



# TaxNewsFlash

Canada

## Tax Accounting — 2025 Tax Rates and Other Changes

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If you are involved in preparing financial reports for corporations or other organizations, certain 2025 Canadian income tax rate and other changes may need to be reflected in your year-end financial statements under IFRS Accounting Standards, Accounting Standards for Private Enterprises (ASPE) or U.S. generally accepted accounting principles (U.S. GAAP).

### **When do new income tax measures have to be taken into account?**

Under IFRS Accounting Standards and ASPE, changes in income tax law and rates are recognized in the period that includes the date that the changes were substantively enacted. Under U.S. GAAP, income tax law and rate changes are recognized in the period that includes the date that the changes were enacted.

This *TaxNewsFlash-Canada* reflects Canadian federal and provincial/territorial income tax legislation substantively enacted or enacted between July 1, 2025 and December 31, 2025. This publication also includes a summary of select outstanding income tax measures affecting businesses that have been announced, but are not yet substantively enacted, including 2025 federal budget measures. For information on 2025 tax legislation enacted or substantively enacted before July 1, 2025, see *TaxNewsFlash-Canada* 2025-29, "[Tax Accounting — Q2 2025 Update](#)".

### **Substantively enacted and enacted corporate tax rates for 2025**

For 2025 and future years, the federal and provincial/territorial general corporate income tax rates remain unchanged, except for Prince Edward Island. The federal and

provincial/territorial small business income tax rates also have not changed for 2025, except for Nova Scotia.

Prince Edward Island reduced its general corporate income tax rate to 15% (from 16%) and increased its small business income threshold to \$600,000 (from \$500,000) effective July 1, 2025.

Nova Scotia reduced its small business income tax rate to 1.5% (from 2.5%) and increased its small business income threshold to \$700,000 (from \$500,000) effective April 1, 2025.

### General corporations

The following federal and provincial/territorial corporate tax rates for active business income earned by a general corporation are substantively enacted and enacted as at December 31, 2025:

<b>Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted and Enacted as at December 31, 2025<sup>1</sup></b>		
	<b>2025</b>	<b>2026 and beyond</b>
Federal rate <sup>2,3</sup>	15.0%	15.0%
Provincial rates		
British Columbia	12.0%	12.0%
Alberta	8.0%	8.0%
Saskatchewan	12.0%	12.0%
Manitoba	12.0%	12.0%
Ontario	11.5%	11.5%
Quebec	11.5%	11.5%
New Brunswick	14.0%	14.0%
Nova Scotia	14.0%	14.0%
Prince Edward Island <sup>4</sup>	16.0%/15.0%	15.0%
Newfoundland and Labrador	15.0%	15.0%
Territorial rates		
Yukon	12.0%	12.0%
Northwest Territories	11.5%	11.5%
Nunavut	12.0%	12.0%

<sup>1</sup> The rates in the table are substantively enacted as at December 31, 2025 for IFRS Accounting Standards and ASPE purposes. These rates are also enacted as at December 31, 2025 for U.S. GAAP purposes.

<sup>2</sup> The federal general corporate tax rate is temporarily reduced to 7.5% (from 15%) for eligible zero-emission technology manufacturing profits. The reduced tax rates are gradually phased out starting in taxation years that begin in 2032, and are fully phased out for taxation years that begin after 2034.

<sup>3</sup> Bank and life insurer groups are also subject to an additional 1.5% federal income tax on taxable income earned in excess of a \$100 million taxable income exemption to be allocated among the group. A group includes a bank or life insurer and any other financial institution for the purposes of Part VI tax that is related to the bank or life insurer.

<sup>4</sup> Prince Edward Island decreased the province's general corporate income tax rate to 15% (from 16%) effective July 1, 2025.

