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2022-2023 Federal, provincial and territorial corporate income tax rates

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2022–2023 Federal, provincial and territorial corporate income tax rates

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In Canada, both the federal government and the provincial/territorial governments levy corporate income taxes. The tables below summarize the federal and provincial/territorial tax rates applied to income earned by Canadian-controlled private corporations (CCPCs) and general corporations. Add the federal and provincial/territorial tax rates for a combined federal and provincial rate.¹ For non-resident corporations, the general corporation rates in the table apply to business income attributable to a permanent establishment in Canada.

| Federal | Reference to the <i>Income Tax Act</i> | CCPC | | | General corporation | | |
|--------------------------------|--|--|-------------------------------------|--------------------------------|------------------------|--------------------------------|---|
| | | Active business income eligible for small business deduction (SBD) | Active business income ² | Investment income ³ | Active business income | Investment income ³ | Manufacturing and processing (M&P) income |
| | | % | % | % | % | % | % |
| Basic federal tax rate | Subsection 123(1) | 38.00 | 38.00 | 38.00 – | 38.00 | 38.00 | 38.00 |
| Federal abatement | Subsection 124(1) | (10.00) | (10.00) | (10.00) | (10.00) | (10.00) | (10.00) |
| Federal tax rate | | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 |
| General rate for M&P deduction | Section 125.1(1) | – | – | – | – | – | (13.00) |
| General rate reduction | Subsection 123.4(1) | – | (13.00) | – | (13.00) | (13.00) | – |
| SBD | Subsection 125(1.1) | (19.00) | – | – | – | – | – |
| Refundable tax | Section 123.3 | – | – | 10.67 | – | – | – |
| Net tax rate | | 9.0 | 15.0 | 38.67 | 15.0 | 15.0 | 15.0 |

| Province/ territory ⁴ | CCPC | | | | General corporation | | |
|---|--|---|--|-----------------------------------|---------------------------|-----------------------------------|---------------------|
| | SBD thresholds ⁵ 2022 and 2023 | Active business income eligible for SBD | Active business income ² | Investment income ³ | Active business income | Investment income ³ | M&P income |
| | C\$ | % | % | % | % | % | % |
| Alberta | 500,000 | 2.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| British Columbia | 500,000 | 2.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |
| Manitoba | 500,000 | 0.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |
| New Brunswick | 500,000 | 2.50 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 |
| Newfoundland and Labrador | 500,000 | 3.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 |
| Northwest Territories | 500,000 | 2.00 | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 |
| Nova Scotia | 500,000 | 2.50 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 |
| Nunavut | 500,000 | 3.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |
| Ontario | 500,000 | 3.20 | 11.50 | 11.50 | 11.50 | 11.50 | 10.00 ⁶ |
| Prince Edward Island | 500,000 | 1.00 ⁷ | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 |
| Quebec | 500,000 | 3.20 ⁸ | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 |
| Saskatchewan | 600,000 | 0.00/1.00 ⁹ | 12.00 | 12.00 | 12.00 | 12.00 | 10.00 ¹⁰ |
| Yukon | 500,000 | 0.00 | 12.00 | 12.00 | 12.00 | 12.00 | 2.50 ¹¹ |

¹ See also RSM Tax Alert [Tax planning: 2022 year-end considerations for businesses and individuals](#) for details on the provinces' and territories' proposed tax changes.

² The general corporate tax rate applies to active business income earned in excess of relevant small business income thresholds. For federal purposes, the threshold is \$500,000. For provincial/territorial purposes, see the "SBD thresholds 2022 and 2023" column.

³ The rates apply to investment income other than capital gains and dividends received from Canadian corporations. Capital gains are taxed at an effective rate of 50 per cent. Dividends received by private corporations from Canadian corporations are subject to a special refundable tax of [38.33 per cent](#). Dividends from a foreign affiliate may also be subject to Part IV tax.

⁴ Provincial and territorial tax information is linked in this table for further details.

⁵ The small business income threshold is shared by associated CCPCs.

⁶ Ontario provides an [M&P tax credit](#) that effectively reduces the corporate tax rate on profits from M&P to 10.00 per cent, as compared to 11.50 per cent for general income.

⁷ Effective Jan. 1, 2022, the Prince Edward Island small business income tax rate decreased from 2.00 per cent to 1.00 per cent.

⁸ A corporation in the primary or manufacturing sector may be able to claim an additional deduction of up to 3.20 per cent depending on the percentage of the corporation's activities attributable to M&P and the primary sector.

⁹ The Saskatchewan government [announced](#) that it will extend the small business tax rate reduction, at 0 per cent retroactive to July 1, 2022, and increase to 1 per cent starting July 1, 2023. If the rate changes during the tax year, a taxpayer must base the calculation on the number of days in the year that each rate is in effect.

¹⁰ The [M&P profits tax reduction](#) can reduce the Saskatchewan corporation income tax rate by as much as 2.00 per cent on Canadian M&P profits. Corporations must complete [T2 Schedule 404](#). This can essentially reduce the rate applicable to M&P profits from 12.00 per cent to as low as 10.00 per cent.

¹¹ Yukon provides an M&P tax credit that effectively reduces the corporate tax rate on profits from M&P to 2.50 per cent, as compared to 12.00 per cent for general income.

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