



Corporate Tax Rates

Substantively Enacted¹ Income Tax Rates for Income Earned by a CCPC² for 2018 and Beyond—As at March 31, 2018

	Small Business Income		Active Business Income ³	
	2018	2019 and Beyond	2018	2019 and Beyond
Federal rates				
General corporate rate	38.0%	38.0%	38.0%	38.0%
Federal abatement	(10.0) 28.0	(10.0) 28.0	(10.0) 28.0	(10.0) 28.0
Small business deduction ⁴	(18.0)	(19.0)	0.0	0.0
Rate reduction ⁵	0.0	0.0	(13.0)	(13.0)
	10.0	9.0	15.0	15.0
Provincial rates				
British Columbia ⁶	2.0%	2.0%	12.0%	12.0%
Alberta	2.0	2.0	12.0	12.0
Saskatchewan ⁷	2.0	2.0	12.0	12.0
Manitoba	0.0	0.0	12.0	12.0
Ontario ⁸	3.5	3.5	11.5	11.5
Quebec ⁹	8.0	8.0	11.7	11.6/11.5
New Brunswick ¹⁰	3.0/2.5	2.5	14.0	14.0
Nova Scotia	3.0	3.0	16.0	16.0
Prince Edward Island	4.5	4.5	16.0	16.0
Newfoundland and Labrador	3.0	3.0	15.0	15.0

Current as of March 31, 2018

Refer to notes on the following pages.

All rates must be prorated for taxation years that straddle the effective date of the rate changes. The tax rates in this table reflect federal and provincial income tax rate changes that were substantively enacted as at March 31, 2018.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Current as of March 31, 2018

Corporate Tax Rates 1

Substantively Enacted¹ Income Tax Rates for Income Earned by a CCPC² for 2018 and Beyond—As at March 31, 2018

	M&P Income ¹¹		Investment Income ¹²	
	2018	2019 and Beyond	2018	2019 and Beyond
Federal rates				
General corporate rate	38.0%	38.0%	38.0%	38.0%
Federal abatement	(10.0) 28.0	(10.0) 28.0	(10.0) 28.0	(10.0) 28.0
M&P deduction ¹¹	(13.0)	(13.0)	0.0	0.0
Refundable Tax	0.0	0.0	10.7	10.7
	15.0	15.0	38.7	38.7
Provincial rates				
British Columbia ⁶	12.0%	12.0%	12.0%	12.0%
Alberta	12.0	12.0	12.0	12.0
Saskatchewan ⁷	10.0	10.0	12.0	12.0
Manitoba	12.0	12.0	12.0	12.0
Ontario	10.0	10.0	11.5	11.5
Quebec ⁹	11.7	11.6/11.5	11.7	11.6/11.5
New Brunswick	14.0	14.0	14.0	14.0
Nova Scotia	16.0	16.0	16.0	16.0
Prince Edward Island	16.0	16.0	16.0	16.0
Newfoundland and Labrador	15.0	15.0	15.0	15.0

Current as of March 31, 2018

Refer to notes on the following pages.

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Corporate Tax Rates 2

Substantively Enacted¹ Income Tax Rates for Income Earned by a CCPC² for 2018 and Beyond—As at March 31, 2018

Notes

- (1) For Accounting Standards for Private Enterprise (ASPE) and IFRS purposes, a corporation's recorded income tax liabilities and assets in their financial statements should be measured using tax rates that are considered to be "substantively enacted" at the balance sheet date. In general, where there is a majority government, federal and provincial tax changes are considered to be "substantively enacted" for ASPE and IFRS purposes when a tax bill containing the detailed legislation is tabled for first reading in the House of Commons or the provincial legislature. In the case of a minority government, however, the "substantively enacted" test is more stringent and requires the enabling legislation to have passed third reading in the House of Commons or the provincial legislature.

For U.S. GAAP purposes, a corporation's recorded income tax liabilities and assets in their financial statements should be measured using tax rates that are considered to be enacted at the balance sheet date. In general, tax rate changes are considered enacted once the relevant bill has received Royal Assent.

