

# Corporate Tax Quick Reference Card

(Current to January 15, 2020)<sup>1</sup>

Small Business Limits		
Province	Small Business Limit <sup>2</sup>	Combined Tax Rate
<b>Federal</b>	\$500,000	9.0%
<b>BC</b>	\$500,000	11.0%
<b>AB</b>	\$500,000	11.0%
<b>SK</b> <sup>3</sup>	\$500,000 / \$600,000	11.0% / 17.0%
<b>MB</b>	\$500,000	9.0%
<b>ON</b>	\$500,000	12.2%
<b>QC</b> <sup>4</sup>	\$500,000	14.0%
<b>NB</b>	\$500,000	11.5%
<b>NS</b>	\$500,000	12.0%
<b>PEI</b>	\$500,000	12.0%
<b>NL</b>	\$500,000	12.0%
<b>YK</b> <sup>5</sup>	\$500,000	11.0%
<b>NT</b>	\$500,000	13.0%
<b>NU</b>	\$500,000	12.0%

<sup>1</sup> Tax rates reflect budget proposals and news releases to January 15, 2020

<sup>2</sup> Saskatchewan (\$600,000) has a small business limit that differs from the rest of the country (\$500,000)

<sup>3</sup> In Saskatchewan, for active business income up to \$500,000 the combined tax rate is 11%. For active business income ranging from \$500,000 to \$600,000 the combined tax rate is 17%.

<sup>4</sup> CCPCs engaged in M&P activities in Quebec may be eligible for an additional reduction in the small-business rate.

<sup>5</sup> CCPCs engaged in M&P activities in the Yukon may be eligible for an additional reduction in the small-business rate.

Annual Tax-Free Actual Dividend Limit <sup>6</sup>		
Province	Eligible	Non-Eligible
<b>Federal</b>	\$52,070	\$26,370
<b>BC</b>	\$52,070	\$22,710
<b>AB</b>	\$52,070	\$21,550
<b>SK</b>	\$52,070	\$20,550
<b>MB</b>	\$25,580	\$9,990
<b>ON</b>	\$52,070	\$26,370
<b>QC</b>	\$39,490	\$21,070
<b>NB</b>	\$52,070	\$19,020
<b>NS</b>	\$32,405	\$16,585
<b>PEI</b>	\$47,125	\$15,120
<b>NL</b>	\$18,495	\$20,205
<b>YK</b>	\$52,070	\$16,375
<b>NT</b>	\$52,070	\$26,370
<b>NU</b>	\$52,070	\$26,370

<sup>6</sup> Tax-free dividend amounts are current to June 2019; Eligible dividends are paid by public companies and by private companies where the income was subject to the general corporate tax rate. Non-eligible dividends are generally paid by private companies where the income was either subject to the small business tax rate or from certain investments held; Tax-free amounts assume no other income or credits other than the basic personal amount and dividend tax credit.

Lifetime Capital Gains Exemption		
Year of disposition	SBC Shares	Farming/Fishing Property
2020	\$883,384	\$1,000,000

Exemption can be claimed against capital gains on the disposition by an individual of qualified small business corporation (SBC) shares, qualified farm property, and qualified fishing property. The rules relating to the capital gains exemption are complex, and professional advice should be obtained to take benefit of the exemption.

Corporate Tax Rates (CCPCs)				
	General	Small Business (CCPC)	Small Business Limit <sup>5</sup>	Investment Income <sup>6</sup>
<b>Federal</b>	15.0%	9.0%	\$500,000	38.67%
<b>BC</b>	27.0%	11.0%	\$500,000	50.67%
<b>AB</b>	25.0%	11.0%	\$500,000	48.67%
<b>SK</b> <sup>7</sup>	27.0%	11.0% / 17.0%	\$500,000 / \$600,000	50.67%
<b>MB</b>	27.0%	9.0%	\$500,000	50.67%
<b>ON</b>	26.5%	12.2%	\$500,000	50.17%
<b>QC</b> <sup>8</sup>	26.5%	14.0%	\$500,000	50.17%
<b>NB</b>	29.0%	11.5%	\$500,000	52.67%
<b>NS</b>	31.0%	12.0%	\$500,000	54.67%
<b>PEI</b>	31.0%	12.0%	\$500,000	54.67%
<b>NL</b>	30.0%	12.0%	\$500,000	53.67%
<b>YK</b> <sup>9</sup>	27.0%	11.0%	\$500,000	50.67%
<b>NT</b>	26.5%	13.0%	\$500,000	50.17%
<b>NU</b>	27.0%	12.0%	\$500,000	50.67%

<sup>5</sup> Saskatchewan (\$600,000) has a small business limit that differs from the rest of the country (\$500,000).

