



TaxNewsFlash

Canada

2025 Year-End Planning Ideas — Are You Missing Tax Savings?

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As 2025 draws to a close, it's once again time to think about your personal tax situation and consider last-minute planning ideas that can help improve your tax savings. This past year has presented Canadians with many fiscal challenges, including a noticeable rise in the cost of living due in part to ongoing trade disputes and global economic volatility. One way to help mitigate these ongoing financial pressures is to take a fresh look at your personal finances and explore ways to optimize your tax position. Taking some time at the end of each year to take stock of the latest tax updates and tax deadlines is an effective way to identify tax savings opportunities that can help you better reach your financial goals.

Year-end tax planning checklist

This edition of *TaxNewsFlash-Canada* includes a checklist of top tax issues to help you make the most of your potential tax saving opportunities for 2025. You can use this checklist to consider how recent tax developments will affect your tax situation, review ways to maximize your tax savings, and keep track of important upcoming deadlines. To complement your review, this publication includes an appendix that outlines the 2025 combined top marginal income tax rates for individuals in each province/territory. In addition to considering the suggestions in the tax planning checklist, the best way to make the most of any tax saving opportunity is to schedule regular reviews with your KPMG tax adviser. These meetings can ensure your tax planning is effective all year round, especially if your financial affairs are complicated or if you manage your own business.

Checklist — Top tax issues you should consider before 2026

Your tax deadlines

- ☒ Are you prepared to meet upcoming payment deadlines to achieve 2025 tax savings?

Your investments

- ☒ Have you maximized your TFSA contribution?
- ☒ Should you sell investments with unrealized capital losses/gains?

Your family

- ☒ Are you moving to a new province/territory?
- ☒ Did you sell your home?
- ☒ Are you saving for your first home?

Your retirement and estate planning

- ☒ Have you maximized your RRSP contribution?
- ☒ Did you turn 71 in 2025?
- ☒ Do you have a trust (including a bare trust)?

Other planning opportunities

- ☒ Are your dependants eligible for automatic filing?
- ☒ Did you contribute to a RESP for a child?
- ☒ Have you made a charitable donation?
- ☒ Do you drive a company car?
- ☒ Have you paid your personal tax instalments?
- ☒ Do you need to make a taxpayer-relief request?

Your tax deadlines

Are you prepared to meet upcoming payment deadlines?

You should ensure that you make certain upcoming payments on time so that you are eligible to claim the related deductions or credits on your 2025 personal income tax return. In some cases, you have to make these payments by December 31, 2025, while other payments can be made during the first 60 days of 2026.

Make payments by December 31, 2025

- Charitable gifts
- Political contributions
- Medical expenses
- Union and professional membership dues
- Investment counsel fees, interest, and other investment expenses
- Certain child and spousal support payments
- Deductible legal fees
- Interest on federal or provincial student loans

- Contributions to your RRSP if you turned 71 during 2025 (you will also have to wind up your RRSP by this date)
- Contributions to your First Home Savings Account (FHSA).

Make payments by January 30, 2026

- Interest owed on family income splitting loans
- Interest payable by you on loans from your employer, to reduce your taxable benefit.

Make payments by February 14, 2026

- Reimbursement of personal car expenses to your employer to reduce your taxable operating benefit from an employer-provided car.

Make payments due by March 2, 2026

- Deductible contributions to your own RRSP or a spousal RRSP
- Contributions to provincial labour-sponsored venture capital corporations
- RRSP repayments under a Home Buyers' Plan or a Lifelong Learning Plan.

Your investments

Have you maximized your TFSA contribution?

If you have a TFSA, remember that you can contribute up to \$7,000 for the 2025 calendar year, as long as you are 18 or over and resident in Canada. If you have never made TFSA contributions and are 32 or older in 2025, you may be able to contribute a total of \$102,000. The amount you contribute to your TFSA during the year reduces your remaining available contribution room in the same year.

