

## IN THIS ISSUE

## Provincial Changes Impacting Tax Season



## Tax Season Update: What's New for Personal Taxes

Since the beginning of 2026, three tax bills have passed through or come before Parliament that will make significant changes to Canada's personal income tax regime, most prominently a one-percentage-point decrease in the lowest personal income tax rate. This article will outline this and other recent federal and provincial personal income tax changes affecting the 2025 tax year that you should be aware of this tax season.

### Federal Changes Impacting Tax Season

#### Personal Tax Cut (Bill C-4)

As of July 1, 2025, the government's middle-class tax cut, a one-percentage-point decrease in the lowest tax rate (15% to 14%), came into effect. To reflect this tax reduction coming into effect half-

way through the year, the full-year tax rate for 2025 is 14.5% for the lowest tax bracket and the full-year rate for 2026 and future tax years will be 14%. Interestingly, the legislation that would implement this measure, *Bill C-4, Making Life More Affordable for Canadians Act*, had not yet received Royal Assent at the time of writing.

The rate applicable to most non-refundable tax credits is based on the first marginal personal income tax rate. The middle-class tax cut would also reduce this rate from 15% to 14.5% for the 2025 taxation year, and to 14% for the 2026 and subsequent taxation years.

In rare cases where an individual's non-refundable tax credit amounts exceed the first income

tax bracket threshold, the decrease in the value of these credits may exceed their tax savings from the rate reduction. To ensure no one in this situation has their tax liability increased by the middle-class tax cut, the government is introducing a new non-refundable Top-Up Tax Credit, which would effectively maintain the current 15% rate for non-refundable tax credits claimed on amounts in excess of the first income tax bracket threshold. The Top-Up Tax Credit will apply for the 2025 to 2030 taxation years.

### Canada Groceries and Essentials Benefit (Bill C-19)

The federal government is changing the name of the refundable GST/HST credit to the Canada Groceries and Essentials Benefit ("CGEB") and temporarily increasing payment amounts as follows:

1. Eligible taxpayers will receive a one-time top-up payment in spring 2026. When combined with the regular quarterly payments, this top-up will effectively result in a 50% increase for the total credit for the 2025-2026 benefit year.
2. Quarterly payment amounts will temporarily increase by 25% for five years, beginning with the July 2026 payment.

Bill C-19, *Canada Groceries and Essentials Benefit Act*, was passed on February 12, 2026, officially enacting these changes.

### Expanding the Disability Supports Deduction (Bill C-15)

For the 2024 and following taxation years, the list of expenses eligible for the Disability Supports Deduction is expanded to include amounts paid for the following (if prescribed by a medical practitioner):

- for an individual who has an impairment in physical or mental functions, the cost of:

- an ergonomic work chair,
- a bed positioning device,
- a mobile computer cart,
- an alternative input device to allow them to use a computer, and
- a digital pen device to allow them to use a computer;
- the cost of a navigation device for low vision for an individual who has a vision impairment;
- the cost of memory or organizational aids for an individual who has an impairment in mental functions; and
- the cost of a specially trained service animal, including certain related costs, for an individual who suffers from one or more specified disabilities.

These changes apply to the 2024 and subsequent taxation years. Bill C-15, *Budget 2025 Implementation Act, No. 1*, which introduces these amendments, has not received Royal Assent, but the CRA will be administering this measure this filing season.

### Home Accessibility Tax Credit (Bill C-15)

For the 2026 and subsequent taxation years, an expense claimed under the Medical Expense Tax Credit cannot also be claimed under the Home Accessibility Tax Credit.

### Temporary Personal Support Workers Tax Credit (Bill C-15)

A temporary five-year (2026–2030) Personal Support Workers Tax Credit is being introduced. Eligible workers will be able to claim a refundable tax credit equal to 5% of their eligible income, providing support up to \$1,100 per year. This new tax credit will be available in provinces and territories not covered by a bilateral agreement with the fed-

eral government to increase wages for personal support workers.

### 2025 Income Tax Package for Paper Filers

This year, the CRA will no longer proactively mail the income tax package to individuals. This means paper filers will not automatically receive a 2025 income tax package in the mail. The CRA has also removed many federal schedules with low usage-rates from the 2025 income tax package.

### T3 Filing and Bare Trusts (Bill C-15)

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

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

## Provincial Changes Impacting Tax Season

### Alberta

#### *New Tax Bracket*

A new 8% tax bracket has been introduced. Previously, the lowest personal rate was 10%. For the purpose of converting Alberta personal amounts to non-refundable Alberta tax credits, the lowest Alberta tax rate is 8%.

