

Corporate income tax rates for active business income* – 2019



Includes all rate changes announced up to 15 June 2019

| | 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 | 9.00 ³ | 15.00 | 15.00 ² |
| Combined federal and provincial rates: | | | |
| Newfoundland and Labrador | 12.00 | 30.00 | 30.00 |
| Prince Edward Island | 12.50 ⁴ | 31.00 | 31.00 |
| Nova Scotia | 12.00 | 31.00 | 31.00 |
| New Brunswick | 11.50 ⁵ | 29.00 | 29.00 |
| Quebec | 15.00/13.00 ^{6,7} | 26.60 ⁸ | 26.60 ⁸ |
| Ontario | 12.50 ⁹ | 25.00 | 26.50 |
| Manitoba | 9.00 ¹ | 27.00 | 27.00 |
| Saskatchewan | 11.00 (up to \$500k)/ 17.00 (\$500k-\$600k) ¹ | 25.00 ¹⁰ | 27.00 ¹⁰ |
| Alberta ¹¹ | | | |
| - Prior to 1 July 2019 | 11.00 | 27.00 | 27.00 |
| - After 30 June 2019 | 11.00 | 26.00 | 26.00 |
| - Calendar year-end rate | 11.00 | 26.50 | 26.50 |
| British Columbia | 11.00 | 27.00 ¹² | 27.00 ¹² |
| Northwest Territories | 13.00 | 26.50 | 26.50 |
| Nunavut ¹³ | | | |
| - Prior to 1 July 2019 | 13.00 | 27.00 | 27.00 |
| - After 30 June 2019 | 12.00 | 27.00 | 27.00 |
| - Calendar year-end rate | 12.50 | 27.00 | 27.00 |
| Yukon ¹⁴ | 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. 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 and is eliminated when it exceeds \$15 million. 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, and is eliminated when this type of income exceeds \$150,000. 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 June 2019, Ontario and New Brunswick were the only provinces that had tabled legislation confirming that they would 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 14 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 (and CCPCs in the primary sector effective for taxation years beginning on or after 1 January 2017) may be eligible for an additional reduction in the small-business rate. 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.

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. Alberta is gradually reducing the province's general corporate income tax rate from 12.00% to 8.00% by 2022. The general corporate income tax rate will be reduced to 11.00% effective 1 July 2019, and will continue to decrease by 1.00% every 1 January until 2022. As a result, effective 1 July 2019, the combined federal/provincial tax rate on income that is not eligible for the small business deduction (including M&P income) will decrease from 27.00% to 26.00%.
12. British Columbia increased its general corporate income tax rate from 11.00% to 12.00%, effective 1 January 2018.
13. Nunavut is reducing the territory's small business income tax rate from 4.00% to 3.00% effective 1 July 2019.
14. 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.