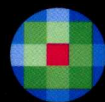


# Canadian Income Tax Act with Regulations, Annotated

*94th Edition  
2012 Autumn*

**Academic  
Edition**



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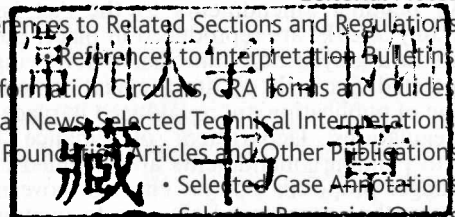
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# Canadian Income Tax Act with Regulations, Annotated

**94th Edition  
2012 Autumn**

**-R.S.C. 1985, c. 1 (5th Supp.), as amended  
Consolidated to July 3, 2012**

- Income Tax Application Rules, R.S.C. 1985, c. 2 (5th Supp.), as amended
  - Canada-U.K. Tax Convention as amended by Protocols
  - Canada-U.S. Tax Convention as amended by Protocols
  - Technical Explanation of Canada-U.S. Tax Convention
  - Technical Explanation to Third, Fourth and Fifth Protocols
  - Income Tax Conventions Interpretation Act
  - Interpretation Act
- Pending Amendments, including Draft Legislation concerning
  - Non-Resident Trusts, Foreign Affiliates,
  - Reporting of Tax Avoidance Transactions,
  - Pooled Registered Pension Plans,
  - and Numerous Technical Amendments
  - and Explanatory Notes
  - Selected News Releases
  - Department of Finance Comfort Letters
  - History Notes
  - Editorial Notes
- References to Related Sections and Regulations
  - References to Interpretation Bulletin,
  - Information Circulars, CRA Forms and Guides,
  - Technical News, Selected Technical Interpretation,
  - Canadian Tax Foundation Articles and Other Publications
  - Selected Case Annotations
  - Selected Remission Orders
  - Tax Rates and Other Reference Tables
  - Topical Index



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24th Edition  
2012 Autumn

Consolidated to July 3, 2012  
-R.S.C. 1985, c. 1 (5th Supp.), as amended

Income Tax Application Rules, R.S.C. 1985, c. 5 (5th Supp.), as amended

• Canada-U.K. Tax Convention as amended by Protocols

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Non-Resident Alien Affiliates

Reporting of International Transactions

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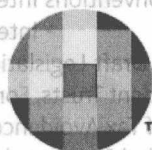
Canadian Tax Foundation Articles and Other Publications

• Selected Case Annotations

• Selected Remission Orders

• Tax Rates and Other Reference Tables

• Topical Index



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## Foreword

The 94th Edition of the CCH CANADIAN INCOME TAX ACT WITH REGULATIONS, ANNOTATED contains the consolidated text of the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), the transitional provisions known as the Income Tax Application Rules, R.S.C. 1985, c. 2 (5th Supp.), and the Income Tax Regulations. This Edition consolidates all amendments made by legislation passed by Parliament and all regulations promulgated on or before the date of publication, July 3, 2012.

The "Fifth Supplement" version of the Act was proclaimed in force on March 1, 1994, replacing the former version of the Act (S.C. 70-71-72, c. 63). The former Act, which reflected the 1972 tax reform legislation, replaced the earlier *Income Tax Act*, R.S.C. 1952, c. 148, effective January 1, 1972. Information on the "Fifth Supplement" is included in this book at page lxi. Also included, at page lxxi, is a Table of Concordance listing sections of the Act that have been reformatted in the new version. For a record of all Acts that have amended the *Income Tax Act*, R.S.C. 1985 (5th Supp.), see page lxxix.

Conveniently located at the front of the book for handy reference are several charts. These charts show the 2012 federal and provincial tax rates and personal tax credits, as well as prescribed interest rates, automobile rates and limits, annual average exchange rates for major currencies, capital cost allowance rates, tax calendar, lists of deadlines, offences, and penalties under the Act, and rates of withholding tax on selected types of payments under the tax conventions signed by Canada.

All pending amendments to the Act issued on or before July 3, 2012 are reproduced in place. Each proposal appears in a greyed box immediately following the provision affected. Similarly, all draft regulations outstanding at the time of publication are reproduced in place throughout the Regulations. Department of Finance Explanatory Notes to pending amendments are included as well. Federal Budget proposals not yet enacted, government press releases outlining proposed changes to income tax provisions, and Department of Finance comfort letters describing possible future amendments are also reproduced in greyed boxes following the provisions to which they relate. See the list of proposed amendments for the Act at page lxxxi and for the Regulations at page lxxxv.

Helpful, in-depth historical notes outlining the evolution of the Act and Regulations have been added by CCH at the end of each section. These notes are essential to the interpretation of the Act and Regulations in both current and prior taxation years. The notes begin with Bill C-15, which received Royal Assent on May 12, 1994 (S.C. 1994, c. 7) and implemented the amendments to the "Fifth Supplement" from November 30, 1991 to July 1, 1993. The full text of each provision as it read prior to an amendment is included in the history notes.

Many useful cross-references have been incorporated at the end of sections of the Act and Regulations. These cross-references direct you to a regulation, section of the Act, definition, form, guide, Interpretation Bulletin, Information Circular, Advance Tax Ruling, Technical News, SR&ED Appli-

cation Policy, Registered Plans Directorate Newsletter, Registered Charities Newsletter, or to an article in TAX TOPICS, TAX PROFILE, CANADIAN TAX JOURNAL, CONFERENCE REPORT, or the CANADIAN PETROLEUM TAX JOURNAL that applies to the particular section. In situations where a reference applies to the section as a whole, it is noted following subsection (1) of the section, rather than for each subsection. If subsection (1) is a series of definitions, the general reference is noted in the charging subsection for that section. You will also find many case annotations throughout the book, which provide practical illustrations of how various provisions have been interpreted by the courts. Selected references to CRA technical interpretations and rulings have been added for certain provisions. These are listed under the heading TAX WINDOW FILES. As well, with input from members of the Editorial Board for CCH's INCOME TAX ACT WITH REGULATIONS, ANNOTATED, descriptive editorial notes have been added for certain provisions. These are generally located between the history notes and the cross-references.

The full texts of the Canada-U.S. and Canada-U.K. Tax Conventions consolidated with amending protocols and full-text history notes are reproduced in this book. Also included are the "Technical Explanations" of the Canada-U.S. Tax Convention and the Third, Fourth and Fifth Protocols issued by the U.S. Treasury Department and endorsed as authoritative by the Canadian Department of Finance.

Other features contained in this book include:

- a list of Department of Finance comfort letters that are reproduced throughout the Act and Regulations;
- a list of the tax conventions signed by Canada and those under negotiation;
- several relevant Remission Orders;
- a detailed sectional list of the *Income Tax Act*;
- a detailed sectional list of the Income Tax Regulations;
- the full texts of the *Income Tax Conventions Interpretation Act* and the *Interpretation Act*; and
- an easy-to-use, comprehensive Topical Index.

In the publication of this book, meticulous care has been exercised to set out an exact reproduction of the *Income Tax Act* and the Income Tax Regulations with all amendments incorporated in place. Some changes in printing style have been adopted, however, both for convenience and to improve readability. For example, marginal notes appearing in the official statute have been reproduced in boldface type in the first line of the section or subsection to which they apply, and in some places, where no marginal notes appear in the official statute, marginal notes have been inserted by CCH in square brackets. None of these changes affects the substance, punctuation, indentation, or wording of the statute.

