

## Corporate income tax rates (%)<sup>1</sup>

(Updated to December 31, 2017)

		2014	2015	2016	2017	2018
<b>Federal<sup>2, 16</sup></b>	General/M&P/Investment	15.00	15.00	15.00	15.00	15.00
	Small business	11.00	11.00	10.50	10.50	10.00
	Investment - CCPC	34.67	34.67	38.67	38.67	38.67
<b>British Columbia<sup>3</sup></b>	General/M&P/Investment	11	11	11	11	12
	Small business	2.5	2.5	2.5	2.5/2	2
<b>Alberta<sup>4</sup></b>	General/M&P/Investment	10	10/12	12	12	12
	Small business	3	3	3	2	2
<b>Saskatchewan<sup>5</sup></b>	General/Investment	12	12	12	12/11.5	12
	Small business	2	2	2	2	2
	M&P	10	10	10	10/9.5	10
<b>Manitoba<sup>6</sup></b>	General/M&P/Investment	12	12	12	12	12
	Small business	0	0	0	0	0
<b>Ontario<sup>7</sup></b>	General/Investment	11.5	11.5	11.5	11.5	11.5
	Small business	4.5	4.5	4.5	4.5	3.5
	M&P	10	10	10	10	10
<b>Quebec<sup>8</sup></b>	General/Investment/M&P	11.9	11.9	11.9	11.8	11.7
	Small business (regular)	8	8	8	8	8
	Small business (M&P)	8/6	6/4	4	4	4
<b>New Brunswick<sup>9</sup></b>	General/M&P/Investment	12	12	12/14	14	14
	Small business	4.5	4	4/3.5	3.5/3	3/2.5
<b>Nova Scotia<sup>10</sup></b>	General/M&P/Investment	16	16	16	16	16
	Small business	3	3	3	3	3
<b>Prince Edward Island<sup>11</sup></b>	General/Investment/M&P	16	16	16	16	16
	Small business	4.5	4.5	4.5	4.5	4.5
<b>Newfoundland and Labrador<sup>12</sup></b>	General/Investment	14	14	15	15	15
	Small business	4/3	3	3	3	3
	M&P	5	5	15	15	15
<b>Yukon<sup>13</sup></b>	General/Investment	15	15	15	15/12	12
	Small business	4/3	3	3	3/2	2
	M&P	2.5	2.5	2.5	2.5	2.5
	M&P (small business)	2.5/1.5	1.5	1.5	1.5	1.5
<b>Northwest Territories<sup>14</sup></b>	General/M&P/Investment	11.5	11.5	11.5	11.5	11.5
	Small business	4	4	4	4	4
<b>Nunavut<sup>15</sup></b>	General/M&P/Investment	12	12	12	12	12
	Small business	4	4	4	4	4

