

VIDEO TAX NEWS

Monthly Tax Update Newsletter

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1 Government Releases

541(1)

FINANCE RELEASES

1. **August 25, 2026** – The Department of Finance issued a News Release announcing **targeted countermeasures** and **support for workers and businesses** in response to US tariffs. **Counter-tariffs** on the same industries subject to tariffs by the US will come into effect on September 8, 2026. The support measures focused on **enhancing existing supports** for businesses and implementing **EI measures**, including extending several temporary measures and **combining** the existing **EI work-sharing program** and **worker retention grant** into an enhanced **workforce retention and retraining program**.
2. **August 4, 2026** – The Department of Finance announced the **prescribed interest rate** for the **fourth quarter** of 2026 (October 1 – December 31, 2026). The rate remains **unchanged** at 3% for corporate refunds and the calculation of taxable benefits. The rate remains at 5% for personal refunds and 7% for arrears and instalment interest.
3. **July 27, 2026** – The Department of Finance released **explanatory notes** to the draft income tax **technical amendments** released on July 23, 2026 (see VTN [540\(8831\)](#)).

reviewing details of relevant programs as they are released

no changes to prescribed rates

4. **July 21, 2026** – The Department of Finance announced plans to negotiate an **income tax treaty** with **Saudi Arabia** and requested submissions on **issues** that might be addressed. The release noted specific interest in any **difficulties** encountered by Canadians under the **Saudi Arabian tax system**.

providing submissions if you have had experience with Saudi Arabian tax issues

2 Canada's COVID-19 Response

541(2)

CERS – MULTIPLE BUSINESSES

A July 9, 2026 **Tax Court of Canada** case ([E Poly International vs. HMK, 2025-104\(IT\)I](#)) reviewed an individual taxpayer's claim for the **Canada Emergency Rent Subsidy** (CERS) and the **Hardest-Hit Businesses Recovery Program** (HHBRP). The taxpayer operated **two businesses**, one as an Uber driver and the second brokering used car parts. The **claims related** to the **second business**, as Uber driving would **not require real estate** premises.

Taxpayer loses

The properties were **self-contained domestic establishments**, so they were **not eligible** in any case (see VTN [538\(8765\)](#)).

In addition, the taxpayer's **income reporting** and **bookkeeping records** did **not segregate** revenues and expenses between the two businesses. He had **not retained** copies of his **bank documents** and was **unable** to provide a **breakdown** of his **income sources**. The **limited evidence** available indicated that Uber driving was the predominant business and the **parts business** was **likely limited**. In the **absence of evidence** of the **revenue decline** for the **parts business**, **no claims** could be allowed even if the properties were eligible.

maintaining segregated records when conducting multiple business operations

Editors' comment

As each business is a separate income source, they should be accounted for separately. Failure to do so can create other issues. For example, CRA will review expenses based on the NAICS code filed, and expenses of the other business may trigger CRA scrutiny. Some businesses have specific tax benefits or other rules, such as restricted farm losses, that are difficult to apply when multiple businesses are combined.

COVID-19 BENEFIT ELIGIBILITY ROUND-UP

As CRA continues their **post-payment reviews** related to the **Canada Emergency Response Benefit (CERB)**, **Canada Recovery Benefit (CRB)**, **Canada Recovery Caregiving Benefit (CRCB)** and related programs, the Federal Court also continues to consider applications for judicial review of the reasonableness of CRA's decisions to deny benefits.

Reliance on third-party information

A July 3, 2026 **Federal Court** case ([Syed vs. AGC, T-4552-25](#)) **granted judicial review** to a taxpayer who had been **denied CRB** on the basis that he **voluntarily left employment**, based on the **record of employment** issued by his former employer. The court concluded that CRA **failed to demonstrate** that there was substantial or meaningful **consideration** afforded to the taxpayer's **central submission** that he was **forced to quit** his job due to a **significant decrease in available work hours** which left him with no work.

whether third-party information relied upon was inaccurate

Similarly, a July 15, 2026 **Federal Court** case ([Henry vs. AGC, T-2469-24](#)) **granted judicial review** because the **pay stubs** relied on by CRA reflected **overpayments** that were **subsequently repaid** and did **not explain** why they did **not deduct** any amounts to account for **the overpayment** in concluding that the taxpayer **earned more than \$1,000** during several CERB periods.

Failed telephone communications

A July 22, 2026 **Federal Court** case ([Zhang vs. AGC, T-3772-25](#)) **granted judicial review** due to a **lack of procedural fairness** resulting from CRA's **communication methods**. The taxpayer was first **advised by mail** of the review of her CERB and Canada Recovery Sickness Benefit (CRSB) claims. She **uploaded documents** to support her claim in the timeframe requested in the letter. CRA then **attempted** to contact her **by telephone** three times, with **no response**, and subsequently **denied the claims**. The taxpayer requested a **second review**. CRA attempted to **contact her by telephone** three times, with **no response** and **no ability** to leave a **voicemail**, following which they **denied the claims**. The taxpayer testified that she had **experienced telephone service issues**, and that she **failed to respond** to at least some calls because she **did not recognize the number**, which reflected a different provincial area code.

The court opined that the second **CRA** reviewer **knew** or should have known the **history of failed telephone communications**, and the **success** in communicating **by mail**. It was **unfair** for CRA to **persist in attempts** to communicate **using** a previously **unsuccessful method** when an **effective alternative was available**. Doing so **deprived** the taxpayer of her **participatory rights**, including her right to know the concerns she had to meet. **Judicial review** was therefore **granted**.

whether CRA could have used a different communication method

In a July 29, 2026 **Federal Court** case ([Rafeeq vs. AGC, T-4310-25](#)), the court **rejected** a **judicial review** application where **CRA** had similarly **denied** **CERB** and **CRSB** **benefits** after attempting **telephone** contact **three times** without success. The taxpayer applied for a **second review** and **contacted CRA five times** over the following eight months requesting **updates**. He was **informed** in those discussions that the **first reviewer** had **attempted** to contact him **by telephone** three times, unsuccessfully.

The second CRA reviewer subsequently attempted **telephone contact** three times, finally leaving a **voicemail** with the agent's name, badge number, call back number and working hours. About **three weeks later**, having received **no response** to their voicemail, CRA **completed** their **review** and denied the benefits. At the hearing, the **taxpayer** testified that he was **out of the country** when the voicemail was left and only **returned after the decision letter** had been sent.

The court noted that the **taxpayer** should have been **aware** that CRA may **contact** him by **telephone**, and did **not inform** CRA that he would be **out of the country** for an **extended period**. As a result, CRA's actions did **not breach procedural fairness**.

advising CRA of any extended absences where a tax matter is in progress

3 Personal Tax

541(3)

LONG-TERM CARE SUBSIDY

A March 13, 2026 **Technical Interpretation** ([2025-1085011E5](#), Eloise Lafortune Viger) reviewed a **provincial subsidy** paid in respect of **long-term care** in a **nursing home**, in the form of a rent reduction paid directly to the nursing home. Consistent with previous interpretations of social assistance (see VTN [491\(6616\)](#) and [493\(6705\)](#)), CRA reviewed whether the rent reduction was **social assistance** required to be included in **income** (Paragraph 56(1)(u)) and **deductible** from **taxable income** (Paragraph 110(1)(f)).

whether subsidized rent is a form of social assistance included in income

CRA concluded that the **provincial government program** would likely fall under the general meaning of **social assistance** and was provided based on an **income test**. While this would **normally require** the payer to issue a **T4A slip**, CRA noted that **several exceptions** exist (Regulations Subsection 233(2)), one of which is for payments in respect of **medical expenses** of the recipient. As **nursing home care** may be an eligible **medical expense** (see VTN [502\(7083\)](#)), it was possible that no T4A was required. CRA **reiterated** their policy that, where an **exception** from **T4A reporting** applies, they do **not require** the **income inclusion** and **offsetting deduction**.

PROVINCIAL FIRST-TIME HOMEBUYERS' TAX CREDIT – TAXABLE?

The **Saskatchewan first-time homebuyers' transition tax credit** (the grant) was available to eligible individual homebuyers who received the **Saskatchewan first-time homebuyers' tax credit** for **2024** and whose home was **registered** with Information Services Corporation from **October 1 to December 31, 2024**. The one-time grant reflected the amount by which the maximum value of the regular credit was increased for the 2025 tax year.

An April 17, 2026 **Technical Interpretation** ([2025-1080181E5](#), Randa El Kadi) found that the **grant** was **not social assistance** nor based on a **means, needs or income test** (Paragraph 56(1)(u)). The grant was also **not from any other income source**. As such, the **grant** would **not be included** in the **recipient's income**.

not a taxable amount

4 Employment Income

541(4)

EMPLOYEE VS. INDEPENDENT CONTRACTOR (IC)

A July 22, 2026 **Tax Court of Canada** case ([Varga et al. vs. HMK, 2025-1818\(CPP\)](#)) considered whether an **office assistant** (an administrator) was an **employee or IC** for multiple chiropractor professional corporations. **CRA** had determined that the worker was engaged in pensionable and insurable **employment** and **assessed** the **payers** with **unremitted CPP** and **EI**. The worker performed services under a verbal agreement and invoiced the payers separately for services provided to each.

Taxpayer wins – independent contractor

The court focused particularly on **how mutual intention** fits into the worker-status **test**, noting that the ultimate question is whether the worker is actually performing services as a person in business on their own account. Mutual intention does not replace that test. Rather, the court explained that **intention provides the lens** through which the parties' **actual conduct is assessed**, and that the **terminology** used by the parties **cannot override** the **objective reality** of their relationship.

intention is the lens through which conduct is viewed

The court further observed that the **weight** afforded to **intention depends on the circumstances**: an **informed choice** by parties who understand the consequences deserves more weight than a purported agreement involving a worker with limited understanding of employee versus IC status. In this case, **both the worker and payers understood** the distinction and deliberately chose IC status. Their conduct consistently reflected this intention, which included separate invoices, no source deductions, no T4s or record of employment and no employee benefits.

weight afforded to intention depends on the circumstances

The court then examined the **traditional objective factors** through the lens of **mutual intention** to determine whether these factors contradicted the parties' chosen relationship. **Control** supported **IC status** as the worker received **little supervision** (she was an experienced administrator), had **discretion** over how to accomplish her tasks and enjoyed considerable **scheduling flexibility**. The **financial risk** and **opportunity for profit** pointed toward **employment** because she had essentially **no investment, expenses or financial exposure** and could increase earnings mainly by working additional hours. The **tools** were provided **by the payers** (work premises, computer and telephones), but the court discounted this factor because patient confidentiality and data security reasonably required use of clinic equipment. The **ability to subcontract** was **neutral**. The worker did find replacements when needed; however, those replacements were remunerated directly by the payers and not through the worker.

