

# Corporate income tax rates for active business income\* – 2019



Includes all rate changes announced up to 15 January 2019

	Income eligible for small-business deduction (SBD) (generally up to \$500,000 <sup>1</sup> )	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 <sup>2</sup>	9.00 <sup>3</sup>	15.00	15.00 <sup>2</sup>
Combined federal and provincial rates:			
Newfoundland and Labrador	12.00	30.00	30.00
Prince Edward Island	12.50 <sup>4</sup>	31.00	31.00
Nova Scotia	12.00	31.00	31.00
New Brunswick	11.50 <sup>5</sup>	29.00	29.00
Quebec	15.00/13.00 <sup>6,7</sup>	26.60 <sup>8</sup>	26.60 <sup>8</sup>
Ontario	12.50 <sup>9</sup>	25.00	26.50
Manitoba	9.00 <sup>1</sup>	27.00	27.00
Saskatchewan	11.00 (up to \$500k)/ 17.00 (\$500k-\$600k) <sup>1</sup>	25.00 <sup>10</sup>	27.00 <sup>10</sup>
Alberta	11.00	27.00	27.00
British Columbia	11.00	27.00 <sup>11</sup>	27.00 <sup>11</sup>
Northwest Territories	13.00	26.50	26.50
Nunavut	13.00	27.00	27.00
Yukon <sup>12</sup>	10.50/11.00	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. In accordance with its 2018–19 budget, Manitoba increased its small-business limit from \$450,000 to \$500,000 effective 1 January 2019. 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. The tax rate on personal services business income earned by a corporation is 33%. The federal rate applicable to investment income earned by Canadian-controlled private corporations (CCPCs) is 38.67%, due to the additional 10.67% refundable federal income tax.
3. The small-business rate was reduced from 10.50% to 10.00% effective 1 January 2018 and has been further reduced to 9.00% effective 1 January 2019. The federal SBD is reduced if taxable capital employed in Canada exceeds \$10 million in the preceding taxation year. An SBD reduction (grind) for large CCPCs applies in all provinces and territories. For taxation years beginning after 2018, the federal SBD is also reduced if a CCPC earns passive investment income exceeding \$50,000 in the preceding taxation year. The applicable federal SBD reduction for taxation years beginning after 2018 is equal to the greater of the taxable capital and passive investment income grinds. As of 15 January 2019, Ontario is the only province that has confirmed that it will not parallel the federal SBD reduction with respect to passive investment income. 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 notes 6 and 7 below).
4. Prince Edward Island reduced its small-business rate from 4.00% to 3.50% effective 1 January 2019.
5. New Brunswick reduced its small-business rate from 3.00% to 2.50% effective 1 April 2018.
6. 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. 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.
7. CCPCs engaged in M&P activities in Quebec may be eligible for an additional 4.00% 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 4.00% 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%. However, in its 2018–19 budget, Quebec announced it would ease the tax burden on small businesses in sectors other than the primary and M&P sectors by standardizing the small-business rate so that it is reduced to 4.00% by 2021. Effective 28 March 2018, Quebec reduced the small-business rate from 8.00% to 7.00%, resulting in an effective rate of 7.24% for the 2018 taxation year. Quebec is gradually reducing this rate to 4.00% as follows: 1 January 2019 – 6.00%; 1 January 2020 – 5.00%; and 1 January 2021 – 4.00%. Quebec is also phasing out the additional deduction for CCPCs in the primary and M&P sectors over the same time period to maintain an effective small-business rate of 4.00% for CCPCs



in these sectors throughout this period. The new Quebec government did not comment on these changes (not yet substantively enacted) in its 3 December 2018 fall economic update.

8. Quebec is gradually reducing the general corporate income tax rate from 11.90% to 11.50% over four years, effective 1 January of each year beginning in 2017 and based on the following schedule: 2017 – 11.80%; 2018 – 11.70%; 2019 – 11.60%; and 2020 – 11.50%.
9. Ontario reduced its small-business rate from 4.50% to 3.50% effective 1 January 2018.
10. Saskatchewan increased the general corporate income tax rate from 11.50% to 12.00%, effective 1 January 2018. This measure reversed the government's previously announced (and enacted) reductions in the general corporate tax rate from 12.00% to 11.50% effective 1 July 2017, and to 11.00% effective 1 July 2019. The M&P profits tax reduction remains at 2.00%. As a result, the effective rate on Saskatchewan M&P profits increased from 9.50% to 10.00%, effective 1 January 2018.
11. British Columbia increased its general corporate income tax rate from 11.00% to 12.00%, 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.