

Corporate and Personal Tax Services

Tax Facts and Figures: Canada 2008

Seeing from new heights*



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Key 2008 Income and Capital Tax Rates – Individuals and Corporations

For December 31 year end (12-month taxation year).

Individuals (page 4)

Applies to taxable income above \$123,184.

	Top combined marginal rates			
	Ordinary income and interest	Capital gains	Canadian dividends	
			Eligible	Non-eligible
Federal	29.00%	14.50%	14.55%	19.58%
Alberta	39.00%	19.50%	16.00%	26.46%
British Columbia	43.70%	21.85%	18.47%	31.58%
Manitoba	46.40%	23.20%	23.83%	37.40%
New Brunswick	46.95%	23.48%	23.18%	35.40%
Newfoundland and Labrador	45.00%	22.50%	28.11%	33.33%
Northwest Territories	43.05%	21.53%	18.25%	29.65%
Nova Scotia	48.25%	24.13%	28.35%	33.06%
Nunavut	40.50%	20.25%	22.24%	28.96%
Ontario	46.41%	23.20%	23.96%	31.34%
Prince Edward Island	47.37%	23.69%	24.44%	36.63%
Quebec	48.22%	24.11%	29.69%	36.35%
Saskatchewan	44.00%	22.00%	20.35%	30.83%
Yukon	42.40%	21.20%	17.23%	30.49%

Corporations (page 19)

	General and M&P	Canadian-Controlled Private Corporations (CCPCs)	
		Active business income to \$400,000	Investment income
	Combined with federal	Combined with federal	Combined with federal
	19.5%	11%	34.67%
	29.5%	14%	44.67%
	31%	15%	46.16% (See page 26)
	33%	13%	48.16% (See page 27)
	32.5%	16%	47.67%
General	33.5%		48.67%
M&P	24.5%	16%	N/A
	31%	15%	46.17%
	35.5%	16%	50.67%
	31.5%	15%	46.67%
General	33.5%		48.67%
M&P	31.5%	16.5%	N/A
	35.5%	14.47%	50.67%
	30.9%	19%	46.07%
General	32%		47.16% (See page 34)
M&P	29.5%	15.5%	N/A
General	34.5%	15%	49.67%
M&P	22%	13.5%	N/A

See page 32 for Quebec's rates for financial institutions (excluding insurers) and oil refining companies.

Capital Tax on Corporations (page 22)

Financial institutions have different rates. See page 22.

Rate	Exemption
No capital tax	
No capital tax	
No capital tax	
0.3%, 2.5% and 0.5%	\$10 million
0.1%	\$5 million
No capital tax	
No capital tax	
0.212% or 0.425%	Nil or \$5 million
No capital tax	
0.225%	\$15 million
No capital tax	
0.36%	Up to \$1 million
0.075%	Up to \$20 million
No capital tax	

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Corporate and Personal Tax Services

Tax Facts and Figures: Canada 2008

Seeing from new heights

A Message from Our Tax Leader

PricewaterhouseCoopers welcomes you to the 31st edition of *Tax Facts and Figures*. This year's publication has been made even more user-friendly. It will save you time and effort by helping you understand the myriad personal and corporate tax rates and tax changes.

Canadian taxpayers will be pleased with many recent tax developments. Corporate tax rates tend to be on the decline, while general capital taxes are being entirely phased out. Several targeted incentives have also been introduced or enhanced. Furthermore, taxpayers with U.S. connections may benefit from a new Protocol to the Canada-U.S. tax treaty. *Tax Facts and Figures* will help you identify and understand the tax rates and tax changes that apply to you or your company.

The 2008 edition is current to May 27, 2008, and takes into account all 2008 federal, provincial and territorial budgets. Important post-publication changes can be found on our website at www.pwc.com/ca.

While *Tax Facts and Figures* is helpful as a reference tool, it should be used in tandem with professional advice. For further information, please contact your PricewaterhouseCoopers tax adviser or any of the individuals listed to the right. We look forward to hearing from you.



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This booklet is published with the understanding that PricewaterhouseCoopers is not thereby engaged in rendering accounting, legal or other professional service or advice. The comments included in this booklet are not intended to constitute professional advice, nor should they be relied upon to replace professional advice.

Rates and other information are current to May 27, 2008, but may change as a result of legislation or regulations issued after that date.

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Federal

Because the federal government is in a minority, it is uncertain whether federal tax changes that have not been enacted into law will proceed. At the publication date, 2008 federal budget measures had not been enacted.

Personal income tax rates: lowest rate decreased from 15.5% to 15%, retroactive to 2007; personal and spousal amounts increased for 2007 to 2009 (p. [10](#)).

Corporate income tax rates: decreasing—general and M&P rate in stages from 22.12% to 15% by January 1, 2012; small business rate from 13.12% to 11% on January 1, 2008 (p. [24](#)).

Eligible dividends:¹ personal taxes increasing in stages from 2010 to 2012 (p. [10](#)).

Tax-Free Savings Account: new, commencing 2009 (p. [10](#)).

Scientific research and experimental development (SR&ED) program: enhanced (pp. [11](#), [24](#)).

Capital cost allowance (CCA): rates enhanced and extended (p. [24](#)).

Specified investment flow-throughs (SIFTs): commencing 2009, SIFT provincial rate based on general provincial corporate income tax rates (p. [11](#)).

Sale of property by non-residents: exemptions from withholding and clearance certificate requirements relaxed after 2008 (p. [11](#)).

Anti-Tax-Haven Initiative: prevents “double-dipping” for interest payable after 2011 on investments in debt or equity of foreign affiliates (p. [24](#)).

Functional currency: election to determine Canadian tax amounts in the corporation’s “functional currency” permitted for taxation years beginning after December 13, 2007 (p. [25](#)).

International Financial Reporting Standards (IFRS): proposed to replace current Canadian Generally Accepting Accounting Principles (GAAP) for fiscal years beginning after December 31, 2010 (p. [25](#)).

Withholding tax on interest: eliminated on most interest paid to arm’s-length non-residents, commencing 2008 (p. [11](#)).

Canada-U.S. tax treaty: Protocol signed and awaiting ratification; eliminates withholding tax on most interest, makes the Limitation of Benefits article bilateral and extends treaty benefits to owners of limited liability companies (p. [11](#)).

Goods and services tax (GST) rate: decreased from 6% to 5% on January 1, 2008 (p. [11](#)).

Alberta¹

Personal income tax rates: unchanged (p. [12](#)).

Eligible dividends¹: personal taxes decreasing in 2009, but increasing after 2009 (p. [12](#)).

Non-eligible dividends: personal taxes increasing in 2009 (p. [12](#)).

Corporate income tax rates: long-term goal is to reduce the general and M&P rate from 10% to 8%; tax on income that is subject to Alberta’s small business rate, but qualifies as an eligible dividend on distribution, to increase to 10% (p. [26](#)).

Small business threshold: increasing in stages from \$430,000 to \$500,000 by April 1, 2009 (p. [26](#)).

Scientific research and experimental development tax credit: 10% refundable credit on eligible expenditures incurred after 2008 (p. [26](#)).

British Columbia¹

Personal income tax rates: four lowest rates decreasing for 2008; two lowest rates further decreasing in 2009 (p. [12](#)).

Eligible and non-eligible dividends¹: personal taxes increasing in 2009 (p. [12](#)).

Corporate income tax rates: decreasing in stages – general and M&P rate from 12% to 10% by 2011; small business rate from 4.5% to 2.5% by 2011 (p. [26](#)).

Financial institutions capital tax: gradually eliminated; to be replaced by a minimum tax on April 1, 2010 (p. [26](#)).

Manitoba¹

Personal income tax rates: lowest rate – decreasing in stages from 2009 to 2011; middle rate decreased in 2008; increasing in stages – middle bracket from 2009 to 2011; top bracket from 2008 to 2011; all changes after 2009 are subject to balanced budget requirements (p. [13](#)).

Non-eligible dividends: personal taxes increasing in 2008 and 2009 (p. [13](#)).

Corporate income tax rates: decreasing in stages – general and M&P rate from 14% to 12% on July 1, 2009, and, subject to balanced budget requirements, to 11% at a date to be determined; small business rate from 3% to 1% on January 1, 2009 (p. [27](#)).

General capital tax: phased out by January 1, 2011; for M&P companies – eliminated July 1, 2008 (p. [27](#)).

1. Federal eligible dividend changes will increase personal taxes in all provinces and territories from 2010 to 2012.

New Brunswick¹

Personal and corporate income tax rates: unchanged (pp. [13](#), [28](#)).

General capital tax: phased out by January 1, 2009 (p. [28](#)).

Newfoundland and Labrador¹

Personal income tax rates: all decreasing for 2008 and 2009; surtax eliminated in 2008 (p. [14](#)).

Corporate income tax rates: unchanged (p. [28](#)).

Northwest Territories¹

Personal and corporate income tax rates: unchanged (pp. [14](#), [29](#)).

Nova Scotia¹

Personal and corporate income tax rates: unchanged (pp. [15](#), [29](#)).

General capital tax: phased out by July 1, 2012 (p. [29](#)).

Nunavut¹

Personal and corporate income tax rates: unchanged (pp. [15](#), [30](#)).

Ontario¹

Personal and corporate income tax rates: unchanged (pp. [16](#), [30](#)).

Eligible dividends¹: personal taxes decreasing in 2009, but increasing after 2009 (p. [16](#)).

Small business threshold: increased, retroactive to January 1, 2007 (p. [30](#)).

Capital tax: reduced retroactive to January 1, 2007, and phased out by July 1, 2010; for manufacturing and resource companies – eliminated or reduced, retroactive to January 1, 2007 (pp. [30](#), [31](#)).

Ontario Innovation Tax Credit: enhanced (p. [31](#)).

Corporate tax harmonization: for taxation years ending after December 31, 2008, the Canada Revenue Agency will administer Ontario's corporate income tax, capital tax, corporate minimum tax (CMT) and Special Additional Tax on life insurers (p. [31](#)).

Prince Edward Island¹

Personal income tax rates: unchanged; brackets and surtax threshold increased for 2008 (p. [16](#)).

Non-eligible dividends: personal taxes increasing from 2008 to 2011 (p. [16](#)).

Corporate income tax rates: general rate unchanged; small business rate decreasing in stages from 4.3% to 1% by April 1, 2010 (p. [32](#)).

Quebec¹

Because the Quebec government is in a minority, it is uncertain whether Quebec tax changes that have not been enacted into law will proceed. At the publication date, 2007 and 2008 Quebec budget measures had not been enacted.

Personal income tax rates: unchanged; brackets and basic amount increased for 2008 (p. [17](#)).

Corporate income tax rates: active rate (exceptions apply) and inactive rate increasing in stages from 9.9% to 11.9% by January 1, 2009 (p. [32](#)).

Capital tax: phased out by January 1, 2011; for manufacturing companies – eliminated or reduced for taxation years ending after March 13, 2008 (pp. [32](#), [33](#)).

M&P investment tax credits: available for M&P assets acquired after March 13, 2008, and before 2016 (p. [33](#)).

Saskatchewan¹

Personal income tax rates: unchanged (p. [18](#)).

