

Tax Footnote

Tax planning guide

2026

A plain-language planning guide for individuals,
families and business owners

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Edition of October 14, 2026
taxfootnote.ca/planning/2026/

Tax planning guide 2026

Edition of October 14, 2026, built from the guides at taxfootnote.ca/planning/2026/ as they stood that day. The online guide is updated as the CRA publishes new figures and as guides are reviewed.

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Figures are for the 2025 tax year unless a guide says 2026, from official government sources: almost all from the Canada Revenue Agency or, for Quebec, Revenu Québec. Each guide lists its sources. Figures shown as **[TODO]** haven't been published by the Canada Revenue Agency (or, for Quebec, Revenu Québec) yet. Tax Footnote never estimates them or carries an earlier year's value forward.

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This guide gives general information, not personal tax, legal or investment advice. Rules change and every situation is different, so check with a qualified professional before acting.

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How to use this guide

22 chapters cover the decisions people face over a tax year, from setting goals to dealing with an estate. Each chapter opens with a short introduction and a few moves to consider for 2026, each pointing to the guide that explains it. The guides follow in full. A guide that belongs to two chapters is printed once and listed in both.

- A page number in brackets, like (p. 12), points to another guide in this book.
- A small number after a link points to a footnote with the address of a calculator or table on Tax Footnote.
- Each guide ends with the official pages it's based on, and the date it was last reviewed.
- The appendices hold key figures, tax brackets and the CRA's prescribed interest rates. The index at the back lists topics by page; bold page numbers mark the guide about that topic.

Figures are for the 2025 tax year unless a guide says 2026, from official government sources: almost all from the Canada Revenue Agency or, for Quebec, Revenu Québec. Each guide lists its sources. Figures shown as **[TODO]** haven't been published by the Canada Revenue Agency (or, for Quebec, Revenu Québec) yet. Tax Footnote never estimates them or carries an earlier year's value forward.

Setting goals and getting started

This chapter covers the groundwork: how tax affects your savings and your debts, whether and how to file, and what to have ready before you start. Even if you don't have to file, it's usually worth it: your return is how the CRA works out your benefits, your refund and your future contribution room. Most tax decisions can wait until you file, but a few only count if they're done by December 31.

Moves for 2026

1. Finish your year-end moves by December 31: donations, December medical bills, TFSA withdrawals you'll need early in 2027, FHSA and RESP contributions, and any RRIF minimum. → [Year-end tax checklist for 2026](#), p. 2
2. Check your TFSA room in your CRA account against your own records before you contribute, and check the RRSP deduction limit the CRA works out for you. → [Financial independence: a tax-smart plan](#), p. 5
3. When you choose which debt to pay down first, remember that interest on personal debt, such as credit cards, isn't deductible: from a tax point of view, it costs you more for each dollar of interest. → [Getting out of debt: start with non-deductible debt](#), p. 7
4. File every year, even with no income, and make sure your spouse or common-law partner files too, so payments you're entitled to don't stop. → [Why file even with no income](#), p. 13
5. Set up your CRA account before you file, so you can track your return, set up direct deposit and use Auto-fill My Return in certified software. → [How to file your tax return](#), p. 16

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Year-end tax checklist for 2026

What to do by December 31, 2026: donations, medical receipts, TFSA and FHSA timing, RESP and RDSP grants, RRIF minimums, instalments and 2026 plan limits.

Everyone · Planning · Last reviewed October 11, 2026 · taxfootnote.ca/guides/year-end-tax-planning-2026/

Most tax decisions can wait until you file, but some only count if they happen by December 31. This checklist covers the 2026 tax year: what to do before the year ends, what can wait until 2027, and the 2026 limits for registered plans.

By December 15: your last instalment

If you pay tax by instalments, your fourth and last 2026 payment is due **December 15, 2026**. If your main income is self-employment income from farming or fishing, your single payment is due **December 31, 2026** instead. Paying late or too little can mean instalment interest and penalty charges. Our [instalments guide](#) (p. 161) explains who has to pay and how much.

By December 31

Make your donations. A gift counts for the year you make it, so a donation made after December 31 can't be claimed on your 2026 return. You don't have to claim it right away: you can carry it forward and claim it in any of the next five years, and you or your spouse or common-law partner can claim it. Claims are generally limited to 75% of your net income for the year. Keep the official receipts. See [charitable donations](#) (p. 149) and [pooling donations and medical expenses](#) (p. 38).

Time your medical expenses. You can claim eligible medical expenses paid in any 12-month period ending in the tax year, as long as you didn't claim them the year before. For 2026, that period has to end in 2026, so a large bill paid in December can count for 2026, while one paid in January 2027 can't. Our [medical expenses guide](#) (p. 34) covers what qualifies.

Plan any TFSA withdrawal. Money you take out of a TFSA is added back to your contribution room at the start of the next year, not right away. If you'll need the money early in 2027, withdrawing it in December 2026 instead gets the room back on January 1, 2027, a year sooner. Don't put a withdrawal back in the same year unless you have unused room: contributing more than your available room is taxed. The TFSA dollar limit for 2026 is \$7,000. See [TFSA basics](#) (p. 78).

Use your FHSA room. Unlike RRSP contributions, which can count for a year if made early in the next one, FHSA contributions count for the calendar year you make them: January 1 to December 31. Your participation room only starts in the year you open your first FHSA, at \$8,000 for that year, and unused room can carry forward within limits, so opening an account before the year ends starts the clock. You can deduct a contribution in the year you make it or save the deduction for a later year. See [FHSA and the Home Buyers' Plan](#) (p. 81).

Contribute to an RESP. The Canada Education Savings Grant is paid on what you contribute, up to a yearly maximum for each child. Unused grant room carries forward and you can catch up in later years, but the grant you can get each year, catch-up included, is capped. The grant is available until the end of the calendar year a child turns 17, so if your child turns 17 in 2026, December 31, 2026 is the last chance. Our [RESP guide](#) (p. 84) explains the extra rules for 16- and 17-year-olds.

Contribute to an RDSP. An RDSP can get matching grants on contributions made until December 31 of the year the beneficiary turns 49. For 2025, the CRA's important dates page gave December 31, 2025 as the deadline to open an RDSP, make contributions and apply for the grant and bond for that contribution year; it hadn't posted the 2026 date when we last checked. See [RDSP basics](#) (p. 87).

Take your RRIF minimum. Starting the year after you set up a RRIF, you have to be paid at least the yearly minimum amount. You can take more, but not less. If your RRIF existed before 2026, make sure your 2026 minimum has been paid by the end of the year. Our [RRSP to RRIF guide](#) (p. 312) and [withdrawals calculator](#)¹ show how the minimum is worked out.

Turning 71 in 2026? December 31 of the year you turn 71 is the last day you can contribute to your own RRSP. In that year you have to withdraw your RRSPs, transfer them to a RRIF or use them to buy an annuity. If your spouse or common-law partner is younger, you can keep contributing to their RRSP until the end of the year they turn 71.

Selling investments at a loss? A capital loss first reduces your capital gains for the same year, and any net capital loss left over can be used against taxable capital gains in any of the three previous years or any future year. Watch the **superficial loss** rule: if you, or someone affiliated with you such as your spouse or common-law partner or a corporation either of you controls, buy (or have a right to buy) the same or identical property in the period from 30 calendar days before the sale to 30 calendar days after it, and still own it (or the right to buy it) 30 days after the sale, you can't deduct the loss. If you're the one who bought the replacement, the loss is usually added to its cost instead. See [capital losses](#) (p. 119).

What can wait until 2027

RRSP contributions for 2026. Unlike most items on this list, RRSP contributions have a deadline after the year ends: contributions made up to March 2, 2026 counted for 2025. The CRA hadn't posted the deadline for 2026 contributions when we last checked, so look for it on the CRA's important dates page in the new year. Your 2026 deduction limit is generally 18% of your 2025 earned income, up to the 2026 RRSP dollar limit of \$33,810, minus any pension adjustment, plus unused room from earlier years. See [RRSP basics](#) (p. 61).

Pension income splitting. You and your spouse or common-law partner make this choice when you file, on Form T1032, which both of you sign and file by the filing due date. You can allocate up to half of your eligible pension income, and the share can

¹taxfootnote.ca/calculators/rrsp-rrif-withdrawals/

change every year. The conditions are tested on December 31, though: you both have to be resident in Canada, and not living apart because of a breakdown in the relationship for 90 days or more including that date. See [pension income splitting](#) (p. 108).

2026 limits at a glance

- RRSP dollar limit: \$33,810
- TFSA dollar limit: \$7,000
- FHSA participation room in the year you open your first FHSA: \$8,000, with a lifetime contribution limit of \$40,000

Our [registered plan limits table](#)² shows these by year, and [registered savings plans compared](#) (p. 75) explains which plan does what.

Your checklist

- **December 15:** last 2026 instalment (December 31 for farmers and fishers).
- **December 31:** donations, December medical bills, TFSA withdrawals you'll need in early 2027, FHSA and RESP contributions, RDSP contributions, your RRIF minimum, and your last RRSP contribution if you turn 71.
- **Early 2027:** RRSP contributions for 2026 by the CRA's deadline, then [gather your slips](#) (p. 20) and estimate your result with the [income tax calculator](#)³.

Sources

1. Payment due dates: Required tax instalments for individuals ([canada.ca](#))
2. Who can claim – Donations and gifts ([canada.ca](#))
3. How much you can claim – Donations and gifts ([canada.ca](#))
4. Lines 33099 and 33199 – Eligible medical expenses you can claim on your tax return ([canada.ca](#))
5. Calculate your TFSA contribution room ([canada.ca](#))
6. Tax deductions for FHSA contributions ([canada.ca](#))
7. Participating in your FHSAs ([canada.ca](#))
8. Canada Education Savings Grant (CESG) ([canada.ca](#))
9. How much money can be added to Registered Education Savings Plans (ESDC) ([canada.ca](#))
10. Canada disability savings grant and Canada disability savings bond ([canada.ca](#))
11. Important dates for RRSPs, HBP, LLP, FHSAs and more ([canada.ca](#))
12. Receiving income from a RRIF ([canada.ca](#))
13. Options for your own RRSPs (when you turn 71) ([canada.ca](#))
14. How contributions affect your RRSP deduction limit ([canada.ca](#))
15. MP, DB, RRSP, DPSP, ALDA, TFSA limits, YMPE and the YAMPE ([canada.ca](#))
16. Capital losses (superficial loss) ([canada.ca](#))
17. Pension income splitting ([canada.ca](#))

²[taxfootnote.ca/rates/registered-plans/](#)

³[taxfootnote.ca/calculators/income-tax/](#)

Financial independence: a tax-smart plan

How RRSPs and TFSAs are taxed going in and coming out, and how the OAS recovery tax can affect you once you live off your savings.

Everyone · Planning · Last reviewed October 10, 2026 · taxfootnote.ca/guides/financial-independence/

Financial independence means your savings can pay for your living costs. Tax decides how much of what you save, and later spend, you actually keep, so a good plan starts with knowing how each account is taxed when money goes in and when it comes out.

Two accounts that work in opposite directions

The two main registered accounts for long-term saving are the RRSP and the TFSA. Both let your investments grow without yearly tax, but they hand you the tax break at different times.

RRSP: a deduction now, tax later. Contributions you deduct lower your taxable income for the year. Investment income earned inside the plan usually isn't taxed while it stays there, and you generally pay tax when you receive payments from the plan.

TFSA: no deduction, but tax-free later. You can't deduct what you put in. In return, the income your TFSA earns, whether interest, dividends or capital gains, is generally tax-free, even when you withdraw it.

How much room you get

Your RRSP deduction limit for a year is generally 18% of your earned income from the previous year, up to the annual dollar limit (\$32,490 for 2025), less any pension adjustment from a workplace plan, plus room you didn't use in earlier years. The CRA works this out for you. You can contribute to your own RRSP until December 31 of the year you turn 71.

TFSA room starts to build when you're 18 or older and resident in Canada. Each year adds the annual dollar limit (\$7,000 for 2025), and any room you don't use carries forward. When you withdraw, the amount is added back to your room on January 1 of the next year, not right away.

Going over either limit costs you. TFSA over-contributions are taxed at 1% a month for as long as the excess stays in the account, and RRSP contributions that go more than a small margin over your deduction limit are also taxed every month.

Why your tax rate matters

Because an RRSP deduction saves tax at your rate in the year you contribute, and withdrawals are taxed at your rate in the year you take them out, the plan's value depends partly on how those two rates compare. A TFSA gives no deduction up front, so the rate you pay on withdrawals doesn't matter: they're not taxed.

To see your own marginal rate, and what an RRSP contribution would save this year, use the [income tax and RRSP savings calculator](#)¹. For a side-by-side look at where to put new savings, see [RRSP, TFSA or FHSA: which first?](#) (p. 71)

Drawing on your savings

Once you start living off your savings, the source of each dollar matters:

- **RRSP withdrawals** count as income in the year you receive them, so they can push you into a higher bracket. After the year you turn 71, you can no longer contribute to your own RRSP; see [Converting your RRSP to a RRIF](#) (p. 312) for what comes next.
- **TFSA withdrawals** aren't taxed, and the CRA says neither TFSA income nor withdrawals affect your eligibility for federal income-tested benefits and credits, including Old Age Security (OAS) and the Guaranteed Income Supplement.

Watch the OAS recovery tax

If you receive OAS, a high income can take some of it back. When your net income for the year is above the threshold (\$93,454 for 2025), you repay 15% of the amount over the threshold, up to the full pension. The repayment is generally taken off your OAS payments month by month, based on an earlier year's income.

Taxable withdrawals, like RRSP payments, add to the net income used for this test. TFSA withdrawals don't. For more on timing your public pensions, see [When to start CPP and OAS](#) (p. 310).

What to do

- Check your TFSA room in your CRA account before you contribute, and compare it with your own records. Check your RRSP deduction limit too; the CRA calculates it for you.
- If you take money out of a TFSA, wait until the next calendar year to put it back unless you know you have unused room.
- Once you receive OAS, keep in mind that taxable withdrawals add to the net income used for the recovery tax, and TFSA withdrawals don't.
- Look up current limits in the [registered plans table](#)².

Sources

1. Registered Retirement Savings Plan (RRSP) ([canada.ca](#))
2. How contributions affect your RRSP deduction limit ([canada.ca](#))
3. What is a TFSA ([canada.ca](#))
4. Before you contribute to a TFSA ([canada.ca](#))
5. Old Age Security pension recovery tax ([canada.ca](#))

¹[taxfootnote.ca/calculators/income-tax/](#)

²[taxfootnote.ca/rates/registered-plans/](#)

Getting out of debt: start with non-deductible debt

Interest on money borrowed to earn income can be deductible; interest on personal debt isn't. How the tax rules apply when you pay down what you owe.

Everyone · Planning · Last reviewed October 10, 2026 · taxfootnote.ca/guides/get-out-of-debt/

The tax system treats debt differently depending on what you did with the money. Interest on money you borrowed to earn business or investment income can often be deducted, but interest on personal debt, such as credit cards, a car you drive for personal use or the mortgage on your own home, can't. So when you're deciding which balance to tackle first, it helps to know that the tax rules give you no help with personal debt.

Interest you can deduct

The CRA's general rule is that interest is deductible only if the borrowed money is used to earn income from a business or property, you're legally obliged to pay the interest, and the amount is reasonable. The main cases:

- **Investments.** You can deduct most interest on money you borrowed to try to earn investment income, such as interest and dividends (line 22100). If the only thing an investment can produce is a capital gain, the interest isn't deductible.
- **A business.** If you're self-employed, you can deduct interest on money borrowed for business purposes or to buy property for the business. There are limits for passenger vehicles and vacant land.
- **Rental property.** Interest on money borrowed to buy a rental property can qualify, because the property is used to earn income. The CRA's folio on interest gives real estate used to earn rental income as an example of an income-earning property.

What counts is how you use the borrowed money now, not what you pledged as security. Borrowing against your home doesn't make the interest deductible or non-deductible; the use of the money does. It's up to you to trace each borrowed dollar to an income-earning use, so keep records.

Interest you can't deduct

- **Personal purposes.** The CRA tells self-employed people plainly not to deduct interest on money borrowed for personal purposes or to pay overdue income taxes. The same principle applies to everyone: no income-earning use, no deduction.
- **Registered plans.** Interest on money borrowed to contribute to an RRSP, TFSA, FHSA, RESP or RDSP isn't deductible.
- **Investments with tax-exempt income.** Interest on money used to buy property whose income would be exempt from tax, or to buy a life insurance policy, generally doesn't qualify.

The one personal-debt exception: student loans

Interest you pay on a government student loan earns a federal tax credit (line 31900) and a provincial or territorial one. You can claim interest paid in the year or in any of the previous five years, and if you have no tax to pay, you can carry the amount forward to any of the next five years. Interest on private loans, such as a bank line of credit used for school, doesn't qualify, and neither does interest on a government student loan that you've combined or renegotiated with another loan. See [Tuition credits and carry-forwards](#) (p. 50) for the other education credits.

Why the difference matters when you pay down debt

With deductible debt, part of each interest dollar comes back to you as a lower tax bill, at your marginal rate. Non-deductible debt gets no such relief, so every dollar of interest comes out of after-tax income. So, from a tax point of view, non-deductible debt costs you more for each dollar of interest. You can find your marginal rate with the [income tax calculator](#)¹.

Two tax details are worth knowing:

- **Mixed-use credit lines.** If you use one line of credit or loan for both investing and personal spending, the CRA's view is that each repayment reduces both parts in proportion. You can't direct a payment to the personal part only. The CRA notes that keeping borrowed money separate from other funds makes it easier to trace.
- **Restructuring.** The CRA accepts that you can rearrange your borrowing and assets so that borrowed money is used directly for an income-earning purpose. Its folio gives the example of someone who sells investments, pays down the loan on a personal-use condo, then borrows again to buy investments. The new loan's interest can qualify because of its current use. These rules are technical; read the folio before relying on them.

Using an RRSP to pay off debt

Taking money out of an RRSP to clear a debt has a tax cost. Your financial institution withholds tax when you withdraw, at a rate that depends on the amount and where you live. The full withdrawal is then added to your income on your return, and the tax withheld may not cover what you owe at your tax rate, so you could have more to pay when you file.

In short

- Interest on personal debt isn't deductible. The exception is the credit for interest on government student loans.
- Interest on money borrowed to earn business, rental or investment income is generally deductible, if you can trace the money to that use.
- Keeping investment borrowing separate from personal borrowing makes the interest easier to trace.
- An RRSP withdrawal used to pay debt is taxable income in the year you take it.

¹taxfootnote.ca/calculators/income-tax/

Sources

1. Line 22100 – Carrying charges, interest expenses and other expenses (canada.ca)
2. Line 8710 – Interest and bank charges (Form T2125) (canada.ca)
3. Income Tax Folio S3-F6-C1, Interest Deductibility (canada.ca)
4. Line 31900 – Interest paid on your student loans (canada.ca)
5. Tax rates on withdrawals (RRSPs) (canada.ca)

Do I need to file a tax return?

Who has to file a Canadian income tax return, who should file anyway to get benefits and refunds, and when the return is due.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/do-i-need-to-file/

You have to file if you owe tax, if the CRA asks you to, or if one of a short list of situations applies to you. Even when none of them do, filing is usually worth it: your return is how the CRA works out your benefit payments, your refund and your future contribution room.

When you have to file

You must file a return for the year if any of these apply:

- **The CRA sent you a request to file.**
- **You owe tax.** If the tax taken off your pay (or paid some other way) doesn't cover your tax for the year, you file and pay the difference.
- **You sold or gave away capital property**, such as shares or real estate, including a principal residence, or you had a taxable capital gain. See [the principal residence exemption](#) (p. 122) if it was your home.
- **You have to repay** some of your Old Age Security or Employment Insurance benefits.
- **You still owe repayments** on money you took out of an RRSP under the Home Buyers' Plan or the Lifelong Learning Plan.
- **You owe Canada Pension Plan contributions on self-employment income.** This applies when your net self-employment income plus your pensionable employment income is more than \$3,500. You also have to file if you pay EI premiums on self-employment income.
- **You and your spouse or common-law partner are jointly electing to split pension income.**

Do you actually owe tax?

Generally, anyone resident in Canada for the year can claim the basic personal amount, a non-refundable credit that lets you earn a certain amount before federal income tax applies. For 2025 the full federal amount is \$16,129; it's reduced for people with high net income.

Your provincial or territorial basic personal amount depends on where you lived at the end of the year and can differ from the federal one, so the point where provincial tax starts can be different. Compare them in the [personal credit amounts table](#)¹, or get an estimate for your province with the [income tax calculator](#)².

¹taxfootnote.ca/rates/personal-credits/

²taxfootnote.ca/calculators/income-tax/

When you should file anyway

Many payments are calculated from your return, so you need to file to get them, even with little or no income:

- the Canada child benefit and related provincial and territorial payments
- the Canada Groceries and Essentials Benefit and related provincial and territorial credits
- the Guaranteed Income Supplement
- the Canada workers benefit, including its advance payments

If you have a spouse or common-law partner, they need to file too.

Filing also keeps your RRSP deduction limit and FHSA participation room up to date, lets you carry forward or transfer unused tuition amounts, records a non-capital loss you can apply to other years, and adds to your Canada training credit limit. And if too much tax was deducted from your pay, filing is how you claim the refund. The details are in [why file even with no income](#) (p. 13).

When it's due

For most people, the return is due April 30 of the following year, and any balance owing has to be paid by the same day.

If you or your spouse or common-law partner carried on a business during the year, the filing deadline is June 15 instead (April 30 if the business expenses were mainly for a tax shelter investment). Any balance owing is still due April 30. See [deadlines for sole proprietors](#) (p. 231) for the full picture.

When a due date falls on a Saturday, Sunday or a public holiday the CRA recognizes, your return is on time if the CRA receives it, or it's postmarked, by the next business day.

Filing late can lead to interest and penalties, and it can interrupt your benefit and credit payments. If the date has already passed, see [missed the filing deadline?](#) (p. 164)

Situations with different rules

Your filing obligations can be different depending on your residency status. That includes newcomers to Canada, people leaving Canada for good or for a while, non-residents (including those with Canadian rental income), deemed residents, international students and seasonal agricultural workers. The CRA's "Who should file a tax return" page, listed in the sources below, links to each one.

If someone died during the year, their legal representative (the executor, administrator or liquidator) may have to file a return for them. See [wills, estates and the final return](#) (p. 323).

Quebec residents

Revenu Québec runs its own provincial return, with its own rules about who must file. For example, you must file it if you were resident in Quebec on December 31 and you have to pay Quebec income tax, a Québec Pension Plan contribution, a Québec parental insurance plan premium or a health services fund contribution. You also file

if you disposed of capital property, or if you want to receive the solidarity tax credit, among other situations on Revenu Québec's list.

In short

- File if you owe tax, the CRA asks you to, or one of the situations above applies.
- File anyway if you want benefits, credits or a refund, or to keep your contribution room up to date.
- The deadline is April 30, or June 15 if you or your spouse ran a business, but any balance is due April 30 either way.

Sources

1. Who has to file a return (canada.ca)
2. Filing due dates for the 2025 tax return (canada.ca)
3. Line 30000 – Basic personal amount (canada.ca)
4. Who should file a tax return (canada.ca)
5. Are you required to file an income tax return? (Revenu Québec) (revenuquebec.ca)

Why file even with no income

Filing a return with little or no income can unlock benefit payments, refunds and future contribution room. Here's what you'd miss by skipping it.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/why-file-with-no-income/

Because your return is how the CRA decides which benefits and credits you get, and how much. Without a return on file, payments you're entitled to can stop, even if you owe no tax, your income is tax-exempt or you have nothing to report.

Benefit and credit payments

In most cases, filing is all it takes for the CRA to consider you for its benefit and credit payments. (A few need a separate application.) The main ones:

- **Canada Groceries and Essentials Benefit.** Tax-free quarterly payments for individuals and families with low and modest incomes. It replaced the GST/HST credit in July 2026, under a new name but with the same eligibility rules. When you file, you're automatically considered for it and for the related provincial and territorial programs.
- **Canada child benefit.** A tax-free monthly payment to help with the cost of raising children under 18, which can come with provincial and territorial child benefits. See [the Canada Child Benefit](#) (p. 102).
- **Guaranteed Income Supplement.** You need to file a return to begin or keep receiving it.
- **Canada workers benefit.** For people who work and earn a low income. It reduces the tax you owe and can be paid out as part of your refund, and if you qualify, part of it is paid to you in advance over the next benefit period.

If you have a spouse or common-law partner, they need to file a return too.

A refund of tax already paid

If tax was taken off your pay or other income during the year, you may be owed some of it back. You only get it by filing.

Room and carry-forwards for later

Filing keeps the CRA's records of your contribution room and unused amounts up to date, so they're there when you need them:

- **RRSP room.** Each year your RRSP deduction limit grows by 18% of your earned income from the year before, up to an annual dollar limit (\$32,490 for 2025), less any pension adjustment. Filing reports that income, so even a part-time job adds room. See [RRSPs: how contributions save tax](#) (p. 61) and the [registered plan limits table](#)¹.

¹taxfootnote.ca/rates/registered-plans/

- **FHSA participation room**, if you've opened a first home savings account. See [FHSA and the Home Buyers' Plan](#) (p. 81).
- **Your Canada training credit limit**, which can grow when you report qualifying income.
- **Tuition amounts** you want to carry forward to a future year or transfer. See [tuition credits and carry-forwards](#) (p. 50).
- **A non-capital loss** you want to apply to other years.

Rebates you can still collect

The government stopped the federal fuel charge and the Canada Carbon Rebate for individuals on March 15, 2025. If you were eligible for it but haven't filed your return for 2021, 2022, 2023 or 2024, you can still get those payments once the returns are filed and assessed. If you're catching up on several years, see [missed the filing deadline?](#) (p. 164)

Quebec residents

If you live in Quebec, you also file a provincial return with Revenu Québec each year. Even with no income to report or tax to pay, Revenu Québec says you must file it if, for example:

- you want the solidarity tax credit (if you have a spouse, both of you must file)
- you or your spouse want the Family Allowance from Retraite Québec (both of you must file)
- you want to claim the work premium, the tax credit for childcare expenses, the tax credit for home-support services for seniors or the senior assistance tax credit
- you want to transfer the unused part of your non-refundable tax credits to your spouse

Free ways to file

You don't have to pay anyone to file a simple return:

- **Free tax clinics.** If you have a modest income and a simple tax situation, a volunteer may do your taxes for free.
- **SimpleFile.** The CRA's simplified filing service for eligible people with a lower income and a simple tax situation. Invitations go out by mail and to CRA accounts, and if you don't get one, the CRA's eligibility questionnaire can tell you whether you can use SimpleFile Digital.
- **Free software.** Some NETFILE-certified tax software is free to use.

What to do

1. File every year by April 30 (June 15 if you or your spouse are self-employed), even if you had no income.
2. Make sure your spouse or common-law partner files too.
3. Keep your address and direct deposit details up to date with the CRA so payments reach you.

4. If you skipped past years, file them. Unpaid Canada Carbon Rebate payments for 2021 to 2024, for example, can still be paid once those returns are assessed.

Not sure whether you're required to file? See [do I need to file a tax return?](#) (p. 10)

Sources

1. Who has to file a return ([canada.ca](#))
2. Modest income individuals and the CRA ([canada.ca](#))
3. Canada Groceries and Essentials Benefit (CGEB) ([canada.ca](#))
4. How contributions affect your RRSP deduction limit ([canada.ca](#))
5. You have no income to report or income tax to pay (Revenu Québec) ([revenuquebec.ca](#))

How to file your tax return

The ways to file a personal tax return, from free software and SimpleFile to tax clinics and preparers, what to have ready, and when it's due.

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You can do your own return, with tax software, the CRA's SimpleFile service or on paper, or have someone do it for you: a paid tax preparer or a volunteer at a free tax clinic. Whichever you pick, file every year: you need to, to keep receiving the benefit and credit payments you're entitled to, and filing late can interrupt them.

Before you start

Have these ready:

- **Your tax slips.** Employers and other payers send most slips by the end of February. If one is missing, ask whoever issued it. See [slips to gather before you file](#) (p. 20).
- **Receipts** for the deductions and credits you'll claim, such as medical or child care expenses.
- **Your social insurance number.**
- **Your most recent notice of assessment.** It has your NETFILE access code: eight letters and numbers on the right side of the notice. Only the code on your most recent notice is valid. Software may ask for it, but it's optional, and you won't have one if this is your first return.
- **Up-to-date details with the CRA.** Check your address, direct deposit and mail preferences first. Tax software can't change them, and updates take time to process.

Your CRA account

Your online CRA account (My Account, for individuals) is worth setting up before you file. In it you can see your notices of assessment, track your return, set up direct deposit and change a return after it's assessed.

It also unlocks **Auto-fill My Return**. Inside certified tax software, this fills in parts of your return from information the CRA already has: most slips (T4, T4A, T5, RRSP receipts, T2202 and others), your RRSP deduction limit, carry-forward amounts and more. Keep in mind:

- The CRA expects to have most slips from issuers by the end of February and ready to use by mid-March. If you file earlier, some may not be there yet.
- A slip with an error in your name or social insurance number won't show up.
- If you sign in to your CRA account only through a provincial partner (Alberta.ca Account or BC Services Card), Auto-fill won't work. You'd need a CRA user ID and password or a Sign-In Partner.
- You're still responsible for the return. Check every field and add anything the service didn't bring in.

Option 1: Certified tax software

Each year the CRA certifies tax software made by private companies. You fill in your return in the software and send it straight to the CRA with the NETFILE service.

- **Cost.** It varies. The CRA's list of certified software shows which products are free, which are paid, and which are free only in some situations. If you have a modest income, the CRA says most software will do a basic return for free.
- **Years.** Use software certified for the year you're filing. In the filing season that runs until January 29, 2027, you can send returns for 2018 to 2025.
- **Sending.** After you send, the software shows a confirmation code that means the CRA has your return. The CRA says the notice of assessment and any refund are usually sent within two weeks.

A few returns can't be sent with NETFILE, such as a return for someone who died or a bankruptcy return. If yours can't, you can print it and mail it to the CRA.

Option 2: SimpleFile

SimpleFile is a free CRA service for people with a lower income and a simple tax situation. You answer a short series of questions, and the CRA completes and processes the return using your answers and the information it has on file.

- **SimpleFile Digital** works online, and you may be able to use it with or without an invitation. (For a 2025 return, you need an invitation if you didn't file for 2024.)
- **SimpleFile by Phone** and **SimpleFile by Paper** are by invitation only. Invitations go to your CRA account or by mail.

To qualify, you must have been a resident of Canada for tax purposes all year, and have either no income or only certain kinds (such as employment income, Old Age Security, CPP or QPP benefits, Employment Insurance, social assistance or Canadian interest) below a limit that depends on your province, your age and whether you get the disability tax credit. The CRA's SimpleFile page lists the limits and the other conditions.

Option 3: A free tax clinic

Through the Community Volunteer Income Tax Program, community groups run free clinics where volunteers do returns for people with a modest income and a simple tax situation. The CRA publishes suggested family-income guidelines, and each organization can adjust them.

Volunteers generally won't do a return for someone who has died, or one with self-employment, business or rental income, capital gains, a bankruptcy, or foreign property or income. Clinics vary: some are walk-in, some take drop-offs, and some work by appointment, in person or by phone or video; the CRA's directory lists them. Bring photo ID, your social insurance number, your slips and receipts, and your last notice of assessment if you have it.

Option 4: A paid tax preparer

An accountant or other tax preparer does your return for a fee and sends it to the CRA through its EFILE service. Before they file, review the return and Form T183, which

should show the same information, then sign the form to authorize them. Keep your slips, receipts and the signed T183 for at least six years.

If you use a **discounter**, they work out your expected refund and pay you a single amount up front before filing.

Option 5: Paper

If you can't file electronically, mail a paper return to your tax centre. Starting with the 2025 tax year, the CRA no longer mails the tax package automatically to certain people; download it or ask for one by mail. Fill in the federal return, your province's or territory's Form 428 (not used in Quebec) and the schedules that apply. The CRA says paper returns are usually processed within 12 weeks.

When it's due

For 2025, most people must file by April 30, 2026. If you or your spouse or common-law partner carried on a business, the deadline is June 15, 2026 (unless the business expenses were mainly for a tax shelter investment), but any balance owing is still due April 30. When a deadline falls on a weekend or a public holiday the CRA recognizes, you have until the next business day. Electronic filing opened February 23, 2026.

Past the deadline already? See [missed the filing deadline?](#) (p. 164) If you'll owe, see [owing the CRA](#) (p. 157).

Quebec residents

You file two returns: a federal one with the CRA and a Quebec one with Revenu Québec. SimpleFile by Phone covers only the federal return.

- **Software.** Software authorized by Revenu Québec sends your Quebec return with its built-in NetFile Québec feature; some developers offer theirs free, under conditions. Revenu Québec's Tax Data Download service can fill in some of your income, but check everything. Make sure you get a confirmation with a reference number, and don't mail a paper copy.
- **A preparer.** Before an accredited person files for you online, you complete and sign two copies of form TP-1000.TE-V; you and the preparer each keep one for six years from the filing date.
- **Paper.** Mail Revenu Québec's forms to one of the addresses it lists.
- **Free help.** Volunteers in the Income Tax Assistance – Volunteer Program do both returns for people with a modest income and a simple tax situation, mostly in March and April.

Keep your RL slips (Quebec's tax slips) and receipts rather than sending them. The dates match: file by April 30 (June 15 if you or your spouse ran a business) and pay by April 30; a deadline on a Saturday or Sunday moves to the next business day. Track your return in My Account for individuals, Revenu Québec's online account.

Checklist

- Gather your slips, receipts and most recent notice of assessment, and check your details with the CRA.

- Pick how you'll file, file by the deadline and pay any balance by April 30.
- Watch for your notice of assessment and refund (p. 153).

Sources

1. How to file a tax return – Personal income tax (canada.ca)
2. Get ready to file a tax return (canada.ca)
3. Filing due dates for the 2025 tax return (canada.ca)
4. Find certified tax software (canada.ca)
5. Completing a tax return (canada.ca)
6. Auto-fill My Return (canada.ca)
7. Sending a tax return (canada.ca)
8. NETFILE (canada.ca)
9. SimpleFile (canada.ca)
10. SimpleFile Digital – Personal income tax (canada.ca)
11. SimpleFile by Phone – Personal income tax (canada.ca)
12. Get your taxes done at a free tax clinic (canada.ca)
13. Using a professional tax preparer (canada.ca)
14. Filing a paper tax return (canada.ca)
15. Sign in to your CRA account (canada.ca)
16. Filing Your Income Tax Return Online – Revenu Québec (revenuquebec.ca)
17. Filing Your Income Tax Return by Mail – Revenu Québec (revenuquebec.ca)
18. Deadline for Filing Your Income Tax Return – Revenu Québec (revenuquebec.ca)
19. Software Authorized for Filing the Personal Income Tax Return – Individuals – Revenu Québec (revenuquebec.ca)
20. Are You Eligible for the Income Tax Assistance Program? – Revenu Québec (revenuquebec.ca)
21. My Account for Individuals – Revenu Québec (revenuquebec.ca)

Slips to gather before you file

The tax slips and receipts to collect before you file, when each one arrives, and what to do if a slip is missing.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/slips-to-gather/

Before you file, collect the slips that report your income and the receipts that back up your deductions and credits. Most arrive by the end of February, but a few can take until March or even May.

Income slips

Slips are prepared by whoever paid you: an employer, a pension or plan administrator, a financial institution or another payer. They send one to you and one to the CRA. Gather a slip from every employer and payer you had during the year. The common ones:

- **Work and benefits:** T4 (Statement of Remuneration Paid, for employment income), T4A (pension, retirement, annuity and other income) and T4E (Employment Insurance and other benefits).
- **Government pensions:** T4A(OAS) for Old Age Security and T4A(P) for Canada Pension Plan benefits.
- **Registered plans:** T4RSP for RRSP income, T4RIF for income from a registered retirement income fund, and T4FHSA for a first home savings account.
- **Investments:** T5 (investment income), T3 (trust income allocations and designations), T5008 (securities transactions) and T5013 (partnership income).
- **School:** T2202 (tuition and enrolment certificate). See [tuition credits and carry-forwards](#) (p. 50).
- **Others you may get:** T5007 (statement of benefits), T5018 (contract payments) and T1204 (government services contract payments).

Receipts for what you'll claim

Collect the receipts for each deduction and credit you plan to claim, such as RRSP and PRPP contribution receipts, official donation receipts and receipts for medical or child care expenses. Not sure what you can claim? See [tax credits you might be missing](#) (p. 31).

You usually don't send receipts with your return, but you must keep them. The CRA can ask to see them later, and it may want more than the official receipt, such as cancelled cheques or bank statements.

Other things to have on hand

- **Your latest notice of assessment.** It shows an 8-character access code that tax software may ask for when you file online. The code isn't mandatory, and if you're filing for the first time you won't have one.
- **Up-to-date details with the CRA:** your address, direct deposit, phone number and marital status.

- **Your own records** of income and expenses if you were self-employed. See [what can I deduct as a self-employed person?](#) (p. 217)

When slips arrive

- **By the end of February:** most slips and receipts, including T4, T4A and T5 slips.
- **By the end of March:** T3 and T5013 slips may not come until then.
- **As late as May:** RRSP and PRPP receipts for contributions made in the first 60 days of the year.

To get your Old Age Security, Employment Insurance or Canada Pension Plan slips, sign in to your Service Canada account.

If a slip is missing

Don't hold off filing because of one slip. Instead:

1. **Ask the issuer** (your employer or the payer) for a copy.
2. **Check your CRA account.** You can view slips online in My Account once the issuer has sent them to the CRA. Before that, the CRA can't give you a copy.
3. **Estimate it.** If you still can't get the slip in time, use your pay stubs or statements to estimate the income and any related deductions and credits. Add a note with the issuer's name and address, the type of income and what you're doing to get the slip. If you file online, keep the stubs and note in case the CRA asks. If you file on paper, attach copies of them and keep the originals.

Quebec residents

If you live in Quebec, you also need your RL slips (relevés) for your Quebec return. Revenu Québec doesn't send them; each issuer does. Retraite Québec, for example, sends the RL-2. Most should arrive by late February, but the RL-15 and RL-16 don't have to be sent until the end of March.

If an RL slip is missing, you can download some RL slips into authorized tax software (you'll need your social insurance number, date of birth and the number of your most recent notice of assessment), or view them with Revenu Québec's online service in My Account for individuals. Don't include RL slips, federal slips (except those for income earned outside Quebec) or receipts with your Quebec return unless you're told to. Keep them for six years.

Checklist

- A slip from every employer and payer, and from each financial institution where you hold investments
- Government benefit and pension slips (sign in to Service Canada if any are missing)
- Receipts for every deduction and credit you'll claim
- Your latest notice of assessment
- In Quebec: your RL slips

Keep all of it, with a copy of your return and your notices of assessment, for at least six years.

Sources

1. Tax slips (canada.ca)
2. Tax slips: Get a copy of your slips (canada.ca)
3. Get ready to file a tax return (canada.ca)
4. How long should you keep your income tax records? (canada.ca)
5. How to complete your income tax return (Revenu Québec) (revenuquebec.ca)

Is it taxable? Gifts, winnings, insurance payouts, strike pay and more

Which one-off amounts the CRA doesn't tax, such as gifts, inheritances, lottery wins, life insurance and strike pay, and the exceptions that make them taxable.

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Income for tax purposes includes income from every source, inside or outside Canada. But some money that comes your way isn't income at all, and the CRA lists amounts you don't have to report. A useful question to ask: did the money come to you because of a job, a business or an investment?

Quick answers

Amount	Taxable?
Most gifts and inheritances	No
Lottery winnings	No, with some exceptions
Casual gambling winnings	Generally no
Gambling as a business	Yes
Most life insurance paid on a death	No
Most strike pay from your union	No
Gifts and awards from your employer	Generally yes
Interest or other income earned on any of the above	Yes

Gifts and inheritances

Most gifts and inheritances aren't taxed, and you don't report them. As the CRA explains it, a gift is a voluntary transfer where the giver gets nothing in return.

The exceptions are payments tied to your work:

- **From your employer.** Gifts and awards from an employer are generally taxable. Cash and near-cash gifts, such as gift cards that don't meet the CRA's conditions, are always taxable. Some non-cash gifts for special occasions, like a religious holiday, a birthday or a wedding, and some non-cash awards may not be taxable under the CRA's policy.
- **From your business or profession.** Voluntary payments you receive because of your business or profession are taxable.

What you earn afterwards is taxable too. Interest on money you inherited, for example, goes on your return. If you're dealing with someone's estate, see [wills, estates and the final return](#) (p. 323).

Lottery and gambling winnings

Lottery winnings of any amount aren't taxed. The exception is a prize that is really income from a job, a business or property, or a prize for an achievement in your own field of work.

Gambling winnings generally aren't taxed either, even if you gamble often and hope to win. The CRA treats gambling as a business only in exceptional cases, weighing:

- how organized the activity is
- whether you use special knowledge or inside information to reduce the element of chance
- whether you gamble for pleasure or as a way to earn a living
- how much and how often you bet

If you're carrying on a gambling business, your winnings are business income, and the activity can also produce a business loss. Profits from bookmaking or running a gambling operation, legal or not, are business income.

Two related cases:

- **Employer draws.** If your employer hands out a bonus as prizes in a draw, the prize is employment income. An employer-promoted prize won by chance can count as a lottery win instead, but only if employees and their families are a small share of the participants, get no favoured position and contribute the same as everyone else.
- **TV, radio and internet shows.** A prize generally isn't taxed if you won it in a draw, or if the prizes are all you got for taking part. It is taxed if you appeared under an employment or business contract, as a paid celebrity might.

Life insurance

Most amounts paid out of a life insurance policy after someone dies aren't taxed. Interest you earn once you've invested the money is.

Strike pay

Most strike pay from your union isn't taxable, even if picketing was a condition of membership. If you work for the union during the strike, as an employee, consultant or committee member, what it pays you for those services is taxable. Regular wages paid to union staff are taxable too.

Scholarships and bursaries

Scholarships and bursaries for elementary and secondary school aren't taxable. Post-secondary scholarships, fellowships and bursaries aren't taxable if you got them for a program in which you're a full-time qualifying student, to the extent they're meant to support that enrolment. If you're a part-time qualifying student, the exemption is more limited and is based mainly on your tuition and program-related materials. You'll get a T4A slip showing the full amount even when it's exempt; it's up to you to work out the exemption. Postdoctoral fellowships are taxable. See [students and taxes](#) (p. 53).

Selling your own belongings

Things you own mainly for your family's use or enjoyment, such as furniture, a car or a boat, are personal-use property. When you sell one:

- If it cost less than \$1,000, the CRA treats the cost as \$1,000.
- If you sell it for less than \$1,000, the CRA treats the price as \$1,000.
- If both are \$1,000 or less, there's no gain or loss and nothing to report.

If you still have a capital gain after applying these rules, you must report it. If you sell for less, which is common for things that wear out with use, you usually can't deduct the loss: the CRA treats it as a personal expense. See [capital losses](#) (p. 119).

Selling products is different. If you sell products, such as things you make, through sites like Etsy, eBay, Kijiji or Amazon, the CRA says to report that income as self-employment income. See [side gigs and platform income](#) (p. 214).

Tips, gifts and donations from followers

If you're an influencer or content creator, the CRA counts subscriptions, tips, gifts and donations from your followers as income, along with non-cash income such as trips from brands and sponsors. Report it as self-employment income.

Windfalls

An unexpected one-time windfall generally isn't taxed. The CRA's signs that money is a windfall include that you had no right to claim it, didn't seek it or make an organized effort to get it, had no reason to expect it or to expect it again, and didn't receive it in return for anything you did or provided.

Other amounts you don't report

The CRA's list also includes:

- the Canada child benefit and the Canada Groceries and Essentials Benefit, and related provincial and territorial credits and benefits
- compensation from a province or territory if you were the victim of a crime or a motor vehicle accident
- most amounts you take out of a tax-free savings account (TFSA)
- payments from Canada or an allied country for a veteran's disability or death due to war service, if the amount isn't taxable in that country
- income that's exempt under section 87 of the Indian Act

Quebec residents

Revenu Québec's list of amounts you leave out of income on your Quebec return covers the same kinds of amounts: inheritances, life insurance paid on a death, lottery winnings, strike pay and TFSA investment income, as a rule. It also names Quebec payments you don't report, including the family allowance from Retraite Québec, the solidarity tax credit, the work premium tax credits and the shelter allowance. Revenu Québec adds that if you sell lottery tickets, what you get for selling a winning ticket is business income. And as federally, income you earn on a non-taxable amount, such as interest on lottery winnings, is taxable.

What to do

- Generally, don't report personal gifts, inheritances, lottery wins, life insurance death benefits or strike pay as income, unless one of the exceptions above applies.
- Do report the interest, dividends or other income they earn from then on.
- Keep a record of where large non-taxable amounts came from. Without one, you may not be able to prove they weren't taxable; see [keeping tax records](#) (p. 179).
- If money is tied to your job, business or online audience, treat it as income unless the CRA says otherwise.

Sources

1. Amounts that are not reported or taxed ([canada.ca](#))
2. Income Tax Folio S3-F9-C1, Lottery Winnings, Miscellaneous Receipts, and Income (and Losses) from Crime ([canada.ca](#))
3. Gifts, awards, and long-service awards ([canada.ca](#))
4. P105, Students and Income Tax 2025 ([canada.ca](#))
5. Definitions for capital gains ([canada.ca](#))
6. Completing Schedule 3 ([canada.ca](#))
7. Peer-to-peer – Taxes in the platform economy ([canada.ca](#))
8. Social media influencers – Taxes and the platform economy ([canada.ca](#))
9. What are records, who has to keep them, and why it is important ([canada.ca](#))
10. Taxable and non-taxable income – Revenu Québec ([revenuquebec.ca](#))

Common tax-return mistakes and how to avoid them

Errors the CRA commonly corrects on personal returns, and simple habits that keep your return from being changed or delayed.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/common-filing-mistakes/

The CRA publishes tips from its review programs to cut down on the changes it has to make to returns each year. Those tips, along with the CRA's rules on late filing, point to a few problems that are easy to avoid: filing late, missing slips, claims that don't qualify and claims you can't back up.

Filing late because you can't pay

If you owe tax and file late, the late-filing penalty is 5% of the balance owing plus 1% for each full month late, up to 12 months. Interest is charged on top. If you can't pay, file on time anyway: you'll still owe interest on the unpaid amount, but you avoid the penalty. See [missed the filing deadline?](#) (p. 164)

Waiting for a missing slip

Don't hold back your return because a slip or receipt hasn't arrived. Ask the issuer for a copy, or look for it in your CRA account once the issuer has sent it to the CRA. If you still can't get it by the deadline, estimate the income and any related deductions and credits from your pay stubs or statements. Include a note with the issuer's name and address, the type of income and what you're doing to get the slip. See [slips to gather before you file](#) (p. 20).

Claiming things that aren't deductible

"Other deductions" on the return is only for allowable amounts that don't have their own line. The CRA denies items that are claimed there in error, such as funeral expenses, wedding expenses, loans to family members and a loss on selling a home.

Medical expense slip-ups

- Your receipts need to be dated, marked "paid" and show what the payment was for, the patient's name and, if it applies, the medical practitioner who prescribed or provided the service.
- You can't claim any part of an expense that was or will be reimbursed to you.
- Over-the-counter products such as vitamins and supplements don't qualify, even if a medical practitioner prescribed them.

For how to get the most from what does qualify, see [pooling donations and medical expenses](#) (p. 38).

Tuition errors

- Tuition is claimed by calendar year, not school year.

- Fees that were reimbursed can't be claimed, unless the reimbursement is included in income.
- The receipt from the school has to clearly show the name and academic level of the course or program.
- Schedule 11 goes with the student's return, not with the return of the person the student is transferring an amount to.

More in [tuition credits and carry-forwards](#) (p. 50).

Claiming a dependant you can't claim

The amount for an eligible dependant is for people who weren't married or living common-law at any time in the year and supported a dependant living in their home. Two common mistakes:

- **Claiming a child you pay support for.** If you had to make support payments for the child, you can't claim the amount for that child.
- **Both parents claiming in shared custody.** When both parents qualify, they have to agree on who claims. If they can't agree, neither can claim.

The CRA may ask for proof of custody, so keep it handy.

Moving expenses that don't qualify

Your new home has to be at least 40 kilometres closer to your new work or school, measured by the shortest usual public route. If you moved for work or a business, you can deduct the expenses only from employment or self-employment income earned at the new location, not from other income such as investment income or EI benefits. (Full-time students who moved for school deduct them from taxable scholarships, bursaries and research grants instead.)

Not keeping records or not replying

Keep your tax records for at least six years, even if you filed online or a form said you didn't need to attach anything. If the CRA reviews your return and you don't send the documents it asks for in time, it will review your claim with the information it has, and it may change or deny it. Its letters go to the address it has on file, so tell the CRA right away when you move. You can also authorize a representative, so the CRA can contact them if it needs more information.

Fixing a mistake the right way

If you spot an error after filing, wait for your notice of assessment. Then ask for the change:

- **Online:** use "Change my return" in your CRA account, or the ReFILE option in certified tax software if you filed with software. Online requests take about two weeks.
- **By mail:** send Form T1-ADJ with your supporting documents, separately from your current year's return. Mailed requests take about 19 weeks. Some changes, such as ones covering several years, can take longer.

A change request can't be used to update your address, direct deposit, marital status or name; update those with the CRA directly. And no refund can be issued for a change requested more than 10 calendar years after the end of the tax year.

Checklist

- File on time, even if you can't pay.
- Report every slip, or estimate a missing one.
- Claim only what qualifies, and keep receipts that show it.
- Keep records for six years and answer CRA letters promptly.
- Fix errors with a change request once you have your notice of assessment.

Sources

1. Common adjustments (canada.ca)
2. Changing a tax return (canada.ca)
3. Tax slips: Get a copy of your slips (canada.ca)
4. How long should you keep your income tax records? (canada.ca)
5. Interest and penalties on late taxes (canada.ca)

Claiming your deductions and credits

Many people miss credits and deductions because they don't realize they qualify, or that a family member's expenses count. This chapter covers medical expenses, the disability tax credit, credits for caregivers and students, and credits for buying or adapting a home. Most of these credits are non-refundable: they reduce the tax you owe.

Moves for 2026

1. Choose the 12-month period ending in the tax year that captures the most medical bills for your family, leaving out anything insurance paid back. → [Medical expenses: what you can claim](#), p. 34
2. Apply for the disability tax credit before you file your return to avoid a delay, and name in Part A any family member who will claim it. → [The disability tax credit](#), p. 41
3. Agree with other family members who support the same person on who claims what, so nothing is claimed twice. → [Credits for caregivers](#), p. 44
4. Decide before you file whether to transfer part of this year's tuition amount to a spouse, parent or grandparent, and transfer only what they can use. → [Tuition credits and carry-forwards](#), p. 50
5. If you qualify for the home buyers' amount, usually as a first-time buyer, claim it for the year you buy, and agree with any co-buyers how to split it. → [Home buyers' amount and home renovation credits](#), p. 56

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Tax credits you might be missing

Credits and deductions people often overlook, from medical expenses and student loan interest to the disability tax credit and amounts for dependants.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/credits-you-might-be-missing/

Tax software can't claim what you don't tell it about. These credits and deductions are easy to miss, often because people don't realize they qualify or that a family member's expenses count. Most of the credits here are non-refundable: they reduce the tax you owe. A few are refundable, so they can be paid out as part of your refund.

Canada employment amount

If you had employment income and you're not self-employed, you can claim the Canada employment amount, which recognizes work-related expenses in general. For 2025 you claim the lesser of \$1,471 and your employment income.

Medical expenses for the whole family

The rules are more flexible than many people realize:

- **Pick your 12 months.** You can claim expenses paid in any 12-month period that ends in the tax year, as long as you didn't claim them the year before.
- **Put the family on one return.** Expenses for you, your spouse or common-law partner and your children under 18 can be combined and claimed by one of you.
- **Let the lower-income spouse claim.** Only expenses above the lesser of 3% of net income and \$2,834 count, so the spouse with the lower net income often gets a bigger credit.
- **Don't forget other relatives.** You can also claim expenses you paid for children 18 or older, grandchildren, and certain other relatives who depended on you. Each one is worked out separately, using that person's own net income for the threshold.

Expenses paid outside Canada generally count too. You can't claim any part that was or will be reimbursed, unless the reimbursement is included in someone's income. If you work, have a low income and have high medical expenses, look at the refundable medical expense supplement as well. See [pooling donations and medical expenses](#) (p. 38).

The disability tax credit

The disability tax credit is a non-refundable credit that helps people with disabilities, or a family member who supports them, pay less income tax. The CRA suggests applying even if you have no taxable income, because approval opens the door to other programs: the registered disability savings plan, the Canada workers benefit disability supplement and the child disability benefit. See [the disability tax credit](#) (p. 41) and [RDSP basics](#) (p. 87).

Amounts for people you support

- **Amount for an eligible dependant.** If you weren't married or living common-law at any time in the year and you supported a dependant living in your home, you may be able to claim this amount. It doesn't apply to a child you pay support for, and parents sharing custody have to agree on who claims it.
- **Canada caregiver amount.** If the dependant you support has an impairment in physical or mental functions, you may also be able to claim a Canada caregiver amount for them.
- **Spouse or common-law partner amount.** If you supported your spouse or partner and their net income was below the basic personal amount, you can claim this credit. See the [personal credit amounts table](#)¹.

More in [credits for caregivers](#) (p. 44).

Interest on student loans

You can claim the interest you paid on a government student loan, meaning one made under the Canada Student Loans Act, the Canada Student Financial Assistance Act, the Apprentice Loans Act or a similar provincial or territorial law. A few rules:

- Only the borrower can claim it, even if a parent paid the interest, as long as the loan is in your name.
- Interest on other loans doesn't qualify, including a government student loan that was combined or renegotiated with another loan.
- You can claim interest paid in the year or in any of the previous five years. If you had no tax to pay when you paid it, carry it forward and claim it in any of the next five years. Track these carry-forwards yourself; the CRA doesn't.

Moving for work or school

If your new home is at least 40 kilometres closer to a new job, business location or full-time post-secondary school, you may be able to deduct moving expenses. Eligible costs can include transportation and storage, travel, up to 15 days of temporary living costs, and the costs of selling your old home or buying the new one. Workers deduct them from income earned at the new location. Students deduct them from the taxable part of their scholarships, bursaries and research grants.

Credits for low-income workers and home buyers

- **Canada workers benefit.** For people who work and earn a low income. It reduces tax owed and can be paid as part of your refund, with a disability supplement for people approved for the disability tax credit.
- **Home buyers' amount.** A non-refundable credit for buying a home. If you, or the relative you bought the home for, are eligible for the disability tax credit, you don't have to be a first-time buyer. See [FHSA and the Home Buyers' Plan](#) (p. 81).
- **Multigenerational home renovation tax credit.** A refundable credit for the cost of renovating a home to create a self-contained secondary unit.

¹taxfootnote.ca/rates/personal-credits/

What to do

1. Gather receipts for medical expenses, moving costs and student loan interest before you file.
2. If you have a spouse or partner, work out which of you should claim the medical expenses.
3. If you missed a credit in an earlier year, see [common tax-return mistakes](#) (p. 27) for how to fix a past return.

Sources

1. Line 31260 – Canada employment amount ([canada.ca](#))
2. Lines 33099 and 33199 – Eligible medical expenses you can claim on your tax return ([canada.ca](#))
3. Line 31900 – Interest paid on your student loans ([canada.ca](#))
4. Common adjustments ([canada.ca](#))
5. Modest income individuals and the CRA ([canada.ca](#))

Medical expenses: what you can claim

Which health costs count for the federal medical expense credit, whose expenses you can claim, travel for care, receipts, the refundable supplement and Quebec.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/medical-expenses/

Dental work, prescription glasses and drugs, private health plan premiums: many health costs can lower your tax. The federal medical expense tax credit covers a long list of expenses for you and your family, but only the part above a yearly threshold, so it pays to know what counts and to keep every receipt.

How the credit works

The medical expense tax credit is non-refundable. It lowers the federal tax you owe, but it can't create a refund on its own. You add up your eligible expenses and subtract a threshold: for 2025, the lesser of 3% of your net income and \$2,834. What's left is the amount you claim.

Like most federal non-refundable credits, that amount is multiplied by the lowest federal tax rate, 14.5% for 2025. Outside Quebec, you also claim a provincial or territorial medical expense credit on your Form 428, and its amounts can differ from the federal ones; see the [personal tax credits table](#)¹.

You can claim only the part of an expense that nobody has reimbursed or will reimburse, such as through private insurance, unless the reimbursement is included in someone's income (a taxable benefit on a T4, for example) and wasn't deducted elsewhere on the return. Amounts paid outside Canada generally count too.

Whose expenses you can claim

You can claim what you or your spouse or common-law partner paid for:

- yourself
- your spouse or common-law partner
- your or your partner's children who were under 18 at the end of the year.

These share one threshold. You can also claim what either of you paid for other relatives who depended on you for support: your or your partner's children who were 18 or older at year-end, grandchildren, and parents, grandparents, brothers, sisters, aunts, uncles, nieces and nephews who were residents of Canada at some time in the year. Each of them is worked out separately, with a threshold based on their own net income.

Which partner should make the claim is covered in [pooling donations and medical expenses](#) (p. 38).

¹taxfootnote.ca/rates/personal-credits/

Choose your 12 months

You don't have to use the calendar year. You can claim expenses paid in any 12-month period that ends in the tax year, as long as they weren't claimed for the year before. For a person who died, the period can be any 24 months that include the date of death.

Common expenses that count

The CRA's list is long. Expenses you can usually claim include:

- services of doctors, dentists, nurses and hospitals, including dentures, dental implants and orthodontic work
- prescription drugs and medications recorded by a pharmacist
- eyeglasses and contact lenses (with a prescription), and laser eye surgery
- hearing aids, wheelchairs, crutches, walkers and artificial limbs
- premiums you pay to a private health services plan
- ambulance service, in vitro fertility programs and medical services outside Canada.

Some items need a prescription from a medical practitioner, and others need the practitioner's written certification or an approved disability tax credit certificate (Form T2201). The CRA's list of common medical expenses shows which. Attendant care and care in a nursing home or other facility have detailed rules of their own, set out in Guide RC4065; see also [caregiver credits](#) (p. 44).

Common expenses that don't count

- gym and fitness club fees
- over-the-counter medications, vitamins and supplements, even if a practitioner prescribed them (the exception is vitamin B12 therapy for pernicious anaemia, which needs a prescription)
- purely cosmetic procedures, such as teeth whitening, hair replacement or wrinkle fillers; surgery needed for medical or reconstructive reasons can qualify
- blood pressure monitors and organic food
- premiums for provincial or territorial health care plans
- health plan premiums your employer paid that weren't included in your income.

Travel to get care

If substantially equivalent care wasn't available near your home, you took a reasonably direct route, and it was reasonable to go where you did, you may be able to claim travel costs:

- **At least 40 km one way:** public transportation such as a bus, train or taxi, or vehicle expenses if public transportation wasn't readily available.
- **At least 80 km one way:** accommodation, meals and parking as well. This can include travel outside Canada.
- **Less than 40 km,** or a trip only to pick up a device or medication: no travel claim.

If a medical practitioner certifies in writing that the patient couldn't travel alone, an attendant's travel costs count too. Meals and vehicle costs can be worked out with

the CRA's simplified method or the detailed method, which needs all receipts for the period. Keep accommodation receipts either way.

Keep your receipts

Don't send receipts with your return, but keep them in case the CRA asks. A receipt should show who was paid, what for, the date, the patient's name and, if it applies, the practitioner who prescribed the item or gave the service. Receipts for attendant care or therapy paid to an individual should show their social insurance number. The CRA may also ask for proof of payment and, for a dependant 18 or older, proof that you supported them.

Two related claims

- **Disability supports deduction:** if you have an impairment in physical or mental functions, you may be able to claim some expenses as this deduction instead, or split them between the two claims, whichever is better for you, as long as the total isn't more than you paid.
- **Refundable medical expense supplement:** a refundable credit for working people with low incomes and high medical expenses. You may qualify if you claim medical expenses or the disability supports deduction, were resident in Canada all year, were 18 or older at year-end, had at least a minimum amount of employment or self-employment earnings, and had adjusted family net income under a limit. The CRA's [page on the supplement](#) gives both amounts for the year, and the Federal Worksheet works out what you get.

If you live in Quebec

Your Quebec return has its own medical expense credit (Schedule B):

- For 2025, you claim expenses above 3% of your family income: your income plus your spouse's, if you had a spouse on December 31.
- For 2025, the credit is 20% of the amount you claim.
- The expenses can be for you, your spouse or a dependant (Revenu Québec has its own definition), paid in any 12 consecutive months ending in the year.
- The premium for the Québec prescription drug insurance plan can count, depending on the 12-month period you choose.

Quebec also has a refundable tax credit for medical expenses for workers with lower family incomes, and a separate credit for travel and lodging to get medical services in Québec that aren't available within 200 km of home.

What to do

1. Gather receipts for your family and any relatives you support, leaving out anything insurance paid back.
2. Choose the 12-month period ending in the tax year that captures the most expenses.
3. Decide which partner claims, and check the refundable supplement if you work and have a low income.

4. Keep every receipt. To see what a credit is worth to you, try our [income tax calculator](#)².

Sources

1. Lines 33099 and 33199 – Eligible medical expenses you can claim on your tax return ([canada.ca](#))
2. Guide RC4065, Medical Expenses 2025 ([canada.ca](#))
3. Line 45200 – Refundable medical expense supplement ([canada.ca](#))
4. Personal income tax: What's new for 2025 (lowest tax rate and non-refundable credits) ([canada.ca](#))
5. 5000-R Income Tax and Benefit Return 2025 (Step 5, federal non-refundable tax credits) ([canada.ca](#))
6. Revenu Québec: Guide to the Income Tax Return 2025 (TP-1.G-V), lines 378, 381 and 462 (point 1) ([revenuquebec.ca](#))
7. Revenu Québec: Income Tax Return 2025 (TP-1.D-V), lines 381 to 389 ([revenuquebec.ca](#))

²[taxfootnote.ca/calculators/income-tax/](#)

Pooling donations and medical expenses

Why couples often get more back by claiming all their donations, and all the family's medical expenses, on one return, and how to pick which one.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/pooling-donations-and-medical-expenses/

If you have a spouse or common-law partner, you can put both of your charitable donations on one return, and either of you can claim the medical expenses for both of you and your children under 18. Pooling often gets you a bigger credit, because each credit has a part that applies once per return: a lower rate on the first slice of donations, and a threshold that medical expenses must clear.

Both are non-refundable credits. They reduce the tax you owe, but if they're more than your tax, you don't get the difference back. So whoever claims needs enough tax to use them.

Donations: why one return is better

The federal donation credit is worked out on Schedule 9 in tiers:

- 14.5% on the first \$200 you claim for the year
- 29% on the rest
- 33% instead of 29% on the part of your donations above \$200 that matches your taxable income over \$253,414.

Every return starts at the lower first-tier rate. If you and your partner each claim your own donations, you each get the lower rate on your first \$200. Put everything on one return and the lower rate applies only once, so more of the total gets the higher rate. If one of you has taxable income above \$253,414, claiming on that return can also get part of the donations the top rate.

Outside Quebec, your province or territory gives its own donation credit, calculated on the same donation amount you claim federally. Rates differ by province; see the [personal tax credits¹](#) table.

Donations: saving them up

You don't have to claim donations in the year you make them. You can carry them forward and claim them in any of the next five years (ten for gifts of ecologically sensitive land). If you give small amounts each year, claiming two or more years together on one return means the lower first-tier rate applies once instead of every year. When you do claim, amounts carried forward from earlier years have to be used before the current year's.

Two limits to keep in mind:

¹taxfootnote.ca/rates/personal-credits/

- You can generally claim donations up to 75% of your net income for the year. Some gifts of capital property, and gifts in the year of death, can go higher.
- You need an official receipt from a registered charity or other qualified donee for every amount you claim.

Medical expenses: clear the threshold once

You get a credit only for eligible medical expenses above a threshold: the lesser of 3% of your net income and \$2,834 (for 2025). Each return has its own threshold, so if you and your partner split the bills, you each lose the first part of your expenses to a threshold. One claim for the whole family clears it once.

On line 33099, either of you can claim what you or your partner paid for:

- yourself
- your spouse or common-law partner
- your or your partner's children who were under 18 at the end of the year.

The CRA suggests comparing both returns. It's often better for the partner with the **lower** net income to claim, because 3% of a smaller income is a lower threshold. Check that the lower-income partner has enough tax to use the credit; if not, the other partner may get more from it.

Pick your 12 months

You can claim expenses paid in any 12-month period that ends in the tax year, as long as you didn't claim them the year before. You choose the period, so pick the 12 months that capture the most expenses, such as July to June if a big bill came in the summer. You can claim only the part that you weren't, and won't be, reimbursed for.

Adult dependants are separate

Expenses for other dependants who depended on you for support go on line 33199. That includes your or your partner's children who were 18 or older at the end of the year and grandchildren, and parents, grandparents, brothers, sisters, aunts, uncles, nieces and nephews who were residents of Canada at any time in the year. Each dependant's expenses are reduced by a threshold based on **that dependant's** net income, so they don't pool under one threshold the way your own family's expenses do.

Your province or territory also gives a medical expense credit, claimed on your provincial form. If you live in Quebec, Revenu Québec's rules apply to your provincial claim.

What to do

1. Add up your donations and your family's medical expenses for both partners.
2. Put all the donations on one return, usually the one with more tax to reduce or with taxable income over \$253,414.
3. Try the medical expenses on each return and use the one that gives the bigger credit, often the lower-income partner.
4. Choose the 12-month period for medical expenses that gives the largest total.
5. Keep all receipts; don't send them unless the CRA asks.

To see how much a credit is worth at different incomes, try our [income tax calculator](#)².

Sources

1. Donations and gifts: How much you can claim (canada.ca)
2. Donations and gifts: How to claim (canada.ca)
3. Schedule 9, Donations and Gifts (2025) (canada.ca)
4. Lines 33099 and 33199 – Eligible medical expenses you can claim on your tax return (canada.ca)
5. Federal income tax and benefit information for 2025 (Step 5, Part B – Federal non-refundable tax credits) (canada.ca)

²taxfootnote.ca/calculators/income-tax/

The disability tax credit

Who qualifies for the disability tax credit, how to apply with a medical practitioner, and how to claim or transfer it, including for past years.

Individuals & families · Disability and caregiving · Last reviewed October 10, 2026 · taxfootnote.ca/guides/disability-tax-credit/

The disability tax credit (DTC) lowers the income tax paid by a person with a severe and prolonged impairment, or by a family member who supports them. You apply first, with help from a medical practitioner, and claim the credit on your return once the CRA approves you.

What the credit does

The DTC is a non-refundable credit: it reduces income tax you owe, but any part you can't use isn't paid out to you. If the person with the impairment doesn't need all of it, the unused part can be transferred to a supporting family member.

The disability amount is set each year, and there is an extra supplement for people under 18. The CRA lists the amounts for each of the past 10 tax years on its [claiming the credit page](#).

Approval matters beyond the credit itself. It can open the door to a registered disability savings plan (RDSP), the Canada workers benefit disability supplement, the child disability benefit and the Canada Disability Benefit. If you think you may qualify, the CRA encourages you to apply.

Who is eligible

A medical practitioner has to certify that you have a severe and prolonged impairment in one of these ways:

- **A marked restriction in one category:** walking, mental functions, dressing, feeding, eliminating (bowel or bladder functions), hearing, speaking or vision. Marked means you can't do the activity, or it takes you three times longer than someone of similar age without the impairment, even with therapy, medication and devices.
- **Significant limitations in two or more categories** whose combined effect is equal to a marked restriction.
- **Life-sustaining therapy** that supports a vital function.

The restriction has to be present all or almost all of the time (generally at least 90%) and has to have lasted, or be expected to last, at least 12 months in a row. Qualifying for another federal or provincial disability program doesn't make you eligible for the DTC on its own.

How to apply

The application has two parts. Part A is filled out by the person with the impairment or their legal representative. Part B is filled out only by a medical practitioner. Both parts must use the same method:

- **Digital:** complete Part A in your CRA account or by phone. You get a reference number, valid for up to 12 months, which you give to your practitioner so they can submit Part B online.
- **Paper:** use Form T2201, Disability Tax Credit Certificate, and mail it to a CRA tax centre. Don't send DTC forms through the "submit documents" feature of your CRA account.

Doctors and nurse practitioners can certify any impairment. Other practitioners can certify the areas they work in: optometrists (vision), audiologists (hearing), occupational therapists (walking, feeding, dressing), physiotherapists (walking), psychologists (mental functions) and speech-language pathologists (speaking).

If your practitioner charges a fee, you pay it, but you may be able to claim it as a medical expense. You can apply at any time; applying before you file your return avoids a delay, because the CRA reviews the application before it assesses the return. If a family member will claim the credit, name them in Part A.

After the CRA decides

You get a notice of determination showing which years you're approved for. Approval can be permanent or for a set period; if it has an expiry date, you'll need to apply again. If you're refused, you can ask for a review with new medical information, or file a formal objection within 90 days of the notice. If your condition improves so that you no longer meet the criteria, you must tell the CRA in writing.

Claiming and transferring

The person with the impairment claims the disability amount on their own return (line 31600). Anyone under 18 at the end of the year can also claim the supplement for children.

