

Alberta Doctors' Digest

Sponsored Article: A summary of tax changes for 2025

2025 has arrived! That means it's time to review the major changes to personal income tax for 2025. Here's a rundown of the adjusted tax figures.

Income tax brackets: adjustments for inflation

Canada Revenue Agency (CRA) uses the inflation rate, as reported through the Consumer Price Index (CPI), to adjust personal income tax and benefit amounts each year.

The federal tax brackets for 2025 are:

- Income up to \$57,375 is taxed at 15%
- Income over \$57,375 begins at 20.5%
- Income over \$114,750 begins at 26%
- Income over \$177,882 begins at 29%
- Income over \$253,414 begins at 33%

The Alberta provincial tax amounts for 2025 are:

- Income up to \$152,568 is taxed at 10%
- Income over \$152,568 begins at 12%
- Income over \$183,082 begins at 13%
- Income over \$244,109 begins at 14%
- Income over \$366,165 begins at 15%



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Basic Personal Amount (BPA)

The BPA is the amount of untaxed income you can earn. For 2025, the basic personal amount is \$16,129 – with some caveats. Your BPA is the full \$16,129 if your 2025 net income is lower than \$177,882. At \$177,882, your BPA is lowered to \$14,539, and from there it's gradually reduced, reaching zero at a net income of \$253,414.

Canada Pension Plan (CPP) contributions

Your CPP contributions are based on a percentage of your income. This is capped at the yearly maximum pensionable earnings limit (YMPE), meaning that once your income reaches that figure further increases don't affect your CPP contribution amount. For 2025 the CPP contribution rate is still 5.95%, but the YMPE will increase to \$71,300 — so the maximum annual contribution from both employer and employee is \$4,034.10 each. If you are self-employed, you must pay both contributions, for a total maximum of \$8,068.20. (The Quebec Pension Plan has the same YMPE, but the contribution rate is 6.4%.)

CPP2 contribution rates and amounts

In 2025, if you earn more than the YMPE you'll pay a second CPP contribution (CPP2). With CPP2 you'll pay 4% on income between the YMPE and the year's additional maximum pensionable earnings (YAMPE) of \$81,200. The maximum CPP2 contribution in 2025 is \$396, or, if you're self-employed, \$792.

Employment Insurance (EI) premiums

EI premiums are calculated at 1.64% (1.31% in Quebec) of your annual income, up to a cap of \$65,700 in 2025. The most you can pay in EI premiums this year is \$1,077.48 (\$860.67 in Quebec).

Tax-Free Savings Account (TFSA)

Your TFSA contribution room (\$7 000) is unchanged in 2025. Unused room from previous years is carried over: the cumulative limit for those who have been eligible since 2009 is now \$102,000. As the name implies, interest and investment income within a TFSA is not taxed, and neither are TFSA withdrawals, although you contribute with after-tax funds – there is no tax break for contributing.

Registered Retirement Savings Plan (RRSP)

Your RRSP contribution room is still equal to 18% of your earned income, up to a set maximum. In 2025 the maximum contribution amount is \$32,490, meaning you will hit the limit if you made at least \$180,500 in 2024.

Old Age Security (OAS)

If you collect OAS, you're required to pay back some or all of the benefit if your total annual income is too high. In 2025, your OAS will be subject to a recovery tax if your 2024 income was above \$90,997.

Next steps

Beat the rush and speak with a tax professional now to ensure you're taking advantage of all the tax benefits available to you. Meanwhile, an MD Advisor* can help you plan for 2025 and beyond, so you can be confident in your financial future. If you would like to talk, contact Kandyce Adkins, CFP, Regional Manager, based in Edmonton, at kandyce.adkins@md.ca.

About MD Financial Management

More than 50 years ago, the Canadian Medical Association (CMA) realized that Canada's physicians needed an effective and affordable way to save for retirement. That led to the creation of the registered retirement savings plans (RRSPs) that all Canadians enjoy today — and, in 1969, to the creation of MD Financial Management (MD).

Today, MD is the only national financial services firm that focuses solely on the unique needs of physicians and their families.

Our mandate is to help Canada's physicians and their families achieve their financial goals at every stage of their career, from the first day of medical school to practising and through retirement.

MD Advisor refers to an MD Management Limited Financial Consultant or Investment Advisor (in Quebec), or an MD Private Investment Counsel Portfolio Manager.

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