2025 Tax Rates

By Kevin Dolan

Now that we have our 2024 tax returns, it is a good time to look forward to your situation for the 2025 tax year. I recommend that even children working summer jobs should file a tax return to recover any taxes withheld, to receive government benefits and to accumulate RRSP contribution room that can be carried forward into the future. Many accounting firms offer online tools, such as: https://www.ey.com/en_ca/tax/tax-calculators

In Canada we work on a marginal tax system. The marginal tax rate is the rate of tax that income earners incur on each additional dollar of taxable income. Your taxable income is the total of all types of income received which can be reduced by any expenses and other deductions (such as RRSPs). As the marginal tax rate increases, the taxpayer ends up with less money per dollar earned. It is important to note, however, that the different types of income are not all taxed at one rate but at varying rates as it moves across the rate schedule.

Income: The tax paid on any employment income and interest earned is charged at your marginal tax rate. In Ontario, earned income over $253,414, you will pay $53.53 of tax for every $100 of income.

Eligible Dividends: At the highest tax bracket, eligible dividends are taxed at a rate of 39.34%. Therefore, receiving dividend income is significantly more attractive than receiving interest income. Dividends from Canadian public companies may reduce your taxes payable.

Capital Gains and Losses: In a taxable account, a capital gain or loss is the difference between the purchase price and the sale proceeds of assets such as stocks, bonds, a business, real estate, etc. The new Liberal Government has indicated that it will repeal the 2024 increase in the tax inclusion rate for capital gains above $250,000. An allowable capital loss is the decline in value of an asset and can be used to reduce or eliminate capital gains in the same percentages as gains. As Capital Gains are taxed at a lower rate, less Income Tax is paid when compared to Interest or Dividends.

Registered Accounts: The use of registered accounts continues to be among the best strategies to shelter or defer taxes. The 2025 contribution limits are as follows: RRSP $32,490, TFSA $7,000, FHSA $8,000, RESP $2,500, and any unused Contribution Room can be carried forward.

199 Bay Street, Suite 4500, Toronto   kdolan.researchcapital.com   KDolan@researchcapital.com