The unused part can go to a supporting family member: someone the person relies on for food, shelter or clothing who is their spouse or common-law partner, or a child, grandchild, parent, grandparent, brother, sister, aunt, uncle, niece or nephew of the person or of their spouse. A spouse claims it on line 32600; other relatives use line 31800. Two supporters can split the claim, as long as the total isn't more than the maximum.

Claiming for past years

If you were eligible in earlier years, you may be able to claim the credit for up to 10 years back. Tick the box on the application asking the CRA to adjust your past returns, or ask later in writing or change the returns online yourself. This can lead to a refund.

In Quebec

Quebec has its own amount for a severe and prolonged impairment on the provincial return, for people 18 or older. You can usually send a copy of your federal Form T2201 instead of Quebec's Certificate Respecting an Impairment (TP-752.0.14-V), but you must use the Quebec form if your claim is based on therapy to support a vital function.

What to do

1. Read the eligibility criteria for your category and talk to a practitioner who can certify it.
2. Apply before you file, digitally or on paper, and name any family member who may claim the credit.
3. Once approved, claim or transfer the amount, and look into the [RDSP](#) (p. 87) and other [disability benefits](#) (p. 47).

Sources

1. Disability tax credit (DTC): What is the DTC ([canada.ca](#))
2. Disability tax credit (DTC): Who is eligible ([canada.ca](#))
3. Disability tax credit (DTC): How to apply ([canada.ca](#))
4. Disability tax credit (DTC): CRA's decision ([canada.ca](#))
5. Disability tax credit (DTC): Claiming the credit ([canada.ca](#))
6. Revenu Québec: Amount for a severe and prolonged impairment in mental or physical functions ([revenuquebec.ca](#))

Credits for caregivers

Tax credits for people who support a spouse, child, parent or other relative with an impairment: the Canada caregiver credit, transfers and medical costs.

Individuals & families · Disability and caregiving · Last reviewed October 10, 2026 · taxfootnote.ca/guides/caregiver-credits/

If you support a family member who has a physical or mental infirmity, the Canada caregiver credit can lower your tax. You may also be able to claim their unused disability amount and the medical expenses you paid for them.

Who you can claim for

You may be able to claim the Canada caregiver credit for:

- your spouse or common-law partner, if they have an infirmity
- your (or your spouse's or partner's) child or grandchild who depends on you because of an infirmity
- your (or your spouse's or partner's) parent, grandparent, brother, sister, aunt, uncle, niece or nephew who depends on you because of an infirmity and lived in Canada at some point in the year

Depending on you means relying on you regularly and consistently for basic needs such as food, shelter and clothing. The dependency has to come from the infirmity, and it has to last a considerable time: a temporary illness or injury doesn't count.

Where the credit goes on your return

The Canada caregiver credit isn't a single line. Where you claim it depends on who you're supporting:

- **Spouse or common-law partner:** an addition to the spouse or common-law partner amount (line 30300), and possibly the caregiver amount on line 30425.
- **An eligible dependant 18 or older** (someone you claim on line 30400): an addition on line 30400, and possibly line 30425.
- **A child under 18:** a set amount on line 30500 for each child whose infirmity means they'll depend on others for a long and indefinite period and who needs much more help with personal care than other children the same age.
- **Other dependants 18 or older** not claimed on line 30300 or 30400: line 30450, for each dependant who qualifies.

How much you can claim depends on who you support, your situation and the dependant's net income; the CRA's [Canada caregiver credit page](#) lists the current figures. Schedule 5 of the federal return works out the claim for every line except line 30500.

If you and someone else both support the same adult dependant, you can split the line 30450 amount, as long as the total isn't more than the maximum for that person. If

you had to pay child support for the dependant, you generally can't claim line 30450 for them. If you're separated from your spouse or partner because your relationship broke down, you can instead choose between this claim and deducting the support payments.

Other provinces and territories offer similar amounts for caregivers and infirm dependants on their own forms, with their own rules and amounts. Quebec has a separate credit (below).

Keep the right paperwork

Don't send documents with your return, but keep them. The CRA may ask for a signed statement from a medical practitioner showing when the infirmity began and how long it's expected to last. You don't need one if the CRA already has an approved disability tax credit certificate (Form T2201) for that person and period.

Transferring a dependant's disability amount

If the person you support is approved for the [disability tax credit](#) (p. 41) and doesn't need all of it to bring their tax to zero, they can transfer the unused part to you. Relatives other than a spouse claim it on line 31800. Generally, you qualify if the dependant lived in Canada at some point in the year, relied on you for some or all of their basic needs, and you claimed (or could have claimed) them on line 30400 or line 30450. A spouse or common-law partner uses line 32600 instead. Supporters can split this amount too, unless one of them has claimed the dependant on line 30400.

Medical expenses you pay for someone else

You can claim eligible medical expenses you paid for:

- yourself, your spouse or partner, and your children under 18, on line 33099
- other dependants on line 33199: your or your spouse's children 18 or older and grandchildren, and parents, grandparents, brothers, sisters, aunts, uncles, nieces and nephews who lived in Canada at some point in the year

For 2025, the federal credit covers expenses above the lesser of 3% of net income and \$2,834. On line 33199, that test uses the dependant's own net income, so it's worked out separately for each person. Our guide to [pooling donations and medical expenses](#) (p. 38) covers how to choose who claims.

In Quebec

Quebec has its own tax credit for caregivers on the provincial return, claimed on Schedule H. If the person you help is 18 or older and has an impairment, you include Quebec's Certificate Respecting an Impairment (TP-752.0.14-V) unless you've sent it before, and a Certificate of Ongoing Assistance if you aren't related. You can ask for advance payments, and caregivers of the same person can split the credit if they meet the time conditions. You can still claim the federal Canada caregiver credit on your federal return.

What to do

1. Work out who you support and which line fits each person.

2. Get the medical paperwork in place, or check that a Form T2201 is already approved.
3. Agree with other family members on who claims what, so the total isn't claimed twice.
4. Fill out Schedule 5 and any provincial or territorial caregiver amount, and add any medical expenses you paid.

Sources

1. Canada caregiver credit (canada.ca)
2. Line 30450 – Canada caregiver amount for other infirm dependants age 18 or older (canada.ca)
3. Line 31800 – Disability amount transferred from a dependant (canada.ca)
4. Lines 33099 and 33199 – Eligible medical expenses you can claim on your tax return (canada.ca)
5. Revenu Québec: How to claim the tax credit for caregivers (revenuquebec.ca)

Government benefits and disability supports: an overview

The main federal payments, tax credits and savings plans for people with disabilities and their families, which are taxable, and why the DTC comes first.

Everyone · Disability and caregiving · Last reviewed October 10, 2026 · taxfootnote.ca/guides/benefits-and-disability/

The federal government supports people with disabilities and their families through regular payments, tax credits and a savings plan. Two things open the door to many of them: approval for the disability tax credit (DTC), and filing a tax return every year.

Start with the DTC and your tax return

Many programs use DTC approval as the entry ticket, including the registered disability savings plan, the Canada workers benefit disability supplement, the child disability benefit and the Canada Disability Benefit. The CRA suggests applying if you think you may be eligible, even if you have no income to report. See [the disability tax credit](#) (p. 41) for how to apply.

Filing matters just as much. The CRA uses your return to work out benefit and credit payments, and they can stop if you don't file, even if you owe no tax or have no income. If you live in Quebec, you also file a provincial return with Revenu Québec. More on this in [why file even with no income](#) (p. 13).

Benefit payments

Child disability benefit. A tax-free monthly payment for families caring for a child under 18 who is eligible for the DTC. You must be eligible for the [Canada child benefit](#) (p. 102); if you already get it, the child disability benefit is added automatically once the child is approved. The amount depends on your adjusted family net income and is recalculated each July. When it starts, the CRA works out payments for the current and two previous benefit years; for years before that, you ask your tax centre in writing.

Canada Disability Benefit. Federal support for people with disabilities aged 18 to 64 who are approved for the DTC. Payments change with your family income. You don't have to reapply each year, but you must keep your DTC approval and file your tax return by April 30 every year to stay eligible. Payments aren't taxable, and no tax slip is issued.

Canada Pension Plan disability benefits. A benefit you may get if you can't work because of a disability. Unlike the two above, it's taxable, so it goes on your return. If you get it and have dependent children under 25, you can apply for the CPP children's benefit too.

Veterans have separate disability benefits through Veterans Affairs Canada, which are tax-free.

Credits and deductions at tax time

These reduce your tax or add to your refund:

- **Disability tax credit:** a non-refundable credit for the person with the impairment, which can be transferred to a supporting family member.
- **Canada workers benefit disability supplement:** an extra amount on top of the Canada workers benefit for low-income workers who are approved for the DTC. It can be paid as part of your refund.
- **Disability supports deduction:** if you have an impairment, you can deduct certain costs you paid so you could work, go to school or do research funded by a grant, such as attendant care or devices and software. Only the person with the disability can claim it. An expense can't be claimed both here and as a medical expense, but you can choose where to claim it or split it between the two. It must be claimed in the year you paid it.
- **Medical expenses and attendant care:** among the most common expenses people with disabilities claim.
- **Home accessibility tax credit:** a non-refundable credit for renovations that make a home more accessible.
- **Multigenerational home renovation tax credit:** a refundable credit toward creating a self-contained secondary unit.
- **Canada caregiver credit:** for the people who support someone with an impairment. See [credits for caregivers](#) (p. 44).

If you, or the relative you buy a home for, are eligible for the DTC, you don't have to be a first-time buyer to claim the home buyers' amount.

Savings plans

The [registered disability savings plan](#) (p. 87) (RDSP) is a long-term savings plan for people approved for the DTC, and the government can add grants and bonds to it. The Home Buyers' Plan lets you withdraw from your RRSPs to buy or build a qualifying home for yourself or for a related person with a disability.

Other help

- **Excise gasoline tax refund:** a refund of part of the federal excise tax on gasoline for people with a permanent mobility impairment who can't safely use public transportation.
- **Provincial and territorial programs:** depending on where you live, you may qualify for provincial or territorial programs too. The CRA runs some of them, such as Newfoundland and Labrador's disability amount and disability benefit.

Which payments are taxable

Payment	Taxable?
Child disability benefit	No
Canada Disability Benefit	No
CPP disability benefits	Yes

Payment	Taxable?
Veterans disability benefits	No

What to do

1. Apply for the DTC if you think you qualify, for yourself or a family member.
2. File a return every year, and make sure your spouse or partner does too.
3. Check each program above, starting with the ones tied to the DTC.

Sources

1. Persons with disabilities, their caregivers, and the CRA (canada.ca)
2. Disability benefits (Government of Canada) (canada.ca)
3. Child disability benefit (CDB) (canada.ca)
4. Canada Disability Benefit: Payments (canada.ca)
5. Line 21500 – Disability supports deduction (canada.ca)

Tuition credits and carry-forwards

How the federal tuition tax credit works, which fees count, and how to transfer unused amounts to a parent or carry them forward to a later year.

Individuals & families · Students and young adults · Last reviewed October 10, 2026 · taxfootnote.ca/guides/tuition-credits/

If you pay tuition to a college, university or other qualifying school, you can claim a federal tax credit for it. The credit reduces your own tax first; what you can't use can go to a parent, grandparent or spouse, up to a limit, or be carried forward to a year when you owe tax.

What the credit is worth

The tuition credit is non-refundable: it can bring your federal tax down to zero, but it can't produce a refund on its own. Most federal non-refundable credits, including this one, are worth the amount you claim times the lowest federal tax rate. That rate was cut on July 1, 2025, so the full-year rate for 2025 is 14.5%. (Guide P105 still gives the rate from before the cut.)

The federal education and textbook amounts ended in 2017, but the tuition credit didn't. Unused education and textbook amounts from before 2017 can still be carried forward and claimed.

Outside Quebec, provinces and territories work out their own non-refundable credits on Form 428, and their values differ from the federal ones. Provincial and territorial tuition amounts aren't available everywhere; your province's tax package shows what you can claim.

Which fees count

Generally, fees for a course you took in the year count if the course was:

- at a post-secondary institution in Canada, or
- at an institution certified by Employment and Social Development Canada, if you were 16 or older at the end of the year and taking it to develop or improve skills in an occupation.

The fees you paid to each institution must be more than \$100 for the year. If you attended two schools, each one's certificate must show more than \$100.

Eligible fees include admission and application fees (the latter only if you then enrol), library and lab charges, exam fees that are part of your program, mandatory computer service fees, academic fees, and charges for a certificate, diploma or degree. Fees for some occupational, trade or professional licensing exams can count too.

You can't claim fees that your employer or a parent's employer paid or reimbursed, or that a government job-training program paid, unless the amount was included in your (or your parent's) income.

Your school gives you a tax certificate, usually Form T2202, Tuition and Enrolment Certificate (some schools outside Canada use a TL11 form), or an official tax receipt showing the eligible fees.

You claim it first

Even if someone else paid your fees, you must claim your tuition on your own return first, using as much as you need to bring your federal tax to zero. Schedule 11 works out that amount, and you file it with your return.

Transferring to a parent, grandparent or spouse

You can transfer up to \$5,000 of the current year's federal tuition amount, minus what you used yourself. It can go to:

- your spouse or common-law partner,
- your parent or grandparent, or
- your spouse's or common-law partner's parent or grandparent.

You can't transfer to any parent or grandparent, yours or your spouse's, if your spouse or common-law partner claims the spouse or common-law partner amount for you, or claims amounts you transferred to them.

To make the transfer, fill out Schedule 11 and the transfer section on the back of your T2202, naming the person. A parent or grandparent claims it on their own return; a spouse or partner uses federal Schedule 2. Only transfer what they can actually use, so the rest stays with you to carry forward. Provincial and territorial amounts can be transferred too, where they're available, with their own limits.

Carrying it forward

Whatever you don't use or transfer this year carries forward, along with unused amounts from earlier years. A few rules matter:

- **You must use it in the first year you owe tax.** You can't save it for a later, higher-income year.
- **Once carried forward, it can't be transferred.** Only the current year's amount can go to someone else.
- **File every year.** The CRA warns that if you miss filing a year between paying the fees and claiming them, the amount won't be carried forward. Filing with Schedule 11, even with no income, keeps your balance on record.

Your notice of assessment shows the unused amount you can claim next year.

If you live in Quebec

Quebec has its own tuition credit, claimed on your Quebec return. It's 8% of the tuition or examination fees paid for 2025, if they total more than \$100 for the year. Unused fees carry forward to future years. You can transfer the unused part of the credit for the current year's fees to your or your spouse's parent or grandparent, but not credit for fees paid in earlier years. Use Schedule T, and file it even in a year you don't claim anything, so the fees you can carry forward are worked out.

What to do

- Get your T2202 (or receipt) from your school for each year you're enrolled.
- File a return every year with Schedule 11, even if you had little or no income.
- Decide on any transfer before you file, and complete the back of the T2202.
- Check your notice of assessment for the amount you're carrying forward.

Sources

1. Eligible tuition fees (canada.ca)
2. Transferring and carrying forward amounts (canada.ca)
3. P105, Students and Income Tax 2025 (canada.ca)
4. Personal income tax: What's new for 2025 (lowest tax rate change) (canada.ca)
5. Line 398 – Tax credit for tuition or examination fees (Revenu Québec) (revenuquebec.ca)

Students: what to file and what you can claim

Why students should file a return, when scholarships are tax-free, and what you can claim for student loan interest, tuition, moving and training.

Individuals & families · Students and young adults · Last reviewed October 10, 2026 · taxfootnote.ca/guides/students-and-taxes/

Most students should file every year, even with little or no income: it can bring a refund and benefit payments, and it records tuition amounts and room for later. Scholarships for full-time studies are often not taxed at all.

Do you have to file?

You must file a return if you owe tax for the year, if you still have Lifelong Learning Plan amounts to repay to your RRSP, if you received advance payments of the Canada workers benefit, or if you have to contribute to the Canada Pension Plan. That can apply when your pensionable employment income plus net self-employment income is more than \$3,500 for 2025.

Even if none of those apply, filing is usually worth it:

- **A refund** of any extra tax taken off your pay.
- **The Canada Groceries and Essentials Benefit** (formerly the GST/HST credit). You generally need to be 19 or older, unless you have a spouse or common-law partner or are a parent living with your child. If you've filed and meet the other conditions, your first payment comes on the first payment date after your 19th birthday.
- **Your tuition record.** Filing with Schedule 11 records unused tuition amounts to transfer or carry forward.
- **Future room.** Reporting income keeps your RRSP deduction limit up to date and can add to your Canada training credit limit.

Without a return, the CRA can't calculate your benefit payments, and they can stop.

Which province's return

Generally, you use the tax package for the province or territory where you lived on December 31. If you're living somewhere else only for school, use your usual province: an Ontario student at school in Alberta files as an Ontario resident. If you lived in Quebec on December 31, you also file a Quebec return with Revenu Québec. For international students, residency status decides how you're taxed.

Scholarships, fellowships and bursaries

Your T4A slip shows the full amount of an award, even when you can exclude all of it. Working out the exemption is up to you:

- **Full-time.** Post-secondary scholarships, fellowships and bursaries aren't taxable if you received them for a program in which you're a full-time qualifying student for

the year before, the year you received it, or the year after. The exemption covers only the part of the award meant to support your enrolment in that program.

- **Part-time.** The exemption is limited to your tuition plus the cost of program-related materials.
- **Anything left over.** Awards these rules don't cover get a basic exemption of up to \$500 in total.

Scholarships and bursaries for elementary and secondary school aren't taxable. Post-doctoral fellowships are. RESP educational assistance payments are taxable income for the student; see [the RESP guide](#) (p. 84).

Student loan interest

You can claim a non-refundable credit for interest paid on a government student loan: one made under the Canada Student Loans Act, the Canada Student Financial Assistance Act, the Apprenticeship Loans Act or a similar provincial or territorial law.

- Only the student borrower can claim it, even if a parent paid.
- Interest on other loans doesn't count, including a student loan you renegotiated with a bank or combined with another loan, and interest owed because of a court judgment for not repaying.
- If you don't owe tax in the year you pay the interest, don't claim it yet: carry it forward to any of the next five years, oldest amounts first. The CRA doesn't track this for you.

Tuition

Eligible fees of more than \$100 per school qualify for the federal tuition credit, using the T2202 your school gives you. You claim what you need on your own return first; you can then transfer part of the current year's amount (up to \$5,000, minus what you used) to a spouse, parent or grandparent, and carry the rest forward. See [tuition credits and carry-forwards](#) (p. 50).

Moving for school or a summer job

If your T2202 shows full-time enrolment and your new home is at least 40 kilometres closer to your school or new job, you may be able to deduct moving expenses. A move for school is deductible only from the taxable part of scholarships, bursaries and research grants; a move for work, including a summer job, from what you earn at the new location. See [deducting moving expenses](#) (p. 249).

If you work

Tips and occasional earnings are taxable. As an employee, you can claim the Canada employment amount: the lesser of \$1,471 and your employment income for 2025.

The Canada training credit

This refundable credit is for people at least 26 and under 66 at the end of the year who were resident in Canada all year. It's the lesser of your training credit limit, shown on your latest notice of assessment, and 50% of eligible tuition and fees paid in Canada

(they must also qualify for the tuition credit). The limit grows by \$250 for each year you file and meet the conditions, up to \$5,000 in a lifetime; any credit you claim reduces it.

What to do

- File every year, even with no income, and keep your T2202 and T4A slips.
- Work out your scholarship exemption yourself, and track student loan interest you carry forward.
- Check your notice of assessment for unused tuition and your training credit limit.

Sources

1. P105, Students and Income Tax 2025 (canada.ca)
2. Students and the CRA (canada.ca)
3. Line 31900 – Interest paid on your student loans (canada.ca)
4. Line 45350 – Canada training credit (canada.ca)
5. Who is eligible – Canada Groceries and Essentials Benefit (canada.ca)

Home buyers' amount and home renovation credits

Federal credits for buying a first home and adapting one: the home buyers' amount, the home accessibility credit and the multigenerational renovation credit.

Individuals & families · Buying or selling a home · Last reviewed October 11, 2026 · taxfootnote.ca/guides/home-buyers-and-renovation-credits/

Three federal tax credits help with buying or adapting a home: the home buyers' amount for your first home, the home accessibility tax credit for renovations that make a home safer or easier to use for a senior or a person with a disability, and the multigenerational home renovation tax credit for building a self-contained unit so a senior or an adult with a disability can live with family. To save for a first home, see [the FHSA and the Home Buyers' Plan](#) (p. 81).

The home buyers' amount

This is a non-refundable credit: it lowers your federal tax, but you get nothing back from it if you owe no tax. You can claim up to \$10,000 for a qualifying home bought in 2025. Like most federal non-refundable credits, the amount you claim is multiplied by the lowest federal tax rate, 14.5% for 2025.

You can generally claim it if all of these apply:

- **You or your spouse or common-law partner acquired a qualifying home.** It must be in Canada and registered in your or your partner's name. Houses, townhouses, mobile homes, condo units and apartments in a duplex, triplex, fourplex or apartment building count, as do some co-op shares that give you ownership of a unit. It can be an existing home or one under construction.
- **You're a first-time buyer.** You didn't live in another home, in Canada or abroad, that you or your partner owned, in the year you bought or any of the four years before.
- **You'll live there.** You must intend that you (or a related person with a disability, if you bought it for them) will live in it as a principal place of residence no later than a year after you buy it.

You don't have to be a first-time buyer if you're eligible for the [disability tax credit](#) (p. 41), or you bought the home for a related person who is, so that person can live in a home that's more accessible or better suited to their needs.

Eligible partners or co-buyers of the same home can split the amount, as long as the total isn't more than the maximum. If only one partner qualifies, only that partner can claim it, and they can claim the full amount.

The home accessibility tax credit

This non-refundable credit is for renovations to a home for a **qualifying individual**: someone who is 65 or older at the end of the year, or eligible for the disability tax

credit at any time in the year. They can claim it themselves, or it can be claimed by their spouse or common-law partner or by certain relatives who claim (or could claim) a dependant, caregiver or disability amount for them.

The renovation must be lasting and become part of the home, and it must either help the person get into the home or be mobile and functional in it, or lower their risk of harm in the home or getting into it. The home must be in Canada, and either owned and lived in by the qualifying individual, or owned by the spouse or relative claiming for them and lived in by both of them.

What you can claim:

- paid work by professionals such as electricians, plumbers, carpenters or architects
- if you do the work yourself, building materials, fixtures, equipment rentals, building plans and permits, but not the value of your own labour or tools
- work by a relative only if they're registered for the GST/HST.

What you can't: routine repairs and maintenance, household appliances, home entertainment electronics, housekeeping, security monitoring, gardening or outdoor maintenance, financing costs, and renovations done mainly to add to or keep up the home's value.

You can claim up to \$20,000 of eligible expenses a year for a qualifying individual. If a home has more than one qualifying individual, the \$20,000 limit is for the home. The claim can be shared among the people entitled to it. If an expense also qualifies as a [medical expense](#) (p. 34), you can claim it for both credits. Government grants and other government assistance don't reduce this credit.

Work out the claim with the chart on the Federal Worksheet. Keep invoices and receipts showing the vendor or contractor (with their GST/HST number, if any), what was bought or done and when, the amount, and proof of payment.

The multigenerational home renovation tax credit

This credit is refundable, so you can get money back even if you owe no tax. It's for creating a **secondary unit**: a self-contained unit with its own private entrance, kitchen, bathroom and sleeping area, newly built or made from space that didn't already qualify as one, and meeting local permits, codes and by-laws. It can be a separate building on the same property.

The unit must let a **qualifying individual** live with a relative. A qualifying individual is 65 or older at the end of the year, or 18 to 64 and eligible for the disability tax credit. The relative must be 18 or older and a parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece or nephew of the qualifying individual or their spouse or partner. Only one renovation can ever be claimed for each qualifying individual.

The person claiming must have been a resident of Canada all year and paid the costs, and must either live in the home (or plan to within 12 months after the work ends) as the qualifying individual, their spouse or partner, or the relative, or own the home and be the relative.

For 2025, the credit is 14.5% of qualifying costs, up to \$50,000 of costs for each qualifying renovation. If eligible family members share the costs, each can claim what they paid, up to \$50,000 combined. Claim it for the year the renovation was finished (for example, when it passed final inspection), even if it started earlier, using Schedule 12.

Routine repairs, appliances, home entertainment electronics, housekeeping and similar services, financing costs and work by a relative who isn't registered for the GST/HST don't qualify, and neither do costs that were reimbursed (including by GST/HST rebates) or that you have no receipts for. You can't claim the same expense for this credit and for the medical expense or home accessibility credit.

GST/HST on a new home

If you buy a newly built or substantially renovated home from a builder, or build or substantially renovate your own, as your or a relative's primary place of residence, you may be able to recover part of the GST or the federal part of the HST with the [GST/HST new housing rebate](#), which you apply for separately. First-time buyers may also qualify for the [first-time home buyers' GST/HST rebate](#).

Quebec residents

Quebec has its own home-buying credits, claimed on your Quebec return with form TP-752.HA-V. You must be resident in Quebec on December 31 of the year you buy.

- **Home buyers' tax credit.** If you or your spouse acquire a qualifying home as your first home, intending to live in it within a year, you can claim up to \$1,400 for a 2026 purchase (\$1,400 for a 2025 one). Eligible co-buyers can split it.
- **Tax credit for access to homeownership.** New for homes acquired in 2026, this refundable credit gives back up to \$5,875 of the municipal transfer duties (the "welcome tax"), which you or your spouse must have paid in full. You may qualify for both credits. If you meet the conditions, you can apply for an advance payment by December 1, 2026, in My Account for individuals or with form TPZ-1029.AP-V.

For a 2026 purchase, a home is your first if neither you nor your spouse owned a home you lived in from January 1, 2022, until you bought it. It needn't be your first if you bought it so a person with a disability (you or someone related to you) can live somewhere more accessible or better suited to their needs.

Buying a new or substantially renovated home? See Revenu Québec's page on the [partial rebate of the GST and QST](#).

What to do

- Buying your first home: claim the home buyers' amount for the year you buy, and agree with any co-buyers how to split it.
- Renovating for a senior or a person with a disability: decide which credit fits the work, and who will claim.
- Keep every contract, invoice and proof of payment. Don't send them with your return, but the CRA may ask to see them.

Sources

1. Line 31270 – Home buyers' amount (canada.ca)
2. Line 31285 – Home accessibility expenses (canada.ca)
3. Multigenerational home renovation tax credit (MHRTC) (canada.ca)
4. MHRTC: Who can claim (canada.ca)
5. MHRTC: Expenses you can claim (canada.ca)
6. MHRTC: How to claim (canada.ca)
7. Personal income tax: What's new for 2025 (lowest tax rate and non-refundable credits) (canada.ca)
8. 5000-R Income Tax and Benefit Return 2025 (Step 5, federal non-refundable tax credits) (canada.ca)
9. GST/HST new housing rebate (canada.ca)
10. First-time home buyers' (FTHB) GST/HST rebate (canada.ca)
11. Home Buyers' Tax Credit – Revenu Québec (revenuquebec.ca)
12. TP-752.HA-V Home Buyers' Tax Credit (2026 version) – Revenu Québec (revenuquebec.ca)
13. TP-752.HA-V Home Buyers' Tax Credit (2025 version) – Revenu Québec (revenuquebec.ca)
14. Who Can Claim the Tax Credit for Access to Homeownership? – Revenu Québec (revenuquebec.ca)
15. Are You Eligible for the Tax Credit for Access to Homeownership? – Revenu Québec (revenuquebec.ca)
16. Amount of the Tax Credit for Access to Homeownership – Revenu Québec (revenuquebec.ca)
17. Advance Payment of the Tax Credit for Access to Homeownership – Revenu Québec (revenuquebec.ca)
18. Introduction of a Refundable Tax Credit for Access to Homeownership (Tax News, April 21, 2026) – Revenu Québec (revenuquebec.ca)
19. GST and QST Rebate for Owners of New or Substantially Renovated Housing – Revenu Québec (revenuquebec.ca)

RRSPs and workplace pensions

This chapter covers RRSPs, spousal RRSPs and workplace pension plans, and how to choose between an RRSP, a TFSA and an FHSA. An RRSP deduction lowers your taxable income, and the tax comes later, when you withdraw or when the plan pays you a retirement income. A workplace pension plan also uses up some of your RRSP room, so it helps to see how the two fit together.

Moves for 2026

1. Check your RRSP deduction limit on your latest notice of assessment or in your CRA account before you make a large contribution. → [RRSPs: how contributions save tax](#), p. 61
2. Contribute now but save the deduction for a later year if you expect to be in a higher bracket then, reporting the contribution on Schedule 7. → [RRSPs: how contributions save tax](#), p. 61
3. Plan spousal RRSP withdrawals for a year when you haven't contributed to your partner's RRSPs that year or in the two years before, or some may be taxed as yours. → [Spousal RRSPs: how they work](#), p. 64
4. When you leave a job, move your pension with direct transfers, and ask your plan administrator whether the money will be locked in. → [Workplace pension plans: RPPs, DPSPs and PRPPs](#), p. 67
5. Compare your tax rate now with the rate you expect when the money comes out: a higher rate now favours the RRSP. → [RRSP, TFSA or FHSA: which first?](#), p. 71

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RRSPs: how contributions save tax

How an RRSP deduction lowers your tax, how your contribution room is set, the yearly deadline, and what happens when you take money out.

Individuals & families · Saving and investing · Last reviewed October 10, 2026 · taxfootnote.ca/guides/rrsp-basics/

An RRSP contribution is deductible: it comes off your income before your tax is worked out, so you pay less tax for the year. The money then grows without tax inside the plan, and you pay tax on it when you take it out.

How the deduction saves you tax

When you put money into a registered retirement savings plan (RRSP), you can deduct the contribution on your return (line 20800). The deduction lowers your taxable income, so the saving depends on the tax rate on your top dollars of income, federal and provincial combined. The higher your bracket, the more each dollar you deduct is worth.

Interest, dividends and capital gains earned inside the plan generally aren't taxed while the money stays there. Tax comes later, when you withdraw or when the plan starts paying you a retirement income.

To see what a contribution would save you, try the [income tax and RRSP savings calculator](#)¹, or find your bracket in the [income tax brackets](#)² table.

How much you can contribute

Your RRSP deduction limit for a year is, in general:

- 18% of your earned income from the previous year, up to that year's dollar limit (\$32,490 for 2025 and \$33,810 for 2026)
- minus your pension adjustment, if you belong to a workplace registered pension plan or deferred profit sharing plan (it's in box 52 of your T4 slip)
- plus any room you didn't use in earlier years.

Earned income is mostly employment and self-employment income, less certain employment expenses and business or rental losses. Unused room carries forward with no time limit.

You don't have to calculate it yourself. The CRA shows your limit on your latest notice of assessment and in your CRA account. Room is built from the income on your returns, so file every year, even a year with little income, to keep your limit up to date.

The yearly limits are also in our [registered plan limits](#)³ table.

¹taxfootnote.ca/calculators/income-tax/

²taxfootnote.ca/rates/income-tax-brackets/

³taxfootnote.ca/rates/registered-plans/

The deadline

To deduct a contribution for a year, you have to make it by a deadline early the following year. For your 2025 return, contributions made from March 4, 2025 to March 2, 2026 qualified.

You can contribute to your own RRSP until December 31 of the year you turn 71. By then you have to wind the plan up: transfer it to a RRIF, buy an annuity or withdraw it. See [Converting your RRSP to a RRIF](#) (p. 312).

You don't have to deduct it right away

You can contribute now and claim the deduction in a later year, when you may be in a higher tax bracket and the deduction is worth more. Report the contribution on Schedule 7 so the CRA tracks it as an unused contribution.

Going over your limit

If your unused contributions are more than your deduction limit plus \$2,000, you generally pay a tax of 1% a month on the excess. Check your limit before a large contribution.

Taking money out

A withdrawal is added to your income for the year it comes out (line 12900). Your financial institution withholds tax at source, at rates that depend on how much you take out and where you live (lower rates apply in Quebec, where provincial tax is also withheld). The withholding may not cover all the tax you owe at your bracket, so you could owe more when you file.

Two programs let you take money out without tax withheld and without it counting as income: the Home Buyers' Plan, toward buying a home (see [FHSA and the Home Buyers' Plan](#) (p. 81)), and the Lifelong Learning Plan, toward training or education for you or your spouse or common-law partner. You have to pay the money back to your RRSP on a set schedule; any required repayment you miss is added to your income.

Spousal RRSPs

You can contribute to an RRSP for your spouse or common-law partner. The contribution uses your deduction limit and you claim the deduction, but your spouse is the plan's owner (the annuitant), and generally only they can withdraw from it.

There's a catch if they withdraw it soon after. If you contributed to any spousal RRSP for them in the year of the withdrawal or either of the two years before, some or all of the withdrawal may be taxed as your income instead of theirs. The CRA's tip: don't have your spouse withdraw in a year when you've contributed to their RRSPs that year or in the two years before.

In short

- An RRSP deduction lowers your taxable income, so it saves the most when your tax rate is high.

- Your room is 18% of last year's earned income, up to the dollar limit, less any pension adjustment, plus unused room. Your notice of assessment shows it.
- Contribute by the deadline early the next year (March 2, 2026 for 2025) to deduct for that year, or keep the deduction for later.
- Withdrawals are taxed as income, and the tax withheld at source may not be enough.
- To compare the RRSP with a TFSA or FHSA, see [RRSP, TFSA or FHSA: which first?](#) (p. 71)

Sources

1. How contributions affect your RRSP deduction limit ([canada.ca](#))
2. Guide T4040, RRSPs and Other Registered Plans for Retirement ([canada.ca](#))
3. Tax rates on withdrawals ([canada.ca](#))
4. Home Buyers' Plan & Lifelong Learning Plan withdrawals ([canada.ca](#))
5. Withdrawing from spousal or common-law partner RRSPs ([canada.ca](#))

Spousal RRSPs: how they work

How an RRSP for your spouse or partner works: who gets the deduction, the three-year rule on withdrawals, RRIFs, and where it fits with pension splitting.

Individuals & families · Saving and investing · Last reviewed October 11, 2026 · taxfootnote.ca/guides/spousal-rrsp/

A spousal or common-law partner RRSP is an RRSP that belongs to your partner but that you pay into. You get the tax deduction; your partner owns the savings and, once a waiting period has passed, withdrawals are taxed as their income. For a couple, it's a way to build retirement savings in two names instead of one.

How it works

- **You contribute, your partner owns it.** Your partner is the plan's annuitant, the person it will pay retirement income to. Generally, only the annuitant can withdraw from an RRSP.
- **You claim the deduction.** The receipt shows you as the contributor and your partner as the annuitant, and you deduct the contribution on your own return, the same way as for your own RRSP. See [RRSP basics](#) (p. 61) for how the deduction saves tax.
- **The label sticks.** Any of your partner's RRSPs that you contributed to is a spousal RRSP. So is an RRSP that received money from a spousal RRSP, and a RRIF that received money from one.

The contribution room is yours

What you put into your own RRSPs and into spousal RRSPs shares one limit: your RRSP deduction limit, shown on your notice of assessment. A spousal RRSP doesn't give you extra room.

Age works differently, though. You can contribute to a spousal RRSP until the end of the year your partner turns 71, even if you're older and can no longer pay into your own RRSP. Your deduction is still limited to your available room.

If you die, your legal representative can contribute to your surviving partner's RRSP in the year of death or the first 60 days of the following year, and claim the deduction on your final return, up to your deduction limit for that year.

The three-year rule on withdrawals

If your partner takes money out of a spousal RRSP, and you contributed to any spousal RRSP for them in the year of the withdrawal or either of the two years before, some or all of the withdrawal is taxed as **your** income instead of theirs.

As the CRA's worked example in Guide T4040 shows, the amount taxed to you is generally the lesser of:

- what you contributed to all spousal RRSPs for your partner in those three years, and
- what your partner withdrew.

For example, for a withdrawal in 2025, contributions you made in 2023, 2024 and 2025 count. The CRA's advice: if you don't want any of a withdrawal taxed to you, don't contribute to any of your partner's RRSPs in the year they withdraw or in the two years before.

Your partner works out how much each of you reports on Form T2205. The tax slip is usually in your partner's name, and whoever the slip is issued to claims the tax that was withheld, but each of you reports income according to the form.

The rule doesn't apply if, at the time of the withdrawal, you were living apart because your relationship had broken down, or either of you wasn't a resident of Canada. It also doesn't apply if the contributor dies in the year of the withdrawal, to amounts your partner is treated as receiving because they died, or to some direct transfers to another registered plan or annuity.

Two more things to watch. A transfer from a spousal RRSP to your partner's first home savings account that's treated as a taxable withdrawal can fall under the same rule. And if your partner takes money out under the Home Buyers' Plan or the Lifelong Learning Plan, you may not be able to deduct contributions you made to their spousal RRSP in the 89 days before.

When it becomes a RRIF

An RRSP generally has to mature by the end of the year the owner turns 71, when the money is withdrawn, moved to a RRIF or used to buy an annuity; see [converting your RRSP to a RRIF](#) (p. 312). A RRIF that receives money from a spousal RRSP is a spousal RRIF.

Your partner must take at least a yearly minimum from a RRIF, starting the year after it's set up. Only amounts **above** that minimum can be taxed back to you under the three-year rule. The minimum is your partner's income.

Does it still help with pension income splitting?

Couples can also jointly elect to move up to half of one partner's eligible pension income to the other's return, which does some of the same job. See [pension income splitting](#) (p. 108). But splitting has limits that a spousal RRSP doesn't:

- **Age.** RRIF payments and RRSP annuity payments count as eligible pension income only if the person receiving them is 65 or older at the end of the year (or received them because their spouse died). Withdrawals from a spousal RRSP, once you're past the three-year window, are taxed to your partner whatever their age, which can matter if you retire before 65.
- **Lump sums.** Ordinary RRSP withdrawals aren't eligible pension income at any age, so they can't be split on your returns.
- **Half at most.** You can allocate up to 50% of eligible pension income. Withdrawals from a spousal RRSP outside the three-year window are taxed entirely to your partner.

The two aren't either-or. Each of you is taxed separately, at [rates that rise with income](#)¹, and both are ways to even out your incomes. Like splitting, a spousal RRSP moves income onto your partner's return, so both change each partner's net income. That affects amounts based on one person's income, such as the age amount and the Old Age Security repayment.

Quebec residents

Your Quebec return has its own version of the withdrawal rule. Revenu Québec's current instructions say that if your spouse contributed to your RRSPs after 2022, they may have to include all or part of what you received from your RRSPs in their income. Use Revenu Québec's form TP-931.1-V, Amounts from a Spousal RRSP or RRIF, to work out the amount each of you must include in income on your Quebec returns. If you were separated because your relationship had broken down when the money was withdrawn, you report the full amount yourself.

What to do

1. Check your RRSP deduction limit before contributing; spousal contributions use your room.
2. Keep track of the years you contribute, and plan withdrawals for a year when you haven't contributed for three calendar years: that year and the two before.
3. If your partner withdraws within that window, have them complete Form T2205 so each of you reports the right amount.
4. Once RRIF payments start, remember the minimum is always taxed to your partner, but amounts above it can be taxed to you if you contributed recently. Our [RRSP and RRIF withdrawals calculator](#)² shows the tax on a withdrawal.

Sources

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¹[taxfootnote.ca/rates/income-tax-brackets/](#)

²[taxfootnote.ca/calculators/rrsp-rrif-withdrawals/](#)

Workplace pension plans: RPPs, DPSPs and PRPPs

How workplace pension and profit-sharing plans work, how a pension adjustment cuts your RRSP room, and what happens to your pension when you leave a job.

Individuals & families · Retiring · Last reviewed October 11, 2026 · taxfootnote.ca/guides/workplace-pension-plans/

Many employers help you save for retirement through a workplace plan: a registered pension plan (RPP), a deferred profit-sharing plan (DPSP) or a pooled registered pension plan (PRPP). Each generally shelters savings from tax until the money is paid out, and each uses up some of your RRSP room.

Registered pension plans

An RPP is set up by an employer or a union to pay retired employees a pension in regular payments. The Income Tax Act allows deductions for both your contributions and your employer's, and contributions and investment earnings aren't taxed until the pension starts being paid.

There are two basic designs, and some plans combine them:

- **Defined benefit.** The plan promises a set pension worked out by a formula, not by how much was contributed: for example, a percentage of your average earnings times your years of service, or a flat dollar amount for each year of service.
- **Defined contribution** (also called money purchase). Your employer's contributions, and yours if the plan requires or allows them, go into an account in your name. Your pension depends on what's in the account: contributions plus investment earnings.

Your contributions for the year, including any past-service contributions for 1990 or later, are shown in box 20 of your T4 slip. You deduct them on line 20700 of that year's return and can't deduct them in any other year. Past-service contributions for 1989 or earlier follow different rules, set out in the CRA's Guide T4040.

Deferred profit-sharing plans

A DPSP is a plan registered by the CRA in which an employer shares business profits with all its employees or a chosen group. Only the employer pays in: members can't contribute, although money can be transferred directly from one DPSP to another. The trust that holds the plan is generally exempt from tax, and what you receive from it is taxable income.

Amounts allocated to you must belong to you outright (vest) by the later of when they're allocated and when you've been in the plan for 24 consecutive months. Vested amounts must become payable to you no later than 90 days after you stop working for the employer (or the plan ends), and no later than the end of the year you turn 71. If the plan allows, you can take them in instalments or use them to buy an annuity instead

of a single payment. A lump sum from a DPSP can be transferred directly to an RPP, an RRSP, a RRIF, a PRPP or another DPSP without being taxed at the time.

Pooled registered pension plans

A PRPP is a pooled retirement plan designed for employees and self-employed people who don't have a workplace pension, and it moves with you from job to job. You can join one if you work (or are self-employed) in Yukon, the Northwest Territories or Nunavut, work for a federally regulated employer that offers one, or live in a province with the required legislation. Your employer can enrol you, or you can go to a PRPP administrator yourself.

- **Contributions** from you and your employer together are limited by your RRSP deduction limit.
- **You deduct only your own contributions.** Your employer's contributions aren't included in your income and aren't deductible; you report them on line 20810.
- **You can't contribute to a spouse's PRPP**, unlike an RRSP.
- **The money is generally locked in.** The CRA notes that, under the federal Pooled Registered Pension Plans Act, PRPP funds generally can't be withdrawn before you retire from employment, and you can't withdraw them for the Home Buyers' Plan or Lifelong Learning Plan.

In Quebec: voluntary retirement savings plans

Quebec has voluntary retirement savings plans (VRSPs), registered with Retraite Québec, for workers whose employer doesn't offer a group retirement savings plan. If your employer offers a VRSP and you're eligible (18 or older, with one year of uninterrupted service), you're enrolled unless you tell your employer you're opting out within 60 days after the plan administrator sends you the statement of participation. Contributions are deductible and benefits are taxable. You can withdraw your own contributions (they're taxed when you do), but your employer's contributions are locked in and can't be withdrawn before you turn 55.

How a workplace plan cuts your RRSP room

Your RRSP deduction limit for a year is generally the lesser of 18% of the previous year's earned income and the annual dollar limit (\$32,490 for 2025, \$33,810 for 2026), minus your **pension adjustment** from the year before, plus any unused room. Three amounts link your workplace plan to that limit:

- **Pension adjustment (PA).** A measure of the value of the benefits you built up in the year under an RPP or DPSP, shown in box 52 of your T4 (or box 034 of a T4A). In a defined contribution plan, it's generally the contributions you and your employer made for the year. In a defined benefit plan, it's based on the pension you earned that year under the plan's formula. Your employer usually has to report it even if the benefit hasn't vested. It doesn't change your income, but it reduces your RRSP limit for the next year.
- **Pension adjustment reversal (PAR).** If you leave an RPP or DPSP and what you take away is worth less than the PAs and PSPAs reported for you, your plan reports a PAR

on a T10 slip, and the CRA adds it back to your RRSP limit for that year. In a DPSP or defined contribution plan, this happens only if you weren't fully vested when you left. You don't report it on your return.

- **Past service pension adjustment (PSPA).** If a defined benefit plan improves your benefits for past years (after 1989), or you buy back past service, a PSPA reduces your RRSP limit. For a buyback, the CRA usually has to certify the PSPA before you're entitled to the benefits, and the Income Tax Act limits what it can certify. If yours is over the limit, the options the CRA lists include withdrawing money from your RRSP (and including it in your income) to get it certified, buying only as much service as your unused RRSP room plus an allowance for a shortfall would cover, or waiting until you have more room. Your plan may let you pay for a buyback with a direct transfer from your RRSP or certain other plans, which reduces the PSPA.

For how RRSP room works in general, see [RRSPs: how contributions save tax](#) (p. 61).

When you leave a job

- **RPP lump sums.** In most cases, if you transfer a lump sum from your pension directly to another RPP, an RRSP, a RRIF or a PRPP, none of it is taxed at the time and you don't deduct it. For a defined benefit pension, the law limits how much can be moved tax-free to an RRSP, RRIF, PRPP or money purchase plan. Any excess is income, shown on your T4A, but it's treated as an RRSP contribution: you can deduct it up to your RRSP deduction limit and carry forward what you can't, though the tax on excess RRSP contributions may apply while it stays in the plan.
- **Locked-in money.** Pension money transferred from an RPP may be held in a locked-in RRSP, which some provinces call a locked-in retirement account (LIRA). You generally can't withdraw from it: it's kept to buy a life annuity at retirement or, where provincial pension law allows, moved to a locked-in RRIF such as a life income fund (LIF). Rules vary by province, but the exceptions that may allow earlier access generally include a shortened life expectancy, unemployment or low income, becoming a non-resident, or a small balance. LIRAs and locked-in RRIFs are taxed like regular RRSPs and RRIFs.
- **DPSPs:** vested amounts become payable within 90 days of leaving, and a lump sum can be transferred directly. **PRPPs** stay with you.

Your employer or plan administrator can explain your options, including whether the money will be locked in. If your employer pays you severance, see [losing your job](#) (p. 207).

When your pension starts

Pension payments are income on your return for the year you receive them, usually reported on a T4A slip. A lifetime pension from an RPP qualifies at any age for the federal pension income amount, a credit on up to \$2,000 of eligible pension income, and for pension income splitting with your spouse or partner if you meet the conditions. PRPP payments qualify for both only from 65, or earlier if you receive them because your spouse or partner died. See [pension income splitting](#) (p. 108) and [converting your RRSP to a RRIF](#) (p. 312).

What to do

1. Check your RRSP limit on your latest notice of assessment before contributing; it already reflects your pension adjustment. If a PAR or a certified PSPA changes it later, the CRA usually sends you a revised limit.
2. Before buying back past service, ask your administrator for the PSPA and compare it with your unused RRSP room.
3. When you leave a job, use direct transfers and ask whether the money will be locked in.
4. If you leave a plan, especially before you were fully vested, watch for a T10 slip: a PAR on it restores RRSP room.

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8. Line 11500 – Other pensions and superannuation (canada.ca)
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11. Voluntary Retirement Savings Plans (VRSPs) (Retraite Québec) (retraitequebec.gouv.qc.ca)

RRSP, TFSA or FHSA: which first?

How the three plans are taxed going in and coming out, how much room each gives you, and what to weigh in deciding where your next dollar of savings goes.

Individuals & families · Saving and investing · Last reviewed October 10, 2026 · taxfootnote.ca/guides/rrsp-tfsa-fhsa-which-first/

If you may buy a first home, the FHSA stands out: it gives you a deduction going in and tax-free money coming out for a qualifying home. Between an RRSP and a TFSA, the trade-off mostly comes down to your tax rate now compared with later, and whether you might need the money before you retire.

How each plan is taxed

Plan	Going in	Coming out
RRSP	Deductible	Taxed as income
TFSA	Not deductible	Tax-free
FHSA	Deductible	Tax-free for a qualifying first home; other withdrawals taxed as income

Investment income earned inside any of the three generally isn’t taxed while it stays in the account. The difference is what happens at each end.

How much room you get

- **RRSP:** 18% of the previous year’s earned income, up to \$32,490 for 2025, less any pension adjustment from a workplace plan, plus unused room from earlier years.
- **TFSA:** new room each year at the annual dollar limit (\$7,000 for 2025 and \$7,000 for 2026), starting the year you turn 18 if you’re a resident of Canada. Unused room carries forward, and anything you withdraw is added back to your room on January 1 of the next year.
- **FHSA:** \$8,000 a year, starting the year you open your first FHSA, up to \$40,000 over your lifetime. Unused room carries forward, but only up to \$8,000, and no room builds up before you open an account.

Every year’s limits are in our [registered plan limits¹](#) table.

The FHSA, if you may buy a first home

You can open an FHSA if you’re a resident of Canada, are at least 18 (19 where that’s the legal age to enter a contract), are no older than 71 at the end of the year, and are a first-time home buyer. For opening an account, that means that in this calendar year and the previous four, you didn’t live, as your main home, in a home that you or your current spouse or common-law partner owned.

The FHSA combines features of the other two. Contributions are deductible, like an RRSP. A qualifying withdrawal to buy or build your first home is tax-free and doesn’t

¹taxfootnote.ca/rates/registered-plans/

have to be paid back, like a TFSA. You can also withdraw from your RRSP under the Home Buyers' Plan for the same home, as long as you meet the conditions of each.

If you don't end up buying, the money isn't stranded: as long as you haven't over-contributed, you can transfer it directly to your RRSP or RRIF with no immediate tax, and a direct transfer generally doesn't use up your RRSP room. Because no FHSA room builds up until you open an account, opening one sooner starts your room growing, even if you can't contribute much yet. The trade-off is that an FHSA can only stay open for a limited time (at most 15 years). See [FHSA and the Home Buyers' Plan](#) (p. 81) for the details.

An RRSP when your tax rate is high now

An RRSP deduction saves tax at your current rate, and withdrawals are taxed at whatever your rate is when the money comes out. So the RRSP tends to work best when you're in a higher bracket now than you expect to be in retirement.

If your income is low this year but likely to rise, you can still contribute now and deduct the contribution in a later year, when it's worth more. The [income tax and RRSP savings calculator](#)² shows what a deduction would save at your income. More in [RRSPs: how contributions save tax](#) (p. 61).

A TFSA when your rate is low, or you may need the money

TFSA contributions don't reduce your tax, but everything that comes out is tax-free, and you can withdraw at any time for any reason. Income earned in a TFSA, and withdrawals from it, don't affect federal income-tested benefits and credits such as Old Age Security, the Guaranteed Income Supplement, the Canada child benefit or the GST credit. RRSP withdrawals, by contrast, are taxable income.

That can make the TFSA the better fit when:

- your income is low, so an RRSP deduction wouldn't save much
- you're saving for something before retirement, or keeping an emergency fund
- you expect income-tested benefits to matter to you in retirement.

One caution: if you take money out, don't put it back in the same year unless you have unused room. An over-contribution is taxed at 1% a month for as long as it stays in. More in [Your TFSA: how it works](#) (p. 78).

Weighing it up

- **A first home on the horizon?** If you qualify, the FHSA gives you both a deduction and a tax-free qualifying withdrawal, and its room only starts building once you open one.
- **Tax rate now versus later.** A higher rate now than you expect when the money comes out favours the RRSP; a lower rate now, or a need for flexibility, favours the TFSA.

²taxfootnote.ca/calculators/income-tax/

- **Check your room first.** Your CRA account shows your room for each plan; compare it with your own records of this year's contributions and withdrawals before you contribute.

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6. Guide T4040, RRSPs and Other Registered Plans for Retirement (canada.ca)

TFSAs, FHSAs, RESPs and RDSPs

This chapter covers the TFSA, the FHSA for a first home, the RESP for a child’s education after high school and the RDSP for someone approved for the disability tax credit. All of them let investments grow without tax each year, but they differ on whether you get a deduction going in and whether money is taxed coming out. RESPs and RDSPs can also receive government grants and bonds.

Moves for 2026

1. Wait until January 1 of the next year to put back a TFSA withdrawal, unless you have unused room to cover it; otherwise the re-contribution is an excess. → [Your TFSA: how it works](#), p. 78
2. Open an FHSA early if you qualify and may buy a first home: your room only starts building once you open one, even if you don’t contribute yet. → [FHSA and the Home Buyers’ Plan](#), p. 81
3. Start RESP contributions before the end of the year your child turns 15: grants at 16 and 17 depend on what the plan received by then. → [Saving for school with an RESP](#), p. 84
4. Make sure an RDSP beneficiary, and a child beneficiary’s parents, file a return every year to get the most from the grant and bond. → [RDSP basics](#), p. 87
5. Compare the room your CRA account shows for each plan with your own record of this year’s contributions and withdrawals before you contribute. → [RRSP, TFSA or FHSA: which first?](#), p. 71

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Registered savings plans compared (RRSP, TFSA, FHSA, RESP, RDSP)

How Canada's five main registered plans differ on tax: whether contributions are deductible, and what's taxed when the money comes out.

Everyone · Planning · Last reviewed October 10, 2026 · taxfootnote.ca/guides/registered-savings-plans/

Canada's five main registered plans all let investments grow without tax each year, but they answer two questions differently: do you get a deduction when you put money in, and is the money taxed when it comes out? The answers decide which plan suits which goal.

At a glance

Plan	Contributions	Money coming out
RRSP	Deductible, up to your deduction limit	Taxable when paid to you
TFSA	Not deductible	Tax-free, growth included
FHSA	Generally deductible	Tax-free when used to buy a qualifying first home
RESP	Not deductible	Contributions come back tax-free; investment income paid to the student is taxed to the student
RDSP	Not deductible	Contributions aren't taxed; grants, bonds and investment income are taxed to the beneficiary

RRSP: registered retirement savings plan

You deduct your RRSP contributions, which lowers your tax for the year. Income earned in the plan usually isn't taxed while it stays there, and you generally pay tax when you receive payments from the plan.

Your deduction limit is generally 18% of your previous year's earned income, up to the annual dollar limit (\$32,490 for 2025), less any pension adjustment, plus unused room from earlier years. You can contribute to your own RRSP until December 31 of the year you turn 71, and you can also contribute to a spouse's or common-law partner's RRSP. Contributions made from March 4, 2025, to March 2, 2026, count for your 2025 return. Interest on money you borrow to contribute isn't deductible. More in [RRSPs: how contributions save tax](#) (p. 61).

TFSA: tax-free savings account

TFSA contributions aren't deductible. In return, interest, dividends and capital gains earned in the account are generally tax-free, even when you withdraw them. You can take money out at any time for any reason.

Room builds from the year you're 18 and resident in Canada, at the annual dollar limit (\$7,000 for 2025), and unused room carries forward. A withdrawal is added back to

your room on January 1 of the following year. Contributing more than your room costs 1% of the excess for each month it stays in the account.

The CRA says TFSA income and withdrawals don't affect your eligibility for federal income-tested benefits and credits, such as Old Age Security, the Guaranteed Income Supplement and the Canada child benefit. More in [Your TFSA: how it works](#) (p. 78).

FHSA: first home savings account

The FHSA is for first-time home buyers saving to buy or build a qualifying first home. Contributions are generally deductible, like an RRSP's, and a qualifying withdrawal to buy your first home is tax-free, like a TFSA's. Your participation room in the year you open your first FHSA is \$8,000, and other limits apply. Transfers from your RRSP into an FHSA are allowed but aren't deductible. More in [FHSA and the Home Buyers' Plan](#) (p. 81).

RESP: registered education savings plan

A subscriber opens an RESP for one or more beneficiaries and makes contributions. They aren't deductible. Government grants, such as the Canada Education Savings Grant and the Canada Learning Bond, can be paid into the plan, and income earned in the plan isn't taxed while it stays there.

When the student goes on to post-secondary education, the income earned is paid out as educational assistance payments, which the student reports as income. Contributions can be returned tax-free. The Income Tax Act sets a lifetime limit on contributions for each beneficiary. More in [Saving for school with an RESP](#) (p. 84).

RDSP: registered disability savings plan

An RDSP helps a person who is approved for the disability tax credit save for the long term. Contributions aren't deductible and can be made until the end of the year the beneficiary turns 59. When money is paid out, the contributions aren't taxed, but the Canada disability savings grant, the Canada disability savings bond and the investment income earned in the plan are included in the beneficiary's income. More in [RDSP basics](#) (p. 87).

Choosing between them

The plans aren't either-or, and the right mix depends on your income now, your income later and what you're saving for:

- A deduction (RRSP, FHSA) is worth more when your current tax rate is high.
- Tax-free withdrawals (TFSA, FHSA for a first home) mean the money you take out doesn't add to your income.
- RESPs and RDSPs can also receive government grants and bonds, paid into the plan.

For a closer comparison of the three plans most people use, see [RRSP, TFSA or FHSA: which first?](#) (p. 71) Current limits are in the [registered plans table](#)¹.

¹taxfootnote.ca/rates/registered-plans/

Sources

1. Registered Retirement Savings Plan (RRSP) (canada.ca)
2. How contributions affect your RRSP deduction limit (canada.ca)
3. What is a TFSA (canada.ca)
4. Before you contribute to a TFSA (canada.ca)
5. First Home Savings Account (FHSA) (canada.ca)
6. How a Registered Education Savings Plan works (canada.ca)
7. Registered disability savings plan rules (canada.ca)

Your TFSA: how it works

How a tax-free savings account works: who can open one, how contribution room builds up, what happens when you withdraw, and how to avoid the excess tax.

Individuals & families · Saving and investing · Last reviewed October 10, 2026 · taxfootnote.ca/guides/tfsa-basics/

A tax-free savings account (TFSA) lets you save or invest, and the interest, dividends and capital gains it earns are generally tax-free, even when you take them out. Unlike an RRSP, you don't get a deduction for putting money in.

Who can open one

You can open a TFSA if you're a resident of Canada for tax purposes, 18 or older and have a valid social insurance number. You don't need earned income. In provinces and territories where you must be 19 to sign a contract, you can open one at 19 and still use the room from the year you turned 18.

Banks, credit unions, insurance companies and trust companies offer TFSAs. One can be a simple deposit account or GIC, an annuity contract, or a trust account holding investments such as mutual funds or shares, including a self-directed account where you choose the investments.

How contribution room builds up

Every year the government sets a TFSA dollar limit, the same for everyone, and adds it to your room on January 1. The limit is \$7,000 for 2025 and \$7,000 for 2026; the [registered plan limits table](#)¹ shows both.

- **Room starts at 18.** If you're a resident of Canada, you start building room in the year you turn 18, whether or not you open an account.
- **Unused room carries forward.** You can contribute more than one year's limit only if you have room left from earlier years.
- **New residents** start building room in the year they become residents. They don't get room for years they lived elsewhere.
- **One limit for all your TFSAs.** If you have several accounts, the room is shared among them.

Your room for the year works out as:

1. this year's dollar limit,
2. plus unused room from previous years,
3. plus anything you withdrew last year,
4. minus what you've already contributed this year.

Changes in the value of your investments don't affect your room, and neither do account fees. A gain doesn't use up room, and a loss doesn't give you more.

¹taxfootnote.ca/rates/registered-plans/

Taking money out

You can withdraw at any time, for any reason, without tax. The amount you take out is added back to your room on January 1 of the next year, not right away. This catches people out: if you withdraw and put the money back in the same year without unused room to cover it, the re-contribution is an excess.

Income earned in a TFSA, and money you withdraw, don't affect federal income-tested benefits and credits such as Old Age Security, the Guaranteed Income Supplement, Employment Insurance, the Canada child benefit, the Canada workers benefit and the GST credit.

The tax on over-contributing

Any amount above your available room is taxed at 1% a month for as long as it stays in the account. If you over-contribute, withdraw the excess as soon as you can rather than waiting to hear from the CRA, and file a TFSA Return to report it.

Don't rely only on the room figure in your CRA account. It's updated once a year, in the spring, after your TFSA issuers report the previous year's transactions (they have until the end of February). Keep your own record of contributions and withdrawals across all your accounts.

What you can hold

TFSA investments are generally the same kinds allowed in an RRSP: cash, GICs, bonds, mutual funds, securities listed on a designated stock exchange, and certain shares of small business corporations. Non-qualified or prohibited investments are taxed. If you trade so often and so expertly that it looks like a business, the CRA may deregister the account and tax the income as business income.

A few moves to be careful with:

- **Moving investments in kind.** Shares or funds you transfer in from a regular account are treated as sold at fair market value. A gain is taxable; a loss can't be claimed. The contribution counts at that value.
- **Moving RRSP investments.** A transfer from your RRSP is a taxable RRSP withdrawal, not a tax-free move.
- **Leaving Canada.** You can keep your TFSA if you become a non-resident, but contributions you make while non-resident are taxed at 1% for each month they stay in the account.

In short

- Contributions aren't deductible, but growth and withdrawals are tax-free and don't affect federal benefits.
- Room builds every year from the year you turn 18, and unused room carries forward.
- Withdrawals come back as room on January 1 of the next year, not right away.
- Track your own contributions; the excess tax is 1% a month.

Deciding where to put your savings first? See [RRSP, TFSA or FHSA: which first?](#) (p. 71)

Sources

1. What is a TFSA (canada.ca)
2. Opening a TFSA (canada.ca)
3. Before you contribute to a TFSA (canada.ca)
4. Calculate your TFSA contribution room (canada.ca)
5. If you over-contribute to a TFSA (canada.ca)

FHSA and the Home Buyers' Plan

Two ways to use registered savings for a first home: the first home savings account, and borrowing from your RRSP under the Home Buyers' Plan.

Individuals & families · Buying or selling a home · Last reviewed October 10, 2026 · taxfootnote.ca/guides/fhsa-and-home-buyers-plan/

First-time buyers have two registered-savings tools. A first home savings account (FHSA) gives you a tax deduction going in and a tax-free withdrawal for your home, with nothing to pay back. The Home Buyers' Plan (HBP) lets you take money out of your own RRSP and pay it back within 15 years. You can use both for the same home if you meet the conditions for each.

The FHSA

Who can open one

To open an FHSA, you must be at least 18 (19 where that's the legal age for signing a contract), no older than 71 at the end of the year you open it, a resident of Canada, and a first-time home buyer. For opening an FHSA, that means that in that year and the previous four calendar years, you didn't live, as your main home, in a home owned by you or by your current spouse or common-law partner.

File Schedule 15 with your return for the year you open your first one, even if you put nothing in.

How much you can contribute

- Your participation room is \$8,000 in the year you open your first FHSA. Room doesn't build up before then, so opening an account early, even without contributing, starts your room growing.
- Unused room carries forward to the next year, but the carry-forward is capped at \$8,000.
- The lifetime limit is \$40,000.
- Room covers all your FHSAs combined, and transfers from your RRSP use it up just like contributions. Investment income earned inside doesn't.

If you put in more than your room, a tax applies for each month the excess stays in the account.

Using it to buy a home

A qualifying withdrawal is tax-free and never has to be repaid, and you can take out everything in the account. At the time of the withdrawal:

- You must be a first-time home buyer for withdrawal purposes: you didn't live in a home you owned as your main home in the previous four calendar years, or earlier in the current year (other than the 30 days just before the withdrawal). A home owned only by your spouse doesn't count against you at this stage.
- You need a written agreement to buy or build a qualifying home in Canada, to be acquired or completed before October 1 of the year after the withdrawal.

- You can't have acquired the home more than 30 days before the withdrawal.
- You must stay a resident of Canada until you acquire the home, and intend to live in it as your main home within a year of buying or building it.
- You give your FHSA issuer Form RC725.

If you don't buy

If you have no excess FHSA amount, you can transfer the money directly to your RRSP or RRIF with no immediate tax and without using RRSP room. Taking it out instead is a taxable withdrawal. An FHSA can't stay open forever: it has a maximum participation period of up to 15 years from when you open your first one, so plan to use or move the money before then.

The Home Buyers' Plan

The HBP lets you withdraw from your RRSPs to buy or build a qualifying home for yourself or a specified disabled person. No tax is withheld on HBP withdrawals up to the program's maximum, listed on the CRA's [Home Buyers' Plan](#) page.

The main conditions:

- You're a first-time home buyer: the same four-year test as for an FHSA withdrawal, except that a home owned by your current spouse or common-law partner also counts. There are exceptions for a person with a disability and after a relationship breakdown.
- You have a written agreement to buy or build a qualifying home (a mortgage pre-approval isn't enough), acquired or built before October 1 of the year after your first withdrawal.
- You're a resident of Canada and intend to live in the home as your main home within a year.

Fill out Form T1036 for each withdrawal. All withdrawals must be made in the calendar year of the first one or in January of the next year. RRSP contributions made in the 89 days before a withdrawal may not be deductible.

Paying it back

You have up to 15 years to repay. Under the regular rule, repayments start in the second year after the year of your first withdrawal. For a first withdrawal made from 2022 through 2028, the start moves to the fifth year after (2031 for a first withdrawal in 2026).

To repay, contribute to your RRSP during the year or in the first 60 days of the next one, and designate the amount as an HBP repayment on Schedule 7. Repayments aren't deductible, but they don't use RRSP deduction room either, and you can't repay into an FHSA. If you repay less than the year's minimum, the shortfall is added to your income.

You can use the HBP again once your HBP balance is zero on January 1 of the year you withdraw.

Using both

You can make an HBP withdrawal and a qualifying FHSA withdrawal for the same home if you meet each program's conditions when you withdraw. The key difference: FHSA money never goes back, while HBP money must be repaid. And while an HBP participation can be cancelled in some situations, an FHSA qualifying withdrawal can't be undone.

Sources

1. Opening your FHSAs (canada.ca)
2. Participating in your FHSAs (canada.ca)
3. Withdrawals and transfers out of your FHSAs (canada.ca)
4. The Home Buyers' Plan (canada.ca)
5. How to participate in the Home Buyers' Plan (canada.ca)
6. How to repay the amounts withdrawn from your RRSPs under the Home Buyers' Plan (canada.ca)

Saving for school with an RESP

How a registered education savings plan works, the federal grants it can attract, how money comes out for a student, and what happens if it isn't used.

Individuals & families · Family and children · Last reviewed October 10, 2026 · taxfootnote.ca/guides/resp/

A registered education savings plan (RESP) is a way to save for a child's education after high school. You can't deduct what you put in, but the investment income isn't taxed while it stays in the plan, and the federal government can add grants. When the student takes money out for school, the growth and the grants are taxed as the student's income, not yours.

How it works

You (the subscriber) set up the plan with a promoter and name the future student as the beneficiary. You contribute; the promoter manages the money and makes payments under the plan's terms.

- **Going in:** your contributions aren't deductible. Interest on money you borrow to contribute isn't deductible either.
- **While it's invested:** income earned in the plan isn't taxed as long as it stays there.
- **Coming out:** your own contributions can come back to you tax-free, or be paid tax-free to the student. The investment income and government grants are paid to the student as educational assistance payments (EAPs), which the student reports as income for the year they receive them.

Before you can contribute for a child, the promoter needs the child's social insurance number, and the child must be a resident of Canada.

How much you can put in

There's no annual limit, but there is a lifetime limit for each beneficiary that counts every contribution by anyone, to every RESP for that child, including grandparents and other relatives. Government grants don't count toward it. The CRA's [RESP contributions page](#) gives the limit.

If total contributions go over the limit, each subscriber owes a tax for every month their share of the excess stays in the plan. Withdrawing the excess stops the tax, but withdrawn amounts still count toward the lifetime limit.

There are time limits too: an RESP generally can't accept new contributions (other than transfers from another RESP) after the end of the year that includes its 31st anniversary, and it has to wind up by the end of the year that includes its 35th anniversary.

The federal grants

Canada Education Savings Grant (CESG). Employment and Social Development Canada pays a grant into the RESP equal to a percentage of what you contribute each year, up to a yearly and a lifetime maximum. Every family gets this basic grant,

whatever its income. Lower- and middle-income families also get an additional grant on the first part of each year's contributions. For 2025, the CRA's chart shows the larger additional grant when adjusted family net income is under \$57,375, a smaller one between that and \$114,750, and none above that.

- Grant room builds up each year for every child under 18 who is a resident of Canada, and unused room carries forward, so you can catch up later, within a yearly cap.
- Grants are paid on contributions up to the end of the year the child turns 17. For a child who is 16 or 17 to get grants, the RESP must already have received either a minimum total, or a minimum contribution in at least four earlier years, by the end of the year the child turned 15, so start saving before then.

Canada Learning Bond (CLB). Children from low-income families born in 2004 or later may qualify for this extra amount, paid straight into their RESP. You don't have to contribute anything to get it. The beneficiary must be under 21 when the bond is applied for, and young adults can open an RESP and request it themselves.

Some provinces also pay their own education savings incentives into an RESP. If the beneficiary doesn't go on to post-secondary education, the CESG and CLB go back to the government.

Taking money out for school

The promoter can pay EAPs once the student is enrolled in a qualifying post-secondary program, or is 16 or older and in a specified educational program; the CRA sets minimum lengths and hours for both. EAPs can continue for up to six months after the student stops attending, as long as they would have qualified just before.

In a qualifying program, there's a cap on EAPs during the first 13 consecutive weeks and no cap after that while the student keeps qualifying (a separate cap applies to specified programs). The promoter can also pay out some of your contributions to the student tax-free at the same time.

If nobody uses it for school

You have several options:

- **Take back your contributions.** They come back to you tax-free.
- **Transfer it to another RESP.** Transfers to a plan with a common beneficiary, or in certain cases to a brother or sister, have no tax consequences.
- **Take the income as accumulated income payments (AIPs),** if the plan allows them. Usually the plan must have been open past the year of its 9th anniversary, and every beneficiary must be at least 21 and not eligible for EAPs. AIPs are taxed at your regular rates plus an additional tax (at a lower rate for Quebec residents).
- **Move the income to your RRSP.** If you're the original subscriber and have RRSP room, contributing to your RRSP or a spousal RRSP reduces the AIP subject to tax, up to a lifetime maximum.
- **Roll it into an RDSP.** If the beneficiary also has a [registered disability savings plan](#) (p. 87) and meets certain conditions, the income can be rolled over to it without immediate tax.

