ARE YOU READY FOR TAX TIME?

The April 30, 2026, deadline to file your 2025 personal income tax return is quickly approaching. As a result of changes in tax laws and the ever-increasing complexity in preparing personal tax returns, please gather your required tax information (as outlined in the attached 2025 Personal Tax Checklist) and submit them to us no later than **Monday March 30, 2026.**

Submitting your Tax Documents to Lipton LLP

Electronically: We are pleased to announce an exciting enhancement to the way you exchange documents with our team. We are launching a brand-new Client Portal called CCH iFirm—a modern, secure, and user-friendly way to exchange information with our team. This new system will make working with us faster, safer, and more convenient than ever. Once you are registered you will be able to share your documents with us directly through the portal.

Email: You can scan and email your documents directly to your Lipton representative.

In-Person Drop-Off: Our offices are open if you prefer to drop off your documents in person. Please note that all slips related to the tax return will be retained by Lipton LLP.

We encourage you to use our new client portal for a safe and secure delivery of your personal tax documents.

Electronic Filing

In compliance with current Canada Revenue Agency (CRA) regulations, tax preparers are required to electronically file (e-file) tax returns in most situations, with only limited exceptions. This year, we will once again be utilizing our state-of-the-art computer systems to electronically file your tax returns. This process not only aligns with the mandatory e-filing framework but also helps ensure your return is processed swiftly and accurately.

E-filing eliminates the need for paper returns, as all necessary information is transmitted electronically. You will only need to sign an authorization form—Form T183, Information Return for Electronic Filing of an Individual's Income Tax and Benefit Return—along with our engagement letter. These will be provided to you securely, through our new client portal**. In accordance with CRA requirements a signed T183 must be obtained prior to electronic transmission.**

Additionally, the CRA accepts electronic signatures on Form T183 and other approved forms, giving taxpayers flexibility and convenience. Electronic signatures are fully recognized when identity verification measures are followed, and they may be applied in person or remotely through secure channels.

If you have any questions, please contact your Lipton LLP advisor for further discussion.

<u>New for 2025 personal tax returns</u>

1) Personal tax credit Top-up

   Beginning with the 2025 tax year, the federal government has introduced a new Top-Up Tax Credit to protect taxpayers who claim large non-refundable personal tax credits from being disadvantaged by the reduction of the lowest federal marginal tax rate from 15% to 14.5% in 2025.

   In situations where the value of a taxpayer's non-refundable credits exceeds the first-bracket income threshold ($57,375 for 2025), the reduced credit rate would otherwise make their tax savings smaller than under the old 15% rate.

   The new top-up credit ensures these individuals are no worse off, effectively maintaining the 15% value for non-refundable credits on amounts above the income-bracket threshold.

   This measure applies on a temporary basis for 2025–2030 and is intended to prevent taxpayers—especially those claiming significant tuition, medical, or multiple combined credits—from facing a net tax increase as a result of the rate cut

2) Personal Support Workers Refundable Tax Credit (2026-2030)

   A temporary new refundable federal tax credit for Personal Support Workers (PSWs) will be available for the 2026 to 2030 tax years, providing 5% of eligible earnings up to a maximum annual credit of $1,100.

   To qualify, a taxpayer must be employed by an eligible health-care establishment—such as a hospital, nursing home, community care facility for the elderly, or a home-health care establishment—and must provide one-on-one personal support that helps maintain an individual's health, well-being, safety, autonomy, and comfort.

   The credit is available in full to those earning at least $22,000 annually in eligible PSW employment and is not available to PSWs in British Columbia, Newfoundland and Labrador, or the Northwest Territories due to existing federal wage-support agreements in those regions.

3) <u>Digital Subscription expenses</u>

   The digital subscription expenses tax credit will not be available for any subscription paid after December 31, 2024.

2025 Personal Tax Returns

1) Deductibility of Expenses for Non-Compliant Short-Term Rentals

   Effective January 1, 2024, new federal tax rules now deny the deduction of expenses related to non-compliant short-term rentals, and these rules fully apply for the 2025 tax year.

   A short-term rental is considered non-compliant if it operates in a province or municipality where such rentals are not permitted or if it fails to meet all applicable local registration, licensing, and permit requirements.

   For 2025, taxpayers must prorate their rental expenses using the prescribed formula:

   $A \times B \div C$

   A represents the total expenses otherwise deductible,
   B is the number of days the property was non-compliant, and
   C is the total days it was used as a short-term rental

   This calculation ensures that only expenses incurred during compliant periods remain deductible and full compliance throughout the year is required to preserve deductibility.

