



# Densmore

## CPA COMPETENCY MAP STUDY NOTES UPDATE TO DECEMBER 31, 2025

### FINANCIAL REPORTING

**Financial Instruments** – **page 91** – paragraph with exclusions has been amended to also include leases, so it now reads:

Some financial instruments are excluded as their accounting is addressed by other standards (i.e., interests in subsidiaries, associates, and joint ventures, leases, employee benefits, insurance contracts and share-based payments).

**Financial Instruments** – **page 98** – 1<sup>st</sup> bullet under “Financial liabilities” has been expanded to provide information regarding settlement of financial liabilities done using electronic payments systems. So it now reads:

- Derecognize only when it is extinguished (i.e., when the obligation specified in the contract is discharged or cancelled or expires). If settlement of financial liability is done using an electronic payment system, entity is permitted to deem the financial liability to be discharged before the settlement date based on specified criteria being met:
  - Entity has no practical ability to withdraw, stop or cancel payment instruction;
  - Entity has no practical ability to access cash to be used for settlement; and
  - Settlement risk associated with electronic payment system is insignificant.

**Related Party Transactions - ASPE** – **page 211** – under the 2<sup>nd</sup> bullet, additional exceptions have been added. Here’s the entire RPT ASPE section with changes noted in italics.

#### ASPE

- HB 3840 differs from IAS 24, as IAS 24 does not contain requirements for measuring related party transactions or guidance on the resulting treatment of any gains and losses.
- Here is a summary of the measurement requirements from HB 3840:
  - Measurement – transaction should be recorded at carrying amount (any difference between carrying amounts – charge to equity)
  - Exceptions – monetary transactions or non-monetary transactions:
    - Commercial substance (same definition as HB Section 3831, Non-Monetary Transactions) and normal course of operation – record at exchange amount (amount of consideration paid or received as established and agreed to by related parties)

- Non-monetary related party transaction that is an exchange of a product / property held for sale in the normal course of operations for a product / property to be sold in the same line of business, to facilitate sales to customers other than the parties to the exchange – measure at the carrying amount of the asset given up adjusted by the fair value of any monetary consideration received or given
- Commercial substance, but NOT in normal course of operations – record at exchange amount – usually fair market value (gain/loss included in income) when:
  - Substantive change in ownership interests of item transferred or benefit of service provided - transaction results in unrelated parties having acquired or given up at least 20% of total equity ownership
  - Amount is supported by independent evidence
- *Unless using the cost method, a business transferred between two enterprises under common control is accounted for in accordance with Business Combinations (HB 1582) when:*
  - *Monetary or non-monetary transaction that has commercial substance;*
  - *Change in ownership interests transferred is substantive; and*
  - *Amount of consideration paid or received is established and agreed to by related parties and is supported by independent evidence.*
- *If those criteria are not met, the acquiring enterprise records the acquired assets and liabilities at their carrying amount in the B/S of the transferred business, and if appropriate, recognizes a non-controlling interest. Any change in the non-controlling interest would be recognized as an equity transaction. The F/S of the combined enterprise will present the earnings, assets and liabilities of the acquired enterprise either from the date that the transfer occurred or for the entire period in which the transfer occurred and for all prior periods.*
- There is no corresponding IFRS standard for HB 3841.

## STRATEGY AND GOVERNANCE

**Role of Governance** (page 287) – at the end of this section, additional information has been provided regarding Artificial Intelligence. If you purchased a prior year's version of the book and haven't already received the update which includes full coverage re AI, please email [info@densmorecpa.com](mailto:info@densmorecpa.com)

## MANAGEMENT ACCOUNTING

Nothing to note

## ASSURANCE

**Impact of Artificial Intelligence on F/S Audits** (page 427) – at the end of the Common CFE Testing Scenarios section, additional information has been provided regarding Artificial Intelligence. If you purchased a prior year's version of the book and haven't already received the update which includes full coverage re AI, please email [info@densmorecpa.com](mailto:info@densmorecpa.com)

**Forming an Opinion and Reporting on Financial Statements - CAS 700 - page 514** – Example of Independent Auditor's Report, reference to IFRS in 2<sup>nd</sup> paragraph has been amended. The 2<sup>nd</sup> paragraph of the Auditor's Report reads as follows, with changes noted in italics:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 20X1 and its financial performance and its cash flows for the year then ended in accordance with *IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB)*.

**Assurance Services over Artificial Intelligence Systems** (page 533) – at the end of the Special Reports section, additional information has been provided regarding Artificial Intelligence. If you purchased a prior year's version of the book and haven't already received the update which includes full coverage re AI, please email [info@densmorecpa.com](mailto:info@densmorecpa.com)

**Internal Control Concepts** (page 587) – a new second paragraph has been added at the beginning of the section to clarify that the use of artificial intelligence within an organization is subject to the usual controls related to the control environment, general and environmental IT controls and application controls.