### Canadian-controlled private corporations

The following federal and provincial/territorial corporate tax rates for active business income earned by a Canadian-controlled private corporation (CCPC) that is eligible for the small business deduction are substantively enacted and enacted as at December 31, 2025:

<b>Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted and Enacted as at December 31, 2025<sup>1</sup></b>		
	<b>2025</b>	<b>2026 and beyond</b>
Federal rate <sup>2</sup>	9.0%	9.0%
Provincial rates		
British Columbia	2.0%	2.0%
Alberta	2.0%	2.0%
Saskatchewan <sup>3</sup>	1.0%	1.0%
Manitoba	0.0%	0.0%
Ontario	3.2%	3.2%
Quebec <sup>4</sup>	3.2%	3.2%
New Brunswick	2.5%	2.5%
Nova Scotia <sup>5</sup>	2.5%/1.5%	1.5%
Prince Edward Island <sup>6</sup>	1.0%	1.0%
Newfoundland and Labrador	2.5%	2.5%
Territorial rates		
Yukon	0.0%	0.0%
Northwest Territories	2.0%	2.0%
Nunavut	3.0%	3.0%
<sup>1</sup> The rates in the table are substantively enacted as at December 31, 2025 for IFRS Accounting		

Standards and ASPE purposes. These rates are also enacted as at December 31, 2025 for U.S. GAAP purposes.

<sup>2</sup> The federal small business tax rate is temporarily reduced to 4.5% (from 9%) for eligible zero-emission technology manufacturing profits. The reduced tax rates are gradually phased out starting in taxation years that begin in 2032, and are fully phased out for taxation years that begin after 2034.

<sup>3</sup> Saskatchewan's small business income threshold is \$600,000. Therefore, Saskatchewan's combined income tax rate on active business income between \$500,000 and \$600,000 is 16% (i.e., 15% federally and 1% provincially).

<sup>4</sup> Quebec's small business deduction is generally available to corporations only if their employees were paid for at least 5,500 hours in the taxation year (proportionally reduced for short taxation years) or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). The small business deduction is reduced linearly between 5,500 and 5,000 hours, and falls to nil at 5,000 hours.

<sup>5</sup> Nova Scotia decreased the province's small business income tax rate to 1.5% (from 2.5%) and increased the province's small business income threshold to \$700,000 (from \$500,000) effective April 1, 2025. Therefore, Nova Scotia's combined income tax rate on active business income between \$500,000 and \$700,000 is 16.5% (i.e., 15% federally and 1.5% provincially) effective April 1, 2025.

<sup>6</sup> Prince Edward Island increased the province's small business income threshold to \$600,000 (from \$500,000) effective July 1, 2025. Therefore, Prince Edward Island's combined income tax rate on active business income between \$500,000 and \$600,000 is 16% (i.e., 15% federally and 1% provincially) effective July 1, 2025.

The latest rates and small business deduction thresholds are available on our [Canadian Corporate Tax Tables](#) page on the [KPMG Canada](#) site.

### Status of recent tax legislation as at December 31, 2025

This publication provides an overview of selected federal and provincial/territorial business income tax measures that may affect your financial statements. It highlights significant measures that became substantively enacted or enacted during the second half of 2025, as well as key measures that remained outstanding as at December 31, 2025.

For more information about these changes, contact your KPMG adviser or see the editions of *TaxNewsFlash-Canada* noted below.

### Outstanding federal legislation

No new federal business income tax measures were substantively enacted for IFRS Accounting Standards and ASPE purposes or enacted for U.S. GAAP purposes between July 1, 2025 and December 31, 2025.

Accordingly, several previously announced federal business income tax measures remain outstanding and are not substantively enacted or enacted as at December 31, 2025. The status of key outstanding federal business income tax measures are outlined below.

### *Bill C-15*

Bill C-15 completed second reading in the House of Commons shortly before the House was adjourned for the year until January 26, 2026. However, the business income tax measures in Bill C-15 will not be considered substantively enacted for IFRS Accounting Standards and ASPE purposes until the bill passes third reading in the House of Commons (as Canada has a minority government). The measures will not be enacted for U.S. GAAP purposes until the bill receives Royal Assent.

Bill C-15 includes business income tax measures from the 2025 federal budget to:

- Increase the expenditure limit for the enhanced 35% Scientific Research and Experimental Development (SR&ED) investment tax credit (ITC) to \$6 million (from \$3 million, and higher than the increase to \$4.5 million previously announced in the 2024 federal fall economic update) for taxation years that begin on or after December 16, 2024
- Expand eligibility for the Clean Technology Manufacturing (CTM) ITC to additional qualifying materials for property that is acquired and available for use on or after November 4, 2025
- Extend the availability of the full Carbon Capture, Utilization and Storage (CCUS) ITC rates (which range from 37.5% to 60%) to expenditures incurred before 2036 (from 2031)
- Amend Canada's transfer pricing rules to add a new transfer pricing adjustment rule and a requirement for taxpayers to analyze cross-border transactions with non-arm's length persons based not only on the contractual terms of the transaction or series, but also on other economically relevant characteristics for taxation years that begin after November 4, 2025, among other changes.