Consequently, the **objective factors** were **mixed and inconclusive**; however, they were **not inconsistent** with the parties' **mutual intention**. As such, the court concluded that it was an IC **relationship**, as originally understood by the parties.

whether objective factors were inconsistent with the intention

The court also confirmed that integration, meaning whether the services were an integral part of the payer's business, ceased to be part of the objective factor test decades ago and should not be considered.

EMPLOYMENT EXPENSES – GROSS NEGLIGENCE PENALTIES?

A June 17, 2026 **Tax Court of Canada** case ([Chennenkunnath vs. HMK, 2024-2224\(IT\)1](#)) reviewed the **deductibility** of the taxpayer's **employment expenses** claimed against his **commission income** of \$56,776 and \$61,772 in 2017 and 2018. CRA also assessed the taxpayer **outside the normal reassessment period** for 2017 and assessed **gross negligence penalties** (Subsection 163(2)) for both years. The taxpayer claimed a wide range of employment expenses including motor vehicle expenses, phone/cable/internet expenses, marketing consulting expenses and other supplies.

Taxpayer loses – employment expenses

The **court upheld CRA's denial of all expenses**, except for \$7,000 that CRA conceded, even though the court noted that the **taxpayer may have** incurred a **significant portion** of the expenses.

Many expenses were **denied** on the basis that the taxpayer did **not demonstrate** that his **employer required him to incur the costs**. **Motor vehicle expenses** were **denied** as there was **no evidence of expenses incurred**. In addition, there was **no evidence allocating the personal versus employment usage** of the vehicle, even though there was an indication of some personal use. Similarly, **no evidence** was provided

no evidence of costs incurred means no deduction

regarding **home office expenses**. The court **denied telephone, internet and cable expenses** as the taxpayer did **not establish employment use** nor did the taxpayer provide an **allocation between employment and personal use**. The court **rejected the taxpayer's estimate** that **10%** of the cellphone with **unlimited data was personal**. **Marketing consulting expenses** were denied as there was **insufficient evidence** to establish that the **costs were incurred**. While there was some evidence that a **laptop** was purchased, the court found that the purchase was **not required** by the taxpayer's contract of employment. In addition, the court found that the laptop was **not used for earning employment income** and **not consumed** directly in the performance of employment duties. The court declined to decide on whether the laptop was acquired on account of capital.

Taxpayer loses – normal reassessment period

The court held that the taxpayer's **incorrect deduction claims** constituted a **misrepresentation**. The **taxpayer** also **admitted** that, as the return was provided to the taxpayer by his accountant just before the filing deadline, he did **not have sufficient time to review** it entirely and did not review it after filing. The court found that the taxpayer **failed** to exercise **reasonable care**, citing the following issues:

- the **absence of any attempt to allocate personal use of his cars, cellphone and laptop**;
- the **absence of appropriate receipts** for many expenses; and
- the **absence of record-keeping** regarding **payments** to his **assistants** for marketing consulting.

whether there is any attempt to consider personal portion of expenses

The court found that the taxpayer made **misrepresentations** attributable to a **lack of reasonable care** and thus the court allowed CRA to **assess beyond the normal reassessment period**.

assessment outside of normal reassessment period where there is a lack of reasonable care

Taxpayer wins – gross negligence penalties

The court noted that there was **no evidence** that the **taxpayer knew** that there were **false statements** being made and **no evidence** of any **"flashing red lights."** While the court acknowledged that significant funds may have been spent on employment-related activities, the **issue** in this case related to **faulty or non-existent documentation** and the taxpayer's rather **aggressive approach** to claiming **employment expenses**. While the court noted that the taxpayer was certainly **careless, disorganized, fiscally aggressive, overly optimistic and negligent**, the taxpayer did **not reach the threshold for wilful blindness**. The evidence did not support the view that the taxpayer was studiously avoiding the truth or deliberately vague.

whether the actions reach the threshold of wilful blindness

5 Business/Property Income

541(5)

COSTS OF ANOTHER TAXPAYER'S APPEAL – DEDUCTIBLE?

In an August 13, 2026 **Tax Court of Canada** case ([Kruivitsky vs. HMK, 2025-486\(IT\)G](#)), CRA had denied the taxpayer's **deduction** for the **costs** of an **appeal** to the Federal Court of Appeal (FCA) **paid** on behalf of her **son-in-law**. The taxpayer argued that the **deduction** for such costs (Paragraph 60(o)) **does not specify** that they must be incurred for an **appeal by the taxpayer** who paid the costs.

Taxpayer loses

The court acknowledged that a **purely textual interpretation** indicated that the **taxpayer should succeed** as there was **no required link** between the **taxpayer** and the **appeal** for which costs were incurred. However, a **contextual and purposive review** identified several **concerns** with this textual result, including the following:

- **provisions permitting claims** for amounts related to **other taxpayers' affairs** normally **expressly permit** such claims (the court noted the ability to transfer tuition claims to parents and to claim a spouse's charitable donations);
- allowing the deduction would be **inconsistent** with the provision **including cost awards** in the income of the **taxpayer** entitled to **deduct those costs** (Paragraph 56(1)(l)), as this provision applies only to the taxpayer who receives the costs award; this could leave the award non-taxable to either taxpayer; and
- the **history of the provisions** indicated that their **purpose** was to allow taxpayers to deduct the costs of their **own appeals**.

whether the claim is expressly permitted to be claimed by a taxpayer other than the one for whom the costs were incurred

The case law indicated that, in **rare instances**, a deduction could **extend** to a taxpayer's **heirs, executors, successors or alter egos**, but **not** to persons with **no pecuniary interest** in the appeal in question. The court opined that, if it was wrong in concluding that the deduction is not restricted to the actual taxpayer whose assessment is appealed, then it would conclude that there were no requirements of proximity to the case for which costs were paid.

generally, the deduction can only be claimed by the taxpayer appealing an assessment

The court noted that the taxpayer chose to proceed under the general procedure to set a **binding precedent** on this uncertain issue. The court's detailed analysis appears to reflect this perceived importance.

whether it would be better to make a gift to the actual appellant than to pay court costs on their behalf

The court also noted that, as the **taxpayer's son-in-law** did **not incur the costs**, they would also be **unable** to claim any **deduction**.

SUPPORTING DOCUMENTATION

A July 31, 2026 **Tax Court of Canada** case ([Miller et al. vs. HMK, 2023-1800\(IT\)1](#)) reviewed CRA's **denial** of over \$100,000 of **expenses** alleged to be incurred by a **failed partnership** of the two taxpayers. They had each deducted **other expenses** of \$50,922 on their 2017 tax returns, resulting in **non-capital losses** applied to their 2018 through 2020 incomes. They argued that this reflected a **terminal loss** on the **build-out expenses** incurred in 2013 and 2014 in starting up the partnership's failed pizza shop business. CRA **denied** the claims on the basis that **invoices** had **not** been **provided** to support the claims. The taxpayer testified that the **documentation** had been **destroyed** by a **flood** in one of the taxpayer's premises.

Taxpayers win

The taxpayers' **accountant** produced a **document** she had prepared in or about late 2014 or 2015 entitled Piez Bistro - Transactions by Account Report 12/01/2013 to 11/30/2014 that **listed capital expenses** incurred in 2013 and 2014 **prior to the opening of their pizza shop business**. The **listing** of the transactions under the heading **leasehold improvements** included the **date of invoice**, **name of selling entity** and **debits and credits** yielding balance paid, prepared from the **original invoices** that were returned to the taxpayers and subsequently lost in the flood.

alternative support that might exist where original documents are not available

The assets were **not retained** as they were **seized** with **other assets** by the partnership's landlord when the business was discontinued. One taxpayer, an independent construction contractor, provided numerous **photos** taken **as the build-out proceeded**, which assisted in **confirming** what **work was done and when**. **Copies of several invoices** and related documentation were also **recovered** from an **old computer**.

The court held that this evidence, **especially the accountant's summary**, was **sufficient** to establish that the **costs were incurred**. The **appeals** were **allowed** in full.

accounting working papers may be useful evidence in a tax case

6 Capital Gains/Losses

541(6)

CAPITAL GAINS EXEMPTION (CGE) – COST RECOVERY METHOD (CRM)

The CRM provides an **administrative** concession of reporting a **capital gain** or capital loss on the **sale of shares** subject to an **earnout agreement** rather than a full income inclusion (see VTN [385\(424\)](#)). The vendor **reduces** the **adjusted cost base** (ACB) of the shares as amounts on account of the sale price become determinable. Once the amount exceeds the ACB of the shares, the **excess** is a **capital gain** that is **realized** at the time that the

amount **became determinable**. The **capital gain** may be reported over a period of as much as **five years** after the end of the tax year of the corporation in which the shares are sold.

In a May 13, 2026 French **Technical Interpretation** ([2024-1033121E5](#), Jean-François Benoit), CRA opined that an individual can benefit from the **increase** in the **CGE limit** since the **initial disposition** of shares when **reporting a capital gain subsequent** to the **year of disposition** under the CRM.

ability to access increases to CGE limit by using the CRM

However, CRA also opined that an individual may **not** access an **increase** in the **CGE limit** where the taxpayer deferred recognizing a capital gain by **claiming a reserve** (Subsection 110.6(31)).

INCOME VS. CAPITAL – GROSS NEGLIGENCE PENALTIES

A July 20, 2026 French **Court of Quebec** case ([Schwartz et al. vs. QRA, 2026 QCCQ 3240](#)) reviewed whether **gains** from the **dispositions** of **six real estate properties** from 2015 to 2021 were on account of **income or capital**. Revenu Québec (RQ) assessed the taxpayer **outside the normal reassessment period** and imposed **gross negligence penalties**.