   Please contact your Lipton LLP advisor if these circumstances apply to you.

2) Alternative minimum tax

   Beginning with the 2024 tax year, the federal government implemented substantial reforms to the Alternative Minimum Tax (AMT), and these rules continue to apply for 2025 personal tax returns. The AMT is a parallel tax system intended to ensure high-income individuals pay a minimum level of tax by limiting access to preferential deductions, exemptions, and credits.

   For 2025, the AMT exemption amount is indexed to $177,882, up from $173,205 in 2024, providing additional income protection before AMT applies.

   The AMT rate remains at 20.5%, and the AMT base continues to include 100% of capital gains, 30% of capital gains on donations of publicly listed securities, and 100% of capital gains on other donations, consistent with the 2024 rules.

   In 2025, the charitable donation tax credit remains limited to 80%, most non-refundable tax credits continue to be reduced to 50%, and non-capital loss carry forwards remain restricted to 50%.

   In addition, certain deductions—such as interest and financing costs, investment counsel fees, childcare expenses, disability support deductions, and moving expenses—are limited to 50% of the amount otherwise deductible when calculating AMT.

As a result, the AMT changes that first applied for 2024 may create a higher minimum tax obligation for 2025 for individuals with substantial capital gains, significant deductions, or large charitable donations.

The tax software used by Lipton LLP will automatically calculate the AMT if applicable, and we will inform you if the AMT provisions apply to you.

3) <u>Home Buyer's Plan (HBP) withdrawals</u>

For 2025, individuals may withdraw up to $60,000 from their Registered Retirement Savings Plan (RRSP) under the Home Buyers' Plan (HBP) to purchase or build a qualifying home. The current HBP withdrawal limit is $60,000 and applies to any eligible withdrawal made during 2025.

Additionally, if you are not considered a first-time home buyer but experience a breakdown in your marriage or common-law partnership, you may still be eligible to participate in the HBP under the following conditions:

- Separation Period: You must have been living separate and apart from your spouse or common-law partner for at least 90 days due to the breakdown of your relationship.
- Timing of Separation: You must be living separate and apart at the time of the withdrawal and must have begun living separate and apart in the year of the withdrawal or any of the four preceding years.
- Disposition of Previous Residence: You must dispose of your previous principal place of residence no later than two years after the end of the year in which the HBP withdrawal is made. This requirement is waived if you buy out the share of the residence owned by your spouse or common-law partner.
- New Residence: If your principal place of residence is a home owned and occupied by a new spouse or common-law partner, you will not be able to make an HBP withdrawal under these rules.

4) <u>Lifetime Capital Gains Exemption</u>

The Lifetime Capital Gains Exemption ("LCGE") amount has been increased to $1,250,000 for capital gains realized after June 24, 2024, up from the previous limit of $1,016,836. This increased amount will remain unchanged for the 2025 tax year. Starting from the 2026 tax year, the LCGE amount will be indexed for inflation.

To qualify, the disposition must occur after 2024 and the property must be owned by an individual who is a Canadian resident. Eligible property generally includes shares of a qualified small business corporation (QSBC) or qualified farm or fishing property, and the individual must have owned at least 5% of the voting shares (or equivalent ownership interest) for a continuous 24-month period prior to the sale. The individual must also have been actively engaged in the business on a regular, continuous, and substantial basis for a total of at least three years at any point since the business was founded.

The CEI does not apply to dispositions involving professional corporations or businesses in excluded industries such as consulting, financial services, insurance, real estate, hospitality, food service, and other activities where the primary asset is employee skill or reputation.

The CEI deduction is separate from and in addition to the Lifetime Capital Gains Exemption, providing an additional tax-efficient opportunity for qualifying entrepreneurs planning to sell their business.

4) <u>Enhanced Canada Pension Plan/Quebec Pension Plan</u>

For 2025, the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) continue their gradual enhancement programs. This means that if you contribute to either the CPP or the QPP, you will receive improved benefits in exchange for making higher contributions. You can claim a deduction for your enhanced contributions to the CPP or QPP.

5) <u>Canada Workers Benefit</u>

The Canada Workers Benefit (CWB) is a refundable tax credit designed to provide financial assistance to low-income individuals and families who are working. The CWB aims to strengthen the support provided by the WITB by offering a higher benefit amount and broader eligibility criteria.

For 2025, the benefit has been enhanced, with higher maximum amounts and updated income thresholds. Eligible recipients may receive up to $1,633 (singles), $2,813 (families), and $843 (disability supplement). Advance quarterly payments continue, providing 50% of the annual benefit automatically to eligible individuals based on their 2024 tax return.

