

KEMP HARVEY GROUP

CHARTERED PROFESSIONAL ACCOUNTANTS

2026-1  NEWSLETTER

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BARE TRUST RETURN FILING DEFERRED AGAIN

The CRA has once again deferred the tax reporting requirement for bare trusts in Canada.

Bare trusts are trusts in which the legal title of a trust property is held by a trustee, and a beneficiary has the beneficial ownership of the property.

The beneficiary has absolute control over the trustee's actions with the property, and the trustee can make no independent decisions in regards to that property.

Bare trusts are generally not taxable. This allows for legal title to change hands without any tax ramifications, assuming the beneficiary of the trust has not changed.

Any tax that could be payable by a bare trust would be paid by the beneficiaries when a taxable event does occur.

Although the trust is not taxable, the federal government announced in 2018 that they would

begin requiring bare trusts to report certain information to the CRA.

It was not until December 2022 that legislation was passed requiring bare trusts to begin filing these information returns for periods ending after December 30, 2023. This deadline was deferred to periods ending after December 30, 2024, and then to those ending after December 30, 2025.

Several amendments were proposed to bare trust filings in November 2025.

However, as noted in previous newsletters, the CRA will not enforce proposals that have not passed through legislation.

At the end of the fall session of parliament, the legislation had not yet been passed.

With Parliament only recently reconvening, the CRA has confirmed that they do not expect that bare trusts will be required to file information returns for 2025.

POSTPONED

The amendments introduced in the latest legislation should exempt a significant number of bare trusts from these filing requirements.

One notable change was the specific exemption of a situation in which a parent has put their name on title of a property for their child solely to co-sign for a mortgage for the child's principal residence.

In a situation where an adult child is added to the bank account of their elderly parent, the bare trust will also be exempted from this filing requirement, assuming the bank account holds less than \$250,000.

It is expected that there will be additional changes made as the legislation moves through the consultation and committee stages.

NEW FILING REQUIREMENTS FOR TRUCKERS

Businesses in the trucking industry are now required to issue T4A's to Canadian Controlled Private Corporations (CCPC's) if they have paid these entities over \$500 for services rendered in the year.

This requirement begins with the 2025 calendar year.

A business is considered to be in the trucking industry if more than 50% of its income is earned from trucking activities.

The due date for these slips is March 2, 2026. The filing deadline is ordinarily February 28th of the following year, but is extended this year because February 28th falls on a Saturday.

Examples of eligible trucking activi-



ties include the transportation of goods, including carriers, general and specialized freight services, and freight transportation arrangement companies such as brokers.

Examples of non-eligible transporta-

tion activities include the transportation of people, as well as postal and courier services.

This requirement has been introduced to counter the Driver Inc. model of trucking.

In these models, trucking companies pay their drivers as incorporated entities instead of as employees, when in fact the nature of their relationship is that they are employees.

The trucking industry is generally in favour of the introduction of these rules.

There have been discussions regarding the implementation of these changes for several years, and the industry is happy that the changes have finally been announced.

UNDERUSED HOUSING TAX ELIMINATED

The Underused Housing Tax (UHT) has been abandoned for the 2025 taxation year.

This controversial filing requirement was introduced in 2022 to reduce the number of underused residential buildings in Canada.

The tax was primarily targeted at non-resident, non-Canadians who owned Canadian residential property.

Any properties deemed to be underused residential buildings by this program were taxed annually at 1% of the value of the home.

It is expected that due to the drop in related administrative costs, discontinuing the program should result in a positive revenue impact for the federal government.

Although the regulations will not be entirely eliminated until 2035, there is

no requirement to file a return for 2025 and subsequent years, and no penalties will be assessed for any of these years.

Despite its abolishment, the regulations will still be in force for the calendar years 2022 to 2024.

Penalties and interest for failing to file a required UHT return, or for failing to pay UHT will continue to apply in respect of these years.



DID YOU KNOW...

The CRA has announced the rates for reporting vehicle and meal expenses on 2025 personal income tax returns using the simplified method. The simplified method allows taxpayers to claim

amounts for medical travel without using detailed receipts. For 2025, the rate for vehicle travel within BC is 59.5 cents per kilometer. The rate for meals is \$23 per meal.

GST BENEFIT PAYMENTS INCREASED

The Canada Groceries and Essentials Benefit was introduced by the federal government in January.

The Benefit will replace the Goods and Services (GST) credit that Canadians have previously received. Once the bill is passed, it will provide additional benefits to taxpayers who currently qualify for the GST credit.

Taxpayers will receive their regularly scheduled GST credit payment in early April.