Corporate income tax rates: general rate decreasing from 13% to 12% on July 1, 2008; small business rate and M&P rate unchanged (p. [34](#)).

Small business threshold: increasing from \$450,000 to \$500,000 on July 1, 2008 (p. [34](#)).

General capital tax: phased out by July 1, 2008; resource surcharge decreasing in stages to July 1, 2008 (p. [34](#)).

Financial institutions capital tax: threshold increasing for taxation years ending after October 30, 2008 (p. [34](#)).

Yukon¹

Personal and corporate income tax rates: unchanged (pp. [18](#), [34](#)).

1. Federal eligible dividend changes will increase personal taxes in all provinces and territories from 2010 to 2012.

Individual Marginal Rates for 2008

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.

Provincial brackets below \$9,600 are not shown.	Taxable income \$9,600 to \$37,885					Taxable income \$37,885 to \$75,769					Taxable income \$75,769 to \$123,184					Taxable income > \$123,184			
	Brackets \$	Ordinary income & interest %	Capital gains %	Canadian dividends' Eligible %	Non-eligible %	Brackets \$	Ordinary income & interest %	Capital gains %	Canadian dividends' Eligible %	Non-eligible %	Brackets \$	Ordinary income & interest %	Capital gains %	Canadian dividends' Eligible %	Non-eligible %	Ordinary income & interest %	Capital gains %	Canadian dividends' Eligible %	Non-eligible %
Federal	9,600	15.00	7.50	(5.75) to 0	2.08	37,885	22.00	11.00	4.40	10.83	75,769	26.00	13.00	10.20	15.83	29.00	14.50	14.55	19.58
Alberta	16,161 9,600	25.00 15.00	12.50 7.50	(4.30) to 1.45 (5.75) to 0	8.96 2.08	37,885	32.00	16.00	5.85	17.71	75,769	36.00	18.00	11.65	22.71	39.00	19.50	16.00	26.46
British Columbia	35,016 9,600	22.98 20.24	11.49 10.12	(11.58) to 0 (15.55) to 0	5.68 2.26	70,033 37,885	32.50 29.98	16.25 14.99	2.23 to 4.40 (1.43) to 4.40	17.58 14.43	97,636 80,406 75,769	40.70 38.29 36.50	20.35 19.15 18.25	14.12 10.62 8.03 to 10.20	27.83 24.82 22.58	43.70	21.85	18.47	31.58
Manitoba	30,544 9,600	27.75 25.90	13.88 12.95	(3.21) to 2.54 (5.90) to 0	14.08 11.77	66,000 37,885	39.40 34.75	19.70 17.38	13.68 6.94	28.65 22.83	75,769	43.40	21.70	19.48	33.65	46.40	23.20	23.83	37.40
New Brunswick	34,836 9,600	30.48 25.12	15.24 12.56	(0.70) to 5.05 (8.48) to 0	14.81 8.11	69,673 37,885	38.80 37.48	19.40 18.74	11.36 9.45	25.21 23.56	113,273 75,769	43.95 42.80	21.98 21.40	18.83 17.16	31.65 30.21	46.95	23.48	23.18	35.40
Newfoundland and Labrador	30,215 9,600	28.30 23.20	14.15 11.60	3.89 to 9.64 (3.50) to 2.25	12.46 6.08	60,429 37,885	38.00 35.30	19.00 17.65	17.96 14.04	24.58 21.21	75,769	42.00	21.00	23.76	29.58	45.00	22.50	28.11	33.33
Northwest Territories	35,986 12,355 9,600	23.60 20.90 15.00	11.80 10.45 7.50	(9.96) to 0 (13.87) to 0 (5.75) to 0	5.33 1.96 to 2.08 2.08	71,973 37,885	34.20 30.60	17.10 15.30	5.42 0.20 to 4.40	18.58 14.08	117,011 75,769	40.05 38.20	20.03 19.10	13.90 11.22	25.90 23.58	43.05	21.53	18.25	29.65
Nova Scotia	29,590 9,600	29.95 23.79	14.98 11.90	3.10 to 8.85 (5.84) to 0	11.15 3.45	59,180 37,885	38.67 36.95	19.34 18.48	15.74 13.25	22.05 19.90	93,000 81,105 75,769	45.25 44.34 42.67	22.63 22.17 21.34	24.00 22.67 21.54	29.31 28.17 27.05	48.25	24.13	28.35	33.06
Nunavut	11,360 9,600	19.00 15.00	9.50 7.50	(8.94) to 0 (5.75) to 0	2.08 2.08	37,885	29.00	14.50	5.56	14.58	75,770 75,769	35.00 33.00	17.50 16.50	14.26 11.36	22.08 19.58	40.50	20.25	22.24	28.96
Ontario	36,020 9,600	24.15 21.05	12.08 10.53	(2.63) to 3.12 (7.13) to 0	7.11 3.23	74,721 72,041 63,430 37,885	39.41 35.39 32.98 31.15	19.70 17.70 16.49 15.58	13.81 11.64 8.14 7.52	22.59 19.88 16.86 15.86	75,769	43.41	21.70	19.61	27.59	46.41	23.20	23.96	31.34
Prince Edward Island	31,984 9,600	28.80 24.80	14.40 12.40	(0.97) to 4.79 (6.77) to 0	13.96 8.96	63,969 37,885	38.70 35.80	19.35 17.90	13.39 9.19	26.33 22.71	98,143 75,769	44.37 42.70	22.19 21.35	20.09 19.19	32.88 31.33	47.37	23.69	24.44	36.63
Quebec	37,500 12,769 9,600	32.53 28.53 12.53	16.26 14.26 6.26	6.94 to 11.75 1.14 to 5.95 (4.80) to 0	16.74 11.74 1.74	75,000 37,885	42.37 38.37	21.19 19.19	21.22 15.42	29.05 24.05	75,769	45.71	22.86	26.06	33.22	48.22	24.11	29.69	36.35
Saskatchewan	9,600	26.00	13.00	(5.75) to 0	8.33	39,135 37,885	35.00 33.00	17.50 16.50	7.30 4.40	19.58 17.08	111,814 75,769	41.00 39.00	20.50 19.50	16.00 13.10	27.08 24.58	44.00	22.00	20.35	30.83
Yukon	9,600	22.04	11.02	(11.49) to 0	5.32	37,885	31.68	15.84	2.49 to 4.40	17.37	78,755 75,769	38.01 37.44	19.01 18.72	10.87 10.84	25.01 24.57	42.40	21.20	17.23	30.49
Non-resident¹	9,600	22.20	11.10	(8.51) to 0	3.08	37,885	32.56	16.28	6.51	16.03	75,769	38.48	19.24	15.10	23.43	42.92	21.46	21.53	28.98

1. Eligible dividends are designated as such by the payor. Most dividends paid by public corporations will be eligible dividends. When two dividend rates are indicated, the 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.

2. Non-residents will pay tax on taxable incomes below \$9,600 if the non-resident does not qualify for the federal personal basic tax credit (see page 5). Non-resident rates for interest and dividends apply only in limited cases; generally, interest (commencing 2008, other than most interest paid to arm's-length non-residents) and dividends are subject to Part XIII non-resident withholding tax.

How Much Tax? Individual Tax Table for 2008

This table shows the combined federal and provincial (or territorial) income taxes payable, assuming all income is interest or ordinary income (such as salary) and only the basic personal tax credit is claimed (except for non-residents).

Certain types of income and deductions may make alternative minimum tax (AMT) apply, affecting the results in this table.

This table assumes the non-resident will not qualify for the basic personal tax credit. Non-residents may 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.

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, so the non-resident rates are 48% of federal rates. Non-residents are subject to provincial or territorial rates on:

- employment income and business income earned in the respective province or territory; and
- income and capital gains on dispositions of real property located in a province or territory.

Different rates may apply to non-residents in other circumstances.

For the taxation of interest and dividends paid to non-residents, see footnote 2 on [page 4](#).

	Federal income tax	Combined 2008 federal and provincial/territorial income tax														Non-resident	
		Alberta	B.C.	Manitoba	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nunavut	Ontario	P.E.I.	Quebec	Sask.	Yukon			
	\$1,000,000	\$279,182	\$377,566	\$419,184	\$448,672	\$453,743	\$435,389	\$413,225	\$465,960	\$387,996	\$445,736	\$457,353	\$466,574	\$425,179	\$407,994	\$415,320	\$1,000,000
	500,000	134,182	182,566	200,684	216,672	218,993	210,389	197,975	224,710	185,496	213,688	220,503	225,499	205,179	196,004	200,720	500,000
	400,000	105,182	143,566	156,984	170,272	172,043	165,389	154,925	176,460	144,996	167,278	173,133	177,284	161,179	153,606	157,800	400,000
	300,000	76,182	104,566	113,284	123,872	125,093	120,389	111,875	128,210	104,496	120,868	125,763	129,069	117,179	111,208	114,880	300,000
↑ Taxable income	250,000	61,682	85,066	91,434	100,672	101,618	97,889	90,350	104,085	84,246	97,664	102,078	104,961	95,179	90,009	93,420	250,000
	200,000	47,182	65,566	69,584	77,472	78,143	75,389	68,825	79,960	63,996	74,459	78,393	80,854	73,179	68,810	71,960	200,000
	150,000	32,682	46,066	47,734	54,272	54,668	52,889	47,300	55,835	43,746	51,254	54,708	56,746	51,179	47,611	50,500	150,000
	100,000	18,877	27,261	26,579	31,768	32,041	31,084	26,786	32,406	24,771	28,745	31,718	33,220	30,111	27,429	30,070	100,000
	90,000	16,277	23,661	22,693	27,428	27,761	26,884	22,966	27,908	21,271	24,404	27,417	28,649	26,211	23,628	26,222	90,000
	80,000	13,677	20,061	18,872	23,088	23,481	22,684	19,146	23,493	17,771	20,063	23,147	24,078	22,311	19,827	22,374	80,000
	70,000	11,308	16,692	15,453	18,978	19,432	18,715	15,627	19,457	14,617	16,191	19,108	19,899	18,641	16,408	18,867	70,000
	60,000	9,108	13,492	12,455	15,317	15,679	14,927	12,567	15,590	11,717	12,956	15,353	16,062	15,141	13,240	15,611	60,000
	50,000	6,908	10,292	9,457	11,842	11,931	11,397	9,507	11,881	8,817	9,841	11,773	12,225	11,641	10,072	12,355	50,000
	40,000	4,708	7,092	6,459	8,367	8,183	7,867	6,447	8,186	5,917	6,726	8,193	8,388	8,141	6,904	9,099	40,000
30,000	3,060	4,444	4,150	5,454	5,246	4,900	4,101	5,043	3,806	4,350	5,245	5,312	5,376	4,496	6,660	30,000	
20,000	1,560	1,944	2,126	2,864	2,734	2,580	2,011	2,638	1,906	2,245	2,765	2,460	2,776	2,292	4,440	20,000	

↑ Taxable income

Personal Tax Credits for 2008

Key Non-Refundable Tax Credits

Non-refundable credits reduce or eliminate tax, but have no value unless the taxpayer has a tax liability. For more information on key federal credits, see [page 7](#).

For most tax credits:
General factor x federal (or provincial/territorial) amount
= federal (or provincial/territorial) credit.

