

CORPORATE TAX

Quick reference card

 CURRENT TO JANUARY 15, 2021¹

SMALL BUSINESS LIMITS

Province	Small business limit ²	Combined tax rate
Federal	\$500,000	9.00%
BC	\$500,000	11.00%
AB	\$500,000	11.00%
SK ³	\$500,000 / \$600,000	9.0% / 15.0%
MB	\$500,000	9.00%
ON	\$500,000	12.20%
QC	\$500,000	13.00%
NB	\$500,000	11.50%
NS	\$500,000	11.50%
PEI	\$500,000	11.00%
NL	\$500,000	12.00%
YK	\$500,000	9.00%
NT	\$500,000	11.00%
NU	\$500,000	12.00%

¹Tax rates reflect budget proposals and news releases to January 15, 2021

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

³In Saskatchewan, for active business income up to \$500,000 the combined tax rate is 9%. For active business income ranging from \$500,000 to \$600,000 the combined tax rate is 15%.

ANNUAL TAX-FREE ACTUAL DIVIDEND LIMIT⁴

Province	Eligible	Non-eligible
Federal	\$53,230	\$28,905
BC	\$53,230	\$23,285
AB	\$53,230	\$21,550
SK	\$53,230	\$20,550
MB	\$26,140	\$10,175
ON	\$53,230	\$28,905
QC	\$39,785	\$19,805
NB	\$53,230	\$19,390
NS	\$32,405	\$16,585
PEI	\$48,085	\$16,080
NL	\$18,670	\$20,390
YK	\$53,230	\$17,950
NT	\$53,230	\$28,905
NU	\$53,230	\$28,905

⁴Tax-free dividend amounts are current to July 2020; 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
2021	\$892,218	\$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 ⁵	Investment income ⁶
Federal	15.00%	9.00%	\$500,000	38.67%
BC	27.00%	11.00%	\$500,000	50.67%
AB	23.00%	11.00%	\$500,000	46.67%
SK ⁷	27.00%	9.0% / 15.0%	\$500,000 / \$600,000	50.67%
MB	27.00%	9.00%	\$500,000	50.67%
ON	26.50%	12.20%	\$500,000	50.17%
QC	26.50%	13.00%	\$500,000	50.17%
NB	29.00%	11.50%	\$500,000	52.67%
NS	29.00%	11.50%	\$500,000	52.67%
PEI	31.00%	11.00%	\$500,000	54.67%
NL	30.00%	12.00%	\$500,000	53.67%
YK	27.00%	9.00%	\$500,000	50.67%
NT	26.50%	11.00%	\$500,000	50.17%
NU	27.00%	12.00%	\$500,000	50.67%

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

⁶The 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 I tax, but may be subject to Part IV tax, calculated at a rate of 38 1/3%.

⁷In Saskatchewan, for active business income up to \$500,000 the combined tax rate is 9%. For active business income ranging from \$500,000 to \$600,000 the combined tax rate is 15%.

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

2021 Corporate integration tables by province

TAX DEFERRAL (PRE-PAYMENT) FROM INCORPORATION¹

Province	Investment income	Capital gains	Eligible dividends	Non-eligible dividends	ABI ² for SBD ³	ABI in excess of SBD
BC	2.83%	1.42%	(1.79%)	10.56%	42.50%	26.50%
AB	1.33%	0.67%	(4.02%)	3.97%	37.00%	25.00%
SK	(3.17%)	(1.58%)	(8.69%)	3.96%	38.50% ⁴	20.50%
MB	(0.27%)	(0.13%)	(0.55%)	8.34%	41.40%	23.40%
ON	3.36%	1.68%	1.01%	9.41%	41.33%	27.03%
QC	3.14%	1.57%	1.78%	9.69%	40.31%	26.81%
NB	0.63%	0.32%	(4.82%)	9.42%	41.80%	24.30%
NS	1.33%	0.67%	3.25%	9.94%	42.50%	25.00%
PEI	(3.30%)	(1.65%)	(4.11%)	7.89%	40.37%	20.37%
NL	(2.37%)	(1.18%)	4.28%	6.26%	39.30%	21.30%

TAX SAVINGS (COST) OF INCORPORATION¹

Province	Investment income	Capital gains	Eligible dividends	Non-eligible dividends	ABI ² for SBD ³	ABI in excess of SBD
BC	(5.61%)	(2.81%)	0.00%	0.00%	(1.01%)	(0.18%)
AB	(3.54%)	(1.77%)	0.00%	0.00%	(0.65%)	(1.42%)
SK	(6.33%)	(3.17%)	0.00%	0.00%	0.02% ⁴	(1.14%)
MB	(6.94%)	(3.47%)	0.00%	0.00%	(1.07%)	(4.18%)
ON	(4.40%)	(2.20%)	0.00%	0.00%	(0.59%)	(1.89%)
QC	(4.85%)	(2.42%)	0.00%	0.00%	(1.47%)	(2.67%)
NB	(5.94%)	(2.97%)	0.00%	0.00%	(0.46%)	0.51%
NS	(5.65%)	(2.83%)	0.00%	0.00%	(0.22%)	(4.52%)
PEI	(7.75%)	(3.88%)	0.00%	0.00%	(0.76%)	(3.24%)
NL	(6.03%)	(3.02%)	0.00%	0.00%	0.06%	(8.53%)

¹ Top marginal rates assumed; Rates current to January 15, 2021.

² ABI = Active business income.

³ SBD = Small business deduction.

⁴ In Saskatchewan, for ABI (ranging from \$500,000 to \$600,000) that is eligible for the Saskatchewan SBD, the tax cost is 3.45% and the deferral is 32.50%

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