Taxpayer loses

The court found that the **dispositions** were on account of **income**, based on the following factors:

- **repeated transactions** – the taxpayers engaged in a **continuous series of acquisitions**, major renovations and profitable resales throughout the period that the court described as a **flurry of transactions** that followed one another without respite;
- **significant value-enhancing renovations** – renovations on the three successive duplex projects totalled approximately \$325,000, \$824,000 and \$1.215 million and included **complete renovations, excavations, structural reinforcement**, additional living space/floors, terraces and energy-efficiency improvements;
- **short holding periods** – the properties were essentially held for the **time required to renovate** them, **convert** them into **co-ownership**, **sell** them and **move** to the **next property**;
- **relevant professional expertise** – one of the **taxpayers** was an **architect**, and his **own website** stated that beginning in 2014 he took on the roles of a **developer, architect and general contractor**; and
- **financing supported commercial activity** – the acquisitions were financed through **mortgage lines of credit**, which the court noted provided flexibility advantageous to someone purchasing and reselling real estate.

the nature and extent of renovations

The court **rejected** the **taxpayers' argument** that they **initially intended** to hold the properties long term to **occupy** one portion **and rent** the other, but that **budget overruns, neighbourhood preferences** and other **external circumstances** caused the sales. The court found these **explanations inadequately supported, contradictory or implausible**.

The court also found **significant credibility problems**. For example, the taxpayer made a **statement under oath** that was found to be **untrue**. He also made a **statement** to the **auditor**, which his lawyer repeated, that was **false**. As the court found that the **taxpayer intentionally misrepresented** the **income** arising from the transaction, RQ could **assess beyond** the **normal reassessment period**.

credibility in court can be based on false statements to the auditor

The court further **upheld** the **gross negligence penalties** for the following reasons:

- **credibility** – the taxpayers' statements were found to be **superficial, contradictory and sometimes even false**;
- **education** – as part of the broader assessment of the taxpayers' **education, knowledge and business experience**, the court noted that both taxpayers held **university degrees** and expressly considered this an **aggravating factor** supporting the penalties; and
- **persistence in the position taken** – the taxpayers' **insistence** on trying to **justify** the **unjustifiable** was problematic.

significant credibility issues were factored into gross negligence penalties

The court concluded that the **taxpayers' disregard** for their **tax obligations** was an **integral part** of their **ultimate objective of enrichment**.

7 Farming/Fishing

541(7)

DRAFT LEGISLATION – DESTRUCTION OF LIVESTOCK

A **one-year deferral** is presently available for **income** received due to the forced **destruction of livestock** under statutory authority (Subsections 80.3(2) and (3)). [Draft legislation](#) released for consultation on July 23, 2026 included a **proposed extension** of this deferral in respect of **amounts and taxation years** that would be **designated** by the Minister of Finance, in consultation with the Minister of Agriculture and Agri-Food. The Minister may also specify a **minimum portion** of the amount deferred that must be **included** in **each later** taxation year. Any deferred amount would be **taxable** in the year that the taxpayer **dies** or, for a non-resident taxpayer, **ceases to carry on business** through a fixed place of **business in Canada**. The deferred amount **could be reported earlier** than required at the **taxpayer's discretion** as the further deferral would be elective.

potential extended deferral for destruction of livestock

This deferral would apply for the **2025 and subsequent** taxation years.

8 Corporate Reorganization

541(8)

PRICE ADJUSTMENT CLAUSES (PACs)

PACs are commonly incorporated into agreements entered into by **non-arm's length persons** to provide for an **adjustment** to the **transaction price** in the event that a third party such as **CRA or a court of law determines** that the **fair market value (FMV)** of transferred property is **greater or less than** the amount otherwise **determined by the parties**. CRA sets out their requirements for accepting a PAC in [Folio S4-F3-C1, Price Adjustment Clauses](#). See [VTN 396\(1092\)](#) for further discussion of PACs.

A July 28, 2026 French **Tax Court of Canada** case ([Goudreau et al. vs. HMK, 2023-274\(IT\)G](#)) reviewed **whether a PAC rejected by CRA** would apply to **prevent adverse tax consequences** on an **estate freeze**.

the risk that CRA will challenge a price adjustment clause

Summary of transactions

The **freeze transactions** were effective July 29, 2016, and can be **summarized** as follows:

- i. the three **principals** exchanged their **common shares** (totalling 100% of the common shares) of the corporation for **fixed value preferred shares** having an aggregate **redemption price** of \$439,890;
- ii. the amount of \$439,890 was **determined** to be the **FMV** of the **common shares** by the corporation's **accountant**, who had no business valuation credentials and was **relied upon** by the principals (the "D valuation");
- iii. the **principals** and the **corporation** filed **elections** (Subsection 85(1)) setting the **deemed proceeds** at **nominal cost** for one principal and at **FMV** for the other two principals (who claimed the capital gains exemption to offset the resulting capital gains);
- iv. both the **rollover agreements** and the **share rights** set out in the corporate articles provided a **PAC** in the event the redemption price of the **preferred shares** (see (i), above) was subsequently **determined not** to equal the **FMV of the common shares** exchanged; and
- v. the corporation then issued **new common shares** to **family trusts** for each principal and their families at a **nominal price**.

this typical estate freeze transaction

Valuation error and reassessment

CRA subsequently **audited** the taxpayers and, based on their own **valuation** report (the "K valuation"), prepared by a CPA enrolled in the Chartered Business Valuator (CBV) program, determined that the **common shares** had a value of over \$3.1 million, **substantially higher** than that determined by the taxpayers' CPA (see (ii), above). The **difference** was **assessed** as a **capital gain** to each of the principals in 2020, with **no resulting increase** to the **cost** of their shares (Paragraph 85(1)(e.2)) on the basis that the **excess**

was a **benefit** that the principals **intended to confer** on a related person, being their respective family trusts. CRA also disallowed the capital gains exemption claims (see (iii), above) as the shares did not meet the required 24-month holding period (Paragraph (b) of the definition of qualified small business corporation shares in Subsection 110.6(1)), which was conceded by the taxpayers. This report **highlighted deficiencies** in the **D valuation** including reliance on **historical results** that did **not consider** projected **future income**, especially important as the corporation's business was in a start-up period, having existed for less than two years at the time.

The taxpayers obtained a **third valuation** (the "C valuation") in 2024 from an experienced CBV that determined an **FMV** of just under \$2.3 million, **considerably lower** than the **K valuation**, but still **substantially greater** than the **D valuation**. This valuator provided **extensive testimony** on the **differences** between the **three valuations**.

the complexities of business valuations, and the merits of engaging an experienced business valuator

After **extensive analysis**, the **court accepted** the **C valuation** in full. Although not noted in the case, the C valuation was an **estimate report** providing **greater assurance** than a **calculation report** such as the K valuation (the third type of report, a comprehensive report, provides the greatest level of assurance).

Price adjustment clause

CRA **refused** to allow the **PAC** to adjust the **preferred share redemption amount** on the basis that the **significant discrepancy** indicated that the parties did **not truly intend** to transact at **FMV**, that **insufficient effort** was made to **determine** the correct **FMV** and that the **valuation methodology** was **neither fair and reasonable nor appropriate**.

CRA's requirements to accept a PAC

The court concluded that the taxpayers **intended to transact at FMV**, citing the following facts:

- the **taxpayers** had **no expertise** in **business valuation** and **reasonably relied** on the expertise of the CPA who prepared the D valuation; he had worked with one principal for over 30 years;
- the D valuation, while **erroneous**, applied **recognized valuation methods** and was a bona fide attempt to determine FMV;
- two of the principals had **no reason** to want an **understated value** based on their expected use of the **capital gains exemption** and the third would **not be taxable** due to the rollover election;
- the D valuation reflected a **significant increase** in value in **less than two years**, and the corporation had experienced **financial challenges** that **supported the plausibility** of the value determined;
- the taxpayers had **discussed the D valuation** with its preparer and had **not blindly accepted the value** determined;
- the **testimony** from the **most experienced CBV** indicated that the D valuation, while erroneous, was **not without merit**;

evidence of a bona fide intention to transact at FMV

- the evidence indicated **no subterfuge**, only **good faith**, in the taxpayers' efforts to **determine, and transact** at, **FMV**; and
- the **PAC itself** would result in **no benefit** if the FMV was erroneous, as the preferred share **redemption price** would be adjusted.

The **legal relationships** created by both the **rollover agreements** and the **preferred share rights**, including the PACs included therein, were **legally binding**, and properly **determined** the **income tax results**. **Case law confirmed** that a **PAC** may be **ignored** in the **absence** of a **good faith effort** to determine the FMV, as this would indicate that the **taxpayer's intention** was **not to transact at FMV**. The evidence in this case indicated that the **taxpayers intended** to affect a **transfer at FMV** attracting **no immediate tax consequences** as permitted by tax law. The **PAC** in this case was therefore **legally effective** and **required to be respected**.

PACs are generally effective where there is a bona fide intention to transact at FMV

Taxpayer wins

Although the **FMV** of the shares was **markedly higher** than the taxpayers' initial filings reflected, this was **corrected by the PAC** such that the **reassessments** adding capital gains for the difference were required to be **reversed**.

While this was sufficient to decide the case, as the PAC would prevent any benefit being conferred, the court also opined that the **intention to transact at FMV** was **not consistent** with an intention to **confer a benefit** on the family trusts. Regardless of whether there was a PAC, a **deemed increase** in the elected **proceeds** would **only apply where** it was reasonable to conclude that the **taxpayer intended to confer a benefit**.

a valuation error does not necessarily indicate intent to confer a benefit

Finally, the court declined to analyze whether the trusts could be related to the principals.

PAID-UP CAPITAL (PUC) REDUCTION – GAAR

In a 2026 **Advance Tax Ruling** ([2025-1076711R3](#)), CRA considered a **PUC reduction strategy** involving preferred shares with **high PUC** and **low adjusted cost base** (ACB). The strategy was intended to **generate a larger deemed dividend** on the **redemption** of the **shares** than would otherwise be available. Absent such a strategy, the redemption of these shares would result in a capital gain. The corporation had a **capital dividend account** (CDA) **balance** and held a **life insurance policy** that would presumably generate additional CDA on the taxpayer's death. After the **taxpayer's death**, a larger portion of the redemption proceeds would be a deemed dividend that could be **elected** to be a **capital dividend** (Subsection 84(3)).

planning to increase deemed dividend on redemption to access capital dividend where there is high PUC and low ACB

By a special resolution, the **legal stated capital** of two classes of **preferred shares** would be **reduced** to the taxpayer's ACB, with **no amount paid** or distributed on the reduction. The corporation would account for the reduction with an addition to the contributed surplus account. The two classes of

preferred shares would then be **exchanged** for a new class of fixed-value, redeemable and retractable **preferred shares** (Subsection 51(1), under which the exchange is deemed not to be a disposition; see VTN [512\(7576\)](#)).

