KPMG

Corporate Tax Rates

Substantively Enacted[1] Income Tax Rates for Income Earned by a General Corporation[2] for 2018 and Beyond—As at June 30, 2018

	Active Business Income	
	2018	2019 and Beyond
Federal rates		
General corporate rate	38.0%	38.0%
Federal abatement	(10.0)	(10.0)
	28.0	28.0
Rate reduction[4]	(13.0)	(13.0)
M&P deduction[5]	0.0	0.0
Gross federal rate	15.0	15.0
Provincial rates		
British Columbia[6]	12.0%	12.0%
Alberta	12.0	12.0
Saskatchewan[7]	12.0	12.0
Manitoba	12.0	12.0
Ontario	11.5	11.5
Quebec[8]	11.7	11.6/11.5
New Brunswick	14.0	14.0
Nova Scotia	16.0	16.0
Prince Edward Island	16.0	16.0
Newfoundland and Labrador	15.0	15.0

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 income tax rate changes that were substantively enacted as at June 30, 2018.

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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Substantively Enacted[1] Income Tax Rates for Income Earned by a General Corporation[2] for 2018 and Beyond—As at June 30, 2018

	M&P Income		Investment Income[3]	
	2018	2019 and Beyond	2018	2019 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
Rate reduction[4]	0.0	0.0	(13.0)	(13.0)
M&P deduction[5]	(13.0)	(13.0)	0.0	0.0
Gross federal rate	15.0	15.0	15.0	15.0
Provincial rates				
British Columbia[6]	12.0%	12.0%	12.0%	12.0%
Alberta	12.0	12.0	12.0	12.0
Saskatchewan[7]	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[8]	11.7	11.6/11.5	11.7	11.6/11.5
New Brunswick	14.0	14.0	14.0	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	15.0	15.0	15.0	15.0

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Substantively Enacted[1] Income Tax Rates for Income Earned by a General Corporation[2] for 2018 and Beyond—As at June 30, 2018

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 corporations other than Canadian-controlled private corporations (CCPCs). 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.

(3) The federal and provincial rates shown in the tables apply to investment income earned by general corporations 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%.

(4) 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%.

(5) 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.

(6) British Columbia increased the province's general corporate income tax rate to 12% (from 11%) effective January 1, 2018.

(7) Saskatchewan increased the province's general corporate income tax rate to 12% (from 11.5%) effective January 1, 2018. As a result, the rate for M&P income increased to 10% (from 9.5%).

(8) Quebec's general corporate income tax rate for active business, investment, and M&P income will gradually decrease to 11.5% (from 11.8%) beginning in 2018. The rate will decrease to 11.7% in 2018, 11.6% in 2019 and 11.5% in 2020. The rate reductions are effective January 1 of each year.

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