

Newsletter

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This publication is a high-level summary of the most recent tax developments applicable to business owners, investors and high net worth individuals. Enjoy!

Tax Tidbits

Some quick points to consider...

- The federal government has proposed to **reduce** the **base CPP contribution rate** from 9.9% to **9.5%**, effective January 1, 2027. This would reduce CPP contributions by about \$133 for both the employee and employer where the employee earns \$70,000.
- For 2026, the **limit** on the **deduction** for **non-taxable allowances** paid by an employer to an employee using a **personal vehicle** for business purposes will **increase** by one cent to **73 cents per km** for the first 5,000 kms driven and to 67 cents for each additional km.
- The federal government has proposed to allow **100% immediate expensing** for **greenhouses**, retroactive to November 4, 2025.
- The **first-time home buyers' GST/HST rebate**, along with the existing GST/HST new housing rebate, would provide a **100% GST rebate** on homes valued at **up to \$1 million**, with the rebate being **phased out** in a linear manner for homes valued between \$1 million and **\$1.5 million**. The rebate was originally proposed to **take effect** on May 27, 2025; however, the effective date has been moved to **March 20, 2025**, the date Prime Minister Mark Carney first announced the rebate.
- **US citizens** are required to **report** their **world-wide income** on US personal tax returns even if they do not live in the US. As of April 13, 2026, the fee to renounce US citizenship was reduced from \$2,350 to \$450.

Importance of Strong Internal Accounting: Gross Negligence Penalties

A January 6, 2026 **Tax Court of Canada** case reviewed assessments of **unreported revenues** of over \$6.4 million over two taxation years, 2013 and 2014. These amounts were determined through **bank deposit analysis** by CRA. Over \$1.7 million of the amount resulted from **failure to translate** revenues denominated in **foreign currency** to Canadian dollars. The court noted that **CRA's** use of **average foreign exchange rates** to calculate the difference was **reasonable**. CRA reassessed **outside the ordinary reassessment period** and imposed **gross negligence penalties**.

Taxpayer loses

The court noted that the **under-reported revenue** was a **misrepresentation**. The taxpayer's **owner and manager**, B, was **well-educated**, having obtained both a commerce degree and designation as a chartered accountant. B's **assumption** that his software **converted foreign currency** was **not sufficient** – the implications of the **weakening Canadian dollar** in the years in question should have been **apparent** to him.

The **choice** not to engage **additional accounting resources** despite knowing that both **he** and the **one employee** engaged in the **taxpayer's accounting** were **overwhelmed with work** indicated an **indifference to tax compliance**. This **justified reassessment** past the normal reassessment period. The **indifference** also led to the court's conclusion that B, and through him the taxpayer, was **grossly negligent** in the **tax filings** and the **penalty** was **upheld**.

ACTION: Ensure sufficient internal accounting and bookkeeping resources are in place. Inadequate accounting support can lead to errors, reassessments beyond the normal limitation period and gross negligence penalties.

Transfer of Assets to Shareholder's Child: Shareholder Benefit

A January 5, 2026 **Court of Quebec** case considered whether a corporation's **sale of a cottage** to the **shareholder's sons** resulted in a **denied capital loss** to the corporation and a **taxable shareholder benefit**.

In 2015, the corporation sold a cottage that it had **constructed for \$1,248,821** to the shareholder's sons **for \$700,000**. Following an audit, Revenu Québec (RQ) denied the corporation's capital loss of \$406,934 on the basis that the cottage was **personal-use property**. RQ also assessed a **shareholder benefit** of \$536,759, representing the difference between cost and sale price plus a minor adjustment. The case did not specify why the denied loss and the shareholder benefit were not the same.

In conducting its analysis, the court **referred extensively** to **Tax Court of Canada** cases, noting that the relevant **federal and provincial provisions** were **similar**, requiring the same type of analysis.