Quebec has special rules that affect some credits (see [page 7](#)).

Credits as percentage (%) of base amount or actual payment
(subject to some limitations: see [next page](#))

	Federal	Alta.	B.C.	Man.	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nun.	Ont.	P.E.I.	Que.	Sask.	Yuk.
General factor	15	10	5.24	10.9	10.12	8.2	5.9	8.79	4	6.05	9.8	20	11	7.04
Charitable donations														
First \$200	29	21	14.7	17.4	17.95	16	14.05	17.5	11.5	11.16	16.7	24	15	12.76
Amount over \$200	18.97	9	12	11	12	6.65	11.5	8.85	6.2	7	10.5	11.9	11	11
Dividend tax credit (on grossed-up amount)														
Eligible	13.33	4.5	5.1	3.15	5.3	5	6	7.7	4	5.13	4.3	8	6	4.45
Non-eligible														

Provinces and territories generally use their own amounts to determine credits.

Federal amounts

Maximum dollar (\$) value (before surtaxes) of credits that are based on prescribed amounts

	Federal	Alta.	B.C.	Man.	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nun.	Ont.	P.E.I.	Que.	Sask.	Yuk.
Basic	9,600	1,440	1,616	482	876	850	620	680	454	525	755	2,043	984	676
Spouse				412	721	507	729	577		446	642	n/a		
Equivalent to spouse											617			
Age 65	5,276	791	450	216	406	415	292	357	341	256	369	440	466	371
Disability														
Basic	7,021	1,053	1,247	361	674	688	419	591	404	454	424	675	465	494
Under 18 supplement									276			394		
Infirm dependant (18 or over)	4,095	614	936	211	393	401	197	242	224	164	248	240	n/a	901
Caregiver									392					
Pension income	2,000	300	124	52	109	101	82	59	94	80	73	98	300	110
Child	2,038	306						n/a						141
Adoption	10,643	1,596	1,105	558	1,090	n/a	837	n/a		641		n/a		307
Children's fitness	500	75	n/a		55			44				n/a		143
CPP/QPP	2,049	307	205	107	223	207	168	121	180	82	124	201	n/a	225
Employment Insurance (EI)	711	107	71	37	78	72	58	42	62	28	43	70		78
Canada Employment	1,019	153						n/a						50
Education														72
Full-time	400	60	63	10	44	40	16	24	18	16	28	39	377	44
(per month)														28
Part-time	120	18	19	3	13	12	5	7	5	5	8	12	n/a	8
Textbook														
Full-time	65	10												5
(per month)														1
Part-time	20	3								3		n/a		1
									1					

In Quebec, the federal EI amount is \$571 (see [page 35](#)).

x 1.1

x 1.2 or
x 1.56

x 1.1

x 1.05

In jurisdictions that levy a surtax, the surtax increases the value of the credits by the factors shown.

Key Federal Credits: Additional Information

The provinces and territories may have comparable thresholds and rules.

	Special rules	To whom the credit may be transferred	Carry-forward
Tuition	Credit available only if at least \$100 is paid in fees to an institution	Spouse, parent or grandparent (Maximum combined credits transferable = \$750)	Indefinite
Education	Credit = \$60/month for full-time students and certain disabled part-time students; \$18/month for other part-time students		
Textbook	Credit = \$10/month for full-time students and certain disabled part-time students; \$3/month for other part-time students		
Medical	Credit is based on amount by which qualifying medical expenses exceed the lesser of \$1,962 and 3% of net income (generally, expenses for any twelve-month period ending in the year can be claimed)	Either spouse may claim medical expense credit	
CPP/QPP and EI	For employees, maximum credit = \$414 (in Quebec, \$393); self-employed persons deduct 50% of CPP/QPP premiums paid for their own coverage (maximum deduction of \$2,049) and claim a credit for the non-deductible half of premiums paid (maximum credit \$307); self-employed persons do not pay EI premiums	n/a	
Canada Employment	Credit is based on employment income		
Transit pass	Public transit passes (monthly or longer) and certain weekly and electronic payment cards for travel are eligible	Spouse or parent	
Student loan interest	Interest must be paid on qualifying student loans	n/a	5 years
Charitable donations	Eligible donations are limited to 75% of net income	Either spouse may claim	
Spousal and equivalent to spouse	Reduced by any net income of the spouse or qualifying dependant	n/a	
Infirm dependant	Reduced if dependant's income exceeds \$5,811		
Caregiver	For providers of in-home care for an adult relative (reduced if relative's income exceeds \$13,986)		
Age	Reduced if income exceeds \$31,524	Spouse	
Pension	Maximum credit = \$300		
Child	Credit available for each child under 18		
Children's fitness	Maximum credit = \$75 for children under 16; \$150 for children under 18 who qualify for the disability tax credit	Either parent may claim tax credit	
Disability	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 \$2,399	

Quebec's Special Credits and Rules

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 \$10,215;
- 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 \$548 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 \$29,645;
- a person that lives alone or with a dependant can claim a credit of \$239;
- a person that qualifies for the living alone credit and lives with an eligible student is eligible for an additional \$297 credit;
- the maximum education credit of \$377 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); 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 below.

	Details
Adoption	50% of eligible adoption expenses (maximum credit of \$10,000)
Child care	26% to 75% of qualifying child care expenses (limits apply)
Caregivers	Maximum credit of \$1,033 is reduced if the dependant's income exceeds \$20,650
Respite expenses for informal caregivers	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 \$50,000
Home support for seniors	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 \$50,000; expenses eligible for this credit will not qualify for the medical expense credit
Medical	25% of medical expenses eligible for the non-refundable credit and 25% of amount deducted for impairment support products and services; maximum credit of \$1,032 is reduced if family income exceeds \$19,955

Income Tax Filing and Payment Deadlines for 2008 – Individuals and Trusts

Deadlines falling on holidays or weekends may be extended to the next business day. See [page 40](#) for other filing deadlines.

	Instalments		Filing deadline and balance due	Tax forms
	Required	Deadline		
Individuals	If tax payable in 2008 and either 2007 or 2006 exceeds tax withheld by more than \$3,000 (\$1,800 for Quebec residents).	15th of March, June, September, December	April 30 Extensions may be available.	T1 (and TP-1-V for Quebec filers)
Trusts	<i>Inter vivos</i> Testamentary	None	90 days after trust year end	T3 (and TP-646-V for Quebec filers)

Before 2008, the threshold was \$2,000 (\$1,200 for Quebec residents).

For the 2008 taxation year of an *inter vivos* trust, the filing deadline is March 31, 2009.

	Extended deadlines for individuals	
	Filing	Balance due
Taxpayer (or spouse) carried on a business	June 15	April 30 (no extension)
Non-resident	If a non-resident receives: <ul style="list-style-type: none"> rental income on Canadian real property and elects to file under section 216, filing deadline is two years after end of year the income was paid or credited (June 30 if NR6 was filed); or certain Canadian pension, retirement and social assistance benefits and elects to file under section 217, filing deadline is June 30. 	
Taxpayer (or spouse) died	If a taxpayer (or his spouse) died: <ul style="list-style-type: none"> November 1 to December 15, filing deadline is 6 months after date of death (June 15 if individual or his/her spouse carried on a business); December 16 to December 31, filing deadline is 6 months after date of death; or after year end, but before the filing deadline for that year (i.e., April 30 or June 15), filing deadline for that previous year is later of 6 months after date of death and filing deadline that would otherwise apply. 	If taxpayer died in: <ul style="list-style-type: none"> November or December, balance due date is 6 months after date of death; or January, February, March or April, balance due for the previous year is 6 months after date of death.

Non-residents are not subject to instalment or filing requirements on these (and certain other) receipts. Instead, 25% Part XIII withholding tax applies (and may be reduced by treaty).

Applies to unit trusts, including mutual fund trusts.

Mutual fund trusts can elect to have a taxation year that ends on December 15.

See [page 4](#).

	Trust created	Year end	Tax rate
Inter vivos trust	During lifetime	December 31	Top personal tax rate
Testamentary trust	On death	Any (year must be ≤ 12 months)	Personal marginal tax rates

Exceptions apply in Nova Scotia, Ontario, Prince Edward Island and Yukon, which are jurisdictions with surtaxes.

Year end may be changed with the Minister's approval.

Probate Fees (for estates over \$50,000)

Probate is an administrative procedure under which a court validates a deceased's will and confirms the appointment of the executor.

All provinces and territories impose probate fees or administrative charges for probating a will. Other fees may apply, in addition to those shown in the table below.

For some provinces and territories, different rates may apply for smaller estates (less than \$50,000).

Certain properties may be excluded.

	Value of estate on which fee is calculated	Fee schedule (estates over \$50,000)	Example fees				
			Value = \$500,000	Value = \$2,000,000	Value = \$5,000,000		
Alberta	Up to \$125,000	\$200	\$400			Alberta	
Northwest Territories	\$125,000 to \$250,000	\$300				Northwest Territories	
Nunavut	Over \$250,000	\$400				Nunavut	
British Columbia	Gross value	\$358 + 1.4% of portion > \$50,000	\$6,658	\$27,658	\$69,658	British Columbia	
Manitoba		\$70 + 0.7% of portion > \$10,000	\$3,500	\$14,000	\$35,000	Manitoba	
New Brunswick		0.5% of estate	\$2,500	\$10,000	\$25,000	New Brunswick	
Newfoundland and Labrador		\$90 + 0.5% of portion > \$1,000	\$2,585	\$10,085	\$25,085	Newfoundland and Labrador	
Nova Scotia		Up to \$100,000	\$876	\$6,792	\$28,977	\$73,347	Nova Scotia
		Over \$100,000	\$876 + 1.479% of portion > \$100,000				
Ontario		Over \$50,000	\$250 + 1.5% of portion > \$50,000	\$7,000	\$29,500	\$74,500	Ontario
Prince Edward Island	Up to \$100,000	\$400	\$2,000	\$8,000	\$20,000	Prince Edward Island	
	Over \$100,000	\$400 + 0.4% of portion > \$100,000					
Quebec	Not based on value	Nominal fee				Quebec	
Saskatchewan	Gross value	0.7% of estate	\$3,500	\$14,000	\$35,000	Saskatchewan	
Yukon		\$140	\$140			Yukon	

Although Quebec does not levy probate fees, wills (other than notarial wills) must be authenticated by the Superior Court of Quebec. A nominal fee applies.

Key Tax Changes

Federal

	Top federal rates			
	Ordinary income	Capital gains	Eligible	Non-eligible
2007	29%	14.50%	14.55%	19.58%
2008	29%	14.50%	14.55%	19.58%

2008	Bracket	\$0	\$37,885	\$75,769	\$123,184
	Rate	15%	22%	26%	29%

Decreased from 15.5% to 15%, retroactive to 2007.

Because the federal government is in a minority, it is uncertain whether federal tax changes that have not been enacted into law will proceed. At the publication date, 2008 federal budget measures had not been enacted.

Personal tax system: Federal tax brackets and most federal tax credits increased by 1.9% for 2008, as a result of indexing. The basic personal amount and the spouse/equivalent to spouse (or wholly dependent relative) personal amount increased from \$8,929 to \$9,600, retroactive to 2007, remain \$9,600 for 2008, and will further increase to \$10,100 in 2009.

