Understanding Canada’s Corporate and Personal Tax Changes for 2025



As Canada enters 2025, businesses and individuals must navigate a shifting tax landscape influenced by economic recovery efforts, inflation control measures, and fiscal policy adjustments. Governments at both the federal and provincial levels have introduced modifications aimed at balancing revenue generation with economic growth. For HR managers, finance professionals, and individual taxpayers, staying informed about these changes is essential to compliance and strategic financial planning.

This article outlines the key corporate and personal tax changes in effect for 2025, highlighting jurisdictional differences where applicable. Additionally, we examine proposed tax reforms for 2026 and beyond, providing insight into potential future impacts on businesses and individuals.

Corporate Tax Changes in 2025

1. **Adjustments to the General Corporate Tax Rate**

The federal corporate tax rate remains at **15%**, but certain provinces have adjusted their own corporate tax rates to address economic pressures. Some provinces have reduced rates to attract investment, while others have increased rates to manage budget deficits.

2. **Changes to the Small Business Deduction**

The Small Business Deduction (SBD) remains an essential tax benefit for Canadian-controlled private corporations (CCPCs). However, for 2025:

- The **federal small business tax rate** remains at **9%**.
- Some provinces have **expanded** the eligibility threshold, allowing more businesses to qualify for the lower rate.
- Others have **tightened** regulations to prevent tax avoidance through income splitting and passive income strategies.

3. **Capital Gains Inclusion Rate Changes**

One of the biggest changes in 2025 is the **increase in the capital gains inclusion**

rate. Previously set at **50%**, the new inclusion rate for gains over **$250,000** will increase to **66.67%** for individuals and **corporations**. However, implementation has been deferred to **June 25, 2025**, giving taxpayers some time to adjust their financial strategies.

4. **Carbon Pricing and Business Tax Implications**

Carbon pricing continues to impact business expenses, with scheduled increases in the federal carbon levy affecting industries reliant on transportation and manufacturing. Companies may be eligible for rebates or tax credits, but compliance costs remain a concern for many sectors.

5. **Expansion of Tax Credits for Green Investments**

To encourage investment in clean energy and sustainability, the government has introduced or expanded tax incentives for businesses that:

- Invest in renewable energy projects.
- Improve energy efficiency in commercial operations.
- Participate in carbon offset programs.

Personal Tax Changes in 2025

1. **Changes to Federal and Provincial Tax Brackets**

Inflation indexing continues to influence personal income tax brackets. The federal government has adjusted tax brackets to account for cost-of-living increases, preventing "bracket creep."

Income Level	2024 Rate	2025 Rate
Up to $55,867	15%	15%
$55,868 – $111,733	20.5%	20.5%
$111,734 – $173,205	26%	26%
Over $173,205	29%	33%

Some provinces have also adjusted their tax brackets, with higher-income earners in certain jurisdictions seeing slight increases in marginal rates.

2. **Increased Canada Pension Plan (CPP) Contributions**

Employee and employer CPP contribution rates have increased in 2025 as part of the multi-year expansion plan. This means:

- Higher payroll deductions for employees.
- Increased employer contributions.
- Greater retirement benefits in the long term.

3. **Expanded Tax-Free Savings Account (TFSA) Limits**

To encourage personal savings, the **annual TFSA contribution limit** has increased to **$7,200** for 2025, reflecting inflation adjustments.

4. **Home Buyers' Tax Credit Enhancements**

Recognizing affordability challenges, the **Home Buyers' Tax Credit (HBTC)** has been

increased to **$10,000**, providing first-time homebuyers with greater tax relief.

Jurisdictional Differences in 2025 Tax Changes

Tax Policy	Federal	Ontario	British Columbia	Québec	Alberta
General Corporate Tax Rate	15%	11.5%	12%	11.5%	8%
Small Business Tax Rate	9%	3.2%	2%	4%	2%
Capital Gains Inclusion Rate	66.67% (over $250K)	Matches federal	Matches federal	Stricter tax on capital gains	Matches federal
Carbon Tax Impact	Nationwide	Higher fuel costs	Provincial rebate programs	Special exemptions	Carbon tax cap
Top Personal Tax Rate	33%	13.16%	16.8%	25.75%	15%
TFSA Contribution Limit Increase	Yes	No	No	No	No

Proposed Tax Changes For 2026 And Beyond

While 2025 brings notable tax updates, discussions are already underway for further reforms in the coming years. Some of the key proposals include:

- **Wealth Tax Proposals**: There is increasing discussion about implementing a wealth tax on high-net-worth individuals to address income inequality and generate additional government revenue.
- **Further Corporate Tax Incentives for Green Initiatives**: Policymakers are considering additional tax breaks for businesses investing in sustainable technology and carbon reduction strategies.
- **Capital Gains Inclusion Rate Adjustments**: The government is reviewing whether to further increase the proportion of capital gains that are taxable, potentially expanding the higher inclusion rate to all gains.
- **Digital Services Tax Expansion**: There is talk of expanding taxes on digital service providers and online marketplace platforms to ensure tech giants contribute their fair share.

Conclusion

Tax changes in 2025 bring a mix of opportunities and challenges for businesses and individuals alike. With adjustments to corporate and personal tax rates, evolving regulations around capital gains, and continued emphasis on green incentives, staying ahead of these shifts is crucial. Businesses should work closely with tax professionals to navigate these changes efficiently, while individuals should leverage new tax credits and savings opportunities to optimize their financial planning.

Looking ahead to 2026 and beyond, proposed tax reforms and the growing tariff war between the US and Canada could significantly reshape Canada’s fiscal landscape. By staying informed and adapting proactively, taxpayers can better position themselves for financial stability and growth in the years to come.