



2025 New Year's Tax Changes

Canadian Taxpayers Federation

December 2024

Canadian
Taxpayers
Federation

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic Canada. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Updates emails. Financial supporters can also receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24, the CTF raised \$6.27 million on the strength of 74,472 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.



Introduction

The New Year's Tax Changes report outlines the major tax changes in 2025 in each province, such as changes to income taxes, carbon taxes and property taxes. After adding up income taxes, sales taxes, property taxes and all other taxes, the average Canadian family pays 43 per cent of its budget in taxes, [according](#) to the Fraser Institute.

This report highlights the tax changes in 2025 and provides cost estimates for increases to payroll taxes, such as the mandatory Canada Pension Plan and Employment Insurance payments, carbon tax hikes, alcohol tax increases and bracket creep, among others.

Bracket creep happens when governments don't move tax brackets with inflation and inflation can automatically bump taxpayers into a higher tax bracket even though they can't actually afford to buy more. With bracket creep, the basic personal amount is also eroded over time.

Federal Government

Canadian workers will see their federal income-based taxes increase in 2025 due to payroll tax increases. The federal government is also increasing alcohol taxes and the carbon tax in 2025. The table to the right shows the total change in federal income taxes Canadians will pay in 2025 when considering changes to the Canada Pension Plan and Employment Insurance taxes. Canadians making more than \$64,000 will pay higher income taxes in 2025.

Income	Total income tax change
\$30,000	-\$6
\$40,000	-\$8
\$50,000	-\$10
\$60,000	-\$12
\$80,000	\$355
\$100,000	\$403
\$150,000	\$403
\$200,000	\$403

There is also a [second CPP tax](#) which began in 2024 and is increasing in 2025. The “CPP2” will be applied on income between \$71,300 and \$81,200, and the maximum tax amount will be \$396 in 2025.

Year	Tax rate	Maximum pensionable earnings	Employee tax	Employer tax
2024	4.00%	\$73,200	\$188	\$188
2025	4.00%	\$81,200	\$396	\$396
			\$208	\$208

This means that the overall CPP tax paid for workers earning \$81,200 or more will be about \$4,430, for a total increase of \$375 (CPP + CPP2) in 2025.

Canada Pension Plan

The maximum pensionable earnings covered by the [CPP tax](#) is increasing. Employers and employees will each be required to pay \$4,034 in 2025. This represents a \$167 tax increase in 2025 for both employees and employers (for workers earning \$71,300 or more).

Year	Tax rate	Maximum pensionable earnings	Basic exemption	Employee tax	Employer tax
2024	5.95%	\$68,500	\$3,500	\$3,868	\$3,868
2025	5.95%	\$71,300	\$3,500	\$4,034	\$4,034
				\$167	\$167

Employment Insurance

The [EI tax rate](#) is being slightly reduced, but the maximum insurable earnings will increase. That will require employees to pay \$1,077 and employers to pay \$1,508 into EI in 2024. This represents a \$28 EI tax increase for employees and a \$40 EI tax increase for employers (for workers earning \$65,700 or more).

Year	Tax rate	Maximum insurable earnings	Employee tax	Employer tax
2024	1.66%	\$63,200	\$1,049	\$1,469
2025	1.64%	\$65,700	\$1,077	\$1,508
			\$28	\$40

In total, federal payroll taxes (CPP and EI tax) will cost a worker making \$81,200 or more \$5,507 in 2025. Their employer will also be forced to pay \$5,938.

Any worker making \$81,200 or more will pay \$403 more in payroll taxes in 2025 than in 2024.

Carbon Tax

The federal government's [carbon tax](#) is set to increase from \$80 per tonne to \$95 per tonne on April 1, 2025. That will increase the current 17.6 cents per litre carbon tax to 20.9 cents per litre of gas. At that higher rate, the carbon tax will cost a family \$14.64 every time they fuel up a 70-litre minivan. Taxpayers in every province and territory, except Quebec, are forced to pay this federal carbon tax rate.

The federal government [claims](#) that "families are going to be better off" with its carbon tax and rebate scheme. However, a Parliamentary Budget Officer [report](#) shows the carbon tax will cost the average household between \$133 and \$477 in 2025-26, even after the rebates.

