



# Corporate Tax Rates

## Substantively Enacted<sup>1</sup> Income Tax Rates for Income Earned by a General Corporation<sup>2</sup> for 2023 and Beyond—As at March 31, 2023

	Active Business Income <sup>3</sup>	
	2023	2024 and Beyond
<b>Federal rates</b>		
General corporate rate	38.0%	38.0%
Federal abatement	(10.0)	(10.0)
	28.0	28.0
Rate reduction <sup>5</sup>	(13.0)	(13.0)
M&P deduction <sup>6</sup>	0.0	0.0
	15.0	15.0
<b>Provincial rates</b>		
British Columbia	12.0%	12.0%
Alberta	8.0	8.0
Saskatchewan <sup>7</sup>	12.0	12.0
Manitoba	12.0	12.0
Ontario <sup>8</sup>	11.5	11.5
Quebec	11.5	11.5
New Brunswick	14.0	14.0
Nova Scotia	14.0	14.0
Prince Edward Island	16.0	16.0
Newfoundland and Labrador	15.0	15.0
<b>Territorial rates</b>		
Yukon <sup>9</sup>	12.0	12.0
Northwest Territories	11.5	11.5
Nunavut	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 March 31, 2023.

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, 2023

Corporate Tax Rates 1

## Substantively Enacted<sup>1</sup> Income Tax Rates for Income Earned by a General Corporation<sup>2</sup> for 2023 and Beyond—As at March 31, 2023

	M&P Income		Investment Income <sup>4</sup>	
	2023	2024 and Beyond	2023	2024 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
Rate reduction <sup>5</sup>	0.0	0.0	(13.0)	(13.0)
M&P deduction <sup>6</sup>	(13.0)	(13.0)	0.0	0.0
	15.0	15.0	15.0	15.0
<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 <sup>8</sup>	10.0	10.0	11.5	11.5
Quebec	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	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>9</sup>	2.5	2.5	12.0	12.0
Northwest Territories	11.5	11.5	11.5	11.5
Nunavut	12.0	12.0	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 March 31, 2023.

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Current as of March 31, 2023

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## Substantively Enacted<sup>1</sup> Income Tax Rates for Income Earned by a General Corporation<sup>2</sup> for 2023 and Beyond—As at March 31, 2023

### Notes

- (1) For Accounting Standards for Private Enterprises (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 corporation other than a Canadian-controlled private corporation (CCPC). A general corporation typically includes public companies and their subsidiaries that are resident in Canada, and Canadian-resident private companies that are controlled by non-residents.

The 2022 federal budget introduced new rules to eliminate the tax deferral opportunity using a non-CCPC to earn investment income. Specifically, the budget introduced "substantive CCPCs" which are private corporations resident in Canada (other than CCPCs) that are ultimately controlled, in law or in fact, by Canadian-resident individuals. These new rules to tax investment income earned and distributed by substantive CCPCs in the same manner as CCPCs generally apply to taxation years that end on or after April 7, 2022. Finance released draft legislation on August 9, 2022 and accepted stakeholder comments until September 30, 2022. These changes are not substantively enacted or enacted as at March 31, 2023.

For tax rates applicable to CCPCs, see the tables "Substantively Enacted Income Tax Rates for Income Earned by a CCPC".

## Substantively Enacted<sup>1</sup> Income Tax Rates for Income Earned by a General Corporation<sup>2</sup> for 2023 and Beyond—As at March 31, 2023

### Notes, continued

- (3) The federal government temporarily reduced 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 profits. The reduced tax rates apply to taxation years beginning after 2021 and before 2029. The reduced rates are gradually phased out for taxation years that begin in 2029, and are fully phased out for taxation years that begin after 2031.

The 2023 federal budget proposed to expand the eligible activities that qualify for the reduced tax rates for zero-emission technology manufacturers to include certain nuclear manufacturing and processing activities. This expansion of eligible activities for the rate reduction applies for taxation years beginning after 2023. The budget also proposed to extend the availability of these reduced rates by three years. As a result, the planned phase-out will start in taxation years that begin in 2032 (instead of 2029), and the rate reduction will fully phase out for taxation years that begin after 2034 (instead of 2031). These changes are not substantively enacted or enacted as at March 31, 2023.

The federal government increased the income tax rate on bank and life insurer groups to 16.5% (from 15%), subject to a \$100 million taxable income exemption to be allocated among the group. A group includes a bank or life insurer and any other financial institution for the purposes of Part VI tax that is related to the bank or life insurer. This increase applies to taxation years ending after April 7, 2022. The additional tax will be pro-rated for the number of days after April 7, 2022 for taxation years that straddle this date.

- (4) The federal and provincial/territorial tax rates shown in the tables apply to investment income earned by a general corporation, 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 tables. 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%.

The 2023 federal budget proposed to deny the deduction for dividends received by financial institutions on shares that are mark-to-market property. This denial applies to dividends received after 2023. This change is not substantively enacted or enacted as at March 31, 2023.

- (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, manufacturing and processing (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) 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 M&P deduction against their M&P income.
- (7) Saskatchewan provides a manufacturing and processing profits tax reduction that effectively reduces the corporate tax rate on the corporation's Canadian manufacturing and processing profits earned in the province to 10%.
- (8) Ontario 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 province to 10%.
- (9) Yukon provides a manufacturing and processing profits tax credit that effectively reduces the corporate tax rate on the corporation's Canadian manufacturing and processing profits earned in the territory to 2.5%.

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