



CESTNICK

TAX MATTERS

A holiday shopping list – for your finances

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If I don't keep a Christmas shopping list, I'm in trouble. Last year, Carolyn asked for an orbital cleanser. I had no idea what that was, then discovered it's basically an orbital sander – but designed for the face. I was happy to oblige – as far as I'm concerned, a power tool always makes a great gift!

This year, I've got my gift list ready. Today, I want to share a holiday shopping list for your finances: small stocking stuffers, larger gifts, things to avoid, and reminders so you don't forget essentials.

Stocking stuffers

Here are some smaller ideas that can bring joy.

Review instalment payments. If you pay quarterly tax instalments, don't forget your final one due by Dec. 15. By now, you should be able to prepare a rough version of your 2025 tax return to know your taxes owing. Compare this to your installments made for the year and adjust your Dec. 15 payment accordingly. This can prevent overpaying and also save you from interest and penalties on insufficient instalments.

Adjust tax at source. You might be entitled to tax deductions or credits that result in a tax refund. Rather than lending money to the government, interest-free, and getting it back when you file your tax return, you can apply to CRA to reduce the tax withheld at source. Do this by filing Form T1213 with CRA now, who may then authorize your employer to take less tax off each pay in 2026. Think of this as moving a tax refund from your spring tax filing to your regular monthly cash flow. Great stocking stuffer.

Under the tree

How about some larger gifts that can have an impact.

GST/HST rebate on a first home. The recent federal budget confirmed the proposal to eliminate the GST/HST for first-time home buyers on new homes costing up to \$1-million and reduce the tax on the balance between \$1-million and \$1.5-million. This could save you over \$50,000 in federal GST – and more where your province has a similar rebate. You'll have to wait until the proposal receives royal assent before applying for the rebate (use Form GST190).

Personal support workers credit. The budget proposed a temporary refundable tax credit for Personal Support Workers equal to 5 per cent of eligible earnings, up to \$1,100 per year. You'll have to be employed by an eligible workplace and can claim this in 2026 through 2023. If you're a PSW or have a family member or friend in this field, this can be a nice gift under the tree.

Automatic tax filing. Starting with 2025, the CRA will act like a "helpful elf" and will have the authority to file a tax return on behalf of certain lower-income folks who might otherwise not file and therefore would be unable to collect income-tested benefits like the GST/HST credit, Canada Child Benefit, and Canada Workers Benefit. This may not affect you, but could be a gift under the tree for others you might know.

Don't buy this

Avoid this costly mistake to keep more in your pocket.

Selling to your kids at a discount. Selling a cottage (or any asset) to your kids at a discount can backfire. A guy I know sold his cottage to the kids for \$200,000 (his cost) when its fair market value was \$700,000. For tax purposes, he was deemed to sell at \$700,000, triggering a taxable capital gain (unless sheltered by his principal residence exemption). But his kids' cost base is only \$200,000, so they'll owe tax on growth above that amount. This creates double-tax since their father already paid taxes up to the \$700,000 value. He'd have been better off gifting the property or selling at fair market value for, in part, promissory notes (he could forgive the notes upon death with no tax issues).

Don't forget these

Put these key deadlines on your list.

Before year-end. Pay your final tax instalment by Dec. 15 if needed; make 2025 donations on or before Dec. 31; pay medical expenses, investment fees or carrying charges by Dec. 31, and realize any capital losses to offset gains.

Early in 2026. On Jan. 1 you'll have new RRSP, TFSA, and FHSA contribution room available; make interest payments on income-splitting loans by Jan. 30; make your 2025 RRSP contributions by March 2; make your first quarterly tax instalment by March 15 if required; file trust tax and information returns by March 31; file your personal tax return by April 30 (June 15 if you or your spouse have self-employment activity); pay 2025 taxes owing by April 30 to avoid interest and penalties.

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