The federal government also charges its GST on top of the carbon tax. This carbon tax-on-tax will cost Canadians \$500 million in 2025-26, according to the PBO. This carbon tax-on-tax cost is not rebated back to Canadians.

Temporary Sales Tax Holiday

The federal government [announced](#) a two month GST holiday on certain items like pre-made groceries, children's clothing, drinks and snacks. The holiday will last until Feb. 15, 2025, and save a family spending \$2,000 on those certain goods up to \$100.

Due to the Harmonized Sales Tax in place in Ontario, Nova Scotia, Newfoundland and Labrador, Prince Edward Island and New Brunswick, the provincial portion of the sales tax on these items will also be removed, saving Ontario taxpayers 13 per cent and Atlantic taxpayers up to 15 per cent.

Alcohol Taxes

Every year, the alcohol escalator tax increases the excise taxes on beer, wine and spirits with inflation. [Since 2023](#), the government has reduced the increase. Federal alcohol taxes will increase by two per cent on April 1, 2025. This alcohol tax hike will cost taxpayers \$40.9 million, according to Beer Canada estimates.

Taxes already account for about half of the price of alcohol.

Capital Gains Tax

In [Budget 2024](#), the government increased the inclusion rate on capital gains realized annually above \$250,000 by individuals and on all capital gains realized by corporations and trusts from one-half to two-thirds.

The tax hike took effect on June 25, 2024, and will cost taxpayers \$3.4 billion in 2025–26, according to the budget.

University of Calgary economist Jack Mintz [estimates](#) that “1.26 million Canadians (almost five per cent of taxpayers) will be affected by the increase in the capital gain tax on individuals, half of whom earn less than \$117,000 per year.”

Mintz also estimates that because of the capital gains tax increase, “Canada’s capital stock will fall by \$127 billion; employment would decline by 414,000; GDP will fall by almost \$90 billion; and real per capita GDP will decline by three per cent.”

Online Streaming Tax

In June 2024, the Canadian Radio–television and Telecommunications Commission [announced](#) it’s “requiring online streaming services to contribute five per cent of their Canadian revenues to support the Canadian broadcasting system.”

“These obligations will start in the 2024–25 broadcast year and will provide an estimated \$200 million per year in new funding,” according to the CRTC.

Industry associations and experts warn this new tax will make life more expensive in Canada.

“As Canada’s affordability crisis remains a significant challenge, the government needs to avoid adding to this burden,” [said](#) Graham Davies, President and CEO of the Digital Media Association, who likened the announcement to a “discriminatory tax.”

“At a time when affordability is a major concern, Canadian consumers should prepare for a new Bill C–11 fee on their bill,” [warns](#) University of Ottawa Law Professor Michael Geist.

Digital Services Tax

Canada’s digital services tax took effect on [June 28, 2024](#), and is retroactive to 2022. The Parliamentary Budget Officer estimated the DST would cost taxpayers [\\$1.2 billion](#) in 2025–26.

The DST targets large companies operating online marketplaces, social media platforms and earning revenue from online advertising, such as Amazon, Google, Facebook, Uber and Airbnb. However, consumers should expect to pay higher prices because of the tax.

“It is also expected that businesses in the targeted sectors will adjust their services and prices in response to the new law,” the [PBO said](#).

When faced with the three per cent DST in France, Amazon simply [increased](#) its commission charge to French vendors by the same amount.

“An economic impact assessment of the French digital services tax shows that about 55 per cent of the total tax burden will be passed on to consumers, 40 per cent to online vendors and only five per cent borne by the digital companies targeted by the new tax,” [according](#) to the Tax Foundation.

British Columbia

Carbon Tax

British Columbia's carbon tax is set to rise to \$95 per tonne from \$80 per tonne on April 1, 2025. The carbon tax will cost 21 cents per litre of gas, 25 cents per litre of diesel and 18 cents per cubic metre of natural gas.

Here's how the carbon tax hike will impact a couple in B.C. that owns a Dodge Caravan and Ford F-150: The carbon tax will cost almost \$15 to fuel up the minivan and nearly \$21 to fuel up the pick-up truck when it reaches \$95 per tonne. Filling up their minivan once a week and truck once every two weeks will cost the family \$1,253 in 2025 just to pay the carbon tax.

