

# 2007 CORPORATE INCOME TAX RATES\* FOR ACTIVE BUSINESS INCOME

Includes all rate changes announced up to June 1, 2007

	INCOME ELIGIBLE FOR SMALL BUSINESS DEDUCTION (SBD) (%) (generally up to \$400,000)	MANUFACTURING AND PROCESSING (M&P) INCOME NOT ELIGIBLE FOR FEDERAL SBD (%) (greater than \$400,000)	GENERAL INCOME NOT ELIGIBLE FOR SBD (%) (Non-M&P Income)
Federal Rates <sup>1</sup>	13.12 <sup>2</sup>	22.12	22.12 <sup>1</sup>
<b>Combined Federal and Provincial Rates:</b>			
Newfoundland and Labrador <sup>3</sup>	18.12	27.12	36.12
Prince Edward Island <sup>4</sup>			
- prior to April 1, 2007	18.52	38.12	38.12
- after March 31, 2007	17.42	38.12	38.12
- calendar year-end rate	17.69	38.12	38.12
Nova Scotia <sup>3</sup>	18.12	38.12	38.12
New Brunswick <sup>5</sup>	18.12	35.12	35.12
Quebec <sup>3,6</sup>	21.12	32.02 <sup>7</sup>	32.02 <sup>7</sup>
Ontario <sup>8, 9</sup>	18.62	34.12	36.12
Manitoba <sup>10</sup>	16.12	36.12	36.12
Saskatchewan <sup>11</sup>			
- prior to July 1, 2007	17.62	32.12	36.12
- after June 30, 2007	17.62	26.62(\$400-450K)/32.12	35.12
- calendar year-end rate	17.62	26.62(\$400-425K)/32.12	35.62
Alberta <sup>12</sup>			
- prior to April 1, 2007	16.12	32.12	32.12
- after March 31, 2007	16.12	25.12(\$400-430K)/32.12	32.12
- calendar year-end rate	16.12	25.12(\$400-423K)/32.12	32.12
British Columbia	17.62	34.12	34.12
Northwest Territories	17.12	33.62	33.62
Nunavut	17.12	34.12	34.12
Yukon	15.62/17.12 <sup>13</sup>	24.62	37.12
Non-resident	N/A	32.12	32.12

\* Rates represent calendar year rates unless indicated otherwise.

## NOTES:

1. A federal general rate reduction of 7% applies to the base federal rate of 28% for active business income (ABI) not eligible for other incentives, as well as to investment income earned by a non-Canadian-controlled private corporation (CCPC). A federal surtax of 1.12% applies to all income sources. The federal rate applicable to investment income earned by CCPCs is 35.79%, due to the additional 6.67% refundable federal income tax. The 21% general corporate business rate will be reduced beginning January 1, 2008, until it reaches 18.5% January 1, 2011.
2. The federal small business deduction (SBD) is reduced if taxable capital employed in Canada exceeds \$10,000,000. The SBD generally applies to manufacturing and processing (M&P) income within the small business income limit, except in the Yukon (see note 12 below).
3. In Newfoundland and Labrador, various tax holidays exist depending on certain criteria. In Nova Scotia, a three-year new small business tax holiday exists for businesses incorporated after April 24, 1992. In Quebec, five-year and ten-year partial exemptions from income, capital and/or payroll taxes are available. However, the five-year tax holiday for new corporations will only apply to businesses whose first taxation year began before March 30, 2004.
4. The Prince Edward Island small business rate is reduced from 5.4% to 4.3% effective April 1, 2007, and is being further reduced over the next three years until it reaches 1% beginning April 1, 2010.
5. The 2007 New Brunswick budget reversed the proposed general corporate rate reduction, increased the small business rate to 5% and reduced the small business income limit to \$400,000 beginning January 1, 2007.
6. The Quebec tax rate on investment income has been reduced to equal the general business rate effective February 21, 2007. The rate is 16.25% for the portion of the year before February 21 and 9.9% after February 20. The combined federal/Quebec calendar year tax rate on non-active business income for Quebec tax purposes is 46.58% for CCPCs. The calendar year rate for non-CCPCs is 32.91%. The general corporate rate will increase to 11.4% effective January 1, 2008, and 11.9% effective January 1, 2009.
7. For all corporations other than financial institutions and oil refining companies, the general corporate rate is 9.9% in 2007 and will increase to 11.4% effective January 1, 2008, and 11.9% effective January 1, 2009. For financial institutions and oil refining companies, the general rate will increase from 9.9% to 11.9% effective June 1, 2007, resulting in a combined federal/Quebec calendar year rate of 33.19% for these corporations.
8. Ontario levies different rates on small business income (5.5%), eligible Canadian profits (ECP: M&P, farming, fishing and logging) (12%) and other income (14%).
9. Ontario's small business limit is \$400,000, with a clawback on up to \$1,129,000. These rates do not include the Ontario clawback. The clawback will add 4.667% to the general business rate and 3.567% to the M&P rate for taxable income over \$400,000.
10. Manitoba's general corporate rate was reduced from 14.5% to 14% on January 1, 2007. There is no M&P rate reduction. Manitoba's small business rate is reduced to 3% effective January 1, 2007. Further reductions to the general corporate rate to 13% and 12% and the small business rate to 2% and 1%, effective January 1, 2008 and 2009, respectively, have been proposed.
11. Saskatchewan's general corporate rate is reduced to 13% effective July 1, 2007, and its small business rate is reduced to 4.5% effective January 1, 2007. The general corporate rate will be reduced further to 12% effective July 1, 2008. The small business rate income limit is increased to \$450,000 effective July 1, 2007, and will increase further to \$500,000 effective July 1, 2008.
12. The small business income limit increases from \$400,000 to \$430,000 effective April 1, 2007, with further increases to \$450,000 and \$500,000 effective April 1, 2008, and April 1, 2009, respectively.
13. In the Yukon, the M&P rate (2.5%) is less than the small business rate (4%). The first rate applies to M&P income eligible for the small business deduction, while the second rate is for non-M&P income.