Although not an income tax measure, Bill C-15 notably also includes the repeal of the *Digital Services Tax Act*, among other indirect tax measures.

For more information, see *TaxNewsFlash-Canada* 2025-41, "[2025 Federal Budget Highlights](#)" and *TaxNewsFlash-Canada* 2025-44, "[MNEs — Prepare for Canada's New Transfer Pricing Rules](#)".

Bill C-15 also includes other previously announced federal business income tax measures included in draft legislation released in 2025 to:

- Eliminate the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates (CFAs) for taxation years that begin on or after April 7, 2022, and introduce a new elective regime to preserve the tax

treatment of foreign accrual business income (FABI) included in foreign accrual property income (FAPI) applicable generally to taxation years that begin after 2025

- Implement several technical amendments, including to:
  - Revise the definition of “adjusted taxable income” under the excessive interest and financing expenses limitation (EIFEL) rules for taxation years that end after August 15, 2025
  - Provide that an “excluded loan” is not government assistance for the purposes of calculating a taxpayer’s cumulative Canadian Exploration Expense (CEE), cumulative Canadian Development Expense (CDE), and cumulative Canadian Oil and Gas Property Expense (COGPE) for loans made after December 31, 2019
  - Exempt from income tax certain capital gains on the disposition of a vessel by a corporation resident in Canada that was used to earn international shipping income for the portion of a taxable capital gain that accrues on or after December 31, 2023
- Make the Canada Carbon Rebate for Small Businesses tax-free, effective June 20, 2024
- Extend the 2024 donation deadline to February 28, 2025 (from December 31, 2024).

For more information, see *TaxNewsFlash-Canada* 2025-35, “[Finance Releases Plethora of Draft Legislation](#)”.

Bill C-15 includes business income tax measures from the 2024 federal fall economic update to:

- Enhance the SR&ED program by including measures to:
  - Increase the taxable capital phase-out thresholds to \$15 million (from \$10 million) and \$75 million (from \$50 million) for the enhanced 35% SR&ED ITC for taxation years that begin on or after December 16, 2024
  - Extend the enhanced 35% SR&ED ITC to eligible Canadian public corporations for taxation years that begin on or after December 16, 2024
  - Restore the eligibility of capital expenditures for SR&ED purposes for expenditures incurred on or after December 16, 2024
- Reinstate the Accelerated Investment Incentive (AII) for certain qualifying assets acquired after 2024 and available for use before 2030 (with a phase-out of the first-

year enhanced allowance for assets that become available for use between 2030 and 2033)

- Reinstatement of immediate expensing for the following qualifying assets acquired after 2024 and available for use before 2030 (with a phase-out for assets that become available for use between 2030 and 2033):
  - Manufacturing or processing machinery and equipment in Capital Cost Allowance (CCA) Class 53
  - Clean energy generation and energy conservation equipment in CCA Class 43.1
  - Zero-emission vehicles in CCA Classes 54, 55 and 56
- Reinstatement of the accelerated deduction for qualifying CDEs and COGPEs that are incurred after 2024 and before 2030 (with a lower accelerated deduction for qualifying CDEs and COGPEs that are incurred between 2030 and 2033).

For more information, see *TaxNewsFlash-Canada* 2024-48, "[Highlights of the 2024 Federal Fall Economic Update](#)".

Bill C-15 also includes business income tax measures from the 2024 federal budget to:

- Provide an accelerated CCA of 10% for new eligible purpose-built rental housing projects that began construction after April 15, 2024 and before 2031, and are available for use before 2036
- Provide immediate expensing for the following productivity-enhancing assets acquired after April 15, 2024 and available for use before 2027:
  - Patents or the rights to use patented information for a limited or unlimited period in CCA Class 44
  - Data network infrastructure equipment and related systems software in CCA Class 46
  - General-purpose electronic data-processing equipment and systems software in CCA Class 50
- Deem a corporation (that may otherwise qualify as a mutual fund corporation) not to be a mutual fund corporation where certain conditions are met, applicable generally to taxation years that begin after 2024 (and extended by one year in limited situations)
- Remove the tax-indifferent investor exception to the synthetic equity arrangement anti-avoidance rule for dividends received after 2024

- Introduce the Clean Electricity ITC, a 15% refundable ITC for certain clean electricity property acquired by qualifying entities on or after April 16, 2024, and before January 1, 2035 (provided the property is not part of a project that started construction before March 28, 2023)
- Expand eligibility for the CTM ITC to investments in eligible polymetallic projects for property that is acquired after December 31, 2023, and before January 1, 2035.