### British Columbia

#### *Increasing the Lowest Personal Income Tax Rate*

Though this does not impact 2025, it is pivotal nonetheless. Effective for the 2026 and subsequent taxation years, BC's lowest personal income tax rate is increased from 5.06% to 5.60%. This increased rate will apply to the first \$50,363 of taxable income for 2026, and will appear on paycheques after July 1, 2026, when payroll withholdings are updated.

Effective for the 2026 and subsequent taxation years, the applicable percentage for BC's basic personal income tax credits is also increased from 5.06% to 5.60%. This will increase the amount of tax credits that can be claimed under the basic personal amount, age amount, and other basic non-refundable income tax credits to fully or partially offset the tax rate increase for taxpayers.

#### *Tax Credit Changes*

Effective for the 2026 taxation year, the maximum BC tax reduction credit is increased by \$115 to \$690. The maximum amount can be claimed by individuals who have a net income of less than \$25,570 for 2026. The credit is reduced by 3.56% for income that exceeds the threshold.

Effective for the 2026 and subsequent taxation years, the amount of income an individual can claim for the BC tax credit for volunteer firefighters and search and rescue volunteers is increased from \$3,000 to \$6,000. This increases the maximum tax credit that may be claimed from \$168 to \$336.

Effective on Royal Assent of BC Bill 2, *Budget Measures Implementation Act, 2026*, the farmers' food donation tax credit is made permanent by removing its sunset date.

**Manitoba***Tax Credit Changes*

Indexation of tax bracket thresholds and the basic personal amount have been frozen at 2024 levels with no further indexation for 2025 or subsequent years.

The Volunteer Firefighter and Search and Rescue Amount has doubled from \$3,000 to \$6,000 for 2025 and subsequent years.

The Education Property Tax Credit has been replaced by the Homeowners Affordability Tax Credit for 2025 and subsequent years. In addition, the 2025 Manitoba Budget announced that the new tax credit will increase from \$1,500 to \$1,600 for the 2026 taxation year.

The School Tax Credit has been eliminated for 2025 and subsequent taxation years.

The Renters Affordability Tax Credit amounts have increased for 2025 and the 2025 Manitoba Budget announced further increases for 2026. For the 2026 tax year, an increased Renters Affordability Tax Credit of up to \$625 will be provided, and the seniors top-up will be increased to a maximum of \$357.

**Ontario***Fertility Tax Credit*

A new refundable fertility tax credit is available effective January 1, 2025. The credit is equal to 25% of the lesser of \$20,000 and the sum of an individual's eligible fertility treatment expenses.

**Québec***Tax Credit for a Member of the Clergy or of a Religious Order*

A 14% non-refundable tax credit for a member of the clergy or of a religious order has been introduced effective for 2026, replacing the deduc-

tion available for 2025 and previous years. Before 2026, the deduction offered by Québec was similar to that offered federally.

*Tax Credit for Adult Basic Education Tuition Assistance*

A new non-refundable tax credit for adult basic education tuition assistance of 14% has been introduced effective for 2026, replacing the deduction available for 2025 and previous years. Before 2026, the deduction offered by Québec was similar to that offered federally.

*Refundable Credit for Child Care Expenses*

The maximum age for a child to qualify for the tax credit for child care expenses will be reduced from 16 to 14 years of age as of 2026, except for children with an infirmity.

*Tax Shield Credit*

The refundable tax shield credit, which was provided to low-income individuals, is abolished for 2026 and subsequent years.

**Prince Edward Island***Tax Bracket Changes*

For 2025, PEI reduced the tax rates for the lowest four tax brackets and adjusted the income thresholds for the two lowest brackets. However, thresholds for the higher brackets remain unchanged and the tax rate for the highest bracket was increased.

**Saskatchewan***Personal Income Tax Credits*

The basic personal amount, spouse or common-law partner amount, eligible dependant amount, dependent child credit, and senior supplementary amount were each increased by \$500 in 2025 with similar increases scheduled for 2026 to 2028, in addition to the increases resulting from the indexation of these tax credit amounts.

### *Low-Income Tax Credit*

The Low-Income Tax Credit refundable benefit is also being increased by 5% per year, for the next four years (2025, 2026, 2027, and 2028) in addition to the indexation of the benefit amounts.

### *Notable Tax Credit Changes*

Saskatchewan has introduced a fertility treatment tax credit, effective January 1, 2025.

The first-time homebuyers credit increased by 50%, from \$10,000 to \$15,000.

The disability tax credit, the disability tax credit supplement for children under 18, infirm dependant credit, and the caregiver tax credit each increased by 25%.

The Active Families Benefit, and the income threshold to qualify for that benefit, were both doubled.