July 3, 2012

CCH Canadian Limited

# Current Tax Rates and Credits

(From information available as of July 3, 2012)

## Personal Income Tax Rate Components — 2012 (Including Surtaxes)

	Basic Tax		Surtax
	Rates	Brackets	
<b>Federal<sup>1</sup></b>	15.00%	\$0	
	22.00%	\$42,707	
	26.00%	\$85,414	
	29.00%	\$132,406	
<b>Provincial or Territorial</b>	<b>Alberta</b>	10.00%	\$0
		5.06%	\$0
		7.70%	\$37,013
	<b>British Columbia</b>	10.50%	\$74,028
		12.29%	\$84,993
		14.70%	\$103,205
	<b>Manitoba</b>	10.80%	\$0
		12.75%	\$31,000
		17.40%	\$67,000
	<b>New Brunswick</b>	9.10%	\$0
		12.10%	\$38,190
		12.40%	\$76,380
		14.30%	\$124,178
	<b>Newfoundland and Labrador</b>	7.70%	\$0
		12.50%	\$32,893
		13.30%	\$65,785
	<b>Northwest Territories</b>	5.90%	\$0
		8.60%	\$38,679
		12.20%	\$77,360
		14.05%	\$125,771
	<b>Nova Scotia</b>	8.79%	\$0
		14.95%	\$29,590
		16.67%	\$59,180
		17.50%	\$93,000
		21.00%	\$150,000
	<b>Nunavut</b>	4.00%	\$0
		7.00%	\$40,721
		9.00%	\$81,442
		11.50%	\$132,406
	<b>Ontario</b>	5.05%	\$0
		9.15%	\$39,020
		11.16%	\$78,043
		12.16%	\$500,000 <sup>2</sup>
	<b>Prince Edward Island</b>	9.80%	\$0
		13.80%	\$31,984
		16.70%	\$63,969
		16.00%	\$0
	<b>Quebec</b>	20.00%	\$40,100
		24.00%	\$80,200
		11.00%	\$0
	<b>Saskatchewan</b>	13.00%	\$42,065
		15.00%	\$120,185
		7.04%	\$0
	<b>Yukon</b>	9.68%	\$42,707
		11.44%	\$85,414
		12.76%	\$132,406
	<b>Non-residents<sup>3</sup></b>	7.20%	\$0
		10.56%	\$42,707
		12.48%	\$85,414
		13.92%	\$132,406

### Notes:

1. In Quebec, federal tax is reduced by 16.5% for Quebec's abatement of basic federal tax.
2. The table reflects Ontario's new tax on incomes over \$500,000. The rate is 13.16% after 2012.
3. Instead of provincial or territorial tax, non-residents pay an additional 48% of basic federal tax on income taxable in Canada that is not earned in a province or territory. Non-residents are subject to provincial or territorial rates (in this table) on employment income earned, and business income connected with a permanent establishment, in the respective province or territory. Different rates may apply to non-residents in other circumstances.

Basic For individuals with severe and prolonged impairment	Spouse, parent, grandparent, child, grandchild, sibling, aunt, uncle, niece or nephew
Disability Under 18 reduced if child care expenses and attendant care expenses (claimed as a medical expense supplement for child) exceed \$2,378	

## Personal Tax Credits — 2012

The two tables below contain information concerning select non-refundable personal tax credits. The first table contains the federal and provincial/territorial rates used in the calculation of personal tax credits. The second table shows the value of the credits. Provinces and territories use their own prescribed amounts to determine their personal tax credits.

		Personal tax credit rates (See table below for some limitations)																
		Federal	Alt.	B.C.	Man.	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nun.	Ont.	P.E.I.	Que. <sup>1</sup>	Sask.	Yukon			
General factor <sup>2</sup>		15%	10%	5.06%	10.8%	9.1%	7.7%	5.9%	8.79%	4%	5.05%	9.8%	20%	11%	7.04%			
Charitable donations	First \$200																	
	Amount over \$200	29%	21%	14.7%	17.4%	17.95%	13.3%	14.05%	21%	11.5%	11.16% <sup>3</sup>	16.7%	24%	15%	12.76%			
Dividend tax credit <sup>3</sup> (on grossed-up amount)	Eligible	15.02%	10%	10%	8%	12%	11%	11.5%	8.85%	5.51%	6.4%	10.5%	11.9%	11%	15.08%			
	Non-eligible	13.33%	3.5%	3.4%	1.75%	5.3%	5%	6%	7.7%	4%	4.5%	1%	8%	4%	4.51%			
		Maximum value (before surtaxes) of credits that are based on prescribed amounts																
Federal Amounts		Federal	Alt.	B.C.	Man.	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nun.	Ont.	P.E.I.	Que. <sup>1</sup>	Sask.	Yukon			
Basic				\$575		\$837	\$634				\$475	\$755	\$2,185 <sup>1</sup>					
Spouse		\$10,822 <sup>6</sup>	\$1,623	\$1,728	\$504	\$932	\$711	\$518	\$784	\$745	\$488	\$403	\$642	\$1,644	\$762 <sup>6</sup>			
Equivalent to spouse													\$617					
Age 65		\$6,720	\$1,008	\$482	\$220	\$403	\$409	\$405	\$383	\$364	\$366	\$232	\$369	\$470 <sup>1</sup>	\$501	\$473		
Disability	Basic	\$7,546	\$1,132	\$1,333	\$369	\$667	\$678	\$428	\$635	\$645	\$488	\$384	\$675	\$497		\$531		
	Under 18 supplement									\$303			\$394					
Infirm dependant (18 or over)		\$4,402 <sup>6</sup>	\$660	\$1,000	\$215	\$389	\$396	\$201	\$260		\$176	\$224		N/A <sup>1</sup>	\$968	\$310 <sup>6</sup>		
Caregiver							\$395 <sup>7</sup>			\$431			\$240					
Pension income		\$2,000	\$300	\$133	\$51	\$108	\$91	\$77	\$59	\$103	\$80	\$66	\$98	\$418 <sup>1</sup>	\$110	\$141		
Child		\$2,191 <sup>6</sup>	\$329		N/A	\$329	N/A	N/A	N/A	N/A	N/A	N/A	N/A <sup>8</sup>	N/A	\$623	\$154 <sup>6</sup>		
Adoption		\$11,440	\$1,716	\$1,182	\$579	\$1,080	N/A	\$856		N/A		\$579	N/A	N/A <sup>1</sup>	N/A	\$805		
Children's fitness		\$500	\$75	N/A	\$25 <sup>13</sup>	\$54 <sup>9</sup>		N/A		\$44	N/A	N/A <sup>10</sup>	N/A	N/A <sup>11</sup>		\$35		
Children's arts										N/A						N/A		
Canada Pension Plan (CPP)		\$2,307 <sup>12</sup>	\$346	\$231	\$117	\$249	\$210	\$178	\$136	\$203	\$92	\$116	\$226	N/A	\$254	\$162		
Quebec Pension Plan (QPP)		\$2,342 <sup>12</sup>	\$351						N/A					N/A <sup>1</sup>		N/A		
Employment Insurance (EI)	not in Quebec	\$840	\$126	\$84	\$43	\$91	\$76	\$65	\$50	\$74	\$34	\$42	\$82	N/A	\$92	\$59		
	in Quebec	\$675 <sup>1</sup>	\$101						N/A					N/A <sup>1</sup>		N/A		
Canada Employment		\$1,095	\$164							N/A						\$77		
Education (per month)	Full-time	\$400	\$60	\$67	\$10	\$43	\$36	\$15	\$24	\$18	\$16	\$26	\$39	\$403 <sup>1</sup>	\$44	\$28		
	Part-time	\$120	\$18	\$20	\$3	\$13	\$11	\$5	\$7	\$5	\$5	\$8	\$12	N/A	\$13	\$8		
Textbook (per month)	Full-time	\$65	\$10								\$3					\$5		
	Part-time	\$20	\$3								\$1			N/A		\$1		
																× 1.2 or × 1.5	× 1.1	× 1.05