Any amount you withdraw from your TFSA during the year will be added back as available contribution room the next calendar year on January 1. If you are thinking about whether to withdraw funds from your TFSA, consider making a withdrawal by the end of the year rather than waiting until early 2026, because these amounts are not added to your TFSA contribution limit until the beginning of the year following the year of withdrawal. For example, if you withdraw \$7,000 from your TFSA in December 2025, your TFSA contribution limit will be increased by \$7,000 in 2026. However, if you withdraw \$7,000 from your TFSA a month later in January 2026, your TFSA contribution limit will not be increased by \$7,000 until January 1, 2027.

Should you sell investments with unrealized capital losses/gains?

If you own investments with unrealized capital losses, consider selling them before year-end to realize the loss and apply it against any net capital gains you realized during the year or in the past three years. If you intend to do any last-minute 2025 trades, consider completing all trades a few days before the end of the year, and confirm the settlement date with your broker. You should also make sure you comply with special tax rules designed to stop the artificial creation of tax losses when selling these investments (e.g., the superficial loss rules). Specifically, you should be mindful that the securities sold that

generate losses should not be repurchased until after 30 days from the sale date to ensure the loss is available.

If you have unused capital losses carried forward from prior years, consider whether it may be beneficial for you to sell investments with unrealized capital gains now to use these capital losses and improve your cash flow.

On the other hand, if you have investments that you are planning to sell with unrealized capital gains but no capital losses to offset the capital gains, consider delaying the sale until early 2026 instead of late in 2025 so as to defer the tax payable on the resulting capital gain, assuming of course it makes sense from an investment perspective. The deferral benefit to an individual could be taxes owing in April 2027 instead of April 2026 (assuming the individual does not pay tax instalments).

As part of your analysis, you should consider whether selling investments with capital gains or losses will ultimately reduce your tax savings. Specifically, if you are subject to Alternative Minimum Tax (AMT), you should be aware that 100% of capital gains are included in the AMT calculation (increased from 80%) whereas only 50% of capital loss carry forwards are included (decreased from 80%). For background, AMT is a parallel tax calculation that allows fewer deductions, exemptions and tax credits than the regular income tax rules.

However, as usual, tax considerations should not override your investment decisions.

Your family

Are you moving to a new province/territory?

If you are planning on moving to another province or territory, remember that your province or territory of residence on December 31, 2025 is generally the one that you are taxed in for income earned in 2025. If you are moving to a higher-tax province or territory, you may want to delay your move until the new year, if possible. If you are moving to a lower-tax province or territory, you may want to take up residence there by December 31, 2025. Please see the Appendix for the top combined marginal income tax rates for individuals in each province/territory.

You should also consider how the timing of your move could affect the size of your donation tax credit claim for 2025, as the donation tax credit rate differs by province/territory (e.g., the top donation tax credit rate in Newfoundland and Labrador is 54.8% compared to 47.5% in Saskatchewan. For more details, see Appendix I in *TaxNewsFlash-Canada* 2025-43, "[Make Your 2025 Charitable Donations Tax-Effective](#)".

Did you sell your home this year?

If you sold your principal residence this year, you must disclose and report certain information about the sale on your 2025 personal income tax return. Keep any documents related to the sale on-hand for when you prepare your return. If you fail to report the sale

as required, the sale may become taxable because you won't qualify for the "principal residence exemption" on a capital gain that arises from the sale. If you owned the property for less than 12 months prior to the sale, the "residential property flipping" rules may apply to tax the gain as business income (instead of a capital gain), subject to certain exceptions. If this rule applies and the gain is treated as business income, then the profit from the sale is taxed at higher regular income rates and the principal residence exemption is not available.

Are you saving for your first home?

If you are saving for your first home but don't expect to make a purchase for several years, you may want to consider opening a First Home Savings Account (FHSA). To open an FHSA, you must be resident in Canada and at least 18 years old. You must also not have lived in a home that you or your spouse owned at any time in the year the account is opened, or during the preceding four calendar years.