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Dividend gross-up	45%	44%	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	18.9655%	17.9739%	17.9739%	16.4354%	15.0198%
Top federal rate	14.55%	15.88%	15.88%	17.72%	19.29%

Assumes top federal marginal income tax rate remains 29%.

Tax-Free Savings Account (TFSA): Starting 2009, Canadian residents age 18 or older can contribute up to \$5,000 annually (indexed after 2009) to a TFSA. Contributions will not be deductible. Withdrawals and income earned in the TFSA will not be taxed. The contribution room will be cumulative and can be carried forward indefinitely. Withdrawals will increase the contribution room for the following year.

Automobile deductions and benefits: 2008 prescribed rates for automobiles for purposes of determining:

- capital cost allowance, interest and leasing deductions will remain at their 2007 levels; and
- automobile allowance deductions, tax-exempt allowances and taxable benefits will be 2¢ per kilometre higher than for 2007.

See *Car Expenses and Benefits – A Tax Guide* at www.pwc.com/ca/carexpenses.

Tracking of motor vehicle use: Commencing 2009, a logbook maintained for a sample period will be sufficient to support motor vehicle expense and taxable benefit calculations.

Donations of exchangeable securities: Commencing February 26, 2008, capital gains realized on the exchange of certain unlisted securities for publicly traded securities that are then donated to a registered charity within 30 days of the exchange, may be exempt from tax.

Excessive business holdings regime for private foundations: Refinements:

- exempt from the regime unlisted shares held by a private foundation on March 18, 2007 (however, divestment requirements may apply); and
- extend the regime's anti-avoidance rules to include certain uses of trusts for taxation years beginning after February 25, 2008.

See our *Tax Memo*, "New Tax Era for Private Foundations" at www.pwc.com/ca/taxmemo.

Registered Education Savings Plan (RESP): Enhancements:

- allow RESP-beneficiaries who cease to be enrolled in a qualifying program after 2007, to receive Educational Assistance Payments for up to six months after ceasing enrolment; and
- extend the RESP time limits by 10 years as follows:

	RESP time limits	
	2007	After 2007
Number of contribution years after plan entered into	21 years	31 years
Deadline for plan termination	25th anniversary year	35th anniversary year
Contribution age limit for family plan	No contributions for beneficiary over 20 years old	No contributions for beneficiary over 30 years old

For Disability Tax Credit (DTC) beneficiary plans, the limits are four years longer.

For DTC beneficiary plans, the limits are five years longer.

Retirement savings plans and profit sharing plans: Contribution limits will increase. See [page 37](#).

Life income funds (LIFs): LIF holders who face financial hardship or are age 55 years or older will have increased flexibility when withdrawing funds from a LIF.

Defined benefit registered pension plans (RPPs): The maximum pension benefit that may be paid from these plans will increase as shown:

	Pension benefit (per year of service)
2007	\$2,222
2008	\$2,333
2009	\$2,444
2010	Indexed

Medical expense tax credit: Changes to the medical expense tax credit, effective:

- February 27, 2008, ensure that vitamins, supplements and other drugs that can be purchased without a prescription are ineligible for the credit; and
- 2008, expand the list of eligible expenses to include specified devices, and certain expenses for trained animals.

Registered Disability Savings Plan (RDSP): Commencing 2008, the rules that specify when an RDSP must be collapsed are revised.

Housing allowances: Starting 2007, participants or members of a sports team or recreational program are eligible for a board and lodging allowance exclusion of up to \$300 per month.

Mineral exploration tax credit for flow-through shares: This credit is extended one year to flow-through share agreements entered into before April 1, 2009.

Scientific research and experimental development (SR&ED): Enhancements:

- extend the carry-forward period for unused SR&ED investment tax credits (ITCs) earned in the 1998 to 2005 taxation years from 10 years to 20;
- extend the SR&ED ITC to certain salary or wages (limited to 10% of salary and wages directly attributable to SR&ED carried on in Canada) incurred in respect of SR&ED carried on outside Canada after February 25, 2008; and
- improve the administration of the SR&ED program.

Specified investment flow-throughs (SIFTs): Commencing 2009 taxation years, the provincial component (except for Quebec) of the SIFT tax will be based on the general provincial corporate income tax rate of each province in which the SIFT has a permanent establishment, instead of a rate of 13%.

T3 and T5013 reporting: New rules require earlier posting of information related to T3s and T5013s to the CDS Innovations Inc. website by publicly traded trusts with taxation years ending after July 3, 2007, and by publicly traded partnerships with fiscal periods ending after July 3, 2007.

Goods and services tax (GST): The GST rate decreased from 6% to 5% on January 1, 2008. The federal government has mentioned the need for harmonization of federal and provincial sales taxes.

Sale of property by non-residents: Rules that apply to dispositions of “taxable Canadian property” by non-residents after 2008:

- exempt dispositions from the withholding and clearance certificate requirements if the gain will not be taxable in Canada by virtue of a tax treaty;
- expand the circumstances in which purchasers are exempt from the withholding requirements; and
- eliminate the need for non-residents to file a Canadian income tax return in certain cases when no tax is payable.

Withholding tax on interest: Commencing 2008, Canadian withholding tax is eliminated on most interest paid to arm’s-length non-residents. See our *Tax Memo*, “Withholding Tax on Interest—Welcome Changes for 2008 and Beyond” at www.pwc.com/ca/taxmemo.

International tax system: An advisory panel was established to consider ways to improve the fairness and competitiveness of Canada’s system of international tax. The panel issued a consultation paper that poses questions about Canada’s international taxation system and provides the panel’s initial views on a framework for improving the system. See our *Tax Memo*, “International Tax Policy—April 2008 Consultation Paper” at www.pwc.com/ca/taxmemo.

Canada-U.S. tax treaty: Canada and the U.S. signed the fifth Protocol to the Canada-U.S. tax treaty. Upon ratification, the Protocol:

- eliminates withholding tax on most interest (over three years for interest on related-party debt);
- makes the Limitation of Benefits article bilateral;
- extends treaty benefits to owners of limited liability companies;
- modifies the rules dealing with residence and corporate continuances; and
- affects the treatment of various personal tax considerations (e.g., pension contributions, stock options).

See our *Tax Memos*, “Canada-U.S. Income Tax Treaty: Fifth Protocol Makes Major Changes” and “Fifth Protocol to the Canada-U.S. Income Tax Treaty – Reflections” at www.pwc.com/ca/taxmemo.

Tax treaties and social security agreements: Recent developments are shown below.

	Ratified and entered into force	Signed but awaiting ratification	Under negotiation	Negotiation to commence
Tax treaties	None	United States	Columbia Greece	Poland
Social security agreements	Japan	Poland	None	

See page 46.

Alberta

Top combined federal/provincial rates					2008 Bracket	\$0
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate	10%
2007	39.00%	19.50%	17.45%	25.21%		
2008	39.00%	19.50%	16%	26.46%		

Alberta is the only province or territory with a single rate.

Highlights of changes

Personal tax system: For 2008, Alberta's personal tax credits increased by 4.7%, as a result of indexing. The following amounts increased by more than this percentage:

This is the income threshold at which the credit is fully phased out.

		Amount			Income threshold		
		2007	2008 Previous	2008 Revised	2007	2008 Previous	2008 Revised
Disability	Basic	\$7,131	\$7,466	\$12,466	Not applicable		
	Supplement						
Infirm dependant		\$4,160	\$4,355	\$9,355	\$10,062	\$10,535	\$15,535
Caregiver					\$18,366	\$19,229	\$24,229

Dividends:

	Eligible dividends						Non-eligible dividends		
	2007	2008	2009	2010	2011	After 2011	2007	2008	2009
Dividend gross-up	45%			44%	41%	38%	25%		
Dividend tax credit (on grossed-up dividend)	8%	9%	10%	9.84%	9.36%	8.87%	5.5%	4.5%	3.5%
Top marginal rate	17.45%	16%	14.55%	16.11%	18.62%	20.85%	25.21%	26.46%	27.71%

Assumes top combined federal/Alberta marginal income tax rate remains 39%.

Unless Alberta's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Health care premiums: These premiums are eliminated on January 1, 2009. See [page 35](#).

Family Employment Tax Credit: Commencing July 1, 2008, the maximum benefit and income threshold will increase.

British Columbia

Top combined federal/provincial rates					2008 Bracket	\$0	\$35,016	\$70,033	\$80,406	\$97,636
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate	5.24%	7.98%	10.5%	12.29%	14.7%
2007	43.70%	21.85%	18.47%	31.58%						
2008	43.70%	21.85%	18.47%	31.58%						

Can be reduced for low incomes.

Highlights of changes

Personal tax system: British Columbia's tax brackets and tax credits increased by 1.8% for 2008, as a result of indexing. Changes to its tax rates and brackets follow:

		2007	2008		2009	
			Previous	Revised		
Income tax rates and thresholds	↑	Highest	14.7%			
			\$95,909		\$97,636	
			13%		12.29%	
			\$78,984		\$80,406	
			11.1%		10.5%	
			\$68,794		\$70,033	
			8.65%	8.15%	7.98%	7.70%
			\$34,397		\$35,016	
Lowest	5.7%	5.35%	5.24%	5.06%		
				\$0		

Thresholds will be indexed for 2009.

Dividends:

	Eligible dividends					Non-eligible dividends	
	2008	2009	2010	2011	After 2011	2008	2009
Dividend gross-up	45%		44%	41%	38%	25%	
Dividend tax credit (on grossed-up dividend)	12%	11%	10.83%	10.31%	9.76%	5.1%	4.2%
Top marginal rate	18.47%	19.92%	21.45%	23.91%	26.11%	31.58%	32.71%

Assumes top combined federal/B.C. marginal income tax rate remains 43.70%.

Unless British Columbia's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Low income climate action tax credit: Commencing July 2008, an annual tax credit is available of up to \$100 per adult and \$30 per child (\$100 for the first child in single-parent families).

Climate action dividend payment: A one-time payment of \$100 will be made to each individual resident in the province on December 31, 2007.

Manitoba

Top combined federal/provincial rates					2008	Bracket	\$0	\$30,544	\$66,000
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate				
2007	46.40%	23.20%	23.83%	36.75%					
2008	46.40%	23.20%	23.83%	37.40%					

Can be reduced for low incomes.

Highlights of changes

Personal tax system: Changes to Manitoba's tax rates, brackets and personal amounts follow:

		2007	2008	2009	2010	2011
Income tax rates and thresholds	Highest	\$65,000	\$66,000	\$67,000	\$68,000	\$70,000
	Middle	13%	30,544	\$31,000	\$32,000	\$35,000
	Lowest	10.9%		10.8%	10.7%	10.5%
		\$0				
Personal amounts	Basic	\$7,834				
	Spouse/equivalent to spouse	\$6,482	\$8,034	\$8,134	Not announced	

Changes for 2010 and 2011 are subject to balanced budget requirements.

Commencing 2008, the spousal amount is reduced by any net income of the spouse or dependant (no threshold applies).