## Notes:

- See below for Quebec's special credits and rules.
- The general factor, multiplied by the federal (or provincial/territorial) amount, yields the value of the federal (or provincial/territorial) credit.
- Eligible dividends are designated as such by the payor. They are grossed up by 38% and include dividends paid by:
  - public corporations or other corporations that are not Canadian-controlled private corporations (CCPCs), that are resident in Canada and are subject to the federal general corporate income tax rate (i.e., 15% in 2012); or
  - CCPCs, to the extent that the CCPC's income is:
    - not investment income (other than eligible dividends from public corporations); and
    - subject to the federal general corporate income tax rate (i.e., the income is active business income not subject to the federal small business rate).
 Non-eligible dividends are grossed up by 25% and include dividends paid out of either income eligible for the federal small business rate or a CCPC's investment income (other than eligible dividends received from public corporations).
- According to New Brunswick's 2010 and 2011 T1 individual tax returns (and confirmed by a New Brunswick Finance official), the province will maintain its eligible dividend tax credit rate at 12% for 2010 and subsequent years.
- Ontario's top charitable donation credit rate remains 11.16%, although Ontario's new top rate is 12.16% (13.16% after 2012) on incomes over \$500,000.
- Commencing 2012, caregivers of dependants with a mental or physical infirmity can claim the Family Caregiver Tax Credit. This credit increases the spouse/equivalent to spouse, infirm dependant, caregiver or child tax credit by \$300 (i.e., \$2,000 x 15%; to be indexed). Only one Family Caregiver Tax Credit can be claimed for each infirm dependant. The Yukon has paralleled this credit, with an increase of up to \$148 (i.e., \$2,000 x 7.04% x 1.05; to be indexed).
- In Newfoundland and Labrador, parents can claim a non-refundable tax credit amount equal to the child care expenses that are deductible from their income.
- A non-refundable tax credit for children under six is available in Nova Scotia (up to \$105 per year), in Nunavut (\$48 per year) and Prince Edward Island (up to \$129 per year).
- In Manitoba, individuals up to age 24 can claim the fitness credit.
- In Ontario, a refundable tax credit provides up to \$53 for a child under 16 (up to \$105 for a child under 18 with a disability) for fitness and certain non-fitness activities.
- In Saskatchewan, a refundable tax credit provides up to \$150 per child aged six to 17 (to 14, before 2012), for cultural, recreational and sports activity fees.
- Commencing 2012, CPP and QPP amounts differ.
- In British Columbia, tax credits for children's fitness and for children's arts can be claimed, starting 2012.
- For taxpayers affected by provincial/territorial surtaxes, the value of the credits shown will be higher by the factors indicated. For example, to a taxpayer in Ontario's top bracket, the \$475 shown for the basic Ontario credit would be worth \$741 (i.e., \$475 x 1.56).

Factors at bottom of table increase value of credits to reflect surtaxes.<sup>14</sup>



## Quebec's Special Credits and Rules — 2012

The following special rules apply to Quebec's non-refundable tax credits:

- the minimum basic personal credit, the Quebec Pension Plan (QPP), Employment Insurance (EI), Health Services Fund and Quebec Parental Insurance Plan (QPIP) credits are combined into a single basic personal credit equal to \$10,925;
- employees, employers and the self-employed must contribute to the QPIP, from which maternity, adoption and parental leave benefits are paid. As a result, federal EI premiums are lower for Quebec employees than for other employees (\$675 instead of \$840). A federal credit is available to individuals for QPIP premiums;
- an adult student can transfer the unused portion of the basic personal credit to a parent, but if this transfer is made, the other dependant (18 or over) credit of \$586 cannot be claimed for that student;
- most non-refundable credits, such as the basic personal credit and the age credit, can be transferred to a spouse, if not used by the taxpayer;
- the age, pension and living alone credits are reduced if net family income exceeds \$31,695;
- a person that lives alone or with a dependant can claim a credit of \$256;
- a person that qualifies for the living alone credit and lives with an eligible student is eligible for an additional \$317 credit;
- the maximum education credit of \$403 per term (maximum two terms per year) can be claimed by a supporting Quebec parent (but is not transferable) for a child under 18 who attends post-secondary school full-time (part-time for infirm dependants);
- a student can transfer the unused portion of the tuition and examination tax credits to a parent or grandparent; and
- the medical expense credit is based on the amount by which qualifying expenses exceed 3% of net family income (see below for details on the refundable medical expense credit).

Select Quebec refundable tax credits are listed in the table below.

	Details
<b>Adoption</b>	50% of eligible adoption expenses (maximum credit of \$10,000)
<b>Child care</b>	26% to 75% of qualifying child care expenses (limits apply)
<b>Caregivers<sup>1,2</sup></b>	Maximum credit of \$700 plus supplement of \$497, which is reduced if the dependant's income exceeds \$22,075
<b>Respite expenses for informal caregivers</b>	30% of eligible respite expenses paid for the care of a person who resides with the caregiver and has a significant disability; maximum credit of \$1,560 is reduced if family income exceeds \$53,465
<b>Informal caregivers</b>	Maximum credit of \$500 for each care recipient can be allocated to a volunteer who provides home respite to informal caregivers of the care recipient
<b>Home support for seniors<sup>2</sup></b>	30% of eligible expenses; maximum credit of \$4,680 for independent seniors, and \$6,480 for dependent seniors, aged 70 and over, is reduced if family income exceeds \$53,465; expenses eligible for this credit will not qualify for the medical expense credit
<b>Medical</b>	25% of medical expenses eligible for the non-refundable credit and 25% of amount deducted for impairment support products and services; maximum credit of \$1,103 is reduced if family income exceeds \$21,340

- The informal caregivers credit consists of separate credits for:
  - informal caregivers who house, in the strict sense of the term, an eligible relative;
  - informal caregivers who cohabit with an eligible relative unable to live alone; and
  - certain informal caregivers caring for an elderly spouse (credit is not affected by the spouse's income).
- The maximum credit will increase annually to 2016 for the caregivers credit and to 2017 for the home support for seniors credit.

## Credits: Federal Limitations and Other Information — 2012

This table presents additional information related to federal credits. Other restrictions may also apply. The provinces/territories may have comparable thresholds and rules.

	Limitations	To whom the credit may be transferred	Carry-forward
<b>Tuition</b>	Credit available only if at least \$100 is paid in fees to an institution	Spouse, parent or grandparent	Indefinite
<b>Education</b>	Credit is \$60/month for full-time students and certain disabled part-time students; \$18/month for other part-time students	(Maximum combined tuition, education and textbook credits transferable is \$750)	
<b>Textbook</b>	Credit is \$10/month for full-time students and certain disabled part-time students; \$3/month for other part-time students		
<b>Medical</b>	Credit is based on amount by which qualifying medical expenses exceed the lesser of \$2,109 and 3% of net income (generally, expenses for any twelve-month period ending in the year can be claimed)	Either spouse may claim	5 years
<b>CPP/QPP and EI</b>	For employees, maximum credit is \$472 (in Quebec, \$452); self-employed persons deduct 50% of CPP/QPP premiums paid for their own coverage (maximum deduction of \$2,307; in Quebec \$2,342) and claim a credit for the non-deductible half of premiums paid (maximum credit \$346; in Quebec \$351); self-employed persons do not pay EI premiums	N/A	
<b>Canada Employment</b>	Credit is based on employment income		
<b>Transit pass</b>	Public transit passes (monthly or longer) and certain weekly and electronic payment cards for travel are eligible	Spouse or parent	5 years
<b>Student loan interest</b>	Interest must be paid on qualifying student loans	N/A	
<b>Charitable donations</b>	Eligible donations are limited to 75% of net income	Either spouse may claim	
<b>Spousal and equivalent to spouse</b>	Reduced by any net income of the spouse or qualifying dependant	N/A	
<b>Infirm dependant</b>	Reduced if dependant's income exceeds \$6,420		
<b>Caregiver</b>	For providers of in-home care for an adult relative (reduced if relative's income exceeds \$15,033)		
<b>Age</b>	Reduced if income exceeds \$33,884	Spouse	
<b>Pension</b>	Maximum credit is \$300		
<b>Child</b>	Credit available for each child under 18		
<b>Adoption</b>	Must be claimed in the year the adoption period ends	Either parent may claim	
<b>Children's fitness</b>	Maximum credit is \$75 for children under 16; \$150 for children under 18 who qualify for the disability tax credit		
<b>Children's arts</b>			
<b>Disability</b>	Basic For individuals with severe and prolonged impairment	Spouse, parent, grandparent, child, grandchild, sibling, aunt, uncle, niece or nephew	
	Under 18 supplement Reduced if child care expenses and attendant care expenses (claimed as a medical expense for child) exceed \$2,578		

Individual Marginal Rates for 2012

These tables show combined federal and provincial (or federal and territorial) marginal tax rates – the percentage of tax paid on the last dollar of income, or on additional income.

