

Government of Canada announces deferral in implementing increase to capital gains inclusion rate to Jan. 1, 2026

January 31, 2025

In response to increasing criticism in connection with capital gains tax increases announced in Federal Budget 2024 (effective Jun. 25, 2024), but never enacted into law, the Federal Government announced today that it is deferring the date on which the capital gains inclusion rate would increase to Jan. 1, 2026 (the Deferral Announcement). As a result of the Deferral Announcement, the date on which the capital gains inclusion rate would increase from one-half to two-thirds on capital gains realized annually above \$250,000 by individuals and on all capital gains realized by corporations and most trusts has been deferred to Jan. 1, 2026. Importantly, the proposed implementation date for the increase in the Lifetime Capital Gains Exemption and the introduction of the **Canadian Entrepreneurs' Incentive would not change. The government intends to** introduce legislation effecting the increase in the capital gains inclusion rate to two-thirds, the increase in the Lifetime Capital Gains Exemption (to \$1,250,000) and the introduction of the Canadian Entrepreneurs' Incentive in due course.

This comes just a few weeks after Justin Trudeau's announcement that he will be resigning as the Prime Minister of Canada and, on his advice, the Governor General will **be proroguing Parliament - [see our article](#) on the capital gains reporting impact of the** prorogation. With a prorogued government, the Deferral Announcement provides new clarity to taxpayers looking to file tax returns for 2024 that include realized capital gains, particularly because the Canada Revenue Agency intended on administering the higher inclusion rate of two-thirds. While many taxpayers will be happy with the Deferral Announcement, it also means additional compliance work for many industry professionals, such as investment fund managers, who may have already prepared 2024 documentation on the basis of the two-thirds inclusion rate.

Of note, the CRA has just released their schedule 1 for T3 returns, which includes the two periods for reporting capital gains for FY2024. A link to the [form can be found here](#). Following the Deferral Announcement, the CRA has indicated it will issue forms that have been reverted to the currently enacted rate in the coming weeks. Importantly, the CRA has also indicated it has reverted to administering the currently enacted capital gains inclusion rate of one-half. [See the CRA's announcement here](#). We have yet to hear whether Revenu Québec will be making any similar announcements.

By

[Joelle Kabouchi](#), [Pamela L. Cross](#), [Grace Pereira](#)

Expertise

[Tax](#), [Tax Disputes & Litigation](#), [Business Tax](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.