



TaxNewsFlash

Canada

Canada Prorogues Parliament — What Now?

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The Prime Minister of Canada announced on January 6, 2025 that the Governor General agreed that Parliament would be prorogued until March 24, 2025 and that the Prime Minister would resign once a new party leader is selected. Under Canadian law, the prorogation of Parliament effectively stops all parliamentary business. As a result, any government bills that have not yet received Royal Assent are considered to cease to exist, and government committees will not sit again until prorogation ends.

This development will affect the passage of outstanding tax legislation and may also influence the timing of the 2025 federal budget. Although the next Canadian federal election must take place by October 20, 2025, an election could be called earlier by the government or if a motion of non-confidence in the government succeeds after prorogation ends.

Outstanding tax legislation

As a result of the prorogation, any outstanding government bills that have not yet received Royal Assent are considered to have “died on the order paper” and no longer exist. To be passed, these bills must be reintroduced as new bills (or reinstated, if the House agrees to this) in the next session of Parliament.

Although no tax bills were on the order paper at the time, there are several significant tax changes that were announced and, in some cases, released as draft or proposed legislation but had not yet been included in bills. These tax proposals cannot be introduced in a bill until the next session of Parliament, assuming the government still intends to

proceed with these measures. If the current government falls, then it remains uncertain whether these measures will be enacted.

Some of these significant legislative developments include changes to:

- Increase in the capital gains inclusion rate
- Introduce certain elective exemptions from the excessive interest and financing expenses limitation (EIFEL) rules
- Amend the Global Minimum Tax Act to include provisions for the Undertaxed Profits Rule (UTPR)
- Introduce or amend certain clean energy tax credits
- Eliminate the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates
- Enhance the Scientific Research and Experimental Development (SR&ED) program
- Modify an anti-avoidance rule in the synthetic equity arrangements rules
- Provide immediate or accelerated expensing for new additions of certain property
- Amend the Alternative Minimum Tax (AMT)
- Extend the deadline for subsection 164(6) loss carryback election affecting trusts and estates.

KPMG observations

It's important to note that the increase to the capital gain inclusion rate was not enacted before prorogation, which results in uncertainty for many affected individuals and entities. For example, entities that need to file T5 forms may be uncertain as to whether they should rely on guidance in the CRA's recently released T5 Guide – Return of Investment Income that explains how to report capital gains realized before June 25, 2024 at the 1/2 inclusion rate, versus capital gains realized on or after June 25 at the 2/3 inclusion rate. This is further complicated by the requirement to file information returns as prescribed by the CRA.

The prorogation may also cause some timing issues for recent tax announcements. In particular, the government recently announced it would extend the 2024 charitable donation deadline to February 28, 2025 (from December 31, 2024) as a result of the Canada Post labour disruption. However, since this measure was not yet included in a bill, it now cannot be enacted until after the extended deadline. If an election is held and

the government changes, the introduction of legislation to implement this measure will be a decision of the new government.

The corporate income tax measures noted above are not substantively enacted for purposes of IFRS Accounting Standards or Accounting Standards for Private Enterprises (ASPE), nor are they enacted for purposes of U.S. GAAP. For tax accounting details, see *TaxNewsFlash-Canada* 2025-01, "[Tax Accounting — 2024 Tax Rates and Other Changes](#)".

2025 federal budget

Due to the prorogation, the government cannot introduce a federal budget until March 24, 2025 at the earliest. Further, the next federal budget may not be announced until a relatively later date, due to the selection of a new party leader and uncertainty about the future of the current government.

We can help

Your KPMG adviser can help you assess the effect of these new developments. For more details, contact your KPMG adviser.

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