	Taxable income \$10,822 <sup>(1)</sup> to \$42,707				Taxable income \$42,707 to \$85,414				
	Brackets	Ordinary income & interest	Capital gains	Canadian dividends	Brackets	Ordinary income & interest	Capital gains	Canadian dividends	
				Eligible <sup>(2)</sup>	Non-eligible <sup>(2)</sup>			Eligible <sup>(2)</sup>	Non-eligible <sup>(2)</sup>
Federal only									
Alberta	\$10,822	15.00%	7.50%	(0.03% to 0%)		\$42,707	22.00%	11.00%	10.83%
	\$17,282	25.00%	12.50%	(0.03% to 0%)		\$42,707	32.00%	16.00%	18.96%
British Columbia <sup>(1)</sup>	\$10,822	15.00%	7.50%	(0.03% to 0%)					
	\$37,013	22.70%	11.35%	(3.20% to 0%)		\$84,993	34.29%	17.15%	21.95%
	\$11,354	20.06%	10.03%	(6.84% to 0%)		\$74,028	32.50%	16.25%	19.71%
Manitoba <sup>(1)</sup>	\$10,822	15.00%	7.50%	(0.03% to 0%)		\$42,707	29.70%	14.85%	16.21%
	\$31,000	27.75%	13.88%	6.53% to 6.56%		\$67,000	39.40%	19.70%	30.40%
	\$10,822	25.80%	12.90%	3.84% to 3.86%		\$42,707	34.75%	17.38%	24.58%
New Brunswick <sup>(1)</sup>	\$38,190	27.10%	13.55%	0.11% to 0.14% <sup>(3)</sup>		\$76,380	34.40%	17.20%	19.71%
	\$10,822	24.10%	12.05%	(4.03% to 0%) <sup>(3)</sup>		\$42,707	34.10%	17.05%	19.33%
Newfoundland and Labrador <sup>(1)</sup>	\$32,893	27.50%	13.75%	2.04% to 2.07%		\$65,785	35.30%	17.65%	21.21%
Non-resident <sup>(4)</sup>	\$10,822	22.70%	11.35%	(4.58% to 0%)		\$42,707	34.50%	17.25%	20.21%
Northwest Territories	\$10,822	22.20%	11.10%	(0.04% to 0%)		\$42,707	32.56%	16.28%	16.03%
	\$38,679	23.60%	11.80%	(4.03% to 0%)		\$77,360	34.20%	17.10%	18.58%
	\$13,280	20.90%	10.45%	(7.76% to 0%)		\$42,707	30.60%	15.30%	14.08%
	\$10,822	15.00%	7.50%	(0.03% to 0%)					
Nova Scotia <sup>(1)</sup>	\$29,590	23.95%	14.98%	8.39% to 8.42%		\$59,180	38.67%	19.34%	22.05%
	\$10,822	23.79%	11.90%	(0.11% to 0%)		\$42,707	36.95%	18.48%	19.90%
Nunavut	\$40,721	22.00%	11.00%	2.03% to 2.06%		\$81,442	31.00%	15.50%	17.08%
	\$12,211	19.00%	9.50%	(2.11% to 0%)		\$42,707	29.00%	14.50%	14.58%
	\$10,822	15.00%	7.50%	(0.03% to 0%)					
Ontario <sup>(1)</sup>	\$39,020	24.15%	12.08%	3.77% to 3.80%		\$80,963 <sup>(6)</sup>	39.41%	19.70%	23.82%
	\$10,822	20.05%	10.03%	(1.89% to 0%)		\$78,043	35.39%	17.70%	20.82%
Prince Edward Island <sup>(1)</sup>	\$31,984	28.80%	14.40%	4.53% to 4.55%		\$68,719 <sup>(6)</sup>	32.98%	16.49%	17.81%
	\$10,822	24.80%	12.40%	(0.99% to 0%)		\$42,707	31.15%	15.58%	16.65%
Quebec	\$40,100	32.53%	16.26%	11.16% to 11.18%		\$63,969	38.70%	19.35%	20.46%
	\$13,656	28.53%	14.26%	5.64% to 5.66%		\$80,200	35.80%	17.90%	26.83%
	\$10,822	12.53%	6.26%	(0.02% to 0%)		\$42,707	42.37%	21.19%	29.05%
Saskatchewan	\$42,065	28.00%	14.00%	2.73% to 2.76%		\$42,707	38.37%	19.19%	24.05%
	\$14,942	26.00%	13.00%	(0.03% to 0%)		\$42,707	35.00%	17.50%	22.08%
	\$10,822	15.00%	7.50%	(0.03% to 0%)					
Yukon <sup>(1)</sup>	\$10,822	22.04%	11.02%	(11.12% to 0%)		\$81,501 <sup>(6)</sup>	32.16%	16.08%	17.62%
						\$42,707	31.68%	15.84%	17.30%



Individual Marginal Rates for 2012 (continued)

	Taxable income \$85,414 to \$132,406				Taxable income over \$132,406					
	Brackets	Ordinary income & interest	Capital gains	Canadian dividends Eligible <sup>(2)</sup>	Non-eligible	Brackets	Ordinary income & interest	Capital gains	Canadian dividends Eligible <sup>(2)</sup>	Non-eligible
Federal only	\$85,414	26.00%	13.00%	15.15%	15.83%	\$132,406	29.00%	14.50%	19.29%	19.58%
Alberta	\$85,414	36.00%	18.00%	15.15%	23.96%	\$132,406	39.00%	19.50%	19.29%	27.71%
British Columbia	\$103,205	40.70%	20.35%	21.64%	29.96%	\$132,406	43.70%	21.85%	25.78%	33.71%
Manitoba	\$85,414	38.29%	19.15%	18.31%	26.95%	\$132,406	46.40%	23.20%	32.26%	39.15%
New Brunswick	\$124,178	40.30%	20.15%	28.12%	35.40%	\$132,406	43.30%	21.65%	22.47% <sup>(3)</sup>	30.83%
Newfoundland and Labrador	\$85,414	38.40%	19.20%	18.33% <sup>(3)</sup>	27.08%	\$132,406	42.30%	21.15%	22.47%	29.96%
Non-resident <sup>(4)</sup>	\$85,414	38.48%	19.24%	22.43%	23.43%	\$132,406	42.92%	21.46%	28.55%	28.98%
Northwest Territories	\$125,771	40.05%	20.03%	18.67%	25.90%	\$132,406	43.05%	21.53%	22.81%	29.65%
Nova Scotia	\$85,414	38.20%	19.10%	16.12%	23.58%	\$150,000	50.00%	25.00%	36.06%	36.21%
Nunavut	\$93,000	43.50%	21.75%	27.09%	28.08%	\$132,406	46.50%	23.25%	31.23%	31.83%
Ontario	\$85,414	42.67%	21.34%	25.94%	27.05%	\$132,406	40.50%	20.25%	27.56%	28.96%
Prince Edward Island	\$85,414	35.00%	17.50%	19.97%	22.08%	\$500,000 <sup>(6)</sup>	47.97%	23.98%	31.69%	34.52%
Quebec	\$85,414	43.41%	21.70%	25.40%	28.82%	\$132,406	46.41%	23.20%	29.54%	32.57%
Saskatchewan	\$98,143 <sup>(6)</sup>	44.37%	22.19%	24.56%	37.42%	\$132,406	47.37%	23.69%	28.70%	41.17%
Yukon	\$85,414	42.70%	21.35%	23.71%	35.46%	\$132,406	48.22%	24.11%	32.81%	36.35%
	\$120,185	45.71%	22.86%	29.35%	33.22%	\$132,406	44.00%	22.00%	24.81%	33.33%
	\$85,414	41.00%	20.50%	20.67%	29.58%					
	\$85,414	39.00%	19.50%	17.91%	27.08%					
	\$85,414	38.01%	19.01%	9.88% to 15.15%	24.93%	\$132,406	42.40%	21.20%	15.93% to 19.29%	30.41%

