



Canadian Tax & Legal Alert

Canadian federal election: What's next for tax policy

April 30, 2025

Context

On April 28, 2025, Canadians voted in their 45th general election, resulting in the Liberal Party of Canada, led by Mark Carney, winning the most seats in the House of Commons, and forming the next government. The final seat count was not available at the time of writing, although some media organizations are predicting that the Liberals will form a minority government.

Parliament was prorogued on January 6, 2025, and election writs were issued on March 23, 2025. The official election results are to be returned on May 19, 2025, following which, the newly elected members of the House of Commons assemble and a federal cabinet is sworn in. As of this writing, the House of Commons website indicates that Parliament will return on Monday, May 26, 2025. The initial steps for Parliament will include a Throne Speech, followed by the tabling of a Federal Budget. Legislation, including any initial tax measures, is expected to follow.

What to expect in Budget 2025

The Liberal Party's election platform contained a number of tax proposals, some of which had specified timelines, or were the subject of specific requests made to the Parliamentary Budget Officer to inform the costing, which would suggest it is likely they would be included in the government's first budget. Whether the Liberal Party wins a majority or minority, and if a minority whether a supply and confidence agreement with the NDP is sought, may also affect timing. Other policies may require additional consultation and analysis prior to more detailed policy proposals.

Individuals

Both the Liberal Party and the Conservative Party had proposed tax reductions through a reduction to the tax rate on the lowest taxable income bracket, which is currently 15% on the first \$57,375. Furthermore, this rate is used to determine the value of various other non-refundable credits within the Income Tax Act. The Liberal Party proposed a reduction to 14% effective July 1, 2025. Such a change, if implemented, would be felt immediately by employees due to a reduction in source deduction withholdings.

The Liberal platform proposed to allow owners of multi-unit residential buildings that qualify for the accelerated capital cost allowance (CCA) to use that CCA to create a rental loss which could offset other income, effective for the 2025 taxation year. This proposal was to be modelled based on the Multi-Unit Residential Building (MURB) incentive which was originally introduced in the 1970s.

A rebate is currently available for certain newly constructed homes, provided the homes are priced at \$450,000 or less. Homebuyers currently receive a rebate of 36% of GST, to a maximum of \$6,300. Prime Minister Mark Carney, prior to the election proposed an increase to 100% of the GST for first-time homebuyers of new homes valued at or below \$1 million, effective March 20, 2025, with a phase out for purchases between \$1 million and \$1.5 million.

The Liberal platform proposed a temporary increase to the Guaranteed Income Supplement (GIS) by 5%, which would provide low-income seniors with an additional \$652 in annual income for the period of July 1, 2025, to June 30, 2026. In addition, all seniors would benefit from a one-year reduction in the minimum amount withdrawn from a Registered Retirement Income Fund (RRIF) by 25%.

Other individual tax measures are proposed, such as an increase to the labour mobility tax deduction, although no details were included in the platform. A refundable tax credit available to nurses and personal support workers, valued at up to \$1,100 per year, was also announced, referred to as the Health Care Workers Hero Tax Credit. The concept of this tax credit was previously announced in the 2024 Fall Economic Statement, with details forthcoming.

Businesses

In the 2024 Fall Economic Statement, the Government of Canada proposed various changes to the Scientific Research and Experimental Development (SR&ED) regime, following public consultation. The changes included an increase to the expenditure limit for Canadian Controlled Private Corporations from \$3.0 million to \$4.5 million. The Liberal platform proposed an increase to this limit to \$6 million, with the costing suggesting this would be effective July 1, 2025.

In addition, the Government of Canada previously indicated its intention to proceed with a "patent box" regime with details to be announced in Budget 2025. This announcement followed a broader public consultation which included feedback from various stakeholders, including [Deloitte](#). The Liberal platform reaffirmed this commitment.