Corporation loses – capital loss

Losses realized on the disposition of **personal-use properties** are specifically **denied**. An asset **can be a personal-use property even if it is owned by a corporation**. Whether a property is a **personal-use property** depends on whether it is **held for personal use** by the **taxpayer** or **persons related** to the taxpayer (such as a shareholder).

The court emphasized that the actual, **predominant use** of the property was the determining factor, as opposed to merely the stated investment intention. The court noted that the **documentary evidence** suggested a **personal purpose**:

- utilities and cable bills were placed in the spouses' names;
- **insurance** coverage was changed from corporate to **personal names** (the property was **described as a secondary residence**);
- reports referred to the property as a **future residence** for the family; and
- there was very limited support that the property was being used for its stated investment purpose as a rental property.

The court concluded that the cottage was **used primarily** for the **personal enjoyment** of the shareholder and his family and thus was **personal-use property**. As such, the **capital loss** was **denied**.

Shareholder loses – shareholder benefit

The **corporation** fully financed and **constructed** the cottage, then **sold** it to related parties at a price significantly **below cost**. The court found that such a transaction would not have occurred between arm's-length parties and that RQ reasonably quantified the benefit as the difference between cost and sale price. As such, a taxable shareholder benefit was applicable.

In assessing the quantum of the benefit, the shareholder argued that construction deficiencies reduced the value of the property and relied on a **2015 appraisal** to support a fair market value (FMV) of **\$700,000** at the time of transfer (in 2015). The court was not persuaded, noting that the valuation was prepared in **contemplation of a related-party transaction** and a **quick sale**. Further, the appraiser did not testify. The court then noted that the property was **listed earlier for \$1,175,000** and was later sold by the sons in 2022 for \$1,775,000, which further undermined the credibility of the low appraisal.

The court noted that the **FMV** of an asset is **not automatically used** when determining the value of a taxable benefit. Having **rejected** the reliability of the shareholder's FMV evidence, the court accepted RQ's calculation of the shareholder benefit as the difference between the construction cost (approximately \$1.25 million) and the sale price.

The court also noted that, in a **previous audit**, the **cottage** was determined by RQ to be **used personally** and a **taxable benefit** was added to the shareholder's income for 2012 and 2013. The resulting additional assessments were upheld after objection. No gross negligence penalties were assessed. The reassessments were issued within the normal reassessment period.

ACTION: When transferring assets from a corporation to a shareholder or relative, ensure that the transfer is made at fair market value and that proper evidence supports this assertion.

Shareholder Benefits: Offset by Loan to Corporation?

A December 17, 2025 **Court of Quebec** case considered whether **shareholder benefits** arising from approximately **\$1.6 million in personal expenses paid by a corporation** from 2014 to 2017 should be included in the **shareholder's income** or whether they could be **offset by loans** that he had made to the corporation. From 2015 to 2017, the taxpayer had made three loans to the corporation, totalling approximately \$1.5 million.

Taxpayer loses

The expenses that the corporation paid on behalf of the shareholder included **travel, meals, entertainment, retail purchases and construction costs**. The court acknowledged that shareholder **benefits can** sometimes **be offset** against shareholder **loans**, but only where there is clear evidence that the **loan** account was **intended to reimburse** the corporation. However, the **court rejected** this possibility, finding that the taxpayer had **failed to prove** that there was a **real intention to repay** or set off the personal benefits in the year the benefits were received. This finding was supported by the **absence of objective evidence**, such as **journal entries and written documentation**. In addition, the taxpayer denied that the expenses were personal until several years after receipt, indicating that he had not intended to repay them at the relevant time. Rather, the court found that the loans were provided to fund operations and growth, **not to repay personal benefits**.

The court found that Revenu Québec could **reassess outside the normal reassessment period** for 2014 and 2016, concluding that the taxpayer made a **misrepresentation** attributable to carelessness or willful omission by **failing to report substantial shareholder benefits**.