CRA confirmed that the **stated capital reductions** would **not** result in a **disposition** of the shares, and because there was no payment or distribution in respect of the PUC reduction, there would be **no grind** to the **adjusted cost base**. **GAAR** would also **not apply**.

CRA's ruling that no disposition would occur is important as it means that an **anti-avoidance provision** related to **capital dividends** would **not be triggered**. Where **one** of the **main purposes** of a series of transactions which **includes** an **acquisition of a share** is to **receive a capital dividend** on the share acquired, that capital dividend is **deemed** to be a **taxable dividend** (Subsection 83(2.1)). It would be important to ensure the requirements for the share exchange (Section 51) were met as many other rollover provisions still result in dispositions and acquisitions of shares.

*this anti-avoidance rule
when planning for the use
of CDA*

Editors' comment

In contrast, see VTN [451\(4500\)](#) where CRA opined that GAAR may apply to a PUC reduction without payment made to avoid a gain prior to a winding up, amalgamation or redemption of shares.

9 CRA

541(9)

ADMINISTRATION OF UNPASSED LEGISLATION

A July 15, 2026 **Federal Court** case ([Vorsteveld vs. AGC, T-269-25](#)) considered whether CRA could **administer** a proposed change to tax legislation before it received Royal Assent. The specific issue arose from the applicant's **July 2024 disposition** resulting in a **capital gain**. **CRA** had announced that they would **administer** the proposed increase to the capital gains inclusion rate (from 50% to 2/3 effective June 25, 2024), despite the fact that the **amendment** had **not yet** been enacted into **law**. The court referred to this practice as provisional tax implementation (PTI).

The decision concerned an application for **judicial review** of CRA's decision to administer the proposal under PTI, rather than the ultimate legality of CRA's practice. The court dismissed the application without deciding the legality of PTI itself. The central reasoning was that there was **no reviewable administrative decision or policy affecting the applicant's legal rights or obligations**. PTI did **not** actually **require** her to use the **proposed rate** as she remained entitled to file under the 50% inclusion rate actually enacted in the Income Tax Act. **CRA never** assessed her under the proposed rate or **attempted enforcement against** her.

*the court did not rule on
the legality of
administering proposed
legislation prior to Royal
Assent*

CRA VOLUNTARY DISCLOSURES

On July 28, 2026, STEP Canada released [written answers](#) to practitioner questions raised in a June 16, 2026 **webinar conducted with CRA** in respect of the new **voluntary disclosure program** (VDP; see VTN [530\(8405\)](#)). Several questions and answers are summarized below. The [webinar](#) is available online (a fee applies to non-members of STEP).

Anonymous pre-disclosure discussions (Question 12)

When calling the **general enquiries line** for an **anonymous pre-disclosure discussion**, the agent will **forward a callback request**. A VDP agent will generally call back **within five days**. Taxpayers can also use the **new Callback Form** on the VDP webpage.

the option to have a pre-disclosure discussion

Incomplete information available to estate trustee (Question 1)

Where information or documents are incomplete, the estate trustee should make **reasonable efforts** to **reconstruct income** using available information. CRA suggested that the trustee use available **bank statements**, **investment records**, **T-slips** or any other relevant documentation, **obtained** through a **request to CRA**, and/or third-party correspondence and **explain all limitations** in a cover letter. A **pre-disclosure discussion** with CRA may also be helpful if the appropriate disclosure period is uncertain.

Editors' comment

Although the specific question was in the context of an estate, having incomplete information is a common concern for many other situations where VDP might be considered.

Effective date of disclosure (EDD) – missing proof of executor's legal authority (Question 5)

CRA's general practice is to **assign the EDD** based on the **date** the application is **submitted**, even if **proof** of the executor's **legal authority** must follow **later**. However, this accommodation is discretionary and not guaranteed. This issue may arise where an executor cannot yet validly sign the RC199 Voluntary Disclosures Program (VDP) Application because probate or letters of administration have not yet been granted.

CRA recommended **contacting CRA before submitting**, **explaining** the probate **issue** in the cover letter (if that is what caused the proof delay) and **submitting the substantive disclosure** as soon as it is ready. Importantly, if CRA contacts the estate about the same non-compliance before the disclosure is formally received, the application could lose its voluntary status or be treated as prompted.

disclosure date may begin when submitted, even without proven legal executor authority

Uncertain or disputed tax positions (Question 6)

CRA noted that VDP is **not intended** to resolve **uncertain tax positions** or determine **disputed tax issues**. It applies where there has been an error or omission involving a clear filing obligation.

Overdue notices (Question 8 and 20)

VDP may still be available

A **system-generated overdue notice**, including a demand to file, does **not jeopardize voluntariness** on its own but would likely render the application prompted. The **voluntary** aspect of an application would **become at risk** when CRA has undertaken **meaningful and active actions** to examine or address the non-compliance. See VTN [534\(8585\)](#) for other comments about eligibility for VDP after receiving other CRA letters.

Factual (arbitrary) assessments (Question 10)

Amounts already assessed in **factual assessments** (Subsection 152(7)) are not eligible for VDP. Relief in respect of such assessments must be addressed through **taxpayer relief** applications or by filing a **notice of objection**.

TFSA and RRSP overcontributions (Question 16)

VDPs in respect of the **1% per month tax on excess contributions** to **TFSAs and RRSPs** can be made if those taxes have not yet been assessed. A request for a waiver of these taxes once assessed is undertaken through a process separate from taxpayer relief. CRA has a webpage that discusses the overcontribution resolution process for [RRSPs](#), and another webpage for [TFSAs](#).

Process for determining whether the VDP is prompted or not (Question 18)

CRA characterizes applications as **prompted or unprompted** based on their review of the facts, including any relevant communications from them or other authorities.

Related parties can file separate VDP (Question 17)

A taxpayer can make its **own VDP application without** first ensuring that **associated or separately owned corporations** are fully **compliant**. Each taxpayer or entity is assessed independently. However, the taxpayer's VDP must disclose all known errors and omissions relating to the taxpayer itself, including material related-party transactions that affected the taxpayer's tax position. Any non-compliance of the related party should be considered separately to determine whether a separate VDP application is appropriate. CRA did not comment on the impact of a related party's VDP if one is filed subsequently.

a VDP application for one entity can be submitted before submissions by related entities

Audit of related parties (Question 21)

An audit or investigation of a **related taxpayer** can make the application **non-voluntary** if the CRA action is **directly connected** to the non-compliance being disclosed. If the application is still considered voluntary, CRA generally looks at communications made to the **specific taxpayer making the VDP application**. An audit notice (or other CRA communication) sent only **to a related taxpayer** would **not** normally **affect characterization** of a disclosure as prompted versus unprompted.

audits of related taxpayers do not necessarily eliminate VDP opportunities

Non-compliance earlier than the minimum VDP period (Question 2 and 14)

Where a disclosure is made and the **non-compliance extends to periods beyond the minimum years** required to be submitted with a VDP application (six years for Canadian-sourced income, ten years for foreign-sourced income and four years for reporting periods for GST/HST), the taxpayer must **indicate that non-compliance extends beyond** that minimum. The taxpayer can choose whether to include the information for the additional years. The VDP only provides relief for the years and information actually included in the application. CRA stated that since the VDP relies on applicants to come forward in good faith with accurate, complete information, CRA stated that they will generally not expand the scope of a disclosure that is consistent and reasonable.

However, if such additional information is requested but not provided to CRA, the application could be denied as incomplete. Also, CRA can still audit years not included in the application and assess them separately, without VDP relief.

taxpayer must disclose if non-compliance extends beyond minimum VDP years

Missed reporting for periods prior to audit coverage (Question 3)

A VDP application for **unfiled T1134/T1135 forms** may still be possible even if **penalties for failing to file the T1135/1134** for earlier years have been assessed and are under objection. Eligibility depends on **whether CRA raised** or indicated **action** on those later years **during the audit**. If not, the disclosure may qualify, although likely under the prompted stream. The taxpayer's full history of CRA contact should therefore be reviewed before proceeding.

penalties under objection for earlier years do not necessarily eliminate VDP options for the same penalties for later years

Compliance gaps (Question 19)

When there were a few **years of compliance** between **years of non-compliance**, all years could be submitted as part of a **single VDP application**. The single VDP application can cover multiple non-consecutive years for a related issue.

VDP and taxpayer relief applications submitted together (Question 4)

Where a **VDP application** and **taxpayer relief application** (to get relief in excess of that offered by the VDP) are submitted at the **same time**, the **VDP request will be processed first** and then the taxpayer relief request will be forwarded for independent review. This occurs because VDP is a pre-assessment program, while taxpayer relief is a post-assessment program. This may be relevant if a taxpayer is requesting interest relief beyond the 75% available under the unprompted stream. CRA did not comment on what would occur if the application included requests for late or amended elections. These requests are normally resolved in taxpayer relief.

VDP applications are considered prior to taxpayer relief applications

Processing times (Question 9 and 11)

There is **no** formal **service standard** and CRA does **not** publish **median processing times**. **Acknowledgement of receipt** with an assigned effective date of disclosure (EDD) typically arrives within a **few weeks**, but since the complexity of each disclosure varies, each disclosure is reviewed on its own merits. Cases requiring additional information or technical assistance from specialty areas may take longer.

communicating the uncertainty of turnaround to clients

Unreported information for multiple forms (Question 13)

CRA confirmed that the instruction on [Form RC199](#) "state how you obtained the income or asset" requires that the source of income and/or assets related to the disclosure must be provided to meet the requirement of completeness. CRA noted that if the **disclosure** includes information that should be **reported** on a [T1135](#) and also on a [T106](#), the information should be **disclosed separately** to avoid confusion.

the depth of disclosure required

NOTICES OF OBJECTION

An August 2026 Canadian Tax Focus article ([Drafting a Notice of Objection: A Practical Checklist](#), Carolyn Wong and Kenneth Keung) discussed practical and strategic **considerations** for preparing a **notice of objection** (NOO) under the Income Tax Act and Excise Tax Act. A carefully drafted NOO can help **resolve a dispute** at the CRA **appeals stage** and, if **litigation** follows, provide a **strong foundation** for a more focused court proceeding.