Dividends:

	Eligible dividends					Non-eligible dividends		
	2008	2009	2010	2011	After 2011	2007	2008	2009
Dividend gross-up	45%		44%	41%	38%	25%		
Dividend tax credit (on grossed-up dividend)	11%					3.67%	3.15%	2.5%
Top marginal rate	23.83%	25.09%	26.74%	28.12%	36.75%	37.40%	38.21%	

Assumes top combined federal/Manitoba marginal income tax rate remains 46.40%.

Manitoba's 11% rate is not affected by the federal changes (see page 10).

Primary Caregiver Tax Credit: Commencing 2009, the voluntary primary caregiver of a "Manitoba Home Care client" is eligible for a refundable tax credit of \$85 per month.

Community Enterprise Tax Credits: The Development credit is extended to December 31, 2011. The maximum annual investment limit that qualifies for the Investment credit increased from \$150,000 to \$450,000, retroactive to January 1, 2008.

Mineral Exploration Tax Credit: This 10% credit is extended one year to flow-through share agreements entered into before April 1, 2009.

New Brunswick

Top combined federal/provincial rates					2008	Bracket	\$0	\$34,836	\$69,673	\$113,273
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate					
2007	46.95%	23.48%	23.18%	35.40%						
2008	46.95%	23.48%	23.18%	35.40%						

Can be reduced for low incomes.

Highlights of changes

Personal tax system: New Brunswick's tax brackets and tax credits increased by 1.9% for 2008, as a result of indexing.

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Dividend gross-up	45%		44%	41%	38%
Dividend tax credit (on grossed-up dividend)	12%		11.81%	11.24%	10.65%
Top marginal rate	23.18%		24.72%	27.18%	29.37%

Assumes top combined federal/New Brunswick marginal income tax rate remains 46.95%.

Unless New Brunswick's legislation is amended, federal changes (see page 10) will revise the dividend tax credit and top marginal rate as shown.

Labour-Sponsored Venture Capital (LSVC) funds: Commencing 2008:

- registered retirement savings plans (RRSPs) can purchase LSVC funds directly; and
- investments in LSVC funds within an RRSP can be rolled over and will qualify for the LSVC tax credit, without cashing in the RRSP, provided the eight-year holding period in the LSVC fund has been met.

Tax reform: Improvements to the overall tax system (e.g., personal and corporate income tax, property tax, consumption tax, fuel tax) will be recommended.

Newfoundland and Labrador

	Top combined federal/provincial rates				2008 Bracket	\$0	\$30,215	\$60,429
	Ordinary income	Capital gains	Eligible	Non-eligible				
2007	47.04%	23.52%	30.63%	35.60%	8.2%	13.3%	16%	
2008	45.00%	22.50%	28.11%	33.33%				

Can be reduced for low incomes.

Highlights of changes

Personal tax system: Newfoundland and Labrador's tax brackets and most personal tax credits increased by 1.1% for 2008. Changes to its tax rates, tax brackets and surtax follow:

		2007	2008		2009
			Previous	Revised	
Income tax rates and thresholds	Highest	17.26%	16.5%	16%	15.5%
		\$59,772		\$60,429	
	Middle	14.98%	13.8%	13.3%	12.8%
		\$29,886		\$30,215	
	Lowest	9.64%	8.7%	8.2%	7.7%
				\$0	
Surtax rate and threshold		4.5%	Nil		n/a
		\$7,102	n/a		

Thresholds will be indexed for 2009.

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Dividend gross-up	45%		44%	41%	38%
Dividend tax credit (on grossed-up dividend)	6.65%		6.55%	6.23%	5.9%
Top marginal rate	28.11%	27.38%	28.77%	30.79%	32.54%

Assumes top combined federal/Newfoundland and Labrador marginal income tax rate remains 44.5% after 2008.

Unless Newfoundland and Labrador's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Seniors' Benefit tax credit: This credit is enhanced for single seniors in 2008 by increasing:

- the maximum credit from \$384 to \$776; and
- the income threshold at which this credit is eliminated from \$21,920 to \$31,930.

Resort Property Investment Tax Credit: Investors can claim a non-refundable tax credit equal to 45% of the purchase price of qualifying resort development property units outside the North East Avalon acquired after June 14, 2007, and before 2013, if certain conditions are met. (Maximum annual credit is \$50,000; maximum lifetime credit is \$150,000.)

Northwest Territories

	Top combined federal/territorial rates				2008 Bracket	\$0	\$35,986	\$71,973	\$117,011
	Ordinary income	Capital gains	Eligible	Non-eligible					
2007	43.05%	21.53%	18.25%	29.65%	5.9%	8.6%	12.2%	14.05%	
2008									

Highlights of changes

Personal tax credits: Northwest Territories' personal income tax brackets and tax credits increased by 1.9% for 2008 as a result of indexing.

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Dividend gross-up	45%		44%	41%	38%
Dividend tax credit (on grossed-up dividend)	11.5%		11.32%	10.78%	10.20%
Top marginal rate	18.25%		19.81%	22.33%	24.61%

Assumes top combined federal/Northwest Territories marginal income tax rate remains 43.05%.

Unless Northwest Territories' legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Tax policy: The Northwest Territories will explore options to generate revenues that may result in changes to the territory's tax policy.

Nova Scotia

Top combined federal/provincial rates					2008	Bracket	\$0	\$29,590	\$59,180	\$93,000		
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate	8.79%	14.95%	16.67%	17.5%			
2007	48.25%	24.13%	28.35%	33.06%	Can be reduced for low incomes.						Surtax: 10% of basic provincial tax in excess of \$10,000.	
2008	48.25%	24.13%	28.35%	33.06%								

Highlights of changes

Personal tax system:

	2007	2008	2009	2010	After 2010
Basic personal credit	\$7,481	\$7,731	\$7,981	\$8,231	Indexed;
Other credits	Proportionate increase; total increase of 13.8%				starting at 2%

Includes spouse or common-law partner, dependant, pension income, disability, caregiver, age and infirm dependants age 18 or older.

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Dividend gross-up	45%		44%	41%	38%
Dividend tax credit (on grossed-up dividend)	8.85%		8.71%	8.29%	7.85%
Top marginal rate	28.35%		29.8%	32%	33.94%

Assumes top combined federal/Nova Scotia marginal income tax rate remains 48.25%.

Unless Nova Scotia's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Transit tax credit: Commencing 2009, Nova Scotia will provide a tax credit that parallels the federal transit pass tax credit (see [page 7](#)).

Healthy living tax credit: Starting 2009, eligibility for this \$500 non-refundable credit is expanded to all Nova Scotia residents that participate in sport and recreational activities.

Volunteer firefighters tax credit: Commencing 2008, eligibility for this refundable credit is expanded to groundsearch and rescue volunteers.

Medical tax credit: Commencing 2008, this credit is extended to expenditures for alternative medical practitioners (e.g., naturopaths).

Review of tax system: Nova Scotia will review all provincial taxes and fees that apply to businesses and individuals.

Nunavut

Top combined federal/territorial rates					2008	Bracket	\$0	\$37,885	\$75,770	\$123,184		
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate	4%	7%	9%	11.5%			
2007	40.50%	20.25%	22.24%	28.96%								
2008	40.50%	20.25%	22.24%	28.96%								

Highlights of changes

Personal tax system: For 2008, Nunavut's personal tax brackets were indexed by 1.9% to approximate the federal brackets. Its personal tax credits were also indexed by 1.9%.

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Dividend gross-up	45%		44%	41%	38%
Dividend tax credit (on grossed-up dividend)	6.2%		6.11%	5.82%	5.51%
Top marginal rate	22.24%		23.64%	25.72%	27.56%

Assumes top combined federal/Nunavut marginal income tax rate remains 40.5%.

Unless Nunavut's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Pension tax credit: This tax credit increased from \$1,000 to \$2,000, commencing 2008.

Credit for young children: Retroactive to 2006, parents can claim a \$1,200 (\$600 in 2006) non-refundable tax credit for each child under six.

Textbook tax credit: Commencing 2008, Nunavut will parallel the federal textbook tax credit (see [pages 6 and 7](#)).

Firefighters tax credit: Commencing 2008, full- and part-time volunteer firefighters are eligible for a \$500 non-refundable tax credit (indexed after 2008).

Ontario

Top combined federal/provincial rates					2008 Bracket			
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate	\$0	\$36,020	\$72,041
2007	46.41%	23.20%	24.64%	31.34%	6.05%			
2008	46.41%	23.20%	23.96%	31.34%	6.05%			

Can be reduced for low incomes. Surtax: 20% of basic provincial tax in excess of \$4,162 + 36% of basic provincial tax in excess of \$5,249

Highlights of changes

Personal tax system: For 2008, Ontario's tax brackets, personal credits and surtax thresholds increased by 1.5% as a result of indexing.

Dividends:

	Eligible dividends					
	2007	2008	2009	2010	2011	After 2011
Dividend gross-up	45%					
Dividend tax credit (on grossed-up dividend)	6.7%	7%	7.4%	7.7%		
Top marginal rate	24.64%	23.96%	23.06%	23.65%	25.33%	26.74%

Ontario's legislation will be amended to maintain a 7.7% rate.

Assumes top combined federal/Ontario marginal income tax rate remains 46.41%.

Seniors:

- Commencing 2009, senior homeowners are eligible to receive a property tax grant. The maximum grant is \$250 in 2009 (\$500 subsequently).
- The \$23,820 income threshold (at which the Ontario property and sales tax credits are clawed back for senior couples) will increase in 2008.

Labour-Sponsored Investment Fund (LSIF) credit: Enhancements:

- increase the maximum investment that qualifies for the credit from \$5,000 to \$7,500, effective January 1, 2007; and
- extend the phase-out of the tax credit, as shown to the right:

	Previous	Revised
2007 to 2008	15%	
2009	10%	15%
2010	5%	10%
2011		5%
2012	Nil	

Land transfer tax (LTT): Changes:

- expand the LTT Refund Program for First-Time Homebuyers to include purchases of resale homes, for agreements of purchase and sale entered into after December 13, 2007;
- exempt from LTT any transfers of farmland from family farm corporations to individual family members made after March 25, 2008; and
- impose an LTT within the city of Toronto (see [page 39](#)), although first-time homebuyers qualify for a rebate of up to \$3,725.

Prince Edward Island

Top combined federal/provincial rates					2008 Bracket			
	Ordinary income	Capital gains	Eligible	Non-eligible	Rate	\$0	\$31,984	\$63,969
2007	47.37%	23.69%	24.44%	33.61%	9.8%			
2008	47.37%	23.69%	24.44%	36.63%	9.8%			

Can be reduced for low incomes. Surtax: 10% of basic provincial tax in excess of \$12,500.

Highlights of changes

Personal tax system: Increases to Prince Edward Island's tax brackets, surtax threshold and personal amounts follow:

		2007	2008
Income tax thresholds	Highest	\$62,739	\$63,969
	Middle	\$31,369	\$31,984
Surtax threshold		\$8,850	\$12,500
Personal amounts	Basic	\$7,560	\$7,708
	Spousal	\$6,420	\$6,546
	Age	\$3,691	\$3,764

The income thresholds for claiming these credits will increase in 2008.

