



# TaxNewsFlash

Canada

## Quebec Drops Small Business Tax Rate

April 29, 2026

No. 2026-29

Businesses that operate in Quebec may benefit from the province's recent announcement that it will decrease the provincial small business income tax rate to 2.2% (from 3.2%). This change, which is effective for corporations' taxation years starting after April 29, 2026, comes with a corresponding increase in Quebec's tax rate on non-eligible dividend income. Quebec announced this change in an Information Bulletin on April 29, 2026, which also notes that Quebec will harmonize with certain federal tax measures included in federal Bill C-15, including technical amendments to the excessive interest and financing expenses limitation (EIFEL) rules, changes to the trust reporting rules, amendments to the alternative minimum tax (AMT) and the loss carryback time extension for a deceased taxpayer's legal representative.

### Small business tax rate change

Quebec has decreased its small business income tax rate to 2.2% (from 3.2%). This change is effective for taxation years starting after April 29, 2026. As a result, Quebec's corporate income tax rates are as follows for 2026:

Corporate Income Tax Rates — As of January 1, 2026		
	Quebec	Combined Federal and Quebec
General	11.5%	26.5%
M&P	11.5%	26.5%
Small business <sup>1</sup>	3.2%/2.2% <sup>2</sup>	12.20%/11.20% <sup>2</sup>

<sup>1</sup> On first \$500,000 of active business income.

<sup>2</sup> Quebec's small business income tax rate decreases to 2.2% (from 3.2%), effective for taxation years starting after April 29, 2026.

## Personal tax rate change — Non-eligible dividend tax rate increased

As a consequence of the reduction to the small business income tax rate, Quebec's top marginal personal income tax rate on non-eligible dividends will increase on January 1, 2027. This increase is achieved by decreasing the non-eligible dividend tax credit rate to 2.69% (from 3.42%) for dividends received after December 31, 2026. As a result, the combined top marginal income tax rates for January 1, 2026 and 2027 are as follows:

Personal Combined Federal/Quebec Top Marginal Rates		
	January 1, 2026	January 1, 2027
Interest and regular income	53.31%	53.31%
Capital gains	26.65%	26.65%
Eligible dividends	40.11%	40.11%
Non-eligible dividends	48.70%	49.54%

### Integration update

As a result of these changes, there is a tax advantage when Quebec CCPCs pay non-eligible dividends to Quebec resident individuals in 2026 as opposed to in 2027. This is because of the timing mismatch between the decrease in the small business corporate income tax rate to 2.20% for taxation years beginning after April 29, 2026 and the increase in the non-eligible dividend tax rate on January 1, 2027.

### Federal Bill C-15 harmonization measures

Quebec announced it will harmonize with several measures included in federal Bill C-15, including technical amendments to the EIFEL rules, changes to the trust reporting rules, amendments to the alternative minimum tax (AMT) and the two-year loss carryback time extension (3 years instead of 1 year) under subsection 164(6) for a deceased taxpayer's legal representative. Quebec notes that these changes will be applicable on the same dates as the federal measures with which they are harmonized.

### We can help

Your KPMG adviser can help you assess the effect of this tax change on your personal finances or business affairs, and point out ways to realize any tax savings.

[kpmg.com/ca](https://kpmg.com/ca)



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [Legal](#)

Information is current to April 29, 2026. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour 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 upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.