<sup>6</sup> The rates that apply to capital gains are one-half of the rates shown in the table. Dividends received from Canadian corporations are generally deductible in computing regular Part 1 tax, but may be subject to Part IV tax, calculated at a rate of 38<sup>1</sup>/<sub>3</sub>%.

<sup>7</sup> In Saskatchewan, for active business income up to \$500,000 the combined tax rate is 11%. For active business income ranging from \$500,000 to \$600,000 the combined tax rate is 17%.

<sup>8</sup> CCPCs engaged in M&P activities in Quebec may be eligible for an additional reduction in the small-business rate.

<sup>9</sup> CCPCs engaged in M&P activities in the Yukon may be eligible for an additional reduction in the small-business rate.

## 2020 Corporate Integration Tables By Province

Income earned through a corporation is subject to two layers of tax:

- i) corporate tax, and,
- ii) personal tax when after-tax corporate profits are paid to shareholders as a dividend

Subject to province and type of income, the tables to the right indicate:

- i) If there is a tax *deferral* or *prepayment* of tax when net income is earned in a corporation (calculated as the difference between corporate and personal tax rates on various types of income)
- ii) Upon distribution of corporate profits, whether there is a net *savings* or *cost* associated with earning the income through a corporation versus personally

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### Tax Deferral (Pre-Payment) from Incorporation<sup>1</sup>

Province	Investment Income	Capital Gains	Eligible Dividends	Non-Eligible Dividends	ABI <sup>2</sup> for SBD <sup>3</sup>	ABI in excess of SBD
<b>BC</b>	(0.87%)	(0.43%)	(6.89%)	6.31%	38.80%	22.80%
<b>AB</b>	(0.67%)	(0.33%)	(6.62%)	3.97%	37.00%	23.00%
<b>SK</b>	(3.17%)	(1.58%)	(8.69%)	2.04%	36.50% <sup>4</sup>	20.50%
<b>MB</b>	(0.27%)	(0.13%)	(0.55%)	8.34%	41.40%	23.40%
<b>ON</b>	3.36%	1.68%	1.01%	9.41%	41.33%	27.03%
<b>QC</b>	3.14%	1.57%	1.78%	8.81%	39.31%	26.81%
<b>NB</b>	0.63%	0.32%	(4.82%)	9.42%	41.80%	24.30%
<b>NS</b>	(0.67%)	(0.33%)	3.25%	9.94%	42.00%	23.00%
<b>PEI</b>	(3.30%)	(1.65%)	(4.11%)	6.90%	39.37%	20.37%
<b>NL</b>	(2.37%)	(1.18%)	4.28%	6.26%	39.30%	21.30%

### Tax Savings (Cost) of Incorporation<sup>1</sup>

Province	Investment Income	Capital Gains	Eligible Dividends	Non-Eligible Dividends	ABI <sup>2</sup> for SBD <sup>3</sup>	ABI in excess of SBD
<b>BC</b>	(5.91%)	(2.95%)	0.00%	0.00%	(0.93%)	(0.15%)
<b>AB</b>	(4.69%)	(2.34%)	0.00%	0.00%	(0.65%)	(0.78%)
<b>SK</b>	(4.80%)	(2.40%)	0.00%	0.00%	0.57% <sup>4</sup>	(1.14%)
<b>MB</b>	(6.94%)	(3.47%)	0.00%	0.00%	(1.07%)	(4.18%)
<b>ON</b>	(4.40%)	(2.20%)	0.00%	0.00%	(0.59%)	(1.89%)
<b>QC</b>	(4.15%)	(2.07%)	0.00%	0.00%	(1.24%)	(2.67%)
<b>NB</b>	(5.94%)	(2.97%)	0.00%	0.00%	(0.46%)	0.51%
<b>NS</b>	(6.69%)	(3.34%)	0.00%	0.00%	(0.48%)	(5.69%)
<b>PEI</b>	(7.00%)	(3.50%)	0.00%	0.00%	(0.43%)	(3.24%)
<b>NL</b>	(6.03%)	(3.02%)	0.00%	0.00%	0.06%	(8.53%)

<sup>1</sup> Top marginal rates assumed; Rates current to January 15, 2020.

<sup>2</sup> ABI = Active business income.

<sup>3</sup> SBD = Small business deduction.

<sup>4</sup> In Saskatchewan, for ABI (ranging from \$500,000 to \$600,000) that is eligible for the Saskatchewan SBD, the tax cost is 3.01% and the deferral is 30.5%