

Corporate income tax rates for active business income* – 2016



Includes all rate changes announced up to 30 June 2016

	Income eligible for small-business deduction (SBD) (generally up to \$500,000¹)	Manufacturing and processing (M&P) income not eligible for federal SBD (greater than \$500,000)	General income not eligible for SBD (non-M&P income)
	%	%	%
Federal rates ²	10.50 ³	15.00	15.00 ²
Combined federal and provincial rates:			
Newfoundland and Labrador ⁴	13.50	30.00	30.00
Prince Edward Island	15.00	31.00	31.00
Nova Scotia	13.50 (up to \$350k) ¹ / 26.50 (\$350k-500k)	31.00	31.00
New Brunswick			
- Prior to 1 April 2016	14.50 ⁵	27.00 ⁶	27.00 ⁶
- After 31 March 2016	14.00 ⁵	29.00 ⁶	29.00 ⁶
- Calendar year-end rate	14.12 ⁵	28.50 ⁶	28.50 ⁶
Quebec	18.50 ⁷	26.90 ⁸	26.90 ⁸
Ontario	15.00	25.00	26.50
Manitoba	10.50 (up to \$450k) ¹ / 22.50 (\$450k-500k)	27.00	27.00
Saskatchewan ⁹	12.50	25.00	27.00
Alberta	13.50 ¹⁰	27.00	27.00
British Columbia	13.00	26.00	26.00
Northwest Territories	14.50	26.50	26.50
Nunavut	14.50	27.00	27.00
Yukon	12.00/13.50 ¹¹	17.50	30.00
Non-resident	N/A	25.00	25.00

*Rates represent calendar-year rates unless indicated otherwise.



Notes:

1. The federal small-business limit is \$500,000. The Nova Scotia small-business limit is \$350,000, and the Manitoba small-business limit is increased from \$425,000 to \$450,000, effective 1 January 2016. In its March 2016 Economic and Fiscal Update, the former Manitoba government announced it will further increase the small-business limit from \$450,000 to \$500,000 effective 1 July 2017. This proposal was not confirmed by the new government in its 2016-17 budget tabled on 31 May 2016. As a result, it is unclear at this time whether the new Manitoba government will proceed with this proposal. The small-business limit for the remaining provinces and territories is \$500,000.
2. A federal general rate reduction of 13% applies to the base federal rate of 28% for active business income not eligible for other incentives, as well as to investment income earned by a non-Canadian-controlled private corporation. Income earned by a personal services business does not benefit from the federal general rate reduction. Consequential to the increase in the top marginal personal income tax rate, the 2016-17 federal budget announced that the tax rate on personal services business income earned by a corporation will increase to 33% from 28%, effective 1 January 2016. The federal rate applicable to investment income earned by Canadian-controlled private corporations (CCPCs) is 38.67% (increased from 34.67% effective 1 January 2016) due to the additional 10.67% refundable federal income tax, which was increased from 6.67% to 10.67% effective 1 January 2016.
3. The 2015-16 federal budget announced a gradual reduction in the small business rate from 11% to 9% over four years, effective 1 January of each year, based on the following schedule: 2016 - 10.5%; 2017 - 10%; 2018 - 9.5%; and 2019 - 9.0%. However, the 2016-17 federal budget has cancelled these scheduled reductions and announced that the small-business tax rate will remain at 10.5% after 2016. The federal SBD is reduced if taxable capital employed in Canada exceeds \$10 million in the preceding taxation year. An SBD reduction for large CCPCs applies in all provinces and territories. The SBD generally applies to M&P income within the small-business income limit, except in the Yukon (see note 11 below) and in certain circumstances in Quebec (see note 7 below).
4. The 2016-17 Newfoundland and Labrador budget announced that the general corporate income tax rate is increased from 14% to 15% and the M&P profits tax credit is eliminated, retroactive to 1 January 2016.
5. The New Brunswick small-business rate was reduced from 4.5% to 4.0% effective 1 January 2015. In its 2015-16 budget, the province confirmed its previously announced intention to decrease the small-business rate to 2.5%, but no specific timeline was announced. While the 2016-17 budget did not include changes to the small-business rate, in a news release dated 17 March 2016, New Brunswick announced that the small-business rate is reduced from 4.0% to 3.5% effective 1 April 2016.
6. The 2016-17 New Brunswick budget announced that the general corporate income tax rate is increased from 12% to 14%, effective 1 April 2016.
7. The 2015-16 Quebec budget announced that effective for taxation years beginning on or after 1 January 2017, a corporation must generally have more than three full-time employees or be a corporation in the primary (i.e., agriculture, forestry, fishing, hunting and certain resource-based sectors) or M&P sectors to benefit from the small-business tax rate. The 2016-17 Quebec budget, however, announced that the qualification criterion concerning the minimum number of employees will be replaced by a qualification criterion concerning the minimum number of hours worked. More specifically, the small-business tax rate will apply if an eligible corporation's employees worked at least 5,500 hours. CCPCs engaged in M&P activities may be able to claim an additional deduction (2% as of 5 June 2014 and 4% as of 1 April 2015) from the small business rate, depending on the proportion of activities attributable to M&P. The deduction is prorated for taxation years straddling



the effective dates and is reduced linearly where the proportion of activities attributable to M&P totals between 25% and 50%. The 2015-16 Quebec budget proposed to extend eligibility for the additional deduction to corporations in the primary sector, effective for taxation years beginning on or after 1 January 2017. The additional deduction will reach 4% where the proportion of activities in the primary and manufacturing sectors is 50% or more and will be reduced on a linear basis where the proportion is between 25% and 50%.

8. The 2015-16 Quebec budget announced a gradual reduction to the general corporate income tax rate from 11.9% to 11.5% over four years, effective 1 January of each year beginning in 2017, based on the following schedule: 2017 - 11.8%; 2018 - 11.7%; 2019 - 11.6%; and 2020 - 11.5%.
9. The 2014-15 Saskatchewan budget confirmed the province's previously announced intention to reduce the general corporate rate from 12% to 10%; however, a schedule for the reduction(s) has not yet been provided, and the proposed rate reduction was not addressed in the 2016-17 provincial budget.
10. The 2016-17 Alberta budget announced that the small business rate will decrease from 3% to 2% effective 1 January 2017.
11. The Yukon M&P rate is less than the small-business rate. The first rate applies to M&P income eligible for the SBD, while the second rate is for non-M&P income.