Watch the filing deadline

An NOO generally must be filed within **90 days** of the date of the assessment or reassessment (Subsection 165(1)). A **one-year extension may** be available where certain conditions are satisfied, including demonstrating an inability to act or a bona fide intention to object within the original reassessment period (Section 166.1).

watch the deadlines

Editors' comment

The deadline for filing an objection for an individual (not a trust) and graduated rate estate is the later of one year after the tax filing deadline for the return and 90 days from the notice of assessment or determination.

Where no valid NOO is filed, no appeal to the Tax Court can be filed later. Court cases where taxpayers lose their appeal rights due to failure to meet the filing deadlines are common.

Draft with possible litigation in mind

The NOO should **clearly identify each issue** in dispute, the **relief sought** and provide a chronological and non-argumentative **statement of facts**, set out the **relevant law** and analysis and include organized **supporting documents**. A strong factual record may later be carried forward into a notice of appeal.

keeping options open

Be selective with supporting documents

Documents should be **reviewed for consistency** with information provided during the audit and for ways they might be **used adversely** by CRA. Additional documents can generally be provided later.

watch out for inconsistent information in supporting documents

Preserve alternative arguments

Taxpayers should consider presenting a primary position while **retaining alternative arguments**.

Keep the tone professional and straightforward

Plain language, **direct** sentences and a **measured tone** can enhance credibility with the appeals officer. Emotional or argumentative language should be avoided.

Additional considerations for large corporations and GST/HST "specified persons"

These taxpayers face **enhanced or additional requirements**: the NOO must identify each issue, the relief sought and the supporting facts and reasons (see VTN [538\(8772\)](#)). Their ability to raise new or additional issues later in court is also restricted. A **CCPC** that, alone or with all associated corporations, had **taxable capital** in **excess of \$10 million** is a large corporation for income tax purposes, while for **GST/HST** it is certain entities with qualifying **taxable supplies** exceeding **\$6 million** in both the current and preceding fiscal years.

a review by legal counsel where a large corporation might consider pursuing the dispute to court

REPEATED FAILURE TO REPORT INCOME – DUE DILIGENCE

Taxpayers who **fail to report income** equal to or **exceeding \$500** for a **second time** in a **four-year period** are subject to a **penalty** equal to the **lesser** of the following (Subsections 163(1) and (1.1); similar provincial penalties also apply):

- **10% of the unreported amount**; and
- **50% of the taxes payable** when the omission is corrected, considering the income, related deductions and credits (e.g. EI and CPP premiums) and source deductions withheld from the unreported income.

A July 31, 2026 **Tax Court of Canada** case ([Kryski vs. HMK, 2026-344\(IT\)I](#)) considered whether the taxpayer exercised **due diligence** to avoid a **repeated failure to report income penalty**. The taxpayer, a **retired chartered accountant** who prepared her own returns, failed to report \$501 of movie-extra income in 2022 and \$12,715 of investment income in 2023. The penalty was assessed in respect of the missing 2023 income.

income overlooked in the prior year can be unrelated to income attracting a penalty in a later year

Due diligence may be established either by taking **reasonable precautions** to **prevent the omission** or by making a **reasonable mistake of fact** that, if true, would have rendered the conduct innocent. Establishing due diligence

for either of the two misses can avoid the penalty (see VTN [395\(1526\)](#)).

Taxpayer loses

Although the taxpayer had **difficulty obtaining** the T3 and other **slips** (in respect of both income misses) and testified that CRA's **My Account was overwhelming**, particularly because of her ADHD, the court found that she **knowingly filed returns containing incorrect amounts** and essentially adopted the approach of "I just **wait for CRA to assess me**."

incurring the costs of proactive corrections rather than waiting for CRA to match the slips

The court also noted that she **could have used bank records** or an **estimate for the missing income** and provided little evidence explaining why she or someone assisting her could not obtain information through CRA's My Account. As such, she was not found to have **exercised due diligence** on either miss and the **penalty was upheld**.

not receiving slips does not demonstrate due diligence

REQUIREMENT FOR INFORMATION FROM ACCOUNTING FIRM

A June 12, 2026 **Federal Court of Canada** case ([MNR vs. KPMG, T-139-26](#)) reviewed a **compliance order** (Section 231.7) to enforce a requirement for information (RFI; Subsection 231.2(1)). The RFI required an **accounting firm** to **provide** certain **taxpayer information** regarding valuation, tax planning and professional services provided to several taxpayers. The RFI was issued as part of CRA's **audit** to determine whether the taxpayers had properly reported their worldwide income. The **accounting firm asserted** that a **third party** had **asserted solicitor-client privilege** and provided a **privilege log** listing 924 documents to CRA.

CRA requiring information from accounting firms

Accounting firm losses

The court noted that, although it has the **power to review documents** to determine whether privilege exists, that power should be **exercised sparingly**. It **declined to do so** because of the sheer **volume of documents**, the **nature** of the **dispute** and the lack of information necessary to assess the claims of privilege.

As the **parties asserting privilege** brought **no motion** to support their claims and the **privileged log lacked sufficient information** or particulars to support the claims of privilege, the **court granted CRA's compliance order**.

a party asserting privilege does not mean privilege will be maintained

The court also noted that, where **privilege** is claimed over communications **involving third parties** such as **accountants**, evidence must **explain how** those **communications** fall within solicitor-client privilege.

JUDICIAL REVIEW – EXTENSION FOR APPLICATION

Applications for judicial review should be submitted within **30 days** of **CRA's decision**. However, **extensions** are **possible** if the taxpayer can show continuing intent, potential merit, lack of prejudice to CRA and a reasonable excuse for delay (see VTN [530\(8410\)](#)).

A June 30, 2026 **Federal Court** case ([Wu vs. AGC, 26-T-232](#)) **allowed an extension of time** to apply for judicial review of CRA's **denial** of CERB and CRB **benefits**. **CRA's decision** was communicated on **September 2, 2025** and an application for judicial review was not filed by the 30-day deadline, October 2, 2025. An acceptable **application for extension** of the deadline to apply for judicial review was submitted to the court on **June 5, 2026**, making the requested extension **over eight months** from the **due date** of **October 2, 2025** (30 days after the decision was communicated).

During that period, the taxpayer had first **continued communications with CRA**, commencing on the date of the letter. He subsequently received a **courtesy letter** from CRA dated **November 14, 2025** confirming that their decision was made on September 2, 2025. He then **filed documents** with the court on **November 15, 2025** and called CRA for a better explanation on November 19, 2025. CRA confirmed that his **only option** was **judicial review**.

once a CRA decision is communicated, the clock for applying to the courts is ticking

His **initial court filings** were **rejected** on **January 27, 2026**, and he made a **further filing** on **February 2, 2026**, resulting in an email on **March 2, 2026** advising that he was required to **file** a motion for an **extension of time** to apply for judicial review. He submitted **three** versions of this **motion**, on **April 14, 22 and 26, 2026**, each of which was **rejected** for **various shortcomings** before the motion was **ultimately accepted** on **June 5, 2026**, so this was the date of application reflected by the court.

the challenges for those not expert in court procedures pursuing court applications

The court held that the **taxpayer** had **demonstrated a continuing intention** to pursue **legal remedies** in whatever form of action was appropriate by his immediate **communications with CRA** on September 2, 2019 and **continued timely steps**, albeit flawed steps, to **challenge the decision**. His application was **not doomed to fail**, the Crown would not be prejudiced by an extension of time and the **delays** were **explained** first by the belief that the issue **remained under review** at CRA until the November 14, 2025 letter and subsequently by the **challenges** to a **layperson** attempting to **learn court procedures**. Although the **time** it took to file **appropriate applications** with the court **weighed against** the taxpayer, considering **all relevant factors**, the court **granted the extension** in the interests of justice and **allowed his application to proceed** before the court.

TAX COURT OF CANADA – CORPORATION'S REPRESENTATION

Lawyers are required to represent non-individual taxpayers at the **Tax Court of Canada** where appeals are heard under the **general procedure unless**, under **special circumstances**, the court grants leave to the taxpayer to be represented by a director, officer, employee, member or partner of the taxpayer (see VTN [514\(7693\)](#)).

A July 7, 2026 **Tax Court of Canada** case ([Stinson School Inc. vs. HMK, 2024-1325\(IT\)G](#)), considered whether a corporation could have a **non-lawyer** represent it in a complex general procedure appeal. The appeal concerned reassessment **adjustments approaching \$7 million, statute-barred reassessments** and **gross negligence** penalties. After its counsel resigned, the corporation sought permission for its **manager**, a non-lawyer who was also married to the owner, **to conduct the appeal** because there was a **financial impediment** to retaining counsel.

Taxpayer loses

The court **dismissed the motion**, finding that the situation did **not constitute special circumstances** which would permit an alternative representative. The court considered whether there truly was a **financial impediment** to retaining counsel, whether the proposed representative was **reasonably capable** of representing the corporation and whether that person could **adequately prepare** for trial. The court also noted the following:

- the manager provided **no evidence**, such as an affidavit or financial documentation, supporting the alleged **inability to afford** counsel;
- the **motion materials** were **deficient** (no affidavit, written submissions or authorities), raising concerns about the manager's ability to manage the legal process;
- the case was of **higher complexity** due to statute-barred years and gross negligence penalty issues; and
- the potential need for the manager to manage his own cross-examination and examine or cross-examine close family members raised concerns, especially as he would have to be both an **advocate and a significant witness**.

evidence of the taxpayer's inability to afford a lawyer

whether the non-lawyer could manage the legal process

As a result, the court concluded that the corporation had **failed to establish** the claimed **financial impediment** and the **manager's capacity** to conduct the litigation effectively, so he was **not permitted to represent** the corporation.

See VTN [533\(8545\)](#) for a discussion of the proposals to change the amounts that can be disputed under the informal vs. general procedure.