If you decide to open an FHSA, you can deduct your contributions (generally subject to an annual limit of \$8,000, and a lifetime maximum of \$40,000) and the income earned in the FHSA is not taxable. In addition, you should not have to pay tax on withdrawals from your FHSA used to purchase your first home. You can withdraw amounts from your RRSP under the Home Buyer's Plan and make a qualifying withdrawal from your FHSA for the same qualifying home, as long as you meet all the conditions at the time of each withdrawal. Since contribution room to the FHSA does not increase until the FHSA account is opened, consider opening an account if you do not already have one and want to save for your first home in a tax efficient manner.

Your retirement and estate planning

Have you maximized your RRSP contribution?

You have until March 2, 2026 to make your RRSP contribution (or a spousal RRSP contribution) for 2025.

Keep these three factors in mind when calculating your maximum RRSP contribution limit:

- A dollar limit (\$32,490 for 2025 and \$33,810 for 2026)
- A percentage of your previous year's "earned income" (18%)
- Your pension adjustment (which represents the notional value of pension contributions made by you and your employer in the year).

Deducting your RRSP contribution when computing your taxable income reduces your after-tax cost of making that RRSP contribution. For example, if the top marginal income tax rate applies to you, and you are a resident of Newfoundland and Labrador (where the combined top marginal income tax rate is 54.8%), a \$1,000 RRSP contribution only costs you \$452, after tax savings.

If you contributed more than the maximum to your RRSP, you need to consider how you can withdraw your overcontributions. It is important to note that, at any one time, up to \$2,000 can be overcontributed without penalty. However, any amount above this \$2,000 threshold is subject to a penalty tax of 1% per month until the excess is withdrawn.

You should think about contributing to a spousal RRSP if you anticipate your spouse will earn less income than you on retirement. The advantage of a spousal RRSP is that your spouse will be the one who ultimately reports the income for tax purposes when the funds are withdrawn on retirement, which can result in significantly less tax on the income.

Did you turn 71 in 2025?

If you turned 71 in 2025, you need to wind-up your RRSP by December 31, 2025. Remember that, in this situation you only have until December 31, 2025 (not March 2, 2026) to make a contribution to your RRSP for 2025.

Do you have a trust (including a bare trust)?

If you have a trust arrangement, including a bare trust or in-trust account, it's a good idea to contact your KPMG Tax Adviser as soon as possible to consider if there are any actions you should take before the end of 2025. Also, a discussion about whether your trust is caught by the trust reporting rules may be warranted i.e., is your trust still subject to the newly proposed trust reporting rules and/or do you have a bare trust that will be eligible for the deferral of the trust reporting rules that apply to bare trusts with taxation years ending after December 30, 2026 (rather than 2025). See *TaxNewsFlash-Canada* 2025-35 "[Finance Releases Plethora of Draft Legislation](#)".

Other planning opportunities

Are your dependants eligible for automatic filing?

If you have dependants who are lower-income individuals, you may not have to file a tax return on their behalf this year in order for them to receive benefit and credit payments from the CRA. The 2025 budget proposed to grant the CRA the discretionary authority to file a tax return for certain lower-income individuals (other than a trust) for 2025 and subsequent taxation years. Among other criteria, individuals may qualify for eligible filing where their taxable income is below the lower of either the federal basic personal amount or provincial equivalent (plus the age amount and/or disability amount, as applicable), and they have not filed a return at least once in the last three taxation years.

Did you contribute to an RESP for a child?

If you have an RESP for a child, you can contribute up to \$2,500 annually to receive a 20% government grant under the Canada Education Savings Grant (CESG) program. The grant is worth up to \$500 per year (to a maximum of \$7,200 per beneficiary) for each year a beneficiary is under 18. If you do not make the maximum contribution this year, you can still carry forward entitlement to the grant to a later year (within restrictions). Where

entitlement is carried forward, the total CESG per beneficiary per year is capped at \$1,000 or 20% of the unused CESG room, whichever is less.

