

VIDEO TAX NEWS

Monthly Tax Update Summary

July 2025 — ISSUE 527

This **10 Minute Summary** highlights a **general conclusion and/or subject matter** discussed in each Monthly Tax Update Newsletter article. Please refer to the full detailed article for the particulars relevant in each scenario.

Most items are based on a recent publication from one of the following categories: "CRA" — CRA document/interpretation, "Court Cases" — Decisions rendered in court cases, "Government of Canada" — Releases from the Government of Canada other than CRA, and "Articles" — Media article or professional organization commentary.

527(1) GOVERNMENT RELEASES

- Two Finance, four CRA and two other government releases, including the **Bill to reduce the lowest marginal tax rate**.

527(2) CANADA'S COVID-19 RESPONSE

- Personal **COVID-19 benefit eligibility** reviews discussed, including **timing** issues of business **expenses, language barriers** and a taxpayer's choice to **homeschool** their children.
(Court Cases)

527(3) BUSINESS/PROPERTY INCOME

- Whether printed flyers were for sale or part of a marketing service discussed in the context of the **manufacturing and processing** investment tax credit.
(Court Cases)
- Costs incurred to construct a temporary access road would qualify as **Canadian exploration expenses**.
(CRA)
- Captured carbon can be stored in a mineral rock formation and maintain eligibility for the **carbon capture, utilization and storage refundable tax credit**.
(CRA)

527(4) CAPITAL GAINS/LOSSES

- Cash and investments were not found to be assets used in active business and therefore the **capital gains exemption** was not available.
(Court Cases)

527(5) PURCHASE/SALE OF A BUSINESS

- Sale with a **reverse earnout** agreement discussed, including consideration of impact on capital dividend account and capital gains reserve.
(CRA)

527(6) OWNER-MANAGER REMUNERATION

- **Directors** can be **liable** for **unpaid excise taxes** in a manner similar to liability for GST/HST and source deductions.
(Articles)

527(7) CORPORATE REORGANIZATION

- Tips provided to ensure corporate groups are **audit-ready** for CRA reviews of **intercorporate dividends**.
(Articles)

527(8) CORPORATE TAX

- **Prescribed form** to elect to treat **excessive capital dividends** as separate taxable dividends released.
(CRA)
- The receipt of a **promissory note** in an intergenerational business transfer does not necessarily mean that the vendor has **de facto control**.
(CRA)

527(9) CRA

- CRA will **not penalize** taxpayers for failure to remit **payments over \$10,000 electronically**.
(Articles)
- CRA has record of over ten million **uncashed cheques**, some over \$100,000.
(Articles)
- CRA rejection of **voluntary disclosure** for failure to provide requested relevant information regarding years prior to the period applied for was reasonable.
(Court Cases)
- **CRA nudge letters** may not, in and of themselves, preclude access to the **voluntary disclosures program**.
(Articles)
- **Unnamed persons requests** related to Shopify accounts denied.
(Court Cases)

527(10) ESTATE PLANNING

- Judicial review allowed on **denied TFSA overcontribution** relief because CRA could not prove that the assessment was properly delivered.
(Court Cases)

- The Canadian Bar Association opined that standard **lawyers' trust accounts** should be eligible for **CRA relief** from trust filing obligations for 2023 and 2024.
(Articles)
- Listing of issues in **wills** that can impede **post-mortem planning**.
(Articles)
- **RESP withdrawals** discussed.
(Articles)

527(11) CHARITIES/NPOS

- Various personal tax issues discussed, including **fake charitable donation receipts**, employment expenses and gross negligence penalties on incorrectly claimed rental loss.
(Court Cases)

527(12) INTERNATIONAL

- Proposal to **increase withholding tax** on **US-source income** from securities held by non-US residents of Canada discussed.
(Articles)
- **US** proposes to allow **stays of up to 240 days for snowbirds** from Canada.
(Other Government Releases)
- **EIFEL** considered in scenario where a **trust** affiliated with a corporate group owned US real estate.
(Articles)

527(13) FIRST NATIONS

- **Retroactive compensation** received by a status Indian would be **exempt** to the extent employment income earned in the period covered was exempt.
(CRA)

527(14) GST/HST

- Details on the **first-time home buyers' GST rebate released**.
(Government of Canada)
- Various scenarios considered in respect of the **purpose-built rental housing GST rebate**.
(CRA)
- Whether the purchase of a **fractional ownership** interest in a horse by a **non-resident** GST/HST registrant was subject to GST/HST discussed.
(CRA)
- Payment for an option to **extend an agreement** constituted a normal taxable supply.
(Court Cases)
- The provision of **administrative support** and **medical supplies** found to be a single exempt supply; no GST/HST to be charged on the supply of administrative support.
(Court Cases)

527(15) DID YOU KNOW...

- The **digital services tax** would apply to **air travel** booked through **intermediaries**, but **not** to flights booked **directly with the airline**. An **intermediary** facilitating **sales of digital content** could also be subject to the tax.
(CRA)
- **Newfoundland and Labrador** eliminated its tax on beverages that have added sugars effective July 1, 2025.
(Other Government Releases)
- **Ontario budget** – various proposals including a **new fertility treatment tax credit** and a temporary expansion of the **Ontario made manufacturing investment tax credit**.
(Other Government Releases)