M&P: Manufacturing or processing, CCPC: Canadian-controlled private corporation

- <sup>1</sup> This table provides a glance of the corporate income tax rates (federal, provincial and territorial) announced up to December 31, 2017. The rates apply to the 2014 to 2018 12-month taxation years ended on December 31, unless otherwise indicated. In Canada, corporate income taxes are levied separately by both the federal government and the provincial and territorial governments. Although the tax base is substantially the same, there are minor differences. Also, rules exist to allocate income between the provinces and territories so that the same income is not taxed twice. The rates indicated in the table may not apply to income earned by credit unions, mutual fund corporations, mortgage investment corporations, most deposit insurance corporations and investment corporations, as this income already qualifies for a special tax treatment. Personal services businesses are subject to a federal tax rate of 33% for taxation years ended after December 31, 2015.
- <sup>2</sup> **Federal** – The income limit for the purposes of the small business deduction (SBD limit) has been \$500,000 since 2009. The business limit must be allocated between associated corporations. The SBD is reduced progressively on a straight-line basis for CCPCs when their taxable capital used in Canada is between \$10 million and \$15 million. A similar rule applies to the SBD claimed at the provincial or territorial level.
- <sup>3</sup> **British Columbia** – SBD limit: \$500,000 since 2010. The June 27, 2013 budget introduced a one point increase in the general corporate income tax rate to 11%, effective April 1, 2013. The February 18, 2014, February 17, 2015 and February 16, 2016 budgets announced no further changes. The February 21, 2017 budget announced that the small business rate would be reduced from 2.5% to 2% effective April 1, 2017. The Legislative Assembly of the province was dissolved on April 11, 2017 and a general election was held on May 9, 2017 (with a minority liberal government reelected and a coalition NDP-Green Party controlling the Legislative Assembly). Consequently, Bill 8, which contained the proposed reduction of the small business rate, no longer exists – it “died on the order paper”. A new budget was tabled on September 11, 2017. The budget announced a general tax rate increase from 11% to 12% effective January 1, 2018 and a small business tax rate decrease from 2.5% to 2% effective April 1, 2017. These measures are legislated.
- <sup>4</sup> **Alberta** – SBD limit: \$500,000 since April 1, 2009. The March 7, 2014 and March 26, 2015 budgets announced no rate changes. However, the government elected on May 5, 2015 announced an increase in the general corporate tax rate from 10% to 12% effective July 1, 2015. The April 14, 2016 budget proposed a reduction in the small business tax rate from 3% to 2% effective January 1, 2017. The March 16, 2017 budget announced no rate changes.
- <sup>5</sup> **Saskatchewan** – SBD limit: \$500,000 since July 1, 2008. The March 19, 2014, March 18, 2015 and June 1, 2016 budgets announced no corporate rate changes. The March 22, 2017 budget announced a reduction from 12% to 11.5% of the general corporate income tax rate effective July 1, 2017 with a further reduction effective July 1, 2019 from 11.5% to 11%. The budget also announced that the M&P rates will be reduced as follows: from 10% to 9.5% effective July 1, 2017 and from 9.5% to 9% effective July 1, 2019. Saskatchewan’s Throne speech of October 25, 2017 announced the cancellation of the previous corporate rate reduction for 2019. The general rate will now increase to 12% effective January 1, 2018. Also announced was the cancellation of previous M&P rate reduction for 2019. M&P rate will increase to 10% effective January 1, 2018. The SBD limit will be raised to \$600,000 effective January 1, 2018. These measures are legislated.
- <sup>6</sup> **Manitoba** – SBD limit: \$400,000 since 2005. SBD limit increased to \$425,000 as of January 1, 2014 as announced in the April 16, 2013 budget. The March 6, 2014 budget announced no changes related to corporate tax rates. The April 30, 2015 budget announced an increase in the SBD limit, from \$425,000 to \$450,000, effective January 1, 2016. On March 8, 2016, the Manitoba government released an Economic and Fiscal Outlook. One of the business tax measures included in the release is the increase of the SBD limit from \$450,000 to \$500,000 on July 1, 2017; this increase is not yet legislated. The May 31, 2016 and April 11, 2017 budgets announced no changes to the corporate rates.
- <sup>7</sup> **Ontario** – SBD limit: \$500,000 since January 1, 2007. The July 14, 2014, April 23, 2015, February 25, 2016 and April 27, 2017 budgets proposed no corporate rate changes. The Ontario Fall Economic Review of November 10, 2017 announced a reduction of the small business rate, from 4.5% to 3.5%, effective January 1, 2018. This measure is legislated.
- <sup>8</sup> **Quebec** – SBD limit: \$500,000 since March 20, 2009. The June 4, 2014 budget announced that manufacturing small medium enterprises (SME) may claim an additional tax rate reduction on the first \$500,000 of annual income eligible for the Quebec small business deduction. The maximum additional reduction a corporation may claim will be 2% as of June 5, 2014 (effective rate 6%), increasing to 4% as of April 1, 2015 (effective rate 4%). The rate reduction is prorated for taxation years straddling those dates. SMEs whose M&P activities are 50% or more can benefit from the maximum rate reduction. The rate reduction is reduced on a straight-line basis where the proportion of M&P activities is less than 50% but at least 25%. There is no additional rate reduction where that proportion is less than 25%. The proportion of M&P activities is based on M&P assets and labour costs for taxation years beginning before January 1, 2017.

The March 26, 2015 budget announced that Quebec’s general corporate tax rate will be gradually reduced by 0.4 percentage points from 2017 to 2020. These rate reductions will come into force on January 1 of each of these years. More specifically, the general corporate tax rate will be reduced from the current rate of 11.9% to 11.8% in 2017, 11.7% in 2018, 11.6% in 2019 and, ultimately, 11.5% in 2020.

The March 26, 2015 budget also extended the additional tax rate reduction for manufacturing SMEs (referred to above) to SMEs in the primary and manufacturing sectors, effective for taxation years beginning after December 31, 2016. The primary sector includes agriculture, forestry, fishing and hunting, mining, quarrying and oil and gas extraction. In addition, the proportion of activities attributable to the primary and manufacturing sectors will be based only on labour costs (assets no longer taken in account) for taxation years beginning after December 31, 2016.

The March 17, 2016 budget announced the following changes related to rates:

- A new **deduction** is introduced for **Innovative Manufacturing Corporations** (DIC). The new DIC will more specifically target corporations that cannot claim the SBD. Thus, it applies only to corporations having a paid-up capital of at least \$15 million (including that of associated corporations) and those corporations with at least 50% of activities in the manufacturing and processing sector carried out in Quebec. The new deduction will effectively reduce the applicable tax rate to 4% on the lesser of the value of all qualified patented features incorporated into a qualified property sold or rented in the year or 50% of the net income earned from the sale or rental of such qualified property. The DIC will apply in respect of a taxation year beginning after December 31, 2016 and in respect of patent applications under a patent law for qualified patented features that were filed after March 17, 2016. The DIC is subject to many conditions.
- For taxation years beginning after December 31, 2016, the eligibility criteria for the SBD requiring a minimum number of employees will be replaced by **an eligibility criteria requiring a minimum number of hours worked (5,500)**. The government dropped the requirement announced in the March 26, 2015 budget that SMEs employ more than 3 full-time employees. However, when this new criteria is not met, the small business rate may increase up to the general rate, depending on the proportion of activities attributable to the primary and manufacturing sectors.

