



TaxNewsFlash

Canada

2025 Election — What Tax Changes Can You Expect?

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The Liberal Party of Canada is set to form the government following the results of the 2025 federal election on April 28, 2025. This edition of *TaxNewsFlash-Canada* focuses on the Liberal Party's tax promises made during the election to offer insight into potential tax changes for business and individuals that could be announced in the coming months or included in the next federal budget. To help individuals and businesses prepare for possible tax changes that could be introduced by the incoming government, this publication summarizes relevant tax promises that were made in the Liberal Party platform and in press releases during the election campaign.

Canada's previous government announced several tax proposals that were not enacted into law before the election was called. The new Liberal government may choose to proceed with enacting some of these proposals. In addition, if the new government does not win a majority of seats in this election, which has yet to be determined, they may ultimately need to modify their promises to win the support of another federal party so they can be passed into law. It's also important to note that the newly elected government indicated before the election that it would not proceed with a proposed tax measure to increase the capital gains inclusion rate and effectively cancelled the consumer carbon tax.

Liberal Party tax platform

During the campaign, the Liberal Party made tax promises in the following areas:

- Trade and tariff measures
- Business and tax incentives measures

- Personal tax measures
- Education, training and jobs measures
- Real estate measures
- Environmental measures
- Administrative measures.

Trade and tariff measures

In its election platform, the Liberal Party of Canada promises to:

- Eliminate all federal barriers to interprovincial trade and labour mobility and to remove all federal exceptions under the Canada Free Trade Agreement
- Use every dollar raised by U.S. tariffs to support affected Canadian workers and businesses
- Create a new trade diversification corridor fund and build a Strategic Response Fund to boost Canada's auto sector's competitiveness.

KPMG observations

Although not included in the Liberal platform, the government also announced that it intends to renegotiate bilateral agreements with the U.S. immediately following the election.

Business and tax incentives measures

In its election platform, the Liberal Party of Canada promises to:

- Cancel the proposed increase to the capital gains inclusion rate, keeping it at ½
- Lead international efforts to develop international tax rules proposed by the Organization for Economic Cooperation and Development (OECD).
- Increase the expenditure limit under the Scientific Research and Experimental Development Tax Incentive Program (SR&ED) for Canadian companies to \$6 million (from \$4.5 million)
- Implement a Canada Patent Box to bring intellectual property back to Canada

- Extend immediate expensing for manufacturing and processing machinery and other clean energy equipment and vehicles, as well as the Accelerated Investment Incentive
- Introduce flow-through shares for Canadian start-ups that allow investors to deduct eligible R&D expenses, including firms operating in the Artificial Intelligence, Quantum Computing, Biotechnology, and advanced Manufacturing industries
- Introduce a new 20% tax credit on qualifying AI adoption projects for small and medium-sized businesses as long as they can demonstrate they are increasing jobs.

KPMG observations

Additional details on some of these election promises can be found in the Liberal party's submission to the Parliamentary Budget Officer to determine the costing of these possible measures. In particular, the Liberal party said that the Canada Patent Box would reduce the corporate income tax rate by half for both large corporations and small businesses. In addition, the Liberal party made a submission to cost a promise to allow owners of multi-unit rental buildings that qualify for accelerated CCA to create a rental loss, but did not include this in the party platform.

Personal tax measures

In its election platform, the Liberal Party of Canada promises to:

- Reduce the federal rate for the lowest income tax bracket by 1% (to 14%), effective July 1, 2025
- Reduce the minimum amount that must be withdrawn from a Registered Retirement Income Fund (RRIF) by 25% for one year
- Increase the Guaranteed Income Supplement by 5%
- Temporarily waive the one-week employment insurance (EI) waiting period and increase access to EI
- Review and reform the process to apply for the Disability Tax Credit including considering expanding the eligibility criteria to include additional impairments
- Provide personal support workers with up to \$1,100 a year with a refundable Health Care Workers Hero Tax Credit
- Fund home retrofits and lower utility bills while making it easier for low- and middle-income households, including renters, to adopt heat pumps and energy efficiency

upgrades (eligible costs could include insulation upgrades, heat pump installation, and window replacements).

KPMG observations

It's not yet clear whether the government intends to fund home retrofits and lower utility bills by introducing a tax credit or providing grants.

Education, training and jobs measures

In its election platform, the Liberal Party of Canada promises to:

- Provide an Apprenticeship Grant of up to \$8,000 for registered apprentices
- Double the funding of the Union Training and Innovation Program from \$25 million to \$50 million annually
- Establish a new \$20 million capital funding stream for colleges to support new training spaces for apprenticeships
- Launch a new training and upskilling benefit for mid-career workers who want to gain new skills, offering up to \$15,000 per person
- Uphold the Apprenticeship Service program to support employers in hiring new apprentices in Red Seal trades with \$5,000 for first-year apprentices and \$10,000 for underrepresented groups
- Increase labour mobility for skilled trades people between provinces and territories
- Expand the Labour Mobility Tax Deduction to ensure workers who travel more than 120km from home to a job site can deduct their expenses and increase the deduction limit after consulting with key industries.