Contacts:

Rob Jeffery

National Tax Policy Leader
Tel.: 902-721-5593

Mike Smith

National Tax Office Leader
Tel.: 403-267-0661

Jo-Anne Anderson

Tel.: 780-421-3676

Shawn Porter

Tel.: 416-601-6605

Related links:

[Deloitte Tax Services](#)

Other tax measures

The Liberal platform included a proposal to cancel the proposed increase in the capital gains inclusion rate from one half to two-thirds, first proposed in Budget 2024, and later deferred to January 1, 2026. Legislation was not passed, although revenue projections were included in the most recent financial projections in the 2024 Fall Economic Statement.

The Liberal platform also proposed a temporary deferral of capital gains of buildings that are sold to certain non-profit groups, provided the proceeds are reinvested into new purpose-built residential housing. This deferral would be in place from July 1, 2025, through June 30, 2035.

Finally, it should be noted that the Liberal platform contained revenue measures relating to “increasing penalties and fines” in the amount of \$3.75 billion over 4 years, without specifying the nature of these measures. That said, the Liberals also made a commitment to leverage technology within the Canada Revenue Agency to “better identify and prosecute instances of tax evasion, fix loopholes and strengthen enforcement.”

Tax reform

The Liberal platform committed to conducting an expert review of the corporate tax system, based on the principles of “fairness, transparency, simplicity, sustainability, and competitiveness.” While the exact form and timelines were not discussed, the review could take a similar form to the Technical Committee on Business Taxation, which had the terms of reference announced in the 1996 Federal Budget. The original terms of reference of the technical committee included revenue-neutral recommendations with an expected report within approximately 9 months (i.e., by the end of 1996), followed by a public consultation phase. Ultimately, the technical committee was granted a 12-month extension and delivered its report in December 1997. The 1997 review was the most recent example of meaningful tax reform in Canada, which included a broad review of various forms of taxation, and ultimately set a tax policy framework for the next decade that successive governments followed, including a reduction of the combined federal/provincial corporate tax rates from approximately 43% to 27% and the elimination of the federal capital tax for most corporations.

The Liberal platform reaffirmed the commitment for the implementation of a “fair and consistent set of international tax rules” as proposed by the OECD. Presumably, this would accelerate the passage of the legislation for the remainder of the Global Minimum Tax Act (GMTA, or Pillar Two). While there was no direct mention of the Digital Services Tax (DST) in the Liberal platform, given that the revenue assumptions are embedded in the baseline financial projections from the Parliamentary Budget Officer, and in turn, the Liberal platform costing, suggests that it remains in place. All is to say, the GMTA and the DST are clearly caught up in US actions targeting extraterritorial and discriminatory foreign taxes and are expected to factor into the broader resetting of the Canada-US relationship; we expect more to come on that front.

Medium term tax policy expectations

Based on the election platform, there are a number of other tax policy measures which are expected, although further direction is expected to be outlined in the mandate letters for the incoming cabinet ministers, including the Minister of Finance. Furthermore, any tax policy changes in the United States are expected to be considered by the Government of Canada to ensure Canada’s continued competitiveness relative to our largest trading partner.

The majority of these changes are expected to be focused on business measures with an emphasis on enhancing productivity and investment, based on the scope of the election platform, and in the context of the proposed expert review of the corporate tax system, although this will be heavily dependent on the terms of reference and scope of such a review. In addition, the Liberal platform did include a commitment to review and potentially reform the process to apply for the individual Disability Tax Credit.

Proposed expansion of flow-through shares

The Liberal platform proposed an expansion of flow-through shares which would enable startup companies to issue shares which would allow investors to deduct eligible R&D expenses directly from their taxable income, in exchange for a renouncement of such expenses by the corporation. This model follows the existing flow-through share regime. The nature

of the expected expenses or the definition of eligible sectors is unclear, although this appears to be focused on companies operating in the artificial intelligence, quantum computing, biotechnology and advanced manufacturing industries.

Other proposed tax measures

The Liberal platform proposed an artificial intelligence deployment tax credit for small and medium sized businesses, which would provide a 20% credit on qualifying products, provided that a claimant can demonstrate they are increasing jobs. This measure was costed at \$100 million annually, starting in fiscal 2025-26.

