



Corporate Tax Rates

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2018¹

	Small Business Income up to \$500,000 ²	Active Business Income ³	Investment Income ⁴
Federal rates			
General corporate rate	38.0%	38.0%	38.0%
Federal abatement	(10.0)	(10.0)	(10.0)
	28.0	28.0	28.0
Small business deduction ⁵	(18.0)	0.0	0.0
Rate reduction ⁶	0.0	(13.0)	0.0
Refundable tax ⁷	0.0	0.0	10.7
	10.0	15.0	38.7
Provincial rates			
British Columbia ⁸	2.0%	12.0%	12.0%
Alberta	2.0	12.0	12.0
Saskatchewan ⁹	2.0	2.0/12.0	12.0
Manitoba ¹⁰	0.0/12.0	12.0	12.0
Ontario ¹¹	3.5	11.5	11.5
Quebec ¹²	8.0/7.0	11.7	11.7
New Brunswick ¹³	3.0/2.5	14.0	14.0
Nova Scotia	3.0	16.0	16.0
Prince Edward Island ¹⁴	4.0	16.0	16.0
Newfoundland and Labrador	3.0	15.0	15.0
Territorial rates			
Yukon	2.0	12.0	12.0
Northwest Territories	4.0	11.5	11.5
Nunavut	4.0	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.

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Current as of September 30, 2018

Corporate Tax Rates 1

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2018¹

	Small Business Income up to \$500,000 ²	Active Business Income ³	Investment Income ⁴
Provincial rates			
British Columbia ⁸	12.0%	27.0%	50.7%
Alberta	12.0	27.0	50.7
Saskatchewan ⁹	12.0	17.0/27.0	50.7
Manitoba ¹⁰	10.0/22.0	27.0	50.7
Ontario ¹¹	13.5	26.5	50.2
Quebec ¹²	18.0/17.0	26.7	50.4
New Brunswick ¹³	13.0/12.5	29.0	52.7
Nova Scotia	13.0	31.0	54.7
Prince Edward Island ¹⁴	14.0	31.0	54.7
Newfoundland and Labrador	13.0	30.0	53.7
Territorial rates			
Yukon	12.0	27.0	50.7
Northwest Territories	14.0	26.5	50.2
Nunavut	14.0	27.0	50.7

Notes

- (1) 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.

For tax rates applicable to general corporations, see the tables "Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation".

- (2) See the table "Small Business Income Thresholds for 2018 and Beyond" for the federal and provincial small business income thresholds.

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Current as of September 30, 2018

Corporate Tax Rates 2

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2018¹

Notes, continued

- (3) The general corporate tax rate applies to active business income earned in excess of \$500,000. See the table “Small Business Income Thresholds for 2018 and Beyond” for the federal and provincial small business income thresholds.

CCPCs that earn income from manufacturing and processing activities (M&P income) are subject to the same rates as those that apply to general corporations (see the tables “Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation”), except for Yukon where the rate applicable to such income for CCPCs is 1.5% (2.5% for general corporations).

- (4) The federal and provincial tax rates shown in the tables 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 tables. 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 38 1/3%.
- (5) 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 decreased the federal small business income tax rate to 10% (from 10.5%) effective January 1, 2018. The rate will further decrease to 9% effective January 1, 2019.

- (6) 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%.

- (7) The refundable tax of 10 2/3% of a CCPC’s investment income and capital gains, as well as 20% of such income that is subject to regular Part I tax, is included in the corporation’s Refundable Dividend Tax on Hand (RDTOH) account. When taxable dividends (eligible and non-eligible) are paid out to shareholders, a dividend refund equal to the lesser of 38 1/3% of the dividends paid or the balance in the RDTOH account is refunded to the corporation.
- (8) British Columbia increased the province’s general corporate income tax rate to 12% (from 11%) effective January 1, 2018.
- (9) Saskatchewan increased the province’s general corporate income tax rate to 12% (from 11.5%) effective January 1, 2018. The province also increased its small business income threshold to \$600,000 (from \$500,000) effective January 1, 2018. Therefore, Saskatchewan’s combined tax rate on active business income between \$500,000 and \$600,000 is 17% (i.e., 15% federally and 2% provincially).

Saskatchewan provides a tax rebate that generally reduces the general corporate income tax rate on income earned from the rental of newly constructed qualifying multi-unit residential projects by 10%. The rebate is generally available for a period of 10 consecutive years for rental housing that is registered under a building permit dated on or after March 21, 2012 and before January 1, 2015, and available for rent before the end of 2017.

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Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2018¹

- (10) Manitoba's small business income threshold is \$450,000. Income greater than this threshold is subject to Manitoba's general income tax rate of 12%. Therefore, Manitoba's combined tax rate on active business income between \$450,000 and \$500,000 is 22% (i.e., 10% federally and 12% provincially).

Manitoba's 2018 budget increased the province's small business income threshold to \$500,000 (from \$450,000) effective January 1, 2019.

- (11) Ontario decreased the province's small business income tax rate to 3.5% (from 4.5%) effective January 1, 2018.
- (12) 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.

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.

Small and medium-sized businesses in the primary (i.e., agriculture, forestry, fishing, hunting, mining, quarrying and, oil and gas extraction) and manufacturing sectors in Quebec may be able to claim an additional deduction of up to 4% if the proportion of primary and manufacturing sector activities of the corporation for the taxation year is 50% or more, regardless of the number of hours paid. The additional deduction is available at a lower rate if the proportion of such activities for a particular taxation year is between 25% and 50%. In the event the number of hours paid exceeds 5,500 hours and the proportion of activities is between 25% and 50%, the corporation in the primary and manufacturing sector will be eligible for the regular small business deduction and a portion of the additional deduction.

Quebec's 2018 budget proposed to reduce the province's small business income tax rate to 7% (from 8%) effective March 28, 2018. The budget further proposed to gradually reduce the small business income tax rate to 4% beginning in 2019. The rate will decrease to 6% in 2019, 5% in 2020 and 4% in 2021. The rate reductions will be effective January 1 of each year from 2019 to 2021.

The province's 2018 budget also proposed to reduce the rate of the additional deduction available to certain small and medium-sized businesses in the primary and manufacturing sectors in Quebec to 3% (from 4%) effective March 28, 2018. This additional deduction will be gradually reduced beginning in 2019 until it is eliminated. The rate will decrease to 2% in 2019, 1% in 2020 and nil in 2021. The rate reductions will be effective January 1 of each year from 2019 to 2021.

On October 1, 2018, the Coalition Avenir Quebec (CAQ) Party was elected to replace the Quebec Liberal Party. The 2018 budget tabled by the Quebec Liberal Party on March 27, 2018 was not passed into law before the election.

- (13) New Brunswick decreased the province's small business income tax rate to 2.5% (from 3%) effective April 1, 2018.

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