## FINANCE

Nothing to note

## TAXATION

Changes have been referenced by page number, with specific changes highlighted and relevant surrounding text provided for context. All figures relate to 2026 unless otherwise stated.

*Page 706 – Common CCA classes*

**Class 1 – Buildings (10%)** – buildings acquired for first use after March 18, 2007 and  $\geq 90\%$  of the square footage is used for manufacturing and processing activities (if the taxpayer elects to place the building in a separate Class 1)

*[Note: The 2025 budget proposes a temporary “immediate expensing” regime for manufacturing or processing buildings (and eligible additions/alterations) acquired on or after November 4, 2025 and first used for manufacturing/processing by 2030. Under this proposal, the taxpayer can claim a 100% deduction of the cost in the first taxation year that the building is used for manufacturing or processing.]*

Page 712 – Capital gains/losses (calculation)

Proceeds of disposition	\$	xxx
Less: Adjusted cost base (ACB)		(xxx)
Less: Expenses of disposition		<u>(xxx)</u>
Capital gain (loss)		xxx
Inclusion rate*	x	<u>½</u> <b>(or 2/3)</b>
Taxable capital gain (allowable capital loss)		<u>\$</u> <u>xxx</u>

**\* after June 24, 2024, 1/2 for individuals on the first \$250K per year and 2/3 for capital gains in excess of \$250K per year; 2/3 x CG for corporations**

Page 713 – allowable business investment loss (ABIL) = inclusion rate \* BIL

- similar to an allowable capital loss except that the ABIL may be applied against all other income, not just against capital gains
- unused ABILs added to non-capital losses for the year
  - if not used within carryover period, reverts to a capital loss

**inclusion rate = 1/2 for BILs realized before June 25, 2024 and 2/3 for BILs realized after June 24, 2024**

Page 721 – stock option benefits

- taxable income deduction of 50% of employment income inclusion
  - if FMV of shares when option granted does not exceed option price; or
  - for CCPCs, the shares were held for at least two years

**= if capital gains > \$250K, deduction = 1/3 \* benefit**
- gifts and awards
  - **cash or non-cash awards provided for performance-related reasons are not considered a gift/award and no amount qualifies for the \$500 exemption (i.e., performance-related awards are fully taxable)**

Page 723 – Common employment income deductions

- new tools acquired by an employed tradesperson in excess of **\$1,501 (2025 – \$1,471)**, deductible up to a maximum of \$1,000

Page 732 – Capital Gains Deduction

- Qualified Small Business Corporation (QSBC) shares are eligible for the **\$1,275,000 (2025 – \$1,250,000)** lifetime capital gains *exemption*
  - the Capital Gains *Deduction* is the exemption \* inclusion rate
- the available deduction is the least of these three limits:
  - Capital Gains Deduction available – **\$637,500 (2025 – \$625,000)**

- Graduated tax rates
  - the calculation of federal tax payable begins with the application of progressive rates to different levels of taxable income

**For 2025**

<u>If taxable income is between</u>	<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0 and \$57,375	\$0	14.5%
\$57,376 and \$114,750	\$8,319	20.5%
\$114,751 and \$177,882	\$20,081	26%
\$177,883 and \$253,414	\$36,496	29%
\$253,415 and any amount	\$58,400	33%

**For 2026**

<u>If taxable income is between</u>	<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0 and \$58,523	\$0	14%
\$58,524 and \$117,045	\$8,193	20.5%
\$117,046 and \$181,440	\$20,190	26%
\$181,441 and \$258,482	\$36,933	29%
\$258,483 and any amount	\$59,275	33%

- Refundable tax credits
  - may generate a refund regardless of amount of taxes paid or payable
  - refundable medical expense supplement
    - for low-income individuals who have paid medical or disability support expenses
    - individual must have employment/self-employment income exceeding **\$4,478 (2025 – \$4,390)**
    - maximum supplement is the lesser of **\$1,534 (2025 – \$1,504)** or 25% of eligible expenses
      - reduced by 5% of family net income in excess of **\$33,960 (2025 – \$33,294)**
  - GST credit
    - tax-free quarterly payment
      - **\$356 (2025 – \$349)** for individual
      - **\$356 (2025 – \$349)** for qualified relation (spouse / common-law partner)
      - if single, additional credit of lesser of **\$187 (2025 – \$184)** and 2% of net income > **\$11,564 (2025 – \$11,337)**
      - **\$187 (2025 – \$184)** for each qualified dependant under 19
      - total reduced by 5% of recipient's adjusted income > **\$46,432 (2025 – \$45,521)**
  - Canada Child Benefit
    - monthly tax-free benefits, tied to income
    - maximum benefit of **\$8,157 (2025 - \$7,997)** per child under 6; **\$6,883 (2025 – \$6,748)** per child aged 6 through 17
      - reduced when adjusted family net income > **\$38,237 (2025 – \$37,487)**