Have you made a charitable donation?

Did you know that there are potential tax savings available to you when you make a charitable donation? For example, if you live in British Columbia, and you make a \$1,000 charitable donation (above a \$200 donation) you could save \$535 in federal and provincial tax, assuming your income is \$259,830 or over.

If you are considering making a charitable donation before the end of 2025, see *TaxNewsFlash-Canada* 2025-43, "[Make Your 2025 Charitable Donations Tax-Effective](#)".

You should also consider the potential impact of the AMT rules on donations made in 2025 and contact your KPMG tax adviser to discuss your donation options.

Do you drive a company car?

If you drive a car that is owned or leased by your employer, you might be able to reduce the taxable benefit for your use of the car in 2025. The taxable benefit is made up of two elements: a standby charge and an operating cost benefit. The standby charge is based on the cost of the car to your employer (or the leasing cost, if it is leased). If certain conditions are met, your employer can reduce your standby charge to a percentage equal to your personal-use kilometres driven divided by 20,000 (assuming the car was available to you for the full 12 months).

The standby charge may also be reduced by any reimbursement you make in 2025 for your use of the car other than reimbursements of operating costs. If you think you may qualify for a reduced standby charge, be sure to contact your employer to discuss these opportunities well before your employer issues T4 slips for 2025 in February 2026.

If your employer pays any operating costs during 2025 for your personal use of an employer-provided car, make sure you fully reimburse your employer by February 14, 2026, otherwise your taxable benefit for operating costs will be 34¢ per kilometre of personal use for 2025 (less any partial reimbursement).

Pay your tax instalments

If you have to pay 2025 personal tax in instalments, avoid interest and penalty charges by paying your final instalment by December 15, 2025. If you're behind on your 2025 instalments, you can reduce or eliminate non-deductible interest and penalties by making a "catch-up" and advance payment now (or any time before December 15). If you make an extra or early instalment payment, you can offset some or all of the non-deductible interest that you would have otherwise been assessed.

[Make a taxpayer relief request](#)

You have until December 31, 2025 to make a taxpayer relief request related to 2015. The December 31 deadline specifically applies to interest and penalty relief requests that relate to the 2015 tax year, as well as any interest that accrued during the 2015 calendar year for tax owing on any previous tax year.

[We can help](#)

Even though you only have to file your personal income tax return once a year, taking tax planning steps throughout the year will help you save money at tax time. Your KPMG Tax Adviser can help you review your personal or business tax situation and help you decide which steps you can take before the year-end to help you with the taxes you'll pay for 2025.

[Appendix](#)

[Combined Top Marginal Income Tax Rates for Individuals — 2025](#)

	Interest and Regular Income	Capital Gains ¹	Eligible Dividends	Non-Eligible Dividends
British Columbia	53.50%	26.75%	36.54%	48.89%
Alberta	48.00	24.00	34.31	42.30
Saskatchewan ²	47.50	23.75	29.64	41.34
Manitoba	50.40	25.20	37.79	46.67
Ontario	53.53	26.76	39.34	47.74
Quebec	53.31	26.65	40.11	48.70
New Brunswick	52.50	26.25	32.40	46.83
Nova Scotia	54.00	27.00	41.58	49.99
Prince Edward Island ³	52.00	26.00	36.54	47.92
Newfoundland and Labrador	54.80	27.40	46.20	48.96
Yukon	48.00	24.00	28.92	44.05
Northwest Territories	47.05	23.53	28.33	36.82
Nunavut	44.50	22.25	33.08	37.79

Notes

(1) The rates that apply to capital gains are one-half of the rates that apply to interest and regular income.

(2) Nova Scotia decreased the province's dividend tax credit rate that applies to noneligible dividends to 1.5% (from 2.99%) of taxable dividends, effective January 1, 2025.

(3) Prince Edward Island increased the province's top marginal personal tax rate on interest and regular income to 19% (from 18.75%), effective January 1, 2025.

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