The court also **upheld gross negligence penalties** totalling over \$200,000. The court noted that the **repeated omission of accounting for personal expenses** paid by the corporation over several years appeared to be a system put in place by the sole shareholder and director **to avoid tax**. The court emphasized the **magnitude** of the omission (over 400% of the income reported), the taxpayer's **business experience**, the **absence of voluntary disclosure** and the fact that professional accounting support existed.

 **ACTION:** Documenting and accounting for corporately paid personal shareholder expenses should be done on an ongoing basis.

Individuals Buying and Selling Houses: GST/HST

A February 2, 2026 **Tax Court of Canada** case considered whether spouses who **repeatedly built and sold houses** were builders and whether **GST was applicable**.

CRA had reassessed the taxpayers for GST of \$22,875 for the March 2016 reporting period after they **completed building** and first **occupied a house** in British Columbia. The taxpayers had purchased seven houses and **sold five** (including building several houses on bare land) over an **11-year period** (2010 to 2021).

The taxpayers argued that they were **not builders** and therefore did **not have to remit GST** on the use or sale of the property. Alternatively, if they were considered builders, they argued that the house was built **primarily for their family's residence**, such that they qualified for the **personal-use exception**. This exception applies to individual taxpayers who are builders where the complex is **primarily used as a place of residence** by the taxpayer (or relative). The house cannot have been used primarily for any other purpose between substantial completion and primary use as the builder's residence. If the taxpayers were builders, and the exception did **not apply**, they would have had to **remit GST** on the **self-supply** of the property when they first began to use it.

Taxpayers lose – builder

Emphasizing the **frequency of similar transactions**, the relatively **short ownership and occupancy period**, and the appellants' **familiarity with building and selling** houses for profit, the court found that the taxpayers **were builders**. Although the taxpayers argued that they sold the house because the bedroom layout was unsuitable for their toddler, the court found the explanation unconvincing given their involvement in the construction.

Taxpayers lose – personal-use exception

The court then addressed the taxpayers' argument that they should benefit from the **personal-use exception**. The court found that the **taxpayers' primary use** of the house was as **inventory** to sell rather than for residential use. Their **occupancy lacked** the enduring quality associated with a **genuine family residence** and instead appeared incidental to a broader pattern of profitable development and sale. The court distinguished this situation from one in which resale was only a secondary intention and the taxpayer genuinely lived in the house. The **brief residential occupancy did not overcome** evidence that the house was primarily **held for resale**.

The court **upheld CRA's assessment** of GST on their appraised valuation of \$915,000, based on comparable sales and professional appraisal methodology.

ACTION: Repeatedly buying or building, briefly occupying, and then selling homes for profit may result in individuals being classified as builders, causing GST/HST to apply even in some cases where the properties were personally occupied.

Adding Relatives to Legal Title of a Property: Beneficial Ownership

A recently released July 14, 2023 **Technical Interpretation** reviewed whether a taxpayer **remained** the **beneficial owner** of 100% of her **residence** after adding her two **daughters** to title for **nominal consideration**. Her daughters had **signed an acknowledgement** that the **intention was not to gift** the property to them, but rather that the property would **pass equally to all six** of the **taxpayer's children** on her death. The **taxpayer paid all costs** related to the property and **neither daughter lived in it**.

CRA noted that the **beneficial owner** would report **all gains** on the property and could **offset those gains** using the **principal residence exemption**. **All relevant factors** must be considered to determine **beneficial ownership**, including the following:

- the **rights** to:
 - **possession**;
 - **collect rent**;
 - **mortgage** the property;
 - **transfer title** to the property (by sale or by will);
- the **obligations** to:
 - **maintain and repair** the property; and
 - **pay property taxes** related to the property.

CRA noted that this was **not** an **exhaustive** list of relevant factors, and that **all relevant factors** must be considered to determine **beneficial ownership**. However, CRA opined that, **based on the facts provided**, the **taxpayer** was likely the **beneficial owner** throughout her lifetime, with **no disposition** when her **daughters** were **added to the title**.

