



TaxNewsFlash

Canada

Tax Accounting — 2024 Tax Rates and Other Changes

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If you are involved in preparing financial reports for corporations or other organizations, certain 2024 Canadian income tax rate and other changes may need to be reflected in your year-end financial statements under IFRS Accounting Standards, Accounting Standards for Private Enterprises (ASPE) or U.S. generally accepted accounting principles (U.S. GAAP).

When do new income tax measures have to be taken into account?

Under IFRS Accounting Standards and ASPE, changes in income tax law and rates are recognized in the period that includes the date that the changes were substantively enacted.

Under U.S. GAAP, income tax law and rate changes are recognized in the period that includes the date that the changes were enacted.

This *TaxNewsFlash-Canada* reflects Canadian federal and provincial/territorial income tax legislation substantively enacted or enacted between July 1, 2024 and December 31, 2024. This publication also includes a summary of select outstanding income tax measures affecting businesses that have been announced, but are not yet substantively enacted, including 2024 federal budget measures to increase the inclusion rate for capital gains. For information on 2024 tax legislation enacted before July 1, 2024, see *TaxNewsFlash-Canada* 2024-29, "[Tax Accounting — Q2 2024 Update](#)".

Substantively enacted and enacted corporate tax rates for 2024

For 2024 and future years, the federal and provincial/territorial general corporate income tax rates remain unchanged for all provinces/territories. The federal small business income tax rate has also not changed in 2024. However, Saskatchewan has cancelled the scheduled increase of the province's small business income tax rate to 2% on July 1, 2025. As a result, the province's small business income tax rate will remain at 1%. Newfoundland and Labrador also reduced its small business income tax rate to 2.5% (from 3%), effective January 1, 2024.

General corporations

The following federal and provincial/territorial corporate tax rates for active business income earned by a general corporation are substantively enacted and enacted as of December 31, 2024:

Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted and Enacted as of December 31, 2024¹		
	2024	2025 and beyond
Federal rate ^{2,3}	15.0%	15.0%
Provincial rates		
British Columbia	12.0%	12.0%
Alberta	8.0%	8.0%
Saskatchewan	12.0%	12.0%
Manitoba	12.0%	12.0%
Ontario	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%
Territorial rates		
Yukon	12.0%	12.0%
Northwest Territories	11.5%	11.5%
Nunavut	12.0%	12.0%

¹ The rates in the table are substantively enacted as at December 31, 2024 for purposes of ASPE and IFRS Accounting Standards and are also enacted as at December 31, 2024 for U.S. GAAP purposes.

² The federal general corporate tax rate has been temporarily reduced to 7.5% (from 15%) on eligible zero-emission technology manufacturing and processing income for taxation years beginning after 2021. The reduced rates are gradually phased out for taxation years that begin in 2032 and are fully phased out for taxation years that begin after 2034.

³ Bank and life insurer groups are also subject to an additional 1.5% tax on taxable income earned in excess of 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.

Canadian-controlled private corporations

The following federal and provincial/territorial corporate tax rates for active business income earned by a Canadian-controlled private corporation (CCPC) that is eligible for the small business deduction are substantively enacted and enacted as of December 31, 2024:

Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted and Enacted as of December 31, 2024¹		
	2024	2025 and beyond
Federal rate ²	9.0%	9.0%
Provincial rates		
British Columbia	2.0%	2.0%
Alberta	2.0%	2.0%
Saskatchewan ³	1.0%	1.0%
Manitoba	0.0%	0.0%
Ontario	3.2%	3.2%
Quebec ⁴	3.2%	3.2%
New Brunswick	2.5%	2.5%
Nova Scotia	2.5%	2.5%
Prince Edward Island	1.0%	1.0%
Newfoundland and Labrador ⁵	2.5%	2.5%
Territorial rates		
Yukon	0.0%	0.0%
Northwest Territories	2.0%	2.0%
Nunavut	3.0%	3.0%

¹ The rates in the table are substantively enacted as at December 31, 2024 for purposes of ASPE and IFRS Accounting Standards and are also enacted as at December 31, 2024 for U.S. GAAP purposes.

² The federal small business tax rate has been temporarily reduced to 4.5% (from 9%) on eligible zero-emission technology manufacturing and processing income for taxation years beginning after 2021. The reduced rates are gradually phased out for taxation years that begin in 2032 and are fully phased out for taxation years that begin after 2034.

³ Saskatchewan has cancelled the previously scheduled increase of the province's small business income tax rate to 2% on July 1, 2025. As a result, the province's small business income tax rate will remain at 1%. 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 16% (i.e., 15% federally and 1% provincially).

⁴ 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.

⁵ Newfoundland and Labrador reduced the province's small business income tax rate to 2.5% (from 3%) effective January 1, 2024.

