



# TaxNewsFlash

Canada

## New Tax Challenges — Tracking Your Shifting Obligations

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Many Canadian businesses are contending with uncertainty as they try to meet their tax obligations this year. In particular, these businesses must continue to navigate the impact of recent events including the prorogation of Parliament, the announcement of the upcoming Canadian federal election and new foreign and Canadian tariffs. Despite these ongoing challenges, it's important for businesses to keep up with the latest announcements from the federal and provincial governments on the administration of tax proposals and other related tax news to ensure that they meet their reporting obligations and determine whether they may qualify for relief. Specifically, the federal government has postponed certain filing and tax payment dates and has clarified how businesses and individuals should file certain tax returns and forms for certain outstanding and cancelled tax proposals.

### **Latest news and relief announcements**

To help businesses understand their obligations in a fast-changing and uncertain environment, this *TaxNewsFlash-Canada* publication provides an overview of the latest announcements and important dates that may affect your tax obligations. In particular, this publication discusses:

- Deferral of income tax payments and GST/HST remittances
- Cancellation of the capital gains inclusion rate increase and filing deadline relief
- Cancellation of the consumer carbon tax
- Expiry of the EIFEL temporary filing process

- CRA's administration of other proposed tax measures
- Recent and upcoming U.S. and Canadian tariffs

### Deferral of income tax payments and GST/HST remittances

Businesses that have upcoming federal tax payments and remittances may benefit from new tax payment relief. The CRA announced that it will defer corporate income tax payments and GST/HST remittances to June 30, 2025 (from April 2, 2025). The CRA advises that this delayed deadline is intended to provide relief for businesses and other taxpayers affected by tariffs. The CRA made this announcement on March 22, 2025.

#### **KPMG observations**

The CRA has not yet provided additional details on this relief. For instance, it's not yet clear whether the relief extends to delaying the related returns' normal filing due dates, or whether any interest and penalty relief will extend to any income tax payment or GST/HST remittance due before the April 2, 2025 effective date (e.g., GST/HST remittances due on March 31, 2025).

### Cancellation of the capital gains inclusion rate increase and filing deadline relief

The federal government recently announced it will not proceed with the proposed capital gains inclusion rate increase. To help alleviate how taxpayers must account for the cancellation of the proposed capital gain inclusion rate increase, the CRA has provided filing deadline relief for affected taxpayers who are reporting capital gains from dispositions for 2024. Although some of these filing extensions have already passed, taxpayers may still benefit from upcoming deadline deferrals for the following types of returns:

- T1 "Income Tax and benefit Return" with capital gains — Delayed to June 2, 2025 (from April 30, 2025)
- T3RET, "T3 Trust Income Tax and Information Return" with capital gains — Delayed to May 1, 2025 (from March 31, 2025).

Note that taxpayers who are not reporting capital gains for 2024 must still file their returns by normal filing deadlines.

In addition to the filing deadline deferrals, the CRA also announced that it will grant relief for late-filing penalties and arrears interest to provide additional time for taxpayers to report capital dispositions and meet their tax filing obligations. This relief is available as follows:

- For impacted T1 Individual filers — Until June 2, 2025
- For impacted T3 Trust filers — Until May 1, 2025.

### **Cancellation of the consumer carbon tax**

The federal government cancelled the federal fuel charge, effective April 1, 2025, and is removing the requirement that provinces and territories have a consumer-facing carbon price as of that date. As a result of this change, affected businesses will not be required to file a return for reporting periods beginning after March 31, 2025 if no positive amount of fuel charge is payable. In addition, registered emitters will no longer have to provide certain information in respect of changes to their facilities to the Minister of Environment and Climate Change after March 31, 2025, with other residual requirements ending after September 30, 2025. In addition, Finance advises that eligible individuals who file their 2024 tax return will receive their final Canada Carbon Rebate payment starting April 22, 2025.

Note that industrial carbon pricing will continue to apply.

### **Expiry of the EIFEL temporary filing process**

Businesses affected by the Excessive Interest and Financing Expenses Limitation (EIFEL) rules will soon no longer be able to file their EIFEL information using the CRA's temporary process, and must instead use the prescribed EIFEL forms. The temporary process involves providing the CRA with EIFEL information via a separate letter as specified by the CRA's guidance for this manner of filing. This change, which goes into effect on April 2, 2025, means that businesses will instead be required to provide this information on the following relevant T130 series of schedules and elections forms:

- T5013SCH130, "Partnership Interest and Financing Expenses and Interest and Financing Revenues"
- T2SCH130, "Excessive Interest and Financing Expenses Limitation (2023 and later tax years)"
- T3SCH130, "Excessive Interest and Financing Expenses Limitation"
- T2224, "Transitional Election Under the Excessive Interest and Financing Expenses Limitation Rules"
- T2225, "Group Ratio Rules Election Under Subsection 18.21(2) and Fair Value Adjustments Election Under Subsection 18.21(4)"
- T2226, "Election to Transfer Cumulative Unused Excess Capacity under Subsection 18.2(4)"
- T2227, "Excluded Interest Election Under Subsection 18.2(1)"
- T2228, "Election on Specified Pre-regime Loss"

- T2229, “Election to Forgo a Foreign Accrual Property Loss Under Clause 95(2)(f.11)(ii)(E)”.