6) <u>First Home Savings Account (FHSA)</u>

As a first-time home buyer, you can open a First-Time Home Buyer Savings Account (FHSA) and contribute up to $8,000 annually, with a lifetime maximum contribution of $40,000. The FHSA operates similarly to a Registered Retirement Savings Plan (RRSP), offering tax-deductible contributions. You can defer the deduction of contributions made in one year to a later year.

Withdrawals from the FHSA for the purpose of purchasing a qualifying home are not taxable. The conditions for a qualifying withdrawal include:

- You must be a first-time home buyer.
- The home must be a housing unit located in Canada.
- You must have a written agreement to buy or build a qualifying home before October 1 of the year following the year of withdrawal.
- You must intend to occupy the home as your principal residence within one year after buying or building it.

  Any unused funds remaining after making a qualifying withdrawal can be transferred to your RRSP or Registered Retirement Income Fund (RRIF) on a tax-free basis, without affecting your available RRSP contribution room.

7) CCA for Class 10.1 passenger vehicles

Effective January 1, 2025, the ceiling for capital cost allowance for Class 10.1 passenger vehicles is $38,000. This applies to both new and used vehicles acquired after this date.

8) Zero-emission vehicles

If you are self-employed or claiming eligible employment expenses, you may be able to claim capital cost allowance (CCA) on zero-emission vehicles (ZEVs) used for business purposes. The federal enhanced first-year CCA for ZEVs—originally introduced for vehicles acquired after March 18, 2019—continues to apply for vehicles acquired before 2028, although the 100% write-off is no longer available for vehicles acquired in 2025 due to the scheduled phase-out. For 2025 tax returns, eligible ZEVs fall under Class 54, which continues to have a maximum capital cost ceiling of $61,000 (before tax), unchanged from previous years

This enhanced allowance continues to decline for vehicles that become available for use after 2023 and before 2028. Under the legislated phase-out schedule, the first-year CCA rate drops further to 55% for ZEVs acquired after 2025 and before 2028.

For ZEVs acquired in 2024 and in 2025, the enhanced first-year CCA rate was reduced to 75%, representing the first stage of the federal phase-out (the full 100% rate applied only to vehicles acquired after March 18, 2019 and before 2024).

9) Investment tax credit

Eligibility for the 15% Mineral Exploration Tax Credit (METC) for individuals (other than trusts) has been extended beyond the original March 2025 deadline. Flow-through share agreements now qualify up to March 31, 2027, following the federal government's 2025 announcement of a two-year extension to the METC.

In addition, investments in clean electricity generation, distribution, transmission, and related refurbishment equipment made on or after April 16, 2024, and available for use before 2035, are eligible for a refundable 15% Clean Electricity Investment Tax Credit.

10) Canada Caregiver Credit:

The CCC is available in respect of an individual's spouse or common-law partner, minor child or eligible relative who is dependent on the individual because of a mental or physical infirmity at any time in the year.

The CCC will be based on two amounts:

CCC Higher Amount:

A higher maximum amount of $8,601 (in 2025) can be claimed by a caregiver for each infirm dependant who is an eligible relative. This amount will be reduced dollar-for-dollar by the dependant's net income above $20,197 (in 2025).

The dependant does not need to live with the caregiver for the caregiver to claim the credit.

However, a credit is not available for a non-infirm individual over 65 years of age who resides with their adult child (caregiver).

CCC Lower Amount Plus Top-Up:

A lower maximum amount of $2,687 for infirm dependants will remain as part of the following amounts:

- The maximum spouse or common-law partner amount;
- The maximum amount for an eligible dependant;
- The amount for infirm children under age 18 at the end of the tax year.

In cases where an individual claims an amount for an infirm spouse or common-law partner or an amount for an eligible dependant who is infirm, the individual must claim the CCC at the lower amount (maximum $2,687 for 2025). Where this results in less tax relief than would be available if the CCC higher amount (maximum $8,601 for 2025) were claimed instead, a top-up will be provided to offset this difference.

Note: the top-up does not apply with respect to an amount claimed for an eligible dependant who is age 18 or under at the end of the year.

The amounts and the net income threshold will be indexed to inflation after 2017.

11) <u>Canada training credit (CTC)</u>

You can claim the 2025 CTC for eligible tuition and other fees paid to an eligible educational institution in Canada for courses you took in 2024, or fees paid to certain bodies, in respect of an occupational, trade or professional examination taken in 2025, if all of the following apply:

- You were resident in Canada for all of 2025.
- You were at least 26 years old and less than 66 years old at the end of the year.
- You have a Canada training credit limit (CTCL) for 2025 on your latest notice of assessment or reassessment for 2024.

