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Income tax rates for Canadian-controlled private corporations (CCPCs)—2011-2012

Federal income tax rates for income earned by a CCPC[1]

Effective January 1, 2011

	Small Business Income up to $400,000[2]	Active Business Income between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
General corporate rate	38.0%	38.0%	38.0%	38.0%
Federal abatement	(10.0)	(10.0)	(10.0)	(10.0)
	28.0	28.0	28.0	28.0
Small business deduction[5]	(17.0)	(17.0)	0.0	0.0
Rate reduction[6]	0.0	0.0	(11.5)	0.0
Refundable tax[7]	0.0	0.0	0.0	6.7
	11.0	**11.0**	**16.5**	**34.7**

Effective January 1, 2012

	Small Business Income up to $400,000[2]	Active Business Income between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
General corporate rate	38.0%	38.0%	38.0%	38.0%
Federal abatement	(10.0)	(10.0)	(10.0)	(10.0)
	28.0	28.0	28.0	28.0
Small business deduction[5]	(17.0)	(17.0)	0.0	0.0
Rate reduction[6]	0.0	0.0	(13.0)	0.0
Refundable tax[7]	0.0	0.0	0.0	6.7
	11.0	**11.0**	**15.0**	**34.7**

- See end notes for the actual dates on which these rates and other rate changes are effective.
- All rates must be prorated for taxation years that straddle the effective date of the changes.
- To determine whether these rates are substantively enacted, see the "Substantively Enacted Income Tax Rates" tables (http://www.kpmg.com/ca/en/issuesandinsights/articlespublications/pages/taxrates.aspx).
- For details of other tax and tax rate changes, see the Federal and Provincial Budgets page (http://www.kpmg.com/ca/en/whatwedo/tax/pages/budget.aspx).

Current as of December 31, 2011

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Provincial income tax rates for income earned by a CCPC[1]

Effective January 1, 2011

	Small Business Income up to $400,000[2]	Active Business Income between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
British Columbia[8]	2.5%	2.5%	10.0%	10.0%
Alberta	3.0	3.0	10.0	10.0
Saskatchewan[9]	4.5/2.0	4.5/2.0	12.0	12.0
Manitoba	0.0	12.0	12.0	12.0
Ontario[10]	4.5	4.5	12.0/11.5	12.0/11.5
Québec	8.0	8.0	11.9	11.9
New Brunswick[11]	5.0	5.0	11.0/10.0	11.0/10.0
Nova Scotia[12]	4.5	16.0	16.0	16.0
Prince Edward Island	1.0	1.0	16.0	16.0
Newfoundland[13]	5.0/4.0	5.0/4.0	14.0	14.0

Effective January 1, 2012

	Small Business Income up to $400,000[2]	Active Business Income between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
British Columbia[8]	2.5/0.0%	2.5/0.0%	10.0%	10.0%
Alberta	3.0	3.0	10.0	10.0
Saskatchewan[9]	2.0	2.0	12.0	12.0
Manitoba	0.0	12.0	12.0	12.0
Ontario[10]	4.5	4.5	11.5/11.0	11.5/11.0
Québec	8.0	8.0	11.9	11.9
New Brunswick[11]	4.5	4.5	10.0	10.0
Nova Scotia[12]	4.0	16.0	16.0	16.0
Prince Edward Island	1.0	1.0	16.0	16.0
Newfoundland[13]	4.0	4.0	14.0	14.0

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Combined federal and provincial income tax rates for income earned by a CCPC[1]

Effective January 1, 2011

	Small Business Income up to $400,000[2]	Active Business Income between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
British Columbia[8]	13.5%	13.5%	26.5%	44.7%
Alberta	14.0	14.0	26.5	44.7
Saskatchewan[9]	15.5/13.0	15.5/13.0	28.5	46.7
Manitoba	11.0	23.0	28.5	46.7
Ontario[10]	15.5	15.5	28.5/28.0	46.7/46.2
Québec	19.0	19.0	28.4	46.6
New Brunswick[11]	16.0	16.0	27.5/26.5	45.7/44.7
Nova Scotia[12]	15.5	27.0	32.5	50.7
Prince Edward Island	12.0	12.0	32.5	50.7
Newfoundland[13]	16.0/15.0	16.0/15.0	30.5	48.7

Effective January 1, 2012

	Small Business Income up to $400,000[2]	Active Business Income between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
British Columbia[8]	13.5/11.0%	13.5/11.0%	25.0%	44.7%
Alberta	14.0	14.0	25.0	44.7
Saskatchewan[9]	13.0	13.0	27.0	46.7
Manitoba	11.0	23.0	27.0	46.7
Ontario[10]	15.5	15.5	26.5/26.0	46.2/45.7
Québec	19.0	19.0	26.9	46.6
New Brunswick[11]	15.5	15.5	25.0	44.7
Nova Scotia[12]	15.0	27.0	31.0	50.7
Prince Edward Island	12.0	12.0	31.0	50.7
Newfoundland[13]	15.0	15.0	29.0	48.7

Current as of December 31, 2011

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Income tax rates for Canadian-controlled private corporations (CCPCs) — 2011-2012

Notes

(1) The federal and provincial tax rates shown in the tables apply to income earned by a Canadian-controlled private corporation (CCPC). In general, a corporation is a CCPC if the corporation is a private corporation and a Canadian corporation, provided it is not controlled by one or more non-resident persons, by a public corporation, by a corporation with a class of shares listed on a designated stock exchange, or by any combination of these, and provided it does not have a class of shares listed on a designated stock exchange.

