KPMG

Corporate Tax Rates

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2015 and Beyond–As at June 30, 2016

	Small Business Income		Active Business Income[3]	
	2015	2016 and Beyond	2015	2016 and Beyond
Federal rates				
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[4]	(17.0)	(17.5)	0.0	0.0
Rate reduction[5]	0.0	0.0	(13.0)	(13.0)
	11.0	10.5	15.0	15.0
Provincial rates				
British Columbia	2.5%	2.5%	11.0%	11.0%
Alberta[6]	3.0	3.0/2.0	10.0/12.0	12.0
Saskatchewan	2.0	2.0	12.0	12.0
Manitoba	0.0	0.0	12.0	12.0
Ontario	4.5	4.5	11.5	11.5
Quebec[7]	8.0	8.0	11.9	11.9
New Brunswick[8]	4.0	4.0/3.5	12.0	12.0/14.0
Nova Scotia	3.0	3.0	16.0	16.0
Prince Edward Island	4.5	4.5	16.0	16.0
Newfoundland and Labrador[9]	3.0	3.0	14.0	15.0

Substantively enacted as at June 30, 2016.

All rates must be prorated for taxation years that straddle the effective date of the rate changes.

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2015 and Beyond—As at June 30, 2016

	M&P Income[10]		Investment Income[11]	
	2015	2016 and Beyond	2015	2016 and Beyond
Federal rates				
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[10]	(13.0)	(13.0)	0.0	0.0
Refundable Tax[12]	0.0	0.0	6.7	10.7
	15.0	15.0	34.7	38.7
Provincial rates				
British Columbia	11.0%	11.0%	11.0%	11.0%
Alberta[6]	10.0/12.0	12.0	10.0/12.0	12.0
Saskatchewan	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[7]	11.9	11.9	11.9	11.9
New Brunswick[8]	12.0	12.0/14.0	12.0	12.0/14.0
Nova Scotia	16.0	16.0	16.0	16.0
Prince Edward Island	16.0	16.0	16.0	16.0
Newfoundland and Labrador[9]	5.0	15.0	15.0	15.0

Substantively enacted as at June 30, 2016.

All rates must be prorated for taxation years that straddle the effective date of the rate changes.

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2015 and Beyond—As at June 30, 2016

Notes

(1) For Accounting Standards for Private Enterprise (ASPE) and 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. 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 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 tax rates included in this table reflect federal and provincial income tax rate changes that were substantively enacted as at June 30, 2016.

(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 2016 and Beyond" for the federal and provincial small business income thresholds.

(4) The 2016 federal budget announced that the small business income tax rate would remain at 10.5% after 2016. The federal small business income tax rate was previously scheduled to decrease to 9% by January 1, 2019.

(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, M&P income and investment income subject to the refundable provisions, is not eligible for this rate reduction. The general rate reduction does not apply to the portion of taxable income of a corporation earned from a "personal services business".

Substantively Enacted[1] Income Tax Rates for Income Earned by a CCPC[2] for 2015 and Beyond—As at June 30, 2016

(6) Alberta Bill 2 increased the general corporate income tax rate for active business, investment, and manufacturing and processing income to 12% (from 10%) effective July 1, 2015.

(7) Quebec decreased the small business tax rate applicable to Quebec manufacturing small and medium sized enterprises (SMEs) by creating an additional reduction of the rate applicable to manufacturing SMEs on their first $500,000 of income (or on a lower amount for corporations with paid-up capital between $10 million and $15 million). The additional deduction applies to CCPCs with paid-up capital of $15 million or less where at least 25% of their activities consist of manufacturing and processing. For taxation years ending after June 4, 2014, the Quebec tax rate for Quebec manufacturing SME's is determined formulaically and can be reduced by up to 2% resulting in a possible tax rate of 6% (from 8%). This rate can be further reduced up to 4% (up to another 2%) for taxation years ending after March 31, 2015. The additional deduction rate is prorated where the taxation year includes June 4, 2014 or March 31, 2015.

(8) New Brunswick's small business income tax rate decreased to 4% (from 4.5%) effective January 1, 2015. The province further decreased its small business income tax rate to 3.5% effective April 1, 2016. In addition, New Brunswick's 2016 budget increased the general corporate income tax rate to 14% (from 12%) effective April 1, 2016.

(9) Newfoundland and Labrador's 2016 budget increased the general corporate income tax rate to 15% (from 14%), retroactive to January 1, 2016. The budget also eliminated the manufacturing and processing profits tax credit, effective January 1, 2016.

(10) 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. The M&P calculation is based on income that is not eligible for the small business deduction. CCPCs that earn income from M&P activities are subject to the same rates as those that apply to general corporations.

(11) The federal and provincial 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 deductible in computing regular Part I tax, but may be subject to Part IV tax, calculated at a rate of $33\frac{1}{3}$% for amounts received before 2016 and $38\frac{1}{3}$% for amounts received after 2015.

(12) The federal government increased the refundable tax on CCPC's investment income to $10\frac{2}{3}$% (from $6\frac{2}{3}$%) beginning January 1, 2016.