The latest rates and small business deduction thresholds are available on our [Canadian Corporate Tax Tables](#) page on the [KPMG Canada](#) site.

Status of recent tax legislation at December 31, 2024

This publication summarizes the status of selected federal and provincial/territorial business income tax measures that may affect your financial statements, including an overview of significant measures that became substantively enacted or enacted during the second half of 2024, as well as key measures that remained outstanding as at December 31, 2024.

For more information about these changes, contact your KPMG adviser or see the editions of *TaxNewsFlash-Canada* noted below.

Outstanding federal legislation

The following federal business income tax measures have been announced but are not substantively enacted for purposes of IFRS Accounting Standards or ASPE (or enacted for U.S. GAAP purposes) as of December 31, 2024.

Federal fall economic update – December 16, 2024 tax measures

In its 2024 Fall Economic Update, the federal government announced additional business income tax measures that have not yet been included in draft legislation or a bill, including proposed changes to:

- Enhance the Scientific Research and Experimental Development (SR&ED) program that generally apply to taxation years that begin on or after December 16, 2024
- Re-instate the Accelerated Investment Incentive for qualifying capital property acquired on or after January 1, 2025 that becomes available for use before 2030, with a phase-out for property that becomes available for use between 2030 and 2033
- Re-instate immediate expensing for certain qualifying property, including manufacturing or processing machinery and equipment (CCA Class 53), clean energy generation and energy conservation equipment (CCA Class 43.1), and zero-emission vehicles (CCA Classes 54, 55 and 56), where that property is acquired on or after January 1, 2025 and becomes available for use before 2030, with a phase-out for property that becomes available for use between 2030 and 2033
- Expand the Clean Hydrogen Investment Tax Credit to include methane pyrolysis as an eligible hydrogen production pathway, applicable to property that is acquired and becomes available for use in an eligible project on or after December 16, 2024.

The Fall Economic Update also provided design details for the proposed 10% Electric Vehicle Supply Chain Investment Tax Credit on the cost of eligible buildings used in key segments of the electric vehicle supply chain. The proposed tax credit, originally announced in the 2024 federal budget, is applicable to property that is acquired and available for use on or after January 1, 2024.

For details of these measures, see *TaxNewsFlash-Canada* 2024-48, "[Highlights of the 2024 Federal Fall Economic Update](#)".

Draft legislation released – September 23, 2024

Finance released revised draft legislation to implement the increase in the capital gains

inclusion rate for corporations and trusts to 2/3 (from 1/2) for capital gains realized on or after June 25, 2024. The revised legislation, which was released on September 23, 2024, reflected certain feedback received on the draft legislation previously released for comment on August 12, 2024. Note that these changes have not yet been included in a bill and are not substantively enacted or enacted as at December 31, 2024.

For details of these measures, see *TaxNewsFlash-Canada* 2024-37, "[Capital Gains Inclusion Increase — Finance Adjusts New Rules](#)".

Draft legislation released for comment – August 12, 2024

Finance released draft legislation that includes several previously announced business income tax measures from the 2024, 2023 and 2022 federal budgets on August 12, 2024. These measures have not yet been included in a bill and are not substantively enacted or enacted as at December 31, 2024. The draft legislation includes proposed changes to:

- Increase the capital gains inclusion rate for corporations and trusts to 2/3 (from 1/2) for capital gains realized on or after June 25, 2024 (as noted above, revised draft legislation for these measures was subsequently released on September 23, 2024)
- Amend the *Global Minimum Tax Act* to include provisions for the Undertaxed Profits Rule (UTPR), applicable to fiscal years of a qualifying multinational enterprise (MNE) group that begin on or after December 31, 2024, among other changes
- Introduce an elective exemption from the excessive interest and financing expenses limitation (EIFEL) rules for certain interest and financing expenses incurred before January 1, 2036, in respect of arm's length financing used to build or acquire purpose-built rental housing in Canada, applicable for taxation years beginning on or after October 1, 2023
- Introduce a new elective exemption from the EIFEL rules for certain interest and financing expenses that are reasonably attributable to borrowings used for the purpose of gaining or producing income from a regulated energy utility business
- Introduce an accelerated CCA of 10% for new eligible purpose-built rental housing projects that begin construction on or after April 16, 2024 and before January 1, 2031, and are available for use before January 1, 2036
- Provide immediate expensing for new additions of property acquired on or after April 16, 2024 and that becomes available for use before January 1, 2027 included in CCA Classes 44, 46 and 50
- Introduce a refundable Clean Electricity Investment Tax Credit for 15% of eligible investments in new projects and the refurbishment of existing facilities, available as of April 16, 2024 (the day of the 2024 federal budget) for projects that did not begin construction before March 28, 2023
- Eliminate the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates, for taxation years that begin on or after April 7, 2022
- Deem a corporation (that may otherwise qualify as a mutual fund corporation) not to be a mutual fund corporation if certain conditions are met, effective for taxation years beginning after 2024
- Modify an anti-avoidance rule in the synthetic equity arrangements rules, applicable to dividends received on or after January 1, 2025
- Modify the Clean Technology Investment Tax Credit, the Carbon Capture, Utilization, and Storage (CCUS) Investment Tax Credit and the Clean Technology Manufacturing Investment Tax Credit.