For tax rates applicable to general corporations, see the table entitled "Income Tax Rates for General Corporations" and the related notes.

(2) See the table entitled "Small Business Income Thresholds for Canadian-Controlled Private Corporations (CCPCs)" and related notes for changes in the federal and provincial small business income thresholds for 2011 to 2013.

For 2010 and subsequent years, Manitoba and Nova Scotia's provincial small business income thresholds are the only thresholds below the federal amount. For these provinces, a median tax rate applies to active business income between the provincial and federal threshold. The median tax rate is based on the federal small business rate and the applicable provincial general active business rate. For example, in 2011, Nova Scotia's combined rate on active business income between $400,000 and $500,000 is 27% (i.e., 11% federally and 16% provincially).

(3) The general corporate tax rate applies to active business income earned in excess of $500,000. See the table entitled "Small Business Income Thresholds for Canadian-Controlled Private Corporations (CCPCs)" for changes in the federal and provincial small business income thresholds for 2011 to 2013.

CCPCs that earn income from manufacturing and processing (M&P) activities are subject to the same rates as those that apply to general corporations. See the table entitled "Income Tax Rates for General Corporations" and the related notes.

(4) The federal and provincial tax rates shown in the table apply to investment income earned by a CCPC, other than capital gains and dividends received from Canadian corporations. The rates that apply to capital gains are one-half of the rates shown in the table. Dividends received from Canadian corporations are deductible in computing regular Part I tax, but may be subject to Part IV tax, calculated at a rate of 33⅓%.

(5) Corporations that are CCPCs throughout the year may claim the small business deduction (SBD). In general, the SBD is equal to 17% of the least of three amounts — active business income earned in Canada, taxable income and the small business income threshold.

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Income tax rates for Canadian-controlled private corporations (CCPCs) (continued) — 2011-2012

(6) A general tax rate reduction is available on qualifying income. Income that is eligible for other reductions or credits, such as small business income, M&P income and investment income subject to the refundable provisions, is not eligible for this rate reduction. A "personal services business" will also not be eligible to claim the general tax rate reduction effective for taxation years that begin after October 31, 2011 under the draft technical amendments released by the Department of Finance on October 31, 2011.

The corporate income tax rate began decreasing in 2008 and will continue to decrease until it reaches a target rate of 15% as of January 1, 2012. The corporate income tax rate decreased to 16.5% (from 18%) on January 1, 2011, and will further decrease to 15% on January 1, 2012. The rate reduction therefore increased to 11.5% (from 10%) on January 1, 2011 and will further increase to 13% on January 1, 2012.

(7) The refundable tax of 6⅔% of a CCPC's investment income and capital gains, as well as 20% of such income that is subject to regular Part I tax, is included in the corporation's Refundable Dividend Tax on Hand (RDTOH) account. When taxable dividends (eligible and non-eligible) are paid out to shareholders, a dividend refund equal to the lesser of 33⅓% of the dividends paid or the balance in the RDTOH account is refunded to the corporation.

(8) British Columbia decreased its general corporate income tax rate from 10.5% to 10% as of January 1, 2011.

The province's 2011 budget confirmed that the small business rate will be reduced from 2.5% to 0% by April 1, 2012.

(9) Saskatchewan reduced its small business income tax rate to 2% (from 4.5%) effective July 1, 2011.

(10) Ontario's general corporate income tax rate started decreasing on July 1, 2010 and will continue to decrease each July 1 thereafter until it reaches a target rate of 10% on July 1, 2013. The rate decreased to 11.5% (from 12%) on July 1, 2011. The rate will further decrease as follows: from 11.5% to 11% in 2012, and to 10% in 2013.

(11) New Brunswick's general corporate income tax rate reduced to 10% (from 11%) on July 1, 2011. The rate was to further decrease to 8% effective July 1, 2012, but current legislation has repealed that reduction and the rate will remain at 10% in 2012.

The province's 2011 budget also confirmed the commitment to reduce the small business rate by half (from 5% to 2.5%). The small business rate will reduce to 4.5% (from 5%) effective January 1, 2012. No timetable for further rate reductions is known at this time.

(12) Nova Scotia's small business rate decreased to 4.5% (from 5%) on January 1, 2011. The rate will further decrease to 4% on January 1, 2012.

(13) Newfoundland's small business rate decreased to 4% (from 5%) for taxation years beginning on or after April 1, 2010.

Current as of December 31, 2011

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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