The average home in Canada uses about [2,385 cubic metres](#) of natural gas per year. The total annual carbon tax bill on natural gas, including the first three months of the year at \$80 per tonne, will be \$415. That means that the total cost of the carbon tax in 2024 will be about \$1,470.

Home Flipping Tax

British Columbia's new [home flipping tax](#) takes effect on Jan. 1, 2025. The tax will apply to the income British Columbians earn from selling a taxable property in B.C. if they owned the property for less than 730 days.

The tax rate is 20 per cent of income earned from a property sold within 365 days, with the rate decreasing over the next 365 days. The tax no longer applies when the property has been owned for 730 days.

Alberta

Electric Vehicle Tax

The Alberta government [announced](#) an electric vehicle tax of \$200 per year in its 2024 budget. The tax will begin in January 2025.

Income Tax

The Canadian Taxpayers Federation is calling on the Alberta government to keep its promised income tax cut.

During the last election, the United Conservative Party promised to reduce the lowest tax bracket from 10 per cent to eight per cent, which would save working families approximately [\\$1,500](#) per year.

Saskatchewan

Small Business Tax

The small business tax rate will be held at one per cent. It was scheduled to increase from one to two per cent on July 1, 2025. The tax had previously been reduced to zero during the pandemic.

Income Tax

The Saskatchewan government [announced](#) plans to increase the personal income tax exemption, the spousal exemption, the child exemption and the seniors supplement by \$500 per year for the next four years. This will save a family of four \$2,100 over four years.

Carbon Tax

The Saskatchewan government is [extending](#) the carbon tax exemption on home heating for another year. This will save the average Saskatchewan family approximately \$480 in 2025.

Manitoba

Gas Tax

The Manitoba government removed its 14 cent per litre gas tax in January 2024. The cut was then extended to the end of December 2024, meaning that on Jan. 1, 2025, the provincial gas tax is scheduled to go back up to 14 cents per litre.

A two-vehicle family that fills up a minivan and a pick-up truck every two weeks will have saved about \$587 by the end of December. Another three-month extension of the gas tax cut means that same Manitoba family would save about \$147 more.

Education Property Tax

The Manitoba [government](#) is replacing the 50 per cent school property tax rebate with a \$1,500 tax credit for principal residences in 2025. This means that some Manitobans could see their property tax increasing next year depending on what their house is worth.

Income Tax

The Manitoba [government](#) is increasing taxes for Manitobans with incomes over \$200,000 by phasing out the basic personal amount (i.e. the amount of money you can earn before you have to start paying income taxes). The basic personal amount will be completely phased out for Manitobans earning more than \$400,000.

Ontario

Gas Tax

The Ontario government cut its gas tax by 6.4 cents per litre on July 1, 2022, and has [extended](#) the cut four times. The gas tax cut is scheduled to last until June 30, 2025. The average two car family will save \$210 from January to June 2025 with this tax cut.

Bracket Creep

The Ontario government indexes most of its tax brackets to inflation, but not the top two tax brackets. This means that every year, as incomes go up with inflation, certain Ontarians pay more in income taxes as they are pushed into higher tax brackets. The [Low Income Individuals and Families tax credit](#) (LIFT) is also not indexed to inflation, so low-income Ontarians will also pay more in income taxes in 2025.

Income	Change in taxes paid
\$30,000	\$25
\$40,000	\$70
\$50,000	\$23
\$60,000	\$0
\$80,000	\$0
\$100,000	\$0
\$150,000	\$28
\$200,000	\$42

The table shows how much bracket creep will cost Ontarians at different income levels in 2025.

Ontario Health Premium

While many of Ontario's income tax brackets are indexed with inflation (two highest income tax brackets are not indexed), the Ontario Health Premium is automatically deducted from the wages of any Ontarian earning more than \$20,000 per year and its bracket thresholds are not indexed. The OHP kicks in for anyone earning more than \$20,000 annually and gradually increases to a maximum of \$900 per taxpayer. The base threshold of \$20,000 has remained the same since the [tax was introduced in 2004](#). The \$900 maximum applies to anyone earning \$200,600 or more, which has also not changed since the tax was first introduced. This means that every Ontarian earning more than \$20,000 is subject to bracket creep.

A taxpayer earning \$60,000 will pay \$600 because of the OHP in 2025.

