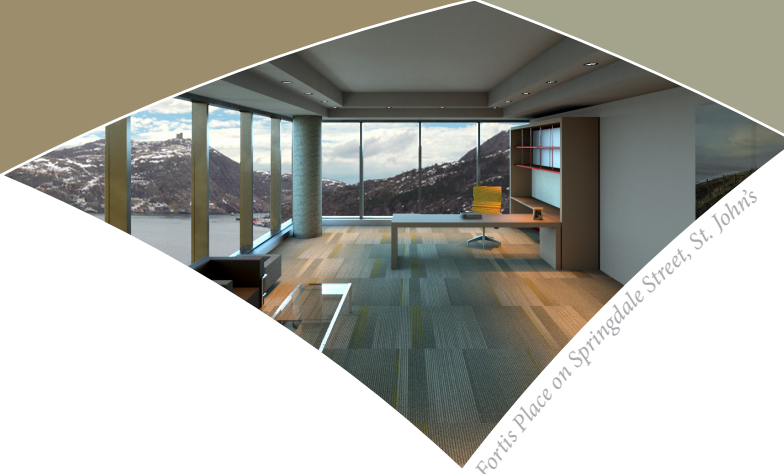


TAX FACT SHEET

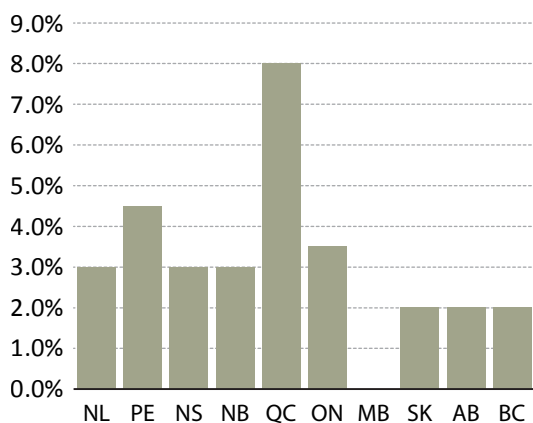
CORPORATE INCOME TAX

Businesses with a permanent establishment in the province are subject to corporate income tax



Small Business Rates

January 1, 2018



- ▶ If a business operates in more than one jurisdiction, taxable income is allocated to each province so there is an incentive for businesses to allocate to jurisdictions with lower tax rates.
- ▶ The active business income of small businesses is taxed at a lower rate than large corporations.
- ▶ Corporate income tax is calculated on the taxable income of a company, taxable income is based on profits and as such, corporate income tax revenues are very volatile.
- ▶ The personal and corporate income tax systems are integrated. The purpose of integration is that the combined corporate and personal income tax burden on the company and shareholder should be the same regardless of how the income is taken, ensuring that the salary versus dividend decision is tax neutral.

- ▶ The province has a very narrow corporate income tax base, i.e. a small number of taxpayers pay a significant portion of the corporate income tax, if several large taxpayers have significantly reduced taxable income, this could materially impact the amount of corporate income tax revenues for a particular year.
- ▶ Corporate tax rate is the second highest in Canada. An increase in the general rate by 1 percentage point would generate \$21 million in revenue, and an increase in the small business rate would generate \$7 million in revenue.
- ▶ A corporation with taxable income of \$1 million would pay \$150,000 in provincial corporate income tax in this province compared to \$160,000 in Nova Scotia.
- ▶ A small business with taxable income of \$400,000 would pay \$12,000 in corporate income tax in this province as well as in Nova Scotia and New Brunswick, but would pay \$18,000 in PEI.

▶ Corporate Income Tax Rates

January 1, 2018

	General Rate (%)	M&P Rate (%)	Small Business Rate (%)
NL	15.0	15.0	3.0
PE	16.0	16.0	4.5
NS	16.0	16.0	3.0
NB ⁽¹⁾	14.0	14.0	3.0
QC ⁽²⁾	11.7	11.7	8.0
ON	11.5	10.0	3.5
MB	12.0	12.0	0.0
SK	12.0	10.0	2.0
AB	12.0	12.0	2.0
BC	12.0	12.0	2.0

(1) Effective April 1, 2018, small business rate will decrease to 2.5%

(2) General rate will be reduced by 1/10 of a point effective January 1, 2019 and 2020 (to 11.5 in 2020)