Sources

1. How a Registered Education Savings Plan works (canada.ca)
2. Registered education savings plans contributions (canada.ca)
3. Canada Education Savings Grant (canada.ca)
4. Canada Learning Bond (canada.ca)
5. RESP payments, transferring and rolling over RESP property (canada.ca)

RDSP basics

How a registered disability savings plan works: who can have one, contributions, government grants and bonds, withdrawals and the tax on them.

Individuals & families · Disability and caregiving · Last reviewed October 10, 2026 · taxfootnote.ca/guides/rdsp/

A registered disability savings plan (RDSP) is a long-term savings plan for someone approved for the disability tax credit. Contributions aren't deductible, but the federal government can add grants and bonds, and investment growth isn't taxed until money is paid out of the plan.

Who can have an RDSP

The person the plan is for (the beneficiary) must:

- be approved for the [disability tax credit](#) (p. 41) (DTC)
- have a valid social insurance number
- live in Canada when the plan is opened
- be under 60 (a plan can be opened until the end of the year the beneficiary turns 59)

A beneficiary can have only one RDSP at a time, though the plan can have more than one holder (the person or organization that holds the plan and gives permission to contribute). Payments out of the plan go only to the beneficiary, or to their estate after death.

Contributions

Anyone can contribute with the holder's written permission. Contributions can be made until the end of the year the beneficiary turns 59, and only while the beneficiary lives in Canada. They aren't tax-deductible, and contributors can't get a refund of what they put in.

There's no yearly contribution limit, but there is a lifetime limit for each beneficiary, set out on the CRA's [RDSP limits page](#).

When a parent or grandparent dies, their RRSP, RRIF or certain registered pension plan proceeds can be rolled into the RDSP of a child or grandchild who depended on them because of an impairment, without immediate tax. A rollover counts toward the lifetime limit and doesn't attract grants.

Grants and bonds

The Government of Canada can pay two kinds of help into the plan. Employment and Social Development Canada (ESDC) runs both programs.

- **Canada disability savings grant:** matches contributions. How much you get for each dollar depends on the beneficiary's family income and how much is contributed, up to a yearly and a lifetime maximum. Grants can be paid on contributions made until December 31 of the year the beneficiary turns 49.

- **Canada disability savings bond:** for beneficiaries with lower family income. No contribution is needed. Bonds can also be paid until the year the beneficiary turns 49.

Family income means the parents' or guardians' income until the end of the year the beneficiary turns 18, and from the year they turn 19, the beneficiary's own income plus their spouse's or partner's. The CRA's [grant and bond page](#) has the current matching rates and maximums, and the income thresholds, which are indexed each year.

Two things help you get the most:

- **File tax returns.** The beneficiary must have filed returns for the past two years and every year they have an RDSP. For a minor, the parents' or guardians' returns are used, but the beneficiary needs to start filing every year from the year they turn 17.
- **Use the carry-forward.** Up to 10 years of unused grant and bond entitlements can be carried forward (for years the beneficiary was eligible), until the end of the year they turn 49. Opening a plan later in life doesn't mean losing every past year's help.

Taking money out

Payments from an RDSP are called disability assistance payments. Lifetime disability assistance payments must start by the end of the year the beneficiary turns 60 and then continue at least once a year, with a yearly maximum set by a formula.

A payment is generally made up of a non-taxable part and a taxable part. The share that comes from contributions isn't taxed. The share that comes from grants, bonds, investment income and rollovers is income to the beneficiary in the year it's paid out.

The 10-year repayment rule

Grants and bonds paid into the plan in the 10 years before certain events have to be paid back to the government. When money is withdrawn, the government takes back three dollars of those grants and bonds for each dollar withdrawn, up to the "assistance holdback amount" (generally, the grants and bonds paid in during the past 10 years, less any already repaid). If the plan is closed, stops being registered or the beneficiary dies, the whole holdback amount is repaid.

The rule also applies if the beneficiary loses DTC approval before age 60 and the holder closes the plan or withdraws from it. If a doctor or nurse practitioner certifies that the beneficiary is not expected to live more than five years, special rules (an election the holder makes with the issuer) allow some withdrawals without the repayment.

Because of this rule, an RDSP works best as long-term money. Talk to the plan issuer before taking anything out.

What to do

1. Get DTC approval first.
2. Open a plan with a participating RDSP issuer and ask about applying for the grant and bond.
3. Make sure the beneficiary (and, for a child, the parents) files a return every year.

4. Plan contributions to make the most of the grant, and leave the money in long enough to avoid repaying it.

Sources

1. Registered disability savings plan (RDSP) rules (canada.ca)
2. RDSP: Eligibility and contributions (canada.ca)
3. RDSP limits, transfers, and rollovers (canada.ca)
4. Canada disability savings grant and Canada disability savings bond (canada.ca)
5. What types of payments are made from an RDSP (canada.ca)

Sharing income with your family

Each person in Canada is taxed separately, at rates that rise with income, so a household can pay less overall when some income is taxed in a lower earner's hands. This chapter covers the ways the rules allow, such as spousal RRSPs and pension income splitting, and the attribution rules and the tax on split income (TOSI), which can tax income back to you or at the top rate. It also covers family credits and benefits: the spouse and eligible dependant amounts, the Canada child benefit and the child care deduction.

Moves for 2026

1. Check whether the attribution rules apply before you move investments into a spouse's or child's name: the income can still be taxed as yours. → [Income splitting and the attribution rules](#), p. 91
2. If more than one person could claim the same dependant, agree on who claims before you file. → [The spouse amount and the amount for an eligible dependant](#), p. 95
3. Work out which of you has to claim child care costs, usually the parent with the lower net income, and keep receipts made out to whoever paid. → [Claiming child care expenses](#), p. 105
4. File every year, even with no income, and make sure your spouse or partner files on time too, so Canada child benefit payments keep coming. → [The Canada child benefit](#), p. 102
5. Before your corporation pays dividends to family members, check each person against the TOSI exclusions for their age. → [Paying family members and the tax on split income \(TOSI\)](#), p. 111

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Income splitting and the attribution rules

When income on money you give or lend to your spouse or child is still taxed as yours, the main exceptions, and the ways couples can split income.

Individuals & families · Family and children · Last reviewed October 11, 2026 · taxfootnote.ca/guides/income-splitting/

Each person in Canada is taxed separately, at [rates that rise with income](#)¹. So when one partner earns much more than the other, a household can pay less tax overall if some income is taxed in the lower earner's hands instead. That's income splitting. The Income Tax Act allows some ways of doing it and blocks others through the **attribution rules**, which send the tax on certain income back to the person who supplied the money.

Giving or lending to your spouse or partner

If you give or lend money or other property to your spouse or common-law partner, you may have to report the income it earns, such as interest and dividends, on your own return instead of theirs. The rule follows the money: it also covers income from any replacement property, such as an investment they buy with what you gave them. It applies to someone who has since become your spouse or partner, and to loans or transfers to a trust for them.

Capital gains come back to you too. You generally don't have a capital gain or loss when you give capital property, such as shares, to your spouse or partner: you're considered to have sold it for its tax cost (its adjusted cost base, or its undepreciated capital cost if it's depreciable property), and they're considered to have bought it for that same amount. But if they sell it during your lifetime, you usually have to report the capital gain or loss if, at the time of the sale, you're a resident of Canada and still married to them or living common-law with them.

Giving or lending to children under 18

If you give or lend property to a related minor, such as your child, grandchild, brother or sister, or to a niece or nephew, you may have to report the income it earns (interest and dividends, for example) for any year in which they're under 18 at the end of the year. This stops for the year they turn 18.

The capital gains rule above covers only your spouse or partner (and trusts for them), not children. So if a child sells property you gave them at a gain, the gain generally isn't taxed back to you.

¹taxfootnote.ca/rates/income-tax-brackets/

When the rules stop applying

- **Separation.** Income from property you gave or lent your spouse or partner isn't taxed back to you for the time you live apart because your relationship broke down. Capital gains can stop coming back to you too, but only if the two of you elect: the CRA says to attach to your return a letter signed by both of you saying you don't want the rule to apply. You can file it with your return for the year you separated or any later year, but no later than your return for the year they sell the property.
- **Divorce or leaving Canada.** Income isn't taxed back to you for any period when you aren't a resident of Canada, or when the person is no longer your spouse or partner (after a divorce, for example). The capital gains rule applies only to sales during your lifetime, while you're a resident of Canada and still together.

Loans at the prescribed rate

You can lend money to your spouse or partner, or to a child under 18, without the income and gains being taxed back to you, as long as:

- you charge interest at a rate no lower than the lesser of the prescribed rate in effect when you made the loan and the rate that people dealing at arm's length would have agreed on at that time, and
- the interest for each year is paid no later than 30 days after the end of that year, which is January 30 of the next year.

If the interest for any year is paid late, the exception is lost for that year and every year after. The rate that counts is the prescribed rate in effect when you made the loan, so the loan still qualifies when the rate goes up in later quarters.

Under the Income Tax Regulations, the prescribed rate for these loans is the basic quarterly rate, not the higher rates the CRA charges on overdue tax or pays individuals on refunds. It's the same rate the CRA publishes each quarter as the rate for working out taxable benefits from interest-free and low-interest loans. For loans made from October 1 to December 31, 2026, it's 3%.

Selling an investment to your spouse or partner can work in a similar way. If they pay you at least its fair market value (any part paid with a loan from you has to meet the interest rules above), and you elect on your return for the year of the sale to report it at fair market value, later income and capital gains on it are theirs. You report any capital gain on the sale for that year. To make the election, the CRA says to attach to your return a letter signed by both of you stating that you're reporting the sale at fair market value.

Adult children and other relatives

The rule for minors stops for the year a child turns 18, so income on money you give an adult child isn't taxed back to you under that rule.

A separate rule covers loans. If you lend money to an adult child or another relative and one of the main reasons for the loan is to reduce or avoid tax by having the income from the money (or from what it buys) taxed to them, that income is taxed as yours. The same kind of exception applies: charge interest at no less than the lesser of the

prescribed rate in effect when you made the loan and an arm's-length rate, and have each year's interest paid by January 30 of the following year.

Ways to split income the rules allow

- **Spousal RRSP.** The attribution rules don't apply to contributions you make to your spouse's or partner's RRSP, to the extent you can deduct them. A separate rule applies to withdrawals: if you contributed to any of their RRSPs in the year they withdraw or either of the two years before, the CRA says you'll probably have to include all or part of the withdrawal in your income. See [spousal RRSPs](#) (p. 64).
- **TFSA.** You can give your spouse or partner money to contribute to their own TFSA (p. 78). The CRA says neither the gift nor the income earned on it will be allocated back to you, though their contributions still can't go over their own contribution room. The Income Tax Act gives the same treatment to money they put in their own first home savings account (FHSA), while it stays in the account and as long as they don't have an excess FHSA amount when they contribute it.
- **RDSP.** Under the Income Tax Act, contributions to a registered disability savings plan are also exempt from the attribution rules. See [the RDSP](#) (p. 87).
- **Pension income splitting.** At tax time, you and your spouse or partner can jointly elect to move up to 50% of one partner's eligible pension income to the other's return, if you meet the conditions. See [pension income splitting](#) (p. 108).
- **CPP pension sharing.** If you live together and either of you receives, or has applied for, a CPP retirement pension, you can apply to Service Canada to share your pensions. The share is based on the number of months you lived together during the period when either of you could have contributed. It starts once approved and can't be backdated. Service Canada notes that sharing may result in tax savings, and that it isn't the same as the CRA's pension income splitting.

Family businesses and corporations

Paying dividends or other income from a private corporation or family business to relatives raises a different set of rules, the tax on split income (TOSI), which can tax that income at the highest rate. See [paying family members and TOSI](#) (p. 111).

What to do

1. Before moving investments into a spouse's or child's name, work out whose return the income and gains will land on.
2. For a family loan, charge at least the prescribed rate in effect when you lend, and make sure the interest is paid by January 30 every year. Keep records of the loan and each interest payment.
3. Use the TFSA room each of you has, and consider a spousal RRSP.
4. In retirement, compare pension income splitting and CPP sharing. You can run each partner's income through our [income tax calculator](#)² to compare.

Sources

²taxfootnote.ca/calculators/income-tax/

1. Federal Income Tax and Benefit Information for 2025 (Loans and transfers of property) (canada.ca)
2. Guide T4037, Capital Gains 2025 (transfers of property to your spouse or common-law partner) (canada.ca)
3. Guide T4013, T3 Trust Guide 2025 (transfers and loans of property) (canada.ca)
4. Interest rates for the fourth calendar quarter (2026) (canada.ca)
5. How to contribute to a TFSA (canada.ca)
6. Withdrawing from spousal or common-law partner RRSPs (canada.ca)
7. Pension income splitting (canada.ca)
8. CPP pension sharing (Service Canada) (canada.ca)
9. Frequently asked questions – Income sprinkling (canada.ca)
10. Income Tax Act, section 74.1 (Justice Laws) (laws-lois.justice.gc.ca)
11. Income Tax Act, section 74.5 (Justice Laws) (laws-lois.justice.gc.ca)
12. Income Tax Act, section 56, subsections 56(4.1) and 56(4.2) (Justice Laws) (laws-lois.justice.gc.ca)
13. Income Tax Regulations, section 4301 (prescribed rate of interest) (laws-lois.justice.gc.ca)

The spouse amount and the amount for an eligible dependant

Who can claim the spouse or common-law partner amount and the eligible dependant amount, how each is worked out, and the one-claim-per-home rules.

Individuals & families · Family and children · Last reviewed October 11, 2026 · taxfootnote.ca/guides/family-credits/

If you support a spouse or common-law partner who has little income, or you're single and support a child or another relative who lives with you, two federal credits can lower your tax: the **spouse or common-law partner amount** and the **amount for an eligible dependant**. You can claim one or the other in a year, not both.

How the amounts are worked out

Both credits are calculated the same way:

1. Start with your own basic personal amount, the one you claim on your return. For 2025 it's \$16,129 if your net income is \$177,882 or less. Above that it shrinks gradually, down to \$14,538 once your net income is more than \$253,414.
2. Add the Canada caregiver amount if the person depends on you because of a mental or physical infirmity. (For your own or your spouse's infirm child under 18, the caregiver amount is claimed separately instead; see below.)
3. Subtract the person's net income for the year (line 23600 of their return, or an estimate if they don't file).

If their net income is as high as that total, there's nothing to claim. As with the other personal credits, the amount you claim is multiplied by the lowest federal tax rate to give the tax saving. For 2025 that rate is 14.5%: the CRA explains the lowest rate was cut partway through the year, on July 1. Schedule 5 of the federal return does the arithmetic. Outside Quebec, you also claim a provincial or territorial version on your Form 428, and the amount varies by province or territory; Quebec residents follow Revenu Québec's rules for their provincial return. Basic personal amounts are in our [personal credits table](#)¹.

The spouse or common-law partner amount

You can generally claim it if you supported your spouse or common-law partner at any time in the year, and their net income was less than your basic personal amount (plus the caregiver amount, if they depend on you because of an infirmity). Support means paying toward their living expenses or other needs, such as housing, food, transportation and day-to-day costs. Only one of you can claim it in a year.

In the year your situation changes:

¹taxfootnote.ca/rates/personal-credits/

- **You married, became common-law or reconciled, and lived together on December 31:** use your partner's net income for the whole year.
- **You separated because your relationship broke down and weren't back together on December 31:** reduce your claim only by their net income from before the separation.
- **You paid support to them after separating in the year:** claim either the deductible support or the spouse amount, whichever is better for you.

See [marriage, common-law and separation](#) (p. 99) for when you count as common-law and when to tell the CRA.

A tip from the CRA: if dividends your partner received from taxable Canadian corporations reduce or wipe out your claim, you may be able to report all of those dividends on your own return instead. The CRA's technical guidance on these credits says this is allowed only if it increases your spouse amount.

The amount for an eligible dependant

This is the claim for single people supporting a relative at home. You can generally claim it for one person if all of these apply:

- You didn't have a spouse or common-law partner, or you had one but weren't living with them, supporting them or being supported by them.
- You don't claim the spouse or common-law partner amount.
- At some time in the year, you supported the dependant and lived with them in a home you maintained (usually in Canada). Someone who was only visiting doesn't count.
- The dependant is related to you by blood, marriage, common-law partnership or adoption, and is your parent or grandparent; your child, grandchild, brother or sister under 18; or your child, grandchild, brother or sister 18 or older with a mental or physical infirmity.
- Their net income was less than your basic personal amount (plus the caregiver amount, if they depend on you because of an infirmity).

A dependant who's away at school still counts as living with you if they normally live with you when they're not in school. A child doesn't have to live in Canada, but must have lived with you.

One claim per person, and per household

- **One dependant per return.** You can claim the eligible dependant amount for only one person in a year.
- **One claim per household.** Only one person in a household can claim this amount, even if more than one dependant lives there.
- **No splitting.** Only one person can claim a particular dependant. If two of you qualify and can't agree, for example in shared custody, neither of you can claim.
- **Not if someone claims the spouse amount for them.** You can't claim a person as your eligible dependant if someone else is claiming the spouse amount for them.

- **Separating partway through the year.** You might qualify for the spouse amount for the months before and the eligible dependant amount for a child afterwards. You can only claim one, so choose whichever saves more.

If you paid child support for a child, you generally can't claim the eligible dependant amount for that child. There are two exceptions: you were separated for part of the year because of a breakdown, in which case you choose between this amount and deducting the support; or both parents paid support for the child and agree which of you claims. When separated parents share custody of two or more children, each may be able to claim a different child, if each meets all the rules.

If the person has an infirmity

When the person you support depends on you because of a mental or physical infirmity, the Canada caregiver amount can raise your claim:

- An extra amount is added in the calculation of the spouse amount or the eligible dependant amount.
- For a spouse or partner, or an eligible dependant 18 or older, you may also be able to claim line 30425 when their net income falls in a set range.
- For other relatives 18 or older (yours or your spouse's) who depend on you and aren't claimed under either amount, there's a separate claim on line 30450. If more than one person supports them, you can split it, up to the maximum for that person.
- For each of your (or your spouse's) children under 18 with an infirmity, there's a set amount on line 30500. If that child is also your eligible dependant, you claim the caregiver amount on line 30500, not in the eligible dependant amount.

The CRA's [Canada caregiver credit page](#) lists the current dollar amounts, and its pages for lines 30425 and 30450 give the income limits. The CRA may ask for a signed statement from a medical practitioner, unless it already has an approved disability tax credit certificate for the person for that period. Our guide to [credits for caregivers](#) (p. 44) covers who qualifies and the paperwork.

Using your spouse's unused credits

Separately from the spouse amount, if you had a spouse or partner at the end of the year and they don't need all of certain credits to bring their own federal tax to zero, you can claim the unused part on Schedule 2. These are the age amount, the pension income amount, their own disability amount, the current year's tuition amount (not amounts carried forward from earlier years), and the caregiver amount for infirm children under 18. You can't do this if you were living apart because of a breakdown in your relationship for 90 days or more, including December 31.

What to do

1. Work out who you supported during the year and whether you lived with a spouse or partner on December 31.
2. Get each person's net income, from their return or an estimate.
3. If more than one person could claim someone, agree on who claims before you file.

4. Complete Schedule 5 (and Schedule 2 for transfers from a spouse), plus the matching lines on your provincial or territorial form (in Quebec, your Revenu Québec return).
5. Keep any medical statements in case the CRA asks. For family benefits paid during the year, see the [Canada child benefit](#) (p. 102).

Sources

1. Line 30300 – Spouse or common-law partner amount ([canada.ca](#))
2. Line 30000 – Basic personal amount ([canada.ca](#))
3. Schedule 5, Amounts for Spouse or Common-Law Partner and Dependants (2025) ([canada.ca](#))
4. Line 30400 – Amount for an eligible dependant ([canada.ca](#))
5. Income Tax Folio S1-F4-C2, Basic Personal and Dependant Tax Credits (for 2017 and subsequent tax years) ([canada.ca](#))
6. Canada caregiver credit ([canada.ca](#))
7. Line 30425 – Canada caregiver amount for spouse or common-law partner, or eligible dependant age 18 or older ([canada.ca](#))
8. Line 30450 – Canada caregiver amount for other infirm dependants age 18 or older ([canada.ca](#))
9. Line 32600 – Amounts transferred from your spouse or common-law partner ([canada.ca](#))
10. Tax rates and income brackets used on the 2025 tax return ([canada.ca](#))

Marriage, common-law and separation: what changes at tax time

When you count as common-law, when to tell the CRA about a change, how it affects your benefits, and the basics of the spouse amount and support payments.

Individuals & families · Family and children · Last reviewed October 10, 2026 · taxfootnote.ca/guides/marriage-and-separation/

Your marital status on December 31 goes on your return, with your spouse's or partner's net income, and it affects your benefits and the credits you can claim. When your status changes, tell the CRA by the end of the following month, or for a separation, once you've been apart at least 90 days.

When you're married or common-law

Married means legally married. You're **living common-law** when you live in a conjugal relationship with someone you aren't married to and at least one of these applies:

- you've lived together in a conjugal relationship for at least 12 continuous months (a breakdown-related separation of less than 90 days doesn't break the 12 months)
- they're the parent of your child by birth or adoption
- they have custody and control of your child (or did just before the child turned 19), and your child is wholly dependent on them for support

When you're separated

You're **separated** once you've lived apart because of a breakdown in the relationship for at least 90 days. The separation then counts from the day you started living apart. Living apart for work, school, health reasons or incarceration isn't a separation: you still have a spouse or partner.

If you file before the 90 days are up and that period includes December 31, mark yourself as married or common-law. If you're still apart after 90 days, change your status to separated from your first day apart, and file an amended return to adjust amounts you claimed or claim ones you couldn't as a couple.

Telling the CRA

You must tell the CRA about a new marital status by the end of the month after the month it changed: if you married in March, you have until the end of April. A separation is reported only after you've been apart for at least 90 days.

Update it in My Account, by phone or with Form RC65, Marital Status Change, rather than waiting until you file. Your return also asks for the date your status changed.

How your benefits change

The Canada child benefit (CCB) and the Canada Groceries and Essentials Benefit (formerly the GST/HST credit) are based on your adjusted family net income, which

adds your spouse's or common-law partner's net income to yours. After you report a change, the CRA recalculates your payments and checks whether you were paid too much or too little. For the CCB, the new amount starts with the month after the month your status changed.

- **Moving in together or marrying.** Only one CCB payment per family is allowed each month, and one groceries benefit payment each quarter. If you both kept getting separate payments after your status changed, one of you will have to repay what you received after the change.
- **Separating.** Your payments are then based on your own income. In a CRA example, a parent with sole custody who separated in October and reported it in January got the CCB based on their income alone from November.

The spouse or common-law partner amount

If you supported your spouse or common-law partner at any time in the year and their net income was less than your basic personal amount, you may be able to claim this credit. Only one of you can claim it in a year. Federal Schedule 5 works out how much, based on your partner's net income. Provincial and territorial amounts differ and are worked out on your Form 428; Quebec residents should check Revenu Québec's rules. Basic personal amounts are in the [personal credits table](#)¹.

In the year your status changes:

- **You married, became common-law or reconciled, and lived together on December 31:** use your partner's net income for the whole year.
- **You separated and weren't back together on December 31:** reduce your claim only by your partner's net income from before the separation.
- **You separated and paid support:** claim either the support you can deduct or the spouse amount, whichever is better for you.

Support payments

Payments count as support for tax purposes only if they're a periodic allowance under a court order or written agreement, paid to a current or former spouse or partner you live apart from because of a breakdown in the relationship, or by a legal parent to the other parent of their child. Without an order or agreement, payments are neither deductible nor taxable.

- **Spousal support** is deductible by the payer and taxable for the recipient.
- **Child support** under an order or agreement made after April 1997 is neither deductible nor taxable.
- **Both together:** if the order or agreement doesn't set a separate amount for the spouse or partner, the CRA treats it all as child support.

Different rules can apply to orders or agreements made before May 1997. On the return, the payer reports the total paid but deducts only the deductible part; the recipient reports the total received but includes only the taxable part.

¹taxfootnote.ca/rates/personal-credits/

In short

- You're common-law after 12 months of living together, or sooner if you have a child together.
- Report a change by the end of the following month; report a separation once you've been apart at least 90 days.
- Your benefits are recalculated on your new family income.
- Spousal support under an order or agreement is deductible and taxable; child support isn't.

Sources

1. Marital status (canada.ca)
2. T4114, Canada Child Benefit and related federal, provincial and territorial programs (canada.ca)
3. RC4210, Canada Groceries and Essentials Benefit (canada.ca)
4. Line 30300 – Spouse or common-law partner amount (canada.ca)
5. Support payments: amount you can claim or report (canada.ca)

The Canada child benefit

Who can get the CCB, how the CRA works out the amount from your family's net income, and what to do so the monthly payments don't stop.

Individuals & families · Family and children · Last reviewed October 10, 2026 · taxfootnote.ca/guides/canada-child-benefit/

The Canada child benefit (CCB) is a tax-free payment the CRA sends every month to help families with the cost of raising children under 18. How much you get depends on how many children you have, how old they are, and your family's net income from the year before.

Who can get it

You can get the CCB for a child if all of these are true:

- The child is under 18 and lives with you.
- You're the person mainly responsible for the child's care and upbringing: supervising their daily activities, making sure their medical needs are met, arranging child care when needed.
- You're a resident of Canada for tax purposes.
- You or your spouse or common-law partner is a Canadian citizen, a permanent resident, a protected person, a person registered (or entitled to be registered) under the Indian Act, or a temporary resident who meets the CRA's conditions.

When two parents live together with the child, the law presumes the female parent is primarily responsible, so she should apply. If the other parent is the one primarily responsible, that parent can apply with a signed letter from her saying so. Same-sex parents living together choose one of them to apply for all the children. Each household gets one payment, and the amount is the same whichever parent receives it.

Shared custody

If a child lives with you about equally with someone at another address (the CRA's test is between 40% and 60% of the time with you), you have shared custody for CCB purposes. Both of you should apply. Each of you then gets half of what you would get with full custody, calculated on your own family income. The CRA won't split it any other way.

If the child lives with you more than 60% of the time, you apply as if you had full custody. If it's less than 40%, you're not eligible for that child. If a child comes to live with you for a temporary period, such as the summer, you can apply for just that period; the other parent then reapplies when the child returns.

How the amount is worked out

The CRA recalculates your CCB every July using your adjusted family net income (AFNI) from the previous year's tax return. For example, payments from July 2026 to June 2027 are based on 2025 income.

Your AFNI starts with your net income (line 23600 of your return) plus your spouse's or common-law partner's. Any Universal Child Care Benefit or registered disability savings plan (RDSP) income received is taken off, and any repayments of those amounts are added back.

Below a certain AFNI, you get the maximum amount for each eligible child. Above that level, the benefit is reduced by a percentage of the income over the threshold, and the percentage depends on how many children you have. Above a second, higher threshold, the reduction becomes a fixed amount plus a further percentage of the income over that threshold, both again based on the number of children. The CCB is indexed to inflation; for current amounts, use the CRA's [How much you can get](#) page or its child and family benefits calculator.

A few more things to know:

- CCB payments are not taxable, and you don't report them on your return.
- If your child is eligible for the [disability tax credit](#) (p. 41), the CRA automatically adds the child disability benefit to your CCB.
- Your payment can also include related provincial or territorial child benefits that the CRA runs. You don't need to apply for those separately.

How to apply

Apply as soon as you're eligible, for example when a child is born, when a child starts living with you (or comes back after a stay with someone else), when you get custody, or when a shared custody arrangement starts, ends or changes. You can apply:

- when you register your newborn's birth with your province or territory (this option isn't available in Nunavut)
- online, through your CRA account, under Benefits and credits
- by mail, using Form RC66, if you can't use the other options

If you apply online or by mail and the CRA has never paid benefits for the child, you need to send proof of birth, such as a birth certificate. Applying through birth registration skips this step.

Keep the payments coming

Your payments stop if you don't file.

- **File every year, by April 30.** Do it even if you had no income or your income is tax-exempt (more on [why filing pays even with no income](#) (p. 13)). If you have a spouse or common-law partner, they need to file on time too. If you file late, payments can pause until your return is assessed; any amounts you were entitled to are then paid on the next payment date.
- **Tell the CRA about changes** as soon as possible: a new address or bank account, a change in marital status, a change in custody, or a child who moves in or out.
- **Answer any CRA letters** about your situation. Not responding can stop your payments.

In short

- The CCB is a tax-free monthly payment for children under 18 who live with you.
- It's based on the number and ages of your children and last year's family net income, and it's recalculated each July.
- You and your partner must both file every year to keep it coming.

Sources

1. Canada child benefit (CCB) (canada.ca)
2. Who can apply -Canada child benefit (canada.ca)
3. How much you can get -Canada child benefit (canada.ca)
4. How to apply -Canada child benefit (canada.ca)
5. Keep getting your payments -Canada child benefit (canada.ca)

Claiming child care expenses

Who can deduct child care costs, which expenses count, why the lower-income partner usually claims, and how Quebec's credit works differently.

Individuals & families · Family and children · Last reviewed October 10, 2026 · taxfootnote.ca/guides/child-care-expenses/

If you pay someone to look after your child so you can work, run a business, go to school or do research under a grant, you can usually deduct those costs on your return. In most two-parent homes, the parent with the lower net income is the one who has to claim them.

Which children count

The expenses have to be for an eligible child, meaning a child who was:

- under 16 at some time in the year, or older but dependent on you or your spouse or common-law partner because of a mental or physical infirmity; and
- your child or your spouse's or partner's child, or a child who depended on you or your partner and whose net income for 2025 was \$16,129 or less.

The child also has to have lived with you (or with the other person making the claim) when the expenses were incurred.

Expenses you can claim

You can generally include payments to:

- caregivers who look after your child
- daycare centres and day nursery schools
- day camps and day sports schools whose main purpose is caring for children
- boarding schools, overnight camps and overnight sports schools (the amount you can count for these is limited; Form T778 explains how)
- schools, for the part of the fees that covers child care rather than education

The care generally has to be provided in Canada by a Canadian resident. If you live in Quebec, you can also claim the basic contribution you paid directly to a subsidized childcare provider.

Some payments never count:

- payments to the child's parent, to your spouse or partner if you're the child's parent, to someone you or another person claims an eligible dependant or Canada caregiver amount for, or to anyone under 18 who is related to you (paying your 14-year-old to babysit a younger sibling doesn't qualify)
- medical or hospital care, clothing and transportation
- tuition for a regular school program or a sports study program
- leisure and recreation, such as tennis lessons or Scouts registration
- any amount you or someone else was reimbursed for, or could be, or received financial assistance for

If you hire someone to care for your child in your home, you may have employer responsibilities, and your share of any CPP contributions and EI premiums paid for them counts as a child care expense.

Who claims: usually the lower-income partner

If, at any time in the year and in the first 60 days of the next year, you lived with the child's other parent, with your spouse or common-law partner (if you're the child's parent), or with someone claiming certain dependant amounts for the child, the person with the lower net income (even zero) generally has to claim the expenses.

The person with the higher net income can claim only if, in the year, the lower-income person was:

- enrolled in an eligible educational program at a secondary school, college, university or other designated institution
- unable to care for children because of a mental or physical infirmity, either confined to a bed, wheelchair or hospital for at least two weeks or likely to remain unable indefinitely (a doctor's statement is needed)
- confined to a prison or similar institution for at least two weeks
- living apart from them because of a breakdown in the relationship for at least 90 days starting in the year and at year-end, with the two of you reconciling within the first 60 days of the next year

When this applies, the higher-income person works out their claim first, and each of you fills out your own Form T778, Child Care Expenses Deduction. If your net incomes are exactly equal, you decide between you who claims.

How much you can deduct

Your deduction is limited to the lowest of three things:

1. what was actually paid for care in the year
2. a yearly maximum for each eligible child, which depends on the child's age and whether they qualify for the disability tax credit
3. a cap tied to your earned income, which includes salary and wages, self-employment income, taxable scholarships and research grants, and a CPP or QPP disability pension

Form T778 works through these limits, and you claim the result on line 21400 of your return. Extra rules apply when the higher-income person is the one claiming, or when a parent was a student.

A few more points:

- You can only claim expenses for care provided in that year, and you can't carry unused amounts forward to a later year.
- Get receipts made out to the person who paid. You don't send them with your return, but keep them in case the CRA asks.
- As a deduction, it lowers the income you're taxed on. To see roughly what that's worth in your province, try the [income tax calculator](#)¹.

If you live in Quebec

You still claim the federal deduction. Your Quebec return works differently: Revenu Québec offers a refundable tax credit for childcare expenses, with a rate that depends on your family income (yours plus your spouse's). Its pages explain how to claim the credit, including advance payments and the RL-24 slip for childcare expenses.

Starting with the 2026 tax year, Quebec is lowering the age limit for an eligible child for this credit from 16 to 14. There is still no age limit for a dependent child with a mental or physical infirmity.

Sources

1. Line 21400 -Child care expenses: Who is eligible (canada.ca)
2. Line 21400 -Child care expenses: Expenses you can claim (canada.ca)
3. Line 21400 -Child care expenses: Determine who can claim the deduction (canada.ca)
4. Income Tax Folio S1-F3-C1, Child Care Expense Deduction (canada.ca)
5. Revenu Québec: Tax credit for childcare expenses (revenuquebec.ca)

¹taxfootnote.ca/calculators/income-tax/

Pension income splitting

How couples can report up to half of one spouse's eligible pension income on the other's return, what income qualifies, and how to make the election.

Individuals & families · Retiring · Last reviewed October 10, 2026 · taxfootnote.ca/guides/pension-income-splitting/

If you have a spouse or common-law partner, the two of you can jointly elect to have up to half of one person's eligible pension income reported on the other person's return. When one of you has a much higher income than the other, this can lower the tax you pay as a couple.

How it works

The split happens on your tax returns. The spouse who receives the pension (the transferring spouse) deducts the elected amount, and the other spouse (the receiving spouse) reports the same amount as income. Income tax already withheld from that pension moves with it, in the same proportion: if you allocate 50% of the pension, 50% of the tax withheld on it goes on your spouse's return too.

Each of you is taxed separately, at rates that rise with income (see the [income tax brackets](#)¹), so income moved from the higher-income spouse to the lower-income spouse may be taxed at a lower rate.

What income can be split

Eligible pension income is generally the same income that qualifies for the pension income amount:

- **At any age:** the taxable part of life annuity payments from a pension plan, such as a workplace registered pension.
- **At 65 or older** (at the end of the year), or if you received it because your spouse or partner died: payments from a registered retirement income fund (RRIF), including a life income fund, RRSP annuity payments and other annuity payments. Some retirement compensation arrangement amounts also qualify at 65 or older.

These can't be split:

- Old Age Security
- Canada Pension Plan and Quebec Pension Plan benefits
- foreign pensions that are tax-free in Canada because of a tax treaty, and US individual retirement account (IRA) income
- RRIF amounts transferred to an RRSP, another RRIF or an annuity

Variable benefits from the money purchase part of a registered pension plan and payments from a pooled registered pension plan only count if the transferring spouse is 65 or older at year-end, or if they're received because a spouse or partner died.

¹taxfootnote.ca/rates/income-tax-brackets/

Who can split

You can make the election if all of these apply:

- You weren't living apart because of a breakdown in your relationship for 90 days or more, including December 31. Living apart for medical, educational or business reasons doesn't stop you.
- You were both residents of Canada on December 31 (or on the date of death).
- The transferring spouse received pension income that qualifies for the pension income amount.

The receiving spouse can be any age.

How to make the election

Both of you fill out and sign Form T1032, Joint Election to Split Pension Income, with the same information, and file it by the filing due date. If you file on paper, attach it to both returns. If you file online, keep it in case the CRA asks for it.

- You can allocate up to 50% of eligible pension income.
- Only one joint election is allowed per year. If you both have eligible pension income, you decide which of you is the transferring spouse.
- You can choose a different percentage each year.
- In some cases, the CRA may accept a late or amended election, or a revocation, if you ask within three calendar years after the filing due date and you both agree.

The pension income amount for both of you

Splitting can also let both spouses claim the federal pension income amount, worth up to \$2,000 of eligible pension income each. The transferring spouse claims it on what they kept. The receiving spouse can claim it on the allocated income only if that income qualifies for them, which can depend on their own age. Step 4 of Form T1032 works this out. Provinces and territories have their own pension amounts, listed on our [personal credits table](#)².

Watch the knock-on effects

Splitting lowers the transferring spouse's net income and raises the receiving spouse's. Benefits and credits based on your combined family income don't change. Anything based on one person's net income can change, including the age amount, the spouse or common-law partner amount and the Old Age Security repayment (clawback). Run the numbers at a few percentages before you settle on one: you can put each spouse's income through our [income tax calculator](#)³ to compare.

CPP sharing is a different thing

CPP benefits can't be split on your tax return, but you can apply to Service Canada to share your CPP retirement pensions if you live with your spouse or common-law partner and one of you receives (or has applied for) a retirement pension. The share depends on how many months you lived together while either of you could contribute.

²taxfootnote.ca/rates/personal-credits/

³taxfootnote.ca/calculators/income-tax/

It starts once approved and can't be backdated. If you get a QPP pension, Retraite Québec has its own sharing rules.

In Quebec

Quebec's return has a stricter rule. You can transfer retirement income to your spouse on your Quebec return (Schedule Q) only if you were 65 or older at the end of the year, you had a spouse on December 31 and you both agree. If you're under 65, you can still split a workplace pension on your federal return, but not on your Quebec return.

Sources

1. Pension income splitting (canada.ca)
2. Line 31400 – Pension income amount (canada.ca)
3. Line 21000 – Deduction for elected split-pension amount (canada.ca)
4. CPP pension sharing (Service Canada) (canada.ca)
5. Revenu Québec: Line 245 – Deduction for retirement income transferred to your spouse (revenuquebec.ca)

Paying family members and the tax on split income (TOSI)

When a salary paid to your spouse or children is deductible, payroll rules for relatives, and how the tax on split income (TOSI) works and who is exempt.

Corporations · Running a corporation · Last reviewed October 11, 2026 · taxfootnote.ca/guides/tosi-and-paying-family/

A salary paid to your spouse or children for real work is a business expense, taxed as their employment income. Dividends and some other payments from a family business can instead be caught by the tax on split income (TOSI), which taxes them at the top rate unless an exclusion applies.

Paying a salary to your spouse or children

If you're self-employed, you can deduct a salary you pay your child as long as:

- you actually pay it
- the work your child does is necessary to earn your business income
- the amount is reasonable for your child's age and is what you'd pay someone else to do the work

The same rules apply to a salary you pay your spouse or common-law partner. Keep proof: the cancelled cheque if you pay by cheque, or a receipt your child signs if you pay cash. You can't deduct the value of board and lodging you provide to your dependent children or your spouse or common-law partner.

A corporation can also put family members who work in the business on payroll, and TOSI doesn't apply to salary. In a CRA example, a 20-year-old student works full time in the family company's warehouse over the summer: a dividend passed to them through a family trust is caught by TOSI, but the same amount paid as salary isn't.

Payroll rules when the employee is family

Paying a relative makes you an employer, with the usual payroll account, remittances and T4 slips; see [hiring your first employee](#) (p. 239). A few rules change when the employee is related to you by blood, marriage, common-law partnership or adoption, or is considered related to your corporation or partnership:

- **Income tax.** Deduct it as you would for any employee.
- **CPP.** Deduct contributions as usual, unless the employee is your spouse or common-law partner and you can't deduct their pay as an expense.
- **EI.** Because you aren't dealing at arm's length, the job may not be insurable, and then you don't deduct EI premiums. It can still be insurable if it's reasonable to conclude you'd have offered a similar contract to someone you deal with at arm's length, judged by the pay, the terms (such as hours), how long the work lasts, and

the nature and importance of the work. A shareholder who controls more than 40% of a corporation's voting shares doesn't have insurable employment with it.

If you or the worker aren't sure whether the job is pensionable or insurable, either of you can ask the CRA for a CPP/EI ruling.

What TOSI is

TOSI targets income sprinkling, which the CRA describes as high-income owners of private corporations diverting income to family members with lower tax rates. It applies to anyone resident in Canada at the end of the year who has split income that isn't excluded: adults, and children under 18 if at least one parent was resident in Canada at some point in the year.

Split income includes:

- dividends and shareholder benefits on shares that aren't listed on a designated stock exchange (other than mutual fund corporation shares), received directly or through a partnership or trust
- income from a partnership or trust that comes from a related business, or from certain rental activities that a relative actively takes part in on a regular basis
- interest from a corporation (other than a listed or mutual fund corporation), partnership or trust whose dividends or other payments to you would be caught (not bank or credit union deposits, publicly traded debt or certain government debt)
- taxable capital gains from selling property whose income would be split income, such as unlisted shares

A business is a **related business** if a relative who lives in Canada is actively engaged in it, owns shares worth at least 10% of the total value of the corporation's shares, or has an interest in the partnership that runs it.

The main exclusions

The exclusions depend on your age at the end of the year.

At any age:

- capital gains from selling qualified small business corporation shares or qualified farm or fishing property, and gains from the deemed sale of your property at death
- income from property you received under a court order or written separation agreement when your relationship broke down
- amounts that would have been excluded for your spouse or common-law partner, if that spouse was 65 or older at the end of the year, or died during the year

For a child under 18, though, a taxable capital gain from selling certain shares, directly or indirectly, to a relative or anyone else they don't deal with at arm's length is taxed as split income: twice the taxable capital gain is treated as a non-eligible dividend.

Age 18 or older:

- amounts that don't come from a related business at all
- amounts from an **excluded business**: one you were actively engaged in on a regular, continuous and substantial basis in the year, or in any five earlier years (not neces-

sarily in a row). Working an average of at least 20 hours a week during the part of the year the business operates counts automatically; otherwise it depends on the facts. For gains from selling property, only the five-year test works.

Age 18 to 24: a safe harbour capital return (a return of up to the prescribed interest rate on the fair market value of property you contributed to the business), or a reasonable return on **arm's length capital**: your own property that wasn't borrowed, given to you by a relative (other than through an inheritance), or earned from the related business.

Under 25: income from property you inherited from a parent, or from anyone if you were a full-time post-secondary student or eligible for the disability tax credit.

Age 25 or older:

- income and gains from **excluded shares**: you own at least 10% of the corporation's votes and value, it isn't a professional corporation of accountants, dentists, lawyers, doctors, veterinarians or chiropractors, less than 90% of its business income comes from services, and its income doesn't come from another related business
- a **reasonable return**, judged by the work you did, the property you contributed, the risks you took and what you've already been paid. The CRA says it generally won't second-guess the amount unless there was no good-faith attempt to set it using these factors.

How TOSI is calculated

If TOSI applies, you complete Form T1206, Tax on Split Income. You report the income as usual, deduct your split income, and tax it separately. Federal TOSI is 33% of your split income, the **top federal rate**¹, with no lower brackets. Only three credits can reduce it: the disability tax credit, the dividend tax credit and the foreign tax credit. Each province and territory also taxes split income at the high tax rate listed for it on the same form; Quebec residents should check with Revenu Québec for the provincial part.

Split income is added back to your net income when working out some credits and benefits, such as the GST/HST credit and the Canada child benefit, and when someone claims an amount for you, such as the spouse or common-law partner amount.

What to do

- Pay family members only for work the business needs, at the rate you'd pay anyone else, and keep proof of every payment.
- Before your corporation pays dividends to family, check each person against the exclusions for their age. The CRA accepts timesheets, schedules or logbooks as proof of the 20-hour test, and also considers payroll records.
- Settle whether a relative's job is insurable before the first payday.
- Compare **salary and dividends** (p. 261), and if you're not incorporated yet, read **should I incorporate?** (p. 259) before counting on dividends to family.

¹taxfootnote.ca/rates/income-tax-brackets/

Sources

1. Business expenses (Salaries, wages, and benefits) (canada.ca)
2. Employee who is a family member or a related person (canada.ca)
3. Determine if employment is pensionable and insurable (canada.ca)
4. Line 40424 – Federal tax on split income (canada.ca)
5. Frequently asked questions – Income sprinkling (canada.ca)
6. Guidance on the application of the split income rules for adults (canada.ca)
7. T1206 Tax on Split Income - 2025 (canada.ca)
8. Form T1206, Tax on Split Income (2025, PDF) (canada.ca)
9. Line 23200 – Other deductions (canada.ca)

Capital gains and losses

When you sell investments, a cottage or other capital property for more than its adjusted cost base plus the costs of selling it, the profit is a capital gain, and only part of it is taxed. Capital losses can offset taxable capital gains, the gain on a home that was your principal residence for every year you owned it is tax-free, and gains on qualified small business shares or farm or fishing property may be sheltered up to a lifetime limit. You still have to report the sale of your home, even when no tax is owed, or you can lose the exemption.

Moves for 2026

1. Don't buy the same investment within 30 days before or after selling it at a loss, or have your spouse or corporation buy it, or the loss can be superficial and denied. → [Capital losses: how to use them](#), p. 119
2. Use Form T1A to carry a net capital loss back against taxable capital gains you reported in any of the three previous years. → [How dividends and capital gains are taxed](#), p. 116
3. Report the sale of a home that was your principal residence, and your designation of it, on Schedule 3 and Form T2091(IND), even when no tax is owed. → [The principal residence exemption](#), p. 122
4. Check before selling a home you've owned for less than 365 consecutive days: the gain is generally business income unless you sold because of certain life events. → [Real estate and tax: buying, renting, selling](#), p. 125
5. Well before you sell shares of your company, check that not too much of its value is in assets it doesn't use in its active business: that can stop the shares qualifying for the exemption, and the tests look back 24 months. → [The lifetime capital gains exemption](#), p. 128

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How dividends and capital gains are taxed

Why Canadian dividends are grossed up and then get a tax credit, how much of a capital gain is taxed, and how capital losses offset gains.

Individuals & families · Saving and investing · Last reviewed October 10, 2026 · taxfootnote.ca/guides/dividends-and-capital-gains/

Dividends from Canadian corporations are “grossed up” when you report them, and then a dividend tax credit reduces the tax on them. With a capital gain, only part of the gain is taxed: for 2025, 50%. In both cases the taxable amount is added to your other income.

This guide is about investments held in a regular, non-registered account. For investments inside a TFSA or RRSP, see [Your TFSA: how it works](#) (p. 78) and [RRSPs: how contributions save tax](#) (p. 61).

Canadian dividends: gross-up, then a credit

Dividends from taxable Canadian corporations come in two types: **eligible** dividends and **other than eligible** (often called non-eligible) dividends. Your T5 or T3 slip reports each type in its own boxes; if you’re not sure which type you received, ask the payer.

Step 1: the gross-up. You don’t report the cash you received. You report a larger “taxable amount”: the dividend plus 38% for eligible dividends, or plus 15% for other dividends. Your slip normally shows this taxable amount already, and it’s what goes on your return (line 12000).

Step 2: the credit. You then claim the federal dividend tax credit, which is a percentage of that taxable amount:

- 15.0198% for eligible dividends
- 9.0301% for other than eligible dividends.

The credit is shown on your slip too. Your province or territory adds its own dividend tax credit at its own rates; compare them in our [dividend tax credits](#)¹ table. If you live in Quebec, the provincial credit is handled by Revenu Québec.

Two things to keep in mind:

- **Foreign dividends don’t get the credit.** Only dividends from taxable Canadian corporations qualify.
- **The gross-up raises your income.** Because the grossed-up amount goes into your income, your net income rises by more than the cash you received. That can matter for any credit or benefit that’s based on net income.

¹taxfootnote.ca/rates/dividend-tax-credits/

Capital gains: only part is taxed

You have a capital gain when you sell, or are considered to have sold, capital property for more than its adjusted cost base (ACB) plus the costs of selling it. Capital property includes things like stocks, bonds, units of a mutual fund trust, and cottages.

- **Adjusted cost base:** usually what you paid, plus costs of buying it such as commissions and legal fees. Improvements (such as an addition to a building) are added; repairs and maintenance aren't.
- **Outlays and expenses:** costs of selling, such as commissions, legal fees and advertising. They reduce the gain, but you can't deduct them from other income.

Only the taxable part of the gain is added to your income: the gain times the inclusion rate, which is 50% for 2025. You report your gains and losses on Schedule 3, and the net taxable amount on line 12700. The gain is taxed in the year you sell, or are considered to have sold, the property, not while it rises in value.

Selling your home has its own rules; see [The principal residence exemption](#) (p. 122).

Capital losses

A capital loss is the reverse: you sold for less than the ACB plus selling costs. The allowable part of the loss (the loss times the inclusion rate) works like this:

1. It first reduces your taxable capital gains for the same year.
2. Any leftover becomes part of your net capital loss for the year. You can't deduct it from your other income.
3. You can carry a net capital loss back to reduce taxable capital gains in any of the three previous years (using Form T1A), or forward to any future year. File Schedule 3 so the CRA has the loss on record.

Carrying a loss back lowers your taxable income for the earlier year, but not your net income, so credits and benefits based on net income don't change.

Watch the superficial loss rule. If you sell at a loss and you, or someone affiliated with you such as your spouse or common-law partner, buy the same or identical property in the period from 30 days before to 30 days after the sale, and still own it 30 days after the sale, the loss is denied. It isn't lost for good: if you're the one who bought the replacement, the denied loss is usually added to its ACB.

In short

- Canadian dividends: report the grossed-up taxable amount, then claim the federal and provincial dividend tax credits. Your slip shows both.
- Foreign dividends don't qualify for the dividend tax credit.
- Capital gains: only 50% of the gain is taxable for 2025, and only when you sell or are considered to have sold.
- Capital losses offset capital gains, not other income. Unused losses carry back three years or forward indefinitely.
- To see the tax on investment income at your income level, try the [income tax calculator](#)².

Sources

1. Lines 12000 and 12010 – Taxable amount of dividends from taxable Canadian corporations (canada.ca)
2. Line 40425 – Federal dividend tax credit (canada.ca)
3. Unclaimed amounts: Dividends or interest (federal dividend tax credit and gross-up rates by year) (canada.ca)
4. Definitions for capital gains (canada.ca)
5. Capital losses (canada.ca)

²taxfootnote.ca/calculators/income-tax/

Capital losses: how to use them

A capital loss generally only offsets capital gains, but unused losses carry back three years or forward indefinitely. How it works, and when a loss is denied.

Individuals & families · Saving and investing · Last reviewed October 10, 2026 · taxfootnote.ca/guides/capital-losses/

Most capital losses can't reduce your salary, pension or other ordinary income: they only offset taxable capital gains. But a loss you can't use this year isn't wasted. You can carry it back to any of the three previous years, or forward to any future year.

What counts as a capital loss

You have a capital loss when you sell capital property, or are considered to have sold it, for less than its adjusted cost base (ACB, generally what it cost you) plus the costs of selling it. Capital property includes investments such as stocks, bonds and units of a mutual fund trust.

Only part of the loss counts. The **allowable capital loss** is the loss multiplied by the inclusion rate, 50% for 2025, the same rate that decides how much of a gain is taxed (see [how dividends and capital gains are taxed](#) (p. 116)).

Using a loss in the year you have it

You have to apply an allowable capital loss against your taxable capital gains for the same year first. Gains and losses go on Schedule 3.

If your allowable capital losses are more than your taxable capital gains, the difference becomes part of your **net capital loss** for the year. You can't deduct it from employment income or any other kind of income. File Schedule 3 anyway, so the CRA records the loss and it's there to use later.

Carrying a loss back or forward

- **Back up to three years.** You choose which of the three previous years to apply it to, using Form T1A, Request for Loss Carryback. Don't file an amended return for the earlier year.
- **Forward indefinitely.** In any later year, claim it as a deduction for net capital losses of other years (line 25300). The deduction can't be more than that year's taxable capital gains.

When you carry losses forward:

- Your unused losses are usually shown on your notice of assessment or reassessment.
- Use losses from earlier years before later ones, and keep a separate balance for each year.
- If the inclusion rate was different in the year of the loss, the loss is adjusted to match the year you use it. The CRA's Capital Gains Worksheet does the arithmetic.

- Losses from before May 23, 1985 have special rules.

Applying a loss to another year lowers your **taxable** income for that year, but not your **net** income, so credits and benefits based on net income don't change.

The superficial loss rule

A loss is **superficial**, and can't be claimed, when both of these are true:

- You, or a person affiliated with you, buy (or have a right to buy) the same or identical property in the period from 30 calendar days before the sale to 30 calendar days after it.
- You, or that person, still own (or have a right to buy) it 30 calendar days after the sale.

Affiliated persons include your spouse or common-law partner, and a corporation controlled by you or your spouse or common-law partner.

If you're the one who bought the replacement, you can usually add the denied loss to its ACB, which lowers your gain (or increases your loss) when you sell it.

The rule doesn't apply in some cases, such as when property is considered sold because you became or stopped being a resident of Canada, because you changed its use or because the owner died, or when the loss comes from an option expiring.

An exception: small business investments

A loss on shares of a small business corporation, or on a debt one owes you, can be a **business investment loss**. That happens when you sell them to someone you deal with at arm's length, or they're considered sold because the debt went bad or the corporation went bankrupt or insolvent. The allowable part can be deducted from your other income, not just capital gains. The CRA's capital losses page sets out the conditions.

Losses on things you own for personal use

Personal-use property is what you own mainly for your own or your family's use or enjoyment, such as furniture, cars, boats and a cottage. You have to report a gain when you sell it, but a loss usually can't be deducted, and it can't reduce gains on other personal-use property. The CRA treats a drop in value from personal use as a personal expense.

An ACB or selling price under \$1,000 is treated as \$1,000. If both are \$1,000 or less, there's no gain or loss to report.

Listed personal property is personal-use property that usually rises in value: art, jewellery, rare books, folios and manuscripts, stamps and coins. A loss on it only reduces gains on other listed personal property, in the same year, the three years before or the seven years after.

In short

- Allowable capital losses offset taxable capital gains, starting with the same year.
- An unused net capital loss carries back three years (Form T1A) or forward indefinitely (line 25300).

- Buying the same investment within 30 days before or after the sale, or having your spouse or your corporation buy it, can make the loss superficial.
- Losses on personal-use property generally don't count.
- To see what a gain or loss does to your tax, try the [investment income calculator](#)¹.

Sources

1. Capital losses ([canada.ca](#))
2. Line 25300 – Net capital losses of other years ([canada.ca](#))
3. Completing Schedule 3 ([canada.ca](#))
4. Definitions for capital gains ([canada.ca](#))

¹taxfootnote.ca/calculators/investment-income/

The principal residence exemption

When the gain on selling your home is tax-free, how the one-home-per-family rule works, and why you must report the sale even if you owe nothing.

Individuals & families · Buying or selling a home · Last reviewed October 10, 2026 · taxfootnote.ca/guides/principal-residence-exemption/

When you sell your home for more than it cost, the profit is a capital gain. If the home was your principal residence for every year you owned it, the principal residence exemption means you pay no tax on that gain. You still have to report the sale on your return, though, or you can lose the exemption.

What counts as a principal residence

A principal residence can be a house, cottage, condominium, apartment, trailer, mobile home or houseboat. It qualifies for a given year if:

- it's a housing unit, a leasehold interest in one, or a share in a co-operative housing corporation bought to get the right to live in a unit
- you own it, alone or jointly with someone else
- you, your spouse or common-law partner (current or former), or any of your children lived in it at some time during the year
- you designate it as your principal residence

Living there for even a short time in the year can be enough, unless your main reason for owning the place is to earn income from it.

The land under and around the home can be included, usually up to a limited area. More land can qualify only if you can show you need it to use and enjoy the home.

One home per family each year

From 1982 on, a family can designate only one home as its principal residence for any year. For this rule (for 1993 and later years), your family is you, your spouse or common-law partner (unless you were separated all year under a court order or written agreement), and your children who were not yet 18 at the end of the year and had no spouse or partner during it.

So if your family owns a house and a cottage, only one can be sheltered for any given year. You make the designation when you sell (or are considered to have sold) a property, and you can choose not to designate a home for some years, leaving them for another property.

How much of the gain is exempt

If a home wasn't your principal residence for every year you owned it, only part of the gain is exempt. The exempt share is the gain multiplied by:

$(1 + \text{the number of years you designate it as your principal residence while resident in Canada}) \div \text{the number of years you owned it}$

The extra year (the “plus one”) covers the year you sell one home and buy another: both can be fully sheltered even though you can designate only one for that year. If you weren’t resident in Canada at any time in the year you bought the home, you don’t get the extra year.

Any gain that isn’t exempt is a regular capital gain. For 2025, 50% of a capital gain is included in your income. See [how capital gains are taxed](#) (p. 116). A home is personal-use property, so if you sell at a loss, you can’t claim the loss.

Report the sale, even if no tax is owed

If you sold a home that was your principal residence at any time, report the sale and the designation on Schedule 3, Capital Gains or Losses, and fill out Form T2091(IND). Since 2016, the CRA allows the exemption only if the sale and designation are reported on your return.

If you forgot, ask the CRA to change your return for the year of the sale. It can accept a late designation in certain circumstances, but a penalty may apply.

When the exemption doesn't apply, or only partly

You owned it for less than a year. If you sell a home in Canada that you owned for less than 365 consecutive days, the profit is treated as business income rather than a capital gain, and the exemption isn’t available. A loss on such a sale is treated as nil. This flipping rule doesn’t apply if the sale happened because of, or in anticipation of, one of the life events the CRA lists, such as a death, a relationship breakdown, a serious illness or disability, an involuntary job loss, or an eligible move for work or full-time post-secondary studies.

You changed how you use it. If you turn your home into a rental or business property (or the other way around), you’re treated as having sold it at fair market value and bought it back. The gain for the years it was your principal residence is still exempt. If you move out and rent the whole home, you can elect (by a signed letter with your return for that year) to be treated as not having changed its use. You can then keep designating it as your principal residence for up to four years, or longer in some work-relocation cases, as long as you stay resident in Canada, don’t designate another home, and don’t claim capital cost allowance on it.

You use part of it to earn income. If you rent out a room or suite, or run a business from part of your home, part of the gain on a sale may be taxable. The whole property can keep its status as your principal residence if the income use is small compared with the home use, you make no structural changes for it, and you claim no capital cost allowance. See [renting out part of your home](#) (p. 145).

Sources

1. Principal residence ([canada.ca](#))
2. Income Tax Folio S1-F3-C2, Principal Residence ([canada.ca](#))

3. Residential property flipping rule (canada.ca)
4. Definitions for capital gains (canada.ca)

Real estate and tax: buying, renting, selling

The main tax rules for property in Canada: first-home programs when you buy, rental income while you own, and the principal residence exemption when you sell.

Everyone · Planning · Last reviewed October 10, 2026 · taxfootnote.ca/guides/real-estate-and-tax/

Property affects your taxes when you buy your first home (savings programs and a credit), while you rent it out (the rent is income, and many costs are deductible) and when you sell (the gain on your own home is usually tax-free, but gains on other property are taxed).

Buying your first home

Three federal measures help first-time buyers:

- **First home savings account (FHSA).** If you're a first-time home buyer, you can save in an FHSA to buy or build a qualifying first home tax-free. Contributions are generally deductible, and your room in the year you open your first FHSA is \$8,000.
- **Home Buyers' Plan (HBP).** You can withdraw from your RRSPs to buy or build a qualifying home and repay the money over 15 years. For a first HBP withdrawal made from 2022 to 2028, repayments start in the fifth year after the withdrawal year. You can use the HBP and an FHSA for the same home if you meet the conditions for each; see [FHSA and the Home Buyers' Plan](#) (p. 81).
- **Home buyers' amount.** A non-refundable federal credit. Generally you qualify if you didn't live in another home that you or your spouse or common-law partner owned in the year of purchase or the four years before (different rules apply for a person with a disability), and you plan to live in the new home within a year. Eligible co-buyers can split it.

Renting out property

Rent you collect is income, reported on Form T776. If you provide only basic services such as heat, light, parking and laundry, it's usually income from property. If you add services like cleaning, security or meals, you may be running a business, which is reported differently.

You can deduct reasonable expenses for earning the rent, including:

- interest on money you borrowed to buy or improve the rental property
- property taxes for the period the property was available for rent
- other running costs, such as insurance and minor repairs and maintenance

You can't deduct the principal part of your mortgage payments, the value of your own labour, or penalties on your tax assessments. Land transfer tax isn't deductible either; it's added to the property's cost.

The building (not the land) can be depreciated through capital cost allowance (CCA). CCA is optional: you can claim any amount from zero up to the maximum for the year. You can't use it to create or increase a rental loss.

Short-term rentals (less than 90 consecutive days) have an extra rule: you can't deduct expenses for any period when the rental wasn't allowed where it's located, or didn't have a registration, licence or permit the province or municipality requires.

If you rent out part of the home you live in, see [Renting out part of your home](#) (p. 145).

Selling your home

If a home was solely your principal residence for every year you owned it, you don't pay tax on the gain when you sell it. A principal residence can be a house, cottage, condo, apartment, trailer, mobile home or houseboat that you own, alone or jointly, and that you, your current or former spouse or common-law partner, or one of your children lived in at some time during the year. Your family (generally you, your spouse or common-law partner, and your children under 18 who don't have a spouse or partner) can designate only one home per year.

You must still report the sale and the designation on your return, using Schedule 3 and Form T2091(IND), even if no tax is owing. Since 2016, the CRA allows the exemption only if you report it. If you forget, ask the CRA to amend that year's return; a penalty may apply.

A home is personal-use property, so if you sell it at a loss, you can't claim the loss. More in [The principal residence exemption](#) (p. 122).

Selling other property

Selling a rental property, or a cottage or home you don't designate as your principal residence, for more than it cost can give you a capital gain, reported on Schedule 3. Only the taxable part of the gain is added to your income; see [How investments are taxed](#) (p. 133). If you claimed CCA on a rental, you may also have to add a recapture of CCA to your income in the year you sell, or you may be able to deduct a terminal loss.

Watch these rules:

- **Flipping.** If you owned a housing unit in Canada (including a rental) for less than 365 consecutive days before selling it, any gain is generally treated as business income, not a capital gain. Exceptions apply if you sold because of certain life events, such as a death in the family, a separation, a serious illness or a move for work or school.
- **Change in use.** Turning your home into a rental, or a rental into your home, counts as selling it at fair market value and buying it back. You may have to report a gain that year, but not the part that relates to years it was your principal residence. In some cases you can elect to postpone it.
- **Mixed use.** If part of your home is used to earn income, the gain on that part may be taxable. The whole home can keep its principal residence status if the income use is minor, you make no structural changes, and you don't claim CCA.

Sources

1. First Home Savings Account (FHSA) (canada.ca)
2. The Home Buyers' Plan (canada.ca)
3. Line 31270 – Home buyers' amount (canada.ca)
4. Guide T4036, Rental Income (canada.ca)
5. Principal residence (canada.ca)

The lifetime capital gains exemption

How the lifetime capital gains exemption shelters gains on small business shares and farm or fishing property, what can reduce it, and how to claim it.

Everyone · Running a corporation · Last reviewed October 11, 2026 · taxfootnote.ca/guides/lifetime-capital-gains-exemption/

If you sell shares of your small business corporation, or farm or fishing property, some or all of the gain may be tax-free. The lifetime capital gains exemption sets how much gain you can shelter over your whole life, and you use it by claiming the capital gains deduction on your return.

How much it covers

Under proposed changes, the exemption for 2025 is \$1,250,000 of capital gains on qualifying property, and the CRA applies the same limit to sales after June 24, 2024. The CRA says indexation to inflation resumes in 2026, and its indexation table lists \$1,275,000 for 2026. The [tax statistics page](#)¹ shows the limit by year.

The most you can deduct is 50% of the exemption for 2025, because that's the share of a capital gain that's taxable (see [how dividends and capital gains are taxed](#) (p. 116)). It's a lifetime limit: what you claim in one year reduces what's left for later. In any year, you can claim any amount up to the maximum you work out.

Who can claim it, and on what

You must be resident in Canada throughout the year. The CRA also counts you as resident throughout the year if you lived here for part of it and for all of the year before or after. Gains made while you were a non-resident generally don't qualify.

The deduction applies to taxable capital gains from selling qualified small business corporation (QSBC) shares or qualified farm or fishing property. It also covers a reserve you bring into income from an earlier sale of that property, and such gains that a trust allocates and designates to you as a beneficiary. It can apply at death too, when a person is treated as having sold their property; see [estate planning](#) (p. 319).

Qualified small business corporation shares

In brief, a share is a QSBC share only if all three of the CRA's tests are met:

- **At the time of sale**, it's a share of a small business corporation: a Canadian-controlled private corporation with all or most (90% or more) of the value of its assets used mainly in an active business carried on mainly in Canada, or held as shares or debts of connected small business corporations, or a mix of the two. You, your spouse or common-law partner, or a partnership you belong to must own it.
- **Throughout the 24 months before the sale**, while you, a person related to you or a partnership you belonged to owned it, it was a share of a Canadian-controlled private corporation, and more than 50% of the value of the corporation's assets

¹taxfootnote.ca/statistics/

were used mainly in an active business carried on mainly in Canada, or were certain shares or debts of connected corporations, or a mix of the two.

- **Throughout the 24 months before the sale**, no one owned the share except you, a person related to you, or a partnership you belonged to. Newly issued shares are generally treated as if an unrelated person owned them just before they were issued, with some exceptions.

Assets that aren't used in the active business, and aren't qualifying shares or debts of connected corporations, don't help meet these tests, so if too much of the corporation's value is in them, the shares won't qualify. Check well before a sale, since the tests look back 24 months. [Selling or winding up your company](#) (p. 276) covers the rest of a sale.

Qualified farm or fishing property

This is certain property owned by you, your spouse or common-law partner, or a family farm or fishing partnership either of you has an interest in. It includes land and buildings, a fishing vessel used in a fishing business, shares of a family farm or fishing corporation, an interest in a family farm or fishing partnership, and Class 14.1 property used in farming or fishing in Canada, such as milk and egg quotas and fishing licences with no time limit.

Use tests apply too. Land, buildings and Class 14.1 property such as quotas generally must have been owned throughout the 24 months before the sale by you, your spouse or common-law partner, your children or your parents, a personal trust one of them acquired it from, or a family farm or fishing partnership one of them has an interest in. They must also pass one of two use tests:

- in at least two years while one of you owned it, it was used mainly in a farming or fishing business in Canada that one of you was actively engaged in on a regular and ongoing basis, and that person's gross income from the business was more than their income from all other sources in the year
- a family farm or fishing corporation or partnership used it for at least 24 months in a farming or fishing business in Canada, and during that time one of you was actively engaged in the business on a regular and ongoing basis

For shares of a family farm or fishing corporation or an interest in a family farm or fishing partnership, all or substantially all (generally 90% or more) of the value of its property must be used mainly in a farming or fishing business. Throughout a 24-month period before the sale, more than 50% of that value must also have been property used mainly in a farming or fishing business in Canada that you or certain family members were actively engaged in. Chapter 6 of Guide T4002 has the details.

What can reduce your claim

Form T657 limits your deduction for the year to the least of four amounts: your annual gains limit, your cumulative gains limit, your net taxable capital gains from qualifying property for the year, and the deduction you still have available. Several things can bring those limits down.

- **Cumulative net investment loss (CNIL).** Your CNIL is the investment expenses you've deducted since 1988, such as carrying charges, interest and net rental losses, minus the investment income you've reported, such as interest, dividends and net rental income. A CNIL balance reduces your cumulative gains limit, so it can cut your deduction. You work it out on Form T936.
- **Allowable business investment losses.** This is the deductible part of a loss on shares of, or a debt owed by, a small business corporation. Claiming one reduces the capital gains deduction you can claim that year and in future years. It works the other way too: capital gains deductions claimed in earlier years can reduce a later business investment loss. See [capital losses](#) (p. 119).
- **Losses of other years.** Net capital losses from other years that you deduct this year can also reduce your annual gains limit.

The CRA suggests that owners of QSBC shares or qualified farm or fishing property keep a record of their investment income and expenses, and complete Form T936 for any year they have either, even when they aren't claiming the deduction.

A large deduction can also matter for alternative minimum tax. Form T691, which works out minimum tax, has a line for the capital gains deduction, and the CRA says that, under proposed changes, the way adjusted taxable income is calculated for minimum tax changed for 2024 and later years. If your deduction is large, complete Form T691 to check.

How to claim

1. Report the sale on Schedule 3, Capital Gains or Losses, with your return.
2. If you've had investment income or expenses in any year since 1988, complete Form T936 to work out your CNIL.
3. Complete Form T657, Calculation of Capital Gains Deduction, to work out the most you can claim.
4. Claim the amount you choose, up to that maximum, as the capital gains deduction on your return.

If you're spreading a gain over several years with a reserve, the deduction for each year's part is based on the year you sold the property.

In short

- The exemption shelters gains on QSBC shares and qualified farm or fishing property up to a lifetime limit, and the most you can deduct is the taxable share of it (50% for 2025).
- You must be resident in Canada, and the property must pass ownership, asset and use tests that mostly look back 24 months.
- A CNIL balance, business investment losses and losses of other years can reduce your claim; work it out on Forms T936 and T657.

Sources

1. Line 25400—Capital gains deduction ([canada.ca](#))
2. Indexation adjustment for personal income tax and benefit amounts ([canada.ca](#))

3. Definitions for capital gains (qualified small business corporation shares, qualified farm or fishing property) (canada.ca)
4. Guide T4037, Capital Gains – 2025 (canada.ca)
5. Guide T4002, Chapter 6 – Capital gains (qualified farm or fishing property) (canada.ca)
6. Form T657, Calculation of Capital Gains Deduction (2025) (canada.ca)
7. Form T936, Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 2025 (canada.ca)
8. Income Tax Folio S4-F8-C1, Business Investment Losses (canada.ca)
9. Form T691, Alternative Minimum Tax (2025) (canada.ca)
10. Taxable capital gains on property, investments, and belongings (someone who died) (canada.ca)

Investing and your tax bill

Outside a registered plan, interest, Canadian dividends and capital gains are each taxed differently, so the same investment return can leave you with different amounts after tax. As a Canadian resident, you report income from sources inside and outside Canada, in Canadian dollars. This chapter also covers borrowing to invest, crypto and renting out part of your home.