- (1) The table does not take into account the low-income tax reductions in British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and the Yukon, or the Manitoba Family Tax Benefit (for low-income taxpayers), which may affect the rates shown.
- (2) When two dividend rates are indicated, the lower rate has a negative federal and/or provincial/territorial tax component. A negative federal component shelters other income from federal tax and a negative provincial/territorial component shelters other income from provincial/territorial tax. As a result, the combined federal and provincial/territorial rate that applies depends on the level of the taxpayer's other income, with the higher rate applying if the taxpayer has no other income.
- (3) New Brunswick's rates reflect a 12% provincial eligible dividend tax credit rate. According to New Brunswick's 2010 and 2011 T1 individual tax returns (and confirmed by a New Brunswick Finance official), the province will maintain its eligible dividend tax credit rate at 12% for 2010 and subsequent years.
- (4) A non-resident who does not qualify for the federal personal basic credit rate of \$10,822 will pay tax on taxable income below \$10,822. A non-resident can claim the personal basic credit only if all or substantially all (i.e., 90% or more) of the non-resident's worldwide income is included in his or her taxable income earned in Canada for the year.
- (5) Non-resident rates for interest and dividends apply only in limited circumstances. Generally, interest (other than most interest paid to arm's length non-residents) and dividends paid to non-residents are subject to Part XIII withholding tax.
- (6) The table reflects Ontario's new tax on incomes over \$500,000.

The bracket relates to surtaxes levied by Ontario, Prince Edward Island or the Yukon, and assumes that only the basic personal credit is available.

Federal and Provincial Income Taxes Payable by Individuals at Various Levels of Taxable Income — 2012

This table shows the combined federal and provincial (or territorial) income taxes payable, including surtaxes, assuming only the basic personal tax credit is claimed (except for non-residents see footnote 3, below), and that all income is either interest or ordinary income (such as salary). When income includes at least \$1,095 of salary, the Canada Employment Credit, described under **Personal Tax Credits** — 2012 (see table), will reduce the results shown by \$164 (\$137 in Quebec). Depending on the types of income and deductions, the alternative minimum tax (AMT) may apply.

2012	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland and Labrador	Non-resident <sup>1</sup>	Northwest Territories	Nova Scotia	Nunavut <sup>8</sup>	Ontario <sup>1,4,9</sup>	Prince Edward Island <sup>1</sup>	Quebec <sup>10</sup>	Saskatchewan	Yukon <sup>1</sup>
\$1,000,000	\$76,270	\$417,365	\$447,346	\$416,427	\$408,259	\$413,840	\$411,559	\$478,390	\$386,349	\$451,427	\$465,170	\$465,132	\$423,110	\$406,281
\$500,000	\$181,270	\$198,865	\$215,346	\$199,927	\$196,759	\$199,240	\$196,309	\$228,390	\$183,849	\$211,579	\$219,320	\$224,057	\$203,110	\$194,291
\$300,000	\$142,270	\$155,165	\$168,946	\$156,627	\$153,459	\$156,320	\$153,259	\$178,390	\$143,349	\$163,169	\$171,950	\$175,842	\$159,110	\$151,893
\$250,000	\$103,270	\$111,465	\$122,546	\$113,327	\$110,159	\$113,400	\$110,209	\$128,390	\$102,849	\$118,760	\$124,580	\$127,627	\$115,110	\$109,495
\$200,000	\$83,770	\$89,615	\$99,346	\$91,677	\$91,009	\$91,940	\$88,684	\$103,390	\$82,599	\$95,555	\$100,895	\$103,519	\$93,110	\$88,296
\$150,000	\$64,270	\$67,765	\$76,146	\$70,027	\$69,859	\$70,480	\$67,159	\$78,390	\$62,349	\$72,350	\$77,210	\$79,412	\$71,110	\$67,097
\$100,000	\$44,770	\$45,915	\$52,946	\$48,377	\$48,709	\$49,020	\$45,634	\$53,390	\$42,099	\$49,145	\$53,525	\$55,304	\$49,110	\$45,898
\$90,000	\$26,242	\$25,115	\$30,718	\$28,158	\$28,531	\$28,999	\$25,558	\$31,113	\$23,632	\$26,913	\$28,812	\$32,008	\$28,486	\$26,120
\$80,000	\$22,642	\$21,286	\$26,378	\$24,318	\$24,601	\$25,151	\$21,738	\$26,788	\$20,132	\$22,572	\$26,511	\$27,437	\$24,586	\$22,319
\$70,000	\$19,259	\$17,763	\$22,255	\$20,695	\$20,888	\$21,624	\$18,134	\$22,737	\$16,877	\$18,486	\$22,457	\$23,055	\$20,902	\$18,842
\$60,000	\$16,059	\$14,626	\$18,315	\$17,274	\$17,358	\$18,368	\$14,979	\$18,870	\$13,977	\$15,141	\$18,587	\$19,218	\$17,402	\$15,674
\$50,000	\$12,859	\$11,656	\$14,700	\$13,874	\$13,874	\$15,112	\$11,919	\$15,003	\$11,077	\$12,002	\$14,832	\$15,381	\$13,902	\$12,506
\$40,000	\$9,659	\$8,686	\$11,225	\$10,454	\$10,424	\$11,856	\$8,859	\$11,204	\$8,177	\$8,887	\$11,252	\$11,544	\$10,402	\$9,338
\$30,000	\$6,649	\$5,905	\$7,940	\$7,234	\$7,164	\$8,880	\$5,989	\$7,788	\$5,488	\$5,962	\$7,862	\$7,870	\$7,133	\$6,431
\$20,000	\$4,149	\$3,820	\$5,184	\$4,769	\$4,552	\$6,660	\$3,863	\$4,793	\$3,588	\$3,917	\$5,061	\$5,017	\$4,533	\$4,227
\$10,000	\$1,649	\$1,814	\$2,604	\$2,359	\$2,282	\$4,440	\$1,773	\$2,389	\$1,688	\$1,912	\$2,581	\$2,165	\$1,933	\$2,023

**Top marginal rates:**

Canadian dividends (eligible)	19.29%	25.78%	32.26%	22.47%	22.47%	28.55%	22.81%	36.06%	27.56%	31.69%	28.70%	32.81%	24.81%	15.93% to 19.29% <sup>11</sup>
(non-eligible)	27.71%	33.71%	39.15%	30.83%	29.96%	28.98%	29.65%	36.21%	28.96%	34.52%	41.17%	36.35%	33.33%	30.41%
Capital gains	19.50%	21.85%	23.20%	21.65%	21.65%	21.46%	21.53%	25.00%	20.25%	23.98%	23.69%	24.11%	22.00%	21.20%
Other income	39.00%	43.70%	46.40%	43.30%	42.30%	42.92%	43.05%	50.00%	40.50%	47.97%	47.37%	48.22%	44.00%	42.40%

**Dividend tax credit (eligible):**

(non-eligible) <sup>5</sup>	25.02%	23.02%	27.02%	26.02%	22.23%	22.23%	26.52%	23.87%	20.53%	25.00%	26.57%	24.44%	26.02%	30.85%
(non-eligible) <sup>6</sup>	16.83%	15.08%	18.63%	18.33%	19.73%	19.73%	19.33%	21.03%	17.33%	20.35%	14.43%	19.13%	17.33%	18.07%
Maximum value of additional credits <sup>7</sup>	25.00%	20.06%	25.80%	24.10%	22.70%	22.20%	20.90%	23.79%	19.00%	22.88%	25.78%	32.53%	26.00%	22.39%

1 These provinces and the Yukon have low-income tax reductions, which may decrease some amounts shown.

2 New Brunswick's rates reflect a 12% provincial eligible dividend tax credit rate. According to New Brunswick's 2010 and 2011 T1 individual tax returns (and confirmed by a New Brunswick Finance official), the province will maintain its eligible dividend tax credit rate at 12% for 2010 and subsequent years.