In addition, Bill C-15 includes other federal business income tax measures previously included in draft legislation released for comment on August 12, 2024 to:

- Expand eligibility for the Clean Technology ITC to certain equipment that generates electricity and heat from waste biomass, for eligible equipment that is acquired after November 20, 2023
- Amend the Clean Hydrogen ITC, including to clarify certain definitions and calculations among other changes, applicable generally as of March 28, 2023
- Implement several technical amendments, including changes to:
  - Expand the circumstances in which an excluded interest election under the EIFEL rules is available in respect of interest paid or payable to a financial institution group entity for taxation years that end on or after August 12, 2024
  - Provide new conditions for the exclusion from FAPI for dividends received by a foreign affiliate (FA) from another FA on or after July 1, 2024
  - Amend the formula for determining the prescribed amount an insurer may deduct or must include for non-life insurance policy reserves, applicable to taxation years that begin after 2022.

### *2025 federal budget*

In the 2025 federal budget, the federal government announced several business income tax measures that were not included in Bill C-15, including measures to:

- Provide immediate expensing for eligible manufacturing or processing buildings for property acquired on or after November 4, 2025 and used for manufacturing or processing before 2030 (with a phase-out for property that is first used for manufacturing or processing between 2030 and 2033)
- Limit the deferral of tax on investment income using tiered corporate structures with mismatched year-ends by suspending the dividend refund to the payer corporation for dividends paid in taxation years that begin on or after November 4, 2025

- Clarify eligible activities under the CEE, effective as of November 4, 2025
- Clarify that FAPI includes investment income derived from assets supporting Canadian insurance risks for taxation years of an FA of a taxpayer that begin after November 4, 2025
- Reinstate accelerated CCA for certain Liquefied Natural Gas (LNG) equipment and related buildings acquired on or after November 4, 2025 and before 2035.

These measures have not yet been included in draft legislation or a bill and are not substantively enacted or enacted as at December 31, 2025.

For more information, see *TaxNewsFlash-Canada* 2025-41, "[2025 Federal Budget Highlights](#)".

#### *Draft legislation released on August 15, 2025*

On August 15, 2025, Finance released for comment draft legislation that includes outstanding federal business income tax measures to:

- Implement technical amendments to:
  - Adjust the calculation of foreign accrual tax (FAT), and FA surplus accounts to account for income or profits tax paid by FAs of Canadian corporations under Domestic Minimum Top-Up Tax (DMTT) regimes in foreign jurisdictions
  - Amend the *Global Minimum Tax Act*, including to:
    - Introduce a de-consolidation rule for certain qualifying multinational enterprise (MNE) groups that include one or more private investment entities for fiscal years of a qualifying MNE group that begin on or after December 31, 2023
    - Revise the rules for allocating covered taxes for fiscal years of a qualifying MNE group that begin on or after December 31, 2023
    - New provisions for deferred tax assets and liabilities, including pre-Global Anti-Base Erosion (GloBE) arrangement deferred tax assets, for fiscal years of a qualifying MNE group that begin on or after December 31, 2023
    - New transitional rules for constituent entities' pre-GloBE transactions in fiscal years before their GloBE transition year for fiscal years of a qualifying MNE group that begin on or after December 31, 2023

- Introduce an elective exemption to the EIFEL rules for certain interest and financing expenses incurred before 2036 for arm's length borrowings used to build, acquire, or convert property into a purpose-built residential rental in Canada, applicable to taxation years that begin on or after October 1, 2023, as previously announced in the 2024 federal budget
- Introduce an elective exemption to the EIFEL rules for certain interest and financing expenses that are reasonably attributable to borrowings used for the purpose of gaining or producing income from a Canadian regulated energy utility business, applicable to taxation years that begin on or after October 1, 2023, as previously announced in 2024.

