

## Corporate income tax rates for active business income\* – 2022

Includes all rate changes announced up to January 15, 2022

	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>
<b>Combined federal and provincial rates:</b>			
Newfoundland and Labrador	12.00	30.00	30.00
Prince Edward Island	10.00 <sup>4</sup>	31.00	31.00
Nova Scotia	11.50	29.00	29.00
New Brunswick	11.50	29.00	29.00
Quebec	12.20 <sup>5,6</sup>	26.50	26.50
Ontario	12.20	25.00	26.50
Manitoba	9.00	27.00	27.00
Saskatchewan <sup>7</sup>			
▶ Prior to July 1, 2022	9.00 (up to \$500k)/15.00 (\$500k-\$600k) <sup>1</sup>	25.00	27.00
▶ After June 30, 2022	10.00 (up to \$500k)/16.00 (\$500k-\$600k) <sup>1</sup>	25.00	27.00
▶ Calendar year-end rate	9.50 (up to \$500k)/15.50 (\$500k-\$600k) <sup>1</sup>	25.00	27.00
Alberta <sup>8</sup>	11.00	23.00	23.00
British Columbia	11.00	27.00	27.00
Northwest Territories	11.00 <sup>9</sup>	26.50	26.50
Nunavut	12.00	27.00	27.00
Yukon <sup>10</sup>	9.00	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. The small-business limit for the provinces and territories is also \$500,000, with the exception of Saskatchewan, which increased its small-business limit to \$600,000 effective January 1, 2018.
2. A federal general rate reduction of 13.00% applies to the base federal rate of 28.00% 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 33.00%. 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. As part of the 2021–22 federal budget, the federal government has proposed a temporary measure to reduce corporate tax rates on manufacturers of qualifying zero-emission technology by half. Specifically, eligible income that would otherwise be subject to the 15.00% general corporate rate would be taxed at a 7.50% rate, and eligible income that would otherwise be taxed at the 9.00% small-business rate (see Note 3) would be taxed at a 4.50% rate. The reduced rates would apply to tax years beginning in 2022 and would be gradually phased out starting in 2029 and ending after 2031.
3. The small-business rate was reduced from 10.50% to 10.00% effective January 1, 2018 and was further reduced to 9.00% effective January 1, 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 January 15, 2022, Ontario and New Brunswick are the only provinces that have enacted legislation confirming that they 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.
4. Prince Edward Island has reduced its small-business rate from 2.00% to 1.00% effective January 1, 2022. The province had previously lowered its small-business rate from 3.00% to 2.00% effective January 1, 2021.
5. Effective for taxation years beginning on or after January 1, 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. In recognition of the impact that the COVID-19 pandemic may have had on business operations, 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. Specifically, to limit the negative impact of a temporary suspension of a corporation's or partnership's activities that occurred after June 2020 on the calculation of the small business deduction, a corporation has the option of using, for a taxation year ending after June 30, 2020 and before July 1, 2021, the number of remunerated hours for its taxation year

immediately preceding the given year, in order to determine its eligibility for the small-business tax rate or to establish its small-business tax rate for the given year. An option for adjusting the calculation of a corporation's remunerated hours was also available where all or part of the period between March 15, 2020 and June 29, 2020 was included in a corporation's given taxation year: see Quebec Information Bulletin 2020-9 for further details.

6. 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 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 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. In accordance with its 2021–22 budget, Quebec reduced the small-business rate from 4.00% to 3.20% effective March 26, 2021.
7. 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.
8. 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.
9. Northwest Territories reduced its small-business rate from 4.00% to 2.00% effective January 1, 2021.
10. Yukon reduced its small-business rate to nil, effective January 1, 2021.