3 This table assumes the non-resident will not qualify for the federal basic personal tax credit of \$10,822. Non-residents can claim this credit only if all or substantially all (i.e., 90% or more) of the non-resident's worldwide income is included in his or her taxable income earned in Canada for the year. The non-resident amounts apply to income taxable in Canada that is not earned in a province or territory.

4 Non-resident rates for interest and dividends apply only in limited circumstances. Generally, interest (other than most interest paid to arm's length non-residents) and dividends paid to non-residents are subject to Part XIII withholding tax.

5 Taxpayers in top brackets (i.e., taxable income above \$132,406; \$150,000 for Nova Scotia and \$500,000 in Ontario) who receive Canadian eligible dividends can determine their tax by multiplying the dividend tax credit by the amount of eligible dividends (grossed up by 38%) and subtracting the result from the amount of tax shown in the table. For example, a Manitoba resident with \$200,000 taxable income consisting of \$186,200 salary plus \$13,800 of grossed-up eligible dividends (\$10,000 actual dividends) will pay the \$76,146 tax shown, less 23.02% of \$13,800, yielding \$72,969.

6 Taxpayers in top brackets (i.e., taxable income above \$132,406; \$150,000 for Nova Scotia and \$500,000 in Ontario) who receive Canadian non-eligible dividends can determine their tax by multiplying the dividend tax credit by the amount of non-eligible dividends (grossed up by 25%) and subtracting the result from the amount of tax shown in the table. For example, an Alberta resident with \$250,000 taxable income consisting of \$240,000 salary plus \$10,000 of grossed-up non-eligible dividends (\$8,000 actual dividends) will pay the \$83,770 tax shown, less 16.83% of \$10,000, yielding \$82,087.

7 When personal tax credits in addition to the basic personal tax credit are available, the results in this table are too high. For taxpayers in the top tax bracket, the amounts can be adjusted by subtracting the product of the percentage indicated (maximum value of additional credits) and the amount of the additional credits. Charitable donations over \$200 have a higher maximum value.

8 Amounts do not include the Northwest Territories and Nunavut employee payroll taxes and provincial health levies (e.g., the Ontario Health Premium).

9 For Ontario, the taxes payable amounts and top marginal rates in the table reflect Ontario's new tax on incomes over \$500,000.

10 Taxable income may differ for federal and Quebec purposes, in which case the amounts shown in the table may require adjustment.

11 For the Yukon, the lower eligible dividend rate has a negative Yukon component, which shelters other income from Yukon tax. As a result, the combined Federal/Yukon rate that applies depends on the level of the taxpayer's other income, with the higher rate applying if the taxpayer has no other income.

## Top Marginal Rates — A 17-Year History

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Federal rates (including surtaxes)</b>	31.32			30.89	30.45							29.00					
<b>Alberta</b>	46.07	45.60	45.17	43.71								39.00					
<b>British Columbia</b>	54.17		52.27	51.26	45.70							43.70					
<b>Manitoba</b>	50.40	50.11	48.95	48.08								46.40					
<b>New Brunswick</b>	51.36	51.05	50.43	49.68	48.77			46.84				46.95	46.00		43.30		
<b>Newfoundland and Labrador</b>	53.33		52.90	51.31				48.64				47.04	45.00	43.40		42.30	
<b>Non-resident</b>	46.40		45.97	44.37								42.92					
<b>Northwest Territories</b>	44.37		43.94	43.50			42.05		42.55				43.05				
<b>Nova Scotia</b>	50.30	49.98	49.66	49.23	48.79		47.34					48.25			50.00		
<b>Nunavut</b>	(Nunavut came into existence on April 1, 1999)			43.94	43.50	42.05						40.50					
<b>Ontario</b>	52.92	51.64	50.29	48.75	47.86							46.41				47.97 <sup>(1)</sup>	
<b>Prince Edward Island</b>	50.30		49.55	48.79								47.37					
<b>Quebec</b>	52.94	53.01	52.61	52.18	50.67	48.72						48.22					
<b>Saskatchewan</b>	51.95	51.58	50.79	49.73	45.00	44.50						44.00					
<b>Yukon</b>	46.55		46.11	45.37	43.01							42.40					

(1) For Ontario, the 47.97% rate reflects Ontario's new highest tax bracket on incomes over \$500,000.

## Deferred Income Plan Contributions Limits

The maximum amount deductible RRSP, DPSP and money RPP contribution limits for 2007 to 2013 are as shown:

	2007	2008	2009	2010	2011	2012	2013
<b>Dollar limits:</b>							
<b>RRSP</b>	\$19,000	\$20,000	\$21,000	\$22,000	\$22,450	\$22,970	\$23,820
<b>DPSP</b>	\$ 10,000	\$10,500	\$11,000	\$11,225	\$11,485	\$11,910	Indexed*
<b>Money Purchase RPP</b>	\$20,000	\$21,000	\$22,000	\$22,450	\$22,970	\$23,820	Indexed*

\* Increased for increases in the Average Wage

## Notes:

- Recent changes to the federal rate for income not earned in a province or territory are shown in the table below. The rate for income earned in a province or territory is shown in the table below.
- | From | To   | Effective |
|------|------|-----------|
| 2008 | 2009 | 2008      |
| 2009 | 2010 | 2009      |
| 2010 | 2011 | 2010      |
| 2011 | 2012 | 2011      |
| 2012 | 2013 | 2012      |



## Tables of Rates and Credits

Federal Corporate Tax Rates — 2006–2012 (%)  
Various Levels of Taxable Income — 2012

The rates shown are in effect for 12-month taxation years ended December 31. All rate and threshold changes must be prorated for taxation years that straddle the effective date.

		2006	2007	2008	2009	2010	2011	2012
<b>General and manufacturing &amp; processing (M&amp;P) income</b>	Basic rate				38			
	Less: provincial abatement				10			
	Rate after abatement				28			
	Plus: federal surtax <sup>1</sup>		1.12			n/a		
	General federal rate (before deductions)		29.12			28		
	Less: general rate reduction or M&P deduction <sup>2,3</sup>		7	8.5	9	10	11.5	13
	<b>General federal and M&amp;P rate<sup>4</sup></b>		<b>22.12</b>	<b>19.5</b>	<b>19</b>	<b>18</b>	<b>16.5</b>	<b>15</b>
<b>Canadian-controlled private corporations (CCPCs)</b>	<b>Threshold</b>	Small business deduction threshold <sup>5</sup>	<b>\$300,000</b>	<b>\$400,000</b>		<b>\$500,000</b>		
	<b>Active business income up to threshold</b>	General federal rate (before deductions) <sup>3</sup>	29.12			28		
		Less: small business deduction <sup>5</sup>	16			17		
		<b>CCPC small business rate</b>	<b>13.12</b>			<b>11</b>		
	<b>Investment income</b>	General federal rate (before deductions) <sup>3</sup>	29.12			28		
		Additional refundable tax <sup>6</sup>			6.67			
		<b>CCPC investment income rate</b>	<b>35.79</b>			<b>34.67</b>		

## Notes:

- The federal surtax was eliminated on January 1, 2008, resulting in a 1.12% decrease in income tax rates.
- Recent changes to the general rate reduction and manufacturing and processing (M&P) deduction are shown in the following table.