ACTION: Adding an individual's name to the title of a property could result in a number of tax consequences. Prior to any such action, consult a professional for guidance to ensure the intention behind such actions are properly documented and the tax implications understood.

Canada Child Benefit (CCB): Shared Custody

In a February 2, 2026 **Tax Court of Canada** case, the taxpayer argued that she was a **shared-custody parent** entitled to **half** of the CCB. The court noted that there are **two approaches** under which parents can meet the **residency requirements** to be **shared-custody parents**, as follows:

- i. the **child resides** with **each parent** at least **40% of the time**; or
- ii. the **child resides** with the **parents** on an **approximately equal basis**.

The court noted that the **explanatory notes** to amendments implementing these approaches indicated that (ii) was **intended** to accommodate situations where the **40% test** is **generally met**, but the time **temporarily** falls **below 40%** for reasons such as illness or vacation.

Taxpayer loses

The court noted that the **test is not parenting time** (that is, measuring waking hours during which the child is in the care and custody of each of the two parents), but where the **child resides**. The court opined that **residing** requires the **presence** of both the **parent and the child** carrying on their **normal routines of life** in or from a **physical structure to which they return** on a regularly recurring basis. The taxpayer **resided with the child** on **some weekends** (generally three weekends per month). She also spent periods of **three to four hours** at a time with the child during the week in **malls, movie theatres, restaurants** or attending their **recreational activities**. The court noted that these periods did **not constitute residing**, but merely **visiting**. The child **did not reside with the taxpayer** for more than two days per week, well **below the 40% threshold** required, so the taxpayer was **not a shared-custody parent**.

ACTION: Review living arrangements to determine if the time with the child constitutes residency, or only visits.

Cancellation of OAS Enrollment: Don't be Late!

OAS provides a **monthly income-sensitive payment** to eligible individuals aged 65 and older. Individuals who normally receive OAS are occasionally surprised when some **OAS** is subject to a **special tax** (commonly referred to as a "**clawback**") with their personal tax filings due to **high earnings**. In particular, OAS is **clawed back** at a rate of 15% of adjusted income received in that year, above an indexed threshold of **\$93,454 for 2025** and **\$95,323 for 2026**.

Individuals whose **income exceeds this threshold** may consider **deferring** the commencement of **OAS**. Future OAS payment increases of **.6% per month** of delay (to a **maximum of 36%** for 5 years of deferral) are provided to compensate for the deferral. If OAS is clawed back in its entirety, it **costs nothing** to delay but provides the benefit of **increased future payments**. Increased OAS payments also increase the income level at which all OAS is clawed back.

In a November 18, 2025 **Federal Court of Appeal** (FCA) case, an individual was **not permitted** to **cancel** their **OAS pension enrollment decision** when requested beyond the allowable period.

The taxpayer had been **automatically enrolled** for OAS in 2020. He **neither objected** to the enrollment within the **90-day window** to object, **nor applied for cancellation** within the **allowed six months** from the first payment, despite Service Canada informing him of those options. Nearly **two years later**, the taxpayer **sought to cancel** his enrollment, citing ongoing work, the COVID-19 pandemic and the delay in the Minister's response as reasons for delays in asking for the cancellation. He wanted to cancel his enrollment as his **earnings** from **ongoing work** were **eroding his benefit**; a delay in receiving OAS would have resulted in increased future payments.

Taxpayer loses

The FCA agreed with the Federal Court's determination that the **refusal was reasonable**. The **analysis** of deadlines for reconsideration and cancellation was **conceptually sound**.

ACTION: Consider whether your OAS payment may be clawed back due to high income before applying. If you have been automatically enrolled, promptly cancel your enrollment if desired.