Moves for 2026

1. Report interest on compounding GICs each year as it's earned, even though you won't receive it until the GIC matures or you cash it in. → [How investments are taxed, p. 133](#)

2. Use a separate loan or account for money you borrow to invest, and keep a record tracing each amount to the investments it bought: it's up to you to show the money went to an eligible use. → [Deducting interest on investment loans, p. 136](#)

3. Export your crypto exchange history regularly, and record the date, units and Canadian-dollar value of every transaction, including trades of one coin for another. → [Cryptocurrency and tax, p. 139](#)

4. Add up the cost, not the market value, of your specified foreign property, such as foreign shares (even ones your Canadian broker holds) and bank accounts outside Canada: if it was over the threshold at any time in the year, you must file Form T1135. → [Foreign income, foreign tax and the T1135, p. 142](#)

5. Weigh the trade-off before claiming capital cost allowance on a room or suite you rent out: it can make part of your home's gain taxable when you sell. → [Renting out part of your home, p. 145](#)

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How investments are taxed

Interest, Canadian dividends and capital gains are each taxed differently. How each one works, what costs count, and how capital losses can be used.

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Outside a registered plan, investment income is taxed in three different ways. Interest is taxed like your other income, Canadian dividends are grossed up and then reduced by a dividend tax credit, and only part of a capital gain is taxed. So the same dollar of investment return can leave you with different amounts after tax.

Interest

Interest from bank accounts, GICs, term deposits, bonds and similar investments is part of your income, and you report the whole amount. Report it even if you don't get a T5 slip; you may not get one for small amounts.

Interest that compounds over several years, as on many GICs, is taxed as it's earned, not when it's paid. You report the interest earned in each full investment year, even though you won't receive it until the investment matures or you cash it in.

If you earn interest or dividends from outside Canada, report them in Canadian dollars. If foreign tax was taken off, you may be able to claim a foreign tax credit, but don't subtract the foreign tax from the income you report.

Dividends from Canadian corporations

Dividends from taxable Canadian corporations are either **eligible** or **other than eligible**. Your slips report the two types in separate boxes; if you're not sure which you received, ask the payer.

You don't report the cash you received. You report a "taxable amount" that is grossed up: the actual dividend plus 38% for eligible dividends, or plus 15% for other dividends. You then claim a federal dividend tax credit, and a provincial or territorial one, which reduce your tax. The credit amounts are usually shown on your slips.

Provincial credit rates differ, so the combined result depends on where you live and your income; see the [dividend tax credits table](#)¹. Foreign dividends don't qualify for the dividend tax credit.

Capital gains

You have a capital gain when you sell an investment, or are considered to have sold it, for more than its adjusted cost base (ACB, essentially its cost for tax purposes) plus the costs of selling it. Brokerage fees and commissions aren't deducted on their own; they go into the gain or loss calculation instead.

¹taxfootnote.ca/rates/dividend-tax-credits/

You report a gain in the calendar year you sell, and only part of it is taxed. The inclusion rate for 2025 is 50%, so that share of the gain (the taxable capital gain) is added to your income. Keep records of what you paid and when, and the fair market value of anything you inherit or receive as a gift; you'll need them to work out your ACB.

Gains you make by donating certain property, such as publicly listed shares, to a qualified donee can have an inclusion rate of zero. There's a form for that, Form T1170.

Capital losses

A capital loss is the opposite: you sell for less than your ACB plus selling costs. The same inclusion rate applies, giving an "allowable capital loss". It can only reduce taxable capital gains, not your other income. If your losses are bigger than your gains for the year, the difference becomes a net capital loss that you can apply to taxable capital gains in any of the three previous years or any future year. File Schedule 3 so the CRA records the loss.

Watch the **superficial loss** rule. If you, or someone affiliated with you such as your spouse or common-law partner, buy the same or identical property in the 30 days before or after the sale and still own it 30 days after, you can't claim the loss. If you're the one who bought the replacement property, the loss is usually added to its cost instead.

Borrowing and other costs

Most interest on money borrowed to earn investment income, such as interest and dividends, is deductible as a carrying charge, as are some fees to manage your investments. Fees for registered plans like an RRSP or TFSA aren't. See [Deducting interest on investment loans](#) (p. 136) for the details.

Lending or giving investments to family

If you lend or transfer investments (or money to buy them) to your spouse or common-law partner, or to a related minor under 18 (including a niece or nephew), you may have to report the interest or dividends they produce. For a spouse or common-law partner, the capital gains can come back to you too.

In short

- Interest: fully taxable each year, even if it isn't paid out yet.
- Canadian dividends: grossed up, then reduced by the dividend tax credit.
- Capital gains: only the inclusion-rate share is taxed, in the year you sell.
- Capital losses: only offset capital gains, but can be carried back three years or forward indefinitely.
- Inside a registered plan, different rules apply; see [Registered savings plans compared](#) (p. 75).

Sources

1. Line 12100 – Interest and other investment income ([canada.ca](#))
2. Lines 12000 and 12010 – Taxable amount of dividends from taxable Canadian corporations ([canada.ca](#))
3. Federal dividend tax credit (line 40425) ([canada.ca](#))

4. Calculating and reporting your capital gains and losses (canada.ca)
5. Capital losses (canada.ca)
6. Line 22100 –Carrying charges, interest expenses and other expenses (canada.ca)

Deducting interest on investment loans

When interest on money you borrow to invest is deductible, why how you use the money matters more than the loan itself, and Quebec's extra limit.

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You can generally deduct the interest on money you borrow to invest, as long as the investment can reasonably be expected to pay you income such as interest or dividends. What matters is what you used the borrowed money for, not what you put up as security for the loan.

The basic rule

You can claim interest as a carrying charge (line 22100) when:

- **You borrowed money and have a legal obligation to pay interest on it**, and you paid it in the year (or it's payable for the year).
- **The rate is reasonable.** A rate set between an arm's-length lender and borrower is generally reasonable.
- **You used the money to earn income from investments** (or a business), with a reasonable expectation of income when you made the investment.

"Income" here means amounts like interest and dividends. Hoping for a capital gain isn't enough: if the only thing an investment can earn is a capital gain, you can't deduct the interest. The income doesn't have to be larger than the interest, though. Federally, the deduction isn't limited to what the investment pays you.

Common shares and mutual funds. The CRA generally allows interest on money borrowed to buy common shares, because when you buy them there's a reasonable expectation of dividends. That changes if the company has said it doesn't pay dividends and doesn't expect to, so that you'd have to sell to get any value. The same thinking generally applies to mutual funds.

The deduction lowers your taxable income, so it saves tax at your marginal rate; see the [income tax brackets](#)¹.

It's the use that counts

The test is the direct, current use of the borrowed money, and it's up to you to trace each borrowed dollar to an eligible use.

- **Security doesn't decide it.** A loan secured by your home is deductible if the money went into income-earning investments. A loan secured by your investments isn't if the money paid for a car.
- **Keep borrowed money separate.** Putting borrowed money in its own account, apart from your savings, makes it much easier to show where it went.

¹taxfootnote.ca/rates/income-tax-brackets/

- **You can restructure.** You may sell investments you own, use the cash to pay down a personal loan such as a mortgage, then borrow to buy investments. The new loan's direct use is investing.
- **Switching investments.** If you sell an investment and put all the proceeds into another income-earning investment, the interest stays deductible. If you take money out for personal use, interest on that part stops being deductible.
- **Refinancing.** Money borrowed to repay an earlier loan is treated as used for the same purpose as the original loan.

If the investment loses value

If you sell an investment at a loss and use the proceeds to pay down the loan, the remaining balance no longer has an income-earning use. Special “disappearing source” rules can let you keep deducting the interest on it, if specific conditions are met. They don't apply to real estate or depreciable property.

What you can't deduct

- Interest on money borrowed to contribute to an RRSP, TFSA, FHSA, RESP, RDSP or registered pension plan.
- Interest on money borrowed to buy property whose income would be tax-exempt, or to buy a life insurance policy.
- Interest on student loans. You may be able to claim a credit for it instead.
- Brokerage fees and commissions on buying or selling securities. These are used in working out your capital gain or loss instead.
- Safety deposit box charges and subscriptions to financial newspapers, magazines or newsletters.

Along with interest, you can claim fees to manage or take care of your investments and certain investment advice fees, but not fees related to an RRSP, RRIF, TFSA, FHSA or similar registered plan.

In Quebec: a limit on investment expenses

What you can deduct on your Quebec return (line 231) is much the same, but Quebec adds a limit: your investment expenses, including carrying charges and interest, can't be more than your investment income for the year. You work out the adjustment on Schedule N (line 260). The excess isn't lost: you can use it to reduce your net investment income for the three previous years or for future years.

Quebec also stops the interest deduction on a loan used to buy shares or mutual fund units from the date you transfer them into an RRSP, TFSA or FHSA.

What to do

- Keep a record that traces each borrowed amount to the investments it bought, along with statements showing the interest you paid.
- Use a separate loan or account for investment borrowing.
- Claim the interest and eligible fees as carrying charges on your federal return; in Quebec, also check whether Schedule N limits your claim.

- Keep all your documents in case the CRA asks to see them.

Sources

1. Line 22100 – Carrying charges, interest expenses and other expenses (canada.ca)
2. Income Tax Folio S3-F6-C1, Interest Deductibility (canada.ca)
3. Line 231 – Carrying charges and interest expenses (Revenu Québec) (revenuquebec.ca)
4. Line 260 – Adjustment of investment expenses (Revenu Québec) (revenuquebec.ca)

Cryptocurrency and tax

How the CRA taxes crypto: what counts as a disposition, business income versus capital gains, mining and staking rewards, and the records to keep.

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Selling, trading or spending cryptocurrency usually counts as disposing of it, and you report the result on your return. Depending on how you deal in crypto, the profit is either business income, which is fully taxable, or a capital gain, of which only part is taxable.

The CRA's term is "crypto-assets", which includes payment tokens, utility tokens, security tokens, non-fungible tokens (NFTs) and stablecoins.

What counts as a disposition

You generally dispose of a crypto-asset when you:

- sell it or trade it for government-issued currency, such as Canadian dollars
- trade it for another crypto-asset
- use it to pay for goods or services
- give it away or donate it.

That list isn't complete; other situations can also be dispositions.

Paying with crypto is a barter. Because cryptocurrency isn't government-issued currency, paying for something with it is treated as a barter transaction. You've disposed of the crypto you spent. A seller who accepts crypto as payment includes in their income either the value of the goods or services they provided or the value of the crypto they accepted, whichever is more readily valued.

Trading one coin for another counts too. When you swap coin B for coin A, you've disposed of coin B at its fair market value at the time of the trade. If that's more than what you paid for coin B, you have a gain, even though you never cashed out.

Moving crypto between wallets you own isn't a taxable disposition.

Business income or capital gain?

How you report depends on whether your crypto activity amounts to carrying on a business. It's decided case by case, looking at all the factors, and these signs may point to a business:

- you buy and sell often
- you hold crypto for short periods and turn it over quickly
- you know the crypto markets or have experience in them
- you spend a lot of your time studying the markets
- you borrow to buy crypto
- you advertise that you're willing to buy crypto.

Even a one-off transaction can be business income if it's an "adventure or concern in the nature of trade": a deal made to turn a profit, separate from your usual line of work.

If it's a business, you report the full profit or loss. Crypto you hold as business inventory is generally valued the same way every year: either each item at its cost or its fair market value at year-end, whichever is lower, or all of it at fair market value at year-end. See [side gigs and platform income](#) (p. 214) for the basics of reporting self-employment income.

If it's capital, you have a capital gain when what you get for the crypto is more than its adjusted cost base (usually its cost plus the costs of buying it) plus the costs of selling it. Only part of the gain is taxable: 50% for 2025. Capital losses work the same way in reverse. The allowable part of a loss can only reduce taxable capital gains, not employment or other income. An unused net capital loss can be carried back three years or forward indefinitely; see [capital losses](#) (p. 119).

Mining and staking

Mining. In most cases, the CRA considers crypto mining to be a business because of the scale and resources involved. If you're in the business of mining, the value of the crypto you receive for it is business income when you earn it. Mining equipment you use in the business, such as ASIC miners and GPU rigs, may qualify for capital cost allowance; the CRA considers that they can fall within class 50.

Staking. Rewards from staking crypto on a centralized exchange platform are generally income when they're credited to your wallet on the platform.

Putting a value on crypto

Everything goes on your return in Canadian dollars, so you need the value of the crypto at the time of each transaction. The CRA will generally accept fair market value. Use a reasonable method, apply it consistently from year to year and keep a note of it. For example, you could always use the rate from the exchange you trade on, or an average of the high, low, open and close prices across several high-volume exchanges.

Records to keep

Keep records of:

- the type of crypto and number of units in each transaction
- the date and time of each transaction
- the value in Canadian dollars at the time
- what the transaction was, and the other party (even if it's only their wallet address)
- the addresses of each wallet you use
- each wallet's opening balance and cost, and its closing balance, for each crypto and each year
- receipts for accounting, legal and software costs.

If you use an exchange, keep its trade and transfer histories. If you mine, keep receipts for hardware, power and pool fees, and your mining pool agreements and records.

Keep your records for at least six years from the end of the last tax year they relate to. Export your exchange history regularly: if the exchange shuts down, stops serving Canada or you lose access to your account, you'll still have it.

Some crypto activities can also mean collecting and remitting GST/HST; the CRA's crypto pages cover that separately.

In short

- Selling, trading, spending or giving away crypto is generally a disposition.
- Frequent, business-like trading and most mining produce business income; otherwise the result is usually a capital gain or loss.
- Staking rewards on an exchange are generally income when credited.
- Keep detailed records for at least six years.

Sources

1. Understanding crypto-assets and your tax obligations (canada.ca)
2. Reporting income from crypto-asset transactions (canada.ca)
3. Reporting income from crypto-asset mining and staking activities (canada.ca)
4. Determining the value of crypto-assets for tax filing (canada.ca)
5. Keeping books and records of crypto-assets for tax filing (canada.ca)

Foreign income, foreign tax and the T1135

Canadian residents report income from everywhere. How to convert it to dollars, claim a credit for foreign tax paid, and when you must file Form T1135.

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If you're a resident of Canada for tax purposes, you report your income from sources outside Canada as well as inside it. You may be able to claim a credit for foreign tax you've already paid, and if the specified foreign property you hold cost more than \$100,000 in total at any time in the year, you also file Form T1135.

Residents report income from everywhere

Canadian residents report all their income, from sources inside and outside Canada. That includes people living abroad for a while who keep significant residential ties here (factual residents).

So foreign bank interest, dividends from foreign shares and other income from property abroad all go on your return, whatever your foreign property cost. The \$100,000 threshold below only decides whether you file an extra form; it doesn't exempt any income from tax.

Foreign dividends don't qualify for the dividend tax credit. If you're new to Canada, see [your first tax return in Canada](#) (p. 255) for how the year you arrive works.

Converting to Canadian dollars

Everything goes on your return in Canadian dollars, including the foreign tax you paid. In general, use the Bank of Canada exchange rate in effect on the day the amount arose. If you were paid at different times during the year, such as a monthly foreign pension, use the Bank of Canada's average annual rate.

In certain situations the CRA accepts rates from other sources, such as Bloomberg, Thomson Reuters or OANDA, if they meet all of its conditions, including being verifiable and used consistently from year to year.

Claiming a credit for foreign tax

If you paid foreign income or profit tax on income you report on your Canadian return, you may be able to claim the foreign tax credit. You need to have been a resident of Canada at some time in the year.

- **Report the full income.** Don't subtract the foreign tax from the income you report. You claim it as a credit instead.
- **How much you can claim.** In most cases, for each country, you claim whichever is less: the foreign income tax you actually paid, or the Canadian tax you'd otherwise owe on your net income from that country.

- **Federal and provincial parts.** Work out the federal credit on Form T2209 (it goes on line 40500), then the provincial or territorial credit on Form T2036 for your province's Form 428. Quebec residents don't use Form T2036; for Quebec's foreign tax credit, see Revenu Québec.
- **Tax treaties matter.** A tax treaty between Canada and the other country can affect whether you can claim the credit. Income that a treaty makes non-taxable in Canada, and that you've deducted, stays out of the calculation.
- **Keep proof.** Keep your supporting documents, such as official receipts showing the foreign tax you paid. If you file on paper, attach Form T2209, those receipts and a note explaining your calculations.

When you must file Form T1135

Form T1135, the Foreign Income Verification Statement, identifies your foreign property; it doesn't calculate tax. You must file it if you're a Canadian resident and the total cost of your **specified foreign property** was more than \$100,000 at any time in the year.

- **It's cost, not market value.** The test uses the cost amount, which is generally the adjusted cost base. For property you received as a gift or inheritance, the cost is its fair market value when you received it.
- **It's the total.** Add up the cost of all your specified foreign property. Shares of a foreign corporation and a U.S. bank account that are each under the threshold on their own can be over it together, and then you'd have to file.
- **At any time in the year.** If you crossed the line during the year, you file, even if you sold everything before December 31.

Specified foreign property includes money in bank accounts outside Canada, shares of foreign corporations (even if your Canadian broker holds them), bonds and other debts owed by non-residents, foreign rental property, and precious metals held outside Canada, among other things.

It doesn't include personal-use property, such as a vacation home you use mainly yourself, or property used only in an active business. Foreign investments inside an RRSP or TFSA don't count, nor does a Canadian mutual fund that holds foreign investments.

Which part of the form. If your total cost stayed under \$250,000 all year, you can use the simplified Part A, ticking the types of property you held. If it reached \$250,000 or more at any time, you complete the detailed Part B.

When it's due. Form T1135 is due on the same day as your return: April 30, or June 15 if you or your spouse or common-law partner carried on a business.

New residents. You don't file it for the year you first became a resident. After that, use each property's fair market value on the day you became a resident as its cost.

If you don't file

Significant penalties can apply for filing Form T1135 late and for false statements or omissions on it. And if you also leave income from that property off your return,

the CRA gets three extra years to reassess you. If you've missed filings, the CRA's Voluntary Disclosures Program may be an option.

In short

- Residents report income from everywhere, in Canadian dollars.
- Report foreign income before foreign tax, then claim the foreign tax credit.
- File Form T1135 if your specified foreign property cost more than \$100,000 in total at any time in the year.

Sources

1. Income Tax Folio S5-F1-C1, Determining an Individual's Residence Status (canada.ca)
2. Factual residents – Temporarily outside of Canada (canada.ca)
3. Line 12100 – Interest and other investment income (canada.ca)
4. Line 40500 – Federal foreign tax credit (canada.ca)
5. Foreign Income Verification Statement (Form T1135) (canada.ca)
6. Questions and answers about Form T1135 (canada.ca)

Renting out part of your home

How to report rent from a room, suite or lodger, which home expenses you can deduct, and how to keep your principal residence exemption intact.

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Rent you collect for a room, a basement suite or another part of your home is income you report on your return, and you can deduct the share of your home costs that relates to the rented space. If the rental stays small, you make no structural changes for it and you don't claim capital cost allowance, the whole home can usually stay covered by the principal residence exemption.

Is it rental income?

Renting out space in your home usually gives you income from property, which you report on Form T776, Statement of Real Estate Rentals. That's the case when you provide only basic services such as heat, light, parking and laundry. If you also provide extra services like cleaning, security or meals, you may be running a business instead, and the business-income rules in Guide T4002 apply. The more services you provide, the more likely it's a business.

Some arrangements aren't rentals at all. If your son or daughter, or someone else living with you, pays a small amount toward groceries or the upkeep of the house, that's cost sharing: you don't report it as income, and you can't claim rental expenses or a loss.

Expenses you can deduct

When you rent part of the building you live in, split the costs that apply to the whole property between the part you rent out and the part you use yourself. You can base the split on floor area (square metres) or on the number of rooms, as long as it's reasonable.

- **Costs for the whole property**, such as property taxes, insurance and electricity: deduct the rental share. For example, if you rent out 2 rooms of an 8-room house, you deduct a quarter of these costs.
- **Costs only for the rented space**, such as repairs to the rented room or advertising for a tenant: deduct them in full.
- **Shared rooms with a roommate or lodger**, such as the kitchen and living room: you can also deduct part of their costs, based on things like how many people use the room or how much of the time your roommate uses it.

You can deduct interest on money borrowed to buy or improve a rental property, but only the rental share applies when you live in the rest of the building. Spending that improves the property beyond its original condition, or extends its useful life, is usually a capital expense, not something you deduct all at once.

Two limits to know:

- You can't claim expenses for renting part of your home if you have no reasonable expectation of making a profit.

- If you rent to someone you know for less than you'd charge a stranger, you can't claim a rental loss.

If your expenses are more than your rent and you incurred them to earn income, the rental loss can be deducted from your other income.

Short-term rentals

A short-term rental is a residential property rented, or offered for rent, for less than 90 consecutive days at a time. If your province or municipality doesn't allow short-term rentals at your location, or requires a registration, licence or permit that you don't have, you can't deduct the expenses for the days the rental wasn't compliant. Check your local rules before you list a room.

Be careful with capital cost allowance

Capital cost allowance (CCA) is the yearly deduction for wear and tear on the building. For the rented part of your home, you can claim CCA only if it doesn't create or increase a rental loss and you aren't designating the building as your principal residence.

That second condition is the catch. The CRA treats your whole home as staying your principal residence, even with the rental, only if all three of these are true:

- the rental use is small relative to your use of the property as your home
- you make no structural changes to make it more suitable for renting
- you claim no CCA on the rented part

If any of these isn't true, you're generally treated as having sold the rented portion at its fair market value and bought it back. Later, part of your gain on selling the home can be taxable. Since March 19, 2019, you may be able to file an election so that this deemed sale doesn't happen, depending on your situation.

When you sell

If part of your home stopped qualifying as your principal residence, you split the selling price between the home part and the rented part, using square metres or the number of rooms. You report a capital gain only on the rented part, and you may also have to add back past CCA as income (a recapture). The part you lived in stays sheltered. See [the principal residence exemption](#) (p. 122) for how the designation works.

What to do

- Keep records of rent received and every expense. Records generally have to be kept for six years from the end of the tax year they relate to.
- Fill out Form T776 each year, splitting shared costs in a reasonable way.
- Before claiming CCA on the rented part of your home, remember that it can make part of your gain taxable when you sell.
- To estimate the tax on your net rental income in your province, use the [income tax calculator](#)¹.

Sources

¹taxfootnote.ca/calculators/income-tax/

1. Guide T4036, Rental Income (canada.ca)
2. Principal residence (canada.ca)

Giving to charity

When you give money or other property to a registered charity or another qualified donee, you can claim a federal tax credit and a provincial or territorial one. Because the credit is worth more per dollar once your claim for the year passes a small first tier, choosing when to claim and on whose return can get you a bigger credit.

Moves for 2026

1. Look the organization up in the CRA's List of charities, or its lists of other qualified donees, before you give: only gifts to qualified donees count. → [Charitable donations and the tax credit](#), p. 149
2. Ask for an official receipt for every amount you plan to claim, since organizations that can issue them don't have to, and keep your receipts in case the CRA asks. → [Charitable donations and the tax credit](#), p. 149
3. Put both partners' donations on one return that has enough tax to use the credit, so the lower first-tier rate applies only once. → [Pooling donations and medical expenses](#), p. 38
4. Save up small gifts and claim two or more years together on one return: you can generally carry a donation forward up to five years, and amounts carried forward are used first. → [Pooling donations and medical expenses](#), p. 38
5. Consider giving listed shares that have gone up in value directly to a qualified donee, since you may not be taxed on the gain, and report the gift on Form T1170. → [Charitable donations and the tax credit](#), p. 149

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Charitable donations and the tax credit

How the donation tax credit is worked out, which charities and receipts qualify, the yearly limit, carrying donations forward, and giving shares.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/charitable-donations/

When you give money or other property to a registered charity or another qualified donee, you can claim a federal non-refundable tax credit for it, and a provincial or territorial one too. The credit is worth more per dollar once your claim for the year passes a small first tier, and you don't have to claim a donation in the year you make it.

How the credit is worked out

You calculate the federal credit on Schedule 9. For 2025 it's:

- 14.5% of the first \$200 you claim for the year
- 29% of the rest
- 33% instead of 29% on the part of the rest that matches your taxable income above \$253,414

Outside Quebec, your province or territory then gives its own credit, worked out on its Form 428 from the same donation amounts, at its own rates. The [personal tax credits table](#)¹ compares them.

Because the lower rate applies to the first slice on every return, it can pay to put a couple's donations on one return, or to save up small donations and claim several years together. [Pooling donations and medical expenses](#) (p. 38) explains how.

Give to a qualified donee

Only gifts to qualified donees count. Besides registered charities, qualified donees include registered Canadian amateur athletic associations, registered journalism organizations, registered national arts service organizations, registered municipalities and registered public bodies performing a function of government in Canada, registered low-cost housing corporations for the aged, registered universities outside Canada that ordinarily include students from Canada, registered foreign charities that have received a gift from the Government of Canada, the United Nations and its agencies, and the federal, provincial and territorial governments.

Before you give, look the organization up in the CRA's List of charities, or in its lists of other qualified donees. Non-profit organizations that aren't qualified donees can't issue receipts you can claim. For a donation to count as a gift and qualify for a receipt, the CRA sets conditions: among them, you must make it voluntarily, it can't be directed to a specific person or to an organization that isn't a qualified donee, and the organization has to be able to work out its eligible amount.

¹taxfootnote.ca/rates/personal-credits/

Get an official receipt

You need an official donation receipt from the qualified donee for every amount you claim. Organizations that can issue receipts don't have to, so ask. If the organization agrees to give you one, you can expect it by February 28 of the year after you give; some organizations send one receipt for all your cash gifts in the year. If you give property rather than cash, you get a separate receipt for each gift, valued at its fair market value when you gave it.

The receipt usually shows the eligible amount: the fair market value of what you gave, minus the value of anything you got in return (the CRA calls this an advantage). If you pay \$300 for a ticket to a charity's fundraising dinner and the dinner is worth \$80, for example, the eligible amount is \$220.

If you file online, keep your receipts in case the CRA asks for them. If you file on paper, attach Schedule 9 but not the receipts.

How much you can claim in a year

Generally, you can claim eligible donations up to 75% of your net income for the year. Certain gifts of capital property can be claimed up to 100% of net income in some cases. In the year someone dies, gifts can be claimed up to 100% of their net income, and any excess can go on the return for the year before, again up to 100% of that year's net income.

Carrying donations forward

You don't have to claim a donation in the year you make it. You can carry it forward and claim it in any of the next five years, or the next ten for a gift of ecologically sensitive land. That's useful in a year when you have little tax to reduce, or to bundle small gifts so more of them are above the first tier.

When you do claim, amounts carried forward from earlier years have to be claimed before the current year's. Each donation can be claimed only once, so keep track of what you've claimed and what's left.

Giving shares instead of cash

If you donate shares listed on a designated stock exchange, or units of a mutual fund trust or shares of a mutual fund corporation, directly to a qualified donee, you may be entitled to an inclusion rate of zero on the capital gain, so none of the gain is taxed, and the eligible amount of the gift is still based on its fair market value. The same can apply to certain other property, such as prescribed debt obligations and certified ecologically sensitive land given to a qualified donee other than a private foundation. If you receive something in return for the gift, only part of the gain gets the zero rate.

Report these gifts on Form T1170, Capital Gains on Gifts of Certain Capital Property, and carry the amounts to Schedule 3. The zero rate applies to the gain realized on the gift of the property itself. For how capital gains are normally taxed, see [dividends and capital gains](#) (p. 116).

If you live in Quebec

You claim the federal credit on your federal return as usual. On your Quebec return, you claim Quebec's credit on line 395, using Work Chart 395 or Schedule V. For 2025, the Quebec credit is 20% of the first \$200 and 24% or 25.75% of the rest. Amounts you don't use can be carried forward up to five years after the year of the donation.

What to do

- Check that the organization is a registered charity or other qualified donee before you give.
- Ask for an official receipt, and keep every one.
- Decide whether to claim this year or carry the donation forward, and which partner's return to use.
- If you hold shares that have gone up in value, consider giving the shares directly.
- See what your donations save you in the [income tax calculator](#)².

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²[taxfootnote.ca/calculators/income-tax/](#)

Working with the CRA

This chapter covers dealing with the CRA after you file: your refund or balance owing, instalments, changing a return or disputing an assessment, and reviews and audits. It also covers catching up on missed years, fixing past mistakes through the Voluntary Disclosures Program, keeping the right records and spotting a fake CRA contact. If you owe, file on time even if you can't pay: that avoids the late-filing penalty, and only interest runs.

Moves for 2026

1. Sign up for direct deposit in your CRA account or through your bank before you file: tax software can't change your banking details. → [Your tax refund: when it comes and why it might be smaller](#), p. 153
2. File on time even if you can't pay in full, pay what you can, and schedule the rest as pre-authorized debits in your CRA account. → [Owing the CRA: paying a balance, interest and payment plans](#), p. 157
3. If you pay instalments, put December 15 on your calendar, and if you've fallen behind, pay your next instalment early or pay more than required to cut the interest. → [Paying tax by instalments](#), p. 161
4. Once your notice of assessment arrives, use Change my return in your CRA account to claim a deduction or credit you missed; it covers the 10 previous calendar years. → [Changing your return, and disputing an assessment](#), p. 167
5. Check any call, text or email that claims to be from the CRA by signing in to your CRA account yourself, typing the address instead of clicking a link. → [CRA scams: how the CRA really contacts you, and how to spot a fake](#), p. 183

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Your tax refund: when it comes and why it might be smaller

How long the CRA takes to send a refund, how to track it, why it can be smaller than expected or held back, and when the CRA pays interest on it.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/your-tax-refund/

When the CRA processes your return, it sends a notice of assessment with one of three results: a refund, an amount you owe, or a nil balance. If it's a refund, here's when to expect it, how to follow it, and why it might not match what your software showed.

How long it takes

The CRA's service standards set these goals for returns filed on time:

- **Filed online:** a notice of assessment within two weeks of receiving your return.
- **Filed on paper:** within 12 weeks.

Any refund usually follows the same timeline as the notice. It arrives by direct deposit, or as a cheque mailed separately to your address on file. Non-resident returns can take up to 16 weeks.

The standards don't cover returns filed late, several years' returns filed together, or returns for someone who died, went bankrupt or left Canada. For late returns, the CRA says it makes every effort to process them in a timely way. Any return can take longer if the CRA selects it for a closer review or asks you for more information.

Get it by direct deposit

Direct deposit gets refunds and benefit payments to you faster, and securely. You need an account at a Canadian bank or credit union; otherwise the CRA mails a cheque.

- **Online:** in your CRA account, go to your profile and edit the direct deposit section, or sign up through your bank's or credit union's website. Either way, the CRA says your details are updated the next business day.
- **By mail:** the enrolment form can take up to three months or longer.
- **Not by phone:** the CRA no longer takes direct deposit sign-ups or changes over the phone.

Set it up before you file, because tax software can't change your banking details. If you switch banks, keep the old account open until the first payment lands in the new one.

Track it

In your CRA account, the progress tracker shows your return's status: received, in progress, then assessed. Once it's assessed, your notice of assessment appears in the account, usually right away. If you've given the CRA your email address, you'll get an email when there's new mail in your account.

The two-week and 12-week times above are goals for issuing the assessment. Separately, the CRA's refunds page asks you to wait before contacting it about your refund status: 12 weeks if you live in Canada, or 16 weeks if you live outside Canada. Until then, check the progress tracker. When you do call, the CRA's automated line is 1-800-959-8281 (choose option 4). Have your social insurance number, full name, date of birth, complete address, and the total income amount (line 15000) from your most recent notice of assessment ready.

Why it might be smaller than you expected

The CRA changed your return. Your notice of assessment summarizes the amounts it used, and if it made corrections, an "explanation of changes" section says what changed and why. These are based on what you sent and what the CRA has on file. Compare the summary with what you entered. If something is wrong, see [changing your return](#) (p. 167).

It went to pay a debt. The CRA can keep all or part of a refund if you have:

- an amount owing, including one that's pending,
- a garnishment order under the Family Orders and Agreements Enforcement Assistance Act,
- certain other federal, provincial or territorial debts, such as student loans, EI or social assistance overpayments, immigration loans, or training allowance overpayments,
- GST/HST returns you haven't filed for a sole proprietorship or partnership.

If your refund went to a debt, you should get a letter or notice naming the program you owe and a phone number to call. Questions about the debt go to that program. It doesn't work the other way, though: you can't ask the CRA to transfer your refund to pay another person's amount owing.

It's tiny. The CRA doesn't pay refunds of \$2 or less.

Interest on refunds

In some cases, the CRA pays compound daily interest on a refund. For a 2025 refund, interest starts on the latest of:

- 30 days after the balance due date,
- 30 days after you filed, or
- the day you overpaid.

So filing late also pushes back when interest can start. The rate is the CRA's prescribed rate for non-corporate overpayments, which it sets for each calendar quarter.

Putting it toward next year's instalments

If you pay tax by *instalments* (p. 161), you can have your refund moved to your 2026 instalment account instead. Choose that option when you file electronically, or attach a note to a paper return. The CRA applies the whole refund on the date your return is assessed.

No refund this year?

A notice that says “Balance: Nil” means you don’t get anything back and don’t owe anything. If you owe, see [owing the CRA](#) (p. 157).

If you forgot to claim something, you can ask for a change and may get money back later. Online changes in your CRA account can go back 10 calendar years, and the CRA can’t issue a refund for a change requested more than 10 calendar years after the end of the tax year. See [changing your return](#) (p. 167).

Quebec residents

Revenu Québec sends its own notice of assessment and any refund for your Quebec return.

- **Timing.** Expect a refund within 14 days if you filed online, or 28 days by mail. Processing starts in early March, so if you filed early, wait until early April before contacting Revenu Québec; if you file after March 31, wait four weeks.
- **Direct deposit.** Register in My Account for individuals, through your financial institution if it offers this, with form LM-3-V, or on your return. The refund is deposited when your notice is sent. Changing accounts? Keep the old one open until a payment reaches the new one.
- **Tracking.** Use My Account, the online Refund Info-Line or the automated phone line. Notices are generally mailed unless you’ve asked for online delivery, and they’re in My Account either way.
- **Debts.** Revenu Québec can use a refund or tax credits owed to you to pay a tax debt.
- **Faster refund.** If you meet its conditions, you can ask for an accelerated refund before your return is processed; the amount may change after review.

Refunds under \$2 aren’t paid.

What to do

- Set up direct deposit before you file.
- Check the progress tracker in your CRA account instead of calling early.
- Read your notice of assessment, especially any explanation of changes.
- If part of your refund went to a debt, call the program named in the letter.

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Owing the CRA: paying a balance, interest and payment plans

When a balance owing is due, the ways to pay the CRA, how interest and penalties work, payment arrangements, and what happens if you don't pay.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/owing-the-cra/

If you owe tax for the year, your notice of assessment shows it as “Amount due”. Pay by the due date if you can. If you can't, file on time anyway, pay what you can, and arrange to pay the rest over time. Ignoring a debt doesn't make it go away: interest keeps adding up and, eventually, the CRA can take collection action.

When it's due

For 2025, any balance owing is due April 30, 2026. That holds even if you or your spouse or common-law partner were self-employed and have until June 15 to file. If the due date falls on a Saturday, Sunday or a public holiday the CRA recognizes, your payment is on time if the CRA receives it on the next business day.

From the day after the due date, the CRA charges interest, compounded daily, on any unpaid amount, including amounts added later by a reassessment.

One quirk: if your notice of assessment was issued before your payment arrived, it can still show a balance owing even though you've paid in full. Your CRA account shows whether the payment has been received.

Ways to pay

- **Online banking.** Some banks and credit unions let you add the CRA as a payee.
- **My Payment.** The CRA's own online service, for one-time payments by debit card. It doesn't take credit cards.
- **Pre-authorized debit.** Set up one or more scheduled withdrawals from your chequing account in your CRA account, at least five business days before the first one.
- **At a bank or credit union counter,** with a remittance voucher.
- **At Canada Post,** by debit card or cash. You need a customized QR code first, and Canada Post charges a fee.
- **Through a third-party payment provider.** Some accept credit cards or Interac e-Transfer and pass the payment on, for a fee.
- **By mail,** with a cheque in Canadian funds and a remittance voucher.

The CRA never accepts cryptocurrency, gift cards, traveller's cheques, cash by mail, or foreign currency.

Filing late versus paying late

They're charged differently:

- **Paying late** costs interest. The rate can change every three months, following the CRA's prescribed interest rates.
- **Filing late while owing tax** adds a late-filing penalty on top: 5% of the balance owing, plus 1% of it for each full month late, up to 12 months. It's 10% plus 2% a month, up to 20 months, if you were penalized for one of the three previous years after a demand to file.

So if you can't pay, file on time anyway: that avoids the penalty, and only interest runs. If the deadline has already passed, see [missed the filing deadline?](#) (p. 164)

Can't pay it all? Arrange to pay over time

The CRA's personal income and expense worksheet can help you work out what you can afford each month. Then:

- **Online:** in your CRA account, choose "Proceed to pay", then "Schedule a series of payments", to set up automatic pre-authorized debits for a personal income tax debt.
- **By phone:** the CRA's automated TeleArrangement line handles personal income tax debts, or you can call and speak to an agent. If a collections officer has written to you, call the number in their letter.

The arrangement starts with your first payment. After that, make every payment on the agreed dates, file all future returns on time, and keep up with your other tax obligations. If you need to change the plan, call the CRA before you pay less than agreed; otherwise it can move to legal action. Interest keeps running on what's unpaid, and the CRA may still apply benefit and credit payments to your debt while you're paying.

If you don't pay

- **Your refunds and benefits go to the debt.** The CRA applies tax refunds and government credit or benefit payments you're due, such as the Canada Groceries and Essentials Benefit, to what you owe.
- **Warnings come first.** If you haven't arranged to pay, or you miss scheduled payments, the CRA generally tries at least once to warn you by phone and sends one written legal warning before taking legal action.
- **Then legal action.** That can mean garnishing your income or accounts, making another person responsible for your debt, or putting a lien on or seizing your assets.

If someone calls about a debt you've never seen on a CRA notice, check your balance in your CRA account or by calling the CRA before you pay anything.

Asking to cancel penalties and interest

The CRA may cancel or waive penalties and interest, though not the tax itself, when events beyond your control kept you from meeting your tax obligations, and in some other situations. It considers every request, but meeting its criteria doesn't guarantee relief. Situations it lists include:

- a natural or human-made disaster, a postal strike or other service disruption,

- serious illness or an accident, or serious emotional distress such as a death in the immediate family,
- financial hardship (for interest), where paying it would make it hard to provide basic necessities such as food, shelter or medical care for a long time,
- a CRA error or delay.

Requests can only cover penalties for tax years ending in, and interest that built up in, the 10 calendar years before the year you ask. Apply in your CRA account under “Accounts and payments” (choose “Request relief of penalties and interest”), or mail Form RC4288. Describe what happened and how it stopped you from paying or filing, and include documents that back it up. For financial hardship, you may need a statement of your income, expenses, assets and liabilities (Form RC376) and documents such as recent bank statements.

Think the amount is wrong?

If you believe the CRA assessed you incorrectly, you can object. In most cases you don't have to pay disputed income tax until the objection is reviewed, but interest still adds up on the amount while it's in dispute. See [changing your return, and disputing an assessment](#) (p. 167).

Avoid a big bill next year

If your net tax owing is over a threshold the CRA sets, both this year and in either of the two previous years, you may have to pay tax in instalments during the year rather than in one lump sum. See [paying tax by instalments](#) (p. 161).

Quebec residents

Your Quebec balance is owed to Revenu Québec and paid separately.

- **Due date.** April 30, or the next business day if that's a Saturday or Sunday. After that, interest is charged on the unpaid balance until it's paid, compounded daily at a rate set each quarter. Filing late adds 5% of the balance unpaid at the deadline, plus 1% per full month late for up to 12 months, so file on time even if you can't pay.
- **How to pay.** Online through your financial institution (with your social insurance number), in person at a financial institution or ATM if yours offers it, or by mail with a cheque or money order to the Minister of Revenue of Québec and a remittance slip. Payments count when Revenu Québec gets them or your institution processes them, so allow time.
- **Can't pay it all?** Tell Revenu Québec right away. You can propose equal monthly payments over up to 12 months (online, by pre-authorized debit in My Account for individuals, by phone or with postdated cheques; most options need all your returns filed), or negotiate with its collections department. Interest keeps running.
- **Not paying** without an agreement can lead to collection measures against your income or property, such as using refunds owed to you to pay the debt.

For cancelling interest and penalties, see [missed the filing deadline?](#) (p. 164)

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Paying tax by instalments

Who has to pay income tax in quarterly instalments, the four due dates, three ways to set the amount, and what paying late or too little costs.

Everyone · Self-employment · Last reviewed October 10, 2026 · taxfootnote.ca/guides/tax-instalments/

If not enough tax comes off your income at source, the CRA may expect you to pay your tax during the year, in four instalments. You have to pay instalments for 2026 if your net tax owing is more than \$3,000 (\$1,800 if you live in Quebec) for 2026 and was also more than that in either 2025 or 2024.

Who usually has to pay

Instalments mostly affect people with income that has little or no tax withheld: the self-employed, landlords, investors, people with certain pensions, and people with more than one job. They aren't only for business owners.

Two things decide whether you're in:

- **Where you live on December 31.** That sets the threshold: \$3,000 of net tax owing in most of Canada, \$1,800 in Quebec.
- **Your net tax owing in this year and the last two.** You must pay only if this year is over the threshold and either of the two previous years was too.

The CRA sends instalment reminders to people who are likely to have to pay: one in February for the March and June payments, and one in August for the September and December payments. Each suggests an amount. If you get a reminder but your net tax owing for the year will be at or under the threshold, you don't have to pay.

The due dates

Instalments are due on:

- March 15
- June 15
- September 15
- December 15

If a due date falls on a Saturday, Sunday or public holiday recognized by the CRA, your payment is on time if the CRA receives it the next business day. If your main income is self-employment income from farming or fishing, you have a single due date instead: December 31.

How much to pay: three options

You choose how to work out your instalments. Pick the one that fits how your income is changing.

1. **No-calculation option.** Pay the amounts shown on the CRA's reminders, which are based on your latest assessed return. Best if your income, deductions and credits are about the same each year.

2. **Prior-year option.** Base your payments on last year's return. Best if this year will look like last year, but different from the year before.
3. **Current-year option.** Base your payments on an estimate of this year's net tax owing, plus any CPP contributions and voluntary EI premiums you'll owe. Best if this year's income will be very different from the last two years, for example because you've cut back your work. If your estimate turns out too low, you can be charged interest.

The CRA's calculation chart for instalment payments walks you through the prior-year and current-year options. With either of those, if you pay in full by the due dates, the CRA won't charge instalment interest or a penalty, unless your estimated amounts were too low.

Reducing instalments with withholding

Another way to shrink or avoid instalments is to have tax deducted from income that allows it: Old Age Security, CPP benefits, EI benefits and employer pensions. For OAS and CPP, you ask Service Canada; for EI or an employer pension, you give a TD1 form to your employer or pension plan administrator. Tax can't be withheld from self-employment, investment or rental income, or from capital gains, so if that's your main income, instalments are how you pay as you go.

If you pay late or too little

Instalment interest applies if you were required to pay, received a reminder showing an amount, and then paid late, paid too little or didn't pay. It's compounded daily at the CRA's prescribed rate, which can change every three months. The CRA works it out using whichever calculation option gives you the least interest, and charges it only if it's more than \$25.

An instalment penalty applies only if your instalment interest for the year is more than \$1,000. The CRA takes the higher of \$1,000 and 25% of the interest you'd have owed with no instalments at all, subtracts it from your actual instalment interest, and charges half of what's left.

If you fall behind, you can cut the interest by paying your next instalment early or paying more than required. That earns credit interest, which offsets interest charges for the same year, though it isn't refunded.

Quebec residents

If you live in Quebec, you deal with two governments. The CRA collects federal instalments using the \$1,800 threshold. Revenu Québec collects instalments for Quebec income tax separately, on the same four dates, generally when your Quebec net income tax payable is expected to be more than \$1,800 for the year and was also over that amount in one of the two previous years. It sends its own payment notices in February and August, and farmers and fishers pay once, by December 31.

What to do

- Watch for the February and August reminders, or check them in your CRA account.

- Choose the option that matches your year, and put the four dates on your calendar.
- If your income will drop this year, the current-year option may let you pay less.
- Self-employed? Our [deadlines guide](#) (p. 231) covers the rest of your year's dates.

Sources

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3. Payment due dates: Required tax instalments for individuals ([canada.ca](#))
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5. Making instalment payments (Revenu Québec) ([revenuquebec.ca](#))

Missed the filing deadline? What to do now

What filing late costs, how the late-filing penalty and interest work, and the steps to take now, even if you can't pay what you owe.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/missed-the-deadline/

File as soon as you can. If you owe tax, a late-filing penalty and daily interest are adding up. If you don't owe anything, there's no penalty, but your benefit and credit payments can be held up until your return is in.

What filing late costs

If you're getting a refund or owe nothing, the late-filing penalty doesn't apply: it's charged only when you file late and owe tax. The cost is in your benefits. Filing late can delay or interrupt payments such as the Canada child benefit and Old Age Security, along with the related provincial and territorial payments.

If you owe tax, two charges apply:

- **Interest.** The CRA charges compound daily interest on any unpaid balance, starting the day after the due date. The rate can change every three months, based on the CRA's prescribed interest rates.
- **The late-filing penalty.** It's 5% of the balance owing, plus 1% of that balance for each full month the return is late, up to 12 months.

The penalty is steeper for repeat late filers. If the CRA sent you a demand to file and charged a late-filing penalty for any of the three previous years, it becomes 10% of the balance owing plus 2% for each full month late, up to 20 months.

What to do now

1. **File right away, even if you can't pay.** The penalty grows with each full month the return is late, so filing now stops it from growing. You don't need to have the money ready to file.
2. **Pay what you can.** Interest runs on whatever is unpaid, so even a partial payment cuts it.
3. **Set up a payment arrangement for the rest.** In your CRA account (My Account), you can schedule a series of automatic pre-authorized debit payments. You can also phone the CRA's automated TeleArrangement line, which handles personal income tax debts, or speak to an agent. Once it's set up, make every payment on the agreed dates and file all future returns on time. Even while you're paying, the CRA can apply benefit and credit payments you're due to the debt.
4. **Ask for relief if it wasn't your fault.** If circumstances beyond your control kept you from filing or paying on time, you can ask the CRA to cancel or waive the penalties

or interest. Requests are limited to the 10 calendar years ending with the year you make the request.

Catching up on past years

If you've missed more than one year, you can still file online. Certified tax software uses the CRA's NETFILE service, and in the filing season that runs until January 29, 2027, NETFILE accepts returns for 2018 through 2025.

Not sure whether you had to file at all? See [do I need to file a tax return?](#) (p. 10) and [why file even with no income](#) (p. 13).

Weekend and holiday due dates

When a due date falls on a Saturday, Sunday or a public holiday the CRA recognizes, your return is on time if it's received or postmarked by the next business day. A payment is on time if it's received on the first business day after the due date. If your due date was moved that way and you met the new one, you weren't late.

If you or your spouse ran a business

If you or your spouse or common-law partner carried on a business during the year, your filing deadline is June 15 (unless the business expenses were mainly for a tax shelter investment). But any balance owing was still due April 30, so interest started after April 30 even if you filed by June 15. See [deadlines for sole proprietors](#) (p. 231), and if you'll owe again next year, [paying tax by instalments](#) (p. 161).

Quebec residents

Your Quebec return is handled separately by Revenu Québec, which has its own interest and penalties:

- Interest on amounts you owe is compounded daily.
- If you can't pay all at once, you can propose a payment agreement based on what you're able to pay.
- In specific situations, Revenu Québec can cancel or waive interest, penalties or charges if you ask.
- If you didn't file, or filed an incomplete or inaccurate return, a voluntary disclosure may get you relief from penalties and interest.

In short

- File now, whether or not you can pay.
- Pay what you can, and arrange to pay the rest over time.
- If something beyond your control made you late, ask for the penalty and interest to be cancelled or waived.
- File every missing year so your benefits and credits are worked out correctly.

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2. [Filing due dates for the 2025 tax return \(canada.ca\)](#)
3. [Arrange to pay your debt over time \(canada.ca\)](#)

4. Tax software for filing personal taxes (canada.ca)
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Changing your return, and disputing an assessment

Reading your notice of assessment, fixing a mistake with Change my return, ReFILE or Form T1-ADJ, how far back you can go, and how to object.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/changing-your-return/

After you file, the CRA sends a notice of assessment. If you then spot a mistake or something you forgot to claim, you ask the CRA to change the return. If the CRA changed something and you think it got it wrong, you can file a formal objection. The two routes are different, and picking the right one saves time.

Your notice of assessment

The notice of assessment is the CRA's summary of your return as it processed it. If the CRA later changes an assessed return, it sends a notice of reassessment showing the changes.

You'll find it in your CRA account once your return is processed, usually right away. The CRA sends it as online mail (with an email alert if you've given it your email address) unless you've chosen letter mail or never provided an email address.

What to check:

- **Account summary:** "Refund", "Amount due" or "Balance: Nil".
- **Assessment summary:** the main amounts the CRA used. Compare them with what you entered to see whether anything was changed.
- **Explanation of changes:** if the CRA corrected your return, it says what and why.
- **Plan statements:** where they apply, your RRSP deduction limit, Home Buyers' Plan or Lifelong Learning Plan repayments, and FHSA participation room for next year.

Keep it. It also has the access code you can use to file online next year.

Fixing a mistake: ask for a change

You can ask the CRA to change a return to report income you left out (a T4 slip or tips, say), claim a deduction or credit you missed (such as child care or medical expenses), or add a missing slip like an RRSP contribution receipt.

Two timing rules:

- **Wait for your notice of assessment** before asking for a change.
- **One request at a time.** If you've already asked for a change, wait for the CRA's answer before asking for another.

A change request can't be used to apply for benefits or credits, make or revise an election (pension splitting is an exception that Change my return accepts; see below), or move a refund to another CRA account. It also can't update your personal details,

such as your address, direct deposit, marital status or name. Update those with the CRA separately.

Three ways to ask

Change my return, in your CRA account. Sign in, go to Tax returns, choose Change my return, pick the year and follow the steps. Keep the confirmation number and summary of changes. It works for most situations, and it can also apply loss carry-backs, make an election to split pension income with your spouse or common-law partner (the CRA processes a change to the split only if both of you ask for it), or claim the disability tax credit once it's been approved.

ReFILE, in certified tax software. If you filed with certified software, look for the ReFILE option. It doesn't have to be the same software you filed with.

Form T1-ADJ, by mail. Fill in the form with the year and the changes, attach supporting documents for the whole amount (including amounts you claimed before without sending proof), and mail it to your tax centre. Send it separately from your current year's return.

The CRA says online requests are processed within two weeks and mailed ones within 19 weeks. Some take up to 35 weeks, including changes covering several returns, years past the normal three-year reassessment period, loss carry-backs, pension splitting, and requests where the CRA has to ask you for more information. Any refund is sent as soon as the request is processed.

How far back you can go

- **Change my return** covers the 10 previous calendar years. A request made in 2026 can change returns for 2016 or later.
- **ReFILE** covers only recent years. The CRA's tax software pages list 2022 to 2025 for the season that runs until January 29, 2027. For an older year, use Change my return or mail.
- **Older years** can be changed by mail, but the CRA can't issue a refund for a change requested more than 10 calendar years after the end of the tax year.

Some returns can be changed only by mail, such as a bankruptcy return, an optional return for someone who died, or a return filed with the wrong province or territory.

Mistakes to avoid

- Don't file a second return for the same year to fix one you've already sent. Wait for your notice of assessment, then ask for a change.
- Don't put a T1-ADJ in the same envelope as this year's return.
- Don't file an objection just to add something you forgot. A change request is the route for that, and the CRA notes it may be faster to let a pending change request finish than to object.

For common errors to avoid in the first place, see [common tax-return mistakes](#) (p. 27).

If you disagree: file an objection

An objection is for when you think the CRA misinterpreted the facts or applied the tax law incorrectly in a notice of assessment or reassessment, or in a notice about your benefits or credits.

Deadline. For individuals, it's whichever is later:

- one year after the filing deadline for that return, or
- 90 days after the date on the notice.

If the dispute is about TFSA or RRSP contributions, the deadline is 90 days from the notice. If you missed the deadline because you were trying to sort it out with the CRA, or because of circumstances beyond your control, you can ask for an extension up to one year after the deadline.

How. Online, choose "Register my formal dispute" in your CRA account; you'll get a case number to use when you send documents. Or mail Form T400A, or a signed letter, to the Chief of Appeals at the Appeals Intake Centre. Explain what you disagree with and why, and include the facts and supporting documents.

Paying while you wait. In most cases you don't have to pay disputed income tax until the CRA finishes reviewing your objection. But interest keeps adding up on any amount owing while it's in dispute, so paying some or all of it limits the interest.

If you disagree with the CRA's decision on your objection, you can appeal to the Tax Court of Canada.

Quebec residents

Changes to your Quebec return go to Revenu Québec. Don't file a new return; instead use:

- **My Account for individuals**, for the current year and the three before it (the lines you can change vary by year),
- **the same authorized software** you filed with, for those years, sending the changed return online or by mail but not both, or
- **form TP-1.R-V**, Request for an Adjustment to an Income Tax Return, by mail with supporting documents. It's required for older years or a return still being processed, among other cases.

Requests for a refund or lower tax can generally go back 10 calendar years.

Objecting. If you think Revenu Québec misread the facts or misapplied the law, you typically have 90 days, counted from the day after the notice date. Individuals may instead have until one year after that year's filing deadline, if that's later and the assessment was under the Taxation Act. Object in My Account, or mail form MR-93.1.1-V or a letter, with a copy of the notice and your documents. Interest keeps running. Late? You can apply for an extension within one year after the objection deadline passes. If the notice was based on CRA information and you've already objected to the CRA, you needn't object to Revenu Québec too.

In short

- Read your notice of assessment as soon as it arrives.
- Missed something? Wait for the notice, then use Change my return or ReFILE (or Form T1-ADJ by mail).
- Think the CRA got it wrong? Object by the deadline, and consider paying to limit interest.

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17. Applying for an Extension of the Time Limit for Filing an Objection – Revenu Québec (revenuquebec.ca)

The CRA is reviewing my return: reviews, matching and audits explained

Why the CRA checks returns, how a review differs from an audit, how to answer a letter and send documents, and what you can do if you disagree.

Everyone · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/cra-review-or-audit/

Canada's tax system runs on self-assessment: you work out your own tax, and the CRA checks some returns afterwards. It runs review programs every year, and it stresses that having your return selected for review is not a tax audit.

Why returns get checked

Most returns are assessed without anyone looking at them by hand, so your notice of assessment arrives quickly. But every return is screened by the CRA's computer systems and can be reviewed later. A return can be picked because:

- it doesn't match information the CRA got from others, such as T4 slips
- of the kinds of deductions or credits claimed
- of your history of filing and paying
- at random

Filing on paper or online makes no difference to the chance of being selected.

The main kinds of review

- **Pre-assessment review.** The CRA checks a claim before it sends your notice of assessment.
- **Processing review.** The same kind of check, after your notice of assessment.
- **Matching.** After assessment, the CRA compares your return with information from employers, financial institutions and other third parties.
- **Request verification.** When you ask to change a return, the CRA checks that the change is allowed and supported before reassessing.
- **Other reviews.** Other programs check refunds, look more closely at some income, losses and deductions, or protect accounts from identity theft.

Answering a review letter

The CRA first tries to confirm your claim from what it already has. If it needs more, it contacts you or your authorized representative by phone or in writing. When you reply:

- **Meet the deadline in the letter,** and send your reply to the address it gives.
- **Include the reference number** from the top right corner of the letter.
- **Send everything it asks for** that applies to you. The CRA can also ask for proof other than official receipts, such as cancelled cheques or bank statements.
- **Missing a receipt?** Send a written explanation, or call the number at the bottom of the letter to explain.

- **Need more time?** Call the CRA. For most review letters the number is at the bottom of the letter; the CRA's "Responding to us" page lists the numbers for matching-program letters.

Reviews happen at different times of the year, so if you move, update your address with the CRA right away. If you'll be away for a while, you can authorize a representative to deal with the CRA for you.

Sending documents online

In My Account (or Represent a Client, for a representative), choose Submit documents, enter the case or reference number from your letter, attach your files and submit. Accepted formats include PDF, Word, Excel, plain text, and JPG or TIFF images. Keep the confirmation number you're given. A "Service unavailable" message usually means a file is damaged or in a format the CRA doesn't accept; save it again as a PDF or an image and retry.

If your claim is changed

If the CRA changes a claim after a review and you later find more documents, you can still send them: the CRA accepts new information and will look at the claim again. Its letter explains how.

What an audit involves

An audit is a closer look at your books and records. The CRA picks files based on a risk assessment, looking at things like how likely errors are and signs that someone isn't meeting their obligations. If you run a business, the auditor can look at your business records as well as your personal ones.

- **It starts with a call or letter** from an auditor setting a date, time and place. Audit letters end with "Audit Division" and the auditor's name. On-site audits usually happen at your home, business or representative's office, and the auditor shows a valid ID card. Otherwise the audit runs from a CRA office, possibly outside your region, and you bring or send the documents.
- **The auditor can look widely:** business records such as ledgers, invoices, receipts, contracts and bank statements; personal records such as bank and credit card statements and mortgage documents; and records of related people or entities, such as a spouse, family members or your corporation.
- **No email.** Auditors aren't allowed to accept records by email. They'll tell you how to send them through the CRA's secure online services.
- **You must cooperate.** Give the auditor all relevant paper and electronic records and answer questions fully and on time. Not providing required records is an offence. If records are lost, ask the bank or supplier for copies; if you can't get them, the auditor or team leader will work with you on other ways to confirm the amounts.
- **The proposal letter.** If the auditor thinks your return should change, you get a letter explaining why, and you have 30 days to agree or disagree. If you disagree, tell the auditor why and send supporting documents. If that doesn't settle it, contact the auditor's team leader, whose details are in every letter.

- **The final letter.** The audit ends with no change, more tax to pay, or a refund. If you'll owe more, the auditor can estimate the amount before the reassessment so you can pay early and limit interest.

Your rights

The Taxpayer Bill of Rights sets out 16 rights. Among them, you have the right to:

- be treated professionally, courteously and fairly, including when the CRA asks for information or audits you
- be represented by a person of your choice (you stay legally responsible for your taxes)
- a formal review and a later appeal
- not pay personal income tax amounts in dispute until the CRA has done an impartial review, unless the law provides otherwise (interest keeps running in the meantime)
- make a service complaint or ask for a formal review without fear of reprisal

If you disagree: file an objection

You can object to a notice of assessment, reassessment, determination or redetermination, but not to an auditor's proposal letter or a statement of account. For individuals, the deadline is the later of:

- one year after the filing deadline for that return, or
- 90 days after the date on the notice.

If the dispute is about TFSA or RRSP contributions, the deadline is 90 days after the notice. Explain what you disagree with and why, with the facts and documents. You can file in My Account ("Register my formal dispute"), through your representative, or by mail or fax using Form T400A or a signed letter. If you missed the deadline because of circumstances beyond your control, or because you were trying to settle the issue with the CRA office that sent the notice, you can ask for an extension, up to one year after the deadline.

Send everything when it's first asked for: information you only provide with an objection may be sent back for a second review.

Quebec residents

Revenu Québec deals with your Quebec return separately:

- **Documents.** Don't send receipts with your Quebec return unless an instruction asks for them, but keep them in case Revenu Québec does. You can submit documents, requested or not, in My Account for individuals.
- **Audits.** Revenu Québec audits either remotely from its offices or at your place of business. The auditor must introduce themselves and, if you ask, show a document signed by the Minister confirming their authority. If they propose changes in a draft assessment, you generally have 21 days to give them new information.
- **Objections.** You typically have 90 days from the date of the notice. For an individual's income tax assessment, the limit can be one year after that year's filing deadline, if that's later. Object in My Account, or by mail with form MR-93.1.1-V or a

letter, enclosing a copy of the notice and copies (not originals) of your documents. Interest keeps running. If the notice was based on information from the CRA and you've already objected with the CRA, you don't need to object again.

What to do

- Check that a call or letter is real before sharing anything; see [CRA scams](#) (p. 183).
- Note the deadline and reference number, send documents through My Account, and keep the confirmation number.
- Keep your records for at least six years; see [keeping tax records](#) (p. 179).
- If you still disagree after a reassessment, object before the deadline.

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Fixing past tax mistakes: the CRA's Voluntary Disclosures Program

How the CRA's Voluntary Disclosures Program works under the rules in effect since October 1, 2025: who qualifies, the relief available and how to apply.

Everyone · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/voluntary-disclosures/

If you've left income off a return, claimed something you shouldn't have, or never filed at all, the CRA's Voluntary Disclosures Program (VDP) lets you come forward and fix it. You still pay all the tax you owe, but if the CRA grants relief, it cancels penalties and part of the interest, and won't refer you for criminal prosecution over what you disclosed.

The program changed on **October 1, 2025**. This guide describes the rules for applications the CRA receives on or after that date, set out in Information Circular IC00-1R7 (and GST/HST Memorandum 16-5-1 for the GST/HST and other taxes). Applications received before October 1, 2025 are reviewed under the older rules, in IC00-1R6.

Who it's for

Most taxpayers can apply, including individuals, employers, corporations, partnerships, trusts and GST/HST registrants. Situations that may be eligible include:

- you didn't file a return for a past year, and it's now at least a year late
- you didn't report, or under-reported, income, including foreign income that's taxable in Canada
- you claimed expenses you weren't entitled to
- you didn't remit employees' source deductions, such as CPP contributions or EI premiums
- you didn't file information returns, such as Form T1135 for foreign property
- you didn't charge, collect or report GST/HST, or claimed GST/HST credits, refunds or rebates you weren't entitled to

You'll typically **not** be eligible if the disclosure would give you a refund or leave no tax or penalties owing, if you're seeking relief from penalties or interest that have already been assessed, if you're asking to make or change an election, or if there's an insolvency event for the years involved.

The five conditions

To get relief, your application has to meet all five:

1. **It's voluntary.** You apply before an audit or investigation has started into you, or a related taxpayer, about what you're disclosing. That includes audits and investigations by other authorities, such as law enforcement or a securities commission, not only the CRA.

2. **It's complete.** You include all the relevant information and documents for the years required.
3. **There's something to relieve.** The error or omission carries interest, penalties or both.
4. **It's at least a year old.** The information is at least one year, or one reporting period, past its filing due date.
5. **You pay, or arrange to.** You include payment of the estimated tax owing, or ask for a payment arrangement, which the CRA has to approve.

Because of the fourth condition, the VDP isn't available for a return that's less than a year (or one reporting period) past its filing due date. Our guides to [changing your return](#) (p. 167) and [missing the deadline](#) (p. 164) cover the usual routes.

The CRA also says it continues to restrict eligibility for people who are under audit or investigation and those who were egregiously non-compliant.

The relief: general or partial

Since October 1, 2025, relief depends on whether your application is **unprompted** or **prompted**.

- **Unprompted** means there was no communication about the specific issue before you applied, or the only contact was an education letter or notice offering general guidance on a topic. Unprompted applications normally get **general relief**: relief of 75% of the applicable interest and 100% of the applicable penalties.
- **Prompted** means you applied after the CRA (or another authority) told you about a specific error or omission on your account, or set a deadline for you to fix it, or after the CRA already had information from third parties about your possible non-compliance. Prompted applications normally get **partial relief**: relief of 25% of the applicable interest and up to 100% of the applicable penalties.

Either way, if your application qualifies, you won't be referred for criminal prosecution and gross negligence penalties won't apply to what you disclose. For the GST/HST, certain "wash transactions" can get full relief of penalties and interest.

Relief is limited by law to a 10-year period: penalties for tax years that ended in the 10 calendar years before the year you apply, and interest that built up during those 10 calendar years.

How to apply

1. **Gather the documents.** Include every return, form, statement and schedule needed to correct the problem: the last **ten** years if it involves foreign income or assets, the last **six** years for Canadian income or assets, and the last **four** years for GST/HST. You can leave out years in those periods that have no errors.
2. **Disclose everything you know.** You must disclose all known errors and omissions, and name anyone, such as a tax professional or promoter, who helped or advised you on what you're disclosing.

3. **Fill in Form RC199**, Voluntary Disclosures Program (VDP) Application, and sign it. If a representative applies for you, you both sign, and the representative must be authorized with the CRA.
4. **Send it one way only:** online through My Account, My Business Account or Represent a Client, or by fax or mail to the VDP in Shawinigan, Quebec. The addresses are on the CRA's how-to-apply page.

The CRA sends an acknowledgement letter confirming your **effective date of disclosure**, and relief, if granted, applies up to that date. If the CRA asks for more information during its review and you don't provide it in time, it can deny the application as incomplete.

Not sure yet? Ask first

You can ask for a **pre-disclosure discussion** before you reveal who you are. It's informal, anonymous and non-binding: it can help you understand the process, the relief and the risks of staying non-compliant, but it doesn't guarantee relief and doesn't stop the CRA from auditing you. Request one with the CRA's online callback request form.

After the decision

The CRA sends a letter saying whether your application was prompted or unprompted, which level of relief you got and for which years, or why relief was refused. The CRA can still audit or verify anything you disclosed.

There's no right to file an objection to a VDP decision. If you think the CRA wasn't fair or reasonable, ask in writing for a **second administrative review**, then, if needed, apply to the Federal Court for a **judicial review** within 30 days of the decision being sent to you.

How it differs from taxpayer relief

The CRA's **taxpayer relief** provisions are for when events beyond your control, such as a serious illness, an accident or a disaster, kept you from meeting your tax obligations. The CRA may also grant relief when you can't pay because of financial hardship, or when the charges resulted from its own actions, such as errors or delays. You explain your circumstances and ask the CRA to cancel or waive penalties and interest. Assessed tax doesn't qualify, and the same 10-year limit applies. The CRA says its current average processing time for these requests is about 16 months.

The **VDP** is for coming forward to correct errors or omissions in your filings. If you don't qualify for the VDP, you may be eligible for taxpayer relief instead, and you can ask for relief of penalties and interest the VDP didn't cancel, if your situation fits the taxpayer relief rules.

In short

- Apply before the CRA contacts you about a specific issue to get the most relief.
- Send a complete, signed Form RC199 with the corrected returns and your payment or a payment arrangement request.

- If you owe a balance you can't pay at once, our guide to [owing the CRA](#) (p. 157) covers payment arrangements.

Sources

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3. What is the VDP – Voluntary Disclosures Program (VDP) ([canada.ca](#))
4. Who is eligible – Voluntary Disclosures Program (VDP) ([canada.ca](#))
5. How to apply – Voluntary Disclosures Program (VDP) ([canada.ca](#))
6. Our review and decision – Voluntary Disclosures Program (VDP) ([canada.ca](#))
7. IC00-1R7, Voluntary Disclosures Program ([canada.ca](#))
8. RC199, Voluntary Disclosures Program (VDP) Application ([canada.ca](#))
9. Who can apply – Cancel or waive penalties and interest at the CRA ([canada.ca](#))
10. Cancel or waive penalties and interest at the CRA ([canada.ca](#))

Keeping tax records: what to keep and for how long

The records individuals and self-employed people need, the six-year rule and when it runs longer, keeping records electronically, and what happens without them.

Self-employed · Self-employment · Last reviewed October 11, 2026 · taxfootnote.ca/guides/keeping-records/

If you have to file a tax return, the law requires you to keep records that back it up; if you run a business, that means a record of every transaction. Don't send them with your return. Keep them, generally for six years, in case the CRA asks.

Who has to keep records

Anyone who has to file a tax return, anyone carrying on a business, anyone who files a GST/HST return or claims a GST/HST rebate or refund, and anyone who deducts payroll amounts from pay. If you run more than one business, keep separate records for each.

"Records" is broad: ledgers, invoices, receipts, contracts, bank statements, logbooks, your tax returns, and emails and other correspondence that support your transactions.

If you're an individual

Keep your slips and every receipt or document that supports a deduction or credit you claim. If your return is selected for review, the CRA can ask to see them, and it may also ask for other proof such as cancelled cheques or bank statements. See [slips to gather](#) (p. 20) for the slips to expect.

If you're self-employed

Income. Keep a daily record of what you earn and spend; the CRA doesn't require any particular bookkeeping system. Record your gross income with the date, amount and source of each payment, whether you were paid in cash, property or services. Back up each entry with original documents such as sales invoices, cash register tapes, receipts, deposit slips, fee statements and contracts. Keep your bank statements and cancelled cheques too.

Expenses. Get a receipt for every business purchase showing the date, the seller's name and address, your name and address, and a full description of what you bought. Receipts from GST/HST registrants may also need to show the seller's business number; [what can I deduct](#) (p. 217) explains when. If a receipt doesn't describe the item, write the description on it or in your expense journal. If you get no receipt at all, record the seller's name and address, the amount, the date and what it was for.

Property. For anything you buy for the business, record who sold it to you, the cost and the date. When you sell or trade it in, record the date and what you got for it. You'll need this for capital cost allowance.