10 Estate Planning

541(10)

CAPITAL GAINS ALLOCATED BY A TRUST

A May 28, 2026 French **Court of Quebec** case ([Fiducie Famille Champoux vs. QRA, 2026 QCCQ 2430](#)) considered an **\$800,000 capital gain** allocated by a **discretionary family trust** to a **beneficiary** (Mrs. L) who was the **spouse** of one of the three **trustees** (Mr. C). The **2014 returns** of the trust and Mrs. L **reflected this allocation**. The trust was established as a **tax-planning strategy** to **facilitate income splitting**.

*ability to legitimately
income split*

Revenu Québec (RQ) argued that the **arrangement** was a **sham** and that Mrs. L acted as a front for **Mr. C**, who was the **true and sole beneficiary**. RQ **assessed** the taxpayers **outside** the **normal reassessment period** and imposed **gross negligence penalties**.

Taxpayer wins

The court **rejected RQ's position**. A **transaction with no commercial purpose** other than to obtain a **tax advantage** is **not sufficient** to characterize a transaction as a **sham**; there must be an **intention to deceive** the **tax authorities**.

The court found that the \$800,000 **belonged to Mrs. L**, who **decided** to use the **funds** for her own and her **family's benefit**, including paying **joint family debts** and the **mortgage** on the family residence. This was **consistent** with the spouses' **longstanding arrangement** of **pooling** their **income** and assets for family purposes, under which each spouse contributed according to their means. The deposit of the funds into a **joint account** did **not establish** that the **beneficiary** had **surrendered control** of the funds.

*who truly controlled the
funds*

The court found that the transactions **reflected** the **couple's established financial practices** rather than a **secret arrangement** under which Mr. C was the true beneficiary. The **appeal** was fully **allowed** and the reassessments were vacated.

The court distinguished an earlier case (see VTN [432\(3625\)](#)) in which capital gains were allocated to seven beneficiaries, with the funds being returned to the taxpayer as gifts.

See VTN [458\(4845\)](#) for comments on CRA activity reviewing allocations of capital gains from trusts in 2015.

CORPORATE BENEFICIARY – TIMING OF TRUST INCLUSIONS

A June 2, 2026 **Technical Interpretation** ([2026-1089201C6](#), Nathalie Aubin) discussed the timing of various **income and tax attribute** inclusions for a **corporate beneficiary** of a trust. CRA opined that the decision of the **Federal Court of Appeal** in the Vefghi case (see VTN [529\(8380\)](#)) **confirmed** their **historical interpretation** of the **timing** of such **inclusions**. Specifically, the case confirmed that **all income and tax attributes** related to **trust distributions** are **deemed** to be **received** on the **date** of the **trust's year-end**. This would determine the **reporting of income**.

all trust income paid or payable to a corporate beneficiary is realized on the date of the trust's year-end

Any resulting **increases** to the **capital dividend account** (for example, for taxable capital gains or capital dividends allocated from the trust) would **not be available** until the date of the **trust's year-end**.

this timing issue for capital dividend account additions

Although **most trusts** have a **December 31 year-end**, CRA noted that a **graduated rate estate** (GRE) could have **any year-end** it selects. Any **income** received from the **GRE** would be reported on the **date** of the **GRE's year-end**.

TAXABLE BENEFITS – INSURANCE PREMIUMS

Trust payers

A May 5, 2026 **Technical Interpretation** ([2026-1089321C6](#), Aleksandra Bogdan) discussed the possibility that **payment of life insurance premiums** by a trust could result in a **taxable benefit** to the policy's **beneficiary**. CRA first confirmed an earlier interpretation (2008-0301881E5) that, where an **individual beneficiary** of the trust was the **policy beneficiary**, and the **premiums** were **neither a distribution of trust capital nor trust income** to the beneficiary, a **taxable benefit** would be conferred on the beneficiary (Subsection 105(1)), in an amount **equal to the premiums**. CRA further opined that, if the **policy beneficiary** were instead a **corporation** in which the individual beneficiary was a shareholder, the **benefit** would be **taxable** to the **corporation**. It was **not necessary** for the **corporation** to be a **beneficiary of the trust** for this result to occur.

reviewing the possibility of taxable benefits where a trust pays life insurance premiums

Corporate payers

Similar issues arise where **corporations** pay life insurance premiums for **policies** that they do **not own**, or for which they **are not the sole beneficiary**. In a May 5, 2026 **Technical Interpretation** ([2026-1089311C6](#), Sylvie Danis) referring to recent cases in this regard (see VTN [497\(6882\)](#) and [488\(6492\)](#)), CRA **reaffirmed** that premiums paid where the **corporation** is **both the owner and sole beneficiary** would **not** normally result in a **taxable benefit**. In **other situations**, the determination of any **taxable benefit** is a **question of fact**.

LIFE INSURANCE – RETURN OF PREMIUMS

A July 15, 2026 **Tax Court of Canada** case ([Akhavan vs. HMK, 2025-3657\(IT\)I](#)) reviewed whether a **refund of premiums paid** when a **term life insurance policy** matured was **taxable income**. During the term of the policy, the **taxpayer paid** about \$10,529 in premiums, which was reflected on the **T5 slip** issued. The **taxpayer** stated that he did **not receive** the **T5 slip** and that the return of premiums represented a **return** of his **own payments**, so they should **not be taxable**.

A **return of premium** benefit paid out on the **surrender or maturity** of the **life insurance** policy is included in the **proceeds received** by the policyholder. To the extent that **proceeds exceed** the **adjusted cost basis** (ACB) of the policy, the **excess** is **ordinary taxable income** (Paragraph 56(1)(j) and Section 148). While the **ACB incorporates premiums**, it is **reduced for the net cost of pure insurance** (NCPI), eroding or eliminating the ACB over time (Regulations Section 308). The calculations for the **ACB of a term insurance policy are complex** and should be obtained from the plan issuer. Generally, a term insurance policy would have **nominal ACB** as **premiums are solely for the cost of the insurance**.

Taxpayer loses

The court reviewed the taxation where a **life insurance policy is disposed of**, including **paying cash out on its maturity** during the life of the insured. The court noted that the **income inclusion** could **only** be **nil** if the **ACB** of the policy **equalled** the **premiums** paid, with **no NCPI**. Since the **taxpayer** benefitted from the **life insurance coverage** throughout the **20-year term**, the **NCPI** could **not** have been **nil**, as it was **simply impossible** that the **insurance** component **cost nothing**.

*return of premiums option
can result in taxable
income*

The court upheld CRA's reassessment of the **unreported income**. The court's ruling was consistent with a previous CRA interpretation (see [VTN 528\(8338\)](#)).

EXCESS TFSA CONTRIBUTIONS – WITHDRAWAL AND RECONTRIBUTION

A July 13, 2026 **Tax Court of Canada** case ([Adelkhou vs. HMK, 2026-754\(IT\)I](#)) reviewed the application and **computation** of the 1% per month **penalty tax** assessed for an **excess TFSA contribution** (Section 207.02).

In 2024, the taxpayer made **a series of contributions and withdrawals**. The taxpayer first **contributed** her full contribution limit of \$27,000. She **subsequently withdrew** the same amount. She then recontributed the \$27,000 four days later, resulting in the **excess TFSA amount** that remained until the end of the year. While **withdrawals increase contribution room**, the **increase** is only available at the **beginning** of the **subsequent year** (Variable C in the definition of excess TFSA amount in Section 207.01). CRA

*withdrawals are only
added to the contribution
room in the subsequent
year*

assessed the **\$270 per month penalty tax** and a **late-filing penalty** as the return (Form RC243, Tax-Free Savings Account (TFSA) Return) was filed after the June 30, 2025 deadline.

Taxpayer loses

The Court **upheld** the **assessment**, noting that the **legislation** is **clear**. The late-filing penalty was also properly assessed.

*June 30 deadline for
TFSA penalty tax returns*

The court also clarified that it does **not** have the **jurisdiction to order CRA to exercise its discretion to waive** all or part of these assessed **taxes** or late-filing penalties (Subsections 207.06(1) and 220(3.1)) and that any judicial review of the Minister's decision rests with the Federal Court.

PLANNING FOR DISABLED BENEFICIARIES – LIFETIME BENEFIT TRUST (LBT)

A July 30, 2026 Taxpage.com article ([How to Set Up a Lifetime Benefit Trust in Canada: Tax-Deferred Planning for Disabled Beneficiaries and Registered Assets](#), David J. Rotfleisch) discussed the opportunity available to utilize an **LBT** as part of an estate plan to minimize and/or defer the tax due upon death on an RRSP or RRIF.

A tax-deferred rollover is available where the proceeds of a **registered plan** are transferred to an **LBT** for the benefit of a **financially dependent child or grandchild** who suffers from a **mental infirmity** (Section 60.011). This transfer **avoids** the **income inclusion** for the **registered plan** upon the holder's death (Subsection 146(8.8) for RRSP and Subsection 146.3(6) for RRIF).

*this option for RRSP or
RRIF funds left to a
mentally infirm dependant*

LBT eligibility

A qualifying LBT must meet the following requirements:

- **Financial dependency** – this is generally assessed based on the **beneficiary's income** in the taxation year corresponding to the registered plan holder's death.
- **Mental infirmity** – the beneficiary's financial dependency must arise from a **mental infirmity** (not a physical infirmity). Mental infirmity is not defined in the legislation; however, it generally includes an impairment to someone's cognitive and mental capacity.

Annuity requirements

The proceeds transferred to a qualifying LBT must be used to **purchase a qualifying trust annuity** from a licenced Canadian life insurer and the annuity requirement must include the following criteria:

- annuity **commences within one year** of the registered plan holder's death;
- annuity is **not commutable**;
- the **LBT** is the **annuitant** of the annuity; and

*these requirements for an
annuity*

- the **term** of the annuity contract is **either** for the **life of the disabled beneficiary** or for a term **not exceeding 90 years less the beneficiary's age** when the annuity is purchased.

Deemed receipt rule

As the **LBT is the annuitant** of the annuity, it would be the recipient of the funds from the annuity; however, the beneficiary (who typically has a lower marginal tax rate) would be taxable on these funds.

Interaction with provincial benefit rules

Although there may be **benefits to accumulating funds in an LBT** for the beneficiary and residual beneficiaries, each province and territory has **specific rules governing the accumulation of income**, which may also affect **provincial benefits**. For example, **Ontario's Accumulations Act** limits the accumulation of income to 21 years (see VTN [538\(8780\)](#)).