You can claim up to whichever of the following is less:

- Half of the fees claimed on your federal tuition or
- Your CTCL for 2025

12) <u>Other employment expenses</u>

You can claim certain expenses (including any GST/HST) you paid to earn employment income if the following two conditions apply:

- Your employment contract required you to pay them.

- You did not receive an allowance for the expenses or the allowance you received is reported as income.

You should use the detailed method to claim the home office expenses you paid for the period that you worked from home provided from T2200 has been issued to you.

Claiming home office expenses is complex. Please contact your Lipton LLP advisor to discuss more details.

13) <u>Canada Child Benefit</u>

Beginning January 1, 2025, eligibility for the Canada Child Benefit (CCB) has been expanded to provide support to grieving families. Parents or legal guardians who were otherwise eligible for the CCB may now continue to receive payments for up to six months after a child's death, provided they notify the CRA of the child's passing by the end of the month following the date of death.

The same six-month extension also applies to the Child Disability Benefit (CDB), which is normally paid alongside the CCB.

This policy change—introduced in Budget 2024 and implemented in 2025—extends the previous rule, under which payments stopped the month after a child's death. The new measure is intended to help families manage funeral expenses and other unexpected costs during an extremely difficult period

<u>Foreign Reporting Requirements</u>

The government mandates that individuals report their holdings of certain offshore (including U.S.) assets. This generally applies to individuals who own offshore assets (excluding personal use property) with a tax cost exceeding $100,000 CAD at any time during the year. This information must be reported on your 2025 income tax return, and substantial penalties apply for failing to disclose this information.

The Canada Revenue Agency (CRA) allows a simplified reporting method for individuals who own foreign investments with a tax cost between $100,000 and $250,000 CAD. Taxpayers must indicate the type of foreign property held, the country to which the property relates, and the income/loss and capital gain/loss from dispositions during the year.

For foreign investments with a tax cost exceeding $250,000 CAD, more detailed information is required. Taxpayers must include the name of the bank or entity holding the foreign funds, identify the foreign country to which the property relates, the income/loss and capital gain/loss from the particular property, and the maximum cost or fair market value (depending on the location of the investments) during the year, as well as the cost or market value amount at year-end.
Additionally, if you and anyone related to you own 10% or more of a foreign corporation, you must report ownership, as well as any transfers made to or distributions received from certain foreign trusts in 2025, regardless of the amount.

Please inform us if these rules may apply to you.

How should you prepare?

1. Check that you have received all the information slips (T3, T4, T4A, T5, T4A(P), T4A(OAS), T4RRSP, T4RIF etc.) that you are expecting. It is important to note that the failure (even if accidental) to report an amount required to be included in income will result in an automatic penalty where there has been a previous failure to report an amount in a return of any of the three preceding taxation years. In some cases, a more severe penalty can be imposed. The CRA uses a computerized matching program to ensure that all tax slips issued are reported. Comparison of the 2025 slips to 2024 slips is an effective way to minimize the chance of any missing slips.

2. For stock market and cryptocurrency transactions during the year, including purchases and sales of bonds, income trusts, and similar investments and cryptocurrency, make sure that you have the broker's slips available. Note that for sales of investments purchased in prior years, original cost and return of capital information is required. For all other capital transactions, please provide us with similar information.

3. Where you are required under your employment contract to pay travel expenses in the performance of your duties away from the employer's place of business, you may be able to deduct expenses against employment income (e.g., commission salesmen) or claim an HST rebate (discussed further below). Please summarize the relevant expenses by category. If you can deduct any employment-related expenses or claim the HST rebate, <u>ensure that you obtain a completed Form T2200 from your employer</u>. Please retain all supporting receipts and your automobile mileage log book for future reference. The Canada Revenue Agency has recently been actively reviewing these deductions where there is a shareholder /employee relationship with a corporation. Please contact your Lipton advisor to discuss any planning related to this deduction.

4. You must have appropriate receipts or other documentation to support various deductions and credits.

   Deductions/credits for which receipts <u>must</u> be forwarded to us are:

   - RRSP contributions
   - Medical expenses
   - Charitable donations or gifts (including donations of publicly traded securities)
   - Political contributions
   - Interest paid on student loans
   - Disability tax credit (Form T2201)
   - Child care expenses (see below)
   - Tuition fees (see below)
   - Union or professional dues
   - Moving costs (including mortgage interest for up to three months for a vacant former home)
   - Investment counsel fees (excluding RRSP or RRIF)
   - Alimony or separation payments (see below)
   - Interest expense (see below)

5. If you, or any of your dependents, are taking post-secondary school courses on occupational skills courses, be sure to obtain a completed Form T2202 (tuition fees) and/or Form TL11A if the student is attending a foreign university.

