

2025 Federal Budget – Not a lot of new news

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Finance and Revenue Minister Champagne assured the public in days prior to the budget that there would be “no surprises”. And, for the most part, there were only welcome ones: cancellation of the UHT and the luxury tax on aircraft and vessels; not proceeding with the Canadian Entrepreneur’s Incentive (CEI) and a further delay in bare trust reporting obligations to 2026.

All quiet on the insurance front – no changes to the taxation of life insurance, corporate-owned insurance or the CDA.

Of interest to us

A long list of prior measures will proceed “as modified to take into account consultations and deliberations since their release.” Relevant to estate planning and life insurance, is the technical amendment that will extend the period for redemption and capital loss carry-planning to the first 3 taxation years of a graduated rate estate applicable to deaths occurring on or after August 12, 2024. ([Technical amendment expands the time frame for post-mortem capital loss carry-back planning – Tompkins Insurance](#)).

A new measure will modify the existing rule that prevents the avoidance of the 21-year deemed disposition where property of a trust is transferred on a tax-deferred basis to another trust. Applicable to transfers of trust property on or after November 4, 2025, the words “directly or indirectly” will be added to the provision. The example provided in the materials described the rollout of trust property to a corporate beneficiary owned by another trust. This type of transfer is already considered a “notifiable transaction” ([Avoiding the 21-year rule? – Be notified – Tompkins Insurance](#)) and in the view of the CRA, GAAR-able.

We are also interested in understanding the impact of a measure that clarifies that the investment income derived from assets supporting Canadian insurance risks qualifies as FAPI. We have reached out to insurers to understand if this will have any material impact on products and pricing.

No news is mostly good news

Although, there was no mention of tax reform ([2025 Pre-budget musings – Is tax reform on the horizon? – Tompkins Insurance](#)) or even a statement of intention surrounding the promised review of the corporate tax system, the cancellation of the UHT and the CEI could indicate that pruning is a possibility.

There were no personal or corporate tax rate increases and no new taxes like a wealth tax ([Wealth and tax – Some developments from around the world – Tompkins Insurance](#)). And as noted above, all quiet on the insurance front as well – no changes to the taxation of life insurance, corporate-owned insurance or the CDA.

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