These measures have not yet been included in a bill and are not substantively enacted or enacted as at December 31, 2025. However, the 2025 federal budget confirmed the government's intention to proceed with several measures included in this draft legislation including changes to the EIFEL rules and technical amendments to the *Global Minimum Tax Act*.

For more information, see *TaxNewsFlash-Canada* 2025-35, "[Finance Releases Plethora of Draft Legislation](#)".

#### *Draft legislation for Electric Vehicle Supply Chain ITC*

On February 21, 2025, Finance released for comment draft legislation for the Electric Vehicle Supply Chain (EVSC) ITC that was announced in the 2024 federal budget. This measure has not yet been included in a bill and is not substantively enacted or enacted as at December 31, 2025. Furthermore, the 2025 federal budget did not confirm whether the federal government intends to proceed with this measure.

#### *2024 federal fall economic update*

In the 2024 federal fall economic update, the federal government announced several business income tax measures, including a measure to expand the Clean Hydrogen ITC by adding methane pyrolysis as an eligible hydrogen production pathway for property that is acquired and available for use in an eligible project on or after December 16, 2024. This measure has not yet been included in draft legislation or a bill and is not substantively enacted or enacted as at December 31, 2025. However, the 2025 federal budget confirmed that the federal government intends to proceed with this measure.

For more information, see *TaxNewsFlash-Canada* 2024-48, "[Highlights of the 2024 Federal Fall Economic Update](#)".

#### *Draft legislation released on August 12, 2024*

On August 12, 2024, Finance released for comment draft legislation that includes other previously announced federal business income tax measures. Outstanding measures included in this draft legislation include changes to:

- Amend the *Global Minimum Tax Act* to include provisions for the Undertaxed Profits Rule (UTPR) for fiscal years of a qualifying MNE group that begin on or after December 31, 2024
- Eliminate the exception to the debt forgiveness rules and loss restriction rule for bankrupt corporations, applicable for bankruptcy proceedings of corporations that are commenced on or after April 16, 2024, as previously announced in the 2024 federal budget.

These measures have not yet been included in a bill, and are not substantively enacted or enacted as at December 31, 2025. However, the 2025 federal budget confirmed that the federal government intends to proceed with amendments to the *Global Minimum Tax Act* and bankruptcy measures.

## Provincial/territorial tax legislation

### British Columbia

<b>British Columbia Regulation 119/2025</b>
Published in the British Columbia Gazette, Part II on July 15, 2025

British Columbia’s Regulation 119/2025 increases the basic production services tax credit to 36% (from 28%) for productions with principal photography beginning on or after January 1, 2025, as announced in the 2025 British Columbia budget.

For more information, see *TaxNewsFlash-Canada* 2025-10, “[Highlights of the 2025 British Columbia Budget](#)”.

### Ontario

<b>Ontario Bill 68</b>	
<b>Date “substantively enacted” under IFRS Accounting Standards and ASPE</b>	<b>Date “enacted” under U.S. GAAP</b>
November 6, 2025	November 27, 2025

Ontario’s Bill 68 includes business income tax measures from the 2025 Ontario budget to:

- Enhance the Ontario Made Manufacturing ITC (OMMITC) by implementing measures to:
  - Increase the refundable tax credit for CCPCs to 15% (from 10%) on eligible property that becomes available for use on or after May 15, 2025, and before January 1, 2030
  - Introduce a 15% non-refundable version of the credit for non-

CCPCs on expenditures for eligible buildings, machinery and equipment used in manufacturing or processing incurred on or after May 15, 2025, and before January 1, 2030

- Introduce the Ontario Shortline Railway ITC, a 50% refundable tax credit on expenditures for eligible railway maintenance incurred on or after May 15, 2025, and before January 1, 2030.

For more information, see *TaxNewsFlash-Canada* 2025-23, "[Highlights of the 2025 Ontario Budget](#)".

Ontario's Bill 68 also includes certain business income tax measures from the 2025 Ontario fall economic update. These measures expand eligible expenditures for purposes of the OMMITC to include expenditures for eligible machinery and equipment incurred in the taxation year immediately preceding the taxation year that the asset becomes available for use. This change applies to expenditures incurred on or after March 23, 2023.