When tax rate changes are considered enacted or "substantively enacted", the effect of the change in tax rate is reflected in the period in which the changes are enacted or "substantively enacted". The effect of the change is recorded in income as a component of deferred tax expense in the period that includes the date of enactment or substantive enactment. For example, if a bill becomes "substantively enacted" for ASPE or IFRS purposes (enacted for U.S. GAAP purposes) on December 31, the tax rate changes should be reflected in the corporation's financial statements for the quarter that includes December 31.

- (2) The federal and provincial tax rates shown in the tables apply to income earned by a Canadian-controlled private corporation (CCPC). In general, a corporation is a CCPC if the corporation is a private corporation and a Canadian corporation, provided it is not controlled by one or more non-resident persons, by a public corporation, by a corporation with a class of shares listed on a designated stock exchange, or by any combination of these, and provided it does not have a class of shares listed on a designated stock exchange.
- (3) The general corporate tax rate applies to active business income earned in excess of the small business income threshold. See the table "Small Business Income Thresholds for 2018 and Beyond" for the federal and provincial small business income thresholds.
- (4) The federal government decreased the small business income tax rate to 10% (from 10.5%) effective January 1, 2018. The rate will further decrease to 9% effective January 1, 2019.
- (5) A general tax rate reduction is available on qualifying income. Income that is eligible for other reductions or credits, such as small business income, M&P income and investment income subject to the refundable provisions, is not eligible for this rate reduction.

Income of a corporation earned from a personal services business is not eligible for the general rate reduction and is subject to an additional 5% tax, which increases the federal tax rate on personal services business income to 33%.

- (6) British Columbia increased the province's general corporate income tax rate to 12% (from 11%) effective January 1, 2018.

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Current as of March 31, 2018

Corporate Tax Rates 3

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- (7) Saskatchewan increased the province's general corporate income tax rate to 12% (from 11.5%) effective January 1, 2018. As a result, the rate for M&P income increased to 10% (from 9.5%).

The province also increased its small business income threshold to \$600,000 (from \$500,000) effective January 1, 2018. Therefore, Saskatchewan's combined tax rate on active business income between \$500,000 and \$600,000 is 17% (i.e., 15% federally and 2% provincially).

- (8) Ontario decreased the small business income tax rate to 3.5% (from 4.5%) effective January 1, 2018.
- (9) Quebec's general corporate income tax rate for active business, investment, and M&P income will gradually decrease to 11.5% (from 11.8%) beginning in 2018. The rate will decrease to 11.7% in 2018, 11.6% in 2019 and 11.5% in 2020. The rate reductions are effective January 1 of each year.

Quebec announced a change to the province's small business deduction eligibility requirements for taxation years that begin after December 31, 2016. Quebec's small business deduction is generally available to corporations only if their employees were paid for at least 5,500 hours in the taxation year (proportionally reduced for short taxation years) or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). The small business deduction is reduced linearly between 5,500 and 5,000 hours, and falls to zero at 5,000 hours.

Small and medium-sized businesses in the primary (i.e., agriculture, forestry, fishing, hunting, mining, quarrying and, oil and gas extraction) and manufacturing sectors in Quebec may be able to claim an additional deduction if the proportion of primary and manufacturing sector activities of the corporation for the taxation year is 50% or more, regardless of the number of hours paid. The additional deduction is available at a lower rate if the proportion of such activities for a particular taxation year is between 25% and 50%. In the event the number of hours paid exceeds 5,500 hours and the proportion of activities is between 25% and 50%, the corporation in the primary and manufacturing sector will be eligible for the regular small business deduction and a portion of the additional deduction.

- (10) New Brunswick decreased the small business income tax rate to 2.5% (from 3%) effective April 1, 2018.
- (11) Corporations that derive at least 10% of their gross revenue for the year from manufacturing or processing goods in Canada for sale or lease can claim the manufacturing and processing (M&P) deduction against their M&P income.
- (12) The federal and provincial tax rates shown in this table apply to investment income earned by a CCPC other than capital gains and dividends received from Canadian corporations. The rates that apply to capital gains are one-half of the rates shown in the table. Dividends received from Canadian corporations are generally deductible in computing regular Part I tax, but may be subject to Part IV tax, calculated at a rate of 38 1/3%.

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