Real estate measures

In its election platform, the Liberal Party of Canada promises to:

- Eliminate the GST for first-time homebuyers, which is expected to primarily help individuals between the ages of 25-34, on homes at or under \$1 million and lower the GST on homes between \$1 million and \$1.5 million
- Create Build Canada Homes (BCH) to build affordable homes at scale, including on public lands
- Cut municipal development charges in half for multi-unit residential housing for a period of five years

- Reintroduce the Multi-Unit Rental Building (MURB) tax incentive to incentivize builders to build rental housing developments.

KPMG observations

Although not included in their platform, the Liberal Party also made a submission to the Parliamentary Budget Officer to determine the costing of a possible measure to provide a capital gains deferral for private owners of existing residential or non-residential buildings if they sell to a non-profit operator, land trust, or non-profit acquisition fund, under the condition that the seller reinvests their proceeds into new purpose-built rental (PBR) housing, effective July 1, 2025 to June 30, 2035.

Environmental measures

In its election platform, the Liberal Party of Canada promises to:

- Broaden the Critical Mineral Exploration Tax Credit by expanding qualifying minerals
- Expand eligible activities under Canadian exploration expenses to include costs of technical studies such as engineering, economic and feasibility studies
- Modify the Clean Technology Manufacturing Investment Tax Credit to include critical mineral mine development expenses for brownfield sites while expanding the list of priority critical minerals
- Maintain current investment tax credits for clean energy (i.e., Carbon Capture, Utilization, and Storage ITC, Clean Technology ITC, Clean Electricity ITC, Clean Hydrogen ITC, Clean Technology Manufacturing ITC, and Electric Vehicle Supply Chain ITC), and reinforce the Canada Growth Fund
- Ensure the full value of the Carbon Capture Utilization and Storage Investment Tax Credit (CCUS ITC) is extended to 2035
- Introduce a carbon border adjustment mechanism.

Administrative measures

In its election platform, the Liberal Party of Canada promises to:

- Conduct a review of the corporate tax system
- Leverage the CRA's technology to identify and prosecute tax evaders, fix tax loopholes and strengthen the CRA's tax enforcement
- Develop automatic tax filing starting with low-income households and seniors.

KPMG observations — Outstanding measures

Not all of the tax proposals that the previous government announced were enacted into law. The new government may now choose to proceed with these proposals, including changes to:

- 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)
- Eliminate the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates
- Modify an anti-avoidance rule in the synthetic equity arrangements rules
- Amend the Alternative Minimum Tax (AMT)
- Extend the deadline for subsection 164(6) loss carryback election affecting trusts and estates
- Strengthen Canada's ban on imports of goods produced with forced labour
- Require NPOs with total gross revenues over \$50,000 to file the annual NPO information return, and require NPOs that do not meet the NPO information return filing thresholds to file a new, short-form return that contains basic information about the organization, effective for the 2026 and subsequent taxation years.

NDP and Bloc Québécois tax platforms

Once all the election votes are counted, it may turn out that Canada has elected a minority Liberal government. In this case, the government may need to modify its promised measures to align with the priorities of the New Democratic Party and the Bloc Québécois to secure enough support to pass a proposal. The tax promises made by these parties are noted below.

Trade and tariff measures

<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>
<ul style="list-style-type: none">• Remove GST from the sale of new Canadian-made cars and trucks while U.S. tariffs are in place	<ul style="list-style-type: none">• Ensure the preliminary text of free trade agreements are voted on in the

<ul style="list-style-type: none"> • Use every dollar collected from retaliatory tariffs to support impacted workers in industries like auto manufacturing, steel, and aluminum • Implement a federal-provincial income assistance plan to protect workers who experience tariff-related job loss • Expand the Ontario Made Manufacturing Tax Credit by doubling the amount, broadening eligibility to include advanced manufacturing applications, and extending the tax credit to ten years • Impose a 100% tariff on all Tesla products if the U.S. implements a tariff on all Canadian goods • Issue five and 10-year “Victory bonds” for Canadians to invest in Canada through payroll deductions. 	<p>House, with an explanatory memorandum, before ratifying them</p> <ul style="list-style-type: none"> • Protect supply management and Quebec farmers in trade agreements • Give aluminum the same status as steel under CUSMA (i.e., that it must be cast and smelted locally to be considered made in North America).
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Business tax and tax incentives measures

<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>
<ul style="list-style-type: none"> • Introduce a 2% surtax on corporations earning over \$500 million in profits • Institute a 15% minimum tax on corporate book profits • Increase the capital gains inclusion rate to $\frac{2}{3}$ (from $\frac{1}{2}$) for individuals with capital gains over \$250,000, as well as all corporations and trusts • End tax agreements with tax havens • Require corporations to prove a genuine business reason for offshore accounts 	<ul style="list-style-type: none"> • Reinvest in research and development • Prevent the income of Canadian companies that is earned in tax havens to be tax-exempt when repatriated to Canada • Eliminate tax relief for advertising expenses on social media • Extend support measures for written media.