For more information, see *TaxNewsFlash-Canada* 2025-42, "[Highlights of the 2025 Ontario Fall Economic Update](#)".

### Quebec

Quebec Bill 99	
Date "substantively enacted" under IFRS Accounting Standards and ASPE	Date "enacted" under U.S. GAAP
May 8, 2025	October 28, 2025

Quebec's Bill 99 includes measures to harmonize the Quebec income tax system with certain federal business income tax measures enacted in 2023 and 2024, including measures to:

- Introduce limitations on the deductibility of interest and other financing expenses (i.e., Quebec EIFEL rules)
- Introduce hybrid mismatch arrangement rules
- Amend the Quebec GAAR by introducing a preamble, changing the avoidance transaction standard and introducing an economic substance test
- Clarify that concessional loans from public authorities with reasonable repayment terms will generally not be considered government assistance for loans entered into after December 31, 2019

- Deny income tax deductions for expenses incurred on or after January 1, 2024 for non-compliant short-term rentals
- Deny the dividend received deduction for dividends (other than dividends on taxable preferred shares) received by financial institutions after 2023 on shares that are mark-to-market property
- Add CCA Classes for intangible exploration expenses and development expenses for storing carbon dioxide
- Add CCA Classes for CCUS equipment, including eligibility for the All
- Exempt international shipping income earned by certain Canadian resident companies from Quebec income tax effective December 31, 2023
- Adopt changes to the treatment of credit unions for Quebec income tax purposes.

Quebec's Bill 99 also includes business income tax measures from the 2025 Quebec budget to:

- Extend the end of the eligibility period for the tax credit for the digital transformation of print media companies to December 31, 2025 (from December 31, 2024)
- Eliminate the tax credit to foster synergy between Quebec businesses.

For more information, see *TaxNewsFlash-Canada* 2025-14, "[Highlights of the 2025 Quebec Budget](#)".

<b>Quebec Bill 6</b>	
<b>Date “substantively enacted” under IFRS Accounting Standards and ASPE</b>	<b>Date “enacted” under U.S. GAAP</b>
November 11, 2025	December 12, 2025

Quebec's Bill 6 includes business income tax measures from the 2025 Quebec budget to:

- Introduce a new tax credit for research, innovation and commercialization (CRIC) and as a result, amend the incentive deduction for the commercialization of innovations (IDCI) and eliminate the following measures, generally applicable after March 25, 2025:
  - Tax credit for salaries and wages (R&D)
  - Tax credit for university research or research carried out by a public research centre or a research consortium

- Tax credit for private partnership pre-competitive research
- Tax credit for fees and dues paid to a research consortium
- Tax credit for technological adaptation services
- Industrial design component of the tax credit for an in-house design activity
- Amend the following tax credits:
  - Tax credit for the development of e-business (TCEB), for taxation years beginning after December 31, 2025
  - Tax credit relating to mining or other resources, generally applicable after March 25, 2025
- Eliminate the following tax deductions after December 31, 2027:
  - Additional deduction for public transit
  - Additional deduction for shared transportation.

For more information, see *TaxNewsFlash-Canada* 2025-14, "[Highlights of the 2025 Quebec Budget](#)".

Quebec's Bill 6 also includes certain business income tax measures from the 2025 Quebec fall economic update. These measures enhance the refundable tax credit relating to mining or other resources by taking into account only half of certain eligible expenses incurred in Quebec's Far North to calculate the cumulative eligible expense limit. These measures were also published in Information Bulletin 2025-8 on November 25, 2025.

For more information, see *TaxNewsFlash-Canada* 2025-45, "[Highlights of the 2025 Quebec Fall Economic Update](#)".

In addition, Quebec's Bill 6 includes other business income tax measures to:

- Clarify the nature of pre-commercialization activities, introduce contributions rules and other similar reduction rules, and clarify that a corporation or partnership must have an establishment in Quebec for purposes of the CRIC tax credit, as announced in Information Bulletin 2025-6 on October 10, 2025
- Update the list of territories with low economic vitality for the purposes of the tax credit for investment and innovation (C3i) and tax holiday relating to the carrying out of a large investment project, as announced in Information

Bulletin 2025-4 on June 19, 2025.

### Outstanding provincial/territorial budget and other business income tax measures

The following provincial business income tax measures have been announced but are not substantively enacted for IFRS Accounting Standards and ASPE purposes or enacted for U.S. GAAP purposes as at December 31, 2025.