Dividends:

	Eligible dividends					Non-eligible dividends				
	2008	2009	2010	2011	After 2011	2007	2008	2009	2010	After 2010
Dividend gross-up	45%		44%	41%	38%	25%				
Dividend tax credit (on grossed-up dividend)	10.5%		10.34%	9.84%	9.32%	6.5%	4.3%	3.2%	2.1%	1%
Top marginal rate	24.44%		25.95%	28.36%	30.50%	33.61%	36.63%	38.15%	39.66%	41.17%

Assumes top combined federal/Prince Edward Island marginal income tax rate remains 47.37%.

Unless Prince Edward Island's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Quebec

Top combined federal/provincial rates					2008						
	Ordinary income	Capital gains	Eligible	Non-eligible	Bracket	Rate	\$0	\$37,500	\$75,000		
2007	48.22%	24.11%	29.69%	36.35%	2008	Rate	16%	20%	24%		
2008	48.22%	24.11%	29.69%	36.35%	Federal	2008	Bracket	\$0	\$37,885	\$75,769	\$123,184
							Rate	12.53%	18.37%	21.71%	24.22%

Quebec is the only jurisdiction that does not use the federal definition of taxable income.

Federal rates that apply in Quebec have been reduced by the 16.5% "Quebec abatement."

Because the Quebec government is in a minority, it is uncertain whether Quebec tax changes that have not been enacted into law will proceed. At the publication date, 2007 and 2008 Quebec budget measures had not been enacted.

Highlights of changes

Personal tax system: Most Quebec tax credits increased by 1.21% for 2008, as a result of indexing. Increases to Quebec's tax brackets and basic amount follow.

		2007	2008
Income tax thresholds	Highest	\$58,595	\$75,000
	Lowest	\$29,290	\$37,500
Basic amount		\$9,750	\$10,215

Dividends:

Quebec will harmonize with the federal changes (see [page 10](#)) to the eligible dividend gross-up.

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Dividend gross-up	45%		44%	41%	38%
Dividend tax credit (on grossed-up dividend)			11.9%		
Top marginal rate	29.69%		30.68%	31.85%	32.81%

Assumes top combined federal/Quebec marginal income tax rate remains 48.22%.

Quebec's 11.9% rate is not affected by the federal changes (see [page 10](#)).

Stock option deduction: This deduction increased from 25% to 50% for employees of innovative small- and medium-sized enterprises for stock options granted after March 13, 2008.

Child care expenses tax credit: Enhancements to family income thresholds and credit rates that apply commencing 2009 will benefit families with incomes exceeding \$46,755.

Age credit: This tax credit (\$2,200 in 2008) will be indexed after 2008.

Pension income credit: This tax credit will increase from \$1,500 to \$1,750 for 2009, to \$2,000 for 2010, and will be indexed after 2010.

Home support for seniors tax credit: Commencing 2008, this credit increased from 25% to 30% of eligible expenses (see [page 7](#)).

Tax credit for respite expenses for informal caregivers: Commencing 2008, this refundable credit is available for respite expenses paid for the care of a person who resides with the caregiver and has a significant disability (see [page 7](#)).

Tax credits for the treatment of infertility and for adoption: Commencing 2008, the rate for these credits increased from 30% to 50% (maximum credit is \$10,000 per infertility treatment and/or adoption).

U.S. social security: Retroactive to 2004, U.S. *Federal Insurance Contributions Act* payments (i.e., for social security and medicare) will be considered income tax paid and will qualify for a foreign income tax credit.

"Aggressive tax planning schemes": Quebec will devote resources to manage, detect and shut down these schemes, and will issue a paper on this topic in the autumn of 2008.

Federal harmonization: Quebec will harmonize with many federal tax changes (with modifications, in some cases), including those relating to Tax-Free Savings Accounts, donations of exchangeable securities, excessive business holdings regime for private foundations, Registered Education Savings Plans (RESPs), the medical expense tax credit, Registered Disability Savings Plans, housing allowances, T3 and T5013 reporting and the sale of property by non-residents (see [pages 10](#) and [11](#)).

Saskatchewan

	Top combined federal/provincial rates				2008	Bracket	\$0	\$39,135	\$111,814
	Ordinary income	Capital gains	Eligible	Non-eligible					
2007	44%	22%	20.35%	30.83%					
2008	44%	22%	20.35%	30.83%					

Highlights of changes

Personal tax system: Saskatchewan's income tax brackets and personal tax credits increased by 1.9% for 2008 as a result of indexing. The following amounts increased by more than this percentage:

Maximum personal amounts	Disability	Basic	2007	2008	
			Previous	Revised	
		Under 18 supplement	\$6,890	\$7,021	\$8,190
		Infirm dependant (18 or over)	\$4,019	\$4,095	
		Caregiver			

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Assumes top combined federal/Saskatchewan marginal income tax rate remains 44%.	45%	44%	41%	38%	
Dividend gross-up	45%	44%	41%	38%	
Dividend tax credit (on grossed-up dividend)	11%	10.83%	10.31%	9.76%	
Top marginal rate	20.35%	21.88%	24.33%	26.52%	

Unless Saskatchewan's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Active Family Benefit: Commencing 2009, a refundable income tax credit provides up to \$150 per child aged six to 14, for cultural, recreational and sports activity fees.

Graduate Retention Program: Commencing 2008, post-secondary students who graduate after 2005 can receive a refundable income tax credit that will rebate up to \$20,000 of tuition fees over seven years. The Graduate Tax Exemption is discontinued after 2007, because of the introduction of this rebate.

Mineral Exploration Tax Credit: This non-refundable 10% credit is reinstated for flow-through share agreements entered into after March 31, 2008.

Entrepreneurs: Saskatchewan is exploring options to assist young entrepreneurs.

Yukon

	Top combined federal/territorial rates				2008	Bracket	\$0	\$37,885	\$75,769	\$123,184
	Ordinary income	Capital gains	Eligible	Non-eligible						
2007	42.40%	21.20%	17.23%	30.49%						
2008	42.40%	21.20%	17.23%	30.49%						

Can be reduced for low incomes. Surtax: 5% of basic territorial tax in excess of \$6,000.

Highlights of changes

Personal tax system: For 2008, Yukon's income tax brackets and most Yukon tax credits increased by 1.9% to correspond to federal brackets and tax credits. Yukon's personal tax credits parallel federal amounts.

Dividends:

	Eligible dividends				
	2008	2009	2010	2011	After 2011
Assumes top combined federal/Yukon marginal income tax rate remains 42.40%.	45%	44%	41%	38%	
Dividend gross-up	45%	44%	41%	38%	
Dividend tax credit (on grossed-up dividend)	11%	10.83%	10.31%	9.76%	
Top marginal rate	17.23%	18.80%	21.34%	23.64%	

Unless Yukon's legislation is amended, federal changes (see [page 10](#)) will revise the dividend tax credit and top marginal rate as shown.

Child and Child fitness tax credits: Starting 2007, Yukon provides these non-refundable tax credits. They parallel the federal Child and Children's Fitness tax credits (see [pages 6 and 7](#)).

Corporate Income Tax Rates – General and M&P

To compute rates for off-calendar year ends, refer to [pages 24 to 34](#).
For income not earned in a province or territory, see [pages 20 and 24](#).

For non-resident corporations, the general and M&P rates in the table apply to business income attributable to a permanent establishment in Canada. Different rates may apply to non-residents in other circumstances. Non-resident corporations may also be subject to branch tax (see [page 20](#)).

The general rate reduction does not apply to certain types of income. See **Federal corporate income tax rate changes** on [page 24](#) for details.

Twelve-month taxation year ended December 31, 2008			
	General and Manufacturing and Processing (M&P) (%)	Canadian-Controlled Private Corporations (%)	
		Active business income earned in Canada up to \$400,000	Investment income
Basic federal rate		38	
	Provincial abatement	-10	
Less:	General rate reduction or M&P deduction	-8.5	n/a
	Small business deduction	n/a	-17
Plus:	Refundable investment tax		6.67
Federal rate	19.5	11	34.67

\$400,000 threshold: The \$400,000 is shared by associated CCPCs. It is reduced on a straight-line basis for CCPCs that, in the preceding year, had taxable capital employed in Canada (on an associated basis) between \$10 million and \$15 million. This clawback applies to all provincial and territorial small business deductions except Ontario's, which is described on [page 30](#).

Income above \$400,000: A CCPC's active business income above \$400,000 (or the higher thresholds that apply in Alberta, Ontario and Saskatchewan) is subject to the general or M&P rates. Rates that apply between \$400,000 and those higher thresholds are shown on [pages 26, 30 and 34](#).

Investment income: See **Refundable Investment Tax** on [page 20](#) for more details.

		Provincial/Territorial	Combined	Provincial/Territorial	Combined	Provincial/Territorial	Combined
Alberta		10	29.5	3	14	10	44.67
British Columbia		11.5	31	4	15	11.5	46.16 ¹
Manitoba		13.5	33	2	13	13.5	48.16 ¹
New Brunswick		13	32.5	5	16	13	47.67
Newfoundland and Labrador	General	14 H	33.5	5 H	16	14 H	48.67
	M&P	5 H	24.5			n/a	
Northwest Territories		11.5	31	4	15	11.5	46.17
Nova Scotia		16	35.5	5 H	16	16	50.67
Nunavut		12	31.5	4	15	12	46.67
Ontario¹	General	14 H	33.5	5.5 H	16.5	14 H	48.67
	M&P	12 H ²	31.5			n/a	
Prince Edward Island		16 H	35.5	3.47 H	14.47	16 H	50.67
Quebec		11.4 H ³	30.9	8 H	19	11.4 H	46.07
Saskatchewan	General	12.5	32	4.5	15.5	12.5	47.16 ⁴
	M&P	10 ²	29.5			n/a	
Yukon	General	15	34.5	4	15	15	49.67
	M&P	2.5	22	2.5	13.5	n/a	

H Tax holidays are available to certain corporations. See the table on [page 21](#).

1. Ontario corporations may also be subject to Ontario corporate minimum tax. See [page 30](#).

2. Special rules apply to manufacturing and processing income in Ontario (see [page 30](#)) and Saskatchewan (see [page 34](#)).

3. Quebec's rate does not apply to financial institutions (other than insurance corporations) and oil refining companies (see [page 32](#)).

4. Combined rates differ slightly, due to rounding in British Columbia (see [page 26](#)), Manitoba (see [page 27](#)) and Saskatchewan (see [page 34](#)).

Other Federal Corporate Tax Rates for 2008

See **Federal corporate income tax rate changes** on [page 24](#).