Vehicle. A logbook is the best evidence of business use. For each business trip, note the date, destination, purpose and kilometres, and record the odometer reading at the start and end of each fiscal period. After one full year of logs, you may be able to use a three-month sample in later years, if the results stay within 10% of that base year. Keep the full-year logbook for six years from the end of the last tax year you use it for.

GST/HST. If you're registered, your records must let you work out the GST/HST you collected and owe. Keep the invoices or receipts that support every input tax credit you claim.

Payroll. If you have employees, keep the hours each one worked, the CPP, EI and income tax you withheld, their TD1 forms, and copies of slips and returns you filed.

Online sales. If you sell online, keep information about those transactions, such as web logs or confirmation emails. Keep your own copies even if an outside service provider handles part of the transaction, since it may not keep the information as long as you must.

How long to keep them

Generally, six years from the end of the last tax year the records relate to. For individuals, the tax year is the calendar year, so records for 2025 can generally go after December 31, 2031.

"Last tax year they relate to" matters for long-term items. The CRA says records showing what you paid for investments or other capital property should be kept until six years after the end of the last tax year in which they could enter into any tax calculation, not six years after you bought them.

Some situations call for longer:

- **You filed late:** six years from the date you filed that return.
- **You objected or appealed:** until the dispute is resolved and the time for any further appeal has passed, or six years, whichever is later.
- **Long-term business records:** records about buying and selling property, the share register, and other history that would matter if the business were sold or wound up must be kept indefinitely.
- **The CRA asks:** it can tell you, in person or by registered mail, to keep records longer.
- **Your business closed:** an unincorporated business keeps its records for six years from the end of the tax year it ended.
- **You're settling an estate:** the legal representative of someone who died can destroy their records once they have a clearance certificate.

To destroy records sooner, you need the CRA's written permission first. Ask using Form T137 or in writing to your tax services office. Destroying records without permission can lead to prosecution.

Where to keep them

Keep records at your home or place of business in Canada, unless the CRA gives you written permission to keep them elsewhere. Records stored outside Canada and

accessed online from here don't count as kept in Canada. They must be in English, French or both.

Electronic records and scanning

- **Records created electronically** must be kept in an electronic format the CRA can read, even if you also print them.
- **Paper records** should generally be kept as originals. You can scan them instead if the image is accurate, complete and readable, and your process meets the national standard for electronic records (CAN/CGSB-72.34). If it does, the image becomes your record and you can destroy the paper. If you can't meet the standard, keep the originals.
- **Back up your files**, ideally at a location in Canada other than your business. If electronic records are lost or damaged, tell the CRA and recreate them within a reasonable time.
- **Using a bookkeeper or cloud service?** The records are still your responsibility, and they must be available when the CRA asks.

What happens without records

- **Claims can be denied.** If your records don't support a deduction or credit, the CRA can disallow it.
- **The CRA works it out another way.** If auditors can't determine your income from your records, they have to use other methods, which costs you time.
- **You can't prove what isn't taxable.** Without records showing where money came from, you may not be able to show that some of it wasn't business income or wasn't taxable at all.
- **It can be an offence.** The CRA can require you to keep proper records, and failing to keep or provide them can lead to prosecution and, on conviction, a fine, imprisonment or both.

Lost something? Ask the bank or supplier that created it for a copy. If you can't get one during an audit, the auditor will work with you on other ways to confirm the amounts. See [CRA reviews and audits](#) (p. 171).

Quebec residents

Revenu Québec sets the record-keeping rules for your Quebec return:

- **Individuals.** Don't send your slips, receipts or other supporting documents with your return unless an instruction asks for them, but keep them, on paper or electronically, in case Revenu Québec asks. As a rule, keep them for six years after the tax year they cover.
- **Businesses and the self-employed.** If you carry on a business, or have to withhold or collect amounts under a tax law (source deductions or QST, for example), keep registers and supporting documents at your establishment, your home or another place Revenu Québec designates. They can be on paper, electronic or on microfilm; electronic records must stay accessible and readable. Generally keep them for six years after the end of the last year they relate to, unless Revenu Québec tells you

otherwise, and longer if you object to an assessment or take it to court. To destroy them sooner, get Revenu Québec's written authorization first.

Revenu Québec's [income and expense journal examples](#) show simple ways to track business income and expenses.

What to do

- Keep a daily record of income and expenses, with a receipt for each.
- Back up electronic files, and keep a vehicle logbook if you claim car expenses.
- Keep each year's records for at least six years, and longer for property and long-term items.

Sources

1. What are records, who has to keep them, and why it is important ([canada.ca](#))
2. Where to keep your records, for how long and how to request the permission to destroy them early ([canada.ca](#))
3. Your responsibilities and the requirements associated with records the law requires you to keep ([canada.ca](#))
4. Acceptable format, imaging paper documents and backing up electronic files ([canada.ca](#))
5. Business records ([canada.ca](#))
6. Motor vehicle records ([canada.ca](#))
7. GST/HST and payroll records ([canada.ca](#))
8. How tax returns are selected for review ([canada.ca](#))
9. IC78-10R5, Books and Records Retention/Destruction ([canada.ca](#))
10. RC4188, What you should know about audits ([canada.ca](#))
11. What to Do with Your RL Slips, Receipts and Other Supporting Documents – Revenu Québec ([revenuquebec.ca](#))
12. Keeping Registers and Supporting Documents (GST/HST and QST) – Revenu Québec ([revenuquebec.ca](#))
13. Keeping Your Registers and Supporting Documents – Source Deductions and Contributions – Revenu Québec ([revenuquebec.ca](#))
14. Accounting Records: Income and Expense Journals – Revenu Québec ([revenuquebec.ca](#))

CRA scams: how the CRA really contacts you, and how to spot a fake

What the CRA will and won't do by phone, letter, email and text, how to check a contact is real, and what to do if you were targeted or shared information.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/cra-scams/

Scammers pretend to be the Canada Revenue Agency because a message from the tax authority makes people act fast. The CRA has published clear limits on how it deals with you. If a call, text or email crosses one of them, it isn't the CRA: hang up or delete it.

What the CRA will never do

According to the CRA, it will not:

- demand or pressure you into paying right away by Interac e-Transfer, cryptocurrency, prepaid credit cards or gift cards
- pay you or accept payment in cryptocurrency
- send refunds or payments by e-Transfer or text message
- threaten to have you arrested, jailed or deported, or use aggressive or threatening language
- arrange to meet you in a public place to collect a payment
- charge a fee to speak to an agent
- ask for personal or financial information in a voicemail or an email

How the CRA really contacts you

By phone. A CRA employee may call to confirm who you are (they can ask for your name, date of birth or social insurance number), ask for receipts or other documents, ask about returns you haven't filed, or ask you to pay a debt using the CRA's normal payment options. The CRA also calls to tell you a review or audit is starting. A real caller gives you their name and a number to call back. The CRA also makes automated courtesy calls about filing and instalment deadlines; those messages never ask for personal information.

By letter. Letters are used for the same reasons: asking for documents, telling you your return is being reviewed or an audit is starting, or telling you a notice of assessment or reassessment has been issued.

By email. The CRA emails you in only two situations: to tell you there's a new message in your CRA account (if you signed up for email notifications), or to send a link, form or publication you asked for while talking to an agent. Real CRA emails don't come from a named person, don't ask you to reply, and don't contain links asking you to enter personal or financial information.

By text. The CRA texts only to send sign-in codes, if you chose the phone option for multi-factor authentication. It doesn't use text messages or apps such as Facebook Messenger or WhatsApp for anything else.

Scams to watch for

The CRA keeps a list of scams it's seeing. Recent ones include:

- **Fake refunds and credits.** A text or email says you're owed a refund or GST/HST credit and asks you to click a link and enter your social insurance number or banking details.
- **"Your notice of assessment has errors."** An email tells you to download a "revised" notice that supposedly isn't in your CRA account, before a short deadline.
- **Arrest-warrant calls.** A caller says there's a warrant for your arrest and you must pay in cryptocurrency, sometimes by depositing cash at a cryptocurrency machine. The scammer may then call back pretending to be the RCMP.
- **Spoofed numbers.** Caller ID shows a local number, a police number or even a real CRA number. Caller ID can be faked.
- **Benefit messages.** Texts or emails about benefits and tax credits, such as the disability tax credit or the Old Age Security pension, with a link and a code. The CRA doesn't send texts or emails about benefits or credits with links to click.
- **Recovery offers.** After you've lost money to a scam, someone promises to get it back if you pay a fee or share information first.

A message that already knows your name, date of birth or social insurance number can still be a scam.

How to check a contact is real

1. **Don't share anything on the call.** Ask for the caller's name, office location and callback number, say you'll check it, and hang up.
2. **Check the number yourself.** Use the CRA's tool on its [Verify it's the CRA calling](#) page, after the call, not during it. If you still aren't sure, call the CRA at 1-800-959-8281 (individuals and trusts) or 1-800-959-5525 (businesses); it may be able to check whether one of its employees tried to reach you.
3. **Sign in to your CRA account yourself.** Type canada.ca/myaccount into your browser instead of clicking a link. Your mail, notices and balances are there, so you can see whether the CRA really wants something.
4. **Check web addresses.** CRA pages start with canada.ca or end in cra-arc.gc.ca. Look-alikes add extra words, swap the dots for hyphens (such as "-gc-ca"), or end in .com or .info.

Report it, even if you didn't fall for it

The CRA asks you to report scam attempts to the Canadian Anti-Fraud Centre even if you gave the scammer nothing. You can report online through the [Canadian Anti-Fraud Centre](#) or by phone at 1-888-495-8501. If you were the victim of a fraud, the Centre also asks you to contact your local police as soon as possible.

If you shared information or paid

Act quickly:

1. **Contact the CRA** if you think your CRA account has been compromised, you see changes you didn't make (such as a new address or direct deposit details), or a benefit was applied for without your consent. You can use the CRA's online form, or call 1-833-995-2336 for a personal account, and the agent can put protections on your account during the call. You can also ask the CRA to turn off online access to your account.
2. **Contact your bank**, the credit bureaus Equifax and TransUnion, and your local police.
3. **If your social insurance number is being misused**, report it to Service Canada at 1-866-274-6627.
4. **Then notify the Canadian Anti-Fraud Centre**. The information helps police with investigations.

Keep your CRA account safe

- Sign up for CRA email notifications and keep your email, phone and address up to date, so the CRA can reach you about changes to your account.
- Check your account regularly for changes you didn't make: your mailing address, direct deposit details, authorized representatives, or benefit applications.
- Use a password for your CRA account that you don't use anywhere else, and don't share your user ID or password.
- Set up a CRA PIN, which adds security when you call the CRA.

Quebec residents

Revenu Québec, which handles your Quebec return, publishes its own limits. It never emails or texts you to say you've received a payment, that you're owed a refund or that it didn't get your return. It never asks by email or text for your social insurance number, banking details, a password or a confidential code, and it never leaves confidential information in a phone message. Its email and text alerts, which warn you about changes or unusual activity in your file, never contain links.

If a message seems suspicious, don't click, reply or call a number you can't confirm. Ask for a number to call back so you have time to check, and compare it with the callback numbers on Revenu Québec's [How to Tell if a Message Is Really From Revenu Québec](#) page. If you think you were a victim of phishing or identity theft, contact Revenu Québec right away (1 800 267-6299, toll-free in Quebec) so it can take extra steps to protect your information, and also tell the Canadian Anti-Fraud Centre.

In short

- The CRA never demands payment by gift card, prepaid card or cryptocurrency, never threatens arrest, and never asks for personal information by email or text.
- Hang up, then check the number yourself or sign in to your CRA account directly.
- Report every scam attempt, and tell the CRA right away if your information may have been used.

Sources

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2. Verify it's the CRA calling – Scams and fraud – CRA (canada.ca)
3. Report a scam or identity theft – Scams and fraud – CRA (canada.ca)
4. Keep your CRA account secure (canada.ca)
5. How to Tell if a Message Is Really From Revenu Québec (revenuquebec.ca)
6. How to Prevent Phishing and Identity Theft – Revenu Québec (revenuquebec.ca)
7. Alerts – Revenu Québec (revenuquebec.ca)
8. What To Do in Case of Phishing or Identity Theft – Revenu Québec (revenuquebec.ca)
9. Report Phishing or Theft of Personal Information – Revenu Québec (revenuquebec.ca)

If you work for an employer

If you work for an employer, CPP, EI and income tax almost always come off your pay, and bonuses, workplace perks and stock options each follow their own rules. This chapter also covers the work costs some employees can deduct, how severance and EI benefits are taxed if you lose your job, and the Canada workers benefit for people who work and earn a low income. The tax taken off a bonus or severance may not match what you end up owing, so it pays to plan for it.

Moves for 2026

1. Fill out new TD1 forms when you start a job or want to change your claim; you can also use them to ask for extra tax to come off each pay. → [Reading your pay stub: CPP, EI and tax, p. 188](#)
2. If you have enough unused RRSP or FHSA room, ask your employer to pay part of your bonus into the plan through payroll, so it can withhold less tax. → [How bonuses are taxed, p. 191](#)
3. If your employer requires you to work from home, ask it to complete and sign Form T2200, and keep it with your receipts in case the CRA reviews your claim. → [Working from home: what you can claim, p. 200](#)
4. If you're paid severance, set money aside, since the tax withheld may not cover what you owe, and check whether you can move some of it into your RRSP. → [Losing your job: severance, retiring allowances and EI, p. 207](#)
5. File a return every year you're working on a low income: it's the only way to get the Canada workers benefit and its advance payments. → [The Canada workers benefit, p. 210](#)

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Reading your pay stub: CPP, EI and tax

What the CPP, EI and income tax deductions on your pay stub are, how your employer works them out, and why some of them stop before the year ends.

Individuals & families · Work and pay · Last reviewed October 10, 2026 · taxfootnote.ca/guides/reading-your-pay-stub/

Almost every pay stub in Canada shows three government deductions: Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums and income tax. Your employer works out each one from your pay and sends it to the government for you. CPP and EI stop once you've paid the year's maximum; income tax never does.

The figures below are for pay you receive in 2026. The table at the end adds 2025, and the [CPP, QPP, EI and QPIP table¹](#) has the rest.

CPP contributions

You contribute to the CPP if you're between 18 and 69 and in pensionable employment, even if you already receive a CPP or QPP retirement pension. If you're 65 to 69, you may be able to stop contributing by giving your employer a completed Form CPT30, Election to Stop Contributing to the Canada Pension Plan. People considered disabled under the CPP or QPP don't contribute.

CPP applies to salary and wages, commissions, bonuses, most taxable benefits and some tips. In 2026 you pay 5.95% of your earnings above a basic exemption of \$3,500, up to the year's maximum pensionable earnings of \$74,600. Your employer spreads the exemption across your pay periods, so a small slice of each cheque is contribution-free. That's why the CPP line is a little less than the rate times your gross pay. Your employer pays an equal amount on top, not out of your pay.

Above that first ceiling, a second, smaller contribution applies. CPP2 is 4% of your earnings between \$74,600 and \$85,000. If you earn less than the first ceiling, you'll never see a CPP2 deduction.

EI premiums

EI premiums start with your first dollar of insurable earnings, and there's no age limit. They apply to much the same pay as CPP, including bonuses. In 2026 you pay 1.63% of your insurable earnings, up to maximum insurable earnings of \$68,900. Your employer pays 1.4 times your premium on top.

Why CPP and EI stop partway through the year

Once you've paid the year's maximum CPP and EI with an employer, it stops deducting them and your take-home pay goes up.

The maximums apply to each employer separately. If you hold two jobs, both employers deduct CPP and EI. If you change jobs during the year, your new employer starts

¹taxfootnote.ca/rates/cpp-ei/

from zero, even if you'd already reached the maximum at your old job. Any overpayment is refunded when you file your tax return.

Income tax

Income tax has no maximum and no employer share. It comes off from the first dollar, every pay. Your employer works it out from:

- **Your province of employment.** It decides which provincial or territorial tax is withheld.
- **Your TD1 forms.** You fill out a federal TD1 when you start a new job or want to change your claim, and a provincial or territorial one if you claim more than the basic personal amount. They tell your employer which personal credits to allow for, such as the federal basic personal amount (\$16,452 for 2026), and can ask for extra tax to be taken off each pay.
- **Amounts taken off before tax.** Your employer subtracts some payroll deductions before calculating tax: registered pension plan contributions, union dues, RRSP or FHSA contributions through payroll (if it has reasonable grounds to believe you can deduct them), and the enhanced part of your CPP (the first additional contribution built into the regular rate, plus CPP2). So tax is worked out on less than your gross pay.

With two jobs at once, personal amounts you've claimed on a TD1 with one employer can't be claimed again with the other.

If the CRA gives you a letter of authority to reduce tax at source, your employer withholds less, by the amount in the letter. See [how bonuses are taxed](#) (p. 191) for when you can ask the CRA to reduce the tax withheld.

If you work in Quebec

If your province of employment is Quebec, wherever you live:

- **QPP instead of CPP.** You contribute to the Quebec Pension Plan at 6.3% of earnings above \$3,500, up to \$74,600, plus a second additional contribution of 4% on earnings above that, up to \$85,000.
- **Lower EI, plus QPIP.** EI is deducted at a reduced rate (1.3%), and a Québec Parental Insurance Plan premium (0.43%) is deducted as well.
- **Two income tax lines.** Your employer withholds federal tax and Quebec income tax, and sends the Quebec part to Revenu Québec.

The figures at a glance

Employee figure	2025	2026
CPP rate	5.95%	5.95%
CPP basic exemption	\$3,500	\$3,500
CPP maximum pensionable earnings	\$71,300	\$74,600
CPP2 rate	4%	4%
CPP2 earnings ceiling	\$81,200	\$85,000
EI rate (outside Quebec)	1.64%	1.63%

Employee figure	2025	2026
EI maximum insurable earnings	\$65,700	\$68,900

What to check on your stub

- **Province of employment:** it sets the provincial tax and whether you pay CPP or QPP.
- **TD1 forms:** fill out new ones when you start a job or want to change what you claim.
- **Year-to-date CPP and EI:** if they stop late in the year, you've reached the maximum.
- **Two employers?** Any extra CPP or EI comes back when you file.

To see how your whole year's tax adds up, try the [income tax calculator](#)².

Sources

1. About the deduction of Canada Pension Plan (CPP) contributions ([canada.ca](#))
2. CPP contribution rates, maximums and exemptions ([canada.ca](#))
3. About the deduction of EI premiums ([canada.ca](#))
4. About the deduction of income tax ([canada.ca](#))
5. Maximum Pensionable Earnings and Québec Pension Plan Contribution Rate (Revenu Québec) ([revenuquebec.ca](#))

²[taxfootnote.ca/calculators/income-tax/](#)

How bonuses are taxed

A bonus is taxed as ordinary employment income. How your employer withholds tax from it, why the cheque can look heavily taxed, and how to keep more of it.

Individuals & families · Work and pay · Last reviewed October 10, 2026 · taxfootnote.ca/guides/bonuses/

A bonus is employment income, taxed the same way as your salary: it's added to your income for the year you receive it and taxed at your marginal rate. What's different is how your employer withholds tax from it, which is why a bonus cheque can look heavily taxed.

A bonus counts in the year you receive it

Your employer reports a bonus on your T4 slip as employment income for the year it's paid, not the year you earned it. A bonus for your 2025 work that's paid in January 2026 belongs on your 2026 return.

A bonus is also part of your pensionable and insurable earnings, so CPP contributions and EI premiums are deducted from it, just as they are from regular pay. [Reading your pay stub](#) (p. 188) explains how those work.

Why a bonus is taxed at your marginal rate

Income tax works in brackets. Each rate applies only to the part of your taxable income that falls inside its bracket, not to all of it, and provincial or territorial tax applies on top of federal tax. Because a bonus is added to the income you already have, it's taxed at the rate for the highest bracket your income reaches: your marginal rate.

For 2025, for example, the federal rate is 14.5% on taxable income up to \$57,375 (a full-year rate, because the lowest rate was cut on July 1, 2025), and 20.5% on the portion above that, up to \$114,750. If your salary already puts you in that second bracket, each dollar of bonus is taxed at 20.5% federally, plus your province's rate. A large bonus can push part of your income into a higher bracket, but only the part above the threshold is taxed at the higher rate. The rest of your income isn't taxed any more heavily.

Find your combined federal and provincial rates in the [income tax brackets table](#)¹, or compare your tax with and without the bonus in the [income tax calculator](#)².

How your employer withholds tax on a bonus

Your employer doesn't treat a bonus like regular pay. The CRA gives employers a separate method for bonuses and other irregular payments:

1. Divide the bonus by the number of pay periods in the year, and add the result to one regular pay.
2. Work out the tax on that higher pay, then subtract the tax on the regular pay.

¹taxfootnote.ca/rates/income-tax-brackets/

²taxfootnote.ca/calculators/income-tax/

3. Multiply the difference by the number of pay periods. That's the tax taken off the bonus.

In effect, your employer spreads the bonus over the whole year and withholds roughly the extra tax it would add to a year of your regular pay. If you asked on your TD1 form for extra tax to be taken off each pay, that amount is added too. A second bonus in the same year is calculated on top of the first, so it's withheld at the rate that applies after the first one. (If your total pay for the year, including the bonus, is under \$5,000, your employer instead withholds a flat percentage of the bonus.)

Your return settles the difference

The tax withheld from a bonus is an estimate based on your regular pay, so it won't always match the tax you end up owing on it. When you file, you claim all the income tax deducted at source on your slips (box 22 of your T4) against the tax you owe for the year. The tax taken from your bonus counts the same way as the tax taken from the rest of your pay.

Ways to keep more of a bonus

Have it paid into your RRSP or FHSA. If your employer deposits part of your bonus directly into your RRSP or FHSA through payroll, it can subtract that amount before working out the income tax to withhold, as long as it has reasonable grounds to believe you can deduct the contribution. You need enough unused contribution room for the deduction.

Contributing on your own? If you'll make an RRSP contribution yourself, or you have other deductions or non-refundable credits that aren't part of the TD1 form, you can ask the CRA to reduce the tax withheld at source with Form T1213, Request to Reduce Tax Deductions at Source.

Either way, the deduction comes off your taxable income, so it saves tax at your marginal rate, the same rate the bonus is taxed at. See [RRSPs: how contributions save tax](#) (p. 61) and [FHSA and the Home Buyers' Plan](#) (p. 81) for how contribution room works.

In short

- A bonus is ordinary employment income, taxed in the year you receive it at your marginal rate.
- Your employer uses a special method to withhold tax from it. It's an estimate; your return settles the actual tax.
- CPP and EI are deducted from bonuses too.
- Having a bonus paid into your RRSP or FHSA through payroll can lower the tax withheld, if you have the room.

Sources

1. Bonuses, retroactive pay increases or irregular amounts ([canada.ca](#))
2. Calculate income tax deductions (bonus or irregular payments) ([canada.ca](#))
3. Last year tax rates and income brackets (2025) ([canada.ca](#))
4. Line 43700 – Total income tax deducted ([canada.ca](#))
5. T1213 Request to Reduce Tax Deductions at Source ([canada.ca](#))

Taxable benefits from your employer

Which perks from work are taxed, from gifts and parking to phones and a company car, where they show on your T4, and why your pay stub shows tax on them.

Individuals & families · Work and pay · Last reviewed October 11, 2026 · taxfootnote.ca/guides/taxable-benefits/

When your employer pays for something personal for you, such as a gift card, a parking spot or a car you also drive on weekends, its value is usually added to your employment income, even though you never receive it as cash. Some common perks are tax-free because the law or a CRA policy exempts them.

How a benefit is taxed

A benefit is something personal your employer gives you or pays for, directly or for a family member, including an allowance or a reimbursement of a personal expense. Whether it's taxable depends on whether you get an economic advantage that can be measured in money, and whether you're the main one who benefits. Your employer values it, generally at fair market value (what it would cost on the open market), and reports it on your T4 slip.

Gifts and awards

A gift or award of cash, or of anything that works like cash, is always taxable. That includes cheques, prepaid cards from payment networks such as Visa, Mastercard or American Express, securities, and gift cards that don't meet the CRA's conditions below.

Non-cash gifts and awards get a break under a CRA policy. Gifts for a special occasion, such as a birthday, a wedding or a religious holiday, and awards that recognize your overall contribution to the workplace are tax-free up to a combined \$500 a year, including taxes. Only the amount above \$500 is taxable. A gift card counts as non-cash if it comes preloaded, works only at the retailer or group of retailers named on it, its terms say the balance can't be converted to cash, and your employer keeps a log of the cards it gives out. Small items such as a mug, a T-shirt or a plaque don't count toward the \$500.

A long-service award has its own, separate \$500 limit if it recognizes at least five years of service and it's been at least five years since your last one. A reward for job performance, such as meeting a sales target, is fully taxable. The policy also doesn't apply if you don't deal at arm's length with your employer, for example if you're a relative or a shareholder.

Health, dental and life insurance

Your employer's contributions to a medical or dental plan that meets the conditions for a private health services plan aren't a taxable benefit federally. Premiums your

employer pays for group term life insurance on your life are a taxable benefit. So are premiums for a non-group (individual) sickness, accident or disability plan.

Parking

Free or discounted parking is generally taxable, valued at what a similar spot nearby would cost. It's tax-free when:

- you regularly need your vehicle for your job, which the CRA takes to mean an average of at least 3 days in a 5-day week, for things like service calls or visiting other worksites (driving between home and the office doesn't count; if you need it less often, the benefit can be reduced in proportion)
- the lot is at a shopping centre or industrial park, is open to the public, is free, and the spaces aren't assigned
- there are spaces for no more than 2 of every 3 employees who want one, the spaces aren't assigned, and they're offered to every employee who wants parking

Cell phones and internet

A phone your employer owns and requires you to use for work isn't a taxable benefit. Neither is a service plan your employer provides or pays for, as long as you need it for work, it has a reasonable fixed cost, and your personal use doesn't push the bill above the plan price. A cell phone allowance is always taxable, and so is a reimbursement for a phone you bought yourself. If your employer pays for your home internet, the personal-use share is taxable.

Transit passes

A transit or airline pass from your employer is generally taxable. The main exceptions are free or discounted passes that a bus, streetcar, subway, commuter train or ferry company gives employees who work in its transportation business (for a ferry, walk-on fares only), and standby passes an airline gives its employees for personal travel.

A company car

If your employer makes a car available to you and you drive it for personal reasons, including between home and your regular place of work, the benefit has two parts: a standby charge, based on the car's cost (or lease cost) and how long it was available to you, and an operating expense benefit if your employer pays costs such as fuel and insurance for your personal driving (for 2026, generally \$0.34 a kilometre of personal driving, or \$0.31 if you're employed mainly to sell or lease cars). The standby charge can be reduced if your employer requires you to use the car for work, more than half your kilometres are for work, and your personal kilometres stay within a limit, so keep a logbook and give your employer a copy. If you use the car only for work and return it to your employer's premises at the end of each workday, there's no taxable benefit.

Meals

Free or subsidized meals are generally taxable. Exceptions include a reasonable overtime meal or meal allowance when you work 2 or more hours of overtime right before or after your shift and overtime is occasional (generally less than 3 times a week),

and staff cafeteria meals where you pay a price that covers the food, its preparation and service. Meals during business travel or at a work social event may not be taxable either.

Courses and training

A course your employer pays for isn't taxable if your employer is the main beneficiary, for example one that maintains or upgrades skills you use in your job. The CRA also treats other business-related courses, such as first aid, stress management or language training, as mainly for the employer's benefit. A course taken mainly for your own interest, unrelated to your employer's business, is taxable. If your employer paid for a course tax-free, you can't claim the tuition credit for it.

Where benefits show on your T4

Taxable benefits are already included in box 14 (employment income) on your T4 slip. They're also listed in the "Other information" area, usually as code 40 (other taxable allowances and benefits); a company car benefit uses code 34. Don't add them to your income a second time when you file.

Why your pay stub shows tax on them

Your employer includes a taxable benefit in the pay period you receive or enjoy it and generally withholds income tax and CPP contributions on its value. EI premiums are withheld only on benefits paid in cash, not on non-cash or near-cash ones such as parking or a gift card. That's why a pay stub can show more tax in a period when no extra money reached your account. For how each deduction works, see [reading your pay stub](#) (p. 188); one-time payments are covered in [how bonuses are taxed](#) (p. 191).

If you work in Quebec

Revenu Québec applies its own rules for Quebec income tax, and your employer reports benefits on an RL-1 slip as well as your T4. One difference to know: your employer's contributions to a group insurance plan, including a private health services plan that covers medical or dental costs, are a taxable benefit for Quebec tax, even though contributions to a private health services plan aren't taxable federally. (Contributions for wage-loss coverage paid out periodically are an exception.) For private health services plan coverage, the value is included in box A of your RL-1 and also shown in box J.

What to do

- Compare box 14 and the code 40 or 34 amounts on your T4 with what you received during the year.
- If you have a company car, keep a logbook of business and personal kilometres.
- To see what a benefit adds to your tax, enter your T4 income in the [income tax calculator](#)¹.

Sources

¹taxfootnote.ca/calculators/income-tax/

1. What is a taxable benefit (canada.ca)
2. Gifts, awards, and long-service awards (canada.ca)
3. Premiums and contributions to insurance plans (canada.ca)
4. Parking (canada.ca)
5. Cell phone and internet services (canada.ca)
6. Transportation and airline passes (canada.ca)
7. Automobile provided by the employer (canada.ca)
8. Meals provided by the employer (canada.ca)
9. Educational assistance (canada.ca)
10. Benefit Provided to an Employee (Revenu Québec) (revenuquebec.ca)
11. Contributions to a Group Insurance Plan (Including a Private Health Services Plan) (Revenu Québec) (revenuquebec.ca)

Employment expenses you can deduct

Most employees can't deduct work costs, but some can. The T2200 your employer signs, salaried and commission rules, vehicles, tradespeople's tools and records.

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Most employees can't deduct the costs of their job. You can deduct certain expenses only if your employment contract required you to pay them and your employer didn't pay you back, and for most claims your employer has to sign Form T2200 confirming it.

The basic test

You may be able to deduct expenses you paid to earn your employment income, including the GST/HST on them, if your employment contract required you to pay them and you didn't receive an allowance for them (or the allowance is included in your income). Travel between home and work, and most tools and clothing, aren't deductible: they're personal costs.

For most employment expenses, your employer completes and signs **Form T2200, Declaration of Conditions of Employment**. Keep it with your records rather than sending it in. Legal fees you paid to collect salary or wages owed to you are an exception: they don't need one.

If you're paid a salary or wages

If you meet the conditions for each, you may be able to claim:

- **Vehicle, travel and parking costs**, if you were normally required to work away from your employer's place of business or in different places and had to pay these costs yourself. Travel covers fares, lodging and meals. Meals count only if you were away at least 12 hours in a row from the municipality (and metropolitan area) of the workplace you normally report to, and at most 50% of the cost (or of a reasonable amount, if less) is deductible. Parking at your employer's office generally isn't.
- **Supplies** you use up directly in your work, such as paper, pens, ink and postage, but not equipment such as a computer, printer, desk or software.
- **Office rent, or pay for an assistant or substitute**, if your contract requires it.
- **Work-space-in-the-home costs**: see [working from home](#) (p. 200).

If your employer paid you a non-taxable vehicle allowance (generally one based only on a reasonable per-kilometre rate; for 2026, the CRA generally considers \$0.73 a kilometre reasonable for the first 5,000 kilometres and \$0.67 after that, or \$0.77 and \$0.71 in the territories), you can't also claim vehicle costs unless they were higher than the allowance and you choose to include the allowance in your income.

If you earn commissions

If you sell goods or negotiate contracts for your employer, are paid at least partly by commission, normally work away from your employer's place of business and must pay your own expenses, you can claim more, including advertising and promotion, half of what you spend entertaining clients, licences you need for the job, training that maintains or upgrades your existing skills, and the work share of leasing a computer or cell phone.

The catch: apart from interest and capital cost allowance (CCA) on your vehicle, your total claim can't be more than the commissions you received in the year. If your expenses are higher, you can claim as a salaried employee instead: you lose items like advertising, but your claim isn't capped. Use whichever method gives the larger deduction.

Your vehicle

You can deduct the employment share of fuel and electricity, maintenance and repairs, insurance, licence and registration fees, CCA, interest on a loan to buy the vehicle and leasing costs. CCA, interest and leasing costs on a passenger vehicle are capped; for a vehicle bought, financed or leased in 2025, the caps are \$38,000 of its cost before sales tax, \$350 a month of interest and \$1,100 a month of leasing costs before sales tax.

Your employment share comes from your kilometres, and driving between home and work counts as personal. Log each work trip (date, destination, purpose and distance) and the odometer reading at the start and end of the year.

Tradespeople's tools

If you're employed in a trade, you can deduct part of the cost of eligible new tools you bought in the year, including a toolbox and similar equipment, if your employer certifies on Form T2200 that you had to provide them. You can deduct only the part of the cost above a threshold amount, up to \$1,000, and your income from the trade also limits it; the CRA's line 22900 page has the formula. Cell phones and computers don't qualify unless they can only measure, locate or calculate. Attach a list of the tools and your receipts to the T2200 and keep them. If you later sell a tool you claimed, part of the price may be income.

Apprentice mechanics, transport employees, forestry workers and employed artists and musicians have their own rules.

Records and how to claim

Keep a daily record of your expenses with receipts, travel ticket stubs, invoices, credit card statements and your vehicle log, for at least six years from the end of the tax year. Receipts should show the date, the seller's name and address, your name and address, what you bought and the GST/HST paid. If you can't support a claim, the CRA may reduce it.

Fill out Form T777, Statement of Employment Expenses, and enter the total as other employment expenses (line 22900). If your expenses included GST/HST, you may be

able to get that tax back with Form GST370. What the deduction saves depends on your tax rate; try the [income tax calculator](#)¹.

If you live in Quebec

If you're a salaried or commission employee deducting expenses on your Quebec return, your employer must also fill out Revenu Québec's Form TP-64.3-V, General Employment Conditions, which you enclose with Form TP-59-V or a detailed statement of your expenses. Other employees, such as transport employees, forestry workers and tradespeople, use their own Quebec forms.

In short

- Your contract must require the expense, and it can't be reimbursed or covered by a non-taxable allowance.
- Get a signed T2200 (and a TP-64.3-V in Quebec).
- Commission employees can claim more, but generally only up to their commissions.

Sources

1. Line 22900 – Other employment expenses ([canada.ca](#))
2. Motor vehicle expenses (employment expenses) ([canada.ca](#))
3. T2200 Declaration of Conditions of Employment ([canada.ca](#))
4. Guide T4044, Employment Expenses 2025 ([canada.ca](#))
5. Automobile or motor vehicle benefits – Allowances or reimbursements provided to an employee for the use of their own vehicle ([canada.ca](#))
6. Guide to the Income Tax Return 2025, TP-1.G-V (Revenu Québec) ([revenuquebec.ca](#))
7. Employment Expenses 2025, IN-118-V (Revenu Québec) ([revenuquebec.ca](#))

¹[taxfootnote.ca/calculators/income-tax/](#)

Working from home: what you can claim

If your employer requires you to work from home, you can deduct part of your rent, utilities and internet. Who qualifies, what counts and how to claim.

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If your employer requires you to work from home and you pay some of the costs yourself, you can deduct the work share of expenses like rent, electricity, heat and home internet. You need a signed Form T2200 from your employer, and you claim what you actually paid. The pandemic-era flat rate isn't available for 2023 or later years.

Who can claim

You must meet all of these conditions:

- **Your employer required you to work from home.** It needn't be in your contract; a written or verbal agreement is enough, and a formal telework arrangement you chose to enter counts as a requirement.
- **You mainly worked from home, or you meet people there.** Either you worked from home more than 50% of the time for at least four weeks in a row, or the space is used only for your job and regularly for in-person meetings with clients, customers or others.
- **You had to pay the expenses yourself,** and they're used directly in your work.
- **Your employer completed and signed Form T2200,** Declaration of Conditions of Employment.

You can't claim anything your employer reimbursed or will reimburse, and only costs from the periods you qualified count: if you worked from home until July and then went back to the office full-time, only the at-home months count.

If you're self-employed, different rules apply; see [What can I deduct as a self-employed person?](#) (p. 217)

What you can claim

If you sell goods or negotiate contracts on commission (usually shown in box 42 of your T4), you can claim a few costs salaried employees can't.

Work-space expense	Salaried	Commission
Electricity, heat and water	Yes	Yes
Utilities part of condo fees	Yes	Yes
Monthly home internet access fees	Yes	Yes
Maintenance and minor repairs	Yes	Yes
Rent for the home you live in	Yes	Yes
Home insurance and property taxes	No	Yes
Leasing a computer, cell phone or similar	No	Yes

Work-space expense	Salaried	Commission
Mortgage interest or principal	No	No
Furniture, renovations and other capital costs	No	No

A commission employee's leased equipment has to reasonably relate to earning commission income. If you own your home, you can't claim a rental value for your office.

If your employer requires you to pay for them, you may also be able to claim:

- **Office supplies** used up directly in your work, such as paper, pens, ink, toner and postage. Buying equipment such as computers, monitors, desks, chairs, headsets or software can't be claimed.
- **Phone costs:** long-distance calls for work, and the work share of a cell phone plan if the plan is reasonable, the cost is reasonably split between work and personal use, and you can show the minutes or data you used for work. Buying a phone, or the basic monthly rate for a landline, can't be claimed.

If you and your spouse or partner both qualify, each expense can be claimed only once; you decide how to share it.

Working out the work share

You claim only the employment share of each expense.

1. **Size of the work space.** Divide its area by the finished area of your whole home (hallways, bathrooms and the kitchen count). A 15 m² room in a 150 m² home is 10%.
2. **A room used only for work.** That percentage is your work share, however many hours you work there.
3. **A shared space, such as the kitchen table.** Multiply the percentage by the share of the week's 168 hours you use it for work. Working there 42 hours a week is 25% of the week, so an area that's 8% of your home gives a work share of 2%.
4. **Apply the work share** to the eligible costs you paid during the period you qualified.

Your work-space costs can't create or increase a loss from employment. If you can't claim all of them this year, you can carry the rest forward to next year, as long as you're reporting income from the same employer.

How to claim

1. Ask your employer to complete and sign Form T2200. Keep it; you don't send it with your return.
2. Fill out Form T777, Statement of Employment Expenses, and enter the total on your return as other employment expenses (line 22900). The T777 is filed with your return.
3. Keep the T2200 and all your receipts and records for six years, in case the CRA reviews your claim.

The deduction reduces the income you pay tax on, so what it saves depends on your tax rate; try the [income tax calculator](#)¹.

¹taxfootnote.ca/calculators/income-tax/

If you live in Quebec

To deduct employment expenses on your Quebec return as well, your employer must complete Revenu Québec's Form TP-64.3-V, General Employment Conditions. It's a separate form from the federal T2200, so ask for both.

In short

- You must be required to work from home (a formal telework agreement counts) and meet the more-than-50% test or the client-meetings test.
- Get a signed T2200 and claim the work share of what you actually paid.
- Salaried employees can't claim mortgage interest, property taxes, home insurance or furniture.

Sources

1. Eligibility criteria – Detailed method (Home office expenses for employees) (canada.ca)
2. Expenses you can claim – Home office expenses for employees (canada.ca)
3. Determine your work space use – Home office expenses for employees (canada.ca)
4. How to claim – Home office expenses for employees (canada.ca)
5. TP-64.3-V, General Employment Conditions (Revenu Québec) (revenuquebec.ca)

Employee stock options: how they're taxed

When an employee stock option benefit is taxed, the 50% stock option deduction, the vesting limit at large employers, and your cost when you later sell.

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An employee stock option lets you buy shares of your employer (or a related company) at a set price. Getting the option generally has no tax effect. The tax comes when you use it: if you buy the shares for less than they're worth, the difference is a taxable employment benefit. If you meet the conditions, you can deduct half of it.

How the benefit is worked out

When you exercise an option, the benefit is:

- the fair market value of the shares when you acquire them
- minus the price you pay for them (the exercise, or strike, price)
- minus anything you paid to get the option itself

Say you were granted an option to buy 1,000 shares at \$10 each, which was their market value on the day you got it. You exercise it when the shares trade at \$25. Your benefit is \$25,000 minus \$10,000, or \$15,000.

The benefit is employment income, not a capital gain, and it isn't eligible for the capital gains deduction (the lifetime exemption).

When it's taxed

- **A public company, or another employer that isn't a CCPC.** The benefit is income in the year you exercise the option and acquire the shares, even if you keep them.
- **A Canadian-controlled private corporation (CCPC) you deal with at arm's length.** A CCPC is, roughly, a private Canadian corporation not controlled by non-residents or public companies, with no shares listed on a stock exchange. You report the benefit only in the year you sell the shares, though it's still measured at their value when you acquired them.

Selling or cashing out the option itself, rather than exercising it, can also create a taxable benefit, generally what you receive for it minus what you paid for it.

The stock option deduction

If you qualify, you can deduct one-half of the taxable benefit. There are two ways to qualify, and you can claim only one for the same benefit.

The general deduction. All of these must be true:

- right after the option agreement was made, you dealt at arm's length with the company

- the shares are prescribed shares under the tax regulations, or the securities are units of a mutual fund trust
- the price you pay for the shares is no less than their fair market value when the option was granted

The CCPC deduction. If your employer is a CCPC you dealt with at arm's length and you don't claim the general deduction, you can still deduct half if you don't sell or exchange the shares within two years of acquiring them (a disposition because of death doesn't count).

If you cash out your options instead of buying shares, you can claim the deduction only if your employer elects not to deduct the cash payment itself.

A 2024 proposal would have reduced the deduction to one-third. On March 21, 2025, the Government of Canada announced that it won't go ahead with that change, so the deduction remains one-half.

The annual limit at large employers

For options granted on or after July 1, 2021, by an employer that isn't a CCPC (or is a mutual fund trust) and has revenues of more than \$500,000,000, alone or as part of a consolidated group, there's a \$200,000 annual vesting limit. Only up to \$200,000 of shares vesting in any one year can qualify for the general deduction, valuing the shares at their fair market value when the option was granted. An option vests in the first year it can be exercised. Shares over the limit, and shares your employer designates as non-qualified, are non-qualified securities: they don't qualify for the deduction, so the whole benefit on them is taxed. Your employer has to tell you in writing, within 30 days of the option agreement, which of your shares are non-qualified.

Withholding and your T4 slip

Your employer reports the benefit as employment income on your T4 slip, with:

- code 38 for the security options benefit
- code 39 for the general deduction, or code 41 for the CCPC deduction, each half of the qualifying benefit
- code 86 if your employer made the cash-out election

Some slips for 2024 and 2025 use codes 90, 91 and 92 instead. If yours shows a deduction under code 91 or 92, you can claim an additional deduction on your return so that half the benefit is deducted in total. From 2026, only codes 38, 39 and 41 are used.

A non-CCPC employer withholds income tax and CPP contributions on the benefit, much as it would on a bonus, and can take the general deduction into account if you qualify for it. A CCPC employer doesn't withhold income tax or CPP contributions on it. There are no EI premiums on it unless you cash out. Either way, you claim the deduction yourself on your return.

When you sell the shares

Your cost for capital gains purposes, the adjusted cost base, is what you paid plus the taxable benefit, even if you claimed the deduction. In the example above, it's \$10,000 plus \$15,000, or \$25 a share.

If you later sell the shares for more than that, the difference is a capital gain, and only part of it is taxed (50% for 2025). If you sell for less, you have a capital loss. A capital loss can reduce only capital gains, not the employment benefit you were already taxed on; see [capital losses](#) (p. 119).

The cost of identical shares bought at different times is normally averaged. Option shares whose benefit is deferred (as with a CCPC), and option shares you designate and sell within 30 days of acquiring them, generally aren't treated as identical to your other shares, so they keep their own cost.

Donating option shares

If you qualify for the general deduction and donate the shares (listed on a designated stock exchange) or mutual fund units to a qualified donee, such as a registered charity, in the year you acquire them and within 30 days, you can claim an additional deduction of 50% of the benefit. The same applies if you have your broker sell them right away and donate the proceeds (if you donate only part of the proceeds, the deduction is reduced in proportion). Together, the two deductions can mean none of the benefit is taxed. For this purpose, the benefit is based on the lower of the shares' value when you acquired them and when you donated them.

The gift can also count toward the donation tax credit, and a capital gain on listed shares given directly to a qualified donee can be taxed at an inclusion rate of zero (you report it on Form T1170). See [charitable donations](#) (p. 149).

What to do

- Before you exercise, find out whether your employer is a CCPC, whether your option price was at least the market value when the option was granted, and whether the vesting limit applies to you.
- If your employer is a CCPC, plan for the tax in the year you sell: no income tax is withheld on the benefit.
- Check your T4 for codes 38, 39 and 41 (or 90 to 92), and claim the deduction on your return.
- Keep the exercise date, price paid, market value and benefit for each lot of shares, to work out your cost when you sell.
- Estimate the tax on the benefit with the [income tax calculator](#)¹, and see [how capital gains are taxed](#) (p. 116).

Sources

1. Line 10100 – Employment income ([canada.ca](#))
2. Line 24900 – Security options deductions ([canada.ca](#))
3. Line 24901 – Additional security options deduction ([canada.ca](#))

¹taxfootnote.ca/calculators/income-tax/

4. Employee security (stock) options (canada.ca)
5. Capital Gains – 2025 (Guide T4037) (canada.ca)
6. Gifts and Income Tax 2025 (Guide P113) (canada.ca)

Losing your job: severance, retiring allowances and EI

Severance and EI benefits are both taxable. How tax is withheld from a lump sum, who can move severance into an RRSP, and paying back EI at tax time.

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Severance pay and Employment Insurance (EI) benefits are both taxable income. The tax taken off when they're paid may not cover what you owe, so plan for it, and check whether you can move some of your severance into an RRSP.

Severance is a “retiring allowance”

For tax purposes, severance pay is a retiring allowance: an amount you receive when or after you leave a job, in recognition of long service or for the loss of your job. It includes payment for unused sick leave credits, and amounts paid when your employment ends even if they're damages for wrongful dismissal (when you don't go back).

Salary, wages, bonuses, overtime, pension benefits, payment for vacation you didn't take and pay in lieu of notice are not retiring allowances. Pay in lieu of notice is employment income: your employer deducts CPP contributions, EI premiums and income tax from it, working out the tax the same way as for a [bonus](#) (p. 191).

Your retiring allowance appears on your T4 slip, split into an eligible part (box 66) and a non-eligible part (box 67). Report the full amount on your return as other income (line 13000).

How much tax comes off

Your employer withholds income tax from any part of a retiring allowance paid to you directly, at lump-sum rates set by the size of the payment:

- 10% on amounts up to \$5,000
- 20% on amounts over \$5,000 up to \$15,000
- 30% on amounts over \$15,000

The employer picks the rate from all the retiring allowance payments it has paid or expects to pay you in the calendar year. The rates combine federal and provincial tax; in Quebec they're federal tax only (5%, 10% and 15%), and Revenu Québec sets the rules for Quebec tax. No CPP contributions or EI premiums are taken off a retiring allowance.

Tax is withheld even if your income for the year is below the amount you claimed on your TD1 form, and you may still owe more when you file. If you ask, your employer can instead work out the tax on your year's pay with and without the lump sum, and withhold the difference.

Moving severance into an RRSP

The eligible part (service before 1996). It's \$2,000 for each year or part-year you worked for the employer (or a person related to the employer) before 1996, plus \$1,500 for each year or part-year before 1989 in which you earned no pension or deferred profit-sharing plan benefits from employer contributions that were vested in you. You can transfer this part to your own RRSP or registered pension plan (or a PRPP or SPP) whatever your unused RRSP room, and a transfer to an RRSP doesn't reduce your deduction limit. It can't go into a spousal RRSP, or into an RRSP if you were over 71 at the end of the year. If your employer transfers it directly, no tax is withheld.

The non-eligible part. You can contribute it to your own RRSP or a spousal or common-law partner RRSP, but only up to your available RRSP deduction limit. Your employer may send it straight to the RRSP without withholding tax if you tell them how much room you have. If you take it in cash, tax is withheld and you contribute it yourself. To deduct it for the year you got the allowance, contribute during that year or within 60 days after it ends.

Either way, you report the whole retiring allowance as income and claim a deduction for the amount transferred or contributed (for an RRSP, using Schedule 7). See [RRSP basics](#) (p. 61) for how your deduction limit works.

EI benefits are taxable

EI benefits are taxable income in the year they're paid, even if your claim started the year before. Tax is taken off each payment, and your T4E slip shows the benefits paid and the tax deducted. If you live in Quebec on December 31, you get a T4E(Q) with an extra copy for your Quebec return.

If you expect to owe tax at filing time, you can ask Service Canada to take more tax off each EI payment.

Paying back EI at tax time

Higher earners may have to repay part of their EI benefits on their return, when all of these are true:

- box 15 of your T4E (regular and other benefits) shows an amount
- box 7 shows a repayment rate of 30%
- your net income, after a few adjustments, is above the repayment threshold for the year

The repayment chart on your T4E works out the amount, and it's added to what you owe on your return (line 23500 shows it). Repaying an overpayment is different: if you paid excess benefits back directly, box 30 of your T4E shows it and you deduct it (line 23200).

In short

- Severance is taxed as a retiring allowance; pay in lieu of notice is employment income.

- Withholding may not cover your tax, so set money aside or ask for more to be withheld. The [income tax calculator](#)¹ shows what a lump sum does to your tax.
- Service before 1996 lets you move part of your severance into your RRSP without using room; the rest needs RRSP room.
- EI is taxable, and higher earners may have to repay some of it. Keep your T4 and T4E slips.

Sources

1. Employers' Guide – Payroll Deductions and Remittances (T4001): Retiring allowances ([canada.ca](#))
2. Transferring the eligible part of a retiring allowance ([canada.ca](#))
3. Transferring the non-eligible part of a retiring allowance ([canada.ca](#))
4. Employment Insurance tax information ([canada.ca](#))
5. T4E slip: Statement of Employment Insurance and Other Benefits ([canada.ca](#))
6. Line 23500 – Social benefits repayment ([canada.ca](#))

¹[taxfootnote.ca/calculators/income-tax/](#)

The Canada workers benefit

A refundable tax credit for people working on a low income: who qualifies, the disability supplement, advance payments, and how to claim it.

Individuals & families · Work and pay · Last reviewed October 10, 2026 · taxfootnote.ca/guides/canada-workers-benefit/

The Canada workers benefit (CWB) is a refundable tax credit for individuals and families who work and earn a low income. You claim it on your tax return, and if you're entitled to it, the CRA also sends part of it as advance payments during the year.

The benefit has two parts: a **basic amount**, and a **disability supplement** for workers who are eligible for the disability tax credit.

Who can get the basic amount

You may be eligible if all of these apply:

- **You have working income.** That's mainly employment income and self-employment income (profits only), plus taxable scholarships and bursaries.
- **Your net income is below the limit for your province or territory.** The limits differ for singles and families, and for residents of Quebec, Alberta and Nunavut.
- **You were a resident of Canada for the whole year.**
- **You were 19 or older on December 31**, or you lived with your spouse or common-law partner or your child.

You can't get the CWB for the year if any of these apply:

- you were a full-time student at a designated educational institution for more than 13 weeks in the year, unless you had an eligible dependant on December 31
- you were in prison or a similar institution for at least 90 days in the year
- you were exempt from Canadian tax as a diplomat or other official of another country, or as a family member or employee of one.

Spouses and children

The CWB is worked out on family income. If you have an **eligible spouse** (your cohabiting spouse or common-law partner on December 31 who was also resident in Canada all year and isn't excluded for one of the reasons above), both of your working incomes and net incomes count. Only one of you can claim the basic amount.

An **eligible dependant** is your or your spouse's or common-law partner's child who was under 19 and lived with you on December 31, and isn't eligible for the CWB themselves. Outside Quebec, having an eligible spouse or dependant puts you in the family category. In Quebec, the categories depend on whether you have a spouse and whether you have children. Everywhere except Quebec, Alberta and Nunavut (which have different amounts), the family category has a higher maximum and a higher income limit than the single one.

The disability supplement

You may also get the disability supplement if you're eligible for the disability tax credit, with an approved Form T2201 on file with the CRA, and your net income is below the supplement's limit for your province or territory. See [the disability tax credit](#) (p. 41) for how to apply for it.

If you have an eligible spouse and one of you is eligible for the disability tax credit, that person claims both the basic amount and the supplement. If you both are, only one of you claims the basic amount, but each of you claims your own supplement.

How much you can get

The amount depends on your working income, adjusted family net income, family situation, province or territory, and eligibility for the disability tax credit.

The benefit builds up as your working income rises past a minimum, up to a maximum. It's then gradually reduced once your adjusted family net income passes a set level, and stops altogether above the limit. Residents of Quebec, Alberta and Nunavut have different maximums and limits.

The dollar amounts are set for each tax year. The CRA's "How much you can get" page lists the current maximums and income limits, and its child and family benefits calculator can estimate your advance payments.

Advance payments

If you're entitled to the CWB, you get up to 50% of it in advance, through the Advanced Canada workers benefit. If you're entitled to the disability supplement, 50% of it is paid along with the basic advance.

- **You don't apply.** The CRA works out your eligibility from your return and sends the payments automatically.
- **File early enough.** The CRA has to receive your return before November 1 of the benefit period, which runs from July to the following June.
- **Three payments.** They're issued in July, October and January; the CRA's "How much you can get" page lists the exact dates. If a payment date falls on a weekend or federal statutory holiday, you're paid on the last business day before it.
- **One per couple.** Only one spouse gets the basic advance for the family: usually the one with the higher working income, or the one eligible for the disability tax credit if only one of you is.

You'll get an RC210 slip showing the advance payments you received, and you have to report them on your return (Schedule 6 accounts for them). You need to be a resident of Canada on the first day of a payment period to get that payment.

How to claim

File your return. If you file electronically, certified tax software walks you through the claim. On a paper return, fill out Schedule 6 and enter the result on line 45300. There's a separate Schedule 6 for Quebec, Alberta and Nunavut residents.

You only get the CWB, and the advance payments, by filing a return, so file every year you're working on a low income. See [why file even with no income](#) (p. 13).

In short

- The CWB tops up the earnings of low-income workers; you claim it on your return.
- Up to half is paid in advance in July, October and January if your return arrives before November 1.
- The amounts and income limits are set for each tax year and differ in Quebec, Alberta and Nunavut; check the CRA's page for the current figures.

Sources

1. Canada workers benefit (CWB) ([canada.ca](#))
2. Canada workers benefit: Who is eligible ([canada.ca](#))
3. Canada workers benefit: How much you can get ([canada.ca](#))
4. Canada workers benefit: How to claim ([canada.ca](#))
5. Schedule 6, Canada Workers Benefit (2025, for all except QC, AB and NU) ([canada.ca](#))
6. 5000-S6 Schedule 6 –Canada Workers Benefit (for all except QC, AB, and NU) ([canada.ca](#))

If you work for yourself

When you work for yourself, you report your business income, pay both shares of CPP on your return (Quebec residents contribute to the QPP instead), and check whether you have to register for GST/HST. Tax can't be withheld from self-employment income, so you may have to pay instalments during the year. Records matter too: if your records don't support a deduction, the CRA can disallow it.

Moves for 2026

1. Find out whether you have to pay instalments, choose the calculation option that fits your year, and put the four due dates on your calendar. → [Paying tax by instalments](#), p. 161
2. File by June 15 even if you can't pay it all, but pay any balance by April 30: interest runs on whatever is unpaid after that. → [Deadlines for sole proprietors](#), p. 231
3. Add up your taxable sales, and those of any associated businesses, each calendar quarter, so you know when you stop being a small supplier and must register for GST/HST. → [Do I need to register for GST/HST?](#), p. 233
4. Keep a daily record of what you earn and spend, with a receipt for each expense, and a vehicle logbook if you claim car expenses. → [Keeping tax records: what to keep and for how long](#), p. 179
5. Before you include CCA on a home you own in your home office claim, check how it could affect your principal residence exemption. → [Business use of home: claiming a home office when you're self-employed](#), p. 220

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Side gigs and platform income

Driving, delivering, selling online or renting through an app: reporting the income, when GST/HST applies, what platforms tell the CRA, and what you can deduct.

Self-employed · Self-employment · Last reviewed October 10, 2026 · taxfootnote.ca/guides/side-gigs-and-platform-income/

Money you earn through an app or website is taxable, whether it comes from driving, deliveries, selling goods or short-term rentals. Report it, keep records of what you earn and spend, and check whether you have to charge GST/HST. Ride-sharing drivers have to register as soon as they start.

Reporting the income

If you earn money through digital platforms, you may be self-employed and carrying on a business. The CRA describes a business as an activity you intend to carry on for profit, with evidence to support that intention, and income from a service business is business income. Its platform guidance covers, for example:

- **Commercial ride-sharing:** report all of it, including tips, however much or little you drive.
- **Selling goods** to buyers through online marketplaces: report it as self-employment income.
- **Gig work**, such as freelance tasks or food delivery you take on through an app or online platform: report it as self-employment income.

Report the income on Form T2125, Statement of Business or Professional Activities, with a separate T2125 for each business. As a resident of Canada, you report income from all sources worldwide, including business you do outside Canada. If your gig is incorporated, the corporation files its own T2 return.

Short-term rentals

Renting out all or part of a property through a platform is taxable. If you provide only basic services, such as heat, utilities, parking and laundry facilities, it's usually rental income, reported on Form T776, Statement of Real Estate Rentals. If you add services such as meals, cleaning or security, it may be business income, reported on Form T2125; the more services, the more likely it's a business.

You can generally deduct reasonable expenses, but for income earned after 2023 you can't deduct any expenses for a short-term rental that isn't allowed where it's located or that doesn't meet all provincial and municipal operating, registration, licensing and permit rules. If you rent out part of your home, claim only the rented part's share of shared costs, on a reasonable basis such as floor area and the days it was rented. See [renting out part of your home](#) (p. 145).

GST/HST

- **Ride-sharing.** GST/HST applies to every commercial ride-sharing fare, and you have to register as soon as you start earning; the small supplier threshold doesn't apply. The app may collect your fares, but charging and remitting the tax is still your job.
- **Other gigs, sales and rentals.** Generally, you have to register once your taxable sales go over \$30,000 over four calendar quarters. Below that, registering is optional, but it lets you claim input tax credits. See [do I need to register for GST/HST?](#) (p. 233)
- **Both.** If you drive for a ride-sharing app and have other taxable sales, such as deliveries, and the total stays under the threshold, your registration generally covers only the ride-sharing unless you ask otherwise. Over the threshold, you charge GST/HST on all of it.
- **Short stays.** Rentals with continuous occupancy of less than a month are subject to GST/HST; rentals of residential premises for a month or more are exempt.

In Quebec, Revenu Québec administers the GST and the Quebec sales tax (QST), and an accommodation business may also have to register for the tax on lodging.

What platforms report to the CRA

Platform operators have to collect information about many of their sellers and report it to the CRA every year. If you're a reportable seller, that includes your name, address, date of birth and tax number (such as your SIN or business number), what you were paid in each calendar quarter, the number of sales or services, and the fees and commissions the platform kept. For rentals, it includes each property's address. Your platform has to give you a copy of what it reported by January 31.

Expect your platforms to ask for this information. If you don't give them your tax number, the CRA may charge you a penalty.

Expenses you can deduct

As a self-employed person, you can claim eligible expenses, as long as you keep proper records. For platform work they include:

- fees or charges the platform keeps
- marketing to bring more visitors to your online store
- materials and services bought in or outside Canada, such as raw materials (wood, wool, paint, beads), software licences, or editing and translation

For other common costs, such as the business share of a vehicle or phone, see [what can I deduct as a self-employed person?](#) (p. 217)

CPP and missed income

If you're over 18, work outside Quebec and earn more than \$3,500 a year, you contribute to the Canada Pension Plan, and as a self-employed person you pay both the employee and employer shares on your return. Quebec residents contribute to the Quebec Pension Plan instead. See [CPP for the self-employed](#) (p. 228).

If you didn't report platform income in past years, you may owe penalties and interest on top of the tax. Fixing it voluntarily may reduce or avoid them: you can change past returns, or apply to the Voluntary Disclosures Program, which grants relief case by case if you come forward before the CRA contacts you.

In short

- Platform income is taxable; ride-sharing, online selling and most other gig income go on Form T2125.
- Ride-sharing drivers register for GST/HST from the start; others generally register once sales pass the small supplier threshold.
- Platforms report your earnings to the CRA and send you a copy by January 31.

Sources

1. Understanding your tax obligations – Taxes and the platform economy (canada.ca)
2. Sharing economy – Taxes and the platform economy (canada.ca)
3. Gig economy – Taxes and the platform economy (canada.ca)
4. Peer-to-peer (P2P) – Taxes and the platform economy (canada.ca)
5. What information is shared – Reporting rules for digital platforms (canada.ca)
6. Guide T4002, Chapter 1 – General information (a business and business income) (canada.ca)

What can I deduct as a self-employed person?

The business expenses you can deduct, how home office and vehicle claims work, which purchases are capital, and the records the CRA expects you to keep.

Self-employed · Self-employment · Last reviewed October 10, 2026 · taxfootnote.ca/guides/what-can-i-deduct/

You can deduct any reasonable expense you incur to earn your business income, as long as you claim only the business part. Things that last for years, like equipment and furniture, are deducted gradually, as capital cost allowance (CCA).

The basic rules

- **It has to be for the business, and reasonable.** Personal expenses aren't deductible. When something serves both your business and your personal life, such as a phone, a car or part of your home, claim only the business share. "Incur" means you've paid the expense or will pay it.
- **Net out credits and assistance.** If you're registered for the GST/HST and claim back the sales tax on a purchase as an input tax credit, deduct the expense without that tax. Subtract any grant, rebate or other assistance from the expense it relates to.

Common deductible expenses

Common business expenses include:

- advertising
- office supplies such as pens, paper and stamps, and supplies you use up in providing your goods or services (cleaning supplies for a plumber, for example)
- rent, property taxes and insurance for the premises and equipment you use in the business
- telephone, cellphone and utilities you use to earn income
- interest on money borrowed for the business, and bank charges, including fees for processing payments
- legal, accounting and other professional fees, including the cost of preparing and filing your income tax and GST/HST returns
- business licences, dues to trade or commercial associations, and subscriptions to publications
- minor repairs and maintenance to property you use in the business, though not the value of your own labour
- travel to earn business income, such as fares and hotels
- wages you pay employees, including your child or spouse, if the work is needed for the business and the pay is what you'd pay anyone else

You can't deduct anything you pay yourself (an owner's salary or drawings), or dues to a club whose main purpose is dining, recreation or sport.

Meals and entertainment

You can generally claim only 50% of what you spend on food, drinks and entertainment (or 50% of a reasonable amount, if that's less), including meals while you travel for business. There are exceptions, for example when you bill a client for the meal and show it on the invoice.

Working from home

You can deduct part of your home costs if the workspace is your principal place of business, or if you use it only for the business and regularly meet clients, customers or patients there.

Eligible costs include heating, electricity, home insurance, cleaning materials, property taxes and mortgage interest, or part of your rent if you rent. Work out the business share on a reasonable basis, such as the workspace's area divided by your home's total area. If the room is also part of your living space, reduce the claim further by the share of each day it's used for the business.

Two limits apply. Home office expenses can't create or increase a business loss; whatever you can't use carries forward to the next year. And you can claim CCA on the business part of a home you own, but if you do, the capital gain and recapture rules will apply when you later sell the home.

Your vehicle

You can deduct the business share of the costs of a vehicle you use to earn income, such as fuel, insurance and interest on a loan to buy it. The interest you can deduct on a loan for a passenger vehicle is capped (at \$350 a month for a loan taken out in 2025). Claims have to be reasonable and backed by receipts.

The business share comes from your kilometres, so keep a logbook: for each business trip, the date, destination, purpose and distance, plus the odometer reading at the start and end of your fiscal period (your business year). Once you've kept a logbook for one full year, you can keep a three-month sample in later years instead, as long as the results stay within 10% of that base year.

Equipment and other capital purchases

You can't deduct the full cost of depreciable property, such as a building, furniture or equipment, in the year you buy it. Because these things wear out or become obsolete, you deduct their cost over several years through CCA. Even desks, chairs, filing cabinets and calculators count as capital, not office supplies. Legal fees for buying capital property are added to its cost.

Keep your records

You're required by law to keep records that support your income and expenses, generally for at least six years from the end of the last tax year they relate to. Don't send them with your return; keep them in case the CRA asks.

For each purchase, get a receipt showing the date, the seller's name and address, your name and address, and a description of what you bought. If the seller is a GST/HST registrant and the purchase is \$100 or more before tax, it should also show their business number. Keep bank statements too, and a record of the dates and costs of business property you buy and sell.

What to do

- Keep receipts and your vehicle logbook as you go, and claim only the business share of anything you also use personally.
- Enter your net self-employment income in the [income tax calculator](#)¹ to estimate your tax and CPP.

Sources

1. Business expenses ([canada.ca](#))
2. Business-use-of-home expenses ([canada.ca](#))
3. Motor vehicle records ([canada.ca](#))
4. Motor vehicle – Interest ([canada.ca](#))
5. Claiming capital cost allowance (CCA) ([canada.ca](#))
6. Business records ([canada.ca](#))

¹[taxfootnote.ca/calculators/income-tax/](#)

Business use of home: claiming a home office when you're self-employed

When you can deduct home office costs as a self-employed person, which costs count, how to work out the business share, the income limit, and CCA on your home.

Self-employed · Self-employment · Last reviewed October 11, 2026 · taxfootnote.ca/guides/business-use-of-home/

If you run your business from home, you can deduct part of what it costs to keep your home, as long as your workspace passes one of two tests. You claim only the business share, and the claim can't be more than the business earned that year. Whatever you can't use carries forward.

This guide is for sole proprietors and partners. If you're an employee working from home, different rules apply: see [working from home](#) (p. 200).

The two tests

Your workspace has to meet at least one of these:

1. **It's your principal place of business**, meaning your main one. A contractor who does the paperwork, ordering and payroll at home and the actual work at customers' sites meets this test. The space can also have personal use, such as the kids doing homework there in the evenings, but you'll reduce your claim for it.
2. **You use it only to earn business income, and you regularly meet clients, customers or patients there.** "Only" means a separate area, such as a room, used for nothing else. The meetings must be in person and happen on a regular and continuous basis: a doctor who sees an average of five patients a day, five days a week, at home meets this test; one who sees one or two a week doesn't.

If your main place of business is somewhere else, such as a rented office, a home office can qualify only under the second test.

Which costs count

You can deduct the business share of:

- heat, electricity and water
- home insurance
- maintenance, cleaning materials and minor repairs
- property taxes
- mortgage interest
- rent, if you rent your home
- capital cost allowance (CCA) on the home, if you own it (see below)

A repair that relates only to the workspace, such as repainting the office, isn't usually split unless the room also has personal use. A furnace repair serves the whole home, so you claim the business share. Repainting a bedroom generally isn't deductible.

Some costs don't belong in this claim:

- **Rent on a home you own.** If you rent, part of your rent counts. If you own, you can't deduct a rental value for the space.
- **Furniture and equipment.** Desks, chairs, filing cabinets, lamps, computers and printers are capital purchases. You deduct their cost over several years as CCA instead.
- **Phone, internet and office supplies.** These relate to the business, not the workspace, so they're regular business expenses outside the home office limits (business share only). See [what you can deduct](#) (p. 217).

If you're registered for the GST/HST and claim an input tax credit for the tax you paid on an expense, deduct the expense without that tax.

Working out the business share

Use a reasonable basis. The usual one is the area of the workspace divided by the total finished area of your home, counting hallways, bathrooms and the kitchen. An office of 12 square metres in a 120-square-metre home is a 10% business share.

If the space is your principal place of business but is also part of your living space, such as a desk in the family room, reduce the share for personal use. Work out how many hours a day you use it for the business, divide by 24, and multiply by the area share. If the business runs only part of the week or year, reduce the claim again. A desk area that's 20% of your home, used 8 hours a day, five days a week, works out to:

■ $20\% \times (8 \div 24) \times (5 \div 7) = \text{about } 4.8\% \text{ of your eligible home costs}$

Only the first test allows personal use. A space that qualifies under the second test has to be used only for the business, so there's no personal use to take off.

The claim can't create a loss

Home office expenses can bring your business income down to zero, but not below. You can't use them to create or increase a business loss. Each year, you deduct the lesser of:

- this year's home office expenses plus any amount carried forward from last year, and
- your net income from the business before these expenses

Say your business earned \$3,000 before home costs and your home office share is \$4,000. You deduct \$3,000 and carry \$1,000 forward to next year, as long as the workspace still meets one of the two tests. You must use a carryforward in the first later year the business has income to deduct it from, and only against that same

business: if you close one home business and start a different one, it doesn't move to the new business.

CCA on your home: think first

If you own your home, you can include CCA on the business share of the building in your claim. Land isn't depreciable, so only the building counts; most buildings acquired after 1987 are in Class 1. CCA on the home goes into the home office calculation, so the same income limit applies to it. See [capital cost allowance](#) (p. 224) for how CCA works.

The gain on selling your principal residence is usually tax-free under the [principal residence exemption](#) (p. 122), and the CRA says claiming CCA on a workspace in your home can have a negative effect on that exemption:

- **No CCA: the whole home usually stays your principal residence.** The CRA's practice is to treat the whole property as your principal residence if the business use is small compared with your use of it as a home, you make no structural changes for the business, and you claim no CCA. You can still deduct the other costs above.
- **CCA: part of the home changes use.** If you start claiming CCA on the business part, the CRA treats that part as sold at its fair market value and bought back when you started using it for the business. When you sell, you split the selling price between the part you lived in and the business part (by area or number of rooms, if reasonable) and report any capital gain on the business part.
- **Recapture.** The CRA says the capital gain and recapture rules apply when you sell a home you claimed CCA on. Recapture means CCA you claimed earlier may have to be added back to your income.