   Eligible tuition fees include:

   Amounts paid to an educational institution, professional association, provincial ministry, or similar association to take an occupational, trade or professional examination:

   - That must be taken to obtain professional status or to be licensed or certified to practice a profession or trade in Canada.

   - That include ancillary fees such as exam materials but not other costs such as travel, calculators, or computers.

   - That do not include admission tests to enter a program of study.

   - That are exam fees in excess of $100 (similar to other tuition claims).

6. For childcare expenses, please provide us with information regarding amounts paid, the payee, the address, and if applicable, the payee's social insurance number. The maximum amounts that can be claimed are $8,000 for children under the age of seven, to $5,000 for children aged seven through 16 and $11,000 for children who are eligible for the Disability Tax credit.

7. For alimony or separation payments, please provide us with a copy of the divorce or separation agreement or court order, and your spouse’s/former spouse’s name and social insurance number.

8. If you have incurred interest expenses to earn income of any nature, please provide details. If possible, obtain from the lender(s) a letter setting out the date(s) and amount(s) of the original loan(s), the interest paid during 2025, the purpose of the loan(s) and the balance(s) outstanding at December 31, 2025.

9. If you had any investments in tax shelters, etc., please provide us with the relevant financial statements, income tax schedules and information slips (e.g., T5013, T101, T102).

10. If you lived in or maintained a residence for someone who was dependent on you by reason of mental or physical infirmity (except for a parent or grandparent whose age exceeds 65) or if you have a dependant with an impairment in physical or mental functions, the CCC may be available.

11. If you have disposed of any real property in 2025 (including your principal residence, cottage or a U.S. or other foreign property), please let us know and we can discuss the tax consequences.

12. Tax instalments:
    a) Total tax instalments paid on account of 2025.
    b) The amount paid for your March 2026 instalment.

13. Quebec:

    Please forward correspondence received from Revenue Quebec (if any) to us including the “Authorization for an Accredited Tax Preparer to Download Your Fiscal Data” form.

Pension Splitting:

These rules allow for a Pensioner to transfer up to 50% of “eligible pension income” to his/her spouse or common-law partner. This can result in a reduction of overall taxes payable for the married/common-law couple. Our tax return software will automatically perform this calculation and ensure that the lowest possible taxes are paid. A joint election will need to be signed by both parties.

CRA Online Mail:

The CRA is now providing an online mail service. You will receive an email notification when you have CRA correspondence in your online account. If you wish to register for this service, please provide us with your email address.

If you have registered for on-line mail, you may be able to receive an express Notice of Assessment which will be delivered directly into our certified tax software shortly after your return is electronically filed.

2026 Instalments:

The Federal government mails notices in February 2025 informing individuals of the exact amount of their instalment payments for March 15, 2026, and June 15, 2026. Notices will also be sent in August 2026 for the instalments due on September 15, 2026, and December 15, 2026.

Any remaining 2026 tax liability will be due on April 30, 2027.

There are other methods to consider in determining the amount of instalment payments. We suggest that you contact us to determine which method is best for you.

HST Rebates:

You may qualify for a rebate of the HST you paid on certain business-related expenses if:

- You are an employee (e.g., earning commission income, salary, employed in forestry, the transportation industry or as a musician) whose employer is an HST registrant (i.e., the employer has a HST registration number and files HST returns), or

- You are a member of a partnership that is an HST registrant, and you have filed an income tax return reporting your share of income from the partnership.

You will not qualify for an HST rebate if:

- Your employer was not an HST registrant.

- Your employer is a listed financial institution (e.g., a firm that was at any time during the year a bank, an investment dealer, a trust company, an insurance company, a credit union, or a corporation whose principal business is the lending of money).

If the HST rebate applies to you, please speak to us so that we can arrange to prepare and include the rebate form with your T1 return.

Documents Checklist

To further assist you, we are pleased to include a documents checklist for you to complete and return to us with your tax information.

U.S. Tax and Information Filing Requirements

U.S. persons (including citizens and green card holders), regardless of where they live, as well as certain Canadian residents who dispose of real property in the U.S. or have U.S. based investments must file U.S. tax returns and possibly other tax information forms. The penalties for non-filing can be punitive. The IRS has implemented a voluntary disclosure program with respect to non-filing U.S. citizens residing in Canada. If you think this situation may apply to you, please call us to discuss.

Yours very truly,

Lipton LLP

Chartered Professional Accountants
Licensed Public Accountants