	Rate	Corporations affected	Description	Special rules						
Income not earned in a province or territory	29.5%	All corporations	Income tax is calculated as follows: <table border="0"> <tr> <td>Basic federal rate</td> <td>38%</td> </tr> <tr> <td>Less: General rate reduction</td> <td>- 8.5%</td> </tr> <tr> <td>Federal rate</td> <td>29.5%</td> </tr> </table>	Basic federal rate	38%	Less: General rate reduction	- 8.5%	Federal rate	29.5%	Corporate income that is not earned in a province or territory is neither: <ul style="list-style-type: none"> • eligible for the provincial abatement; nor • subject to provincial or territorial tax (exceptions apply).
Basic federal rate	38%									
Less: General rate reduction	- 8.5%									
Federal rate	29.5%									
Branch Tax	25%	Non-resident corporations, except: <ul style="list-style-type: none"> • transportation, communications and iron-ore mining companies; and • insurers (except in special circumstances). 	Applies to after-tax profits that are not invested in qualifying property in Canada.	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.						
Part III.1 Tax on Excess Designations	20% or 30%	Canadian-resident corporations	Applies if: <ul style="list-style-type: none"> • 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 • a non-CCPC pays an eligible dividend when it has a positive balance in its low rate income pool (LRIP). 	A corporation subject to Part III.1 tax at the 20% rate (i.e., the excess designation was inadvertent) can elect 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.						
Refundable Part IV Tax	33-1/3%	Private corporations Certain public corporations	Payable on taxable dividends received from certain taxable Canadian corporations.	Refundable to the corporation: <ul style="list-style-type: none"> • when it pays dividends, through the refundable dividend tax on hand (RDTOH) mechanism; and • at a rate of \$1 for every \$3 of taxable dividends paid. 						
Refundable Investment Tax	6-2/3%	Canadian-Controlled Private Corporations (CCPCs)	Increases the total federal rate that applies to investment income of a CCPC to 34.67% (see pages 19 and 24). Generally, 26-2/3% of a CCPC's aggregate investment income is added to its RDTOH.							
Part VI Financial Institutions Capital Tax	1.25%	Banks Trust and loan corporations Life insurance companies	Applies to banks, trust and loan corporations and life insurance companies with capital employed in Canada over \$1 billion. The thresholds are shared among related corporations.	Reduced by the corporation's federal income tax liability (before 2008, net of any federal surtax claimed against the Large Corporations Tax liability). Any unused federal income tax liability can be applied to reduce Financial Institutions Capital Tax for the previous three years and next seven. Unused income taxes that can be carried back from taxation years ending after June 30, 2006, will be calculated using capital tax rates and thresholds that applied before July 1, 2006 (i.e., 1.25% for capital over \$300 million; 1% between \$200 million and \$300 million; nil below \$200 million).						
Large Corporations Tax (LCT)	Nil	All corporations	Before 2006, imposed on taxable capital employed in Canada over \$50 million. The \$50 million threshold was shared among related corporations; associated corporations in the case of CCPCs.	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 and its SR&ED expenditure limit). 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).						

Provincial Income Tax Holidays and M&P Investment Tax Credits

Income Tax Holidays

	Eligible corporations	Holiday	Income not taxed each year
Newfoundland and Labrador	Companies meeting job creation and other conditions Designated before January 1, 2002 In Northeast Avalon region	Full holiday for 10 years, phased out over next 5 years	Income attributable to new or expanded business
	Designated after December 31, 2001 Outside Northeast Avalon region	Full holiday for 15 years, phased out over next 5 years Additional 50% federal tax rebate	
Nova Scotia	CCPCs in designated growth sectors, incorporated between April 1, 2003 and March 31, 2006 Outside Northeast Avalon region	For 5 years	\$400,000 of active business income
	CCPCs incorporated after April 24, 1992 In Northeast Avalon region	For 3 years	
Ontario	Companies incorporated in Canada after March 24, 2008, and before March 25, 2012, that commercialize intellectual property developed by Canadian universities, colleges or research institutions	For 10 years	No limit
Prince Edward Island	Aviation- and aerospace-related firms in Slemon Park Bioscience companies with more than 10 employees and \$750,000 annual payroll	Up to December 31, 2012 April 1, 2007 to March 31, 2017	Income attributable to P.E.I. operations
Quebec	CCPCs with first tax year beginning after March 25, 1997, and before March 30, 2004	For 5 years	\$150,000 (\$200,000 before June 12, 2003) of eligible business income
	Corporations accredited to carry on business in an Information Technology Development Centre	For 10 years	No limit
	Businesses that undertake major investment projects Small and medium-sized corporations that carry on manufacturing and processing in a remote resource region	March 30, 2001 to December 31, 2010	75% of eligible business income

The threshold is equal to the federal small business limit. (See page 19.)

As at the publication date, no limit had been announced.

No new applications have been accepted since June 12, 2003.

Applies only to corporations that were eligible before March 31, 2004.

No limit before June 12, 2003, on the amount of eligible income.

M&P Investment Tax Credits

Manitoba, Prince Edward Island, Quebec and Saskatchewan provide investment tax credits based on the cost of qualifying manufacturing and processing (M&P) property acquired during 2008 for use in the particular jurisdiction. The credits are non-refundable, except in Manitoba, where they are partially refundable, in Quebec, where refundability depends on the level of consolidated paid-up capital (see page 33), and in Saskatchewan, where they are fully refundable.

For federal tax purposes, the credits are considered government assistance and reduce the capital cost of the M&P asset.

An additional 25% credit may be claimed in P.E.I. by export-focused corporations.

Manitoba's refundable portion of the credit will increase from 35% to 70% (instead of 50%) for qualified property acquired after December 31, 2007. Manitoba's credit was extended (see page 27).

	Rate	For M&P property acquired		Carry-back	Carry-forward
		After	Before		
British Columbia	3%	March 31, 2000	July 31, 2001	3 years	10 years
Manitoba	10%	March 11, 1992	January 1, 2012		
Nova Scotia	30%	December 31, 1996	January 1, 2001		7 years
	15%	December 31, 2000	January 1, 2003		
Prince Edward Island	10%	December 31, 1992	No cut-off		20 years
Quebec	5% to 40%	March 13, 2008	January 1, 2016		
Saskatchewan	7%	March 20, 1997	March 27, 1999	10 years	
	6%	March 26, 1999	April 1, 2004		
	7%	March 31, 2004	October 28, 2006	n/a	
	5%	October 27, 2006	No cut-off		

Manitoba's carryforward was 7 years before 2004.

Saskatchewan's carryforward was 7 years before April 7, 2006. The credit is refundable for purchases after April 6, 2006.

For details, see page 33.

Capital Tax Rates

Only jurisdictions with a capital tax are noted. The tax base may vary by jurisdiction (and for financial institutions, by the type of institution).

To compute rates for off calendar year ends, refer to pages 26 to 34.

Capital tax is reduced or eliminated in Ontario for certain manufacturing or resource companies (see page 31) and in Quebec for certain manufacturing companies (see page 33). It is eliminated in Manitoba for certain manufacturing and processing companies (see page 27), and in Saskatchewan on new capital (see page 34).

For British Columbia, if net paid-up capital < \$10 million, no capital tax applies.

See *Insurance Industry: Key Dates and Other Essentials* at www.pwc.com/ca for information on capital tax rates for insurance companies.

The 0.97% Quebec rate includes a base capital tax rate of 0.72% and a 0.25% compensatory tax on paid-up capital. A 2% compensatory tax on payroll also applies.

For Saskatchewan threshold changes, see page 34.

			Twelve-month taxation year ended December 31, 2008		
			Rate	Exemption	
Corporations in general	Manitoba	On first \$20 million taxable capital	0.3%	\$10 million	
		On taxable capital between \$20 million and \$21 million	2.5%	Nil	
		On taxable capital > \$21 million	0.5%		
	New Brunswick		0.1%	\$5 million	
	Nova Scotia	If taxable capital < \$10 million	0.425%	Nil	
		If taxable capital ≥ \$10 million	0.212%		
	Ontario		0.225%	\$15 million	
Quebec		0.36%	Up to \$1 million		
Saskatchewan		0.075%	Up to \$20 million		
Federal (Part VI Financial Institutions Capital Tax)			1.25%	\$1 billion	
Financial institutions (except insurance)	British Columbia	If net paid-up capital ≤ \$1 billion	B.C. paid-up capital < \$10.25 million	Reduced rates	
			B.C. paid-up capital ≥ \$10.25 million		
		If net paid-up capital > \$1 billion	Based in and has head office in B.C.	0.75%	Nil
		Other	2.249%		
	Manitoba				
	New Brunswick		3%	\$10 million	
	Newfoundland and Labrador	If paid-up capital ≤ \$10 million		\$5 million	
		If paid-up capital > \$10 million		Nil	
	Nova Scotia	Trust and loan corporations	Head office in N.S.	4%	\$30 million
			Other		\$500,000
	Ontario	On first \$400 million of taxable capital		0.45%	\$15 million
			Deposit-taking financial institutions	0.675%	Nil
			Other	0.54%	
Prince Edward Island		5%	\$2 million		
Quebec		0.97%	Nil		
Saskatchewan	If taxable paid-up capital ≤ \$1.5 billion		0.7%	Up to \$20 million	
		If taxable paid-up capital > \$1.5 billion	3.25%		

Associated or related corporations may be required to share the exemption.

Tax Payment Deadlines – Income and Capital Tax

Federal income tax payments include tax payments for:

- Financial Institutions Capital Tax;
- Tax on Corporations Paying Dividends on Taxable Preferred Shares;
- Additional Tax on Authorized Foreign Banks; and
- New Brunswick and Nova Scotia general capital tax.

For taxation years commencing before 2008, the threshold was \$1,000.

Separate \$3,000 thresholds apply for federal purposes and for these provincial/territorial jurisdictions (i.e., there are two \$3,000 thresholds).

Federal balance due deadlines also apply to Part IV tax (page 20). However, no Part IV tax instalments are required.

For taxation years commencing after 2007, CCPCs can pay federal and Quebec instalments on the last day of months 3, 6, 9 and 12 of the taxation year, if certain conditions are met.

For taxation years ending after 2008:

- the Canada Revenue Agency will collect Ontario corporate tax instalments; and
- Ontario will adopt federal corporate tax instalment rules (see page 31).

Quebec manufacturers with consolidated paid-up capital ≤ \$75 million can pay their 2008 calendar year instalments two months after the end of the taxation year. Exceptions apply. See page 33.

	Deadline	Instalments		Deadline	Balance due		Filing deadline
		Waiver conditions			Extended deadline (income tax only)		
Income tax	Federal All jurisdictions except: • Alberta; • Quebec; and • Ontario (for taxation years ending before 2009).	Last day of each month	Total tax ¹ is ≤ \$3,000	2 months after year end	3 months, if the corporation: • was a CCPC throughout the current year; • claimed the small business deduction in the current or previous year; and • had taxable income, on an associated basis, in taxation years ending in the previous calendar year ≤ the total business limit for those taxation years.	6 months after year end	
	Alberta		Alberta income tax ¹ ≤ \$2,000 or CCPC qualifies for extended balance due deadline		3 months for CCPCs that: ¹ • claimed Alberta's small business deduction; and • had taxable income ≤ \$500,000.		
	Ontario		Ontario income and capital tax ¹ < \$2,000		3 months, if the corporation: • was a CCPC throughout the current year; and • in the previous year had taxable income ≤ \$400,000.		
	Quebec		Quebec income and capital tax ¹ ≤ \$3,000		No extended deadline		
Capital tax	Federal	No general capital tax					
	Manitoba	15th day of months 3, 6, 9 and 12 after year end	Capital tax for current year ≤ \$2,400		6 months after year end		
	Corporations in general	New Brunswick Nova Scotia Ontario Quebec	Same as provincial income tax (above) (The federal government administers and collects general capital taxes payable to New Brunswick and Nova Scotia.)				
	Saskatchewan	Last day of each month	Capital tax for current year ≤ \$4,800		Last day of 6th month after year end		
	Other provinces and territories	No general capital tax					
	Financial institutions	Federal	Same as federal income tax (above).				
	British Columbia	15th day of months 4, 7, 10 and 13 after year end	Capital tax for current year ≤ \$3,000		184 days after year end		
	Manitoba	Same as Manitoba general capital tax (above)					
	New Brunswick Newfoundland and Labrador Nova Scotia Prince Edward Island	20th day of each month	None		6 months after year end		
	Ontario Quebec	Same as provincial income tax (above)					
Saskatchewan	Same as Saskatchewan general capital tax (above)						
Other provinces and territories	No financial institutions capital tax						

In Manitoba, corporations that qualify for the waiver must nevertheless make one instalment three months after year end. For taxation years commencing after January 1, 2008, the threshold increases from \$2,400 to \$5,000.