	Changes effective after December 31, 2007		
	From	To	Effective
<b>General rate reduction and M&amp;P deduction</b>	7%	8.5%	January 1, 2008
	8.5%	9%	January 1, 2009
	9%	10%	January 1, 2010
	10%	11.5%	January 1, 2011
	11.5%	13%	January 1, 2012

- The general rate reduction and M&P deduction do not apply to: income benefiting from the small business deduction; investment income of CCPCs; income of certain corporations (e.g., mutual fund corporations, mortgage investment corporations and investment corporations); and, until taxation years beginning after 2006, resource income. For taxation years beginning after October 31, 2011, proposed legislation disallows income from a personal services business from being eligible for the general rate reduction.
- The resource income tax rate was 24.12% before January 1, 2007. Commencing January 1, 2007, the rate is the same as the general and M&P rate.
- The small business deduction applies to active business income earned in Canada of associated CCPCs, up to a threshold. As a result of a clawback, the small business deduction is reduced if taxable paid-up capital employed in Canada, on an associated basis, exceeded \$10 million in the preceding year.

Recent changes to the small business deduction and threshold are shown in the following table.

	Changes effective after December 31, 2007		
	From	To	Effective
<b>Small business deduction</b>	16%	17%	January 1, 2008
<b>Threshold up to which CCPC rate applies</b>	\$400,000	\$500,000	January 1, 2009

- A 6% additional refundable tax on investment income applies to investment income (other than deductible dividends) of CCPCs. It is refundable through the refundable dividend tax on hand (RDTOH) mechanism.

# Other Federal Corporate Tax Rates for 2012

Rate	Corporations affected	Description	Special rules
<b>Income not earned in a province or territory</b>	25%	<p>Income tax for 2012 is calculated as follows:</p> <p>Basic federal rate 38%</p> <p>Less: General rate reduction -13%</p> <p>General federal rate 25%</p> <p>Therefore, the federal rate is 25%, instead of 15%.</p>	<p>Corporate income not earned in a province or territory is neither:</p> <ul style="list-style-type: none"> <li>• eligible for the provincial abatement; nor</li> <li>• subject to provincial or territorial tax (exceptions apply).</li> </ul>
<b>Branch tax</b>	25%	<p>Non-resident corporations, except:</p> <ul style="list-style-type: none"> <li>• transportation, communications and iron-ore mining companies; and</li> <li>• insurers (other than in special circumstances).</li> </ul> <p>Applies to after-tax profits that are not invested in qualifying property in Canada.</p>	<p>The 25% rate may be reduced by the relevant tax treaty (generally to the withholding tax rate on dividends, which is usually 5%, 10% or 15%). Some treaties prohibit the imposition of branch tax or provide that the tax is payable only on earnings exceeding a threshold.</p>
<b>Part III.1 Tax on Excess Eligible Dividend Designations</b>	20% or 30%	<p>Canadian-resident corporations</p> <p>Applies if:</p> <ul style="list-style-type: none"> <li>• a CCPC has designated as eligible dividends during the year an amount that exceeds the corporation's general rate income pool (GRIP) at the end of the year; or</li> <li>• a non-CCPC pays an eligible dividend when it has a positive balance in its low rate income pool (LRIP).</li> </ul>	<p>A corporation subject to Part III.1 tax at the 20% rate (i.e., the excess designation was inadvertent) can elect, with shareholder concurrence, to treat all or part of the excess designation as a separate non-eligible dividend, in which case Part III.1 tax will not apply to the amount that is the subject of the election.</p>
<b>Refundable Part IV tax</b>	33 1/3%	Private corporations and certain public corporations	Payable on taxable dividends received from certain taxable Canadian corporations.
<b>Refundable Investment Tax</b>	6%	Canadian-Controlled Private Corporations (CCPCs)	Increases the total federal rate that applies to investment income of a CCPC to 34.67%. Generally, 26 2/3% of a CCPC's aggregate investment income is added to its RDTOH.
<b>Large Corporations Tax (LCT)</b>	Nil	All corporations	<p>Before 2006, imposed on taxable capital employed in Canada over \$50 million. (The threshold was shared by related corporations; associated corporations in the case of CCPCs.)</p> <p>A notional LCT, calculated as if the LCT rate and capital tax threshold were 0.225% and \$10 million, respectively, is relevant for certain purposes (e.g., a CCPC's small business limit).</p> <p>Before 2008, the portion of the federal surtax liability that was the corporation's Canadian surtax liability reduced any LCT liability for the year or the previous three years (and, before 2006, the next seven years).</p>
<b>Part VI Financial Institutions Capital Tax</b>	1.25%	<p>Banks</p> <p>Trust and loan corporations</p> <p>Life insurance companies</p>	<p>Applies to banks, trust and loan corporations and life insurance companies with capital employed in Canada over \$1 billion. The threshold is shared by related corporations.</p> <p>Reduced by the corporation's federal income tax liability. Any unused federal income tax liability can be applied to reduce Financial Institutions Capital Tax for the previous three years and the next seven.</p>

## Notes:

1. Recent changes to the federal rate for income not earned in a province or territory are shown in the following table:

Changes effective after December 31, 2007		
From	To	Effective
32.12%	29.5%	January 1, 2008
29.5%	29%	January 1, 2009
29%	28%	January 1, 2010
28%	26.5%	January 1, 2011
26.5%	25%	January 1, 2012



## Corporate Income Tax Rates by Province/Territory — 2012 (%) (General and M&P Corporate Income Tax Rates)

All rate changes must be pro-rated for taxation years that straddle the effective date. Use the rate changes to determine rates for taxation years ending on December 31, 2008 or later.

Tax holidays may reduce or eliminate provincial tax.

In addition to income tax:

- one province (Nova Scotia) imposes general capital tax on corporations that have a permanent establishment there (see **Capital Tax Rates and Exemptions for 2012**); and
- financial institutions may also be subject to Part VI Financial Institution Capital Tax (see **Other Federal Corporate Tax Rates for 2012**) and provincial capital taxes (see **Capital Tax Rates and Exemptions for 2012**).

### General and M&P Corporate Income Tax Rates (for December 31, 2012 year end) (%)

The percentages shown in the table below reflect the combined federal and provincial/territorial corporate rates (general and manufacturing and processing (M&P)) for a 12-month taxation year ended December 31, 2012, on income allocated to provinces or territories. For Canadian-controlled private corporations (CCPCs), this table does not apply to:

- the first \$500,000 (\$400,000 in Manitoba and Nova Scotia) of active business income; and
- investment income.

For more CCPC rates, see table **Canadian-Controlled Private Corporation (CCPC) Income Tax Rates**.

General and Manufacturing & Processing (M&P)		
Basic federal rate		38
Provincial abatement		(10)
4% federal surtax		n/a
Federal rate (before deductions)		28
General rate reduction <sup>3</sup> or M&P deduction <sup>3</sup>		(13) <sup>2</sup>
Federal rate		15 <sup>2</sup>
	Provincial/Territorial	Combined
Alberta	10	25
British Columbia <sup>4</sup>	10	25
Manitoba <sup>5</sup>	12	27
New Brunswick <sup>6</sup>	10	25
Newfoundland and Labrador	General 14 H	29
	M&P 5 H	20
Northwest Territories	11.5	26.5
Nova Scotia	16	31
Nunavut	12	27
Ontario <sup>7,8</sup>	General 11.5 H	26.5
	M&P 10 H	25
Prince Edward Island	16 H	31
Quebec <sup>9</sup>	11.9 H	26.9
	General 12	27
Saskatchewan <sup>10</sup>	M&P 10 <sup>11</sup>	25
Yukon	General 15	30
	M&P 2.5	17.5

H = Tax holidays are available to certain corporations in the provinces indicated.