Payments for Right to Acquire a Home: Beneficial Ownership

In a recently released November 20, 2023 **Technical Interpretation**, CRA considered whether a resident participating in a **housing agreement** involving **regular payments** towards a **future option to buy** a property held **beneficial ownership** or a **leasehold interest** for purposes of the **principal residence exemption** (PRE).

The agreement allowed the taxpayer to **occupy the unit** and **make monthly payments**, some of which **increased their investment** (the "interest") in the property. The resident would eventually be able to purchase the property at fair market value and **apply the accumulated interest** as a **down payment**. The interpretation addressed whether a gain on repayment of this interest could be sheltered by the PRE.

Beneficial ownership

CRA noted that beneficial ownership is a common law concept based on rights such as possession, control and the ability to transfer title, as well as bearing obligations such as paying property taxes. While the taxpayer had **exclusive possession** and bore **some financial risk**, CRA found that the taxpayer **lacked critical elements of ownership**, such as control over mortgaging, the right to rent or make structural changes without approval and ultimate responsibility for property expenses. Thus, CRA concluded that the taxpayer did **not have beneficial ownership** and therefore did not "own" the property for purposes of the PRE.

Leasehold interest

Gains on dispositions of leasehold interests can be eligible for the PRE. CRA acknowledged that a **lease likely existed** but clarified that the **amount paid** to the taxpayer upon termination of the agreement was **not to compensate for lease termination**, but rather was tied to the taxpayer's accrued interest. As such, any **gain** on the **repayment** of this interest would **not be eligible** for the PRE, as it would not be a disposition of a qualifying property.

ACTION: If a new or novel method of acquiring a home is being used, consider whether or not tax benefits, such as the principal residence exemption, would still be available.

Labour Mobility Deduction: Temporary Relocation Expenses

The **labour mobility deduction** provides eligible **tradespeople** and **apprentices** working in the **construction industry** with a **deduction** for certain **temporary relocation expenses**. The temporary lodging must be at least a minimum distance closer to each temporary work location than the taxpayer's ordinary residence. It is proposed that, effective for **2026** and subsequent years, the minimum distance would be reduced to **120 km** from the current 150 km. It was also proposed that the **maximum deduction** would increase to **\$10,000** from the current \$4,000.

Expenditures are **not eligible** to the extent that the taxpayer is **entitled to** receive a **reimbursement**, an **allowance** or any other form of **assistance** in respect of the expense, unless included in the taxpayer's income.

ACTION: Construction tradespeople and apprentices working temporarily away from home should maintain detailed records of relocation expenses, reimbursements and allowances received to calculate and claim labour mobility deductions.

An October 9, 2025 **Technical Interpretation** confirmed that **receiving an allowance** would **not** make a taxpayer's expenditure **completely ineligible** for the labour mobility deduction but rather would reduce the amount that could be claimed. Only the **portion** of expenses that exceed the **non-taxable** allowance received from an employer would be eligible.

Bill C-15 Enacted

Bill C-15, a 638-page omnibus bill that includes measures from Budget 2025 or earlier, received Royal Assent as of 26 March 2026 and has become law. Bill C-15 includes: extension for loss carryback for graduated rate estates ("GRE"); changes to bare trust reporting for 2026 tax year; ending the underused housing tax in respect of 2025 and subsequent years; reinstatement of the existing accelerated investment incentive and immediate expensing for most capital properties for businesses; increase of the annual SR&ED expenditure limit to \$6 million and other changes to the SR&ED program; clean electricity investment tax credit and enhancements to existing clean economy tax credits; expansion of capital gains rollovers for qualifying dispositions of eligible small business corporation shares; increase of the Lifetime Capital Gains Exemption to \$1.25 million for dispositions on or after 25 June 2024 (and indexed starting 2026); and exemption of the Canada Disability Benefit from personal income.