*reviewing relevant
provincial benefit
programs*

Residual estate benefit

There are additional **non-tax benefits** of retaining a mentally-infirm beneficiary's interest within a trust so that the assets will pass to a residual beneficiary within the LBT, rather than becoming part of the infirm beneficiary's estate. This may address the concern where the beneficiary does not have the cognitive ability to execute a will.

Interaction with other tools

An LBT may also be **combined with other estate planning alternatives for disabled beneficiaries** of an estate. In particular, the article outlined the following tools which are currently available:

- A separate **qualified disability trust (QDT)** subject to graduated tax rates may hold residual estate assets with no annuity requirement (see VTN [531\(8452\)](#) for further discussions related to QDTs).
- A **registered disability savings plan (RDSP)** is an effective accumulation vehicle within its lifetime contribution limits (see VTN [475\(5813\)](#)).
- A **Henson Trust** is a fully discretionary inter vivos trust which is used to ensure provincial benefits are protected for the disabled beneficiary (see VTN [458\(4844\)](#)); however, there may be a risk to an LBT structure where the beneficiary transfers its income directly into a Henson Trust.

*these additional planning
strategies*

11 Charities/NPOs

541(11)

NON-PROFIT STATUS

In order to be **exempt from tax**, a **non-profit organization (NPO)** **cannot** be operated for the **purpose of profit** (Paragraph 149(1)(l)). Further, it **cannot distribute** any of its **income** to its **members** or otherwise make its income available for their personal benefit (referred to by CRA as the “no personal benefit test”).

A July 24, 2026 **Technical Interpretation** ([2025-1066701E5](#), Michel Gauthier) discussed whether a **housing co-operative** (the co-op) could lose its **tax-exempt status** due to **loans received** from its **members**. The members would be **required** to provide **loans** (up to a limit) that would **accrue interest** (with a formulaic rate that could not be less than 1% or more than 5%). When a **member leaves**, the **loan and interest** would be **repaid**. The co-op would retain a **reserve of 3% of all loans** to be used for **repayments** when members leave. In addition, where a **member pays** for approved **upgrades or renovations**, the **value** of the upgrades would be **added** to both the **loan balance** and the maximum loan from the member.

Loan and interest payments

CRA opined that **generating income** for the purpose of **repaying the principal portion** of member loans **may indicate** that the co-op has a **profit purpose**, as such profits would **not likely** be considered **incidental**. In contrast, **earning income** to cover **reasonable interest expenses** on member loans that constitute a **bona fide debt** and are **incurred to further** the co-op's **non-profit objectives may not**, in and of itself, **indicate a profit purpose**.

whether the NPO would need to generate income to fulfill its obligations

CRA further opined that repayment of bona fide **member loans** would **not generally** indicate that the co-op's **income** is **payable** to its members, provided that **all of the following** are true:

- the loan is a **bona fide debt** that creates a debtor-creditor relationship on **reasonable terms and conditions**;
- the **interest** rate is **reasonable**;
- the arrangement is **not** a mechanism to **distribute surpluses** of the co-op;
- the loans **further** the co-op's **non-profit objectives**; and
- in general, the **principal portion** of member loans are **repaid from** member **contributions, gifts or grants**, or from **incidental profits**.

the risk of a disagreement with CRA on whether these criteria are met

CRA stated that it is a **question of fact** whether the **member receives** the **payment** in their capacity as a **lender** or as a **member** of the co-op.

Reserve funds

CRA noted that the **reserve fund** would likely be **invested** by the co-op in order to meet its future interest obligations on the loan. While **earning income** from **investing the reserve** would **not likely jeopardize** the co-op's tax-exempt status, if the investment **income accumulates** and **creates a surplus** well beyond what is reasonably required for the co-op's operations, it **may indicate a profit purpose**. Similarly, where the co-op **aggressively pursues investment income** to fund its activities (including its loan payment obligations), this **may also indicate a profit purpose**. A profit purpose would lead to the **loss** of its **status** as a **tax-exempt NPO**.

caution in investing NPO funds

Payments for upgrades

CRA noted that the **value** of upgrades and renovations would **increase the loan**, and that this **value** might **exceed the cost** of these upgrades. The **excess** may indicate that **income** has been **made available** for the **personal benefit of the member**, leading to the **loss** of **tax-exempt NPO** status. Conversely, a repayment that **merely reimburses** the member for **actual renovation costs**, without conferring an economic gain, would generally be **less likely** to be viewed as **income made available** for the member's personal benefit.

ensuring that only actual out-of-pocket expenses are repaid to members

12 International

541(12)

DRAFT REGULATIONS – SIMPLIFIED TRANSFER PRICING DOCUMENTATION

[Budget 2025](#) proposed **simplified requirements** to meet the **requirements** for **contemporaneous** documentation of **transfer pricing** methodologies (see VTN [394\(1007\)](#)) for **smaller organizations** that meet **prescribed conditions**. The **draft regulations** were released on July 23, 2026 as part of a package of [legislative proposals](#) for consultation. These **simplified requirements** would be available to **taxpayers or partnerships** meeting **all** of the following **requirements**:

- the total **gross revenue** of **all members** of the **multinational group** including the taxpayer did **not exceed \$25 million** in the **immediately preceding** **taxation year** or fiscal period (the taxpayer would be required to have contemporaneous documentation of the relevant revenue calculations);
- the taxpayer did **not dispose of intangible property** to a **non-resident** with whom it, or a member of the group, did **not** deal with at **arm's length**;
- the taxpayer did **not pay or receive royalty** payments **to or from a non-resident** with whom the taxpayer, or a member of the group, did **not** deal with at **arm's length**; and

no simplified reporting for cross-border royalty arrangements or transfers of intangible property

- the taxpayer **elects** to have these **simplified requirements** apply by its **documentation due-date** (generally the filing deadline for its income tax or partnership information return), with each relevant transaction or series of transactions (see below) requiring its own election.

The **simplified requirements** would apply only to **specific transactions** or series of transactions that meet the following **criteria**:

- the taxpayer has **documentation** of the **terms and conditions** of the transactions, including the **participants**, the **property or services** to which the transaction or series relate and the **amounts paid or payable** (or received or receivable);
- the taxpayer has **documentation** of the **analysis performed** to determine that the **transfer prices** are based on **arm's length conditions**; and
- the **transaction** or series of transactions does not exceed a **maximum amount** that varies with the type of transaction as follows:
 - **gross amounts** payable or receivable for **transfers of tangible property** does not exceed **\$5 million**;
 - **gross amounts** payable or receivable for **intra-group services** do not exceed **\$2 million**; and
 - **interest** payable or receivable on lending or borrowing within the group does not exceed **\$1 million**.

significant documentation still required

The draft regulations also include more **specific documentation requirements** for each of the three **types** of transactions or series of transactions noted above. Documentation is required to be **updated** for any **material changes in subsequent years** during which the **series continues**. The required **documentation** must be **provided to CRA** within **30 days** if requested. These regulations would apply for **fiscal years** that **begin** on or after **January 1, 2026**.

reviewing the detailed requirements for the relevant types of transactions for any specific client

An **anti-avoidance** provision would apply where it is reasonable to conclude that **transactions** are undertaken to **fit within** the requirements for **simplified documentation**. The explanatory notes provide examples of creating new entities to isolate royalty arrangements from other transactions, or staggering transactions to meet the dollar limits.

DRAFT LEGISLATION – TAXABLE CANADIAN PROPERTY (TCP)

[Draft legislation](#) released for consultation on July 23, 2026 included a **proposed amendment** to the definition of **TCP**.

The **current definition** provides that a **share of a corporation** (other than a mutual fund corporation) that is **not listed** on a designated **stock exchange**, an **interest in a trust** (other than a unit of a mutual fund trust or an income interest in a trust resident in Canada) or an **interest in a partnership** is **TCP**

if **more than 50%** of the share or interest's **fair market value (FMV)** is **derived from** one or more of the following:

- **real** or immovable **property** situated in **Canada**;
- **Canadian resource properties**; and
- **timber resource properties**.

The property is TCP if this requirement is met **at any time during the 60-month period** that ends at the relevant time (typically when the property is disposed of). The term "derived from" creates a **look-through rule** for **property held indirectly** through other entities. However, this look-through rule does **not apply** to interests in a **corporation, partnership or trust** where those interests are **not themselves TCP**.

reviewing the TCP definition for Canadian entities holding such assets, directly or indirectly

The **draft legislation** would **increase** the entities to which the **look-through rule applies**. **Only** the following **entities** would be **excluded** from the **look-through rule**:

- **corporations** or **partnerships** whose shares or units are **listed** on a **designated stock exchange**;
- **mutual fund corporations**; and
- **mutual fund trusts**.

this broadening of the TCP definition for corporate groups

The [explanatory notes](#) provided an example of a private corporation, Pco, owning a subsidiary, Subco, that held property with a total value of \$160,000, of which \$60,000 was real property. Under the current rules, because Subco's shares would not be TCP, there would be no look-through to its real property. Under the proposals, Pco would be required to consider that real estate in determining whether its shares were TCP.

The proposals would also remove partnerships whose units are listed on a designated stock exchange from this definition of TCP.

These proposals would be **effective on Royal Assent**.

There are **separate provisions** that can **include shares** of corporations that are **listed on a designated stock exchange**, shares of a mutual fund corporation or units of a mutual fund trust in the definition of TCP; however, these generally apply only where a person or group owns at least 25% of the entity. Partnerships whose units are listed on a designated stock exchange would also be subject to this definition. The proposals would also **include options and rights** in determining whether the **25% ownership requirement** is met.

An August 10, 2026 **Borden Lasner Gervais** article ([Draft technical amendments expand the scope of taxable Canadian property](#), Joelle Kabouchi) also discussed these proposals.

