KPMG

Corporate Tax Rates

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2016 and 2017[1]

	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[5,6]	(17.5)	0.0	0.0
Rate reduction[7]	0.0	(13.0)	0.0
Refundable tax[8]	0.0	0.0	10.7
	10.5	15.0	38.7
Provincial rates			
British Columbia	2.5%	11.0%	11.0%
Alberta[9]	3.0/2.0	12.0	12.0
Saskatchewan[10]	2.0	12.0	12.0
Manitoba[11]	0.0/12.0	12.0	12.0
Ontario	4.5	11.5	11.5
Quebec[12]	8.0	11.9/11.8	11.9/11.8
New Brunswick[13]	4.0/3.5	12.0/14.0	12.0/14.0
Nova Scotia[14]	3.0/16.0	16.0	16.0
Prince Edward Island	4.5	16.0	16.0
Newfoundland and Labrador[15]	3.0	15.0	15.0
Territorial rates			
Yukon	3.0	15.0	15.0
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.

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2016 and 2017[1]

	Small Business Income up to \$500,000[2]	Active Business Income[3]	Investment Income[4]
Provincial rates			
British Columbia	13.0%	26.0%	49.7%
Alberta[9]	13.5/12.5	27.0	50.7
Saskatchewan[10]	12.5	27.0	50.7
Manitoba[11]	10.5/22.5	27.0	50.7
Ontario	15.0	26.5	50.2
Quebec[12]	18.5	26.9/26.8	50.6/50.5
New Brunswick[13]	14.5/14.0	27.0/29.0	50.7/52.7
Nova Scotia[14]	13.5/26.5	31.0	54.7
Prince Edward Island	15.0	31.0	54.7
Newfoundland and Labrador[15]	13.5	30.0	53.7
Territorial rates			
Yukon	13.5	30.0	53.7
Northwest Territories	14.5	26.5	50.2
Nunavut	14.5	27.0	50.7

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2016 and 2017[1]

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 Effective January 1, 2016 and 2017" and "Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2016 and 2017".

(2) See the table "Small Business Income Thresholds for 2016 and Beyond" for the federal and provincial small business income thresholds.

Manitoba and Nova Scotia's provincial small business income thresholds are the only thresholds below the federal amount. For these provinces, a median tax rate applies to active business income between the provincial and federal threshold. The median tax rate is based on the federal small business rate and the applicable provincial general active business rate. For example, in 2016, Nova Scotia's combined rate on active business income between $350,000 and $500,000 is 26.5% (i.e., 10.5% federally and 16% provincially).

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

CCPCs that earn income from manufacturing and processing activities 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 Effective January 1, 2016 and 2017" and "Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2016 and 2017").

(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 38⅓% (increased from 33⅓% beginning January 1, 2016).

(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.

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2016 and 2017[1]

6) 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.

7) 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 the taxable income of a corporation earned from a "personal services business".

8) The refundable tax of 10⅔% (increased from 6⅔% beginning January 1, 2016) 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 38⅓% (increased from 33⅓% beginning January 1, 2016) of the dividends paid or the balance in the RDTOH account is refunded to the corporation.

9) Alberta's 2016 budget decreased the small business income tax rate to 2% (from 3%) effective January 1, 2017.

10) 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.

11) Manitoba increased the small business income threshold to $450,000 (from $425,000) effective January 1, 2016. Manitoba announced a further increase to the small business income threshold to $500,000 starting in 2017. Income greater than this threshold is subject to Manitoba's general income tax rate of 12%.

12) Quebec's 2015 budget proposed to gradually reduce the general corporate income tax rate for active business, investment, and M&P income from 11.9% to 11.5% beginning in 2017. The rate will decrease to 11.8% in 2017, 11.7% in 2018, 11.6% in 2019 and 11.5% in 2020. The rate reductions will be effective January 1 of each year from 2017 to 2020.

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

14) Nova Scotia's small business income threshold is $350,000. Income greater than this threshold is subject to Nova Scotia's general income tax rate of 16%.

15) Newfoundland and Labrador's 2016 budget increased the general corporate income tax rate to 15% (from 14%), retroactive to January 1, 2016.