## 2007 CAPITAL AND PAYROLL TAXES

JURISDICTION	GENERAL CAPITAL TAX RATE (%)	PAYROLL TAX RATES (%)
Federal	0 <sup>1</sup>	-
Newfoundland and Labrador	-	0-2.0 <sup>8</sup>
Quebec	0.49 <sup>2</sup>	2.7-4.26 <sup>9</sup>
Ontario	0.285 <sup>3</sup>	0-1.95 <sup>10</sup>
Manitoba	0.3-0.5 <sup>4</sup>	0-4.3 <sup>11</sup>
Saskatchewan	0.15-0.3 <sup>5</sup>	-
Nova Scotia	0.225-0.5 <sup>6</sup>	-
New Brunswick	0.20 <sup>7</sup>	-
Northwest Territories	-	2.0 <sup>12</sup>
Nunavut	-	2.0 <sup>12</sup>

### NOTES:

- The federal capital tax was eliminated effective January 1, 2006.
- The deduction in the calculation of paid-up capital is \$1,000,000, but is reduced gradually for corporations with paid-up capital between \$1,000,000 and \$4,000,000. A separate paid-up capital deduction is provided for farming and fishing corporations. Proposed rate reductions are scheduled until the capital tax is fully eliminated on January 1, 2011.
- Tax is nil on the first \$12,500,000 of taxable capital for 2007 (increasing to \$15,000,000 in 2008). This deduction must be shared by an associated group of corporations. The capital tax rate is reduced from 0.3% to 0.285% effective January 1, 2007. Further rate reductions are scheduled until the capital tax is fully eliminated July 1, 2010.
- Tax is nil on the first \$5,000,000 of taxable capital for taxation years commencing before January 2, 2007, and \$10,000,000 of taxable capital for taxation years commencing after January 1, 2007. The deduction must be shared by an associated group of corporations. The higher rate (which includes a 0.2% surtax) generally applies to taxable capital in excess of \$10,000,000; however, for taxation years commencing after January 1, 2007, the 0.2% surtax is phased in for taxable capital between \$10,000,000 and \$11,000,000. The capital tax is expected to be phased out by 2011.
- The general capital tax is being phased out and will be eliminated by July 1, 2008. The 0.3% rate is reduced to 0.15% effective July 1, 2007. In addition, new capital investments made by a corporation within the phase-out period will be exempt from capital tax. Tax is nil on the first \$10,000,000 to \$20,000,000 of taxable paid-up capital (plus new capital acquired between July 1, 2006, and June 30, 2008). The full \$20,000,000 exemption is available for corporations with 100% of their salaries and wages paid to Saskatchewan residents and must be shared by an associated group of corporations.
- Tax is nil if taxable capital is less than \$5,000,000. If taxable capital is between \$5,000,000 and \$10,000,000, the tax rate is 0.5% prior to July 1, 2007, and 0.45% after June 30, 2007, on taxable capital in excess of \$5,000,000. If taxable capital is \$10,000,000 or more, the rate is 0.25% prior to July 1, 2007, 0.225% after June 30, 2007 (with no exemption). Further rate reductions have been proposed until the tax is eliminated effective July 1, 2012.
- The tax is being phased out and will be eliminated by January 1, 2009. Tax is nil on the first \$5,000,000 of taxable capital.
- Tax on payrolls up to \$600,000 is nil. For payrolls between \$600,000 and \$700,000, the exemption is gradually reduced to \$500,000 and the exemption remains at \$500,000 for payrolls in excess of \$700,000. The 2% rate is applied to the amount of payroll in excess of the exemption.
- For businesses with payrolls of \$1,000,000 or less, the rate is 2.7%. For businesses with payrolls of more than \$1,000,000 and less than \$5,000,000, the rate varies between 2.7% and 4.26%. For businesses with payrolls exceeding \$5,000,000, the rate is 4.26%.
- The first \$400,000 of payroll is exempt from EHT. The \$400,000 exemption must be shared by an associated group. The 1.95% rate applies for payroll over \$400,000.
- Corporations with annual payrolls of up to \$1,000,000 are exempt. Corporations with annual payrolls between \$1,000,000 and \$2,000,000 pay tax at a rate of 4.3% on the amount in excess of \$1,000,000. All other corporations are subject to tax at a rate of 2.15%.
- Payroll tax is paid by employees on all remuneration earned within the territory.