

Corporate income tax rates for active business income* – 2023



Includes all rate changes announced up to June 1, 2023

	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)
	ZETM income ³		ZETM income ³		
	%	%	%	%	%
Federal rates ^{2,4}	9.00 ⁵	4.50	15.00	7.50	15.00 ²
Combined federal and provincial rates:					
Newfoundland and Labrador	12.00	7.50	30.00	22.50	30.00
Prince Edward Island	10.00	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 ⁶	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 ⁷					
▶ Prior to July 1, 2023	9.00 (up to \$500k)/15.00 (\$500k-\$600k) ¹	4.50 (up to \$500k)/7.50 (\$500k-\$600k) ¹	25.00	17.50	27.00
▶ After June 30, 2023	10.00 (up to \$500k)/16.00 (\$500k-\$600k) ¹	5.50 (up to \$500k)/8.50 (\$500k-\$600k) ¹	25.00	17.50	27.00
▶ Calendar year-end rate	9.50 (up to \$500k)/15.50 (\$500k-\$600k) ¹	5.00 (up to \$500k)/8.00 (\$500k-\$600k) ¹	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. Corporate tax rates for qualifying zero-emission technology manufacturing (ZETM) profits 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 (see Note 5) will be taxed at a 4.50% rate. Under 2023 federal budget proposals, the reduced rates will be gradually phased out for taxation years starting in 2032 and fully phased out for taxation years beginning after 2034 (extending the existing phase out schedule of 2029 to 2031, as originally enacted).
4. The Canada recovery dividend imposes a one-time 15.00% tax on bank and life insurer groups, applicable to a corporate group member's average 2020 and 2021 taxable income (subject to a \$1 billion exemption shared by group members), effective for the 2022 taxation year and payable over a five-year period. In addition, an additional tax on banks and life insurers at a rate of 1.50% on taxable income (subject to a \$100 million exemption shared by group members), applies for taxation years ending after April 7, 2022 (prorated for taxation years straddling this effective date). These additional taxes are not reflected in the rates shown in the table above.
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 \$50 million. The threshold for the complete phase-out of the SBD was increased 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. 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.
7. 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, 2023. The small-business rate will



increase to 1.00% effective July 1, 2023 and return to a rate of 2.00% on July 1, 2024. The small-business rate was previously scheduled to increase to 1.00% on July 1, 2022, and to 2.00% on July 1, 2023, but legislative amendments have deferred the increases by one year.