There will then be one additional payment that will be issued prior to the end of June. It will be equal to one half of the annual benefit that taxpayers were eligible for in the period of July 1, 2025 to June 30, 2026.

These payments will be calculated using income reported on their 2024



income tax returns.

The current full regular benefit is \$533 for a single person or \$698 for a couple, plus \$184 for each child under the age of 19.

Eligible taxpayers receive the full amount of the benefit if their adjusted family income in 2024 was less than \$45,521.

A married couple with 2 eligible children and adjusted family income of

\$45,000 is currently receiving benefits of \$1,066. They will receive an additional \$533 from this special spring payment.

Subsequent payments starting in July 2026 will be based on amounts reported on 2025 personal income tax returns.

The maximum payments will increase by 25% from the current maximum.

Eligible taxpayers will receive the full amount of the benefit if their adjusted family income in 2025 is less than \$46,432.

These additional benefits will continue for another four years. Increases in the subsequent years will be based on inflation, similar to how increases have been calculated in the past.

AUTOMOBILE RATES FOR 2026 ANNOUNCED

The Department of Finance has announced automobile limit rates for 2026.

The maximum allowable passenger vehicle cost has increased from \$38,000 to \$39,000. A passenger vehicle is designed to carry people on highways and streets. It seats a driver and no more than eight passengers.

Most cars, station wagons, vans and some pick-up trucks are passenger vehicles.

They have also increased the limit on tax free vehicle allowances to employees who use their own vehicles. In BC, this has increased to 73 cents for each kilometer driven up to 5,000 kilometers, and 67 cents for each additional kilometer.

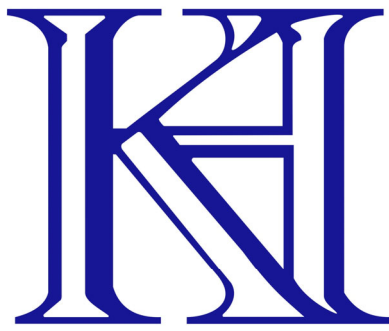
No additional 2025 automobile rates have changed for the 2026 taxation year.

Deductible leasing costs will be limited to \$1,100 per month, plus applicable taxes, for leases starting on or after January 1, 2026. Similarly, deductible interest costs will be limited to \$350 per month for leases starting on or after January 1, 2026.

DID YOU KNOW...

For the 2024 taxation year, taxpayers could claim donations made up to February 28, 2025 on their 2024 income tax return. Ordinarily, a taxpayer can only claim donations made in the current year or in the previous

five years on their tax return. However, due to service disruptions at Canada Post, the deadline was extended for 2024. This extension is not available for the 2025 taxation year.



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HOME BUYER PLAN REPAYMENT DEFERRAL ENDED

Temporary relief has now ended for required repayments on RRSP withdrawals that were used to purchase a new home using the Home Buyers Plan program.

Withdrawals of up to \$60,000 from a taxpayer's RRSP can be used by a first-time home buyer to purchase a new home. This repayment has to be made over a 15 year period.

Previously, repayments started in the second calendar year after withdrawal.



However, for the years 2022 to 2025, repayments were not required until the fifth calendar year after withdrawal. As of January 1, 2026, taxpayers must now begin repayment in the second calendar year.

NEW PERSONAL SUPPORT WORKER TAX CREDIT

The Personal Support Worker non-refundable tax credit has been introduced for the years 2026 to 2030. This non-refundable tax credit will provide eligible employees who work in eligible establishments with a credit of 5% of their earnings, up to \$1,100.

If the taxpayer is employed in BC, they will not be eligible to receive this new credit. This is due to previous funding arrangements between the federal and provincial governments which allowed these employees to receive this credit in the form of other benefits.

CREDITS MODIFIED TO CORRECT ISSUE

As announced last spring, the federal tax rate for income earned in the lowest federal tax bracket is 14% for all of 2026. Combined with the BC provincial tax rate in the lowest tax bracket, the tax rate for 2026 will be 19.05% in this bracket.

Not only did this measure reduce the rate charged to taxpayers, it also reduced the value of many tax credits that taxpayers receive.

As a result, it was possible that a taxpayer could have seen an increase in the amount of tax that they had to pay even with the drop in their tax rate.

To offset this potential concern, the federal government has introduced a top up tax credit. This will ensure that no taxpayers are paying additional tax because of the drop in the federal tax rate.

OSOYOOS OFFICE ON THE MOVE

KH Craig Inc. in Osoyoos has moved down Main Street to a new location. As of February 1, the physical address of the office is

8522A Main Street. There is no change to the mailing address, which will remain Box 1039, Osoyoos, BC, V0H1V0.