



# Corporate Tax Rates

## Substantively Enacted<sup>1</sup> Income Tax Rates for Income Earned by a CCPC<sup>2</sup> for 2021 and Beyond—As at December 31, 2021

|                                     | Small Business Income <sup>2</sup> |                 | Active Business Income <sup>3</sup> |                 |
|-------------------------------------|------------------------------------|-----------------|-------------------------------------|-----------------|
|                                     | 2021                               | 2022 and Beyond | 2021                                | 2022 and Beyond |
| <b>Federal rates</b>                |                                    |                 |                                     |                 |
| General corporate rate              | 38.0%                              | 38.0%           | 38.0%                               | 38.0%           |
| Federal abatement                   | (10.0)                             | (10.0)          | (10.0)                              | (10.0)          |
|                                     | 28.0                               | 28.0            | 28.0                                | 28.0            |
| Small business deduction            | (19.0)                             | (19.0)          | 0.0                                 | 0.0             |
| Rate reduction <sup>6</sup>         | 0.0                                | 0.0             | (13.0)                              | (13.0)          |
|                                     | 9.0                                | 9.0             | 15.0                                | 15.0            |
| <b>Provincial rates</b>             |                                    |                 |                                     |                 |
| British Columbia                    | 2.0%                               | 2.0%            | 12.0%                               | 12.0%           |
| Alberta                             | 2.0                                | 2.0             | 8.0                                 | 8.0             |
| Saskatchewan <sup>7</sup>           | 0.0                                | 0.0/1.0/2.0     | 12.0                                | 12.0            |
| Manitoba                            | 0.0                                | 0.0             | 12.0                                | 12.0            |
| Ontario                             | 3.2                                | 3.2             | 11.5                                | 11.5            |
| Quebec <sup>8</sup>                 | 4.0/3.2                            | 3.2             | 11.5                                | 11.5            |
| New Brunswick                       | 2.5                                | 2.5             | 14.0                                | 14.0            |
| Nova Scotia                         | 2.5                                | 2.5             | 14.0                                | 14.0            |
| Prince Edward Island <sup>9</sup>   | 2.0                                | 1.0             | 16.0                                | 16.0            |
| Newfoundland and Labrador           | 3.0                                | 3.0             | 15.0                                | 15.0            |
| <b>Territorial rates</b>            |                                    |                 |                                     |                 |
| Yukon <sup>10</sup>                 | 0.0                                | 0.0             | 12.0                                | 12.0            |
| Northwest Territories <sup>11</sup> | 2.0                                | 2.0             | 11.5                                | 11.5            |
| Nunavut                             | 3.0                                | 3.0             | 12.0                                | 12.0            |

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/territorial income tax rate changes that were substantively enacted as at December 31, 2021.

The 2021 federal budget proposed to temporarily reduce the small business tax rate to 4.5% (from 9%) and the general corporate tax rate to 7.5% (from 15%) on eligible zero-emission technology manufacturing and processing income. The reduced tax rates apply to taxation years beginning after 2021. The reduced rates are gradually phased out starting in taxation years that begin in 2029, and are fully phased out for taxation years that begin after 2031. Legislation to enact this proposal has not been released as of December 31, 2021. Finance accepted stakeholder comments on this proposal until June 18, 2021.

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 December 31, 2021

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|                                     | M&P<br>Income <sup>4</sup> |                    | Investment<br>Income <sup>5</sup> |                    |
|-------------------------------------|----------------------------|--------------------|-----------------------------------|--------------------|
|                                     | 2021                       | 2022 and<br>Beyond | 2021                              | 2022 and<br>Beyond |
| <b>Federal rates</b>                |                            |                    |                                   |                    |
| General corporate rate              | 38.0%                      | 38.0%              | 38.0%                             | 38.0%              |
| Federal abatement                   | (10.0)                     | (10.0)             | (10.0)                            | (10.0)             |
|                                     | 28.0                       | 28.0               | 28.0                              | 28.0               |
| M&P deduction <sup>4</sup>          | (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               |
| <b>Provincial rates</b>             |                            |                    |                                   |                    |
| British Columbia                    | 12.0%                      | 12.0%              | 12.0%                             | 12.0%              |
| Alberta                             | 8.0                        | 8.0                | 8.0                               | 8.0                |
| Saskatchewan <sup>7</sup>           | 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 <sup>8</sup>                 | 11.5                       | 11.5               | 11.5                              | 11.5               |
| New Brunswick                       | 14.0                       | 14.0               | 14.0                              | 14.0               |
| Nova Scotia                         | 14.0                       | 14.0               | 14.0                              | 14.0               |
| Prince Edward Island <sup>9</sup>   | 16.0                       | 16.0               | 16.0                              | 16.0               |
| Newfoundland and Labrador           | 15.0                       | 15.0               | 15.0                              | 15.0               |
| <b>Territorial rates</b>            |                            |                    |                                   |                    |
| Yukon <sup>10</sup>                 | 2.5                        | 2.5                | 12.0                              | 12.0               |
| Northwest Territories <sup>11</sup> | 11.5                       | 11.5               | 11.5                              | 11.5               |
| Nunavut                             | 12.0                       | 12.0               | 12.0                              | 12.0               |

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Current as of December 31, 2021

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## Substantively Enacted<sup>1</sup> Income Tax Rates for Income Earned by a CCPC<sup>2</sup> for 2021 and Beyond—As at December 31, 2021

### Notes

- (1) For Accounting Standards for Private Enterprise (ASPE) and International Financial Reporting Standards (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. Generally Accepted Accounting Principles (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/territorial 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 2021 and Beyond" for the federal and provincial/territorial small business income thresholds.
- (4) 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. Please refer to the notes for the table "Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation—2021 and 2022" for the provincial and territorial M&P tax credits and rate reduction details for Saskatchewan, Ontario and Yukon.
- (5) The federal and provincial/territorial 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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Current as of December 31, 2021

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- (6) 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%.

- (7) Saskatchewan has temporarily reduced the province's small business income tax rate to 0% (from 2%) effective October 1, 2020 to June 30, 2022. The small business income tax rate will increase to 1% (from 0%) beginning July 1, 2022 and will be further increased to 2% (from 1%) beginning July 1, 2023.

The small business threshold is \$600,000 in Saskatchewan. Therefore, Saskatchewan's combined income tax rate on active business income between \$500,000 and \$600,000 is 15% (i.e., 15% federally and 0% provincially) until June 30, 2022 and 16% (i.e., 15% federally and 1% provincially) effective July 1, 2022 to June 30, 2023.

- (8) Quebec decreased the small business income tax rate to 4% (from 5%) effective January 1, 2021. Quebec further decreased the small business income tax rate to 3.2% (from 4%) effective after March 25, 2021.

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. For a given taxation year that ended after June 30, 2020, but before July 1, 2021, a corporation may apply for the number of remunerated hours that were used to determine whether it was eligible for the small business deduction or to establish its small business deduction rate for its preceding taxation year.

- (9) Prince Edward Island decreased the province's small business income tax rate to 2% (from 3%) effective January 1, 2021. The province's small business income tax rate will further decrease to 1% (from 2%), effective January 1, 2022.

- (10) Yukon decreased the territory's small business income tax rate to 0% (from 2%) effective January 1, 2021.

Yukon provides a manufacturing and processing tax credit that effectively reduces the corporate tax rate on the corporation's Canadian manufacturing and processing profits earned in the Yukon to 2.5%.

- (11) Northwest Territories decreased the territory's small business income tax rate to 2% (from 4%) effective January 1, 2021.

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