Corporate Tax Rates

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2023 and Beyond–As at December 31, 2023

	Small Business Income[4]		Active Business Income[3,4]	
	2023	2024 and Beyond	2023	2024 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[6]	(19.0)	(19.0)	0.0	0.0
Rate reduction[7]	0.0	0.0	(13.0)	(13.0)
	9.0	9.0	15.0	15.0
Provincial rates				
British Columbia	2.0%	2.0%	12.0%	12.0%
Alberta	2.0	2.0	8.0	8.0
Saskatchewan[10]	0.0/1.0	1.0/2.0	12.0	12.0
Manitoba	0.0	0.0	12.0	12.0
Ontario[11]	3.2	3.2	11.5	11.5
Quebec[12]	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	1.0	1.0	16.0	16.0
Newfoundland and Labrador	3.0	3.0	15.0	15.0
Territorial rates				
Yukon[13]	0.0	0.0	12.0	12.0
Northwest Territories	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, 2023.

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2023 and Beyond—As at December 31, 2023

	M&P Income[8]		Investment Income[5]	
	2023	**2024 and Beyond**	**2023**	**2024 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[8]	(13.0)	(13.0)	0.0	0.0
Refundable Tax[9]	0.0	0.0	10.7	10.7
	15.0	15.0	38.7	38.7
Provincial rates				
British Columbia	12.0%	12.0%	12.0%	12.0%
Alberta	8.0	8.0	8.0	8.0
Saskatchewan[10]	10.0	10.0	12.0	12.0
Manitoba	12.0	12.0	12.0	12.0
Ontario[11]	10.0	10.0	11.5	11.5
Quebec[12]	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
Territorial rates				
Yukon[13]	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 December 31, 2023.

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2023 and Beyond—As at December 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 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.

The federal government introduced new rules to eliminate the tax deferral opportunity using a non-CCPC to earn investment income. Specifically, the government 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. These changes are not substantively enacted or enacted as at December 31, 2023.

For tax rates applicable to general corporations, see the tables "Substantively Enacted Income Tax Rates for Income Earned by a General Corporation".

(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 2023 and Beyond" for the federal and provincial/territorial small business income thresholds.

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2023 and Beyond—As at December 31, 2023

Notes, continued

(4) 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 federal government expanded 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 government also extended the availability of these reduced rates by three years. As a result, the 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 December 31, 2023.

(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%.

(6) Corporations that are CCPCs throughout the year may claim the small business deduction (SBD). In general, the SBD is calculated based on the least of three amounts — active business income earned in Canada, taxable income and the small business income threshold.

The federal government introduced a new range of $10 million to $50 million (previously $10 million to $15 million) over which the federal small business income threshold is reduced based on the combined taxable capital employed in Canada of a CCPC and its associated corporations. The new range applies to taxation years that begin on or after April 7, 2022.

(7) 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%.

(8) 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.

(9) The refundable tax of 10 2/3% of a CCPC's investment income and taxable capital gains, as well as 20% of such income that is subject to regular Part I tax, is included in the corporation's non-eligible refundable dividend tax on hand (NERDTOH) account. When non-eligible dividends are paid out to shareholders, a dividend refund equal to the lesser of 38 1/3% of the dividends paid or the combined balance in NERDTOH and eligible refundable dividend tax on hand (ERDTOH) accounts is refunded to the corporation. The dividend refund on non-eligible dividends must come out of the corporation's NERDTOH account before it comes out of the corporation's ERDTOH account.

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2023 and Beyond—As at December 31, 2023

Notes, continued

(10) Saskatchewan has temporarily reduced the province's small business income tax rate to 0% (from 2%) effective October 1, 2020 to June 30, 2023. The small business income tax rate will increase to 1% (from 0%) beginning July 1, 2023 and will be further increased to 2% (from 1%) beginning July 1, 2024.

The small business income 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, 2023, 16% (i.e., 15% federally and 1% provincially) effective July 1, 2023 to June 30, 2024 and 17% (i.e., 15% federally and 2% provincially) effective July 1, 2024.

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%.

(11) 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%.

(12) 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 nil at 5,000 hours.

(13) 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%.