Global Minimum Tax ("GMT")

The **Global Minimum Tax Act** ("GMTA") was enacted in Canada in 2024 and applies to **qualifying multinational enterprise** ("MNE") groups for fiscal years that begin on or after December 31, 2023. It imposes filing requirements (i.e. the Global Minimum Tax Return) and a minimum tax (i.e. minimum effective tax rate of 15% to profits of the MNE group).

A qualifying MNE group for a particular fiscal year is an MNE group with €750 million or more in revenue reported in the consolidated financial statements of its ultimate parent entity (in at least 2 of the 4 fiscal years immediately preceding the particular fiscal year) and that is not composed exclusively of excluded entities for the particular fiscal year.

A Canadian member of a qualifying MNE group needs to register for a PT program account before filing the Global Minimum Tax Return with CRA. Registration for the PT program opened as of 25 October 2025.

If you think you meet the qualifying MNE group definition or have questions about the GMT, please contact your Rolfe Benson partner.

Firm News

Another busy tax season has come to a close and many of our staff are enjoying some well-earned vacation time. We hope you and your families enjoy all that B.C. has to offer!

Since our last newsletter, we've welcomed back Nodoka Matsui of the administrative department from maternity leave and now wish Lynsey Sturgeon a safe delivery for baby #2. We've said goodbye to Steve Kwak, one of our Senior Accountants and wish him well in his future endeavours. We had many great students join us for a busy tax season this year: 3 CPA and 5 Co-Op students. We thank them for all their contributions.

I would also like to take this opportunity to thank all our dedicated staff whom persevere through our busy tax season and put in countless overtime hours to complete income tax returns, finalize audited financial statements and so much more. June 30th really marks the end of our busy season. Our staff make the extra efforts to respond to your emails and phone calls in a timely manner while getting pulled in multiple directions.

As we transition through the summer months, our minds start to focus on changes to income tax matters that will impact 2026 tax filings. There are a few matters that deserve some attention.

1) Bill C15 was enacted this Spring. A few big takeaways include: the extension of loss carryback for graduated rate estates, multiple changes to the SR&ED program, a clean electricity tax credit, expansion of capital gains rollovers, increase to the Lifetime Capital Gains Exemption to \$1.25M for dispositions on or after 25 June 2024 (and indexed starting in 2026) the exemption of the Canada Disability Benefit from personal income, changes to bare trust reporting for the 2026 year and much more.

2) In connection with the changes for bare trust reporting in the coming year, if you have or think you may have a bare trust, now is the time to start discussing this with us. In simplistic terms, a bare trust is where one person holds legal interest in a property for the benefit of another person. There does not need to be a formal trust deed in place to have a bare trust relationship. We will be circulating a separate letter to our clients with greater details in the coming months.

3) CRA enforcement action continues to occupy a significant amount of our tax group's capacity. The CRA implements sophisticated compliance identification techniques and takes aggressive actions on their findings. These are not just isolated to large dollar value transactions, but can be hyper focused on individual expense items reported on your tax returns. We would like to remind you to ensure you maintain appropriate records to support all claims.

4) PST on accounting services – Budget 2026 announced an expansion of the provincial sales tax (PST) to certain professional services effective 1 October 2026. Therefore, for accounting services provided subsequent to 1 October 2026, PST will be charged on those invoices at the 7% PST rate. If you think your business provides professional services that may fall under these new rules and you require assistance with navigating these rules, please do not hesitate to contact us.

Please ensure you are signed up to use our secure Rolfe, Benson Portal. This allows for the secure transmission of your confidential information AND the confidential information others have entrusted you with. If you've not already signed up, please contact the EA responsible for your file or contact us at admin@rolfebenson.com and put "portal sign-up" in the email subject heading.

Thank you for reading this newsletter and if there are any topics that apply to you or you would like further information on, please do not hesitate to reach out to us, whether directly through your contact or at admin@rolfebenson.com.

Aaron Kuzik, CPA
Managing Partner

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If you have any questions, give us a call at 604.684.1101.