#### Quebec

##### *2025 Quebec fall economic update*

In the 2025 Quebec fall economic update, the province confirmed its intention to harmonize with the federal government's announcement to cancel the previously proposed federal capital gains inclusion rate increase. Note that the proposed capital gains inclusion rate increase was never substantively enacted or enacted.

Quebec has not yet tabled a bill to enact business income tax measures announced in the 2025 Quebec fall economic update to:

- Harmonize the Quebec income tax system with federal business income tax measures from the 2025 federal budget to:
  - Provide immediate expensing for manufacturing or processing buildings
  - Clarify eligible activities under the CEE
  - Align the transfer pricing rules with the international consensus on how to apply the arm's length principle
  - Clarify that FAPI includes investment income derived from assets supporting Canadian insurance risks
- Expand the geographic area in which the marine products processing sector may carry out activities to be eligible for the refundable tax credit for Gaspesie and certain maritime regions of Quebec, and extend the eligibility period for the tax credit until December 31, 2030 (from December 31, 2025)
- Extend the income-averaging mechanism for certified forest producers to taxation years that end before January 1, 2028 (from January 1, 2026).

These measures were also published in Information Bulletin 2025-8 on November 25, 2025.

For more information, see *TaxNewsFlash-Canada* 2025-45, "[Highlights of the 2025 Quebec Fall Economic Update](#)".

### *2025 Quebec budget*

Quebec has not yet tabled a bill to enact business income tax measures from the 2025 Quebec budget to harmonize the Quebec income tax system with federal business income tax measures from the 2024 federal fall economic update to:

- Adopt certain changes to the federal SR&ED program, including the eligibility of capital expenditures for the deduction relating to SR&ED expenditures
- Extend the AII for certain property
- Extend immediate expensing for certain property.

For more information, see *TaxNewsFlash-Canada* 2025-14, "[Highlights of the 2025 Quebec Budget](#)".

### *2025 Quebec Information Bulletins*

Quebec has not yet tabled a bill to enact measures announced in Information Bulletin 2025-9 on December 18, 2025 to:

- Expand the tax holiday for large investment projects to include eligible expansions or additions to existing buildings
- Expand the refundable tax credit for on-the-job training periods to include certain trainees who work remotely.

Quebec has also not yet tabled a bill to enact measures announced in Information Bulletin 2025-1 on February 3, 2025 to harmonize the Quebec income tax system with the federal measure to extend the 2024 donation deadline to February 28, 2025 (from December 31, 2024).

### *2024 Quebec Information Bulletins*

Quebec has not yet tabled a bill to enact measures announced in Information Bulletin 2024-7 on June 21, 2024 to clarify that amounts received under the federal CTM ITC after December 31, 2023 would not be considered government assistance for purposes of the C3i tax credit.

Quebec has also not yet tabled a bill to enact measures announced in Information Bulletin 2024-6 on May 31, 2024 to harmonize the Quebec income tax system with federal business income tax measures from the 2024 federal budget to:

- Introduce an elective exemption from the Quebec EIFEL rules for certain interest and financing expenses incurred before January 1, 2036, in respect of arm's length financing used to build or acquire eligible purpose-built rental housing

- Adopt accelerated CCA
- Amend the mutual fund corporation rules
- Amend the anti-avoidance rule in the synthetic equity arrangements rules
- Eliminate the exception to the debt forgiveness rules and loss restriction rules for bankrupt corporations.

#### *2022 Quebec Information Bulletins*

Quebec has not yet tabled a bill to enact measures announced in Information Bulletin 2022-4 on June 9, 2022 to harmonize the Quebec income tax system with federal business income tax measures from the 2021 and 2022 federal budgets to:

- Eliminate the tax deferral for CCPCs and substantive CCPCs earning investment income through CFAs (which will be harmonized in part)
- Introduce a new borrowing limit for defined benefit pension plans.

#### **We can help**

KPMG's tax accounting and audit support professionals can help you assess the impact of these changes in income tax law on your organization's financial statements. We can also help your organization understand and manage your obligations under IFRS Accounting Standards, U.S. GAAP or ASPE to account for income taxes as well as provide related disclosures. For details, contact your KPMG adviser.

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