<ul style="list-style-type: none"> • Implement public country-by-country financial reporting for multinational corporations • Review the tax code to close loopholes and tax avoidance. 	
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Personal tax measures

New Democratic Party of Canada	Bloc Québécois
<ul style="list-style-type: none"> • Increase the capital gains inclusion rate to $\frac{3}{4}$ (from $\frac{1}{2}$) for individuals with capital gains over \$250,000, as well as all corporations and trusts. • Eliminate the stock option deduction so that stock option benefits are effectively taxed as regular income (instead of at the capital gain rate) • Introduce a graduated wealth tax • Raise the employment insurance (EI) Maximum Insurable Earnings and increase the benefit rate above 55% • Reduce the EI threshold for qualifying to a universal 360-hour standard and extend benefits to contractors and self-employed workers • Expand EI Work-Sharing programs to help businesses avoid layoffs by spreading hours evenly among employees. • Eliminate the one-week waiting period for EI benefits and extend coverage duration to 50 weeks • Increase the basic personal allowance to \$19,500 • Phase out the basic personal allowance at \$235,632 	<ul style="list-style-type: none"> • Reform employment insurance (EI) • Advocate for the creation of tax incentives that favour certified sustainable RRSPs • Modify the luxury tax to exclude a provision that penalizes Quebec's aerospace industry • Propose a tax credit for recent graduates and newcomers who settle in certain regions • Double the GST credit for quarters when inflation exceeds the Bank of Canada's target (between 1% and 3%) and make the payment monthly • Enhance Old Age Security by 10%, for pensioners aged 65 to 74 • Increase the income threshold before triggering a reduction in Guaranteed Income Supplement benefits • Introduce tax incentives for seniors who continue to work • Reinstate the public transit tax credit or introduce a tax credit for the use of a car-sharing service.

<ul style="list-style-type: none"> • Increase the Guaranteed Income Supplement and double the Canada Disability Benefit • Provide a \$5,000 tax credit for nurses and personal support workers. 	
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Education, training and jobs measures

<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>
<ul style="list-style-type: none"> • Create emergency income supports, similar to the Canada Emergency Response Benefit (CERB) • Create a \$5,000 Canadian Health Care Workers Tax Credit. 	<ul style="list-style-type: none"> • Create a tax reward for movies, TV series and advertisements on all relevant platforms that use and highlight French-language Quebec songs as a soundtrack.

Real estate measures

<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>
<ul style="list-style-type: none"> • Prevent corporate entities including REITs, Hedge Funds, and private equity funds from purchasing affordable housing • Build 3 million homes by 2030, including non-market and affordable housing • Replace the expiring Liberal Housing Accelerator Fund with a permanent \$16 billion national housing strategy made up of the Canadian Homes Transfer and the Communities First Fund. 	<ul style="list-style-type: none"> • Abolish the GST for first-time buyers on property-buying related services, such as notaries, building inspectors and surveyors, among others • Support the GST rebate on new homes for first-time buyers • Increase the minimum holding period to benefit from capital gains treatment to two years (from one year), under the residential property flipping rules.

Environmental measures

<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>
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<ul style="list-style-type: none"> Remove consumer carbon pricing, but keep the industrial carbon price Introduce a border carbon adjustment mechanism to tax imports from countries that don't have comparable carbon pricing End subsidies or tax credits for oil and gas companies Extend federal rebates for new electric vehicles up to \$5,000 and made-in-Canada electric vehicles will be doubled to \$10,000. 	<ul style="list-style-type: none"> Reintroduce a limited-time tax credit for the purchase or lease of an electric vehicle, new or used Introduce a border carbon adjustment mechanism to tax imports from countries that don't have comparable carbon pricing Introduce a tax on excessive profits of oil and gas companies End subsidies for companies in the fossil fuel sector.
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Indirect tax measures

New Democratic Party of Canada	Bloc Québécois
<ul style="list-style-type: none"> Eliminate the GST on home energy bills, cellular and internet bills, children's clothes and footwear, Canadian-made vehicles and prepared meals from the grocery store. 	<ul style="list-style-type: none"> Double the GST credit for quarters when inflation exceeds the Bank of Canada's target (between 1% and 3%) Abolish the GST on all second-hand goods Lower the federal excise duty rates for Quebec micro distilleries.

Administrative measures

New Democratic Party of Canada	Bloc Québécois
<ul style="list-style-type: none"> End tax agreements with tax havens Require corporations to prove a genuine business reason for offshore accounts Implement public country-by-country financial reporting for multinational corporations 	<ul style="list-style-type: none"> Require a single tax return administered by Quebec.

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| <ul style="list-style-type: none">• Review the tax code to close loopholes and tax avoidance. | |
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We can help

With a newly elected government in place, there may be significant tax changes in store for Canadian individuals and businesses in the near future. KPMG can help you keep up on the status of new tax legislation and understand its effects on your personal and business affairs. To help make the most of any new opportunities and mitigate the effects of adverse changes, contact your KPMG adviser.

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