The Liberal platform proposed an increase to various tax incentives to encourage the development of critical minerals exploration. This would be achieved through a broadening of the critical mineral exploration tax credit, and an expansion of activities eligible for the Canadian Exploration Expenses (CEE), and an expansion of activities eligible for the Clean Technology Manufacturing Investment Tax Credit (ITC).

Other tax measures

While the immediate focus of the tax community is often on the platforms and the next budget, there are various proposed legislative measures which were included in the draft legislation released on August 12, 2024, and certain matters proposed in the 2024 Fall Economic Statement. These measures would be expected to be included in a Budget Implementation Bill, and potentially introduced in Parliament in the coming weeks.

The more notable and broadly applicable items include:

- **An increase to the lifetime capital gains exemption to \$1,250,000** for gains realized on or after June 25, 2024, on the disposition of qualified small business corporation shares and qualified farm and fishing property. This measure was originally announced in Budget 2024, and Prime Minister Mark Carney announced his support of this measure prior to the election in a press release dated March 21, 2025.
- **The Canadian Entrepreneurs Incentive**, which would further reduce the inclusion rate to one third on a lifetime maximum of \$2 million in eligible capital gains realized after 2024. There was no mention of this measure in the Liberal platform or in the Prime Minister's March 21, 2025 press release; this will likely not proceed.
- **Proposed amendments to the GMTA**, including the implementation of the undertaxed profits rule (UTPR) for taxation years that begin on or after December 31, 2024.
- The introduction of **certain exemptions from the Excessive Interest and Financing Expenses Limitations (EIFEL) rules** for certain regulated utility providers and owners of purpose-built residential housing units. These changes would take effect concurrently with the introduction of the EIFEL rules.
- **Accelerated capital cost allowance for purpose-built residential buildings** that began construction on or after April 16, 2024, and before January 1, 2031, and are available for use before January 1, 2036.
- **Immediate expensing for certain productivity-enhancing assets**, including those in Class 44, Class 46, and Class 50 for assets acquired on or after April 16, 2024, and before January 1, 2027.
- An **extension of the capital cost allowance accelerated investment incentives**, effective January 1, 2025.
- Various modifications to certain **clean technology ITCs**, including formal legislative approval for others. These credits included the 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. The Liberal platform reaffirmed their commitment to these tax credits.

- **Proposed enhancements and reforms to the SR&ED program** effective for taxation years that begin on or after December 16, 2024. These would be expected to be modified, favourably, based on the proposal in the Liberal platform.

Finally, on December 30, 2024, the Minister of Finance announced an extension of the deadline for charitable donations which would be eligible for credit on 2024 individual tax returns to February 28, 2025. Legislation will be required to formally enact this measure.

How can Deloitte help?

Deloitte professionals will continue to monitor the legislative process. Additional details regarding Budget 2024 can be found in our [Budget Alert](#), with additional details regarding the 2024 Fall Economic Statement found [here](#).



Deloitte LLP
Bay Adelaide Centre, East Tower
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Canada

At Deloitte, our Purpose is to make an impact that matters. We exist to inspire and help our people, organizations, communities, and countries to thrive by building a better future. Our work underpins a prosperous society where people can find meaning and opportunity. It builds consumer and business confidence, empowers organizations to find imaginative ways of deploying capital, enables fair, trusted, and functioning social and economic institutions, and allows our friends, families, and communities to enjoy the quality of life that comes with a sustainable future. And as the largest 100% Canadian-owned and operated professional services firm in our country, we are proud to work alongside our clients to make a positive impact for all Canadians.

Deloitte provides industry-leading consulting, tax and legal, financial advisory, audit and assurance, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. We bring together world-class capabilities, insights, and services to address clients' most complex business challenges.

Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

To learn more about Deloitte Canada, please connect with us on [LinkedIn](#), [X](#), [Instagram](#), or [Facebook](#).

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication alone.

© 2025 Deloitte LLP and affiliated entities.

To no longer receive emails about this topic please send a return email to the sender with the word "Unsubscribe" in the subject line.