The same change-in-use treatment generally applies if you make structural changes to create separate business premises, such as converting the front of a house into a store. Since March 19, 2019, you may be able to elect that a partial change in use isn't treated as a sale, but you can't claim CCA on the property while the election applies; see the CRA's principal residence page before you decide.

How to claim

Use the business-use-of-home section of Form T2125, Statement of Business or Professional Activities. It takes off the personal-use part of your costs, adds any CCA on the home and last year's carryforward, and limits the total to your net business income. Expenses you claim there can't be claimed anywhere else on the form.

What to do

- Decide which test your workspace meets, and whether it also has personal use.
- Measure the workspace and your home's finished area, and note how you worked out the share, including hours for a shared space.
- Keep the bills for every home cost you claim, and track any amount you carry forward; see [keeping records](#) (p. 179).
- Read the [principal residence exemption](#) (p. 122) guide before you claim CCA on a home you own.
- Estimate the effect on your tax with the [income tax calculator](#)¹.

Sources

1. Business-use-of-home expenses (canada.ca)
2. Calculating business-use-of-home expenses (canada.ca)
3. Income Tax Folio S4-F2-C2, Business Use of Home Expenses (canada.ca)
4. Self-employed Business, Professional, Commission, Farming, and Fishing Income: Chapter 3 – Expenses (Guide T4002) (canada.ca)
5. Self-employed Business, Professional, Commission, Farming, and Fishing Income: Chapter 4 – Capital cost allowance (Guide T4002) (canada.ca)
6. Classes of depreciable property (canada.ca)
7. Principal residence (canada.ca)
8. Income Tax Folio S1-F3-C2, Principal Residence (canada.ca)

¹taxfootnote.ca/calculators/income-tax/

Capital cost allowance: deducting equipment, vehicles and buildings

How CCA spreads the cost of business assets over several years: classes and rates, the first-year rules, selling, recapture and terminal losses.

Self-employed · Self-employment · Last reviewed October 11, 2026 · taxfootnote.ca/guides/capital-cost-allowance/

When you buy something for your business that will last for years, such as a computer, furniture, a vehicle or a building, you can't deduct the whole cost in the year you buy it. Instead, you deduct part of the cost each year as capital cost allowance (CCA), worked out on Form T2125, Statement of Business or Professional Activities.

Capital or current?

Ordinary running costs, like supplies or a routine repair, are current expenses that you deduct in full in the year (see [what you can deduct](#) (p. 217)). A purchase is usually capital if it gives a lasting benefit, improves something beyond its original condition, or is a separate asset rather than a replacement part.

An asset's capital cost is generally what you paid for it, plus related fees such as legal or installation costs, plus later improvements you didn't deduct as current expenses, less any government grant or rebate you got for it. Land isn't depreciable, and neither are living things such as trees or animals.

How the yearly claim works

You group your assets into classes, each with its own rate. For most classes, the rate applies to the balance left in the class, called the undepreciated capital cost (UCC), and each claim lowers that balance. If a 20% class starts the year at \$4,000 and nothing is added or sold, the most you can claim is \$800, leaving \$3,200 for next year.

A few rules shape the claim:

- **It's optional.** You can claim any amount from zero to the maximum. In a year when you won't owe tax, you might claim less and keep a larger balance for later years.
- **The asset has to be available for use.** For property other than a building, that's usually the earliest of when you first use it to earn income, when it's delivered and able to produce what you sell, and the second tax year after the year you bought it. Buildings have their own available-for-use rules.
- **Short first year.** If your first fiscal period (business year) is shorter than 365 days, reduce the claim in proportion to the number of days.
- **Fill in the chart anyway.** Even in a year you claim nothing, show your additions and sales on the form.

Common classes and rates

The CRA's Classes of depreciable property page lists these and others:

- **Class 1 (4%):** most buildings acquired after 1987, including parts such as wiring and plumbing.
- **Class 8 (20%):** furniture, appliances, machinery, tools costing \$500 or more, and other equipment that isn't in another class.
- **Class 10 (30%):** motor vehicles and some passenger vehicles. Pricier passenger vehicles go in **Class 10.1 (30%)**, each listed separately with a capped cost; see [vehicle expenses](#) (p. 244).
- **Class 12 (100%):** tools, kitchen utensils and medical or dental instruments costing less than \$500, which you can mostly write off in the year you buy them, and software other than systems software (subject to the half-year rule below).
- **Class 50 (55%):** computer hardware and its systems software. Under proposed changes described on the CRA's classes page, new Class 50 property acquired after April 15, 2024, that becomes available for use before 2027 would be eligible for an enhanced first-year deduction of 100%.
- **Class 54 (30%):** zero-emission vehicles that would otherwise be in Class 10 or 10.1, with their own first-year rules.

The first year

The half-year rule. In the year you buy an asset, you can usually claim CCA on only half of your net additions to the class (what you added, less what you sold). Some property is exempt, including most Class 12 small tools.

The accelerated investment incentive. Property acquired after November 20, 2018, that becomes available for use before 2028 can qualify for a larger first-year claim, and the half-year rule is effectively suspended for it. For property that would normally be subject to the half-year rule:

- available for use before 2024: up to three times the normal first-year claim
- available for use from 2024 to 2027 (the phase-out): two times the normal first-year claim, which works out to the full class rate on the full cost

For example, a \$10,000 Class 8 asset bought and put to use in 2024 would normally allow \$1,000 in the first year (20% of half the cost); under the incentive, it's \$2,000. You get the boost only in the first tax year the property is available for use, and it doesn't change the total you can deduct over the asset's life. It generally doesn't apply to property you or someone you don't deal with at arm's length owned before, or that was transferred to you on a tax-deferred (rollover) basis.

Proposed changes. The CRA's 2025 business income guide (T4002) describes proposed changes that would limit the incentive to property acquired before 2025. Property acquired after 2024 that becomes available for use before 2034 would generally be "reaccelerated investment incentive property" instead, which would also get an enhanced first-year allowance with no half-year rule. Follow the guide for the year you're filing.

Immediate expensing has ended. The temporary full write-off applied only to property that became available for use before 2025 for individuals and partnerships made up only of individuals, and before 2024 for others.

Selling or getting rid of an asset

When you sell, subtract from the class the lower of what you got for the asset (less selling costs) and what it originally cost. Then:

- **Recapture.** If that leaves the class balance below zero, the negative amount is recaptured CCA, and you add it to your income. Sometimes you can postpone it, for example when you replace the asset with a similar one.
- **Terminal loss.** If a balance is left but no property remains in the class at the end of your fiscal period, you can usually deduct the balance as a terminal loss.
- **Capital gain.** If you sell for more than the asset cost, the excess is a capital gain, reported separately. You can't have a capital loss on depreciable property, though you may have a terminal loss.

Class 10.1 vehicles work differently: recapture and terminal loss don't apply to them unless the vehicle was designated for immediate expensing (see [vehicle expenses](#) (p. 244)).

Assets you also use personally

Claim only the business share. If 60% of your driving is for business, for example, you'd claim 60% of the CCA on the vehicle. When you sell a mixed-use asset, work out the business part of any recapture or terminal loss.

If you start using something you already owned personally in the business, you're treated as having disposed of it at that time. If it's worth less than you paid, its capital cost for CCA is generally its fair market value; if it's worth more, you may have a capital gain unless you file an election. The CRA's Personal use of property page shows how to work out the cost.

You can also claim CCA on the business part of a home you own, but the CRA warns that it can have a negative effect on your principal residence exemption. See [business use of your home](#) (p. 220) before you decide.

What to do

- Sort each purchase into current or capital, and keep the invoice (see [keeping records](#) (p. 179)).
- Show each asset you buy or sell in the right class on Form T2125, even in a year you don't claim CCA, and note when it became available for use.
- Decide each year how much CCA to claim, and before you sell an asset, check for recapture or a terminal loss.
- Estimate the effect on your tax with the [income tax calculator](#)¹.

Sources

¹taxfootnote.ca/calculators/income-tax/

1. Claiming capital cost allowance (CCA) (canada.ca)
2. Basic information about capital cost allowance (canada.ca)
3. How to calculate the deduction for capital cost allowance (CCA) (canada.ca)
4. Current or capital expenses (canada.ca)
5. Classes of depreciable property (canada.ca)
6. Accelerated investment incentive (canada.ca)
7. Personal use of property (canada.ca)
8. Capital gains (claiming capital cost allowance) (canada.ca)
9. Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income: Chapter 4 – Capital cost allowance (canada.ca)
10. Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income: Find out if this guide is for you (definitions) (canada.ca)

CPP when you're your own boss

Why the self-employed pay both halves of CPP, how contributions are worked out on your net business income, and which part you can deduct.

Self-employed · Self-employment · Last reviewed October 10, 2026 · taxfootnote.ca/guides/cpp-for-self-employed/

An employee splits CPP with their employer. When you work for yourself, you're both, so you pay both shares, on your net self-employment income, when you file your tax return. Part of what you pay is deducted from your income and part earns a tax credit, which softens the cost.

Who has to contribute

If you're self-employed outside Quebec, you contribute to the CPP on your net business income: what's left after your business expenses. You don't contribute on other kinds of income, such as investment earnings. With very few exceptions, everyone over 18 who works in Canada outside Quebec and earns more than \$3,500 a year contributes.

You contribute until you turn 70. If you're 65 or older and already receiving a CPP or QPP retirement pension, you can choose to stop. If you're self-employed only, you make that election on Schedule 8 with your return rather than on the form employees use.

If you live in Quebec, your self-employment income is covered by the Quebec Pension Plan instead, and you claim the QPP contributions you owe on your Revenu Québec return, not your federal one. The rates differ; see our [CPP, QPP, EI and QPIP table](#)¹.

How much you pay

Contributions are figured on two bands of earnings. For 2025:

- **From \$3,500 up to \$71,300** (the year's maximum pensionable earnings, the first ceiling), an employee pays 5.95% and the employer matches it. Self-employed, you pay both, so twice that rate.
- **From \$71,300 up to \$81,200** (the second ceiling), the second additional contribution, or CPP2, is 4% for each side. You pay both, so twice that rate on this band.

Nothing is owed on earnings above the second ceiling. For 2026, the ceilings rise to \$74,600 and \$85,000, with the same rates.

If you also have a job, the CPP your employer deducted counts. What you owe on your self-employment income depends on how much you've already contributed as an employee, as shown on your T4 slips. A self-employment loss can't be used to reduce the CPP you owe on employment earnings.

¹taxfootnote.ca/rates/cpp-ei/

How you pay it

An employer deducts an employee's CPP from each paycheque. When you're self-employed, there's no paycheque deduction: you pay the full amount when you file your return. Your contributions are worked out on Schedule 8 (tax software does this for you) and added to what you owe for the year.

That makes CPP part of the balance you owe in the spring. If you regularly owe a large balance, check [paying tax by instalments](#) (p. 161) to see whether you need to pay during the year.

The tax break on what you pay

Your contributions are split into parts that get different tax treatment:

- **Tax credit:** the “employee” half of the base contributions, the part at 4.95%, gets a non-refundable tax credit. Federal non-refundable credits are worked out at the lowest federal rate, 14.5% for 2025.
- **Deduction:** everything else is deducted from your income. That's the “employer” half of the base contributions, the first additional contributions on both halves, and all of your CPP2 contributions.

A deduction cuts your taxable income, so how much it saves depends on your tax bracket. A credit cuts your tax directly. Tax software, or Schedule 8 if you file on paper, does the split for you.

What you get for it

The CPP replaces a basic level of earnings for you and your family when you retire, become disabled or die. The enhanced part of the plan, which began in 2019, increases retirement, survivor and disability pensions, but it adds to your benefits only if you worked and contributed in 2019 or later. For timing, see [when to start CPP and OAS](#) (p. 310).

EI is optional

Employment Insurance works differently. As a self-employed person, you can enter into an agreement with the Canada Employment Insurance Commission to qualify for EI special benefits for self-employed people. As part of the agreement, you pay premiums through your tax return each year for as long as you remain self-employed, and the agreement has to be active for at least 12 months before you can receive any special benefits.

In short

- You pay both halves of CPP on net self-employment income above \$3,500, up to the second ceiling.
- You pay it with your return, so set money aside during the year.
- Most of it is deductible; the employee half of the base contributions earns a credit instead.
- To estimate your CPP and tax together, enter your net self-employment income in the [income tax calculator](#)².

Sources

1. The Canada Pension Plan enhancement: businesses, individuals, and self-employed (canada.ca)
2. Line 22200: Deduction for CPP or QPP contributions on self-employment income and other earnings (canada.ca)
3. Line 42100: CPP contributions payable on self-employment income and other earnings (canada.ca)
4. CPP contributions for CPP working beneficiaries (canada.ca)
5. EI benefits for self-employed people: who can qualify (canada.ca)

²taxfootnote.ca/calculators/income-tax/

Deadlines for sole proprietors

When to file and pay income tax, GST/HST and instalments if you run an unincorporated business with a December 31 year-end.

Self-employed · Self-employment · Last reviewed October 10, 2026 · taxfootnote.ca/guides/deadlines-for-sole-proprietors/

If you're self-employed, you have until June 15 to file your income tax return, but any tax you owe is still due on April 30. If you file GST/HST returns annually, they usually follow the same split. Filing late costs you a penalty if you owe tax; paying late costs you interest from the day after April 30, even if you file by June 15.

Your business year

Most self-employed people have to use a December 31 year-end, so the business year matches the calendar year. A fiscal period can't be longer than 12 months, though it can be shorter in the year a business starts or stops. Some people are eligible to use a different method that allows a year-end other than December 31, which comes with an extra form to reconcile the income each year.

The dates below assume a December 31 year-end.

Income tax: file by June 15, pay by April 30

If you or your spouse or common-law partner carried on a business during the year, your return is due June 15 of the following year. For 2025 returns, that was June 15, 2026.

The exception: if your business expenses relate mostly to a tax shelter investment, your return is due April 30.

Either way, any balance owing is due April 30 (for 2025, April 30, 2026). If you can't pay it all, file on time anyway.

Instalments: four dates a year

If the CRA expects you to pay instalments, they're due:

- March 15
- June 15
- September 15
- December 15

If your main income is self-employment income from farming or fishing, you have one instalment date instead: December 31. Our guide to [paying tax by instalments](#) (p. 161) explains who has to pay and how much.

GST/HST: depends on your reporting period

If you're registered for the GST/HST, your deadlines depend on the reporting period the CRA assigned you. You can see your periods and due dates in your CRA account.

- **Monthly or quarterly:** file and pay one month after the end of each period.

- **Annual, as a sole proprietor with business income:** if your fiscal year-end is December 31 and you had business income for the year, pay by April 30 and file by June 15, the same pattern as your income tax.
- **Annual, but with no business income for the year, or a different year-end:** file and pay three months after your fiscal year-end.

You must file a return for every period, even if you had no sales, and almost all registrants have to file electronically. Annual filers may also have to pay GST/HST in instalments during the year. See [Do I need to register for GST/HST?](#) (p. 233)

When a date falls on a weekend or holiday

If a due date falls on a Saturday, Sunday or public holiday recognized by the CRA, you have until the next business day. Your income tax return is on time if the CRA receives it, or it's postmarked, by then. Payments, including instalments, and GST/HST returns are on time if the CRA receives them by then.

What being late costs

- **Interest** is compounded daily on any unpaid balance, starting the day after the due date. The rate can change every three months.
- **The late-filing penalty** applies if you file after the due date and owe tax: 5% of the balance owing, plus 1% for each full month late, up to 12 months. It's higher if you were also penalized for one of the previous three years after the CRA sent you a demand to file.
- **Instalment interest** applies if you were required to pay instalments and paid late or too little.

Filing by June 15 avoids the penalty even if you can't pay in full. Interest still runs on whatever is unpaid after April 30. If you've already missed a date, see [Missed the filing deadline?](#) (p. 164)

Your year at a glance

- **March 15, June 15, September 15, December 15:** income tax instalments, if you have to pay them.
- **April 30:** pay any income tax balance owing for the previous year, and your annual GST/HST balance.
- **June 15:** file your income tax return and your annual GST/HST return.

Thinking about incorporating? See [Should I incorporate yet?](#) (p. 259), and the T2 dates tool on our [business page](#)¹ for corporate filing dates.

Sources

1. Filing due dates for the 2025 tax return (canada.ca)
2. Interest and penalties on late taxes (canada.ca)
3. Payment due dates: Required tax instalments for individuals (canada.ca)
4. Reporting requirements and deadlines (GST/HST) (canada.ca)
5. Fiscal period (canada.ca)

¹taxfootnote.ca/business/

Do I need to register for GST/HST?

The small supplier test, when you have to register and start charging GST/HST, why some businesses register early, and what changes once you do.

Self-employed · Self-employment · Last reviewed October 10, 2026 · taxfootnote.ca/guides/gst-hst-registration/

You have to register once you stop being a small supplier: when your taxable sales, together with those of any businesses associated with you, go over \$30,000 in a single calendar quarter or over the last four calendar quarters in a row. Below that, registering is optional, and sometimes worth it.

Who has to register

You have to register for a GST/HST account if you make taxable sales, leases or other supplies in Canada and you're not a small supplier. If everything you sell is exempt from GST/HST, you generally can't register at all.

Some people must register no matter how little they earn. For example, if you're a self-employed taxi driver or commercial ride-sharing driver, you have to register from the day you start, even as a small supplier. Charities, public institutions and other public service bodies have their own small-supplier tests.

The small supplier test

Add up your revenue, before expenses, from taxable supplies anywhere in the world, including zero-rated supplies (taxable at 0%). As a sole proprietor, that means all your businesses, plus those of any associates. Leave out financial services, sales of capital property, and goodwill from selling a business.

Calendar quarters run January to March, April to June, July to September and October to December. You can go over the \$30,000 threshold in two ways:

- **In one quarter.** You stop being a small supplier right away. You have to charge GST/HST on the very sale that took you over the threshold, and your registration takes effect no later than that sale.
- **Over four quarters in a row, but not in any single quarter.** You stop being a small supplier at the end of the month after the quarter in which you went over. Your registration takes effect no later than your first sale after that, and you charge GST/HST from then on.

Either way, you then have 29 days from your effective date of registration to actually register.

Registering before you have to

You can register voluntarily while you're still a small supplier, as long as you make taxable supplies in Canada. Your registration usually takes effect on the day you ask, or up to 30 days earlier.

Registering lets you claim input tax credits (ITCs): once you're registered, you can recover the GST/HST you pay on purchases and expenses for your business, such as rent, phone, office expenses and professional fees. When you first register, you may also be able to claim ITCs on capital property and inventory you already have on hand for the business.

The trade-offs:

- You have to charge GST/HST on your taxable sales. Business customers who are registered can usually claim it back as an ITC; people buying for personal use can't.
- You have to file a return for every reporting period, even when you have nothing to report.
- If you register voluntarily, you may have to stay registered for at least one year before you can cancel.

Once you're registered

- **Charge the right rate.** The rate depends on the place of supply: the province or territory where you make the sale, which isn't always where your business is. Our [sales tax rates table](#)¹ lists the rates.
- **File on time, online.** Almost all registrants have to file electronically. The CRA assigns your reporting period based on your revenue. Monthly and quarterly filers file and pay one month after each period ends. If you're a sole proprietor filing annually with a December 31 year-end and business income for the year, you pay by April 30 and file by June 15.
- **Plan for instalments.** If you file annually, you may have to pay GST/HST in instalments during the year.
- **Claim your ITCs.** Keep the paperwork that supports them. If you miss one, most registrants can still claim it on a later return, generally within four years.

If your business is in Quebec

Revenu Québec applies the same small-supplier test of \$30,000 to both the GST/HST and the Quebec sales tax (QST). You can register for both while you're still a small supplier: you then collect both taxes on your taxable sales and remit them to Revenu Québec, and you can claim input tax credits and input tax refunds on your business purchases. If you register for the QST, you must also register for the GST/HST, and you have to stay registered for at least one year.

What to do

1. Add up your taxable sales for each calendar quarter, along with any associated businesses.
2. Watch both tests: a single quarter over \$30,000, or four quarters in a row over it.
3. If most of your costs carry GST/HST and your customers are mostly businesses, compare what you'd recover in ITCs with the work of filing.

¹taxfootnote.ca/rates/sales-tax/

4. Once registered, put your filing and payment dates on the calendar. Our [deadlines guide](#) (p. 231) lists them.

Sources

1. When to register for and start charging the GST/HST ([canada.ca](#))
2. Register for a GST/HST account ([canada.ca](#))
3. Input tax credits ([canada.ca](#))
4. Reporting requirements and deadlines (GST/HST) ([canada.ca](#))
5. Charge and collect the GST/HST ([canada.ca](#))
6. Details concerning small suppliers (Revenu Québec) ([revenuquebec.ca](#))

GST, HST and PST explained

How Canada's sales taxes fit together: the federal GST, the harmonized HST, and the separate provincial sales taxes, with each province's rate.

Everyone · Sales tax · Last reviewed October 10, 2026 · taxfootnote.ca/guides/gst-hst-pst-explained/

Everywhere in Canada, purchases can carry the federal goods and services tax (GST). Five provinces combine it with their own tax into one harmonized sales tax (HST). Four others charge their own provincial sales tax alongside the GST, and Alberta and the three territories charge only the GST.

The three kinds of sales tax

GST. The federal tax, at 5%, applies across the country.

HST. New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island have merged their sales tax with the GST. You pay one combined rate, and receipts show the total HST rate, not the federal and provincial parts. Nova Scotia lowered its HST to 14% on April 1, 2025.

Provincial sales tax. British Columbia and Saskatchewan charge a PST, Manitoba a retail sales tax (RST), and Quebec the Quebec sales tax (QST). These are separate taxes run by each province (Revenu Québec for the QST), and you pay them in addition to the GST.

Rates by province and territory

Province or territory	Tax	General rate
Alberta, Northwest Territories, Nunavut, Yukon	GST only	5%
British Columbia	GST + PST	5% + 7%
Manitoba	GST + RST	5% + 7%
New Brunswick	HST	15%
Newfoundland and Labrador	HST	15%
Nova Scotia	HST	14%
Ontario	HST	13%
Prince Edward Island	HST	15%
Quebec	GST + QST	5% + 9.975%
Saskatchewan	GST + PST	5% + 6%

These are the general rates. Each province's own tax has its own exemptions and special rates; check the province's website for those. The [sales tax rates table](#)¹ shows the same figures with their sources.

How the taxes are worked out

Where you buy matters less than where it's delivered. The rate depends on the place of supply. If a store in Vancouver delivers a mattress to a customer in Toronto, it

¹taxfootnote.ca/rates/sales-tax/

charges Ontario's HST of 13%, not B.C. rates. If you pick up an item in person at a store in Manitoba, you pay GST and Manitoba's RST, even if you live elsewhere.

The GST and provincial taxes don't stack. Where a PST applies, the GST is calculated on the price without the PST. In Quebec, Revenu Québec has businesses calculate the QST on the selling price as well, not on the price plus GST.

Not everything is taxed the same way

For the GST and HST, every sale falls into one of three groups:

- **Taxable.** Most goods and services, such as clothing, snack foods like soft drinks and chips, car repairs, hotel stays, legal and accounting services, and new homes.
- **Zero-rated.** Taxable, but at 0%, so you pay no GST/HST. Examples are basic groceries like milk, bread and vegetables, prescription drugs, certain medical devices such as hearing aids, feminine hygiene products, and most exports.
- **Exempt.** No GST/HST at all. Examples are long-term residential rent (a month or more), the sale of a used home, most medical and dental services from licensed physicians or dentists, most financial services, child care, and music lessons.

Zero-rated and exempt look the same at the till, but they differ for businesses. A registered business that makes zero-rated sales may be able to recover the GST/HST it paid on its own purchases through input tax credits. A business making exempt sales generally can't.

Provincial sales taxes have their own exemptions, so don't assume an item is treated the same way for PST as for GST.

If you run a business

You generally have to register for the GST/HST once you're no longer a small supplier: that is, once your taxable sales go over \$30,000 in a single calendar quarter or over the last four calendar quarters together. Below that, you can register voluntarily. Charities, public institutions and some other organizations have different thresholds. Details are in [Do I need to register for GST/HST?](#) (p. 233)

Once registered, you charge the tax, hold it in trust for the government, file returns and send in what you collected, less input tax credits for the GST/HST you paid on business purchases. Keep records that support your returns, generally for six years. Registering for a provincial sales tax is a separate step with the province.

If you're buying: the CGEB

To help with the cost of everyday essentials, lower- and modest-income individuals and families can get tax-free quarterly payments. This used to be called the GST/HST credit; since July 2026 it has been the Canada Groceries and Essentials Benefit (CGEB), with the same eligibility rules. When you file your tax return each year, you're automatically considered for it; if you're a new resident of Canada, you can apply.

In short

- GST everywhere; HST instead of separate taxes in five provinces; a separate PST, RST or QST in four.

- The place of delivery sets the rate.
- Zero-rated means taxed at 0%; exempt means outside the tax, which matters for businesses claiming input tax credits.
- Businesses register once they pass the small supplier threshold.

Sources

1. Charge and collect the GST/HST (rates and place of supply) (canada.ca)
2. Type of supply (taxable, zero-rated or exempt) (canada.ca)
3. When to register for and start charging the GST/HST (canada.ca)
4. Canada Groceries and Essentials Benefit (CGEB) (canada.ca)
5. Government of British Columbia: B.C. provincial sales tax (PST) (www2.gov.bc.ca)
6. Manitoba Finance: Retail Sales Tax (gov.mb.ca)
7. Revenu Québec: Calculating the taxes (GST and QST) (revenuquebec.ca)

Hiring your first employee: payroll basics

What to do when you hire: a CRA payroll account, SIN and TD1 forms, deducting CPP, EI and tax, remitting on time, T4 slips and records of employment.

Self-employed · Self-employment · Last reviewed October 11, 2026 · taxfootnote.ca/guides/hiring-your-first-employee/

Once you pay someone a salary or wages, you're an employer, whether you're a sole proprietor or run a corporation. You deduct CPP, EI and income tax from each pay, add your own share of CPP and EI, send it all to the CRA on time, and report it after the year ends. Here's what to do, in order.

Employee or contractor?

First, make sure the person is an employee. Generally, an employee works under your direction and control, doesn't normally have a chance to make a profit or suffer a loss, and is an integral part of your business. A self-employed contractor runs their own business, agrees to provide a service under a contract for services, and is free to choose how to do the work.

A written contract that calls someone self-employed doesn't settle it: the CRA looks at the facts of the working relationship as a whole. If you or the worker aren't sure, either of you can ask the CRA for a CPP/EI ruling.

Open a payroll account

You need a payroll program account with the CRA, attached to your business number (BN). The CRA says to register before your first remittance due date, which it gives as the 15th of the month after the month you first withhold deductions from an employee's pay, unless the CRA tells you to remit at a different frequency. (Many new employers end up remitting quarterly instead; see "Remitting on time" below.) The fastest way to register is Business Registration Online, where you can register for other accounts, such as GST/HST, at the same time.

If you start paying someone before you've registered, you still have to calculate the deductions and remit them by the due date, or you may be assessed a penalty.

On their first day

- **Social insurance number.** Get the employee's SIN within 3 days of the day they start, and make sure they're legally allowed to work in Canada. A SIN that starts with 9 is temporary: look at the immigration document that authorizes them to work, and check that it hasn't expired. If they don't have a SIN yet, they must apply for one and give it to you within 3 days of receiving it.
- **TD1 forms.** Have them fill out the federal Form TD1, Personal Tax Credits Return, plus their provincial or territorial TD1 if they claim more than the basic personal

amount. You use the total claim amounts to work out how much income tax to withhold. Keep the forms with your records; don't send them to the CRA. If you don't get a TD1, withhold tax allowing only the basic personal amount.

- **Province of employment.** Determine the employee's province of employment, so you withhold the right deductions, including the right provincial or territorial tax.

What to deduct from each pay

From each pay, deduct:

- **CPP contributions**, for employees aged 18 to 69 who aren't considered disabled under the CPP or QPP (if an employee aged 65 to 69 gives you a completed Form CPT30 electing to stop contributing, you stop deducting)
- **EI premiums**, which have no age limit
- **income tax**, federal and provincial or territorial

On top of what you deduct, you pay your own share: an amount equal to the CPP contributions you deducted, and 1.4 times the EI premiums. You remit both parts together. Each year's rates and maximums are in our [CPP, QPP, EI and QPIP table](#)¹.

The CRA's Payroll Deductions Online Calculator (PDOC) works out the amounts for common pay periods, such as weekly or every two weeks. It covers federal, provincial and territorial deductions, except Quebec provincial tax. Taxable benefits, such as a parking spot or a gift card, count too: see [taxable benefits](#) (p. 193).

Remitting on time

Your remitter type sets your due dates. You can check it in the CRA's online services for businesses.

- **New employers** (payroll account open less than 12 months) remit quarterly if the total they have to remit for each month (their monthly withholding amount) is less than \$1,000 and they keep a perfect compliance record on their payroll and GST/HST accounts. Quarterly remittances are due April 15, July 15, October 15 and January 15. You don't have to apply, but the CRA may tell you on your statement of account to remit at a different frequency. A new employer that stops qualifying becomes a regular remitter from the next calendar quarter.
- **Regular remitters** remit monthly, by the 15th of the month after the month you paid your employees.
- Larger employers remit more often.

If a due date falls on a weekend or a public holiday, your payment is on time if the CRA receives it, or a Canadian financial institution processes it, by the next business day. Late or missing remittances can bring a penalty that rises the later you are, plus interest. In a period when you don't pay anyone, report a nil remittance by the due date.

After the year ends: T4 slips

For each calendar year, prepare a T4 slip for every employee and file the slips with a T4 Summary by the last day of February of the following year. Give your employees their

¹taxfootnote.ca/rates/cpp-ei/

copies by the same date. You can hand out or mail paper slips, post them on a secure employer portal (employees can still ask for paper), or email them to employees who have agreed in writing or electronically. If the deadline falls on a weekend or public holiday, filing by the next business day is on time.

When someone stops working for you, the CRA suggests working out their year-to-date earnings and giving them their slip then. The filing deadline doesn't change.

Records of employment

You must issue a record of employment (ROE) each time an employee has an interruption of earnings. It's the main document people use to apply for EI benefits. You can create and submit ROEs online through Service Canada's ROE Web.

If your business is in Quebec

If you have a place of business in Quebec, you may also have to register for source deductions with Revenu Québec, as well as opening your CRA payroll account. For your employees in Quebec:

- Ask for their SIN, and have them fill out Revenu Québec's Form TP-1015.3-V, Source Deductions Return.
- Deduct Quebec income tax, Québec Pension Plan (QPP) contributions (instead of CPP) and Québec parental insurance plan (QPIP) premiums, and pay the employer's share of QPP and QPIP.
- Pay the employer contributions to the health services fund, for labour standards and to the Workforce Skills Development and Recognition Fund (WSDRF), as they apply to you. You may also have to register with or pay contributions to the CNESST.
- File RL-1 slips and the RL-1 summary with Revenu Québec, and give employees their slips, by the last day of February.

You still deduct federal income tax, and you deduct EI at the reduced Quebec rate.

Checklist

1. Confirm the worker is an employee.
2. Open a payroll account (and register with Revenu Québec if your business is in Quebec).
3. Get the SIN and TD1 forms when they start.
4. Deduct CPP, EI and income tax from every pay, and add your share.
5. Remit by your due dates.
6. File T4 slips and the T4 Summary by the end of February.
7. Issue an ROE whenever an employee's earnings are interrupted.

Sources

1. Employment status: Employee or self-employed (canada.ca)
2. Determine if you need to register (payroll account) (canada.ca)
3. How to register (payroll account) (canada.ca)
4. Set up and manage employee payroll information (canada.ca)
5. Get the social insurance number (SIN) from the individual (canada.ca)
6. Get the completed TD1 forms from the individual (canada.ca)

7. Determine the province of employment (POE) (canada.ca)
8. About the deduction of Canada Pension Plan (CPP) contribution (canada.ca)
9. About the deduction of EI premiums (canada.ca)
10. How to calculate (payroll deductions) (canada.ca)
11. Types of remitters (canada.ca)
12. When to remit (pay) (canada.ca)
13. When to file information returns (canada.ca)
14. Distribute the slips (canada.ca)
15. EI Record of Employment (Service Canada) (canada.ca)
16. Hiring an Employee (Revenu Québec) (revenuquebec.ca)
17. Registering for Source Deductions (Revenu Québec) (revenuquebec.ca)
18. Calculating Source Deductions and Employer Contributions (Revenu Québec) (revenuquebec.ca)
19. Filing RL Slips and the RL-1 Summary – General Information (Revenu Québec) (revenuquebec.ca)

Driving for work

This chapter is about deducting the cost of driving your own vehicle for work, whether you're self-employed or an employee who's normally required to work away from your employer's place of business or in different places, and to pay your own vehicle costs. Either way, you generally claim only the work share of the running costs and capital cost allowance, and that share comes from the kilometres you log. For a passenger vehicle, the CCA, interest and leasing costs you can deduct are limited.

Moves for 2026

1. Keep a full logbook of business trips for one year; in later years, a three-month logbook may be enough if that base year still reflects your normal use. → [Vehicle expenses when you're self-employed, p. 244](#)
2. Check whether your vehicle is a passenger vehicle before you claim interest, lease costs or CCA, since those deductions are limited for passenger vehicles. → [Vehicle expenses when you're self-employed, p. 244](#)
3. As an employee claiming vehicle costs, log each work trip and the odometer reading at the start and end of the year; driving between home and work is personal. → [Employment expenses you can deduct, p. 197](#)
4. Compare your costs with any non-taxable vehicle allowance from your employer: you can claim them only if they're higher and you include the allowance in your income. → [Employment expenses you can deduct, p. 197](#)
5. Decide each year how much CCA to claim on your vehicle: in a year when you won't owe tax, claiming less keeps a larger balance for later years. → [Capital cost allowance: deducting equipment, vehicles and buildings, p. 224](#)

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Vehicle expenses when you're self-employed

How to claim the business share of your vehicle costs, keep a logbook the CRA accepts, use the three-month sample rule, and claim capital cost allowance.

Self-employed · Self-employment · Last reviewed October 11, 2026 · taxfootnote.ca/guides/vehicle-expenses/

If you drive your own vehicle to earn business income, you can deduct the business share of what it costs to run, plus capital cost allowance (CCA) for the vehicle itself. The business share comes from your kilometres, so the record you keep matters as much as your receipts.

Which costs count

You can deduct the business share of:

- fuel and oil, or electricity for a zero-emission vehicle
- insurance
- licence and registration fees
- maintenance and repairs
- interest on money you borrowed to buy the vehicle
- leasing costs, if you lease it

You work out the claim in the motor vehicle expenses chart on Form T2125, Statement of Business or Professional Activities. CCA is claimed separately on the same form. Two costs aren't split by kilometres: parking fees for business trips and supplementary business insurance for the vehicle are fully deductible. Every claim has to be reasonable and backed by receipts.

Your business share

If you use the vehicle for both business and personal driving, you can deduct only the business part. Divide the kilometres you drove to earn business income by your total kilometres for the year, and apply that share to your vehicle costs. If you drove 12,000 of 20,000 kilometres for the business, for example, you'd deduct 60% of the year's running costs.

If the business uses more than one vehicle, keep a separate record for each and work out each one's expenses separately. If you own or lease a passenger vehicle with someone else, the limits described below apply to all of you together, as if one person owned it.

Keep a logbook

The CRA says the best evidence of business use is a logbook kept for the whole year. For each business trip, write down:

- the date
- where you went
- why you went
- how many kilometres you drove

Also record the odometer reading at the start and end of your fiscal period (your business year). If you change vehicles during the year, note the dates and the odometer readings when you buy, sell or trade.

The three-month sample

Once you've kept a full logbook for one complete year (your base year), you can keep a logbook for just three months in later years, as long as you can show the base year still reflects your normal use. The sample is scaled to a full year: divide your business-use percentage for the sample period by your percentage for the same months in the base year, then multiply by the base year's annual percentage.

Say your base year showed 60% business use overall and 55% in January to March. This year, a January-to-March sample shows 58%. Your estimated business use is $58 \div 55 \times 60$, or about 63%.

The shortcut holds only while the result stays within 10 percentage points of the base year's annual figure (between 50% and 70% in this example). If it moves further than that, the sample is reliable only for those three months, and the rest of the year needs an actual record of your travel or other records; at that point, consider starting a new base year. Keep the base-year logbook for six years after the end of the last year you rely on it.

Passenger vehicles have limits

Most cars, station wagons and vans, and some pickups, are passenger vehicles: designed mainly to carry people, with seats for the driver and no more than eight passengers. For a passenger vehicle or a zero-emission passenger vehicle, there are limits on the CCA, interest and leasing costs you can deduct; for loans and leases entered into in 2025, interest is capped at \$350 a month and leasing costs at \$1,100 a month before sales tax. Form T2125 includes charts to work out the interest and leasing limits.

A van or pickup that seats no more than the driver and two passengers isn't a passenger vehicle if, in the year you bought or leased it, you used it more than 50% to carry goods or equipment to earn income. Neither is a van, pickup or similar vehicle you used 90% or more that year to carry goods, equipment or passengers to earn income. The CRA's Type of vehicle page has a chart for other cases.

Capital cost allowance

You can't deduct the full price of a vehicle in the year you buy it. Instead, you claim CCA, a yearly deduction for part of its cost.

- **Class.** Motor vehicles go in Class 10, and so do passenger vehicles unless they meet the Class 10.1 conditions. A passenger vehicle that cost more, before sales tax, than

the prescribed limit for the year you bought it goes in Class 10.1 instead: each one is listed separately, and its cost for CCA is capped at that limit plus the sales tax on it. Eligible zero-emission vehicles go in Class 54. For a vehicle bought in 2025, the limit is \$38,000 (\$61,000 for a zero-emission passenger vehicle in Class 54); the CRA's Classes of depreciable property page lists the limit for each year.

- **First year.** In the year you buy, you can usually claim CCA on only half of the net addition to the class. This is the half-year rule. The accelerated investment incentive effectively suspends that rule for eligible property acquired after November 20, 2018, that becomes available for use before 2028. The CRA's 2025 guides describe proposed changes that would limit it to property acquired before 2025; property acquired after 2024 that becomes available for use before 2034 would generally get the reaccelerated investment incentive instead, which also generally suspends the half-year rule. The CRA's page on the incentive explains which property qualifies. Zero-emission vehicles in Class 54 have their own first-year rules instead.
- **Business share only.** Claim the business-use percentage of the CCA, the same share as your running costs. The Class 10.1 limit still applies when you split the cost this way.
- **It's optional.** You can claim any amount from zero up to the maximum. In a year when you don't owe tax, you might claim less: claiming CCA lowers the balance left in the class, so it reduces what you can claim in later years.

If you're an employee instead

Employees can deduct vehicle costs only in narrower cases. You must normally have been required to work away from your employer's place of business or in different places, your employment contract must have required you to pay your own vehicle costs, and you can't have received a non-taxable allowance for them (generally one based only on a reasonable per-kilometre rate; for 2026, the CRA generally considers \$0.73 a kilometre reasonable for the first 5,000 kilometres and \$0.67 after that, or \$0.77 and \$0.71 in the territories). Your employer also has to complete Form T2200, Declaration of Conditions of Employment, which you keep. You claim on Form T777, and driving between home and work counts as personal. The same passenger vehicle limits apply. See [employment expenses](#) (p. 197) for the rest of the rules.

What to do

- Keep a full logbook for at least one year, then decide whether the three-month sample works for you.
- File receipts for every running cost, and note business parking separately.
- Check whether your vehicle is a passenger vehicle before you claim interest, lease costs or CCA.
- See [what you can deduct](#) (p. 217) for your other business expenses, and estimate the effect on your tax with the [income tax calculator](#)¹.

Sources

¹taxfootnote.ca/calculators/income-tax/

1. Motor vehicle expenses (canada.ca)
2. Deductible expenses (canada.ca)
3. Motor vehicle expenses (not including CCA) (canada.ca)
4. Calculating motor vehicle expenses (canada.ca)
5. Motor vehicle records (canada.ca)
6. Type of vehicle (canada.ca)
7. Classes of depreciable property (canada.ca)
8. Personal use of property (canada.ca)
9. Basic information about capital cost allowance (canada.ca)
10. Accelerated investment incentive (canada.ca)
11. Line 22900 – Other employment expenses (canada.ca)
12. Motor vehicle expenses (employment expenses) (canada.ca)
13. Guide T4044, Employment Expenses 2025 (canada.ca)
14. Automobile or motor vehicle benefits – Allowances or reimbursements provided to an employee for the use of their own vehicle (canada.ca)

Moving house, province or country

This chapter covers the tax side of moving: deducting the costs of a move for a job, a business or full-time study at a college or university, which province or territory taxes you after a move within Canada, and your first return as a newcomer. The province or territory where you live on December 31 generally taxes your income for the whole year, and each has its own brackets and rates. If the CRA doesn't have your new address, your benefit and credit payments may stop.

Moves for 2026

1. Tell the CRA your new address as soon as you move, so your benefit and credit payments don't stop. → [Moving to another province: which one taxes you?](#), p. 252
2. Compare what your income would cost in your old and new province with the compare provinces calculator: your rate is set by where you live on December 31. → [Moving to another province: which one taxes you?](#), p. 252
3. Claim moving costs on Form T1-M in the year you paid them, and carry forward any part that's more than your eligible income at the new location. → [Deducting moving expenses](#), p. 249
4. Once you're a resident, apply for the Canada child benefit or the Canada Groceries and Essentials Benefit (formerly the GST/HST credit) if you qualify, without waiting to file your first return. → [New to Canada: your first tax return](#), p. 255
5. Record the fair market value of property such as shares or jewellery you owned when you became a resident: it becomes your cost when you later sell it. → [New to Canada: your first tax return](#), p. 255

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Deducting moving expenses

When a move for a new job, a business or full-time post-secondary studies is deductible: the 40 km rule, which costs count, and carrying forward the rest.

Individuals & families · Work and pay · Last reviewed October 10, 2026 · taxfootnote.ca/guides/moving-expenses/

If you moved to start a job, run a business or study full time at a college or university, and your new home is at least 40 kilometres closer to your new work or school, you can deduct many of the costs of the move. The catch: you can deduct them only from income you earn at the new location (or, if you moved to study, from the taxable part of your scholarships, bursaries and similar awards).

Who qualifies

Two tests apply:

- **Why you moved.** You moved to work or run a business at a new location, or to be a full-time student in a post-secondary program at a university, college or other educational institution.
- **How far.** Your new home is at least 40 km closer to your new work location or school, measured by the shortest public route.

The new home also has to become the place where you normally live; selling or renting out your old home (or advertising it) shows that. Generally the move has to be within Canada. A move to, from or outside Canada can qualify only if you're a factual or deemed resident of Canada (or a full-time student) moving from where you normally lived to where you'll normally live. Renting an apartment abroad for a temporary job while your family stays in your home in Canada doesn't count.

Which income you can deduct them from

- **Employees and the self-employed** can deduct moving expenses only from employment or self-employment income earned at the new work location, not from investment income or Employment Insurance benefits.
- **Full-time students** can deduct them only from the taxable part of their scholarships, fellowships, bursaries, certain prizes or research grants, or from income earned at a new work location if they also moved to work, including for a summer job. Co-op students moving back after a work term can claim too. See [students and taxes](#) (p. 53).

If your employer reimbursed you or paid an allowance for the move, you can claim only if you include that amount in your income or subtract it from your expenses.

Costs you can claim

You can claim most of what you paid to move yourself, your family and your household items:

- **Transportation and storage:** packing, hauling, movers, in-transit storage and insurance for household items, including boats and trailers.
- **Travel to the new home,** including vehicle expenses, meals and lodging. Claim actual costs with receipts, or use the CRA's simplified method: a flat rate per meal and a cents-per-kilometre rate for the province or territory where the trip began.
- **Temporary living expenses** for up to 15 days: meals and temporary lodging near the old or new home.
- **Cancelling your old lease,** but not rent paid before the lease ended.
- **Incidentals:** changing your address on legal documents, replacing driver's licences and non-commercial vehicle permits (not insurance), and connecting or disconnecting utilities.
- **Keeping your old home while it's empty,** up to \$5,000 in total: interest, property taxes, insurance premiums, heating and utilities while you were making reasonable efforts to sell it. Not for any time it was rented out, or while you or anyone who lived with you before the move still lived there.
- **Selling your old home:** advertising, notary or legal fees, real estate commission and a penalty for paying off the mortgage early.
- **Buying the new home,** if you or your spouse or common-law partner sold the old one because of the move: legal or notary fees, and taxes (other than GST/HST) to transfer or register the title.

Costs you can't claim

- work to make your old home easier to sell, or a loss on the sale
- house-hunting or job-hunting trips
- the value of things the movers wouldn't take, such as plants, frozen food and paint
- cleaning or repairing a rented home to the landlord's standards
- replacing personal items such as drapes and carpets
- mail forwarding
- selling costs if you delayed the sale to wait for a better market or for investment reasons
- mortgage default insurance

When and how you deduct them

Claim expenses in the year you paid them. If they're more than your eligible income at the new location that year, carry the unused part forward and deduct it from the same kind of income in later years. Costs paid in a later year (say your old home sells the year after you move) go on that later year's return. You can't carry moving expenses back.

Fill out Form T1-M, Moving Expenses Deduction, for each move and enter the result on your return (line 21900). Keep your receipts; the CRA may also ask for a letter from your employer confirming you weren't reimbursed.

If you live in Quebec

The Quebec return has a similar deduction, with the same reasons for moving and the same 40 km test, claimed on Form TP-348-V. The difference is for students: on the

Quebec return, a student who moved to study can deduct moving expenses only from the net research grants they received.

In short

- Move for work, a business or full-time post-secondary studies, and end up at least 40 km closer.
- Deduct the costs only from income earned at the new location (or, for students, taxable awards), and carry forward the rest.
- Keep receipts, and use Form T1-M.

Sources

1. Line 21900 – Moving expenses (canada.ca)
2. Meal and vehicle rates used to calculate travel expenses (canada.ca)
3. Guide to the Income Tax Return 2025, TP-1.G-V (Revenu Québec) (revenuquebec.ca)
4. Line 228 - Moving Expenses (Revenu Québec) (revenuquebec.ca)

Moving to another province: which one taxes you?

The province or territory you live in on December 31 taxes your income for the whole year. How the rule works, the business income exception, and benefits.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/moving-to-another-province/

The province or territory where you live on December 31 taxes your income for the whole year. If you move partway through the year, you don't split your pay or investment income between the old and new provinces; your year-end province's rates and credits apply to all of it. Business income is the main exception.

The December 31 rule

Your province or territory of residence for a tax year is the one where you lived, or were considered a factual resident, on December 31. You use that province's tax package, and the CRA uses it to calculate your provincial or territorial tax and credits. The CRA's rate tables say it plainly: your provincial or territorial rate is set by where you lived on December 31.

So if you move from Manitoba to British Columbia in August, you file as a British Columbia resident for the whole year, including the months you lived and worked in Manitoba. Move the other way and Manitoba's rules apply for the year.

The difference can matter, because each province and territory has its own tax brackets and rates. For 2025, for example, the rate on the first slice of taxable income was 5.05% in Ontario and 8.79% in Nova Scotia. To see what your income would cost in each place, use the [compare provinces calculator](https://taxfootnote.ca/calculators/compare-provinces/)¹, or look up the [income tax brackets](https://taxfootnote.ca/rates/income-tax-brackets/)² and [personal credit amounts](https://taxfootnote.ca/rates/personal-credits/)³.

Ties in two provinces at year-end

Sometimes you have a home base in one province and spend much of the year in another, such as a student away at school. If you had residential ties in more than one province or territory on December 31, use the one where your most important ties are. The CRA's own example: if you go to school in Quebec but live in Ontario, you use the Ontario package.

Moving to or from Quebec

If you lived in Quebec on December 31, you file your federal return with the CRA using the package for Quebec residents, which covers federal tax only, and a separate provincial return with Revenu Québec. If you move out of Quebec before December

¹taxfootnote.ca/calculators/compare-provinces/

²taxfootnote.ca/rates/income-tax-brackets/

³taxfootnote.ca/rates/personal-credits/

31, the usual rule applies: you use the tax package for your new province, and its rates apply for that year.

The exception: business income

If you're self-employed, provincial or territorial tax on business income is generally payable to the province or territory where the permanent establishment that earns it is located, not simply where you live on December 31.

When part of your business income was earned through a permanent establishment outside your province or territory of residence (including outside Canada), you calculate your provincial and territorial tax on Form T2203, Provincial and Territorial Taxes for Multiple Jurisdictions, instead of the usual Form 428. On it you:

1. allocate your business income to each jurisdiction where you had a permanent establishment during the year,
2. generally allocate the rest of your income to your province or territory of residence, and
3. work out each jurisdiction's tax on your taxable income from all sources, then prorate it by the share of income allocated to that jurisdiction.

Your return also asks which provinces or territories your businesses had permanent establishments in. Employment income isn't split this way if you're a resident of Canada: on Form T2203, only non-residents allocate employment income to the province or territory where the duties were performed. For more on filing as a sole proprietor, see [deadlines for sole proprietors](#) (p. 231).

Your benefits after a move

Tell the CRA your new address as soon as you move. Your benefit and credit payments may stop if you don't, even if they're deposited into the same bank account as before.

That includes the Canada child benefit and the Canada Groceries and Essentials Benefit (formerly the GST/HST credit). The CRA also administers provincial and territorial child benefit and credit programs, and those depend on where you live. Your return asks for the province or territory where you live now, if it's different from your mailing address, because the CRA uses it to calculate the provincial or territorial credits and benefits you may be entitled to.

Moving for a job or for school? See [deducting moving expenses](#) (p. 249).

In short

- Your province or territory on December 31 taxes the whole year's income, at its rates and with its credits.
- With ties in two places at year-end, use the province of your most important ties.
- Business income earned through a permanent establishment in another province is split on Form T2203.
- Quebec residents on December 31 also file a provincial return with Revenu Québec.
- Update your address with the CRA right away so your benefit payments don't stop.

Sources

1. Your province or territory of residence (canada.ca)
2. Last year tax rates and income brackets (2025) (canada.ca)
3. Federal Income Tax and Benefit Information for 2025 (which tax package is for you) (canada.ca)
4. Form T2203, Provincial and Territorial Taxes for Multiple Jurisdictions (2025) (canada.ca)
5. Keep your information up to date (benefits) (canada.ca)

New to Canada: your first tax return

When you become a resident for tax purposes, what your first return covers, how credits are prorated, and how to start getting benefit payments.

Individuals & families · Filing your return · Last reviewed October 10, 2026 · taxfootnote.ca/guides/newcomers-to-canada/

From the day you become a resident of Canada for tax purposes, you report your income from everywhere in the world. Some credits are reduced in your first year to match the days you lived here, and filing every year keeps your benefit payments coming.

When you become a resident

For tax, what counts is your residency status, not your immigration status. A permit or permanent resident card says whether you can live, work or study here; it doesn't set your tax obligations.

You become a resident for income tax purposes when you have enough residential ties in Canada, which for most newcomers is the first day you live here. The ties that matter most are a home, a spouse or common-law partner, or dependants in Canada. Secondary ties, such as a car, Canadian bank accounts, a driver's licence or provincial health insurance, can count too.

Without significant ties, staying 183 days or more in a year may make you a deemed resident. If you're unsure, you can ask for the CRA's opinion on Form NR74, Determination of Residency Status (Entering Canada).

Get a social insurance number

You need a social insurance number (SIN), from Service Canada, to work, to get benefit and credit payments and to open most bank accounts. If Service Canada can't issue you one, the CRA may give you a temporary tax number (TTN) to use for benefits and your taxes.

You can't file online without a SIN. If yours hasn't arrived and the deadline is close, file a paper return without it, with a note explaining why, to avoid a possible late-filing penalty and interest.

Apply for benefits before your first return

You don't have to wait until you file. Once you're a resident, apply for:

- **the Canada Groceries and Essentials Benefit** (formerly the GST/HST credit), a tax-free quarterly payment for people with low and modest incomes. With no children, apply online with Form RC151; with children under 19, use the paper Form RC151.
- **the Canada child benefit**, a monthly payment for children under 18. If you qualify, apply with Form RC66 instead, which also covers the groceries benefit.

Depending on where you live, these can bring related provincial or territorial payments too. The CRA may ask for your income from all sources for up to two years before you

arrived, to work out your payments. Temporary residents can start getting the Canada child benefit in their 19th month in Canada, if they hold a valid permit and meet the other conditions. See [the Canada child benefit](#) (p. 102).

What income your first return covers

You don't have to file until the year after you become a resident. For example, if you arrived in 2025, you didn't have to file your 2025 return until April 30, 2026. On it, you enter the date you became a resident. Then:

- **From that date on**, report your world income, meaning income from all sources inside and outside Canada, in Canadian dollars.
- **Before that date**, report only certain Canadian income, such as pay for work in Canada, income from a business carried on in Canada, taxable capital gains on taxable Canadian property, and the taxable part of Canadian scholarships.

Income you earned outside Canada before you became a resident isn't taxed in Canada.

If foreign income you receive after arriving is also taxed abroad, you may be able to claim a federal foreign tax credit. A tax treaty may exempt some income from Canadian tax; you still report it, then deduct the exempt part. See [foreign income and the T1135](#) (p. 142).

Property you owned when you arrived

If you owned certain property, such as shares, jewellery, paintings or a collection when you became a resident, you're treated as having sold it and bought it back at its fair market value on that date. Record those values: they become your cost when you sell or give away the property later.

Credits in your first year

Some federal non-refundable credits are claimed for the amounts that apply to the part of the year you were resident, such as CPP or QPP contributions, EI premiums, tuition, student loan interest, medical expenses and donations. Others, including the basic personal amount, are reduced by the number of days you were resident.

For example, if you became a resident on May 6, 2025, you were resident for 240 days, so you'd claim 240/365 of the federal basic personal amount of \$16,129. Provincial and territorial credits generally follow the same rules, using the province or territory where you lived on December 31. No credit can be more than a full-year resident could claim.

You generally can't deduct RRSP contributions on your first Canadian return, because your deduction limit is based on income from earlier years.

Keep filing every year

The CRA uses your return to calculate your benefit and credit payments, even if you owe no tax or have no income, so file every year by April 30 (June 15 if you or your spouse or common-law partner are self-employed). Your spouse or partner should file too. If you live in Quebec, you also file a provincial return with Revenu Québec each

year. If you're on a temporary permit, send the CRA your new permit before the old one expires, or your Canada child benefit payments will stop.

Sources

1. Newcomers to Canada and the CRA (canada.ca)
2. Completing your return for newcomers (canada.ca)
3. Determining your residency status (canada.ca)
4. How to get the benefit – Canada Groceries and Essentials Benefit (canada.ca)

Running your own corporation

A corporation pays tax on its own income and files its own T2 return, while the money you take out of it is taxed on your personal return. This chapter covers whether to incorporate, paying yourself, the small business deduction, filing and payment dates, shareholder loans, paying family members, holding investments in the company, and selling or winding it up.

Moves for 2026

1. Put your corporation’s balance-due day in your calendar, not just its T2 filing deadline: the tax is due sooner than the return. → [Corporate filing and payment dates \(T2\)](#), p. 267
2. Consider a salary large enough to create the RRSP room or CPP coverage you want, with dividends for the rest, since dividends give you neither. → [Paying yourself: salary or dividends?](#), p. 261
3. Document any loan from your corporation in writing, and repay it within one year after the end of the corporation’s tax year in which you borrowed it, not as part of a series of loans and repayments. → [Shareholder loans](#), p. 270
4. Watch the investment income building up in your corporation: it’s measured the year before, so a large investment gain this year can shrink next year’s business limit. → [Holding investments in a corporation](#), p. 273
5. Check the QSBC share tests at least two years before you sell your company: they look back 24 months. → [Selling or winding up your company](#), p. 276

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Should I incorporate yet?

What changes when your business becomes a corporation, how the small business rate works, and the questions that tell you whether it's worth it yet.

Self-employed · Self-employment · Last reviewed October 10, 2026 · taxfootnote.ca/guides/should-i-incorporate/

Incorporating can lower the tax on business profit that you leave in the company. Money you take out for yourself is taxed on your personal return. So the tax advantage matters most when the business earns more than you need to live on, and much less when you take out everything it makes.

What changes when you incorporate

Incorporating creates a new legal entity, the corporation, that's separate from you:

- **It's taxed separately.** The corporation pays tax on its own income, at corporate rates, which are generally lower than personal income tax rates.
- **It files its own return.** A corporation has to file a T2 return for every tax year, even when it owes no tax, within six months of its year-end. A Canadian-controlled private corporation (CCPC) has to file electronically.
- **It limits your liability.** Shareholders aren't responsible for the corporation's debts; if it goes bankrupt, they can lose only what they invested.
- **It carries on without you.** A corporation can own property, borrow and sign contracts in its own name, and it continues until it's wound up, rather than ending when the owner dies.

To use the money personally, you have to take it out of the corporation. Dividends from a taxable Canadian corporation, for example, go on your personal return, where you can generally claim the dividend tax credit. Your options are covered in [Paying yourself: salary or dividends?](#) (p. 261)

How the corporate rate works

The federal net tax rate on a corporation's income is 15%. A CCPC can claim the small business deduction, which brings the federal rate down to 9% on active business income up to its business limit. For a corporation that isn't associated with any other, the federal business limit is \$500,000.

Provinces and territories tax corporate income too, generally at two rates: a lower rate on income eligible for the small business deduction, and a higher rate on all other income. In British Columbia, for example, the lower rate is 2%. Some provinces set their own business limit. Our [corporate tax rates table](#)¹ lists them all.

The business limit can shrink:

¹taxfootnote.ca/rates/corporate-tax/

- **Associated corporations share one limit.** Corporations that are associated with each other divide a single business limit among them.
- **Passive investment income reduces it.** If the corporation, and any company it's associated with, earns enough investment income, the limit goes down, and it can disappear entirely. See [holding investments in a corporation](#) (p. 273).

For more on who qualifies, see [the small business deduction](#) (p. 264).

Questions that tell you if it's worth it yet

1. **Would profit stay in the company?** The low corporate rate is most useful on money the business keeps, for example to grow the business or build a cushion. If you'd pay out everything each year, it lands on your personal return anyway.
2. **How does your personal rate compare?** Look up your marginal rate in our [income tax brackets](#)² and compare it with the small business rates in our [corporate tax table](#)³.
3. **Are you ready for the extra work and cost?** A corporation has to file its own T2 return every year, even in a year it owes nothing, and you need to set up a way to pay yourself from it.
4. **Do the non-tax benefits matter?** Limited liability, the corporation's continuity and, with federal incorporation, the right to use your business name across Canada can matter on their own.
5. **Do you already own a company?** If the new corporation would be associated with it, the two would share one business limit.

The answer depends on your numbers and your plans. This is one decision where an accountant's view of your own figures is worth getting.

What to do

- Estimate how much profit you could leave in the business each year.
- Compare the [corporate tax rates](#)⁴ for your province with your personal marginal rate.
- Read [salary or dividends](#) (p. 261) to see how you'd pay yourself.
- If you go ahead, use the T2 dates tool on our [business page](#)⁵ to see when the corporation's return and balance would be due for the year-end you choose.

Sources

1. Benefits of incorporating (Corporations Canada) ([ised-isde.canada.ca](#))
2. Corporation tax rates ([canada.ca](#))
3. T4012 T2 Corporation Income Tax Guide: Chapter 4 (small business deduction) ([canada.ca](#))
4. T4012 T2 Corporation Income Tax Guide: Before you start ([canada.ca](#))
5. Federal dividend tax credit ([canada.ca](#))

²[taxfootnote.ca/rates/income-tax-brackets/](#)

³[taxfootnote.ca/rates/corporate-tax/](#)

⁴[taxfootnote.ca/rates/corporate-tax/](#)

⁵[taxfootnote.ca/business/](#)

Paying yourself: salary or dividends?

How salary and dividends from your own corporation are taxed, what each does for CPP, EI and RRSP room, and what to weigh when choosing a mix.

Corporations · Running a corporation · Last reviewed October 10, 2026 · taxfootnote.ca/guides/salary-vs-dividends/

When you own a corporation, you can pay yourself a salary (including bonuses), dividends, or a mix of the two. Salary is employment income: it comes with CPP contributions and builds RRSP room. Dividends are a share of the corporation's profits and get a dividend tax credit on your return, but they don't count toward CPP or RRSP room.

Salary: paying yourself as an employee

If you work for your corporation, it can pay you a salary through payroll, like any other employee. On your return, that's employment income.

CPP. When your employment is pensionable, both you and the corporation contribute to the Canada Pension Plan on your salary. If you work in Quebec, you both contribute to the Québec Pension Plan instead. The [CPP and EI table](#)¹ has this year's rates and maximums.

EI. If you control more than 40% of the corporation's voting shares, your employment generally isn't insurable, so EI premiums don't apply to your salary.

RRSP room. Your RRSP deduction limit is based partly on your earned income for the previous year, and salary counts as earned income. Each year's new room is generally 18% of the previous year's earned income, up to a dollar limit (\$32,490 for 2025), less any pension adjustment. Dividends aren't on the list of income that counts.

Dividends: paying yourself as a shareholder

A dividend is a share of the corporation's profits that you receive because you own shares. It's usually reported on a T5 slip. Since it isn't pay for employment, there are no CPP contributions or EI premiums on it.

On your return, you don't report the amount you actually received. You report a "grossed-up" taxable amount, then claim the dividend tax credit:

- **Eligible dividends** are grossed up by 38%.
- **Other than eligible dividends** are grossed up by 15%.

The [dividend tax credit table](#)² shows the federal and provincial credit rates for each type.

Which kind your corporation can pay

A corporation designates a dividend as eligible by notifying each shareholder in writing when it pays the dividend. A Canadian-controlled private corporation can pay eligible dividends without extra tax up to its general rate income pool (GRIP), which generally

¹taxfootnote.ca/rates/cpp-ei/

²taxfootnote.ca/rates/dividend-tax-credits/

reflects taxable income that didn't benefit from the [small business deduction](#) (p. 264) or another special rate. If it designates more than it can, it pays a special tax (Part III.1 tax) on the excess.

So dividends paid out of profits that got the small business deduction are generally other than eligible dividends.

The corporation's side

The two also differ for the corporation. The salary it pays you is deducted when it calculates its income, so that part of the profit is taxed only in your hands. Dividends come out of the corporation's profits, which are taxed in the corporation first: for a Canadian-controlled private corporation's active business income that qualifies for the small business deduction, at a net federal rate of 9%, plus the provincial or territorial rate. The [corporate tax rates table](#)³ shows the combined rates.

What to weigh

There's no single answer: the total tax on a dollar of profit paid out as salary or as dividends depends on your province, your income and your corporation's tax rate. Beyond the tax, think about:

- **Retirement savings.** Salary comes with CPP contributions and creates RRSP room; dividends do neither.
- **Paperwork.** Salary means running payroll for yourself; dividends are reported on T5 slips.
- **Reported income.** Because dividends are grossed up, the income on your return is higher than the cash you actually received.
- **Family members.** Dividends paid to family members can be caught by the tax on split income (TOSI), which taxes them at the highest marginal rate unless an exclusion applies, for example for an adult family member who works in the business an average of at least 20 hours a week. TOSI doesn't apply to salary.

You can combine the two: for example, a salary large enough to create the RRSP room or CPP coverage you want, with dividends for the rest.

What to do

- Use the [income tax calculator](#)⁴ to see your personal tax on a salary, eligible dividends, other than eligible dividends or a mix, and the [dividend tax credit table](#)⁵ for the rates behind it.
- Check your corporation's GRIP before designating any dividend as eligible.
- If you're also borrowing from the corporation, read [Shareholder loans](#) (p. 270) first.

Sources

1. Lines 12000 and 12010 – Taxable amount of dividends from taxable Canadian corporations ([canada.ca](#))

³[taxfootnote.ca/rates/corporate-tax/](#)

⁴[taxfootnote.ca/calculators/income-tax/](#)

⁵[taxfootnote.ca/rates/dividend-tax-credits/](#)

2. T4012 T2 Corporation – Income Tax Guide, Chapter 8: Page 9 of the T2 return (eligible dividends and the general rate income pool) (canada.ca)
3. T4012 T2 Corporation – Income Tax Guide, Chapter 4: Page 4 of the T2 return (small business deduction) (canada.ca)
4. Determine if employment is pensionable and insurable (canada.ca)
5. T4040 RRSPPs and Other Registered Plans for Retirement (Chart 3, earned income and RRSP deduction limit) (canada.ca)
6. Frequently asked questions – Income sprinkling (tax on split income) (canada.ca)

The small business deduction

How a Canadian-controlled private corporation pays a lower rate on active business income, and what can shrink the business limit.

Corporations · Running a corporation · Last reviewed October 10, 2026 · taxfootnote.ca/guides/small-business-deduction/

If your corporation is a Canadian-controlled private corporation (CCPC) for the whole tax year, the small business deduction brings the net federal tax rate on its active business income down to 9%, instead of the general rate of 15%. It applies to income up to the business limit of \$500,000 a year, and provinces and territories generally have a lower rate of their own on the same income.

Who can claim it

Only a corporation that was a CCPC throughout the tax year can claim the deduction. In broad terms, a CCPC is a private corporation resident in Canada that isn't controlled, directly or indirectly, by non-residents, by public corporations, or by any combination of them, and that has no class of shares listed on a designated stock exchange. The CRA's page on corporation types sets out the full test. A change of corporation type can have significant tax consequences.

Which income qualifies

The deduction applies to income from an active business carried on in Canada. That generally means income from a business source, including income that's incidental to the business. When you work out the eligible amount, you take out:

- **Investment income:** income from property such as interest, rents and royalties, net taxable capital gains, and dividends the corporation can deduct.
- **Income from a specified investment business:** a business whose main purpose is earning income from property. It can still qualify if the corporation employs more than five full-time employees in that business throughout the year.
- **Income from a personal services business:** where you provide services through your corporation that a client's employee would normally do, and you (or a person related to you) own at least 10% of the issued shares of any class of the corporation or a related corporation. It can qualify if the corporation has more than five full-time employees throughout the year, or if the services go to an associated corporation. A personal services business can also deduct only a short list of expenses, mainly the pay and benefits of the person doing the work.
- **Specified corporate income:** some income from providing services or property to another private corporation that you, your corporation, or someone not dealing at arm's length with you has an interest in.
- **Foreign business income.**

How much you can claim

The deduction is calculated on the smallest of:

1. the corporation's active business income earned in Canada,
2. its taxable income, and
3. its business limit, after any reduction and after any part of the limit it assigns to another corporation.

The federal business limit is \$500,000 for a corporation that isn't associated with any other corporation. If the tax year is shorter than 51 weeks, you prorate the limit by the number of days in the year. Associated corporations share one business limit: they file an agreement (Schedule 23) allocating a percentage to each, and the total can't be more than 100%.

Active business income above the limit doesn't get the small business rate.

What shrinks the business limit

Two things can reduce the limit. The reduction that applies is the larger of the two, not both added together.

- **Taxable capital.** If the taxable capital employed in Canada of the corporation and its associated corporations was above a set threshold in the previous year, the limit is reduced on a straight-line basis. Large CCPCs at or above an upper threshold can't claim the deduction at all. The thresholds are in the CRA's T2 guide (linked in the sources).
- **Passive investment income.** If the adjusted aggregate investment income of the corporation and its associated corporations is above a threshold, the limit is reduced, and it drops to nil once that income passes a higher threshold. [Holding investments in a corporation](#) (p. 273) explains what counts.

Provincial and territorial rates

Provinces and territories generally have two rates: a lower rate on income eligible for the federal small business deduction, and a higher rate on all other income. Some use the federal business limit and others set their own. For example, in 2025 Ontario's lower rate was 3.2% against a higher rate of 11.5%, and Saskatchewan's business limit was \$600,000.

Quebec and Alberta don't have corporation tax collection agreements with the CRA, so the CRA's rate table doesn't cover them. If a rate changes during your tax year, you prorate by the number of days each rate was in effect. The [corporate tax rates table](#)¹ shows every province and territory's rates and limits.

A bonus: more time to pay

A CCPC that claims the small business deduction (or was allowed it the previous year), and whose taxable income last year was within its business limit, generally gets three months after year-end to pay its balance instead of two. If the corporation is associated with others, the test uses the group's combined taxable income and business limits. See [Corporate filing and payment dates](#) (p. 267).

¹taxfootnote.ca/rates/corporate-tax/

In short

- The deduction is only for corporations that were CCPCs all year, and only on active business income earned in Canada.
- It applies to the smallest of active business income, taxable income and the business limit.
- Associated corporations share one limit, and large capital or too much passive income can shrink it.
- Provincial rates and limits vary: check the [rates table](#)² for yours.

Sources

1. Corporation tax rates (canada.ca)
2. T4012 T2 Corporation – Income Tax Guide, Chapter 4: Page 4 of the T2 return (small business deduction) (canada.ca)
3. Type of corporation (canada.ca)
4. T4012 T2 Corporation – Income Tax Guide: Before you start (balance-due day) (canada.ca)

²taxfootnote.ca/rates/corporate-tax/

Corporate filing and payment dates (T2)

When a corporation's T2 return is due, when its tax has to be paid, how instalments work, and what happens if you're late.