In addition, the draft legislation also included several technical amendments. Among other changes, these amendments expand the circumstances in which an excluded interest election under the EIFEL rules is available for a taxpayer and certain eligible group entities, and introduce new conditions for the exclusion from foreign accrual property income (FAPI) for dividends received by a foreign affiliate from another foreign affiliate.

For further details on the 2024 federal budget measures, see *TaxNewsFlash-Canada* 2024-17, "[2024 Federal Budget Highlights](#)".

Provincial/territorial tax legislation

Saskatchewan

Saskatchewan Bill 1	
Date “substantively enacted” under ASPE/IFRS Accounting Standards	Date “enacted” under U.S. GAAP
December 2, 2024	December 10, 2024

Saskatchewan’s Bill 1 cancels the previously scheduled increase of the province’s small business income tax rate to 2% on July 1, 2025. As a result, the province’s small business income tax rate will remain at 1%.

Manitoba

Manitoba Bill 37	
Date “substantively enacted” under ASPE/IFRS Accounting Standards	Date “enacted” under U.S. GAAP
May 6, 2024	November 7, 2024

Manitoba's Bill 37 includes several income tax measures announced in the province’s 2024 budget. The bill makes changes to certain tax credits, including to:

- Modify the Interactive Digital Media Tax Credit
- Introduce the Rental Housing Construction Tax Credit
- Eliminate the Data Processing Investment Tax Credits for the 2025 tax year.

For further details, see *TaxNewsFlash-Canada* 2024-15, "[Highlights of the 2024 Manitoba Budget](#)".

Quebec

Quebec Bill 75	
Date “substantively enacted” under ASPE/IFRS Accounting Standards	Date “enacted” under U.S. GAAP
November 7, 2024	December 5, 2024

Quebec’s Bill 75 includes changes announced in the 2023 Quebec Fall Economic Update, in Quebec’s 2024 budget and in various Information Bulletins, including measures to:

- Amend and introduce various changes to provincial tax credits as announced in the 2024 Quebec budget:
 - Tax credits for the development of e-business

- Tax credits for the production of multimedia titles
- Refundable tax credit for Quebec film or television productions
- Refundable tax credit for film production services
- Tax credit for the production of biofuel
- Tax credit for the production of pyrolysis oil
- Eliminate the tax credit to foster the retention of experienced workers
- Extend the investment and innovation tax credit (C3i) by five years, to specified expenses incurred before January 1, 2030 (from January 1, 2025) and introduce various enhancements to the credit including measures to:
 - Extend the temporary enhancement of the C3i rate applicable after December 31, 2023
 - Make the C3i tax credit fully refundable for a qualified corporation regardless of its assets or its gross income
 - Amend the calculation of the balance of the cumulative specified expense limit for purposes of the C3i tax credit
 - Remove certain regional county municipalities from the definition of “territory with low economic vitality” for specified expenses incurred after June 30, 2025
 - Amend the definition of “specified expenses”
 - Extend the deadline for submitting the prescribed form containing prescribed information to claim the credit
- Eliminate the additional capital cost allowance of 30% for investments in manufacturing and processing equipment, clean energy generation equipment, computer hardware and certain intellectual property, effective January 1, 2024
- Amend the Incentive Deduction for the Commercialization of Innovations (IDCI) in Quebec effective for taxation years that begin after December 31, 2023 to:
 - Provide that the R&D expenditures considered in the calculation of the Quebec nexus ratio with regard to a particular qualified intellectual property asset (QIPA) must have contributed directly to the creation, development or improvement of the QIPA and that such expenditures must be tracked in the form of a cumulative ratio calculated on a historical basis
 - Introduce definitions of the expressions “adjusted income” and “adjusted gross revenue” to replace the expressions “income” and “gross revenue”
- Reduce the proportion of an eligible individual’s required work time in a qualified establishment of the corporation to 40% (from 50%) for purposes of the tax credits for international financial centres, effective for taxation years that begin after December 19, 2023
- Prevent taxpayers from claiming certain tax deductions related to hedging and short selling arrangements
- Introduce changes to harmonize with certain federal technical tax amendments including changes related to Canadian exploration expenses, amounts deductible for mining taxes and foreign affiliate loan exceptions.

For more details, see *TaxNewsFlash-Canada* 2024-09, "[Highlights of the 2024 Quebec Budget](#)" and *TaxNewsFlash-Canada* 2023-42, "[Highlights of the 2023 Quebec Fall Economic Update](#)".

