



Corporate Tax Rates

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2020 and 2021¹

	Small Business Income up to \$500,000 ²	Active Business Income ³	Investment Income ⁴
Federal rates			
General corporate rate	38.0%	38.0%	38.0%
Federal abatement	(10.0)	(10.0)	(10.0)
	28.0	28.0	28.0
Small business deduction ⁵	(19.0)	0.0	0.0
Rate reduction ⁶	0.0	(13.0)	0.0
Refundable tax ⁷	0.0	0.0	10.7
	9.0	15.0	38.7
Provincial rates			
British Columbia	2.0%	12.0%	12.0%
Alberta ⁸	2.0	10.0/8.0	10.0/8.0
Saskatchewan	2.0	12.0	12.0
Manitoba	0.0	12.0	12.0
Ontario ⁹	3.2	11.5	11.5
Quebec ¹⁰	5.0/4.0	11.5	11.5
New Brunswick	2.5	14.0	14.0
Nova Scotia ¹¹	3.0/2.5	16.0/14.0	16.0/14.0
Prince Edward Island ¹²	3.0/2.0	16.0	16.0
Newfoundland and Labrador	3.0	15.0	15.0
Territorial rates			
Yukon ¹³	2.0/0.0	12.0	12.0
Northwest Territories	4.0	11.5	11.5
Nunavut	3.0	12.0	12.0

Refer to notes on the following pages.

All rates must be prorated for taxation years that straddle the effective date of the rate changes.

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.

© 2020 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

Current as of June 30, 2020

Corporate Tax Rates 1

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2020 and 2021

	Small Business Income up to \$500,000 ²	Active Business Income ³	Investment Income ⁴
Provincial rates			
British Columbia	11.0%	27.0%	50.7%
Alberta ⁸	11.0	25.0/23.0	48.7/46.7
Saskatchewan	11.0	27.0	50.7
Manitoba	9.0	27.0	50.7
Ontario ⁹	12.2	26.5	50.2
Quebec ¹⁰	14.0/13.0	26.5	50.2
New Brunswick	11.5	29.0	52.7
Nova Scotia ¹¹	12.0/11.5	31.0/29.0	54.7/52.7
Prince Edward Island ¹²	12.0/11.0	31.0	54.7
Newfoundland and Labrador	12.0	30.0	53.7
Territorial rates			
Yukon ¹³	11.0/9.0	27.0	50.7
Northwest Territories	13.0	26.5	50.2
Nunavut	12.0	27.0	50.7

Notes

- (1) The federal and provincial/territorial 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 tables "Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation".
- (2) The small business threshold is \$600,000 in Saskatchewan. Therefore, Saskatchewan's combined income tax rate on active business income between \$500,000 and \$600,000 is 17% (i.e., 15% federally and 2% provincially). See the table "Small Business Income Thresholds for 2020 and Beyond" for the federal and provincial small business income thresholds.

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.

© 2020 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Current as of June 30, 2020

Corporate Tax Rates 2

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2020 and 2021

Notes, continued

- (3) The general corporate tax rate applies to active business income earned in excess of the small business threshold. See the table “Small Business Income Thresholds for 2020 and Beyond” for the federal and provincial small business income thresholds.

CCPCs that earn income from manufacturing and processing activities (M&P income) are subject to the same rates as those that apply to general corporations (see the table “Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation”). CCPCs that earn M&P income within the small business threshold in Yukon enjoy a reduced M&P income tax rate of 1.5% in 2020. Yukon will decrease its small business M&P income tax rate to 0% (from 1.5%) effective January 1, 2021.

- (4) The federal and provincial/territorial tax rates shown in the tables 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 tables. 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 38 1/3%.
- (5) Corporations that are CCPCs throughout the year may claim the small business deduction (SBD). In general, the SBD is calculated based on the least of three amounts — active business income earned in Canada, taxable income and the small business income threshold.
- (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.

Income of a corporation earned from a personal services business is not eligible for the general rate reduction and is subject to an additional 5% tax, which increases the federal tax rate on personal services business income to 33%.

- (7) The refundable tax of 10 2/3% of a CCPC’s investment income and taxable capital gains, as well as 20% of such income that is subject to regular Part I tax, is included in the corporation’s non-eligible refundable dividend tax on hand (NERDTH) account. When non-eligible dividends are paid out to shareholders, a dividend refund equal to the lesser of 38 1/3% of the dividends paid or the combined balance in NERDTH and eligible refundable dividend tax on hand (ERDTH) accounts is refunded to the corporation. The dividend refund on non-eligible dividends must come out of the corporation’s NERDTH account before it comes out of the corporation’s ERDTH balance.
- (8) Alberta’s general corporate income tax rate for active business, investment and M&P income decreased to 10% (from 11%) effective January 1, 2020. Alberta announced on June 29, 2020 that it intends to reduce its general corporate income tax rate to 8% (from 10%) effective July 1, 2020. Prior to this announcement, the general corporate income tax rate was scheduled to decrease to 9% effective January 1, 2021 and 8% effective January 1, 2022.

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2020 and 2021

- (9) Ontario decreased the province's small business income tax rate to 3.2% (from 3.5%) effective January 1, 2020.
- (10) Quebec decreased the small business income tax rates to 5% (from 6%) effective January 1, 2020. The rate will further decrease to 4% effective January 1, 2021.

Quebec's small business deduction is generally available to corporations only if their employees were paid for at least 5,500 hours in the taxation year (proportionally reduced for short taxation years) or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). The small business deduction is reduced linearly between 5,500 and 5,000 hours, and falls to zero at 5,000 hours.

Small and medium-sized businesses in the primary (i.e., agriculture, forestry, fishing, hunting, mining, quarrying and, oil and gas extraction) and manufacturing sectors in Quebec may be able to claim an additional deduction of up to 4% if the proportion of primary and manufacturing sector activities of the corporation for the taxation year is 50% or more, regardless of the number of hours paid. The additional deduction is available at a lower rate if the proportion of such activities for a particular taxation year is between 25% and 50%. In the event the number of hours paid exceeds 5,500 hours and the proportion of activities is between 25% and 50%, the corporation in the primary and manufacturing sector will be eligible for the regular small business deduction and a portion of the additional deduction. The province reduced the rate of this additional deduction beginning on March 28, 2018. The rate of the additional deduction was reduced to 1% (from 2%) effective January 1, 2020 and will be further reduced to nil effective January 1, 2021.

Quebec's general corporate income tax rate for active business, investment, and M&P income decreased to 11.5% (from 11.6%) effective January 1, 2020.

- (11) Nova Scotia decreased the general corporate income tax rate to 14% (from 16%) effective April 1, 2020. The province also decreased the small business income tax rate to 2.5% (from 3%) effective April 1, 2020.
- (12) Prince Edward Island decreased the province's small business income tax rate to 3% (from 3.5%) effective January 1, 2020. The province's 2020 budget proposed to further reduce its small business income tax rate to 2% (from 3%), effective January 1, 2021. However, this measure has not yet been introduced into legislation.
- (13) Yukon will decrease the territory's small business income tax rate to 0% (from 2%) effective January 1, 2021.

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.

© 2020 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Current as of June 30, 2020

Corporate Tax Rates 4