T1135 – TAXPAYER RELIEF

A July 14, 2026 **Federal Court** case ([Catino et al. vs. AGC, T-1947-24](#)) addressed an application for judicial review of CRA's **denial of penalty relief** related to **late-filed T1135s** for the 2021 year for a married couple. The facts leading to the penalty were as follows:

- one taxpayer, C, realized a **significant capital gain** in 2020 from the sale of **foreign property**;
- C believed that the **calculation** of this **capital gain** prepared by his **accountant** was **inflated**;
- to avoid risk of penalties and interest, C and his spouse, H, **filed** based on the **capital gain as calculated**, having been assured by their accountant that the returns **could be adjusted** if the gain was determined to be overstated;
- a **T1 adjustment** request was subsequently filed to **reduce** the **capital gain** and **reduce** the **RRSP deduction** claimed on the 2020 return;
- C contacted CRA on **April 25, 2022** and was advised that the **2020 adjustment** was **still pending** and that he **should file** his **2021 return without the RRSP** carry-forward that would result, filing a T1 adjustment to claim that amount when the 2020 reassessment and 2021 assessment were issued;
- C also inquired about the **consequences of filing the 2021 return late**, and was advised that a **penalty** would apply if there was a **balance owing**;
- C and H **delayed** filing their **2021 returns**, as they **both had refunds** to claim;
- C received his **2020 reassessment** on **July 21, 2022**; and
- C and H **filed** their **2021 returns** including their **T1135s** on **December 12, 2022**, which they prepared themselves, without engaging an accountant.

the issues that arise when an adjustment to a prior year impacts current-year tax balances

C and H were each assessed a **penalty of \$2,500**, plus interest, for **late filing** their **T1135s**. They **requested penalty relief**, which was **denied** by CRA.

Taxpayer loses

The taxpayer had **not asked** the CRA agent he spoke to in April of 2022 about **filing requirements or penalties** related to the **T1135 filings**, which were **separate** from the income tax returns. The taxpayer's claim that it was **virtually impossible** to locate **penalty information** related to the **T1135** on **CRA's website** was **not consistent** with the **reference** to the **T1135** included in an excerpt from the online guide **included** in an **affidavit** filed by the taxpayer. That passage contained a **hyperlink** to a more **detailed discussion** of the T1135 that **clearly stated** the **filing deadline** and the potential for **penalties**, with a further hyperlink to details of these penalties. It was **not unreasonable** for CRA to expect that a **taxpayer** would **navigate** through the **relevant hyperlinks** to obtain the required information and

a thorough review of online guidance

ensure full compliance with his tax obligations.

The **taxpayer's argument** that he had exercised **due diligence** similar to that found in a prior case (see VTN [370\(1288\)](#)) could **not be considered** in the context of a **judicial review** application, but only in the context of an **appeal** to the **Tax Court of Canada**. As such, the court could not review whether the taxpayer's research met the standard of due diligence.

filing a notice of objection to assert due diligence

13 Did You Know...

541(13)

AI AND PROFESSIONAL ADVICE

A July 13, 2026 LinkedIn article ([What Owner-Managers Should Understand About AI and Professional Advice](#), Benjamin Alarie, CEO of BlueJ (an AI tax tool)) discussed some of the key principles that owner-managed businesses should know about AI in respect of professional advice. The **key concepts** included the following:

- Be **skeptical** of predictions that **AI will replace professional advisors**. Large AI companies benefit economically from a future in which more professional work moves from people to software. AI capability is not the same as professional judgment.
- AI can produce impressive, confident answers, but a technically **sophisticated response** is **not** the same as **professional advice**. Good advice depends on **understanding the facts, context, objectives, risks and consequences**.
- The hardest part is often **knowing what question to ask**. Professional value is not simply finding legislation or producing an answer. It includes identifying the real issue, gathering the relevant facts, weighing authorities, assessing uncertainty and understanding the client's objectives.
- Owner-managers should **adopt AI aggressively** but **establish boundaries**. Good uses include exploring questions before speaking with an advisor, summarizing documents, comparing alternatives, preparing internal drafts and identifying matters requiring further investigation.
- Businesses should **understand** how an AI **provider handles information** before uploading confidential corporate, employee or customer data.
- **Do not assume** a **detailed AI answer** is necessarily **current or complete**. An answer may use the wrong jurisdiction, outdated law or incomplete administrative guidance. Confidence and detail are not evidence of accuracy.

the key is knowing what question to ask

detailed answers do not mean that they are current or complete

- Some accounting and legal **tasks should become faster**, cheaper or disappear. The opportunity is to **combine AI efficiency with human expertise** so businesses receive better advice, faster and at lower cost.

Also, on June 30, 2026, the Epoch Times published an article ([Can We Have Our Humans Back? Why Some Companies Are Rethinking AI](#), Keegan Billings) that discussed **how human roles may not be eliminated as quickly** as some feared in the **evolution of AI**.

BRITISH COLUMBIA – PST ON ACCOUNTING SERVICES

On July 9, 2026, British Columbia released [final regulations](#) related to the expansion of **PST** to several **professional services**, including accounting services (see VTN [537\(8755\)](#)). The final regulations included **clarifying measures** in respect of these exemptions:

- work that relates to **business activities** and **real assets outside British Columbia**;
- **preventing PST** from being **charged multiple times** on the same service; and
- certain **services provided within corporate groups** to reduce the risk of double taxation.

these clarifying measures

On July 31, 2026, the province **updated its guidance** on the [PST on accounting services](#) webpage. The guidance includes information on **bundled services, a large list of exceptions** and the treatment of engagements **partially outside of BC**. There is also a [webpage](#) that lists related **webinars** available.

UPCOMING COURSES

Tax Update 2026

Join us for our 42nd annual [Tax Update](#) seminar for a **practical** and **comprehensive review** of the **tax developments**, technical issues and administrative changes that will have the most impact **on owner-managed clients** and their advisors in the coming year.

preparing for the tax planning and compliance challenges that will shape 2026 and beyond

This 14-hour course will examine **legislative changes, CRA compliance initiatives**, planning **opportunities**, emerging **risks** and areas where **professional judgment** will be increasingly important. The many topics explored will include the complex new **dividend suspension rules**, the implementation of the **bare trust reporting** requirements and the latest **CRA projects** and **releases**.

Limited spaces are available for in-person and virtual live offerings.

Newbies to Ninjas: Corporate Tax

Training new tax staff? Let us take care of the corporate tax fundamentals.

Newbies to Ninjas: Corporate Tax, 12th Edition is a practical 3-hour online course that helps newer preparers turn tax theory into practical T2 preparation skills. We cover foundational owner-managed corporate tax issues, what to look for, what questions to ask and when a matter warrants further review. Combined with your firm's administrative processes, it provides a practical foundation for efficiently preparing new staff for T2 work. [Click here](#) for further details.

Bare Trust T3 Reporting: Practical Guide & Examples

Bare trust reporting is back, with **returns for 2026 due by March 31, 2027**. And with it comes **new exclusions**, **new exceptions** and **new traps** for the unwary.

Joint bank accounts, **in-trust-for accounts**, family **real estate arrangements** and **lawyer trust accounts** are just some arrangements that require careful consideration. In this **two-hour** pre-recorded webinar, Caitlin Butler CPA, CA and Kenneth Keung CPA, CA, CPA (CO, USA), CFP, TEP, LLB, MTax explore these and other **real-world examples**, providing a **practical framework** for identifying potential **bare trust arrangements** and assessing **filing obligations**.

*upgrading your bare trust
filing knowledge before
returns are due*

Registrants will receive a **brandable client letter** that can be customized and distributed to clients as part of the trust reporting preparation process. Course **access** will also be **available** until **March 31, 2027**, allowing time to refresh knowledge as specific client situations arise, right through the filing season. For further information, click [here](#).

*brandable client letter
included*

14 Appendix

541(14)

APPENDIX A

Additional Video Tax News Resources and Recently Released CRA Publications and Forms

Video Tax News Resources

- [Video Tax News Members Portal and Newsfeed](#)
- [Video Tax News Members Portal – A How To Use The Portal Video Tutorial](#) (6 mins)
- [Portal & Newsletter Guide for Monthly Tax Update Users](#)
- [T3 Trust Filing – Quick Reference Chart](#)
- [Status of Recent Tax and Benefit Proposals](#)
- [Tax on Split Income \(TOSI\) – Quick Reference Chart](#)
- [Life in the Tax Lane – 10 Minute Monthly Podcast/Video](#)
- [Technical Interpretations](#)

CRA Guides/Publications

- [T4091 T5008 Guide - Return of Securities Transactions 2026](#)
- [RC4028 GST/HST New Housing Rebate](#)

CRA Forms/Statements/Returns

- [RC4607 GST/HST Pension Entity Rebate Application and Election](#)
- [RC7207 GST/HST Rebate Application and Election for GST/HST and QST Purposes for Pension Entities that are Selected Listed Financial Institutions](#)
- [RC7207-1 QST Rebate Application and Election for Pension Entities that are Selected Listed Financial Institutions for GST/HST Purposes Only](#)
- [T5008 Statement of Securities Transactions](#)
- [T5008SUM Return of Securities Transactions](#)
- [T625-3 Application for Qualified Canadian Journalism Organization Designation - Trust](#)
- [T625-1 Application for Qualified Canadian Journalism Organization Designation - Corporation](#)
- [T625-2 Application for Qualified Canadian Journalism Organization Designation - Partnership](#)
- [B500 Luxury Tax Return for Registrants](#)
- [B501 Luxury Tax and Information Return for Non-Registrants](#)
- [B502 Luxury Tax - Information Return for Non-Registrants](#)
- [B503 Luxury Tax Rebate Application for Foreign Representatives](#)
- [GST524 GST/HST New Residential Rental Property Rebate Application](#)

- [GST525](#) Supplement to the New Residential Rental Property Rebate Application - Co-op and Multiple Units
- [RC7222](#) Election or Revocation for a Qualifying Institution that is a Selected Listed Financial Institution to Use Particular Methods Specified in an Application Under Subsection 141.02(18) of the ETA for GST/HST and QST Purposes
- [RC4521](#) Application for a Financial Institution of a Prescribed Class to be Designated as a Qualifying Institution or Revocation of a Previously Granted Designation
- [RC4522](#) Election or Revocation for a Qualifying Institution to Use Particular Methods Specified in an Application Under Subsection 141.02(18)
- [RC7221](#) Application for a Selected Listed Financial Institution of a Prescribed Class to be Designated as a Qualifying Institution or Revocation of a Previously Granted Designation
- [T622](#) Digital News Subscription Tax Credit - Eligible Subscription
- [RC231](#) Vendor Electronic Payment Registration Request



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