

Corporate income tax rates for active business income* – 2018



Includes all rate changes announced up to 15 January 2018


| | Income eligible for small-business deduction (SBD) (generally up to \$500,000 ¹) | 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 | 10.00 ³ | 15.00 | 15.00 ² |
| Combined federal and provincial rates: | | | |
| Newfoundland and Labrador | 13.00 | 30.00 | 30.00 |
| Prince Edward Island | 14.50 | 31.00 | 31.00 |
| Nova Scotia | 13.00 ¹ | 31.00 | 31.00 |
| New Brunswick | | | |
| - Prior to 1 April 2018 | 13.00 ⁴ | 29.00 | 29.00 |
| - After 31 March 2018 | 12.50 ⁴ | 29.00 | 29.00 |
| - Calendar year-end rate | 12.62 ⁴ | 29.00 | 29.00 |
| Quebec | 18.00/14.00 ⁵ | 26.70 ⁶ | 26.70 ⁶ |
| Ontario | 13.50 ⁷ | 25.00 | 26.50 |
| Manitoba | 10.00 (up to \$450k) ¹ / 22.00 (\$450k-\$500k) | 27.00 | 27.00 |
| Saskatchewan | 12.00 (up to \$500k)/ 17.00(\$500k-\$600k) ¹ | 25.00 ⁸ | 27.00 ⁸ |
| Alberta | 12.00 ⁹ | 27.00 | 27.00 |
| British Columbia | 12.00 ¹⁰ | 27.00 ¹¹ | 27.00 ¹¹ |
| Northwest Territories | 14.00 | 26.50 | 26.50 |
| Nunavut | 14.00 | 27.00 | 27.00 |
| Yukon ¹² | 11.50/12.00 | 17.50 | 27.00 |
| 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. Nova Scotia increased its small-business limit from \$350,000 to \$500,000, effective 1 January 2017. In its March 2016 Economic and Fiscal Update, the former Manitoba government announced it would further increase the Manitoba small-business limit from \$450,000 to \$500,000 effective 1 July 2017. However, this proposal was not confirmed by the new government in its 2016–17 budget, or in its 2017–18 budget tabled on 11 April 2017. The small-business limit for the remaining provinces and territories is \$500,000, with the exception of Saskatchewan, which increased its small-business limit to \$600,000 effective 1 January 2018.
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 2016 increase in the top marginal personal income tax rate, the tax rate on personal services business income earned by a corporation increased 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. On 24 October 2017, the federal government tabled a notice of ways and means motion to implement reductions in the small business corporate income tax rate, which were announced on 16 October 2017. The small-business rate is reduced from 10.5% to 10.0% effective 1 January 2018 and will be further reduced to 9.0% effective 1 January 2019. These reductions are essentially a reinstatement of the gradual rate reduction to 9.0% that had been enacted in 2015 by the previous government but halted by the current government in its 2016 budget. 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 12 below) and in certain circumstances in Quebec (see note 5 below).
4. The New Brunswick small-business rate was reduced from 3.5% to 3.0% effective 1 April 2017. On 14 November 2017, the province announced its intention to further reduce the small-business rate to 2.5% effective 1 April 2018. This proposal was enacted on 20 December 2017.
5. Effective for taxation years beginning on or after 1 January 2017, a CCPC must meet certain qualification criteria concerning the minimum number of hours paid or be a CCPC in either the primary (i.e., agriculture, forestry, fishing, hunting and certain resource-based sectors) or M&P sector to benefit from the small-business tax rate. The minimum number of hours paid criterion requires that an eligible corporation's employees work at least 5,500 hours annually, and the amount of the deduction is reduced linearly when the hours are between 5,500 and 5,000 hours. A maximum of 40 hours per week per employee is considered. The qualification criterion replaces the minimum number of hours worked criterion that was originally proposed. Special conversion rules apply to take into consideration hours worked (but not necessarily paid in the form of wages) by actively engaged shareholders who hold, directly or indirectly, shares of the corporation that carry more than 50% of the voting rights. CCPCs engaged in M&P activities in Quebec may be eligible for an additional 4% reduction in the small-business rate. This additional deduction is extended to CCPCs in the primary sector effective for taxation years beginning on or after 1 January 2017. The additional deduction rate reaches 4% where the proportion of activities in the primary or M&P sector is 50% or more, and is reduced linearly where the proportion is between 50% and 25%.
6. In accordance with its 2015–16 budget, Quebec is gradually reducing the general corporate income tax rate from 11.9% to 11.5% over four years, effective 1 January of each year beginning in 2017



and based on the following schedule: 2017 – 11.8%; 2018 – 11.7%; 2019 – 11.6%; and 2020 – 11.5%.

7. On 14 November 2017, Ontario announced its intention to decrease the small-business rate from 4.5% to 3.5% effective 1 January 2018. This proposal was enacted on 14 December 2017.
8. Saskatchewan increased the general corporate income tax rate from 11.5% to 12.0%, effective 1 January 2018. This measure reverses the government's previously announced (and enacted) reductions in the general corporate tax rate from 12.0% to 11.5% effective 1 July 2017, and to 11.0% effective 1 July 2019. The M&P profits tax reduction remains at 2.0%. As a result, the effective rate on Saskatchewan M&P profits is increased from 9.5% to 10.0%, effective 1 January 2018.
9. Alberta reduced the small-business rate from 3.0% to 2.0%, effective 1 January 2017.
10. British Columbia reduced its small-business rate from 2.5% to 2.0%, effective 1 April 2017.
11. British Columbia increased its general corporate income tax rate from 11.0% to 12.0%, effective 1 January 2018.
12. 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. Effective 1 July 2017, Yukon reduced its small-business rate from 3.0% to 2.0% and its general rate from 15.0% to 12.0%. However, the M&P tax rates are maintained at 1.5% for M&P income that is eligible for the SBD, and 2.5% for M&P income that is subject to tax at the general rate. These changes were announced as part of Yukon's 2017–18 budget.