### **CRA’s administration of other proposed tax measures**

In addition to these other recent changes, the CRA has offered clarity on its assessment of some other previously announced legislative proposals, including:

- *Lifetime Capital Gains Exemption (LCGE)* — The CRA will administer the proposed increase to the LCGE limit to \$1.25 million (from \$1.02 million) on the sale of small business shares and farming and fishing property effective June 25, 2024
- *Canada Carbon Rebate for Small Businesses* — The CRA announced on March 22, 2025 that the Canada Carbon Rebate for Small Businesses will be tax-free and that it will process amended T2 corporation income tax returns once legislative changes are enacted
- *Charitable donation deadline extension* — The CRA will administer the proposed extension to the eligible donation deadline for the 2024 taxation year to February 28, 2025 (from December 31, 2024) and therefore taxpayers can choose to claim donations made during the extended time during either the 2024 or 2025 taxation year
- *Withholding tax on rent paid by individuals to non-resident landlords*— The CRA will administer the proposal to introduce an exception from the requirement to withhold and remit withholding tax on rent paid by an individual (excluding trusts) to a non-resident landlord for the use of a residential property.

#### **KPMG observations**

Businesses should also determine whether they may benefit from any provincial relief programs.

### **Recent and upcoming U.S. and Canadian tariffs**

Canadian exporters and importers are waiting to hear whether they may face additional U.S. and Canadian tariffs, effective April 2, 2025. These new potential tariffs closely follow the United States’ recent 25% tariffs on goods from Canada that started on March 4, 2025. These tariffs were later adjusted to apply as follows, effective March 7, 2025:

- 25% tariffs on goods that do not satisfy Canada-U.S.-Mexico- Agreement (CUSMA) rules of origin
- 10% tariff on energy products imported from Canada that fall outside the preferential treatment under the CUSMA

- 10% tariff on any potash imported from Canada that falls outside the preferential treatment under the CUSMA.

In response, Canada imposed 25% tariffs on approximately 1,300 types of U.S. goods effective March 4, 2025, such as orange juice, appliances, and pulp and paper. Canada is planning to enact a second phase of intended counter tariffs, which was recently postponed to April 2, 2025 (from March 25, 2025), on such goods as passenger vehicles and trucks (including electric vehicles), steel and aluminum products, and electronics.

Businesses are continuing to follow news of potential other U.S. tariffs and related Canadian counter-measures. For more details on Canadian and U.S. tariffs, including how business can prepare for these changes, see *TaxNewsFlash-Canada* 2025-09, "[Canada Outlines Response to U.S. Tariffs](#)".

### *Steel and aluminum tariffs*

The United States recently imposed 25% tariffs on steel and aluminum imported from Canada and other countries, effective March 12, 2025. In response, Canada imposed 25% reciprocal tariffs on steel and aluminum products and other goods worth \$29.8 billion. Finance announced on March 22, 2025 a 30-day public consultation on possible trade measures to protect against certain steel products being diverted into the Canadian market from other countries as a result of these U.S. tariffs. Finance will accept comments from stakeholders on these measures until April 21, 2025.

### *U.S. reciprocal tariffs*

The United States has also announced that it intends to apply reciprocal tariffs on many trading partners, including Canada, which could be imposed as early as April 2, 2025. Specifically, the United States said it will examine "non-reciprocal trade relationships" to address what it believes is unequal treatment, including with trading partners who impose a value-added tax (VAT) or Digital Services Tax (DST) on U.S. companies. Canada may be affected by these tariffs, if enacted, since the Goods and Services Tax (GST) is a type of VAT, and Canada enacted in 2024 a 3% DST on businesses that earn certain online revenues.

### *Chinese tariffs*

China imposed 100% tariffs on Canadian rapeseed oil, oil cake and peas, and 25% tariffs on pork and aquatic goods (e.g., seafood) on March 20, 2025. These tariffs came into effect following Canada's 100% surtaxes on Chinese-made electric vehicles (EVs) effective October 1, 2024, and 25% tariffs on steel and aluminum products effective October 22, 2024.

#### **KPMG observations**

The federal government has said it intends to introduce additional actions to support workers and businesses affected by tariffs, including to:

- Temporarily waive the one-week employment insurance (EI) waiting period
- Ease access to EI benefits by suspending, for a six-month period, the rules around the treatment of severance, vacation, and other monies received upon separation so that workers don't have to exhaust these payments before collecting EI
- Make it easier to access EI by increasing regional unemployment rate percentages
- Deploy a new financing facility for businesses
- Provide more funding to Canada's regional development agencies.

### We can help

Your KPMG adviser can help you assess the effect of these new developments on your current operations, and review business strategies and options that might help you address some of the recent tax challenges and uncertainties. For more details, contact your KPMG adviser.

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