



Corporate Tax Rates

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2021 and 2022¹

	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	8.0	8.0
Saskatchewan ⁸	0.0/1.0	12.0	12.0
Manitoba	0.0	12.0	12.0
Ontario	3.2	11.5	11.5
Quebec ⁹	4.0/3.2	11.5	11.5
New Brunswick	2.5	14.0	14.0
Nova Scotia	2.5	14.0	14.0
Prince Edward Island ¹⁰	2.0/1.0	16.0	16.0
Newfoundland and Labrador	3.0	15.0	15.0
Territorial rates			
Yukon ¹¹	0.0	12.0	12.0
Northwest Territories ¹²	2.0	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 2021 federal budget proposed to temporarily reduce the small business tax rate to 4.5% (from 9%) and the general corporate tax rate to 7.5% (from 15%) on eligible zero-emission technology manufacturing and processing income. The reduced tax rates apply to taxation years beginning after 2021. The reduced rates are gradually phased out starting in taxation years that begin in 2029, and are fully phased out for taxation years that begin after 2031. Legislation to enact this proposal has not been released as of September 30, 2021. Finance accepted stakeholder comments on this proposal until June 18, 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.

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Current as of September 30, 2021

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2021 and 2022

	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	11.0	23.0	46.7
Saskatchewan ⁹	9.0/10.0	27.0	50.7
Manitoba	9.0	27.0	50.7
Ontario	12.2	26.5	50.2
Quebec ⁹	13.0/12.2	26.5	50.2
New Brunswick	11.5	29.0	52.7
Nova Scotia	11.5	29.0	52.7
Prince Edward Island ¹⁰	11.0/10.0	31.0	54.7
Newfoundland and Labrador	12.0	30.0	53.7
Territorial rates			
Yukon ¹¹	9.0	27.0	50.7
Northwest Territories ¹²	11.0	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 15% (i.e., 15% federally and 0% provincially) effective October 1, 2020 to June 30, 2022. See the table "Small Business Income Thresholds for 2021 and Beyond" for the federal and provincial/territorial small business income thresholds.

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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 2021 and Beyond” for the federal and provincial/territorial 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”).

- (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.

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2021 and 2022

(8) Saskatchewan has temporarily reduced the province's small business income tax rate to 0% (from 2%) effective October 1, 2020 to June 30, 2022. The small business income tax rate will increase to 1% (from 0%) beginning July 1, 2022 and will be further increased to 2% (from 1%) beginning July 1, 2023.

(9) Quebec decreased the small business income tax rate to 4% (from 5%) effective January 1, 2021. Quebec's 2021-2022 budget proposed to reduce the small business income tax rate to 3.2% (from 4%) effective after March 25, 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. Quebec's 2021-2022 budget proposed that for a given taxation year that ended after June 30, 2020, but before July 1, 2021, a corporation may apply for the number of remunerated hours that were used to determine whether it was eligible for the small business deduction or to establish its small business deduction rate for its preceding taxation year.

(10) Prince Edward Island decreased the province's small business income tax rate to 2% (from 3%) effective January 1, 2021. The province's small business income tax rate will further decrease to 1% (from 2%), effective January 1, 2022.

(11) Yukon decreased the territory's small business income tax rate to 0% (from 2%) effective January 1, 2021.

(12) Northwest Territories decreased the territory's small business income tax rate to 2% (from 4%) effective January 1, 2021.

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