The March 28, 2017 budget announced that, for the purposes of the SBD, the eligibility criteria concerning the minimum number of **hours worked**, introduced in the previous budget, will be replaced with a qualification criterion concerning a minimum number of **hours paid**, for taxation years beginning after December 31, 2016. In addition, the tax legislation will be amended such that a person who holds, either directly or indirectly, most of the full-voting-rights shares of a corporation's capital stock, is deemed to have received from the corporation for a taxation year of the corporation, subject to certain conditions, remuneration corresponding to a conversion factor of 1.1 for each hour the person worked as an active participant in the corporation's activities for the year. The budget announced no corporate rate changes.

- <sup>9</sup> **New Brunswick** – SBD limit: \$500,000 since January 1, 2009. The February 4, 2014 budget announced no corporate rate changes. The March 31, 2015 budget confirmed the small business tax rate reduction to 4% effective January 1, 2015 (reduction previously announced in October 2014). The February 2, 2016 budget announced that the general corporate tax rate will increase by 2%, to 14%, effective April 1, 2016. In a news release dated April 1, 2016, the government announced that the small business tax rate is reduced from 4% to 3.5% effective April 1, 2016. The February 7, 2017 budget announced a reduction in the small business rate from 3.5% to 3% effective April 1, 2017. A reduction of the small business rate (from 3% to 2.5% as of April 1, 2018) was announced on November 14, 2017. This measure is legislated.
- <sup>10</sup> **Nova Scotia** – SBD limit: \$400,000 since April 1, 2006. SBD limit decreased to \$350,000, the lowest SBD limit in the country, as of January 1, 2014 as announced in the April 4, 2013 budget. The April 3, 2014, April 9, 2015 and April 19, 2016 budgets did not introduce any corporate rate changes. The April 27, 2017 budget proposed to increase the SBD limit from \$350,000 to \$500,000 effective January 1, 2017. However, a general election was held on May 30, 2017 before the measure was legislated. A new budget was tabled on September 26, 2017. The budget announced that, effective January 1, 2017, the SBD limit be increased from \$350,000 to \$500,000. This measure is legislated.
- <sup>11</sup> **Prince Edward Island** – SBD limit: \$500,000 since January 1, 2009. The April 9, 2014, June 19, 2015, April 19, 2016 and April 7, 2017 budgets did not introduce any corporate rate changes.
- <sup>12</sup> **Newfoundland and Labrador** – SBD limit: \$500,000 since January 1, 2009. The March 28, 2014 budget announced that the small business rate would be reduced from 4% to 3% as of July 1, 2014. The April 30, 2015 budget announced no changes related to tax rates. The April 14, 2016 budget announced two tax rate measures: an increase in the general corporate tax rate from 14% to 15%, as of January 1, 2016, as well as the elimination of the special M&P tax rate, retroactive to January 1, 2016. The April 6, 2017 budget announced no changes related to tax rates.
- <sup>13</sup> **Yukon** – SBD limit: \$500,000 since January 1, 2011. The March 25, 2014 budget announced that the small business rate would be reduced from 4% to 3%. This reduction was effective July 1, 2014. Also effective July 1, 2014, the small business rate for M&P income is 1.5% and applies up to the SBD limit of \$500,000. The April 2, 2015 and April 7, 2016 budgets announced no changes to corporate income taxes. The April 27, 2017 budget proposed to reduce the general corporate tax rate from 15% to 12% and the small business rate from 3% to 2%, both reductions taking effect as of July 1, 2017.
- <sup>14</sup> **Northwest Territories** – SBD limit: \$500,000 since January 1, 2009. The February 6, 2014, February 5, 2015, June 1, 2016 and February 1, 2017 budgets announced no changes related to tax rates.
- <sup>15</sup> **Nunavut** – SBD limit: \$500,000 since January 1, 2009. The May 27, 2014, February 25, 2015, February 25, 2016 and February 22, 2017 budgets announced no changes related to tax rates.

<sup>16</sup> **Federal** – The February 11, 2014 and March 22, 2017 budgets announced no changes related to tax rates.

The April 21, 2015 budget proposed to reduce the small business tax rate from 11% to 9% by 2019. The rate was to decrease by 0.5% each year starting on January 1, 2016, with the changes being prorated for taxation year-ends that do not coincide with the calendar year. The March 22, 2016 budget proposed to keep only the first reduction in the small business tax rate and to cancel all future reductions, resulting in a small business tax rate of 10.5% in 2016 and following years.

On December 9, 2015, the government tabled an amendment to increase the rate of the additional tax on CCPC investment income from 6 2/3% to 10 2/3%, consequential to the introduction of a new top personal income tax rate of 33%. This amendment applies to taxation years that end after 2015. For such taxation years beginning before 2016, the rate increase is prorated according to the number of days in the taxation year that are after 2015. This amendment effectively raises the tax on investment income earned in a CCPC by 4% to 38.67%.

On October 16, 2017, the federal government announced a plan to lower the small business tax rate to 10% effective January 1, 2018 and 9% effective January 1, 2019. This rate reduction was confirmed in the Fall Economic Statement tabled on October 24, 2017. These amendments are not yet legislated.