Corporations · Running a corporation · Last reviewed October 10, 2026 · taxfootnote.ca/guides/corporate-filing-dates/

A corporation files its T2 return within six months after the end of its tax year, but the tax is due sooner: the balance is generally due two months after year-end (three months for many small Canadian-controlled private corporations), and most corporations also pay instalments during the year.

A corporation's tax year is its fiscal period, so every date below counts from your corporation's own year-end, not from December 31. The [T2 dates tool on the business hub](#)¹ works them out for any year-end.

Filing the return: six months after year-end

Every corporation resident in Canada has to file a T2 return for every tax year, even if it has no tax to pay or was inactive. The only exceptions are tax-exempt Crown corporations, Hutterite colonies and corporations that were registered charities all year.

- If the tax year ends on the last day of a month, the return is due by the last day of the sixth month after year-end. A March 31 year-end is due September 30; an August 31 year-end is due February 28.
- If the year ends on another day, the return is due on the same day of the sixth month after. A September 23 year-end is due March 23.
- If the due date falls on a Saturday, Sunday or a public holiday the CRA recognizes, the return is on time if the CRA receives it, or it's postmarked, by the next business day.

Most corporations, including every CCPC, have to file electronically or face a penalty. If you're owed a refund, you have to file within three years after the end of the tax year to get it.

Paying the balance: two or three months after year-end

The balance of tax owing for the year is generally due two months after the end of the tax year. A corporation gets three months instead if all of these apply:

- it was a CCPC throughout the tax year,
- it's claiming the [small business deduction](#) (p. 264) this year, or was allowed it the previous year, and
- its taxable income for the previous year was no more than its business limit for that year. If it's associated with other corporations, the group's combined taxable income for the previous year has to be within their combined business limits.

¹taxfootnote.ca/business/

Filing later doesn't move the payment date: interest and penalties apply to late payments. A payment counts as made when the CRA receives it, not when you send it. If a payment due date falls on a weekend or holiday, you're on time if the CRA receives it by the next business day.

Instalments during the year

Most corporations pay tax in monthly instalments. The first is due one month less a day after the tax year starts, and the rest on the same day of each following month.

An eligible small CCPC can pay quarterly instead. It must be a CCPC with a perfect compliance history, and, together with any associated corporations, its taxable income and its taxable capital employed in Canada must be within set limits for the current or previous year.

You don't have to pay instalments:

- for the first tax year after incorporation (any tax is still due on the balance-due day),
- if the tax payable for the current or the previous year is \$3,000 or less, or
- for a tax year shorter than one month (one quarter for an eligible small CCPC).

Provincial and territorial corporate tax is included in the instalments, except Alberta and Quebec tax.

The CRA charges interest on late or short instalments, and a penalty can apply when that interest is large. If you base your instalments on a previous year's tax and pay the right amounts on time, you won't be charged instalment interest even if you owe a balance at year-end.

If you file late

The late-filing penalty is 5% of the tax unpaid at the filing deadline, plus 1% of that unpaid tax for each complete month the return is late, up to 12 months. If the CRA demanded the return and also charged a late-filing penalty in any of the three previous years, it's 10% plus 2% a month, up to 20 months. The CRA can cancel or waive penalties and interest in some cases when circumstances beyond your control prevented you from meeting your obligations.

After you file

- **Reassessments:** the CRA can usually reassess within three years of the original notice of assessment for a corporation that was a CCPC at year-end, or four years otherwise.
- **Objections:** you have 90 days from the date of a notice of assessment or reassessment to file a formal objection.
- **Records:** keep your business records for six years from the end of the last tax year they relate to.

Quick reference

Tax year-end	T2 return due	Balance due (2 months / 3 months)
March 31	September 30	May 31 / June 30

Tax year-end	T2 return due	Balance due (2 months / 3 months)
June 30	December 31	August 31 / September 30
September 30	March 31	November 30 / December 31
December 31	June 30	End of February / March 31

What to do

- Put the balance-due day, not just the filing deadline, in your calendar.
- File on time even when you can't pay in full: the penalty grows each month the return is late.

Sources

1. When to file your corporation income tax return (canada.ca)
2. Due dates for payments – Corporate income tax payments (canada.ca)
3. Who has to pay in instalments – Corporate income tax payments (canada.ca)
4. T4012 T2 Corporation – Income Tax Guide: Before you start (canada.ca)
5. Important dates for corporations (canada.ca)

Shareholder loans

When money you borrow from your own corporation becomes taxable income, how the one-year repayment rule works, and the deemed interest benefit.

Corporations · Running a corporation · Last reviewed October 10, 2026 · taxfootnote.ca/guides/shareholder-loans/

If you borrow money from your corporation because you're a shareholder, the whole loan is generally added to your income for the year you received it, unless you repay it in time or another exception applies. Even a loan that's repaid in time can create a taxable interest benefit if you pay little or no interest on it.

What counts as a shareholder loan

The rules apply when a shareholder, or someone connected with one (for example, a spouse), borrows from the corporation, from a related corporation, or from a partnership either corporation belongs to. It often shows up in a shareholder loan or drawings account: money you take out, personal bills the corporation pays for you, or advances against future salary or dividends. A line of credit or credit card counts too.

To be a loan, there has to be a real debt you owe the corporation, shown by a written agreement or other convincing evidence such as a corporate resolution setting out the loan's terms, reflected in the financial statements. If the corporation simply pays your personal expenses with no expectation of being repaid, that's a shareholder benefit instead. A shareholder benefit is taxable to you, can't be deducted as a business expense by the corporation, and is reported on a T4A slip.

The main rule: the loan becomes income

When the rule applies, the full amount of the loan is included in your income for your own tax year in which you got it. For an individual, that's the calendar year, even if the corporation has a different year-end.

The one-year repayment exception

A loan isn't added to your income if both of these are true:

- you repay it within one year after the end of the corporation's tax year in which you borrowed it, and
- the repayment isn't part of a series of loans and repayments.

For example, if the corporation's year ends December 31 and you borrow in March 2025, you'd need to repay by December 31, 2026.

The "series" test stops people from repaying just before the deadline and borrowing the money back soon after. Paying off the loan with a short-term bank loan, then borrowing from the corporation again to repay the bank, would generally be treated as a series. But repaying by applying a dividend, salary or bonus the corporation owes you is not treated as part of a series, even if you borrow again later.

Since you only know after the deadline, you may need to amend the earlier year's return: to add the loan if it wasn't repaid in time (with interest on the extra tax), or to remove it if it was.

Other exceptions for shareholder-employees

Some loans to a shareholder who is also an employee aren't added to income:

- a loan to an employee who isn't a specified employee, meaning they own less than 10% of the shares of every class (of the corporation or a related corporation) and deal at arm's length with the corporation,
- a loan to help an employee, or their spouse or common-law partner, buy a home to live in,
- a loan to help an employee buy newly issued, fully paid shares of the corporation or a related corporation, to hold for their own benefit, and
- a loan to help an employee buy a vehicle used in their job.

For any of these, it must be reasonable to conclude the loan was made because of the person's employment, not because of anyone's shareholding, and there must be genuine arrangements, made at the time of the loan, to repay it within a reasonable time. The CRA looks at things like whether the corporation lends only to shareholders, whether your terms are better than other employees get, and whether you can significantly influence the corporation's decisions.

Repaying a loan that was already taxed

If a loan was included in your income and you repay it in a later year, you can generally deduct the repayment in the year you make it. There's no deduction if the repayment is part of a series of loans and repayments. And if the corporation forgives the loan, or settles it for less than you owe, the forgiven amount can be added to your income as a shareholder benefit.

The deemed interest benefit

If a loan isn't included in your income, for example because you repaid it in time, but you paid less than the CRA's prescribed interest rate, you're treated as receiving an interest benefit. The benefit is interest at the prescribed rate on the balance for the time it was outstanding, minus the interest you actually paid in the year or within 30 days after it. The prescribed rate is set every quarter. If the loan was made because of your employment rather than your shares, similar rules for employee loans apply instead.

If you used the borrowed money to earn business or property income, you may be able to deduct the benefit as if it were interest you paid.

What to do

- Document any loan in writing, including how and when it will be repaid.
- Track the balance and mark the repayment deadline: one year after the end of the corporation's tax year in which you borrowed.

- If you clear the balance with a dividend or bonus, see [Paying yourself: salary or dividends?](#) (p. 261) for how each is taxed.

Sources

1. Income Tax Folio S3-F1-C1, Shareholder Loans and Debts (canada.ca)
2. Income Tax Folio S3-F1-C2, Deemed Interest Benefit on Shareholder Loans and Debts (canada.ca)
3. Shareholder benefits (canada.ca)

Holding investments in a corporation

How a CCPC's investment income is taxed, how part of that tax comes back when dividends are paid, and how passive income can shrink the business limit.

Corporations · Running a corporation · Last reviewed October 10, 2026 · taxfootnote.ca/guides/passive-investment-income/

Your corporation can invest profits it doesn't need in the business, but investment income in a Canadian-controlled private corporation (CCPC) doesn't get the small business rate. Part of the tax on it is refunded when the corporation pays taxable dividends, and if there's enough of it, it can shrink the small business deduction on your business income too.

Investment income isn't business income

The [small business deduction](#) (p. 264) applies only to active business income. When a corporation works out that amount, it takes out income from property (such as interest, rents and royalties), net taxable capital gains, and dividends it can deduct. A business whose main purpose is earning income from property, such as one that mainly collects rent, is a "specified investment business". Its income doesn't qualify either, unless the corporation employs more than five full-time employees in it throughout the year.

On top of its regular tax, a corporation that's a CCPC throughout the year pays an additional refundable tax on its investment income (other than dividends it can deduct).

Part of the tax comes back when you pay dividends

A private corporation tracks refundable taxes in two accounts, called refundable dividend tax on hand:

- **Non-eligible account (NERDTH):** gets the refundable portion of the Part I tax a CCPC pays on its investment income, plus some Part IV tax.
- **Eligible account (ERDTH):** gets Part IV tax the corporation pays on certain dividends it receives, such as eligible dividends from corporations it isn't connected with.

When the corporation pays taxable dividends to its shareholders, it can claim a dividend refund from these accounts. Eligible dividends get a refund only from the eligible account. Non-eligible dividends draw on the non-eligible account first, then possibly the eligible one. The refund is limited to a set share of the dividends paid and to the account balance.

To get the refund, the corporation has to actually pay the dividend (in cash or other assets) unless it's a deemed dividend, and file its return within three years after the end of the tax year. After that, the refund is statute-barred and won't be issued.

In practice, part of the corporate tax on investment income is only recovered once profits are paid out to shareholders as taxable dividends. For how those dividends are taxed in your hands, see [Paying yourself: salary or dividends?](#) (p. 261)

Capital gains and the capital dividend account

Only part of a capital gain is taxable. The tax-free part, net of the non-deductible part of capital losses, goes into the corporation's capital dividend account (CDA), along with certain life insurance proceeds and capital dividends it receives from other corporations.

A private corporation can pay out its CDA balance as a capital dividend, which is tax-free to shareholders resident in Canada. To do that, it files an election (Form T2054) by the day the dividend becomes payable or is paid, whichever is earlier; a late election is possible with a penalty. If the corporation elects more than its CDA balance, it owes an extra tax on the excess, unless it elects, with the shareholders' agreement, to treat the excess as an ordinary taxable dividend.

Passive income can shrink the business limit

A CCPC's business limit is reduced when the adjusted aggregate investment income (AAIL) of the corporation and its associated corporations goes over a threshold. The reduction grows on a straight-line basis, and the limit drops to nil once AAIL passes a higher threshold. The thresholds are in the CRA's T2 guide (linked in the sources).

A few points about how it works:

- **It looks back a year.** The reduction for a tax year is based on AAIL for the tax years that ended in the previous calendar year, so a large investment gain this year affects next year's limit.
- **AAIL is roughly net investment income.** It includes interest, rents, dividends from corporations it isn't connected with and other income from property, and net taxable capital gains. It leaves out dividends from connected corporations and income from property used in or incidental to the active business.
- **Gains on active assets don't count.** That includes property used mainly in an active business carried on mainly in Canada by the corporation or a related CCPC, and certain shares of connected corporations.
- **It's not added to the capital test.** If the corporation also has a reduction for taxable capital, only the larger of the two applies.
- **Moving investments won't avoid it.** If a corporation transfers or lends property to a related corporation it isn't otherwise associated with, partly to lower its AAIL, the two are treated as associated for this rule.

Business income above the reduced limit doesn't get the small business rate. You can compare the rates on the [corporate tax rates table](#)¹.

In short

- Investment income in a CCPC is taxed separately from business income, with part of the tax refundable when taxable dividends are paid.
- The tax-free part of capital gains can be paid out as tax-free capital dividends, but only with an election.

¹taxfootnote.ca/rates/corporate-tax/

- Investment income above a threshold, measured the year before, reduces the business limit for the corporation and its associated corporations.
- These rules interact, so get professional advice before building up large investments inside the corporation.

Sources

1. T4012 T2 Corporation – Income Tax Guide, Chapter 4: Page 4 of the T2 return (small business deduction) (canada.ca)
2. T4012 T2 Corporation – Income Tax Guide, Chapter 6: Pages 6 and 7 of the T2 return (refundable taxes and dividend refund) (canada.ca)
3. T4012 T2 Corporation – Income Tax Guide, Chapter 7: Page 8 of the T2 return (refundable tax on a CCPC's investment income) (canada.ca)
4. Small business deduction rules (passive investment income) (canada.ca)
5. Income Tax Folio S3-F2-C1, Capital Dividends (canada.ca)

Selling or winding up your company

The tax side of leaving your corporation: selling shares or assets, the capital gains deduction, deemed dividends on a wind-up, and closing the books.

Corporations · Running a corporation · Last reviewed October 10, 2026 · taxfootnote.ca/guides/selling-or-winding-up/

There are two main ways out of a corporation: sell your shares, which gives you a capital gain that may qualify for the capital gains deduction, or have the corporation sell its business assets and then wind up, paying what's left to the shareholders, which can be taxed as a dividend. The two routes are taxed very differently, so look at both before you agree to a deal.

Selling your shares

When you sell your shares, the buyer takes over the corporation itself. You have a capital gain if what you receive is more than your adjusted cost base plus the costs of selling, and a capital loss if it's less. Only the taxable part of a capital gain is reported as income. [How dividends and capital gains are taxed](#) (p. 116) covers the basics.

The capital gains deduction

If the shares are qualified small business corporation (QSBC) shares, you may be able to claim the capital gains deduction against the taxable gain. The most you can deduct over your lifetime is the taxable share of the lifetime capital gains exemption (50% for 2025), a limit explained in our [lifetime capital gains exemption guide](#) (p. 128); the CRA's [capital gains deduction page](#) shows the current amount. You must be resident in Canada throughout the year, and you calculate the claim on Form T657.

In general, shares are QSBC shares only if all of these are true:

- **At the time of the sale**, the corporation is a small business corporation: a Canadian-controlled private corporation with all or most (90% or more) of the fair market value of its assets used mainly in an active business carried on primarily in Canada, or invested in shares or debts of connected small business corporations, or a mix of the two.
- **Throughout the 24 months before the sale**, it was a Canadian-controlled private corporation and more than 50% of the fair market value of its assets met that same active-business test.
- **Throughout the 24 months before the sale**, no one owned the shares other than you, a person related to you, or a partnership you belonged to. Newly issued shares are treated as if an unrelated person owned them just before they were issued, with some exceptions, such as shares issued in exchange for other shares.

Because of the asset tests, a corporation that holds a lot of cash or investments it doesn't use in the business may not qualify. [Holding investments in a corporation](#) (p. 273) explains how those investments are taxed while you own them.

Selling the business assets

The other route is for the corporation to sell its assets, such as equipment, inventory and goodwill, and keep the proceeds. The sale agreement may set a price for each asset, a value for the inventory and an amount for goodwill. Selling depreciable property can lead to a recapture of capital cost allowance or to a terminal loss, which the corporation can deduct.

If the buyer acquires at least 90% of the property needed to carry on the business, you and the buyer may be able to jointly elect, on Form GST44, so that no GST/HST is payable on the sale. The election isn't available if you're only selling one or more individual assets rather than the business (or part of it), or if you're a GST/HST registrant and the buyer isn't.

Getting the money out

After an asset sale, the money is still inside the corporation. When a corporation distributes its property to shareholders because its business is being wound up, or buys back shares for more than the shareholders originally paid for them, the result can be a deemed dividend to the shareholders. Deemed dividends are reported on a T5 slip like other dividends. The [dividend tax credit table](#)¹ shows the dividend tax credit rates for your province.

Closing the corporation

- **Dissolution.** To dissolve the corporation permanently, you apply to the government body that governs its affairs.
- **Final T2 return.** The final return covers the tax year ending on the date of dissolution, and you indicate on it that it's the final return. A corporation that has wound up can use a shortened fiscal period for its final return without asking the CRA to approve the change. See [Corporate filing and payment dates](#) (p. 267) for the deadlines.
- **Clearance certificate.** The corporation's legal representative needs a clearance certificate from the CRA (Form TX19) to avoid being personally liable for its unpaid taxes, interest and penalties. The CRA asks for the resolution to dissolve, the notice of assessment for the final return, and a statement of how the assets have been and will be distributed. Only once you have the certificate can you begin distributing the corporation's property.
- **CRA accounts.** Close the payroll and GST/HST accounts. Once the corporation is dissolved, check Form RC145 to see whether you need to send it and the articles of dissolution to the CRA. Otherwise, the CRA considers the corporation still exists, and it has to keep filing returns even with no tax payable.

In short

- A share sale gives you a capital gain, possibly sheltered by the capital gains deduction if the shares are QSBC shares.

¹taxfootnote.ca/rates/dividend-tax-credits/

- An asset sale leaves the proceeds in the corporation, and paying them out on a wind-up can be a deemed dividend.
- Check the QSBC tests at least two years ahead: they look back 24 months.
- Get the clearance certificate before you distribute anything, and formally close the CRA accounts after dissolution.

Sources

1. Selling a business (canada.ca)
2. Line 25400 – Capital gains deduction (canada.ca)
3. Definitions for capital gains (qualified small business corporation shares) (canada.ca)
4. T4012 T2 Corporation – Income Tax Guide, Chapter 1: Page 1 of the T2 return (final return up to dissolution) (canada.ca)
5. Shareholder benefits (dividends and deemed dividends) (canada.ca)

Farming

If you farm on your own or in a farm partnership, your farm profit or loss goes on your personal return, but farming has rules of its own. This chapter covers the choice of accounting method, inventory adjustments, limits on farm losses, passing farm property to your children without paying tax right away, and the capital gains deduction on qualified farm property.

Moves for 2026

1. If self-employment income from farming is your main source of income and you have to pay instalments, put December 31 on your calendar: it's your one instalment date for the year. → Farming and tax: income, losses and passing on the farm, p. 280

2. Review each year whether farming is your main source of income, since that affects how much of a farm loss you can deduct, and track any restricted losses. → Farming and tax: income, losses and passing on the farm, p. 280

3. Before transferring farm property to a child, confirm that they and the property qualify, and choose the transfer price deliberately: transferring at cost postpones all the tax. → Farming and tax: income, losses and passing on the farm, p. 280

4. Check early that farmland, buildings or quotas you plan to sell meet the ownership and use tests for the capital gains deduction; most look back 24 months. → The lifetime capital gains exemption, p. 128

5. Keep a record of your investment income and expenses and complete Form T936 for any year you have either: a cumulative net investment loss can cut your deduction. → The lifetime capital gains exemption, p. 128

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Farming and tax: income, losses and passing on the farm

How farmers report income, choose cash or accrual, handle inventory adjustments and farm losses, and pass farm property to their children.

Self-employed · Self-employment · Last reviewed October 11, 2026 · taxfootnote.ca/guides/farming-and-tax/

If you farm on your own or in a farm partnership, your farm profit or loss goes on your personal return, like other self-employment income. Farmers also get rules of their own: a choice of accounting method, inventory adjustments, limits on losses when farming isn't your main living, and ways to pass farm property to your children without paying tax right away.

What counts as farming

Farming income includes income from tilling soil, raising livestock, dairy, poultry and fur farming, growing fruit, trees or Christmas trees, beekeeping, hydroponics, and running a feedlot or chicken hatchery. Fish farming, market gardening, nurseries, greenhouses and maple sugar bushes can count too, depending on the circumstances. Raising or breeding animals to sell as pets isn't farming: it's an ordinary business, reported on Form T2125. Farming income generally doesn't include pay for working as an employee in a farming business, or income from trapping or sharecropping.

Reporting farm income

Report your farm income and expenses on Form T2042, Statement of Farming Activities, and file it with your return. If you take part in the AgriStability and AgrilInvest programs, don't use Form T2042: use the program guide for your province instead, Guide RC4060 in Alberta, Ontario, Saskatchewan and Prince Edward Island or Guide RC4408 elsewhere, which includes the statement you file (Form T1163 or T1273). Participants in Quebec use the regular guide for their return and contact La Financière agricole du Québec about the programs. Partners in a farm partnership that files a partnership information return report their share from their T5013 slip.

You generally have a December 31 year-end. Your return is due June 15, but any balance owing is due April 30; see our [deadlines guide](#) (p. 231).

Cash or accrual

Unlike most self-employed people, farmers can choose between two methods:

- **Cash method:** report income when you receive it and deduct expenses when you pay them. You don't count inventory, apart from the adjustments below.
- **Accrual method:** report income when you earn it and deduct expenses when you incur them, and count and value your inventory (livestock, crops, feed, fertilizer, supplies) at each year-end.

The cash method covers only your farming: you must use accrual for any separate business and for your GST/HST or QST reporting, and keep separate records for each method. You can switch from accrual to cash by filing on the cash method with a statement of the adjustments. Switching from cash to accrual needs permission: write to your tax services office, explaining why, before your return is due.

Inventory adjustments on the cash method

- **Mandatory inventory adjustment (MIA).** If you have a net farm loss and still hold inventory you bought and paid for at year-end, you must add back the lesser of your loss and the value of that purchased inventory, which reduces the loss.
- **Optional inventory adjustment (OIA).** You can choose to add up to the fair market value of all your year-end inventory, purchased or not, minus any MIA.

Whatever you add one year, you deduct as an expense the next. Guide T4002 has the valuation charts.

Farm losses

How much of a farm loss you can deduct depends on how central farming is to your living, which can change, so review it each year.

- **Fully deductible.** If farming is your main source of income, you can deduct the whole loss from other income. The CRA looks at things like your gross and net income, capital invested, cash flow, personal involvement, the farm's ability to make a profit, and your plans to develop it.
- **Restricted.** If you farm as a business, intending to make a profit, but farming is neither your main source of income nor your main source alongside a smaller side-line job or business, only part of the loss is deductible: the lesser of your loss and \$2,500 plus half of the loss above \$2,500, up to \$17,500 a year. The rest is a **restricted farm loss**.
- **Not deductible.** If you don't run the farm as a business, none of the loss is deductible. The same applies if the farm's size and scope make a profit impossible now or in the near future: the CRA treats it as a personal farm, and its expenses as personal expenses.

A farm loss can be carried back 3 years or forward 20 against any income; a restricted farm loss can too, but only against net farming income. When you sell farmland, the part of your unused restricted farm losses that came from property taxes and interest on money borrowed to buy the land can be added to its adjusted cost base, reducing your capital gain to as low as zero (but not creating or increasing a capital loss). Your restricted farm loss balance goes down by the same amount.

Passing the farm to your children

You can transfer Canadian farm property to your child during your lifetime and postpone the tax on the capital gain and any recapture of capital cost allowance until your child sells it. Your child must be resident in Canada just before the transfer, and the property (farmland, or depreciable property such as buildings) must have been used mainly in a farming business in Canada in which you, your spouse or common-

law partner, or any of your children were actively engaged on a regular and ongoing basis. “Child” includes an adopted child, your spouse’s or common-law partner’s child, a grandchild or great-grandchild, and your child’s spouse or common-law partner.

You can set the transfer price anywhere between the property’s adjusted cost base (undepreciated capital cost, for depreciable property) and its fair market value. Transferring at that cost postpones all the tax: your child is treated as having paid that amount and reports the postponed gain and recapture when they sell. Shares of a family farm corporation and interests in a family farm partnership can qualify too, if all or substantially all (generally 90% or more) of the fair market value of the corporation’s or partnership’s property is property used mainly in farming.

A similar tax-free transfer is available when a parent dies, generally if the child was resident in Canada just before the death and the property is transferred to them within 36 months after it (the CRA may allow longer in some cases); see our [wills and estates guide](#) (p. 323). Transferring qualified shares to a corporation controlled by your children has its own rules; see Form T2066, Election for Immediate or Gradual Intergenerational Business Transfer.

Selling qualified farm property

A gain on qualified farm or fishing property may qualify for the capital gains deduction. That property includes real property such as farmland and buildings, shares of a family farm corporation, interests in a family farm partnership, and quotas such as milk and egg quotas. Land, buildings and quotas generally have to have been owned throughout the 24 months before the sale by you, your spouse or common-law partner, your children or parents, or a family farm partnership, and meet a farming-use test.

For 2025, the CRA’s farming guide says that, under proposed changes, the lifetime capital gains exemption for qualifying property is \$1,250,000, with indexation resuming in 2026. The CRA’s indexation table lists \$1,275,000 for 2026. You calculate the deduction on Form T657; our guide to the [lifetime capital gains exemption](#) (p. 128) explains how the limit works.

GST/HST, instalments and EI

- **GST/HST.** Many farm products are zero-rated, including fruits and vegetables, grain and hay sold in quantities larger than consumers usually buy, and livestock raised for food. Others, such as contract work like tilling or harvesting for another farmer, sod, firewood and horses, are taxable. Many farm purchases are zero-rated too, including qualifying farm tractors and other listed farm equipment. Zero-rated sales count toward the small supplier test; see our [GST/HST registration guide](#) (p. 233).
- **Instalments.** If your main source of income is self-employment income from farming or fishing, you have one instalment date a year, December 31; see our [instalments guide](#) (p. 161).
- **EI.** If you meet Service Canada’s eligibility criteria, you may be able to register to pay EI premiums for yourself.

What to do

- Choose cash or accrual, and keep separate records for each method you use.
- Keep grain cash purchase tickets and marketing board cheque stubs with your records (p. 179), generally for six years.
- If you have a farm loss, check each year whether it's fully deductible or restricted, and track restricted losses to use against future farm income.
- Before transferring farm property or shares to a child, confirm they qualify and choose the transfer price deliberately.

Sources

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4. Guide T4002: Chapter 3 – Expenses (inventory adjustments for farmers) (canada.ca)
5. Guide T4002: Chapter 5 – Losses (canada.ca)
6. Guide T4002: Chapter 6 – Capital gains (canada.ca)
7. Guide T4002: GST/HST for farmers and fishers (canada.ca)
8. Capital losses (restricted farm losses and the sale of farmland) (canada.ca)
9. Payment due dates: Required tax instalments for individuals (canada.ca)
10. Indexation adjustment for personal income tax and benefit amounts (lifetime capital gains exemption) (canada.ca)

Professionals in practice

If you practise a profession on your own or as a partner in a firm, your profit is self-employment income on your personal return, and most of the usual business rules apply. The main differences are how you count work you haven't finished, and the partnerships, professional bodies and corporations you may deal with. Whether you charge GST/HST depends on what you supply, and incorporating can lower the tax on profit you leave in the company.

Moves for 2026

1. Track unbilled time and work in progress as you go, and value what's unfinished at your year-end, since its value normally counts as income. → Professionals and tax: practising on your own or in a partnership, p. 285
2. In a partnership, keep a list of the partnership expenses you paid yourself and weren't reimbursed for, so you can deduct them from your share. → Professionals and tax: practising on your own or in a partnership, p. 285
3. Check whether your services are taxable or exempt before deciding on GST/HST registration: if you provide only exempt services, you generally can't register. → Professionals and tax: practising on your own or in a partnership, p. 285
4. Before registering for GST/HST early as a small supplier, weigh the input tax credits you'd recover against charging the tax and filing a return every period. → Do I need to register for GST/HST?, p. 233
5. Before incorporating, estimate how much profit you could leave in the company each year, and compare your province's small business rate with your marginal rate. → Should I incorporate yet?, p. 259

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Professionals and tax: practising on your own or in a partnership

How self-employed professionals report fees and work in progress, deduct dues, handle partnership income and GST/HST, and where professional corporations fit.

Self-employed · Self-employment · Last reviewed October 11, 2026 · taxfootnote.ca/guides/professionals-and-tax/

If you practise a profession on your own account, as a sole proprietor or as a partner in a firm, your profit is self-employment income and goes on your personal return. The CRA treats professional activities as their own category of business, but most of the rules are the same as for any other business. The main differences are how you count work you haven't finished, and the professional bodies, partnerships and corporations many professionals deal with.

Reporting your professional income

Report your fees and expenses on Form T2125, Statement of Business or Professional Activities, filling in the professional income part rather than the business income part. If you have both business income and professional income, fill in a separate Form T2125 for each.

A few rules frame the year:

- **Accrual method.** Only farmers, fishers and self-employed commission agents can use the cash method. Professionals report fees when they earn them and deduct expenses when they incur them, whether or not money has changed hands.
- **December 31 year-end.** Self-employed individuals generally have to use a calendar year. If you're eligible to use a different year-end, Form T1139 reconciles your income to the calendar year.
- **Deadlines.** Your return is due June 15, but any balance owing is due April 30. If you owe enough tax, you may also have to pay instalments on March 15, June 15, September 15 and December 15. See our [deadlines guide](#) (p. 231) and [instalments guide](#) (p. 161).

Your fees include everything you receive for your services, including payment in goods or credits through bartering.

Work in progress

As the CRA's current guide puts it, a professional's income normally includes the value of **work in progress (WIP)**: goods or services you haven't finished providing at the end of your fiscal period. In practice, your professional fees for the year are:

- everything you received in the year for professional services, whenever you provided them,
- plus amounts owing to you at year-end for services you provided in the year,

- plus the value of your WIP at year-end that you haven't been paid anything for,
- minus the amounts owing to you at the end of last year,
- minus the WIP you included in last year's fees.

So keep track of unbilled work as well as invoices, and value what's in progress at your year-end. The same idea applies to corporations: the CRA's T2 guide says a professional corporation can't use billed-basis accounting, meaning it can't elect to leave the value of WIP at year-end out of its income.

Dues, fees and other expenses

As a rule, you can deduct any reasonable current expense you incur to earn your professional income, but only the business part of anything you also use personally. Some that come up often for professionals:

- **Dues and licences.** Annual dues or fees to keep your membership in a trade or commercial association are deductible, as are annual licence fees and subscriptions to publications. Dues to a club whose main purpose is dining, recreation or sport aren't.
- **Professional fees.** Legal, accounting and other outside professional fees, including the cost of preparing and filing your income tax and GST/HST returns, are deductible. Legal fees for buying capital property are added to its cost instead.
- **Insurance.** Ordinary commercial insurance premiums on the buildings, machinery and equipment you use in your practice are deductible.

If you're a professional working as an **employee** instead, you claim employment-related dues on your return as union and professional dues: professional board dues required under provincial or territorial law, and professional membership dues or professional or malpractice liability insurance premiums required to keep a professional status recognized by law. Initiation fees, licences and special assessments don't count.

Our guide to [what you can deduct](#) (p. 217) covers home office, vehicle and capital purchases.

Practising in a partnership

A partnership doesn't pay income tax itself. Its income or loss flows through to the partners, who each report their share on their own return, whether the share was paid out or credited to their capital account. Most partnerships with individuals as partners have to file a partnership information return by March 31, and partners in those partnerships take their share from their T5013 slip, which shows professional income in its own box. A partnership with at least one partner who is an individual or a professional corporation generally has to have a December 31 year-end.

On your Form T2125, enter your share from the T5013 slip, then deduct expenses you paid yourself for the partnership's business and weren't reimbursed for, including business use of your home. Two points to know:

- Only the partnership can claim capital cost allowance on property it owns; individual partners can't.
- If the partnership is registered for the GST/HST, you may be able to get back the GST/HST you paid on expenses you deducted yourself, such as vehicle costs, with

Form GST370. You include the rebate in your income for the year you receive it, except the part that relates to capital cost allowance, which reduces the property's undepreciated capital cost instead.

Professional corporations

For tax purposes, the CRA defines a professional corporation as one that carries on the professional practice of an accountant, dentist, lawyer (including a notary in Quebec), medical doctor, veterinarian or chiropractor. A corporation has to file its own T2 return for every tax year, even when it has no tax to pay. A professional corporation that's a member of a partnership and carries on business in Canada has to have a December 31 year-end, and, as noted above, a professional corporation can't leave its work in progress out of income.

Our guide to [whether to incorporate](#) (p. 259) walks through what changes when you incorporate and the questions to ask first, and [paying yourself](#) (p. 261) compares salary and dividends.

GST/HST

Whether you charge GST/HST depends on what you supply. Legal and accounting services are taxable. Most health, medical and dental services performed by licensed physicians or dentists for medical reasons are exempt, and you generally can't register if you provide only exempt supplies.

If your services are taxable, you have to register once you're no longer a small supplier, that is, once your worldwide revenues from taxable supplies, with those of your associates, are more than \$30,000 in a single calendar quarter or over four consecutive calendar quarters. You can register voluntarily before then, and once registered you may be able to claim input tax credits. Our [GST/HST registration guide](#) (p. 233) explains the test.

What to do

- Track unbilled time and work in progress, and value it at your year-end.
- Keep receipts for dues, licences and professional fees, and your partnership's T5013 slip. Our [record-keeping guide](#) (p. 179) covers how long to keep them.
- If you're in a partnership, keep a list of expenses you paid personally so you can deduct them from your share.
- Check whether your services are taxable or exempt before deciding on GST/HST registration.
- Estimate your tax and CPP with the [income tax calculator](#)¹, and read our guide to [CPP for the self-employed](#) (p. 228).

Sources

1. Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income: Chapter 1 – General information (canada.ca)
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¹taxfootnote.ca/calculators/income-tax/

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6. T2 Corporation – Income Tax Guide: Chapter 2 (partnership fiscal periods) (canada.ca)
7. T2 Corporation – Income Tax Guide: Before you start (who has to file a T2 return) (canada.ca)
8. Type of supply (GST/HST) (canada.ca)
9. When to register for and start charging the GST/HST (canada.ca)

Living in Quebec

If you live in Quebec, you file two returns: a federal one with the CRA and a provincial one, the TP-1, with Revenu Québec. Quebec works out its tax with its own rates, credits and schedules, and has its own pension plan, parental insurance plan and prescription drug insurance premium. Several Quebec credits are refundable, but you get them only if you file and claim them.

Moves for 2026

1. Fill in box 449 if a group plan covered you all year, or Schedule K to work out the premium for the public prescription drug insurance plan. → [Living in Quebec: two tax returns and what's different](#), p. 290
2. Claim the solidarity tax credit on Schedule D or in Revenu Québec's My Account, and register for direct deposit, which is generally required. → [Living in Quebec: two tax returns and what's different](#), p. 290
3. If you have work income and your family income may be low enough for the work premium, complete Schedule P: it's the only way to make sure you get the full amount. → [Living in Quebec: two tax returns and what's different](#), p. 290
4. If a payer outside Quebec withheld tax for another province, claim the tax transfer on both your federal and your Quebec return. → [Living in Quebec: two tax returns and what's different](#), p. 290

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Living in Quebec: two tax returns and what's different

Quebec residents file with both the CRA and Revenu Québec. The Quebec abatement, QPP and QPIP, the drug insurance premium and credits people miss.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/quebec-residents/

If you live in Quebec, you deal with two tax administrations. Your federal return goes to the CRA, as it does for everyone in Canada. Quebec administers its own tax laws, so your provincial tax goes on a separate return, the TP-1, filed with Revenu Québec. Here's what that changes.

Two returns, two sets of rules

The CRA's tax package for Quebec has the federal return and its schedules; for Quebec tax, it refers you to Revenu Québec's own return, schedules and guide. Your Quebec tax is worked out on the TP-1, with Quebec's own rates, credits and schedules. For 2025, Quebec's rates run from 14% to 25.75% on taxable income over \$129,590 (see [income tax brackets](#)¹).

Revenu Québec has its own list of who must file. It includes anyone resident in Quebec on December 31 who has to pay Quebec income tax, a Québec Pension Plan (QPP) contribution, a Québec parental insurance plan (QPIP) premium or a health services fund contribution. It also includes anyone who has to pay a premium under the Québec prescription drug insurance plan, anyone resident in Quebec on December 31 who wants the solidarity tax credit, and anyone who wants to claim credits such as the work premium. See [do I need to file?](#) (p. 10) for more.

Most of these rules turn on where you lived on December 31. If you moved into or out of Quebec during the year, see [moving to or from Quebec](#) (p. 252).

The Quebec abatement on your federal return

If you were resident in Quebec on December 31, the federal return gives you a refundable Quebec abatement of 16.5% of your basic federal tax. It reduces what you owe the CRA, and because it's refundable it can add to a refund. It's calculated on the return itself, in the refund or balance owing step.

If you had business income and the business has a permanent establishment outside Quebec, you calculate the abatement on Form T2203 instead.

Working outside Quebec: the tax transfer

If you lived in Quebec on December 31 but earned income, such as employment income, outside Quebec, your payer may have withheld tax for another province

¹taxfootnote.ca/rates/income-tax-brackets/

instead of for Quebec. You can transfer up to 45% of the income tax shown on slips from payers outside Quebec. Claim the transfer on your federal return and the same amount on your Quebec return. If your Quebec taxable income is zero, you don't need to.

QPP and QPIP instead of CPP and federal parental benefits

QPP. If your province of employment is Quebec, wherever you live, your employer deducts QPP contributions instead of CPP contributions. For 2025, the employee rate is 6.4% of earnings above \$3,500, up to \$71,300, plus 4% on earnings above that, up to \$81,200.

QPIP. Quebec administers maternity, parental and adoption benefits for its residents, through the Québec parental insurance plan. The EI premium rate for Quebec is lower (1.31% for 2025, against 1.64% elsewhere), and you also pay a QPIP premium: 0.494% of insurable earnings up to \$98,000 for 2025. If you're self-employed, or you worked outside Quebec and didn't get an RL-1 slip for that job, you complete Schedule R of your Quebec return to work out whether you owe a QPIP premium on that income.

Your federal return still gives you non-refundable credits for your base QPP contributions and your QPIP premiums. All the rates are in CPP, QPP, EI and QPIP², and reading [your pay stub](#) (p. 188) shows where they appear.

The prescription drug insurance premium

If you have a health insurance card from the Régie de l'assurance maladie du Québec (RAMQ), you must have basic prescription drug insurance: through a group plan if you're eligible for one, or through Quebec's public plan if you're not. As a rule, if you didn't have basic drug insurance through a group plan, you pay a premium for the public plan on your Quebec return. You work it out on Schedule K, based on your income and, if you had a spouse on December 31, your spouse's, up to a maximum per person.

- **Covered all year by a group plan** (yours, or your spouse's or parent's)? You don't fill in Schedule K or pay the premium; enter the number for your situation in box 449 of your return. Other situations, such as being under 18 and unmarried all year or having a low income, can also exempt you.
- **Eligible for a group plan but didn't join?** You still owe the premium, and you get no benefits from the public plan.
- **Turning 65?** Check with your insurer that you still have basic drug insurance at least equal to the RAMQ's, or you may owe the premium.

Filing Schedule K doesn't register you for the public plan; for that, contact the RAMQ.

Quebec credits people miss

These are refundable credits, so you can get them even if you owe no tax, but only if you file a Quebec return and claim them.

²taxfootnote.ca/rates/cpp-ei/

- **Solidarity tax credit.** For low- and middle-income families, with a housing component, a QST component and a component for people living in northern villages. Complete Schedule D of your return or claim it in Revenu Québec's My Account; if you don't, you get only the basic amount of the QST component (and the spousal amount, if any). As a rule, you must be registered for direct deposit. A couple living together makes one claim. If you didn't claim it on a return, you have until December 31 of the fourth year after that return's tax year to claim it, in My Account or with Schedule D and a request for an adjustment.
- **Work premium.** For people resident in Quebec on December 31 who report work income, such as employment or business income, and whose family income is under a maximum for their situation. You can get it without Schedule P, but completing Schedule P is the only way to make sure you get the full amount. Full-time students can't claim it unless they had a child living with them on December 31.
- **Home-support services for seniors.** If you were 70 or older and resident in Quebec on December 31, you can claim a credit for eligible home-support expenses on Schedule J. If you rent in an apartment building, part of your rent counts. Revenu Québec can work out the credit on a minimum rent without Schedule J if it has your information, but if your rent is higher than that, completing Schedule J gets you the full amount. If you and your spouse are both entitled, only one of you claims it for the couple, and the credit is reduced once family income passes a threshold.
- **Senior assistance tax credit.** If you or your spouse was 70 or older on December 31 and you meet the other conditions, you may qualify. If you have a spouse, they must file a return too.

The Quebec side of our other guides

Many of our guides have a Quebec section:

- [How to file your return](#) (p. 16) and [slips to gather](#) (p. 20), including RL slips
- [Your tax refund](#) (p. 153), [owing the CRA](#) (p. 157) and [tax instalments](#) (p. 161)
- [Tuition credits](#) (p. 50), [medical expenses](#) (p. 34), [charitable donations](#) (p. 149) and [child care expenses](#) (p. 105)
- [Seniors and retirement](#) (p. 307), [caregiver credits](#) (p. 44) and [the disability tax credit](#) (p. 41)

If you paid foreign tax, note that Quebec residents don't complete Form T2036, the CRA's provincial foreign tax credit form; for Quebec's own foreign tax credit, see Revenu Québec.

What to do

- File both returns, with your RL slips as well as your federal slips.
- Fill in box 449 or Schedule K for the drug insurance premium.
- Claim the Quebec credits that apply, and register for direct deposit with Revenu Québec.
- If tax was withheld for another province, claim the tax transfer on both returns.

Sources

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13. Income Tax Rates (Revenu Québec) (revenuquebec.ca)
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17. Claiming the Solidarity Tax Credit (Revenu Québec) (revenuquebec.ca)
18. Line 456 – Tax credits respecting the work premium (Revenu Québec) (revenuquebec.ca)
19. Line 458 – Tax credit for home-support services for seniors (Revenu Québec) (revenuquebec.ca)
20. Eligibility Conditions for the Senior Assistance Tax Credit (Revenu Québec) (revenuquebec.ca)

American citizens living in Canada

As a U.S. citizen living in Canada, you’re taxed here like anyone else who lives here: based on your residency status. As a resident, you report your U.S. income on your Canadian return, may be able to claim a credit for U.S. tax paid, and may need to file Form T1135 for U.S. accounts and shares. This chapter covers only the Canadian side; you generally have U.S. filing obligations too.

Moves for 2026

1. Report U.S. interest and dividends in full on your Canadian return, in Canadian dollars, without subtracting the U.S. tax withheld. → [U.S. citizens living in Canada: the Canadian side of your taxes, p. 295](#)
2. Claim the foreign tax credit for U.S. income tax on Form T2209, plus Form T2036 if you live outside Quebec. → [U.S. citizens living in Canada: the Canadian side of your taxes, p. 295](#)
3. Report U.S. Social Security in full as pension income, including any U.S. Medicare premiums paid on your behalf, then claim the treaty’s additional deduction for part of it. → [U.S. citizens living in Canada: the Canadian side of your taxes, p. 295](#)
4. Ask the U.S. tax authorities to refund any withholding above the treaty rate: that excess doesn’t count toward your Canadian foreign tax credit. → [U.S. citizens living in Canada: the Canadian side of your taxes, p. 295](#)
5. Add up the cost of your specified foreign property, such as U.S. bank accounts and shares but not holdings in an RRSP or TFSA, to see whether you must file Form T1135. → [Foreign income, foreign tax and the T1135, p. 142](#)

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U.S. citizens living in Canada: the Canadian side of your taxes

How Canada taxes a U.S. citizen who lives here: residency, reporting U.S. income and accounts, credit for U.S. tax, Form T1135, and leaving Canada.

Individuals & families · Filing your return · Last reviewed October 11, 2026 · taxfootnote.ca/guides/us-citizens-in-canada/

If you're a U.S. citizen living in Canada, Canada taxes you the way it taxes anyone else who lives here: on the basis of your residency status. This guide covers only the Canadian side. U.S. citizens generally have U.S. filing obligations too, even while living in Canada; for those, see the IRS or a cross-border tax professional.

Are you a resident of Canada?

Under Canadian tax law, what you owe depends on whether you're a resident or a non-resident of Canada. If you're resident during the year, you're taxed on your income from all sources worldwide. If you're resident for only part of the year, that applies to the part of the year you were resident.

The CRA looks at all the facts, starting with your residential ties to Canada:

- **Significant ties:** a home in Canada, a spouse or common-law partner here, and dependants here.
- **Secondary ties:** such as a car or furniture in Canada, Canadian bank accounts or credit cards, memberships in Canadian organizations, a Canadian driver's licence and provincial health insurance.

If you settled here and set up significant ties, you're generally considered a resident; see [your first tax return in Canada](#) (p. 255). Even without significant ties, staying in Canada for 183 days or more in a year can make you a deemed resident for the whole year. If you also have ties to a country Canada has a tax treaty with and you're considered a resident there, you may instead be a deemed non-resident of Canada, taxed under the rules for non-residents.

Generally, your province or territory of residence on December 31 decides which provincial tax you pay. If you want the CRA's opinion on your status, you can send Form NR74 (entering Canada) or NR73 (leaving Canada).

U.S. income and accounts on your Canadian return

As a resident, you report your U.S. income on your Canadian return, in Canadian dollars.

- **Interest and dividends.** Report U.S. interest and dividends from bank and brokerage accounts in full. Don't subtract the U.S. tax withheld; you may be able to claim it as a foreign tax credit instead. U.S. dividends don't qualify for the dividend tax credit.
- **Converting.** In general, use the Bank of Canada exchange rate for the day the amount arose. For a pension paid at different times during the year, use the average

annual rate. Our guide to [foreign income](#) (p. 142) covers the other rates the CRA accepts.

- **U.S. Social Security.** Report the full amount, plus any U.S. Medicare premiums paid on your behalf, as pension income. Under the Canada–U.S. tax treaty, you can then deduct 15% of it as an additional deduction, or 50% if you’ve been a resident of Canada receiving U.S. Social Security continuously since before January 1, 1996. Benefits paid to your children are their income.
- **Other U.S. pensions.** Report the gross amount. If part of it is tax-free in Canada because of a tax treaty, you can deduct that part.
- **IRAs.** If you received amounts from an individual retirement arrangement (IRA), or converted an IRA to a Roth IRA during the year, the CRA asks you to contact it.

Claiming credit for U.S. tax

If you paid U.S. income tax on income you also report on your Canadian return, you may be able to claim the foreign tax credit. You need to have been a resident of Canada at some time in the year, and a tax treaty can affect whether you’re eligible.

- **How much.** Work out the federal credit on Form T2209; it goes on line 40500. In most cases, you claim whichever is less: the U.S. income tax you actually paid, or the Canadian tax you’d otherwise owe on your net income from the U.S.
- **Provincial part.** Outside Quebec, work out the provincial or territorial credit on Form T2036. In Quebec, Revenu Québec has its own credit.
- **Treaty-exempt income stays out.** If you deducted income as tax-free under a tax treaty (such as part of your U.S. Social Security), leave that income, and any tax withheld from it, out of the calculation.
- **State and local tax.** A tax paid to a state or other political subdivision can count, as long as it’s an income or profits tax.
- **Only tax you really owe.** Tax that is refunded or will be refunded doesn’t count. Nor does withholding above the rate the treaty allows; ask the U.S. tax authorities to refund that excess. And tax you pay voluntarily, where a treaty says it can’t be charged, doesn’t count either.
- **Match the year.** U.S. tax counts toward the year whose income it’s on, even if you pay it after that year ends.
- **Joint U.S. returns.** If you and your spouse file jointly in the U.S., each of you who is resident in Canada can include an appropriate share of the tax, generally in proportion to each person’s share of the income that was taxed.
- **Convert consistently.** Convert the U.S. tax at the same rate you used for the income it’s on.

Keep your proof of the U.S. tax, such as your W-2 slip, your U.S. 1040 return and your U.S. tax account transcript, in case the CRA asks to see it. If you file on paper, the CRA asks you to attach those documents, along with Form T2209, official receipts for the tax and a note explaining your calculation.

Form T1135 for U.S. property

Canadian residents file Form T1135 if the total cost of their specified foreign property was more than \$100,000 at any time in the year. For a U.S. citizen, that can include money in U.S. bank and brokerage accounts, shares of U.S. corporations, and U.S. bonds. Property held in an RRSP or TFSA doesn't count, and neither does personal-use property, such as a vacation home that you (or a related person) use mainly, meaning more than 50%, for personal use. The form is due the same day as your return. See [foreign income and the T1135](#) (p. 142) for how the threshold works, and [snowbirds and U.S. property](#) (p. 299) if you own real estate in the U.S.

If you move back to the U.S.

You generally become an emigrant when you leave Canada to live in another country and sever your residential ties here. If you lived in that country before living in Canada and you're going back to it, you usually become a non-resident on the date you leave.

- **Departure tax.** When you leave, you're treated as having sold certain property, such as shares, at fair market value, and may have to report a capital gain even though you didn't sell anything. If all the property you owned when you left was worth more than \$25,000 in total, you also file Form T1161.
- **Your last return.** Enter your departure date. Report your worldwide income for the part of the year you were resident; after that, Canada taxes you only on income from Canadian sources. For Form T1135, you report only for the part of the year you were resident.
- **Tell your payers.** If you keep Canadian bank accounts or receive payments from Canada, tell those payers and financial institutions that you're no longer a resident.

What to do

- Confirm your residency status, and report your worldwide income in Canadian dollars.
- Claim the foreign tax credit for U.S. income tax with Form T2209 (and Form T2036 outside Quebec).
- Check whether you need to file Form T1135.
- For your U.S. filing obligations, see the IRS or a cross-border tax professional.

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4. Line 11500 – Other pensions and superannuation ([canada.ca](#))
5. Line 25600 – Additional deductions ([canada.ca](#))
6. Federal foreign tax credit – Personal income tax ([canada.ca](#))
7. Income Tax Folio S5-F2-C1, Foreign Tax Credit ([canada.ca](#))
8. Foreign Income Verification Statement ([canada.ca](#))
9. Questions and answers about Form T1135 ([canada.ca](#))
10. Leaving Canada (emigrants) ([canada.ca](#))

Wintering or owning property in the U.S.

If you winter in the U.S. and keep your ties to Canada, the CRA usually still considers you a resident and taxes you as if you never left. This chapter covers the Canadian side of staying resident and of renting out or selling a U.S. home. The CRA’s snowbird guidance doesn’t apply as written if you’re a U.S. citizen or green card holder, or have residential ties to a third country.

Moves for 2026

1. File as a resident of the province or territory where you keep your ties, with no date of entry or departure, and attach Form T1248, Schedule D. → Snowbirds and U.S. property: the Canadian tax side, p. 299
2. Claim eligible medical expenses paid in the U.S. for yourself, your spouse or partner and certain dependants, if you haven’t claimed them before. → Snowbirds and U.S. property: the Canadian tax side, p. 299
3. Decide whether your U.S. home is personal-use or a rental run with a reasonable expectation of profit: a rental counts toward the Form T1135 threshold, along with U.S. bank accounts and shares, but a personal-use home doesn’t. → Snowbirds and U.S. property: the Canadian tax side, p. 299
4. Claim the foreign tax credit for U.S. income tax paid on U.S. rent, with Form T2209 and, outside Quebec, Form T2036. → Snowbirds and U.S. property: the Canadian tax side, p. 299
5. When you sell a U.S. property, convert the selling price, adjusted cost base and selling costs at the exchange rate for each one’s own date. → Snowbirds and U.S. property: the Canadian tax side, p. 299

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Snowbirds and U.S. property: the Canadian tax side

Wintering in the U.S.? How you stay a Canadian resident for tax, and how to report U.S. rental income, the sale of U.S. property and Form T1135.

Individuals & families · Planning · Last reviewed October 11, 2026 · taxfootnote.ca/guides/snowbirds-and-us-property/

If you spend part of the year in the U.S., for your health or on vacation, and keep your ties to Canada, the CRA usually still considers you a resident of Canada. This guide covers the Canadian side: staying resident, and reporting a U.S. home you rent out or sell. The CRA's guidance for snowbirds doesn't apply as written if you're a U.S. citizen, hold a U.S. green card, or have residential ties to a third country; if you're a U.S. citizen, see [U.S. citizens living in Canada](#) (p. 295).

Staying a Canadian resident

Your residency status depends on all the facts, above all your residential ties to Canada:

- **Significant ties:** a home in Canada, a spouse or common-law partner here, and dependants here. A home in Canada that you keep available to live in counts as a significant tie while you're away. If you rent it to someone else at arm's length, the CRA weighs all the circumstances instead.
- **Secondary ties:** such as a car or furniture in Canada, Canadian bank accounts and credit cards, memberships in Canadian organizations, a Canadian driver's licence or passport, and provincial health insurance.

If you keep these ties while wintering in the U.S., you're usually a **factual resident** of Canada, and the CRA taxes you as if you never left:

- report your income from all sources, inside and outside Canada, in Canadian dollars
- claim your deductions and your federal and provincial or territorial credits
- pay tax to the province or territory where you keep your residential ties
- apply for the GST/HST credit and related provincial or territorial credits

On your return. Enter the province or territory where you kept your ties as your province of residence on December 31. Don't enter a date of entry into or departure from Canada; those fields are for people moving to or from Canada, and filling them in may reduce your non-refundable credits. The CRA also asks factual residents to complete Form T1248, Schedule D, Information About Your Residency Status, and attach it to the return.

NR4 slips. As a resident, you shouldn't get slips starting with "NR", which are for non-residents. If you do, report the income, claim any tax withheld on the slip, and ask the issuer to correct your residency information.

Health coverage. Before you go, check that your provincial or territorial health coverage continues while you're outside Canada. You may want supplementary coverage.

U.S. medical bills, donations and winnings

- **Medical expenses paid in the U.S.** You can claim eligible ones for yourself, your spouse or common-law partner and certain dependants, for any 12-month period ending in the year, if you haven't claimed them before. Premiums you pay to a private health-services plan generally count too. See [medical expenses](#) (p. 34).
- **Donations to U.S. charities.** If you report U.S. income on your Canadian return, you can claim donations to U.S. charities that would be allowed on a U.S. return, up to 75% of the net U.S. income you report.
- **U.S. lottery or gambling winnings** aren't taxable in Canada, so don't report them, and you can't claim a credit for U.S. tax withheld on them.

Renting out your U.S. property

Rental income from U.S. property goes on your Canadian return, in Canadian dollars; the CRA encourages you to use Form T776, Statement of Real Estate Rentals. Report the rent you earned in the calendar year, January 1 to December 31, and keep records to support your income and expenses.

- **Converting.** The CRA's general rule is to convert each amount at the Bank of Canada exchange rate for the day it arose. In some situations it accepts an average rate for the period.
- **Expenses and losses.** You can deduct expenses you incur to earn rental income. If you rent the place out only to share its costs, rather than to make a profit, the CRA treats it as a cost-sharing arrangement and you can't claim a rental loss.
- **U.S. tax.** If you paid U.S. income tax on the rent, you may be able to claim the foreign tax credit: Form T2209 for the federal part, and Form T2036 for the provincial part (Revenu Québec has its own credit if you live in Quebec). In most cases, you claim the lesser of the U.S. tax you paid and the Canadian tax on your net U.S. income.

Form T1135 and your U.S. home

You file Form T1135 if the total cost of your specified foreign property was more than \$100,000 at any time in the year. Personal-use property isn't specified foreign property. The CRA treats a property as personal-use if you (or a related person) use it primarily, meaning more than 50%, for personal use or enjoyment. It depends on the facts. Using its example of a Florida condo:

- **Used only by you as a vacation home:** not reported.
- **Rented out for eight months a year with a reasonable expectation of profit:** it's specified foreign property, so it counts toward the threshold and is reported.
- **Rented out for part of the year just to recover some costs, with no reasonable expectation of profit:** treated as personal-use, so not reported.

U.S. bank accounts and U.S. shares are specified foreign property, so add them in. If you crossed the threshold at any time in the year, you file even if you sold before December 31. See [foreign income and the T1135](#) (p. 142) for the rest of the rules.

Selling your U.S. property

Report the sale as a capital gain or loss on Schedule 3, in Canadian dollars. Convert each part at the exchange rate for its own date:

- the selling price at the rate when you sold
- the adjusted cost base at the rate when you bought
- your selling costs at the rate when you incurred them

Personal-use property. A vacation home you own mainly for your own and your family's use is generally personal-use property. You report any gain on it, but you usually can't deduct a loss.

Principal residence. A home outside Canada can, depending on the facts, qualify as your principal residence for years you're resident in Canada. But your family can designate only one home for each year, so a year you use for the U.S. home is a year your Canadian home isn't covered. See [the principal residence exemption](#) (p. 122).

U.S. tax on the gain. A foreign tax on what Canada treats as a capital gain counts as an income or profits tax, so you may be able to claim the foreign tax credit for it.

The U.S. side

U.S. tax rules may apply to you too, and the CRA says it's important to work out how they apply to you. This guide doesn't cover them. For the U.S. side, see the IRS or a cross-border tax professional.

What to do

- Keep your ties to Canada, and file as a resident of your province with no entry or departure date.
- Report U.S. rent and gains in Canadian dollars, and claim the foreign tax credit for U.S. tax.
- Decide whether your U.S. home is personal-use or a rental, and check whether you need Form T1135.

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7. Capital Gains – 2025 (Guide T4037) ([canada.ca](#))
8. Income Tax Folio S1-F3-C2, Principal Residence ([canada.ca](#))
9. Federal foreign tax credit – Personal income tax ([canada.ca](#))
10. Income Tax Folio S5-F2-C1, Foreign Tax Credit ([canada.ca](#))
11. Foreign Income Verification Statement ([canada.ca](#))
12. Questions and answers about Form T1135 ([canada.ca](#))

Retiring and drawing an income

In retirement, your income usually comes from several places at once, such as government pensions, a workplace pension and a RRIF, and most of it is taxable. Tax isn't always taken off before you're paid, which can leave you owing when you file. This chapter covers how each source is taxed, when to start CPP and OAS, turning your RRSP into a RRIF, splitting pension income with your spouse or partner, and the OAS clawback.

Moves for 2026

1. Ask Service Canada to deduct tax from your CPP and OAS, and review the tax deducted from your pension, remembering that nothing is withheld from your RRIF minimum. → [How retirement income is taxed](#), p. 303
2. If you turn 71 this year, move your RRSP to a RRIF or an annuity by December 31, so its whole value isn't added to one year's income. → [Converting your RRSP to a RRIF](#), p. 312
3. Weigh starting OAS later if your income will be above the recovery tax threshold for a few years after 65: less of it may be paid back. → [When to start CPP and OAS](#), p. 310
4. Compare your tax as a couple at a few pension-splitting percentages, then both sign Form T1032 and file it by the filing due date. → [Pension income splitting](#), p. 108
5. Consider covering some spending from your TFSA: unlike RRSP and RRIF withdrawals, TFSA withdrawals don't affect the OAS clawback. → [The OAS clawback: how the recovery tax works](#), p. 315

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How retirement income is taxed

How CPP, OAS, pensions, RRIFs, annuities, TFSAs and investments are taxed in retirement, and how withholding or instalments help you avoid a bill at tax time.

Individuals & families · Retiring · Last reviewed October 11, 2026 · taxfootnote.ca/guides/retirement-income/

In retirement, income usually comes from several places at once: government pensions, a workplace pension, a RRIF, savings and investments. Most of it is taxable, but tax isn't always taken off before you're paid, and as the CRA points out, that can leave you owing tax when you file. Here's how each source is treated, and how to keep the tax paid during the year in step with what you'll owe.

CPP and QPP

Canada Pension Plan and Quebec Pension Plan benefits are taxable. You get a T4A(P) slip each year and report the total on your return.

Tax isn't deducted from CPP unless you ask for it. You can set up or change deductions in My Service Canada Account, by sending Service Canada form ISP3520CPP, or by calling Service Canada. For QPP, the CRA says to contact Retraite Québec.

If you receive a lump-sum CPP or QPP payment and part of it is for earlier years, you report the whole amount in the year you receive it. If \$300 or more relates to earlier years, the CRA will work out the tax as if you'd received those parts in those years, if that's better for you.

CPP and QPP benefits don't count as eligible pension income, so they don't qualify for the pension income amount and can't be split with your spouse on your returns. Couples can, however, apply to share CPP retirement pensions through Service Canada; see [pension income splitting](#) (p. 108). For timing, see [when to start CPP and OAS](#) (p. 310).

Old Age Security and the GIS

Old Age Security (OAS) is taxable and comes with a T4A(OAS) slip. As with CPP, no tax is deducted unless you ask Service Canada: send it form ISP3520OAS.

If your net income for 2025 is above \$93,454, you have to repay part or all of your OAS pension through the recovery tax: 15% of the amount above that threshold. See [the OAS clawback](#) (p. 315).

The Guaranteed Income Supplement (GIS) is reported as income too, from box 21 of the T4A(OAS) slip. If your net income before adjustments is at or below a yearly limit, you then claim a deduction for the same amount, so it doesn't add to your taxable income. Above that limit, the deduction is worked out differently.

Workplace pensions

Payments from an employer's pension plan are taxable and are usually reported on a T4A slip (sometimes a T3). Tax is deducted from them, but if you have pension income

from more than one source, the CRA notes that the tax withheld may not be enough to cover what you owe. You can send your pension plan administrator a Form TD1 to have more deducted.

A lifetime pension from a registered pension plan is eligible pension income at any age. It qualifies for the pension income amount and for pension income splitting with your spouse or partner. See [workplace pension plans](#) (p. 67).

RRIFs and life income funds

Earnings inside a RRIF aren't taxed, but everything paid out is taxable in the year you receive it. Life income funds (LIFs), which are locked-in RRIFs, are taxed the same way.

No tax is withheld from the minimum amount you must take each year. Tax is withheld from anything you take above it, at the lump-sum withholding rates. The payer uses one rate, picked by adding up all the amounts above the minimum it has paid or expects to pay you in the year: 10% if they total \$5,000 or less, 20% if they total more than that up to \$15,000, and 30% if they total more than \$15,000. In Quebec, lower federal rates apply and Quebec tax is withheld as well. Withholding is only a prepayment: the whole payment is income on your return, and the CRA notes you may have to pay more tax on it when you file.

If you're 65 or older at the end of the year, RRIF payments count as eligible pension income for the pension income amount and splitting. If you're younger, they count only if you received them because your spouse or partner died. Amounts transferred from a RRIF to an RRSP, another RRIF or an annuity don't count. See [converting your RRSP to a RRIF](#) (p. 312), and try our [RRSP and RRIF withdrawals calculator](#)¹.

Annuities

An annuity makes payments to you on a regular basis, and the payments are part of your income. For example, if you draw an annuity from your RRSP, you include the payments in your income.

For a general annuity, your T5 slip shows the earnings part of the payments in box 19, and that's the amount you report. If you were 65 or older at the end of the year (or received the payments because your spouse or partner died), you report it as pension income, which qualifies for the pension income amount. Otherwise you report it as investment income.

TFSA withdrawals

Money you take out of a tax-free savings account, including the investment income earned inside it, is generally not taxed. TFSA income and withdrawals also don't affect OAS or the GIS. You can re-contribute what you withdrew starting the next calendar year, or sooner if you have unused contribution room. See [TFSA basics](#) (p. 78).

Investments outside registered plans

Interest, dividends and capital gains on investments held outside a registered plan are taxed each in its own way; see [how investments are taxed](#) (p. 133). Income tax can't

¹taxfootnote.ca/calculators/rrsp-rrif-withdrawals/

be withheld from investment income, rental income or capital gains, so this kind of income can mean paying by instalments (below).

Avoiding a bill: withholding and instalments

If too little tax comes off at source, you may have to pay tax by instalments. You may have to pay them for 2026 if your net tax owing is more than \$3,000 (\$1,800 in Quebec) for 2026 and was also more than that in either 2025 or 2024. Instalments are due March 15, June 15, September 15 and December 15. See [paying tax by instalments](#) (p. 161).

You can reduce or avoid instalments by having more tax withheld:

- **OAS:** form ISP3520OAS, sent to Service Canada.
- **CPP:** form ISP3520CPP, sent to Service Canada, or My Service Canada Account.
- **QPP:** Retraite Québec.
- **An employer pension:** Form TD1, sent to your pension plan administrator.

In the CRA's own example, someone with pension income whose net tax owing is a few thousand dollars every year uses Form TD1 to ask their pension plan administrator to withhold an extra amount each month, which brings their expected net tax owing under the instalment threshold.

Credits that lower the tax

- **Age amount.** If you're 65 or older on December 31, you can claim the full \$9,028 for 2025 if your net income is \$45,522 or less. Above that it shrinks, and it's gone at higher incomes.
- **Pension income amount.** Up to \$2,000 of eligible pension income. OAS, CPP and QPP don't count.
- **Pension income splitting** lets couples jointly elect to move up to half of one partner's eligible pension income to the other's return; see [pension income splitting](#) (p. 108).

If your spouse or partner doesn't need all of their age amount or pension income amount to bring their federal tax to zero, you may be able to claim the unused part. Our overview of [tax for seniors and retirees](#) (p. 307) covers these credits and others.

In Quebec

You also file a Quebec return with Revenu Québec each year. For tax deductions from QPP benefits, contact Retraite Québec rather than Service Canada.

What to do

1. List each source of income for the year and whether tax is withheld from it.
2. Ask Service Canada to deduct tax from CPP and OAS, and review the tax deducted from your pension. Remember that nothing is withheld from your RRIF minimum.
3. Keep an eye out for instalment reminders, and pay them or raise your withholding.
4. File every year, even if you owe nothing: the CRA uses your return to work out your benefit and credit payments, and they can stop if you don't file.

Sources

1. Adults 65 years and older and the CRA (canada.ca)
2. Managing your taxes (CPP and OAS, Service Canada) (canada.ca)
3. Line 11400 – CPP or QPP benefits (canada.ca)
4. Line 11500 – Other pensions and superannuation (canada.ca)
5. Line 14600 – Net federal supplements paid (canada.ca)
6. Federal income tax and benefit information for 2025 (retirement income summary table) (canada.ca)
7. T5 Statement of Investment Income – slip information for individuals (canada.ca)
8. Registered Retirement Income Fund (RRIF) (canada.ca)
9. Guide T4079, T4RSP and T4RIF Guide (canada.ca)
10. Guide RC4157, Deducting Income Tax on Pension and Other Income (lump-sum payments) (canada.ca)
11. What is a TFSA (canada.ca)
12. Options to calculate: Required tax instalments for individuals (canada.ca)
13. Required tax instalments for individuals (canada.ca)
14. Line 31400 – Pension income amount (canada.ca)
15. Old Age Security pension recovery tax (canada.ca)
16. Pension income splitting (canada.ca)
17. CPP pension sharing (Service Canada) (canada.ca)
18. Tax rates on withdrawals (canada.ca)
19. Guide T4040, RRSPs and Other Registered Plans for Retirement (2025) (canada.ca)
20. Line 32600 – Amounts transferred from your spouse or common-law partner (canada.ca)
21. Line 30100 – Age amount (canada.ca)

Tax for seniors and retirees: an overview

What changes at tax time when you retire or turn 65: taxable pensions, the age and pension amounts, pension splitting, the OAS clawback and paying tax.

Everyone · Retiring · Last reviewed October 10, 2026 · taxfootnote.ca/guides/seniors-and-retirement/

Retiring changes where your income comes from, not whether it's taxed: Canada Pension Plan (CPP), Old Age Security (OAS) and other pension income are generally taxable. Turning 65 also opens up credits that lower your tax, and the OAS clawback is an income test to watch.

Your retirement income is taxable

In retirement, income often comes from several places at once: CPP or the Quebec Pension Plan (QPP), OAS, other pensions, investments or rent.

The catch is that tax isn't always taken off at the source:

- **CPP and OAS:** tax isn't deducted unless you ask for it.
- **Pensions from more than one source:** the total tax withheld may not cover the tax you owe.
- **Investment, rental or some pension income:** you may need to pay tax by instalments (p. 161) during the year.

To avoid a surprise bill, you can ask Service Canada to withhold tax from CPP and OAS, and review the withholding on your other pensions. For timing your public pensions, see [when to start CPP and OAS](#) (p. 310); for retirement savings, see [converting your RRSP to a RRIF](#) (p. 312).

The age amount

If you're 65 or older on December 31, you can claim the federal age amount. For 2025 it's \$9,028 if your net income is \$45,522 or less. Above that it shrinks as your income rises, and it's gone at higher incomes; a chart on the federal worksheet works it out.

If you don't need all of your age amount to bring your tax to zero, you may be able to transfer the unused part to your spouse or common-law partner (or claim theirs). Provinces and territories have their own age amounts; see our [personal credits table](#)¹.

The pension income amount

You can claim a federal pension income amount of up to \$2,000 on eligible pension income. At any age, that includes life annuity payments from a pension plan. From 65, it also includes RRIF payments (including life income funds) and RRSP annuity payments. OAS and CPP or QPP payments are not eligible pension income.

¹taxfootnote.ca/rates/personal-credits/

Pension income splitting

If you have a spouse or common-law partner, you can jointly elect to report up to half of your eligible pension income on their return. When one of you has a higher income, this can lower your combined tax, and it can let both of you use the pension income amount. Splitting changes each person's net income, which can affect the age amount and the OAS clawback for each of you. See [pension income splitting](#) (p. 108).

