

U.S. *One Big Beautiful Bill* – Select Impacts to Canadian Businesses and Investors

On May 22, 2025, the U.S. House of Representatives passed a budget reconciliation bill, known as “The One Big Beautiful Bill.” There may be some significant, potential impacts to Canadian businesses and investors based on the proposed legislation currently being debated in the U.S. Senate. The One Big Beautiful Bill (the “Bill”) may become an Act if voted in by the U.S. Senate and then signed into law by President Donald Trump.

A version of this Bill may impact Canadian investors, as follows:

- The Bill, through Section 899 of the U.S. Tax Code, includes **tax provisions to, among other things, provide remedies or retaliation tools against what the U.S. refers to as “unfair foreign taxes.”**
- Included in these “unfair” foreign taxes are a list of “discriminatory foreign countries” that have adopted a digital services tax (“DST”).
- Nearly 20 countries, including Australia, Canada, France, India and the UK have a DST.
- Other foreign taxes are also defined as either unfair, discriminatory or extraterritorial.
- The Bill is challenging the Canada-U.S. Tax Treaty (the “Treaty”) that has been in place since 1942, in some form.
- Income tax and withholding tax rates for Canadian corporations and individuals earning U.S. income are both impacted.

Impact to Canadian businesses in the U.S.:

- Currently, under the Canada-U.S. Tax Treaty, Canadian corporations generally benefit from a five percent withholding tax on dividends from U.S. subsidiaries. However, they are subject to the same 15 percent withholding tax as individuals are on portfolio dividends from U.S. companies.
- This withholding tax would rise by five percentage points each year under Section 899 of the U.S. Tax Code until it reaches 50 percent—20 percent above the statutory U.S. rate.

Impact to individual withholding taxes:

- Currently, Canadian individuals investing in U.S. securities in non-registered accounts are subject to a 15 percent withholding tax on U.S. portfolio dividends under the Canada-U.S. Tax Treaty if a W-8BEN is filed; otherwise, the withholding tax is the standard statutory 30 percent. In addition, dividends earned within an RRSP/RRIF account are not subject to any withholding taxes under the Treaty.
- Under the Foreign Investment in Real Property Tax Act (“FIRPTA”) withholding tax payable when a U.S.-located real property is sold would also increase five percent per year, with a total cap of 20 percent on the increase.
- Normally, Canadian tax residents are subject to income tax on their worldwide sources of income and may be eligible for a foreign tax credit with respect to taxes levied by foreign jurisdictions on their portfolio income. These new, increased domestic tax rates in the U.S. that exceed the above-noted Treaty tax rates could result in an element of double taxation to Canadian investors who earn dividends, directly or indirectly, from their U.S. holdings.

What's next?

- The Bill was presented under the reconciliation process as defined in the Congressional Budget Act; meaning the Senate cannot debate the Bill for more than 20 hours (i.e., it cannot be filibustered).
- The next steps are the amendments, if any, proposed by the Senate, and then reconciliation with the original Bill and amendments are required. As such, the Bill, as currently proposed, may not be enacted into law in its current form and the above highlights may be amended.
- The legislation still requires Senate approval and Presidential sign-off, with the White House expecting U.S. President Donald Trump to sign the Bill by July 4, 2025

Seek advice

As a Canadian investor, it's important to consider assessing the potential impact of the proposed legislation (i.e., increase in U.S. withholding tax) in relation to the amount of U.S. dividends you may earn in your portfolio. As always, please consult with your external tax advisors to understand how any U.S. tax law changes could impact your personal situation.



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