#### Notes:

1. The 4% federal surtax was eliminated on January 1, 2008. See footnote 1 to the table, **Federal Corporate Tax Rates**.
2. Footnote 3 to the table, **Federal Corporate Tax Rates** indicates when the general rate reduction and M&P deduction do not apply.
3. For recent changes to the general rate reduction and M&P deduction, see footnote 2 to the table, **Federal Corporate Tax Rates**.
4. Recent and planned British Columbia changes are shown in the following table:

British Columbia changes effective after December 31, 2007		
From	To	Effective
12%	11%	July 1, 2008
11%	10.5%	January 1, 2010
10.5%	10%	January 1, 2011
10%	11%*	April 1, 2014

\* British Columbia's 2012 budget describes the increase to the 11% rate on April 1, 2014, as a temporary measure to be triggered only if the province's fiscal situation worsens.

## Corporate Income Tax Rates by Province — 2012 (continued)

4. Recent Alberta changes are shown in the following table:

5. Recent and planned Manitoba changes are shown in the following table:

Manitoba changes effective after December 31, 2007		
	From	To
CCPC rate on over-integrated income*	14%	13%
Threshold up to which	13%	12%
General and M&P	12%	11%*
		Effective
		July 1, 2008
		July 1, 2009
		To be determined

\* The rate reduction is subject to balanced budget requirements.

6. Recent New Brunswick changes are shown in the following table:

New Brunswick changes effective after December 31, 2007		
	From	To
General and M&P	13%	12%
	12%	11%
	11%	10%*
		Effective
		July 1, 2009
		July 1, 2010
		July 1, 2011

\* New Brunswick repealed the legislated corporate income tax rate of 8% that was to apply on July 1, 2012.

7. Recent and planned Ontario changes are shown in the following table:

Ontario changes effective after December 31, 2007		
	From	To
General	14%	12%
	12%	11.5%*
M&P	12%	10%
		Effective
		July 1, 2010
		July 1, 2011
		July 1, 2010

\* Ontario's 2012 budget froze the general income tax rate at 11.5%, until the province returns to a balanced budget (scheduled for 2017-18). The rate was to drop to 11% on July 1, 2012, and to 10% on July 1, 2013.

8. Corporations subject to Ontario income tax may also be liable for corporate minimum tax (CMT) based on adjusted book income. The minimum tax is payable only to the extent that it exceeds the regular Ontario income tax liability. Recent Ontario CMT changes are shown in the following table:

Ontario changes effective after December 31, 2007		
	From	To
Corporate Minimum Tax (CMT) rate	4%	2.7%
Thresholds for CMT to apply*	Total assets > \$5 million or Annual gross revenues > \$10 million	≥ \$50 million and ≥ \$100 million
		Effective
		July 1, 2010
		Taxation years ending after June 30, 2010

\* Thresholds apply on an associated basis.

9. Recent Quebec changes are shown in the following table:

Quebec changes effective after December 31, 2007		
	From	To
General and M&P*	9.9%	11.4%
	11.4%	11.9%
		Effective
		January 1, 2008
		January 1, 2009

\* For financial institutions (other than insurance corporations) and oil refining companies, the rate is 11.9% and the combined rate is 31.4% for December 31, 2008 year ends. However, deposit insurance corporations are not financial institutions and were subject to a rate of 5.75%, which increased to 11.9% on June 23, 2009.

10. Recent Saskatchewan changes are shown in the following table:

Saskatchewan changes effective after December 31, 2007		
	From	To
General	13%	12%
		Effective
		July 1, 2008

11. The general rate (12% in 2012) is the maximum Saskatchewan rate. A rebate of up to the difference between the general rate and 10% (2% in 2012) of manufacturing profits allocated to Saskatchewan is available.

Saskatchewan changes effective after December 31, 2007		
	From	To
CCPC rate	5%	4.5%
	4.5%	4%
	4%	3.5%
		Effective
		January 1, 2011
		January 1, 2012
		January 1, 2013

# **Canadian-Controlled Private Corporation (CCPC) (CCPC)** **Income Tax Rates (for December 31, 2012 Year End) (%)**

All rate changes must be pro-rated for taxation years that straddle the effective date. Use the rate changes to determine rates for taxation years ending on December 31, 2008 or later.

Tax holidays may reduce or eliminate the effective rate for certain corporations.

In addition to income tax:

- one province (Nova Scotia) may also have a different rate for CCPCs.
- and Exemptions for 2012); and
- financial institutions may also be subject to different rates.

	Active business income of CCPCs <sup>1</sup>		Investment income <sup>3</sup>	
	up to \$500,000 <sup>2</sup>			
<b>Federal rate (before deductions)</b>	<b>28</b>		<b>28</b>	
Small business deduction <sup>2</sup>	(17)		n/a	
Refundable investment tax	n/a		6.67	
<b>Federal rate</b>	<b>11</b>		<b>34.67</b>	
	↓		↓	
	Provincial/ Territorial	Combined	Provincial/ Territorial	Combined
Alberta <sup>4</sup>	3	14	10	44.67
British Columbia <sup>5</sup>	2.5	13.5	10	44.67
Manitoba <sup>6</sup>	Nil* or 12*	11* or 23*	12	46.67
New Brunswick <sup>7</sup>	4.5	15.5	10	44.67
Newfoundland and Labrador <sup>8</sup>	4 H	15	14 H	48.67
Northwest Territories <sup>9</sup>	4	15	11.5	46.17
Nova Scotia <sup>10</sup>	4* H or 16*	15* or 27*	16	50.67
Nunavut <sup>11</sup>	4	15	12	46.67
Ontario <sup>12, 13</sup>	4.5 H	15.5	11.5 H	46.17
Prince Edward Island <sup>14</sup>	1 H	12	16 H	50.67
Quebec <sup>15</sup>	8 H	19	11.9 H	46.57
Saskatchewan <sup>16</sup>	2	13	12	46.67
Yukon <sup>17</sup>	M&P 2.5 Non-M&P 4	13.5 15	n/a 15	49.67

H = Tax holidays are available to certain corporations in the provinces indicated.

\* The lower rate applies to active business income of CCPCs up to \$400,000. The higher rate applies to active business income of CCPCs from \$400,000 to \$500,000.

## Notes:

1. See the table, **General and M&P Corporate Income Tax Rates**, for the rates that apply to CCPCs on active business income above \$500,000.

The federal small business threshold increased from \$400,000 to \$500,000 on January 1, 2009. The \$500,000 threshold also applies in:

- New Brunswick, Newfoundland and Labrador, Northwest Territories, Nunavut, Ontario (see footnote 13 below), Prince Edward Island and Saskatchewan;
- Quebec, after March 19, 2009 (see footnote 15 below);
- Alberta, after March 31, 2009 (see footnote 4 below);
- British Columbia, after December 31, 2009 (see footnote 5); and
- the Yukon, after December 31, 2010 (see footnote 17).

Manitoba and Nova Scotia have not harmonized with this increase.

2. See footnote 5 to the table, **Federal Corporate Tax Rates**, for:

- recent changes to the federal small business deduction and threshold; and
- a description of the federal small business deduction clawback and threshold.

The clawback also applies for the purposes of the provincial/territorial small business deductions in the territories and all provinces except Ontario. Ontario had a clawback before July 1, 2010, as outlined in footnote 13, below.

3. Rates on investment income are 19.67% higher than the general rates for 2012 (see the table, **General and M&P Corporate Income Tax Rates**), because:

- CCPC investment income does not benefit from the 13% federal general rate reduction; and
- the rates on investment income includes a 6% tax that is refundable when the CCPC pays taxable dividends.

Generally, 26% of a CCPC's aggregate investment income is added to its refundable dividend tax on hand (RDTOH). This amount is refundable at a rate of \$1 for every \$3 of taxable dividends paid by the CCPC.

General and M&P	11%	10.5%	10%	11%
	10.5%	10%	11%	10%

\* British Columbia's 2012 budget describes the increase to the 11% rate on April 1, 2014, as a temporary measure to be triggered only if the province's fiscal situation worsens.