

Provincial corporate income tax rates for active business income* – 2021



Includes all rate changes announced up to January 15, 2021

	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)
Newfoundland and Labrador	3.00	15.00	15.00
Prince Edward Island	2.00 ²	16.00	16.00
Nova Scotia	2.50 ³	14.00 ³	14.00 ³
New Brunswick	2.50	14.00	14.00
Quebec	4.00 ^{4,5}	11.50 ⁶	11.50 ⁶
Ontario	3.20 ⁷	10.00	11.50
Manitoba	Nil	12.00	12.00
Saskatchewan ⁸	Nil (up to \$600k) ¹	10.00	12.00
Alberta ⁹	2.00	8.00	8.00
British Columbia	2.00	12.00	12.00
Northwest Territories	2.00 ¹⁰	11.50	11.50
Nunavut	3.00	12.00	12.00
Yukon	Nil ¹¹	2.50	12.00

*Rates represent calendar-year rates unless indicated otherwise.



Notes:

1. The small-business limit for the provinces and territories is \$500,000, with the exception of Saskatchewan, which increased its small-business limit to \$600,000 effective January 1, 2018.
2. In accordance with its 2020-21 budget tabled on June 17, 2020, Prince Edward Island has reduced its small-business rate from 3.00% to 2.00% effective January 1, 2021.
3. Nova Scotia reduced its general corporate income tax rate from 16.00% to 14.00% and its small-business tax rate from 3.00% to 2.50%, effective April 1, 2020.
4. Effective for taxation years beginning on or after January 1, 2017, a Canadian-controlled private corporation (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. Quebec has adjusted the calculation of a corporation's remunerated hours for purposes of meeting the minimum 5,000/5,500 hours threshold for claiming the small-business deduction. This adjustment limits the impact of any temporary suspension of a corporation's activities between March 15 and June 29, 2020 due to the COVID-19 pandemic. Further details may be found in Quebec Information Bulletin 2020-9.
5. CCPCs engaged in M&P activities in Quebec (and CCPCs in the primary sector effective for taxation years beginning on or after January 1, 2017) were eligible for an additional reduction in the small-business rate of up to 4.00% where the proportion of activities in the primary or M&P sector was 50% or more and was reduced linearly where the proportion was 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 would be reduced to 4.00% by 2021. Therefore, effective March 28, 2018, Quebec reduced the small-business rate for these other sectors from 8.00% to 7.00%, resulting in an effective rate of 7.24% for the 2018 taxation year, and continued to gradually reduce this rate to 4.00% as follows: January 1, 2019 - 6.00%; January 1, 2020 - 5.00%; and January 1, 2021 - 4.00%. Quebec has also phased 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.
6. Quebec gradually reduced the general corporate income tax rate from 11.90% to 11.50% over four years, effective January 1 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%.
7. Ontario reduced its small-business rate from 3.50% to 3.20%, effective January 1, 2020.
8. Saskatchewan is temporarily reducing its small-business rate from 2.00% to nil, effective for the period commencing October 1, 2020 and ending on June 30, 2022. The small-business rate will increase to 1.00% effective July 1, 2022 and return to a rate of 2.00% on July 1, 2023.
9. Alberta has accelerated the tax cuts that were enacted in 2019, by reducing the province's general corporate income tax rate from 10.00% to 8.00% effective July 1, 2020. The rate was originally scheduled to be reduced from 10.00% to 9.00% on January 1, 2021 and to 8.00% on January 1, 2022. The general corporate income tax rate was already reduced to 11.00% effective July 1, 2019 and to 10.00% effective January 1, 2020.

10. Northwest Territories has reduced its small-business income tax rate from 4.00% to 2.00%, effective January 1, 2021.
11. Yukon has reduced its small-business tax rate to nil, effective January 1, 2021. For 2020, a rate of 1.50% applied to M&P income eligible for the SBD, while a rate of 2.00% applied for non-M&P income eligible for the SBD.