Outstanding provincial/territorial budget and other business income tax measures

The following Quebec business income tax measures have been announced but are not substantively enacted for purposes of IFRS Accounting Standards or ASPE. They are also not enacted for purposes of U.S. GAAP as of December 31, 2024.

Quebec

Quebec 2024 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax measures announced in the province's 2024 fall economic update. These changes were published in Information Bulletin 2024-9 and include measures to:

- Increase the withholding rate applicable to dispositions by a non-resident of certain taxable Quebec property to 17.167% (from 12.875%), applicable to a proposed or completed disposition occurring after December 31, 2024
- Increase the withholding rate applicable to acquisitions of specified immovables held by an inter vivos trust that becomes resident in Canada to 17.167% (from 12.875%), applicable to acquisitions made after December 31, 2024
- Introduce changes to Quebec's additional capital gains exemption on the disposition of certain resource properties.

For details, see *TaxNewsFlash-Canada* 2024-43, "[Highlights of the 2024 Quebec Fall Economic Update](#)".

Quebec has also not yet tabled a bill to enact certain business income tax harmonization measures and other measures announced in other recent provincial Information Bulletins.

Quebec announced in Information Bulletin 2024-7, which was published June 21, 2024, that it will harmonize with various federal business income tax measures and introduce other changes, including measures to clarify that amounts received under the federal Clean Technology Manufacturing Investment Tax Credit after December 31, 2023 would not be considered government assistance for purposes of the C3i tax credit.

Quebec announced in Information Bulletins 2024-5 and 2024-6, which were published on April 18 and May 31, 2024, that it will harmonize with various federal business income tax measures announced in the 2024 federal budget, including measures to:

- Increase the capital gains inclusion rate for capital gains realized after June 24, 2024 to 2/3 (from 1/2) for corporations and trusts
- Introduce an elective exemption from the EIFEL rules for certain interest and financing expenses incurred before January 1, 2036, in respect of arm's length financing used to build or acquire eligible purpose-built rental housing
- Introduce accelerated CCA
- Make changes to the mutual fund corporation rules
- Amend an anti-avoidance rule in the synthetic equity arrangements rules
- Remove the exception to the debt forgiveness rules and the loss restriction rule for bankrupt corporations.

Quebec announced in Information Bulletin 2024-4, which was published April 12, 2024, that it will harmonize with various federal business income tax measures announced in the 2023 fall economic update, including measures that:

- Clarify that concessional loans from public authorities with reasonable repayment terms will generally not be considered government assistance, for loans entered into after December 31, 2019
- Deny income tax deductions for expenses incurred on or after January 1, 2024 for

- non-compliant short-term rentals
- Exempt international shipping income of certain Canadian resident companies from income tax, effective December 31, 2023
- Amend the previously proposed rules to restrict the dividend received deduction to allow financial institutions that receive dividends on taxable preferred shares to continue to be eligible for this deduction.

Quebec 2023 Information Bulletins

Quebec has also not yet tabled a bill to enact certain business income tax harmonization measures and other measures announced in certain provincial Information Bulletins issued in 2023. Quebec announced in Information Bulletin 2023-4, which was published June 27, 2023, that it will harmonize with various federal business income tax measures announced in the 2023 federal budget, including measures that:

- Amend the GAAR by introducing a preamble, changing the avoidance transaction standard and introducing an economic substance test
- Deny the dividend received deduction for dividends received by financial institutions on shares that are mark-to-market property, after 2023 (see also subsequent amendments to this proposal above)
- Relate to the income tax treatment of credit unions.

Quebec 2022 Information Bulletins

Quebec has not yet tabled a bill to enact certain business income tax harmonization measures announced in certain provincial Information Bulletins issued in 2022. Quebec announced in Information Bulletin 2022-4, which was published June 9, 2022, that it will harmonize with various federal business income tax measures announced in the 2021 and 2022 federal budgets, including certain measures that:

- Introduce limitations on the deductibility of interest and other financing expenses (i.e., the EIFEL rules)
- Introduce hybrid mismatch arrangement rules
- Eliminate the tax deferral for investment income earned by substantive CCPCs and the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates (to be harmonized in part)
- Add CCA classes for CCUS equipment, including eligibility for the Accelerated Investment Incentive
- Add CCA classes for intangible exploration expenses and development expenses for storing carbon dioxide
- Introduce a new borrowing limit imposed on defined benefit pension plans.

We can help

KPMG's tax accounting and audit support professionals can help you assess the impact these changes in income tax law will have on your organization's financial statements. We can also help your organization understand and manage your obligations under the Canadian, U.S. and international financial reporting standards for income tax accounts and disclosures. For details, contact your KPMG adviser.

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