Quebec

Quebec Pension Plan

The [Quebec Pension Plan](#) tax rate is increasing in 2025, with the government adding another component to the extra plan created in 2022. This means that employees and employers each pay \$4,540 into the QPP in 2025. This represents a \$192 QPP tax increase for employees and employers.

Year	Maximum pensionable earnings	Basic exemption	Employee tax	Employer tax
2024	\$73,200	\$3,500	\$4,348	\$4,348
2025	\$78,000	\$3,500	\$4,540	\$4,540
			\$192	\$192

Quebec Employment Insurance

The Quebec EI tax rate will decrease and maximum insurable earnings will increase in 2025. This means employees will pay \$861 and employers will pay \$1,205 into Quebec EI in 2025. This represents a \$26 EI tax increase for employees and an \$37 EI tax increase for employers.

Year	Tax rate	Maximum insurable earnings	Employee tax	Employer tax
2024	1.32%	\$63,200	\$834	\$1,168
2025	1.31%	\$65,700	\$861	\$1,205
			\$26	\$37

Quebec Carbon Tax

Quebec's provincial carbon tax has slightly decreased to 11.7 cents per litre of gasoline and 14.8 cents per litre of diesel. That means the carbon tax will cost a family about \$8 every time they fuel up their minivan.

Montreal City Car Registration Tax

Starting Jan. 1, car registration fees in the Greater Montreal Area will rise significantly, increasing from \$59 per vehicle to \$150. This represents a 154 per cent increase. For a family with two vehicles, this means paying \$300 annually, up from \$118 – an increase of \$182 per year.

Quebec City Car Registration Tax

Drivers in the Quebec City area will pay higher car registration fees, with rates jumping from \$30 per vehicle to \$90 as of Jan. 1. This is a 200 per cent increase. A family with two vehicles will pay \$180 annually, up from \$60 – an increase of \$120 per year.

New Brunswick

Removing HST from power bills

Newly-elected Premier Susan Holt promises to remove the provincial 10 per cent sales tax on consumer [power bills](#). While not yet passed in the legislature, Holt has indicated she is fast-tracking this bill to have immediate effect at the start of the 2025-26 fiscal year.

Nova Scotia

Sales Tax

[Nova Scotia announced](#) a one percentage point cut in the provincial portion of the Harmonized Sales Tax in October of 2024. This means that the HST will drop to 14 per cent as of April 1, 2025. The average Nova Scotian household will [save over \\$350](#) per year from this tax cut.

Bracket Creep

Historically, the Nova Scotia government did not index income tax brackets to inflation. This means that every year, as incomes went up with inflation, Nova Scotians paid more in income taxes as they were pushed into higher tax brackets.

In the [2024 provincial budget](#), the Nova Scotia government announced an end to the bracket creep income tax hike, beginning in the 2025 tax year.

The table on the right shows how much eliminating bracket creep will save Nova Scotians at different income levels in 2025.

Income	Savings by ending bracket creep, 2025
\$30,000	\$65
\$40,000	\$80
\$50,000	\$80
\$60,000	\$103
\$80,000	\$111
\$100,000	\$135
\$150,000	\$182
\$200,000	\$298

Prince Edward Island

Income Taxes

The PEI government announced [changes](#) to its income tax brackets and tax rates in the 2024 provincial budget. These changes amount to a small tax cut for all Islanders making less than \$105,000.

However, the PEI government does not index its income tax brackets to inflation. This means that every year, as incomes go up with inflation, Islanders pay more in income taxes as they are pushed into higher tax brackets.

The table on the right shows how the combined tax changes and bracket creep will affect the taxes of Islanders at different income levels in 2025. As the table shows, many workers in PEI will pay higher taxes in 2025 because of bracket creep.

Income	Change in taxes paid, 2025
\$30,000	\$0
\$40,000	-\$1
\$50,000	-\$1
\$60,000	-\$1
\$80,000	\$29
\$100,000	\$29
\$150,000	\$89
\$200,000	\$89

Newfoundland and Labrador

Gas Taxes

The provincial government extended its [gasoline and diesel tax cut](#) until March 31, 2025. This cut has saved taxpayers eight cents per litre of gasoline and seven cents per litre of diesel since its [introduction](#) in June 2022. [Total savings](#) for taxpayers will hit \$150 million by the end of the tax cut.