- Non-refundable tax credits reduce the taxes otherwise payable
  - credits in excess of taxes otherwise payable are not refundable
  - the most common non-refundable tax credits are generally **14% (2025 – 14.5%)** of the following amounts, unless otherwise noted
  - non-refundable credits that involve more complex rules and calculations are discussed in greater detail in the sections following this table

	<u>2025</u>	<u>2026</u>
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins	<b>\$ 14,538</b>	<b>\$ 14,829</b>
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins	<b>16,129</b>	<b>16,452</b>
Age amount – if 65 or over; reduced by 15% of net income > <b>\$46,432 (2025 – \$45,522)</b>	<b>9,028</b>	<b>9,208</b>
Canada employment amount	<b>1,471</b>	<b>1,501</b>
Disability amount (discussed further below)	<b>10,138</b>	<b>10,341</b>
Canada caregiver amount for children under age 18	<b>2,687</b>	<b>2,740</b>
Canada caregiver amount for other infirm dependants age 18+; reduced by net income > <b>\$20,601 (2025 – \$20,197)</b>	<b>8,601</b>	<b>8,773</b>
Adoption expenses (maximum per adoption)	<b>19,580</b>	<b>19,972</b>
Pension income	2,000	2,000
First time home buyer's	10,000	10,000
Volunteer firefighter / search and rescue	<b>6,000</b>	<b>10,000</b>

- Non-refundable tax credits (cont'd)
  - Canada Pension Plan
    - contributions give rise to both a non-refundable tax credit and a deduction
    - year's maximum pensionable earnings (YMPE) **\$74,600 (2025 – \$71,300)**
    - basic exemption of \$3,500
    - employee and employer contribution rates 5.95%
      - maximum **\$4,230.45 each (2025 – \$4,034.10)**
    - self-employed contribution rate 11.90%
      - maximum **\$8,460.90 (2025 – \$8,068.20)**
    - non-refundable tax credit calculated at 4.95%
      - excess treated as deduction (includes CPP2, described below)
        - for employees, the excess is the “additional contribution” for the enhancement of CPP benefits
        - for self-employed individuals, the excess represents the “additional contribution” plus a notional employer’s share
    - CPP2
      - a higher, second earnings ceiling (year’s additional maximum pensionable earnings, or YAMPE) of **\$85,000 (2025 – \$81,200)** is used to determine additional CPP contributions (CPP2)
      - pensionable earnings between YMPE and YAMPE subject to CPP2
      - employee and employer CPP2 contribution rates 4.00%
        - maximum **\$416 (2025 – \$396)** each
      - self-employed CPP2 contribution rate 8.00%
        - maximum **\$832 (2025 – \$792)**
    - medical expense credit
      - for medical expenses paid for the taxpayer, spouse, child or grandchild
      - also for a parent, grandparent, sibling, aunt, uncle, niece or nephew who resided in Canada at any time during the year and depended on the taxpayer or taxpayer’s spouse for support
      - only expenses in excess of the lesser of **\$2,890 (2025 – \$2,834)** or 3% of net income can be claimed
    - charitable donations
      - **14% (2025 – 14.5%)** on first \$200; 29% thereafter (or 33% if in the highest tax bracket)

*Page 737 – Alternative minimum tax (AMT)*

- AMT is calculated at 20.5% of adjusted taxable income (ATI) with a basic exemption of **\$181,440 (2025 – \$177,882)**

*Page 737 – OAS clawback*

- lesser of the Old Age Security (OAS) payments included in income and 15% of the taxpayer’s net income in excess of **\$95,323 (2025 – \$93,454)**

*Page 742 – Tax deferral and saving opportunities*

- Registered retirement savings plans (RRSPs)
  - contributions deductible (within limits)
  - tax deferral of income earned in the plan
  - withdrawals fully taxable unless withdrawn under the:
    - Home Buyers Plan (HBP) – up to \$60,000 for the purchase of a qualifying home, repayable over 15 years starting in the second year after the withdrawal (**fifth year for withdrawals made between January 1, 2022 and December 31, 2025**)
  - annual contribution limit of **\$33,810 (2025 – \$32,490)**
- Tax free savings accounts (TFSAs)
  - annual contribution limit of **\$7,000 for 2024-2026** (\$6,500 for 2023; \$6,000 for 2019-2022; \$5,500 for 2016-2018; 2015 – \$10,000; 2013-2014 – \$5,500; 2009-2012 – \$5,000)

## **DAIS**

**Information Systems Infrastructure and Architecture** (page 784) – The section on Artificial Intelligence has been completely revised and updated. If you purchased a prior year's version of the book and haven't already received the update which includes full coverage re AI, please email [info@densmorecpa.com](mailto:info@densmorecpa.com)