts exceeding the first tax bracket threshold ($57,375 in 2025).

Housing Affordability

To bring down costs for first-time home buyers, Budget 2025 proposes to eliminate the Goods and Services Tax (GST) on new home purchases of up to $1M and reduce the GST on new homes between $1M and $1.5M.

Home Accessibility Tax Credit

Currently, certain expenses may qualify to be claimed under both the Medical Expense Tax Credit and the Home Accessibility Tax Credit. Budget 2025 proposes to prevent an expense claimed under the Medical Expense Tax Credit from also being claimed under the Home Accessibility Tax Credit.

Underused Housing Tax (UHT) and Luxury Taxes

Through Budget 2025, the government proposes to eliminate the UHT as of the 2025 calendar year. In addition, the luxury tax on aircraft and boats will also end as of 2025.

Automatic Filing of Tax Returns

Budget 2025 reaffirmed the government's commitment to offer automatic filing of tax returns for low-income Canadians with simple tax situations to ensure they do not miss out on benefits. Automatic filings will begin for the 2025 tax year and are projected to reach 5.5 million by 2028.

21-Year Rule for Trusts

Personal trusts are generally deemed to have disposed of their capital property and certain other property for fair market value proceeds on the 21st anniversary of their creation, and every 21st anniversary thereafter (the “21-year rule”). Budget 2025 proposes to expand the current anti-avoidance rules for direct trust-to-trust transfers to include indirect transfers of trust property to other trusts, effective for transfers on or after Budget Day.

Online Scams and Fraud

Budget 2025 includes an outline of the Federal Government's new National Anti-Fraud Strategy. Among other measures, this strategy will include:

- A new Financial Crimes Agency to target money laundering and online scams.
- Changes to the Bank Act that will allow account holders to adjust transaction limits and require banks to obtain written consent from account holders before enabling account features, like transfers and payments, that fraudsters can use to steal money.
- Working with banks and other stakeholders to develop a new Code of Conduct for how banks can identify, prevent, and respond to economic abuse.

Previously Announced Measures

The Budget confirms the Department of Finance intends to proceed with numerous previously announced tax measures including, but not limited to:

- Increasing the Lifetime Capital Gains Exemption (up to $1.25 million)
- Capital Gains Rollover on Small Business Investments
- Tax exemption for sales to Employee Ownership Trusts
- Changes to the Alternative Minimum Tax
- Bare trust reporting rules
- Substantive CCPC rules

Next Steps

Our team of professional advisors will continue our analysis of the Budget's impact to our clients over the coming days. We look forward to bringing you thoughtful guidance on what these measures could mean to you.