The OAS clawback

If your 2025 net income is above \$93,454, you repay part or all of your OAS pension: 15% of the income above that line, up to the full pension. Service Canada also takes this “recovery tax” off monthly OAS payments, based on your income from an earlier year: 2025 income sets the deductions from July 2026 to June 2027. The [registered plans table](#)² shows the threshold by year.

Because the test uses your own net income, pension income splitting can help: it lowers the net income of the spouse who transfers pension income.

Other credits to check

The CRA points adults 65 and older to several other claims:

- medical expenses, including attendant care
- home accessibility expenses, for renovations that make a home more accessible
- the disability tax credit and the Canada caregiver credit, if you or someone you support has an impairment
- donations to registered charities

See [credits for caregivers](#) (p. 44) and [the disability tax credit](#) (p. 41).

Keep filing every year

Even if you owe no tax, file every year. The CRA uses your return to work out benefit and credit payments, and they can stop if you don't file. The deadline is April 30, or June 15 if you or your spouse are self-employed. In Quebec, you also file a provincial return with Revenu Québec.

In Quebec

Quebec's return has its own amounts for seniors, worked out together on Schedule B:

- **Age amount:** \$3,906 for 2025 if you were 65 or older on December 31 (your spouse can also qualify).
- **Amount for a person living alone:** \$2,128 if you lived alone all year (with some exceptions for children and students).
- **Amount for retirement income:** up to \$3,470, based on certain retirement income you or your spouse report. OAS, QPP and CPP pensions don't count.

These amounts can be reduced based on your family income. For Quebec's rules on splitting retirement income, see [pension income splitting](#) (p. 108).

²taxfootnote.ca/rates/registered-plans/

Sources

1. Adults 65 years and older and the CRA (canada.ca)
2. Line 30100 – Age amount (canada.ca)
3. Pension income splitting (eligible pension income and the pension income amount) (canada.ca)
4. Old Age Security pension recovery tax (Service Canada) (canada.ca)
5. Revenu Québec: Age amount, amount for a person living alone and amount for retirement income (revenuquebec.ca)
6. Revenu Québec: Schedule B 2025, Tax Relief Measures (TP-1.D.B-V) (revenuquebec.ca)

When to start CPP and OAS

How starting your CPP and OAS pensions earlier or later changes the payments, and the tax points to weigh: withholding and the OAS recovery tax.

Individuals & families · Retiring · Last reviewed October 10, 2026 · taxfootnote.ca/guides/when-to-start-cpp-and-oas/

You can start your Canada Pension Plan (CPP) retirement pension at any age from 60 to 70, and Old Age Security (OAS) from 65 to 70. Starting later means larger monthly payments; starting earlier means smaller payments that begin sooner. Tax is part of the decision too, because both are taxable and OAS is partly paid back when your income is high.

This guide covers the timing and the tax side. It doesn't list benefit amounts; Service Canada's pages, linked under Sources, have the current figures.

CPP: any time from 60 to 70

The standard age to start CPP is 65. To qualify, you need to be at least 60 and have made at least one valid contribution. Your start age changes the size of your monthly payment:

- **Before 65:** your pension is reduced by 0.6% for each month before your 65th birthday (7.2% a year), up to 36% less if you start at 60.
- **After 65:** it's increased by 0.7% for each month you wait (8.4% a year), up to 42% more at 70.
- **After 70:** there's no further increase, so there's no reason to wait longer.

Your CPP pension isn't reduced if you keep working. If you're under 70, working and still contributing while you receive it, each year of contributions adds a post-retirement benefit to your income. You can choose to stop those contributions from 65.

If you apply after 65, you can ask for payments to start up to 11 months before the month Service Canada receives your application, but not before the month after your 65th birthday.

Worked in Quebec? The CPP and the Quebec Pension Plan work together. If you've only worked in Quebec, or worked in Quebec and another province and now live in Quebec, contact Retraite Québec about your retirement pension.

OAS: any time from 65 to 70

OAS can't start before 65. For each month you put it off after 65, your payment goes up by 0.6% (7.2% a year), up to 36% more at 70. There's no benefit to waiting past 70.

Waiting doesn't always pay. Service Canada says there's no benefit to delaying if you're eligible for the Guaranteed Income Supplement (GIS). And while you delay OAS, you can't get the GIS, and your spouse or common-law partner can't get the Allowance.

Your years in Canada matter too. A full OAS pension generally needs 40 years of residence in Canada after age 18; with fewer, you get a partial pension (your years divided

by 40), and you need at least 10 years if you live in Canada. Years you live in Canada after your pension starts don't increase it, so if you're short of 40 years, delaying can let more years count.

The tax side

Both are taxable, and tax isn't taken off automatically. CPP and OAS count as income on your return. Tax isn't deducted from them unless you ask Service Canada to withhold it. Without withholding, you may owe tax when you file, or need to pay by instalments (p. 161).

OAS has a recovery tax. If your net income is over \$93,454 for 2025, you repay 15% of the amount over that threshold, up to the full OAS you received. It's collected by reducing your monthly OAS payments: your 2025 income sets the recovery tax taken from payments from July 2026 to June 2027. The threshold for 2026 income is \$95,323.

That's why Service Canada's list of things to consider before starting OAS at 65 includes whether you're still working. If your income will be above the threshold for a few years after 65, starting OAS later can mean less of it is paid back, and a larger monthly payment once your income drops.

Every dollar of CPP and OAS adds to your taxable income. If you'll also be drawing from an RRSP or RRIF, or a workplace pension, look at how the timing of each source changes your income year by year. Our [income tax calculator](#)¹ shows the tax at a given income, and [Converting your RRSP to a RRIF](#) (p. 312) covers the required RRIF withdrawals.

Things to weigh

- **Your health and how long you expect to live.** If you're healthy and expect a long retirement, a later start gives you larger payments for those years.
- **Whether you need the money now.** Starting early can help if you have little other income.
- **Your other income at 65.** High income points toward delaying OAS because of the recovery tax.
- **GIS and the Allowance.** If you or your partner may qualify, waiting on OAS can cost you.
- **Years in Canada.** Fewer than 40 years after 18 can be a reason to delay OAS.

For couples, see [Pension income splitting](#) (p. 108), and for the wider picture, [Tax for seniors and retirees: an overview](#) (p. 307).

Sources

1. CPP retirement pension: When to start your pension ([canada.ca](#))
2. CPP retirement pension: Do you qualify ([canada.ca](#))
3. Old Age Security: When to start your retirement pension ([canada.ca](#))
4. Old Age Security pension recovery tax ([canada.ca](#))
5. Adults 65 years and older and the CRA ([canada.ca](#))

¹[taxfootnote.ca/calculators/income-tax/](#)

Converting your RRSP to a RRIF

What you must do with your RRSP by the end of the year you turn 71, how a RRIF's yearly minimum works, and how RRIF payments are taxed.

Individuals & families · Retiring · Last reviewed October 10, 2026 · taxfootnote.ca/guides/rrsp-to-rrif/

Your RRSP has to be wound up by December 31 of the year you turn 71. One option is to transfer it to a registered retirement income fund (RRIF): the transfer isn't taxed, the money stays invested, and from the next year on you have to take out at least a minimum amount each year, which is taxed as income.

Your options by the end of the year you turn 71

That year is also the last year you can contribute to your own RRSP. By December 31, you choose what happens to the money:

- **Transfer it to a RRIF.** No tax at the time of the transfer. You pay tax on the payments as you receive them.
- **Buy an annuity.** Also no tax when you buy it. The annuity payments are taxed as you receive them.
- **Withdraw it.** Tax is withheld, and the whole amount is added to your income for that year.

Taking it all out at once adds the whole amount to one year's income, which can push much of it into higher tax brackets. Don't leave the choice to chance: if the money isn't moved to a RRIF or used to buy an annuity, the plan's value is included in your income.

You don't have to wait until 71. You can set up a RRIF earlier if you want regular income sooner; the CRA's minimum-amount rules cover younger ages too.

How a RRIF works

You open a RRIF with a carrier such as a bank, trust company or insurance company, and transfer your RRSP into it directly. You can have more than one RRIF, including a self-directed one where you choose the investments.

Earnings inside a RRIF aren't taxed; payments out of it are taxed in the year you receive them. You can't make new contributions to a RRIF the way you could to an RRSP. Money generally goes in only by direct transfer, for example from an RRSP, a pension plan, another RRIF or an FHSA.

The yearly minimum

There's no minimum in the year you open the RRIF. Starting the next year, your carrier must pay you at least a minimum amount every year. You can take more, but not less.

The minimum is the value of the RRIF at the start of the year multiplied by a prescribed factor that depends on your age at the start of the year (and, for some older RRIFs, on when the RRIF was set up). The factor goes up as you get older, so the minimum becomes a bigger share of what's left. The CRA publishes the factors in its [chart of prescribed factors](#); your carrier does the calculation for you.

Younger spouse? You can choose to base the minimum on your spouse's or common-law partner's age instead of yours. A younger age means a lower factor, and a lower required withdrawal. You have to make this choice on the original RRIF application, and you can't change it later.

Tax withheld, and tax owed

No tax is withheld from the minimum amount. Tax is withheld from anything you take above the minimum. Either way, every RRIF payment is income on your return, so if you only take the minimum you may owe tax when you file.

RRIF payments can also raise your net income enough to affect income-tested amounts, such as the age amount and the Old Age Security recovery tax; see [When to start CPP and OAS](#) (p. 310).

Credits for RRIF income at 65 and over

If you're 65 or older at the end of the year (or you receive the payments because your spouse or common-law partner died), RRIF payments count as eligible pension income. That has two benefits:

- **Pension income amount.** You can claim a federal credit on up to \$2,000 of eligible pension income.
- **Pension income splitting.** You and your spouse or common-law partner can jointly elect to have up to 50% of your eligible pension income taxed in their hands instead of yours. See [Pension income splitting](#) (p. 108).

Under 65, RRIF payments are still taxable but don't qualify for either, unless they're paid because of your spouse's death.

Spousal RRIFs

If your RRIF came from a spousal RRSP, watch withdrawals above the minimum. If your spouse or common-law partner contributed to your spousal RRSPs in the year of the withdrawal or the two years before, some or all of the amount above the minimum may be taxed in their hands. The minimum itself is taxed to you.

You also can't contribute to your own RRSP after the year you turn 71, but if you still have RRSP room and your spouse or common-law partner is younger, you can contribute to a spousal RRSP for them until the end of the year they turn 71.

In short

- By December 31 of the year you turn 71, move your RRSP to a RRIF, buy an annuity, or withdraw it.
- A RRIF transfer isn't taxed; payments are taxed when you receive them.
- From the year after you open it, you must take at least the yearly minimum, based on your age (or a younger spouse's age, if you choose that at the start).
- No tax is withheld from the minimum, so plan for tax at filing time.
- From the year you turn 65, RRIF income qualifies for the pension income amount and pension income splitting.

Sources

1. Guide T4040, RRSPs and Other Registered Plans for Retirement (canada.ca)
2. Registered Retirement Income Fund (RRIF) (canada.ca)
3. Minimum amount from a RRIF (canada.ca)
4. Chart – Prescribed factors (RRIF minimum amount) (canada.ca)
5. Pension income splitting (canada.ca)

The OAS clawback: how the recovery tax works

How the Old Age Security recovery tax works: the income threshold, how it comes off your monthly payments, ways to reduce it, and the rules for non-residents.

Individuals & families · Retiring · Last reviewed October 11, 2026 · taxfootnote.ca/guides/oas-clawback/

If your income is high in a year you receive Old Age Security (OAS), you have to pay back some or all of that year's pension. The government calls this the OAS pension recovery tax; it's often called the clawback. The repayment for each year is based on your net income for that year. For the wider picture, see [tax for seniors and retirees](#) (p. 307).

How much you repay

For 2025, if your net income is more than \$93,454, you repay 15% of the amount above that threshold, up to the full OAS pension you received. The threshold is indexed to inflation each year; for 2026 it's \$95,323. Our [registered plans table](#)¹ shows it by year.

The CRA measures your net income with a few adjustments; for example, income from a registered disability savings plan is left out. Service Canada also publishes the income at which the whole pension is repaid. That level is higher for people 75 and older than for those 65 to 74.

On your return, the repayment is added to your total payable. The CRA notes it isn't part of your taxable income.

It comes off your monthly payments

You don't only settle it when you file. Service Canada also takes the recovery tax off your monthly OAS payments, based on your income from an earlier year: your 2025 income sets the amount withheld from July 2026 to June 2027.

What was withheld during a year is shown in box 22 of your T4A(OAS) slip. When you file, you work out the actual repayment for the year with the chart on the Federal Worksheet, and you claim the amount withheld as income tax already deducted.

If your income has dropped. If your net income was above the threshold last year but you expect this year's to be substantially lower, you can ask the CRA, in writing, to have Service Canada reduce the recovery tax it withholds from July. Use Form T1213(OAS), Request to Reduce Old Age Security Recovery Tax at Source.

Ways to reduce it

Because the test looks at one person's net income for one year, these can make a difference.

¹taxfootnote.ca/rates/registered-plans/

- **Pension income splitting.** The CRA notes that splitting changes credits and benefits based on one person's net income, including the OAS repayment. Moving eligible pension income to a lower-income spouse or common-law partner lowers your net income and raises theirs, so check both sides if your partner gets OAS too. See [pension income splitting](#) (p. 108).
- **When you start OAS.** You can start OAS at 65 or as late as 70, and payments are larger the later you start. Service Canada lists [still working](#), with income above the threshold, among the things to consider before starting at 65. See [when to start CPP and OAS](#) (p. 310).
- **TFSA withdrawals.** Income earned in a tax-free savings account, and money you take out of one, don't affect federal income-tested benefits such as OAS. Taxable income such as RRSP or RRIF withdrawals does count; see [converting your RRSP to a RRIF](#) (p. 312).

If you live outside Canada

If you're a non-resident receiving OAS, the recovery tax works on your **net world income**: income from all sources, in Canada and abroad, minus allowable deductions. You generally have to file an Old Age Security Return of Income (Form T1136) by April 30 each year, even if your income is below the threshold. If you don't, your OAS can be suspended from July.

Generally, the recovery tax applies to non-residents unless a tax treaty limits or eliminates it. You don't have to file if, at the end of the year, you lived in one of the tax treaty countries or regions listed in Guide T4155 and don't plan to move to one that isn't on the list (for the 2025 return, before July 1, 2027). The guide lists a few other exceptions too. Non-residents also pay non-resident tax on OAS, but that tax and the recovery tax together can't be more than the OAS paid in a month. If more recovery tax was withheld than you owe, the CRA refunds the difference or applies it to other Canadian tax you owe.

What to do

1. Estimate your net income for the year and compare it with the threshold.
2. If you have a spouse or partner, compare your combined tax at different pension-splitting percentages. Our [income tax calculator](#)² works out one person's tax at a time and doesn't include the OAS repayment, so run it for each of you and work out the repayment separately.
3. When you file, claim the recovery tax shown on your T4A(OAS) slip as tax deducted.
4. If your income has fallen, send the CRA Form T1213(OAS) so less is withheld.
5. If you live outside Canada, file your Old Age Security Return of Income by April 30 unless your country is on the CRA's list.

Sources

1. Old Age Security pension recovery tax (Service Canada) ([canada.ca](#))
2. Line 23500 – Social benefits repayment ([canada.ca](#))

²[taxfootnote.ca/calculators/income-tax/](#)

3. T1213(OAS) Request to Reduce Old Age Security Recovery Tax at Source (canada.ca)
4. Pension income splitting (canada.ca)
5. Old Age Security: When to start your retirement pension (Service Canada) (canada.ca)
6. What is a TFSA (canada.ca)
7. Guide T4040, RRSPs and Other Registered Plans for Retirement (2025): RRSP and RRIF payments are income (canada.ca)
8. T4155, Old Age Security Return of Income (OASRI) Guide for Non-Residents (2025) (canada.ca)

Planning your estate

When you die, you’re treated as having sold most of what you own, and your RRSPs and RRIFs generally become income on your final return. Much of that tax can be postponed, depending on who receives what, so this chapter covers what you can arrange now: your will, the beneficiaries on your plans, rollovers to a spouse or partner, and gifts.

Moves for 2026

1. Make a will that names an executor, and update both when your life changes. → [Estate planning: the tax side, p. 319](#)
2. Review the beneficiaries on every RRSP, RRIF and TFSA and, outside Quebec, consider naming your spouse or partner as your TFSA’s successor holder. → [Estate planning: the tax side, p. 319](#)
3. Keep records of what you paid for your property, so your executor can work out the gains. → [Estate planning: the tax side, p. 319](#)
4. Consider a professional’s help if your estate will include a business, rental property or large gains: these estates get complicated quickly. → [Wills, estates and the final return, p. 323](#)

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Estate planning: the tax side

What happens to your property for tax purposes when you die, and what you can arrange now: spousal rollovers, plan beneficiaries, estates and gifts.

Everyone · Planning · Last reviewed October 11, 2026 · taxfootnote.ca/guides/estate-planning/

When you die, you're treated as having sold most of what you own, and RRSPs and RRIFs generally become income on your final return. Much of that tax can be postponed, depending on who gets what. This guide covers what you can arrange now; for what happens after a death, see [wills, estates and the final return](#) (p. 323) and the [executor's guide](#) (p. 327).

Your property is treated as sold

Just before death, a person is considered to have sold their capital property at fair market value. That includes real estate such as homes and cottages, investments such as stocks, mutual funds and crypto-assets, and belongings such as art, collections and jewellery. Any gain is reported on the final return, even though nothing was sold.

The main ways the tax on those gains can be postponed or reduced:

- property left to a spouse or common-law partner, or to a qualifying spousal trust (below)
- a home that can be designated as the principal residence; see [the principal residence exemption](#) (p. 122)
- Canadian farm or fishing property left to a child who was resident in Canada just before the death, if it was used mainly in a farming or fishing business on a regular and ongoing basis by you, your spouse or common-law partner, or your children, and is transferred to the child within 36 months of the death
- gains on qualified small business corporation shares or qualified farm or fishing property that may be sheltered by the [lifetime capital gains exemption](#) (p. 128)

Leaving property to a spouse or common-law partner

Property that goes to a surviving spouse or common-law partner who is resident in Canada can pass without a capital gain on the final return. The gain is postponed until the survivor sells the property or is treated as having sold it. To qualify, the property has to become locked in for the survivor within 36 months of the death.

Your will can instead leave property to a testamentary spousal or common-law partner trust, which postpones the gain in the same way if:

- the trust is resident in Canada once the property is locked in for it, and that happens within 36 months of the death
- your spouse or partner is entitled to receive all of the trust's income
- no one else can receive or use any of the trust's income or capital during their lifetime

Your legal representative can instead elect, property by property, to report the gain on your final return.

RRSPs and RRIFs: name your beneficiaries carefully

For an RRSP that isn't paying a retirement income yet, the general rule is that its full value at death is income on the final return. The same goes for a RRIF. Who receives the plan can change that:

- **Spouse or common-law partner.** If everything in the RRSP goes to your spouse or partner and is transferred directly to their RRSP, RRIF, pooled or specified pension plan, or used to buy them an eligible annuity, by the end of the year after the death, they report it and claim an offsetting deduction instead. With a RRIF, you can elect in the contract or your will to have the payments continue to your spouse or partner as the new annuitant.
- **Financially dependent child or grandchild.** RRSP proceeds paid to a child or grandchild who was financially dependent on you can be used to buy an annuity with payments over no more than 18 years minus their age when it's bought. If they depended on you because of an impairment in physical or mental functions, RRSP or RRIF proceeds can be rolled into their RDSP.
- **Anyone else.** The full value is generally income on your final return, and any growth after the death is taxed to the beneficiary or the estate.

A beneficiary can be named in the plan contract or in your will.

TFSA: successor holder or beneficiary

A TFSA can have two kinds of beneficiary, named in the TFSA contract or your will:

- **Successor holder.** Only your spouse or common-law partner can be one. They become the holder as soon as you die, the account carries on, and its value and later earnings stay sheltered. It doesn't use up their own contribution room (unless the account had an excess amount), but they don't get your unused room either.
- **Designated beneficiary.** This can be a family member, another person or an organization: for example a spouse or partner not named as successor holder, a child, a former spouse, or a charity. They receive the value at the date of death tax-free, but later earnings are taxable. A surviving spouse or partner named this way can generally put what they receive into their own TFSA as an exempt contribution that doesn't use their room. A charity generally has to receive the funds within 36 months; your executor can then ask the CRA to change your final return to claim the donation.

With no successor holder or beneficiary, the TFSA goes to your estate and is distributed under your will. To change a designation you made before, contact your TFSA issuer. Quebec doesn't recognize TFSA successor holder designations, or beneficiary designations on deposit and trust TFSAs (annuity contracts are the exception), though a surviving spouse or partner there can still make an exempt contribution. See [TFSA basics](#) (p. 78).

Estates and testamentary trusts

After a death, the estate is a testamentary trust, and so is a trust created by a will. Most estates qualify as a **graduated rate estate** for up to 36 months after the death. Its income is taxed at the same graduated rates as an individual's, and under certain conditions donations it makes can be claimed in several years, including on the final return. Once that period ends, and for other trusts, the trust's taxable income is taxed at the top federal rate for individuals (33% for 2025). The exception is a qualified disability trust, a testamentary trust that elects with beneficiaries eligible for the disability tax credit, which is also taxed at graduated rates.

Gifts while you're alive

Giving property away now doesn't avoid the tax. If you give capital property as a gift, you're treated as having sold it at fair market value, and you report any gain that year. Selling it for less than it's worth to someone you don't deal with at arm's length, such as a relative, has the same result.

Gifts to a spouse or common-law partner are different: they generally pass at your cost, so there's no gain until they sell. But if they sell during your lifetime while you're still together and you're resident in Canada, you usually report the gain. Income such as interest or dividends from property you give or lend to your spouse or partner, or to a related minor under 18 (including a niece or nephew), may also have to be reported by you.

Wills and probate

The Government of Canada calls a will the easiest and most effective way to say how your property should be distributed, and the executor it names is usually the person who deals with the CRA. Without one, someone may need to apply to the courts to administer the estate, and your survivors may wait longer and need a lawyer.

Probate, and any fees for it, falls under provincial and territorial law, not the CRA. Check the rules where you live.

What to do

- Make a will, name an executor, and update both when your life changes.
- Review the beneficiaries on every RRSP, RRIF and TFSA, and consider naming your spouse or partner as TFSA successor holder.
- Keep records of what you paid for property, so your executor can work out the gains.
- If you own a business, farm or rental property, get professional advice.

Sources

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2. RRSP (someone who died) (canada.ca)
3. RRIF (someone who died) (canada.ca)
4. RC4177, Death of an RRSP Annuitant (canada.ca)
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10. Guide T4037, Capital Gains – 2025 (canada.ca)
11. Federal Income Tax and Benefit Information for 2025 (loans and transfers of property) (canada.ca)
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13. Represent someone who died (canada.ca)
14. What to do when someone dies: Prepare for end of life (canada.ca)
15. What to do when someone dies: Estates and wills (canada.ca)

Wills, estates and the final return

The tax side of a death: who files the final return and when, why property is treated as sold, what happens to an RRSP, and the clearance certificate.

Everyone · Planning · Last reviewed October 10, 2026 · taxfootnote.ca/guides/wills-and-estates/

When someone dies, their legal representative, usually the executor named in the will, files a final tax return and settles what's owed to the CRA before handing out the estate. Who receives the property matters: what goes to a surviving spouse or common-law partner is often taxed later, not on the final return.

Who deals with the CRA

The **legal representative** is responsible for the estate's tax affairs. Typically that's the executor named in the will; in Quebec, it's the registered liquidator of the estate. If there's no will or no executor, someone may need to apply to the courts under the province's or territory's estate law. While that's pending, a person can ask to be registered as the representative for CRA purposes only, using Form RC552.

The legal representative needs to tell the CRA about the death and about their role (sending a copy of the death certificate and the will or other document naming them), stop or transfer benefit payments such as the Canada child benefit, file the returns for the year of death and any earlier years not yet filed, and pay what's owing before distributing the estate.

The final return and its due date

A final return is required for everyone who dies. It reports income for the year up to the date of death, plus any increase in the value of the person's property, and claims their credits and deductions.

The final return is due, and any balance must be paid, by:

- **April 30 of the following year** if the person died between January 1 and October 31
- **6 months after the date of death** if they died between November 1 and December 31

A different filing date can apply if the person or their spouse or common-law partner ran a business. If the person died early in the year before filing the previous year's return, that return is due 6 months after the date of death. No further instalments are needed after the date of death.

If a return is late and there's a balance owing, the penalty is 5% of the balance plus 1% for each full month it's late, up to 12 months, and interest compounds daily on unpaid amounts. Filing on time avoids the penalty even if you can't pay in full.

The legal representative may also be able to file up to three **optional returns**, such as a return for "rights or things" (income earned but not yet paid at death, like unpaid salary). These can reduce the total tax because some credits can be claimed more than once. Income earned after the death that isn't paid out to beneficiaries may need to be reported on a T3 trust return for the estate.

Property is treated as sold at death

Just before death, the person is considered to have sold all their capital property, such as real estate, investments and valuable belongings, at fair market value. This **deemed disposition** can create a capital gain or loss on the final return, reported on Schedule 3, even though nothing was actually sold.

There are important exceptions:

- **Spouse or common-law partner.** Property left to a surviving spouse or common-law partner resident in Canada, or to a qualifying spousal trust, can pass without tax on the final return. The gain is postponed until the survivor sells the property or is considered to have sold it. The property generally has to become locked in for the survivor within 36 months of the death. The legal representative can choose, property by property, to report the gain anyway.
- **Principal residence.** A gain on the person's home may be fully or partly exempt. Even if the whole gain is exempt, the legal representative has to designate the home on the final return, using Schedule 3 and Form T1255. That isn't needed if the home passes to the surviving spouse or common-law partner. See [The principal residence exemption](#) (p. 122).

RRSPs

For an RRSP that hasn't started paying a retirement income, the general rule is that its full fair market value at death goes into the person's income for the year of death.

If everything in the plan goes to the surviving spouse or common-law partner and is transferred directly into their own RRSP or RRIF, or used to buy them an eligible annuity, by the end of the year after the death, the survivor reports it and claims an offsetting deduction instead. A similar rollover can go to the RDSP of a financially dependent child or grandchild with a disability.

Any Home Buyers' Plan balance still to be repaid is also included in income on the final return, unless the surviving spouse or common-law partner agrees to continue the repayments.

Get a clearance certificate before distributing

A clearance certificate confirms that the estate has paid, or secured, all income tax, GST/HST, interest and penalties owing. If the legal representative distributes assets without one and tax turns out to be owing, they can be personally liable, up to the value of what they distributed.

Apply only after the returns are filed and assessed and the balances are paid. The CRA says it acknowledges a request within 45 days, and its review can take up to 120 days.

Estates with a business, rental property or large gains get complicated quickly; this is one situation where a professional's help is worth considering.

Sources

1. Represent someone who died (canada.ca)
2. What returns you need to file (someone who died) (canada.ca)

3. Filing and payment due dates (someone who died) (canada.ca)
4. Interest and penalties on late taxes (canada.ca)
5. Taxable capital gains on property, investments, and belongings (someone who died) (canada.ca)
6. RRSP (someone who died) (canada.ca)
7. Apply for a clearance certificate (canada.ca)

Settling an estate as executor

If a will names you executor, you're usually the deceased person's legal representative for the CRA (in Quebec, the registered liquidator of the estate). Your tax job is to report the death, file every return that's needed and pay what's owed from the estate, and only then hand out what's left. If you distribute property without a clearance certificate and tax turns out to be owing, you can be personally liable, up to the value of what you handed out.

Moves for 2026

1. Report the date of death to the CRA as soon as possible, by phone or with Form RC4111, even if the person wasn't getting benefits. → An executor's guide to the CRA, p. 327

2. Send the CRA a copy of the death certificate and a document naming you, such as the will or a grant of probate, to show you're the representative. → An executor's guide to the CRA, p. 327

3. File the final return and pay any balance by April 30 of the next year, or within six months of a death in November or December. → Wills, estates and the final return, p. 323

4. Look into the optional returns, up to three of them, which can lower the total tax because some credits can be claimed more than once. → An executor's guide to the CRA, p. 327

5. Apply for a clearance certificate once the returns are filed and assessed and the balances paid, and get it before you hand out the estate's property. → Wills, estates and the final return, p. 323

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An executor's guide to the CRA

The tax jobs of an executor, step by step: notify the CRA and Service Canada, file the final and optional returns and the estate's T3, then get clearance.

Everyone · Planning · Last reviewed October 11, 2026 · taxfootnote.ca/guides/executors-guide/

If you're the executor named in a will, you're usually the deceased person's **legal representative** for the CRA (in Quebec, the registered liquidator of the estate). On the tax side, your job is to report the death, file every return that's needed, pay what's owed out of the estate, and only then hand out what's left. For how the final return treats property and RRSPs, see [wills, estates and the final return](#) (p. 323).

1. Report the death

To the CRA. Report the date of death as soon as possible, even if the person wasn't getting benefits, to avoid payments that later have to be repaid. Call the CRA's individual tax or benefit enquiries line, or mail Form RC4111, Notify the Canada Revenue Agency of a Death, to the person's tax centre. Have their date of death, social insurance number, full name, date of birth, address and a notice of assessment or other tax document ready. If benefit payments still arrive after the death, you may need to send them back. Canada child benefit payments usually transfer to a surviving spouse or common-law partner who is the child's parent.

To Service Canada and others. Canada Pension Plan and Old Age Security payments must be cancelled as soon as possible. If the death happened in a province, the provincial vital statistics office tells the Social Insurance Number program; in a territory or outside Canada, you have to tell it yourself. The estate or another eligible person may also be able to apply for the CPP or QPP death benefit, a one-time lump sum.

2. Show the CRA you're the representative

Telling the CRA about the death isn't the same as telling it you're in charge. Send:

- a copy of the death certificate or a funeral director's statement of death
- a document naming you, such as a complete copy of the will, a grant of probate or letters of administration (if there's no such document, Form RC552, Register as Representative for a Deceased Person)
- the estate's mailing address, if it's changed

Put the deceased's social insurance number on each document. For online access to their tax records, register for the CRA's Represent a Client service first and put your ReplD on each document too. Processing generally takes 28 business days.

3. File the final return and any missing returns

A final return is required for everyone who dies. It's due, with any balance owing:

- by **April 30 of the next year** if the death was between January 1 and October 31
- **6 months after the death** if it was between November 1 and December 31

If the person, or their spouse or common-law partner who lived with them, was running a business, the filing deadline is **June 15 of the next year** for a death from January 1 to December 15, or 6 months after a death from December 16 to 31 (unless the business's spending was mainly on tax shelter investments). The balance is still due on the usual payment date.

Also file any earlier returns the person missed. If they died before filing the previous year's return and before its due date, that return is due 6 months after the death. No further instalments are due after the death; only ones that were due and unpaid before it still have to be paid. Form T691 for 2025 says alternative minimum tax doesn't apply to a person who died in 2025, or to the optional returns below.

4. Consider the optional returns

Up to three optional returns can take income that would otherwise go on the final return. They're optional, but they can cut the total tax because some credits and deductions can be claimed more than once or split between returns. If you file one, put all the income that qualifies for it on that return.

- **Rights or things.** Amounts the person had earned but not received at death, such as pay for a pay period that ended before the death, OAS or CPP paid after the death for the month of death, dividends declared but not yet paid, and uncashed matured bond coupons. Capital gains don't count. Write "70(2)" at the top right of page 1. It must be filed by the later of one year after the death or 90 days after the notice of assessment for the final return is sent, but any balance owing is due by the final return's payment date.
- **Partner or proprietor.** If the person was a sole proprietor or partner and the business's fiscal year doesn't end December 31: income from the end of that fiscal year to the date of death. Write "150(4)" on it. Same deadlines as the final return.
- **Income from a graduated rate estate.** If the person received income from the graduated rate estate of someone else who died: income from that estate's fiscal year-end to the date of death. Write "104(23)(d)" on it. Same deadlines as the final return.

You may be able to delay paying part of the tax on rights or things and on property treated as sold at death, by giving the CRA security and filing Form T2075. Interest still runs.

5. File the estate's T3 return

After the death, the estate is a trust. Income it earns that isn't paid out to beneficiaries, such as investment income or a gain on property sold after the death, goes on a T3 Trust Income Tax and Information Return each year until everything is distributed. You may not need one if the estate is distributed right after the death or earned no income before it was distributed; give each beneficiary a statement of their share instead.

Most estates qualify as a **graduated rate estate** for up to 36 months, so their income is taxed at the same graduated rates as an individual's. On the first T3 return, you choose the end of its first tax year: any date up to one year after the death. Each T3 return,

any balance owing and the beneficiaries' T3 slips are due 90 days after the trust's tax year-end, or after the final distribution if the trust has ended.

6. Report death benefits correctly

The CPP or QPP death benefit never goes on the final return. If it's the estate's only income and no T3 return is otherwise needed, the beneficiary reports it. If the estate has other income, the estate reports it on the T3; if it's paid or made payable to a beneficiary in the year the estate receives it, the estate can deduct it and issue the beneficiary a T3 slip. If someone else received it directly, they report it. A death benefit from the person's employer is different: up to \$10,000 in total is tax-free, and the rest is taxed to whoever receives it.

7. Get a clearance certificate, then distribute

A clearance certificate confirms the estate has paid, or secured, all income tax, GST/HST, interest and penalties owed. If you distribute property without one and tax turns out to be owing, you're personally liable, up to the value of what you handed out.

Apply with Form TX19, Asking for a Clearance Certificate (and Form GST352 if the person had a GST/HST number), only after all returns are filed and assessed, everything owed (including CPP contributions, EI premiums, interest and penalties) is paid or secured, and the CRA has your documents as legal representative. Don't send it with the returns, as that delays the assessments. Include the will and any probate documents, a list of everything the person owned at death (including jointly held property and RRSPs and RRIFs with named beneficiaries) with its cost and value, what's been distributed and what's planned, and details of beneficiaries receiving anything other than cash. [Wills, estates and the final return](#) (p. 323) has the CRA's processing times.

If the person lived in Quebec, you may also have returns to file and duties with Revenu Québec.

Sources

1. Doing taxes for someone who died ([canada.ca](#))
2. Notify the CRA of a date of death ([canada.ca](#))
3. What to do when someone dies: Notify of a death ([canada.ca](#))
4. Represent someone who died ([canada.ca](#))
5. What returns you need to file (someone who died) ([canada.ca](#))
6. Filing and payment due dates (someone who died) ([canada.ca](#))
7. Death benefits (someone who died) ([canada.ca](#))
8. T3 Trust Guide – 2025 ([canada.ca](#))
9. Apply for a clearance certificate ([canada.ca](#))
10. Form T691, Alternative Minimum Tax (2025) ([canada.ca](#))

Appendices

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Key figures

The figures the guides use most, for 2025 and 2026. **[TODO]** means the CRA (or, for Quebec, Revenu Québec) hasn't published the figure yet.

Key figures, 2025 and 2026

Figure	2025	2026
Federal basic personal amount (maximum)	\$16,129	\$16,452
Lowest federal tax rate	14.5%	14%
Federal age amount (maximum)	\$9,028	\$9,208
Age amount starts to drop at net income of	\$45,522	\$46,432
Federal pension income amount (maximum)	\$2,000	\$2,000
Canada employment amount (maximum)	\$1,471	\$1,501
Medical expense threshold (maximum)	\$2,834	\$2,890
CPP maximum pensionable earnings	\$71,300	\$74,600
CPP employee contribution rate	5.95%	5.95%
EI maximum insurable earnings	\$65,700	\$68,900
EI employee premium rate (outside Quebec)	1.64%	1.63%
RRSP dollar limit	\$32,490	\$33,810
TFSA annual limit	\$7,000	\$7,000
FHSA annual limit	\$8,000	\$8,000
FHSA lifetime limit	\$40,000	\$40,000
OAS recovery tax threshold	\$93,454	\$95,323
Lifetime capital gains exemption	\$1,250,000	\$1,275,000
Instalment threshold (net tax owing)	\$3,000	\$3,000
GST/HST small supplier threshold	\$30,000	\$30,000
Automobile allowance, first 5,000 km (per km)	\$0.72	\$0.73

Income tax brackets

Federal, provincial and territorial tax brackets and rates on taxable income. Quebec residents also get the federal abatement (see the Quebec chapter). The online tables at taxfootnote.ca/rates/ also show combined marginal rates and surtaxes.

Federal, 2025

Taxable income	Rate
Up to \$57,375	14.5%
\$57,375 to \$114,750	20.5%
\$114,750 to \$177,882	26%
\$177,882 to \$253,414	29%
Over \$253,414	33%

Alberta, 2025

Taxable income	Rate
Up to \$60,000	8%
\$60,000 to \$151,234	10%
\$151,234 to \$181,481	12%
\$181,481 to \$241,974	13%
\$241,974 to \$362,961	14%
Over \$362,961	15%

British Columbia, 2025

Taxable income	Rate
Up to \$49,279	5.06%
\$49,279 to \$98,560	7.7%
\$98,560 to \$113,158	10.5%
\$113,158 to \$137,407	12.29%
\$137,407 to \$186,306	14.7%
\$186,306 to \$259,829	16.8%
Over \$259,829	20.5%

Manitoba, 2025

Taxable income	Rate
Up to \$47,000	10.8%
\$47,000 to \$100,000	12.75%
Over \$100,000	17.4%

New Brunswick, 2025

Taxable income	Rate
Up to \$51,306	9.4%
\$51,306 to \$102,614	14%
\$102,614 to \$190,060	16%
Over \$190,060	19.5%

Newfoundland and Labrador, 2025

Taxable income	Rate
Up to \$44,192	8.7%
\$44,192 to \$88,382	14.5%
\$88,382 to \$157,792	15.8%
\$157,792 to \$220,910	17.8%
\$220,910 to \$282,214	19.8%
\$282,214 to \$564,429	20.8%
\$564,429 to \$1,128,858	21.3%
Over \$1,128,858	21.8%

Nova Scotia, 2025

Taxable income	Rate
Up to \$30,507	8.79%
\$30,507 to \$61,015	14.95%
\$61,015 to \$95,883	16.67%
\$95,883 to \$154,650	17.5%
Over \$154,650	21%

Nunavut, 2025

Taxable income	Rate
Up to \$54,707	4%
\$54,707 to \$109,413	7%
\$109,413 to \$177,881	9%
Over \$177,881	11.5%

Prince Edward Island, 2025

Taxable income	Rate
Up to \$33,328	9.5%
\$33,328 to \$64,656	13.47%
\$64,656 to \$105,000	16.6%
\$105,000 to \$140,000	17.62%
Over \$140,000	19%

Yukon, 2025

Taxable income	Rate
Up to \$57,375	6.4%
\$57,375 to \$114,750	9%
\$114,750 to \$177,882	10.9%
\$177,882 to \$500,000	12.8%
Over \$500,000	15%

Federal, 2026

Taxable income	Rate
Up to \$58,523	14%
\$58,523 to \$117,045	20.5%
\$117,045 to \$181,440	26%
\$181,440 to \$258,482	29%
Over \$258,482	33%

Northwest Territories, 2025

Taxable income	Rate
Up to \$51,964	5.9%
\$51,964 to \$103,930	8.6%
\$103,930 to \$168,967	12.2%
Over \$168,967	14.05%

Ontario, 2025

Taxable income	Rate
Up to \$52,886	5.05%
\$52,886 to \$105,775	9.15%
\$105,775 to \$150,000	11.16%
\$150,000 to \$220,000	12.16%
Over \$220,000	13.16%

Saskatchewan, 2025

Taxable income	Rate
Up to \$53,463	10.5%
\$53,463 to \$152,750	12.5%
Over \$152,750	14.5%

Quebec, 2025

Taxable income	Rate
Up to \$53,255	14%
\$53,255 to \$106,495	19%
\$106,495 to \$129,590	24%
Over \$129,590	25.75%

Alberta, 2026

Taxable income	Rate
Up to \$61,200	8%
\$61,200 to \$154,259	10%
\$154,259 to \$185,111	12%
\$185,111 to \$246,813	13%
\$246,813 to \$370,220	14%
Over \$370,220	15%

British Columbia, 2026

Taxable income	Rate
Up to \$50,363	5.6%
\$50,363 to \$100,728	7.7%
\$100,728 to \$115,648	10.5%
\$115,648 to \$140,430	12.29%
\$140,430 to \$190,405	14.7%
\$190,405 to \$265,545	16.8%
Over \$265,545	20.5%

New Brunswick, 2026

Taxable income	Rate
Up to \$52,333	9.4%
\$52,333 to \$104,666	14%
\$104,666 to \$193,861	16%
Over \$193,861	19.5%

Nova Scotia, 2026

Taxable income	Rate
Up to \$30,995	8.79%
\$30,995 to \$61,991	14.95%
\$61,991 to \$97,417	16.67%
\$97,417 to \$157,124	17.5%
Over \$157,124	21%

Nunavut, 2026

Taxable income	Rate
Up to \$55,801	4%
\$55,801 to \$111,602	7%
\$111,602 to \$181,439	9%
Over \$181,439	11.5%

Manitoba, 2026

Taxable income	Rate
Up to \$47,000	10.8%
\$47,000 to \$100,000	12.75%
Over \$100,000	17.4%

Newfoundland and Labrador, 2026

Taxable income	Rate
Up to \$44,678	8.7%
\$44,678 to \$89,354	14.5%
\$89,354 to \$159,528	15.8%
\$159,528 to \$223,340	17.8%
\$223,340 to \$285,319	19.8%
\$285,319 to \$570,638	20.8%
\$570,638 to \$1,141,275	21.3%
Over \$1,141,275	21.8%

Northwest Territories, 2026

Taxable income	Rate
Up to \$53,003	5.9%
\$53,003 to \$106,009	8.6%
\$106,009 to \$172,346	12.2%
Over \$172,346	14.05%

Ontario, 2026

Taxable income	Rate
Up to \$53,891	5.05%
\$53,891 to \$107,785	9.15%
\$107,785 to \$150,000	11.16%
\$150,000 to \$220,000	12.16%
Over \$220,000	13.16%

Prince Edward Island, 2026

Taxable income	Rate
Up to \$33,928	9.5%
\$33,928 to \$65,820	13.47%
\$65,820 to \$106,890	16.6%
\$106,890 to \$142,520	17.62%
\$142,520 to \$200,000	19%
Over \$200,000	20%

Yukon, 2026

Taxable income	Rate
Up to \$58,523	6.4%
\$58,523 to \$117,045	9%
\$117,045 to \$181,440	10.9%
\$181,440 to \$500,000	12.8%
Over \$500,000	15%

Saskatchewan, 2026

Taxable income	Rate
Up to \$54,532	10.5%
\$54,532 to \$155,805	12.5%
Over \$155,805	14.5%

Quebec, 2026

Taxable income	Rate
Up to \$54,345	14%
\$54,345 to \$108,680	19%
\$108,680 to \$132,245	24%
Over \$132,245	25.75%

CRA prescribed interest rates

The CRA sets these each quarter. The rate on overdue taxes also applies to late instalments; the taxable-benefit rate applies to interest-free and low-interest loans from an employer or a corporation, and to prescribed-rate loans between family members.

CRA prescribed interest rates, 2025

Quarter	Overdue taxes	Overpayments (individuals)	Taxable benefits
January to March	8%	6%	4%
April to June	8%	6%	4%
July to September	7%	5%	3%
October to December	7%	5%	3%

CRA prescribed interest rates, 2026

Quarter	Overdue taxes	Overpayments (individuals)	Taxable benefits
January to March	7%	5%	3%
April to June	7%	5%	3%
July to September	7%	5%	3%
October to December	7%	5%	3%

Where the figures come from

Every figure in this guide comes from the Tax Footnote tax data, which records the official page each section was checked against and when. The 2025 data is from these pages; the online version is at taxfootnote.ca/data/v1/.

1. Last year tax rates and income brackets (2025) - Personal income tax · Federal, checked 2026-10-09 · canada.ca
2. Indexation adjustment for personal income tax and benefit amounts · Federal, checked 2026-10-09 · canada.ca
3. 5000-R Income Tax and Benefit Return 2025 (Step 5 - Federal tax) · Federal, checked 2026-10-09 · canada.ca
4. 5000-D1 Federal Worksheet 2025 (lines 30000, 30100, 34990, 40425; dividend gross-up) · Federal, checked 2026-10-09 · canada.ca
5. 5000-S9 Schedule 9, Donations and Gifts (2025) · Federal, checked 2026-10-09 · canada.ca
6. 5000-S3 Schedule 3, Capital Gains (or Losses) in 2025 · Federal, checked 2026-10-09 · canada.ca
7. T2203 Provincial and Territorial Taxes for Multiple Jurisdictions (2025), Part 2 - Refundable Quebec abatement · Federal, checked 2026-10-09 · canada.ca
8. Personal income tax: What's new for 2025 · Federal, checked 2026-10-09 · canada.ca
9. Line 34990 - Top-up tax credit · Federal, checked 2026-10-09 · canada.ca
10. Line 30000 - Basic personal amount · Federal, checked 2026-10-09 · canada.ca
11. Line 31400 - Pension income amount · Federal, checked 2026-10-09 · canada.ca
12. How much you can claim - Donations and gifts (federal rates for 2025) · Federal, checked 2026-10-09 · canada.ca
13. Unclaimed amounts: Dividends or interest (T5) - dividend tax credit and gross-up rates by year · Federal, checked 2026-10-09 · canada.ca
14. Definitions for capital gains (inclusion rate for 2025) · Federal, checked 2026-10-09 · canada.ca
15. Update on the Canada Revenue Agency's administration of the proposed capital gains taxation changes (January 31, 2025) · Federal, checked 2026-10-09 · canada.ca
16. What's new for corporations (proposed capital gains inclusion rate increase cancelled) · Federal, checked 2026-10-09 · canada.ca
17. Department of Finance Canada - Report on the Impact of Reducing the Lowest Marginal Personal Income Tax Rate on Non-Refundable Tax Credits (context only; no figures taken from it) · Federal, checked 2026-10-09 · canada.ca
18. Line 31270 - Home buyers' amount (tax year 2025) · Federal, checked 2026-10-11 · canada.ca
19. Home accessibility expenses - Personal income tax (line 31285, tax year 2025) · Federal, checked 2026-10-11 · canada.ca
20. Multigenerational home renovation tax credit (MHRTC) : Personal income tax (line 45355, tax year 2025) · Federal, checked 2026-10-11 · canada.ca
21. Expenses you can claim - Multigenerational home renovation tax credit (MHRTC) - Personal income tax · Federal, checked 2026-10-11 · canada.ca
22. Eligible tuition fees (line 32300) · Federal, checked 2026-10-11 · canada.ca
23. Transferring and carrying forward amounts (line 32300) · Federal, checked 2026-10-11 · canada.ca
24. P105 - Students and Income Tax 2025 (scholarship exemption, tuition, Canada training credit) · Federal, checked 2026-10-11 · canada.ca
25. Canada training credit : Personal income tax (line 45350, tax year 2025) · Federal, checked 2026-10-11 · canada.ca
26. CRA: CPP contribution rates, maximums and exemptions · CPP, QPP, EI and QPIP, checked 2026-10-09 · canada.ca
27. CRA: Second additional CPP contribution (CPP2) rates and maximums · CPP, QPP, EI and QPIP, checked 2026-10-09 · canada.ca
28. CRA: About the deduction of CPP contributions (What is the CPP enhancement) · CPP, QPP, EI and QPIP, checked 2026-10-09 · canada.ca
29. CRA: EI premium rates and maximums · CPP, QPP, EI and QPIP, checked 2026-10-09 · canada.ca
30. CRA: T4127 Payroll Deductions Formulas, 120th Edition, effective January 1, 2025 · CPP, QPP, EI and QPIP, checked 2026-10-09 · canada.ca
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35. Retraite Québec: The additional plan · CPP, QPP, EI and QPIP, checked 2026-10-09 · retraitequebec.gouv.qc.ca
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38. Gouvernement du Québec: Taux de cotisations au Régime québécois d'assurance parentale (RQAP) · CPP, QPP, EI and QPIP, checked 2026-10-09 · quebec.ca
39. Revenu Québec: Schedule R (TP-1.D.R-V), Québec Parental Insurance Plan (QPIP) Premium, 2025

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- 40. Revenu Québec: Line 439, QPIP premium on income from self-employment or employment outside Québec · CPP, QPP, EI and QPIP, checked 2026-10-09 · revenuquebec.ca
- 41. CRA: Line 31200 – Employment insurance premiums through employment (tax year 2025) · CPP, QPP, EI and QPIP, checked 2026-10-09 · canada.ca
- 42. CRA: Calculate income tax deductions (bonus or irregular payments) · CPP, QPP, EI and QPIP, checked 2026-10-11 · canada.ca
- 43. CRA: Types of remitters (quarterly remitters – new small employers) · CPP, QPP, EI and QPIP, checked 2026-10-11 · canada.ca
- 44. CRA: MP, DB, RRSP, DPSP, ALDA, TFSA limits, YMPE and the YAMPE · Registered plans and limits, checked 2026-10-09 · canada.ca
- 45. CRA: How contributions affect your RRSP deduction limit (18% of earned income) · Registered plans and limits, checked 2026-10-09 · canada.ca
- 46. CRA: Line 25400 – Capital gains deduction (2025 lifetime capital gains exemption \$1,250,000; maximum deduction \$625,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 47. CRA: Participating in your FHSAs (participation room \$8,000; participation room carryforward at most \$8,000; lifetime limit \$40,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 48. CRA: Line 23500 – Social benefits repayment (2025 OAS threshold \$93,454) · Registered plans and limits, checked 2026-10-09 · canada.ca
- 49. Government of Canada (Service Canada): Old Age Security pension recovery tax (thresholds; 15% repayment) · Registered plans and limits, checked 2026-10-09 · canada.ca
- 50. CRA: When to register for and start charging the GST/HST (small supplier thresholds) · Registered plans and limits, checked 2026-10-09 · canada.ca
- 51. CRA: Chart – Prescribed factors (RRIF minimum amount; $1 \div (90 - \text{age})$ at age 70 or younger) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 52. CRA: Minimum amount from a RRIF (fair market value at the start of the year $\times$ prescribed factor) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 53. CRA: Receiving income from a RRIF (yearly minimum from the year after the RRIF is set up; spouse's age election) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 54. CRA: Tax rates on withdrawals (RRSP: 10%, 20%, 30%; 5%, 10%, 15% in Quebec) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 55. CRA: Guide RC4157 (2025), Withholding rates for lump-sum payments (RRSPs, and RRIF amounts above the minimum) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 56. CRA: Guide T4079, T4RSP and T4RIF Guide (withhold tax from the RRIF excess amount, not from the minimum) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 57. Revenu Québec: Guide for Employers: Source Deductions and Contributions 2025 (TP-1015.G-V), section 9.14 (14% on single RRSP payments and on the part of a single RRIF payment above the minimum) · Registered plans and limits, checked 2026-10-10 · revenuquebec.ca
- 58. CRA: Making withdrawals (RRSP; a direct transfer to another RRSP isn't a withdrawal) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 59. CRA: Guide T4040, Chart 5 (the spouse's age election is made on the original RRIF application and can't be changed) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 60. CRA: Guide T4001, Employers' Guide – Payroll Deductions and Remittances (Rev. 25), Retiring allowances (tax on the part paid directly to a resident of Canada is withheld at the lump-sum rates: 10%, 20%, 30%; 5%, 10%, 15% in Quebec) · Registered plans and limits, checked 2026-10-10 · canada.ca
- 61. CRA: Who has to pay - Required tax instalments for individuals (net tax owing more than \$3,000, or \$1,800 for Quebec residents, for the year and for either of the two previous years) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 62. CRA: Guide T4002 (2025), Self-employed Business, Professional, Commission, Farming, and Fishing Income: Chapter 5 – Losses (restricted farm loss: \$2,500 plus half of the rest, at most \$17,500) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 63. CRA: Employee security (stock) options (\$200,000 annual vesting limit; employers with revenues of more than \$500 million) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 64. CRA: Foreign Income Verification Statement (Form T1135 above \$100,000; simplified Part A below \$250,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 65. CRA: Leaving Canada (emigrants) (Form T1161 if the property owned on leaving was worth more than \$25,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 66. CRA: Form T1161, List of Properties by an Emigrant of Canada (T1161 E (22); fair market value of all properties more than \$25,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 67. CRA: Completing Schedule 3 (personal-use property: an ACB or proceeds under \$1,000 is considered \$1,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 68. CRA: Death benefits - Prepare tax returns for someone who died (up to \$10,000 of all employer death benefits is exempt) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 69. CRA: Line 11400 – CPP or QPP benefits (tax year 2025; lump sums with \$300 or more for previous years) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 70. CRA: Line 22900 – Other employment expenses (tax year 2025; tradesperson's tools deduction at most \$1,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
- 71. CRA: Gifts, awards, and long-service awards (\$500 a year for non-cash gifts and awards; a sep-

- arate \$500 for long-service awards) · Registered plans and limits, checked 2026-10-11 · canada.ca
72. CRA: Transferring the eligible part of a retiring allowance (\$2,000 a year of service before 1996; \$1,500 more a year before 1989) · Registered plans and limits, checked 2026-10-11 · canada.ca
73. CRA: Line 21900 – Moving expenses (tax year 2025; maintaining the vacant old home, maximum of \$5,000) · Registered plans and limits, checked 2026-10-11 · canada.ca
74. CRA: Classes of depreciable property (Class 10.1: \$38,000 for vehicles acquired in 2025; Class 54: \$61,000, plus sales taxes) · Registered plans and limits, checked 2026-10-11 · canada.ca
75. CRA: Guide T4044, Employment Expenses 2025 (New for 2025: Class 10.1 \$38,000, leasing \$1,100 and interest \$350 a month; Class 54 \$61,000 for 2025) · Registered plans and limits, checked 2026-10-11 · canada.ca
76. CRA: Motor vehicle – Interest (2025 example: $\$350 \div 30 \times \text{days}$) · Registered plans and limits, checked 2026-10-11 · canada.ca
77. CRA: Motor vehicle – Leasing costs (2025 example: prescribed deductible leasing costs limit \$1,100) · Registered plans and limits, checked 2026-10-11 · canada.ca
78. CRA: Automobile or motor vehicle benefits – Allowances or reimbursements provided to an employee for the use of their own vehicle (prescribed per-kilometre rates by year, provinces and territories) · Registered plans and limits, checked 2026-10-11 · canada.ca
79. CRA: Guide T4130, Employers' Guide – Taxable Benefits and Allowances (Rev. 25) (2025: 72¢ and 66¢ a kilometre, an additional 4¢ in the territories; operating expense benefit 34¢, or 31¢ for automobile sales employees) · Registered plans and limits, checked 2026-10-11 · canada.ca
80. CRA: Automobile provided by the employer (prescribed per-kilometre rates for the operating expense benefit, by year) · Registered plans and limits, checked 2026-10-11 · canada.ca
81. CRA: Charge and collect the GST/HST (GST/HST and PST rates table; GST/HST rates for previous years; Nova Scotia HST decrease) · Sales tax, checked 2026-10-09 · canada.ca
82. CRA: GST/HST calculator (and rates) · Sales tax, checked 2026-10-09 · canada.ca
83. Government of British Columbia: B.C. provincial sales tax (PST) · Sales tax, checked 2026-10-09 · www2.gov.bc.ca
84. Manitoba Finance: Retail Sales Tax · Sales tax, checked 2026-10-09 · gov.mb.ca
85. Government of Saskatchewan: Provincial Sales Tax (PST) · Sales tax, checked 2026-10-09 · saskatchewan.ca
86. Revenu Québec: Calculating the Taxes (QST rate) · Sales tax, checked 2026-10-09 · revenuquebec.ca
87. CRA: Corporation tax rates (federal rates; provincial and territorial lower and higher rates and business limits, except Quebec and Alberta) · Corporate tax, checked 2026-10-09 · canada.ca
88. CRA: T4012 T2 Corporation – Income Tax Guide, chapter 4 (line 410 business limit, \$500,000) · Corporate tax, checked 2026-10-09 · canada.ca
89. CRA: Nova Scotia – Provincial corporation tax · Corporate tax, checked 2026-10-09 · canada.ca
90. CRA: Prince Edward Island – Provincial corporation tax · Corporate tax, checked 2026-10-09 · canada.ca
91. CRA: New Brunswick – Provincial corporation tax · Corporate tax, checked 2026-10-09 · canada.ca
92. Government of Alberta: Tax, levy, and prescribed interest rates (corporate income tax rates, current since July 1, 2020) · Corporate tax, checked 2026-10-09 · alberta.ca
93. Revenu Québec: Guide de la déclaration de revenus des sociétés (CO-17.G), 4.4.3.11 Taux d'imposition · Corporate tax, checked 2026-10-09 · revenuquebec.ca
94. CRA: Who has to pay in instalments - Corporate income tax payments · Corporate tax, checked 2026-10-11 · canada.ca
95. Revenu Québec: Income Tax Rates (2026 and 2025) · Quebec, checked 2026-10-09 · revenuquebec.ca
96. Revenu Québec: Income Tax Return, Schedules and Guide (TP-1-V), 2025 · Quebec, checked 2026-10-09 · revenuquebec.ca
97. Income Tax Return 2025 (TP-1.D-V): lines 350, 377.1, 389, 397 · Quebec, checked 2026-10-09 · revenuquebec.ca
98. Guide to the Income Tax Return 2025 (TP-1.G-V): lines 128, 139, 201, 248, 361, 391, 395, 398, 415 · Quebec, checked 2026-10-09 · revenuquebec.ca
99. Work Charts 2025 (TP-1.D.GR-V): 201, 395, 401 · Quebec, checked 2026-10-09 · revenuquebec.ca
100. Schedule B 2025: Tax Relief Measures · Quebec, checked 2026-10-09 · revenuquebec.ca
101. Schedule F 2025: Contribution to the Health Services Fund · Quebec, checked 2026-10-09 · revenuquebec.ca
102. Schedule T 2025: Tax Credit for Tuition or Examination Fees · Quebec, checked 2026-10-09 · revenuquebec.ca
103. Schedule U 2025: Québec Pension Plan (QPP) Contribution and Deduction · Quebec, checked 2026-10-09 · revenuquebec.ca
104. Schedule V 2025: Tax Credits for Donations and Gifts · Quebec, checked 2026-10-09 · revenuquebec.ca
105. Tax Credit for Career Extension 2025 (TP-752.PC-V, 2025-10) · Quebec, checked 2026-10-09 · revenuquebec.ca
106. Revenu Québec: Making Instalment Payments · Quebec, checked 2026-10-11 · revenuquebec.ca
107. Home Buyers' Tax Credit 2025 (TP-752.HA-V, 2025-10): line 396, maximum \$1,400 · Quebec, checked 2026-10-11 · revenuquebec.ca
108. Revenu Québec: Are You Eligible for the Tax Credit for Access to Homeownership? · Quebec, checked 2026-10-11 · revenuquebec.ca
109. Prescribed interest rates (index of quarterly rates) · CRA prescribed interest rates, checked 2026-10-11 · canada.ca
110. Prescribed interest rates for the first calendar quarter of 2025 (January 1 to March 31, 2025) ·

- CRA prescribed interest rates, checked 2026-10-11 · canada.ca
111. Prescribed interest rates for the second calendar quarter of 2025 (April 1 to June 30, 2025) · CRA prescribed interest rates, checked 2026-10-11 · canada.ca
112. Prescribed interest rates for the third calendar quarter of 2025 (July 1 to September 30, 2025) · CRA prescribed interest rates, checked 2026-10-11 · canada.ca
113. Prescribed interest rates for the fourth calendar quarter of 2025 (October 1 to December 31, 2025) · CRA prescribed interest rates, checked 2026-10-11 · canada.ca
114. Form AB428, Alberta Tax and Credits (2025) · Alberta, checked 2026-10-09 · canada.ca
115. Worksheet AB428 (2025) · Alberta, checked 2026-10-09 · canada.ca
116. Alberta tax information for 2025 - Canada.ca · Alberta, checked 2026-10-09 · canada.ca
117. Federal Schedule 9, Donations and Gifts (2025), e-text · Alberta, checked 2026-10-09 · canada.ca
118. TD1AB 2025 Alberta Personal Tax Credits Return · Alberta, checked 2026-10-09 · canada.ca
119. T4127 Payroll Deductions Formulas, 120th Edition, effective January 1, 2025 · Alberta, checked 2026-10-09 · canada.ca
120. T4127 Payroll Deductions Formulas, 121st Edition, effective July 1, 2025 · Alberta, checked 2026-10-09 · canada.ca
121. Form BC428, British Columbia Tax (2025) · British Columbia, checked 2026-10-09 · canada.ca
122. Worksheet BC428 (2025) · British Columbia, checked 2026-10-09 · canada.ca
123. British Columbia tax information for 2025 - Canada.ca · British Columbia, checked 2026-10-09 · canada.ca
124. TD1BC 2025 British Columbia Personal Tax Credits Return · British Columbia, checked 2026-10-09 · canada.ca
125. Form MB428, Manitoba Tax (2025) · Manitoba, checked 2026-10-09 · canada.ca
126. Worksheet MB428 (2025) · Manitoba, checked 2026-10-09 · canada.ca
127. Schedule MB428-A, Manitoba Family Tax Benefit (2025) · Manitoba, checked 2026-10-09 · canada.ca
128. Schedule MB(S11), Manitoba Tuition and Education Amounts (2025) · Manitoba, checked 2026-10-09 · canada.ca
129. Manitoba tax information for 2025 · Manitoba, checked 2026-10-09 · canada.ca
130. TD1MB 2025 Manitoba Personal Tax Credits Return · Manitoba, checked 2026-10-09 · canada.ca
131. TD1MB-WS Worksheet for the 2025 Manitoba Personal Tax Credits Return · Manitoba, checked 2026-10-09 · canada.ca
132. T4127 Payroll Deductions Formulas, 120th edition, effective January 1, 2025 · Manitoba, checked 2026-10-09 · canada.ca
133. T4127 Payroll Deductions Formulas, 121st edition, effective July 1, 2025 · Manitoba, checked 2026-10-09 · canada.ca
134. T4127 Payroll Deductions Formulas, 122nd edition, effective January 1, 2026 · Manitoba, checked 2026-10-09 · canada.ca
135. Form NB428, New Brunswick Tax and Credits (2025) · New Brunswick, checked 2026-10-09 · canada.ca
136. Worksheet NB428 (2025) · New Brunswick, checked 2026-10-09 · canada.ca
137. Schedule NB(S11), New Brunswick Tuition and Education Amounts (2025) · New Brunswick, checked 2026-10-09 · canada.ca
138. New Brunswick tax information for 2025 · New Brunswick, checked 2026-10-09 · canada.ca
139. TD1NB 2025 New Brunswick Personal Tax Credits Return · New Brunswick, checked 2026-10-09 · canada.ca
140. TD1NB-WS Worksheet for the 2025 New Brunswick Personal Tax Credits Return · New Brunswick, checked 2026-10-09 · canada.ca
141. Form NL428, Newfoundland and Labrador Tax (2025) · Newfoundland and Labrador, checked 2026-10-09 · canada.ca
142. Worksheet NL428 (2025) · Newfoundland and Labrador, checked 2026-10-09 · canada.ca
143. Schedule NL(S11), Newfoundland and Labrador Tuition and Education Amounts (2025) · Newfoundland and Labrador, checked 2026-10-09 · canada.ca
144. Newfoundland and Labrador tax information for 2025 · Newfoundland and Labrador, checked 2026-10-09 · canada.ca
145. TD1NL 2025 Newfoundland and Labrador Personal Tax Credits Return · Newfoundland and Labrador, checked 2026-10-09 · canada.ca
146. Form NS428, Nova Scotia Tax (2025) · Nova Scotia, checked 2026-10-09 · canada.ca
147. Worksheet NS428 (2025) · Nova Scotia, checked 2026-10-09 · canada.ca
148. Schedule NS(S11), Nova Scotia Tuition and Education Amounts (2025) · Nova Scotia, checked 2026-10-09 · canada.ca
149. Nova Scotia tax information for 2025 · Nova Scotia, checked 2026-10-09 · canada.ca
150. TD1NS 2025 Nova Scotia Personal Tax Credits Return · Nova Scotia, checked 2026-10-09 · canada.ca
151. TD1NS-WS Worksheet for the 2025 Nova Scotia Personal Tax Credits Return · Nova Scotia, checked 2026-10-09 · canada.ca
152. Form NT428, Northwest Territories Tax (2025) · Northwest Territories, checked 2026-10-09 · canada.ca
153. Worksheet NT428 (2025) · Northwest Territories, checked 2026-10-09 · canada.ca
154. Schedule NT(S11), Northwest Territories tuition schedule (2025) · Northwest Territories, checked 2026-10-09 · canada.ca
155. Northwest Territories tax information for 2025 · Northwest Territories, checked 2026-10-09 · canada.ca
156. TD1NT 2025 Northwest Territories Personal Tax Credits Return · Northwest Territories, checked 2026-10-09 · canada.ca

157. TD1NT-WS Worksheet for the 2025 Northwest Territories Personal Tax Credits Return · Northwest Territories, checked 2026-10-09 · canada.ca
158. Form NU428, Nunavut Tax (2025) · Nunavut, checked 2026-10-09 · canada.ca
159. Worksheet NU428 (2025) · Nunavut, checked 2026-10-09 · canada.ca
160. Schedule NU(S11), Nunavut tuition schedule (2025) · Nunavut, checked 2026-10-09 · canada.ca
161. Nunavut tax information for 2025 · Nunavut, checked 2026-10-09 · canada.ca
162. TD1NU 2025 Nunavut Personal Tax Credits Return · Nunavut, checked 2026-10-09 · canada.ca
163. TD1NU-WS Worksheet for the 2025 Nunavut Personal Tax Credits Return · Nunavut, checked 2026-10-09 · canada.ca
164. Form NU479, Nunavut Credits (2025) · Nunavut, checked 2026-10-09 · canada.ca
165. Form ON428, Ontario Tax (2025) · Ontario, checked 2026-10-09 · canada.ca
166. Worksheet ON428 (2025) · Ontario, checked 2026-10-09 · canada.ca
167. Schedule ON428-A, Low-income Individuals and Families Tax (LIFT) Credit (2025) · Ontario, checked 2026-10-09 · canada.ca
168. Ontario tax information for 2025 - Personal income tax · Ontario, checked 2026-10-09 · canada.ca
169. TD1ON 2025 Ontario Personal Tax Credits Return · Ontario, checked 2026-10-09 · canada.ca
170. TD1ON-WS Worksheet for the 2025 Ontario Personal Tax Credits Return · Ontario, checked 2026-10-09 · canada.ca
171. Form PE428, Prince Edward Island Tax and Credits (2025) · Prince Edward Island, checked 2026-10-09 · canada.ca
172. Worksheet PE428 (2025) · Prince Edward Island, checked 2026-10-09 · canada.ca
173. Schedule PE(S11), Prince Edward Island Tuition and Education Amounts (2025) · Prince Edward Island, checked 2026-10-09 · canada.ca
174. Prince Edward Island tax information for 2025 · Prince Edward Island, checked 2026-10-09 · canada.ca
175. TD1PE 2025 Prince Edward Island Personal Tax Credits Return · Prince Edward Island, checked 2026-10-09 · canada.ca
176. Form SK428, Saskatchewan Tax (2025) · Saskatchewan, checked 2026-10-09 · canada.ca
177. Worksheet SK428 (2025) · Saskatchewan, checked 2026-10-09 · canada.ca
178. Schedule SK(S11), Saskatchewan Tuition and Education Amounts (2025) · Saskatchewan, checked 2026-10-09 · canada.ca
179. Saskatchewan tax information for 2025 · Saskatchewan, checked 2026-10-09 · canada.ca
180. TD1SK 2025 Saskatchewan Personal Tax Credits Return · Saskatchewan, checked 2026-10-09 · canada.ca
181. TD1SK-WS Worksheet for the 2025 Saskatchewan Personal Tax Credits Return · Saskatchewan, checked 2026-10-09 · canada.ca
182. Form YT428, Yukon Tax (2025) · Yukon, checked 2026-10-09 · canada.ca
183. Worksheet YT428 (2025) · Yukon, checked 2026-10-09 · canada.ca
184. Schedule YT(S11), Yukon tuition schedule (2025) · Yukon, checked 2026-10-09 · canada.ca
185. Yukon tax information for 2025 · Yukon, checked 2026-10-09 · canada.ca
186. TD1YT 2025 Yukon Personal Tax Credits Return · Yukon, checked 2026-10-09 · canada.ca
187. TD1YT-WS Worksheet for the 2025 Yukon Personal Tax Credits Return · Yukon, checked 2026-10-09 · canada.ca
188. Current year tax rates and income brackets (2026) - Personal income tax · Federal, checked 2026-10-09 · canada.ca
189. T4127 Payroll Deductions Formulas, 122nd Edition, effective January 1, 2026 (federal changes, BPAF formula, K1/K4, Table 8.2 Quebec abatement) · Federal, checked 2026-10-09 · canada.ca
190. T4127 Payroll Deductions Formulas, 123rd Edition, effective July 1, 2026 (no federal changes) · Federal, checked 2026-10-09 · canada.ca
191. TD1 2026 Personal Tax Credits Return · Federal, checked 2026-10-09 · canada.ca
192. TD1-WS Worksheet for the 2026 Personal Tax Credits Return · Federal, checked 2026-10-09 · canada.ca
193. Income Tax Audit Manual, Chapter 27.0 Income ('the current inclusion rate is 50%') · Federal, checked 2026-10-09 · canada.ca
194. CRA: T4127 Payroll Deductions Formulas, 122nd Edition, effective January 1, 2026 · CPP, QPP, EI and QPIP, checked 2026-10-09 · canada.ca
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