

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

Includes all rate changes announced up to June 1, 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)
	ZETM income <sup>3</sup>		ZETM income <sup>3</sup>		
	%	%	%	%	%
Federal rates <sup>2,4</sup>	9.00 <sup>5</sup>	4.50	15.00	7.50	15.00 <sup>2</sup>
<b>Combined federal and provincial rates:</b>					
Newfoundland and Labrador	12.00	7.50	30.00	22.50	30.00
Prince Edward Island	10.00 <sup>6</sup>	5.50	31.00	23.50	31.00
Nova Scotia	11.50	7.00	29.00	21.50	29.00
New Brunswick	11.50	7.00	29.00	21.50	29.00
Quebec	12.20 <sup>7,8</sup>	7.70	26.50	19.00	26.50
Ontario	12.20	7.70	25.00	17.50	26.50
Manitoba	9.00	4.50	27.00	19.50	27.00
Saskatchewan <sup>9</sup>					
▶ Prior to July 1, 2022	9.00 (up to \$500k)/15.00 (\$500k-\$600k) <sup>1</sup>	4.50 (up to \$500k)/7.50 (\$500k-\$600k) <sup>1</sup>	25.00	17.50	27.00
▶ After June 30, 2022	10.00 (up to \$500k)/16.00 (\$500k-\$600k) <sup>1</sup>	5.50 (up to \$500k)/8.50 (\$500k-\$600k) <sup>1</sup>	25.00	17.50	27.00
▶ Calendar year-end rate	9.50 (up to \$500k)/15.50 (\$500k-\$600k) <sup>1</sup>	5.00 (up to \$500k)/8.00 (\$500k-\$600k) <sup>1</sup>	25.00	17.50	27.00
Alberta	11.00	6.50	23.00	15.50	23.00
British Columbia	11.00	6.50	27.00	19.50	27.00
Northwest Territories	11.00	6.50	26.50	19.00	26.50
Nunavut	12.00	7.50	27.00	19.50	27.00
Yukon	9.00	4.50	17.50	10.00	27.00
Non-resident	N/A	N/A	25.00	17.50	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.
3. Under proposed amendments, corporate tax rates for manufacturers of qualifying zero-emission technology (ZETM) are temporarily reduced by half, applicable for taxation years beginning after 2021. Specifically, eligible income that would otherwise be subject to the 15.00% general corporate rate will be taxed at a 7.50% rate, and eligible income that would otherwise be taxed at the 9.00% small-business rate will be taxed at a 4.50% rate. The reduced rates will be gradually phased out for taxation years starting in 2029 and fully phased out for taxation years beginning after 2031.
4. In the 2022-23 federal budget, the government proposed to introduce the Canada recovery dividend in the form of a one-time 15.00% tax on bank and life insurer groups, applicable to 2021 taxable income (subject to a \$1 billion exemption to be shared by group members), to be imposed for the 2022 taxation year and payable over a five-year period. In addition, the government proposed to introduce an additional tax on banks and life insurers at a rate of 1.50% on taxable income (subject to a \$100 million exemption to be shared by group members), applicable for taxation years ending after April 7, 2022 (prorated for taxation years straddling this effective date).
5. 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. The 2022-23 federal budget proposed to increase the threshold for the complete phase-out of the SBD from \$15 million to \$50 million of taxable capital, effective for taxation years beginning on or after April 7, 2022. 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. Ontario and New Brunswick have enacted legislation that does 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.
6. Prince Edward Island has reduced its small-business rate from 2.00% to 1.00% effective January 1, 2022.
7. 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 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.

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8. In accordance with its 2021-22 budget, Quebec reduced the small-business rate from 4.00% to 3.20% effective March 26, 2021.
  9. Saskatchewan has temporarily reduced 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.