For example, in Saskatchewan the balance payable would be June 30 for a December 15 year end.

1. For current or previous year.

Key Tax Changes

Federal

Because the federal government is in a minority, it is uncertain whether federal tax changes that have not been enacted into law will proceed. At the publication date, 2008 federal budget measures had not been enacted.

The following key tax changes related to individuals (see [pages 10](#) and [11](#)) also apply to corporations:

- Automobile deductions and benefits
- Tracking of motor vehicle use
- Donations of exchangeable securities
- Excessive business holdings regime for private foundations
- Retirement savings plans and profit sharing plans
- Defined benefit registered pension plans (RPPs)
- Scientific research and experimental development (SR&ED)
- Specified investment flow-throughs (SIFTs)
- T3 and T5013 reporting
- Goods and services tax (GST)
- Sale of property by non-residents
- Withholding tax on interest
- International tax system
- Canada-U.S. tax treaty
- Tax treaties and social security agreements

Federal corporate income tax rate changes:

The general and M&P rates do not apply to the first \$400,000 of a CCPC's active business income earned in Canada, investment income of CCPCs, income of credit unions, most deposit insurance corporations, mutual fund corporations, mortgage investment corporations and investment corporations, which may qualify for special tax treatment.

Elimination of the federal surtax on January 1, 2008, results in a 1.12% decrease in income tax rates.

The federal government's goal is to achieve combined 25% federal/provincial and federal/territorial rates.

Effective date	General and M&P rates	CCPCs		Income not earned in a province or territory
		CCPC rate	Investment income	
Before January 1, 2008	22.12%	13.12%	35.79%	32.12%
January 1, 2008	19.5%	11%	34.67%	29.5%
January 1, 2009	19%			29%
January 1, 2010	18%			28%
January 1, 2011	16.5%			26.5%
January 1, 2012	15%			25%

Scientific research and experimental development (SR&ED): The thresholds used to determine the enhanced SR&ED investment tax credits available to Canadian-controlled private corporations increased as follows (see [page 11](#) for additional enhancements and [page 38](#)):

	Taxation years ending	
	before February 26, 2008	after February 25, 2008
Annual expenditure limit	\$2 million	\$3 million
Phase-out range	Taxable income	\$400,000 to \$600,000
	Taxable capital	\$10 million to \$50 million

To determine the expenditure limit for a taxation year that includes February 26, 2008, separate calculations with the old and new phase-out ranges are required.

Capital cost allowance (CCA): Enhancements:

- extend the accelerated CCA deduction for investments in eligible manufacturing and processing (M&P) machinery and equipment as follows:

Date of acquisition	CCA Class	CCA rate and method	
		CCA rate	Method
Before Mar. 19, 2007 and after 2011	43	30%	declining balance (D.B.)
	29	50%	straight-line
Mar. 19, 2007 to Dec. 31, 2009	Separate class 43	First year	50% D.B.
		Second year	40% D.B.
	43	Thereafter	30% D.B.
Calendar 2010	Separate class 43	First year	40% D.B.
		Thereafter	30% D.B.
Calendar 2011	43	Thereafter	30% D.B.

All subject to half-year rule.

- expand eligibility for Class 43.2 (accelerated CCA for "clean energy" generation equipment acquired before 2020) to certain assets acquired after February 25, 2008; and
- modify CCA rates for the following assets:

Type of asset	Acquired	
	before February 26, 2008	after February 25, 2008
Railway locomotives	15%	30%
Carbon dioxide pipelines		8%
Pumping and compression equipment for carbon dioxide pipelines	4%	15%

Anti-Tax-Haven Initiative: New rules that prevent multinational corporations from using tax havens and other tax avoidance structures to generate two expense deductions for only one investment, so called "double dipping," will restrict certain interest payable after 2011 on investments in debt or equity of foreign affiliates.

Functional currency: Commencing taxation years beginning after December 13, 2007, certain Canadian-resident corporations can elect to determine their Canadian tax amounts in the corporation's "functional currency." See our *Tax Memo*, "Functional Currency: Proposed Election" at www.pwc.com/ca/taxmemo.

Foreign currency denominated debt: Income tax rules that apply to capital gains and losses of a corporation on an acquisition of control will be extended to capital gains and losses on debt denominated in a foreign currency. This change generally applies to acquisitions of control occurring after March 7, 2008, but will apply to acquisitions of control occurring before then and after 2005 if the corporation elects.

International Financial Reporting Standards (IFRS): The move to IFRS from current Canadian Generally Accepting Accounting Principles (GAAP) could affect the measurement and reporting of income taxes for financial statement purposes and the calculation of Canadian taxes payable. It is proposed that IFRS will be effective for interim and annual financial statements for fiscal years beginning after December 31, 2010, with earlier adoption permitted. IFRS will be mandatory for "publicly accountable enterprises" and elective for other enterprises. See our *Tax Memo*, "The Move to IFRS: Tax Implications" at www.pwc.com/ca/taxmemo.

Taxation of Financial Institutions: Draft rules that are generally effective for taxation years beginning after September 30, 2006, are intended to simplify the taxation of "financial institutions" by aligning the tax rules with the financial instruments accounting standard that came into effect on October 1, 2006. These rules also apply to unregulated entities that have captive banking or insurance arrangements. See our *Tax Memo*, "Draft Legislation Affects Insurers and Other Financial Institutions" at www.pwc.com/ca/taxmemo.

Donation of medicines: Draft rules restrict the circumstances in which corporations donating medicines after June 30, 2008, can claim the additional charitable donations deduction.

Employment Insurance (EI): The Canada Employment Insurance Financing Board, an independent Crown corporation, will be created to enhance the independence of EI premium rate setting and ensure that EI premiums are dedicated to the EI program.

Source deductions: For remittances of source deductions due after February 25, 2008:

- large remitters can remit their withholdings directly to the Canada Revenue Agency (CRA) if the CRA receives the payment at least one full day before the due date; and
- late payroll remittances are subject to graduated penalties, ranging from 3% to 10%, instead of a flat rate of 10%.

Business Number (BN) initiative: Enhancements will broaden the scope of information that may be shared with BN Partners (i.e., certain federal and provincial government departments), expand the entities that qualify as BN Partners (e.g., municipalities), and allow BN Partners to publish the BN for programs or services they provide.

Alberta

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC			Investment income
	Active business income			
	to \$400,000	\$400,000 to \$430,000	\$430,000 to \$460,000	
10	3	3	4.74	10
29.5	14	22.5	24.24	44.67

Figures in **bold** are combined federal/provincial rates.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: None Financial institutions: None	None	None
See	n/a	n/a	n/a

For Alberta health care premiums, see [page 35](#).

Corporate income tax rate changes

Effective date	Threshold up to which CCPC rate applies
Before April 1, 2007	\$400,000
April 1, 2007	\$430,000
April 1, 2008	\$460,000
April 1, 2009	\$500,000

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Additional highlights

Corporate income tax rates: Alberta's:

- tax rate will increase to 10% on income that is subject to Alberta's small business rate, but qualifies as an eligible dividend on distribution; and
- long-term goal is to reduce the general rate (which also applies to M&P income) to 8%.

Scientific research and experimental development (SR&ED): A 10% refundable tax credit can be claimed on eligible SR&ED expenditures incurred after December 31, 2008 (maximum annual credit is \$400,000).

Capital cost allowance (CCA): Alberta will parallel federal CCA enhancements. See [page 24](#).

Notices of Objection: Starting September 1, 2007, a large corporation that objects to an Alberta assessment must file a separate Notice of Objection with Alberta.

Oil and gas sector: Alberta's new royalty framework will apply starting January 1, 2009. See our *Energy Tax News* "Alberta's New Royalty Framework – Government takes larger share and simplifies rules" at www.pwc.com/ca/taxpublications.

British Columbia

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
11.5	4	11.5
31	15	46.16

Figures in **bold** are combined federal/provincial rates.

Although 34.67 (federal) + 11.5 (B.C.) = 46.17, the exact rate is 46.16.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: None Financial institutions: 2.249%, 0.75%, reduced rates or nil (see below)	None	7%; no PST on GST
See	Page 22	n/a	Page 39

For B.C. health premiums, see [page 35](#).

Corporate income tax rate changes

Effective date	General and M&P rates	CCPC rates
Before July 1, 2008	12%	4.5%
July 1, 2008	11%	3.5%
By 2011	10%	2.5%

Additional highlights

Financial institutions capital tax rates:

Financial institutions with either a head office in British Columbia or net paid-up capital of \$1 billion or less.

Effective date	Financial institutions	
	Small	Large
Before April 1, 2008	1%	3%
April 1, 2008	0.667%	2%
April 1, 2009	0.333%	1%
April 1, 2010	0%	

Effective April 1, 2010, financial institutions with paid-up capital of \$1 billion or more will be subject to a minimum tax, calculated as 1% of B.C. paid-up capital. The tax will be reduced for B.C. corporate income taxes paid.

International financial activity (IFC): Effective February 20, 2008, the definition of international financial business is revised, non-securities corporations can trade in money market investments, and management and control functions are eligible IFC activities and will be prescribed. The list of eligible life-sciences related patents is expanded commencing March 1, 2008.

Film tax credits: Enhancements:

- extend the Film Incentive BC credit and Production Services credit for five years and increase the credit rates to 35% and 25%, respectively;
- introduce Distant location tax credits of 6% for production activity in a prescribed area that is outside Vancouver; and
- allow labour expenditures incurred with respect to individuals who move to B.C. after the start of production to qualify for the film tax credits.

Manitoba

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
13.5	2	13.5
33	13	48.16

Figures in **bold** are combined federal/provincial rates.

Although 34.67 (federal) + 13.5 (Manitoba) = 48.17, the exact rate is 48.164.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: 0.3%, 2.5% and 0.5% Financial institutions: 3%	Nil to 4.3%	7%; no PST on GST
See	Page 22	Page 36	Page 39

Corporate income tax rate changes

Effective date	General and M&P rates	CCPC rate
	Before January 1, 2008	
January 1, 2008	14%	2%
July 1, 2008		
January 1, 2009	13%	1%
July 1, 2009	12%	
To be determined	11%	n/a

Subject to balanced budget requirements.

Additional highlights

Capital tax rates:

Capital tax is eliminated for certain manufacturing and processing companies on July 1, 2008 (see below).

Before Manitoba's capital tax deductions.

Taxation year commencing after	First \$10 million	Taxable capital employed in Manitoba		
		> \$10 million and ≤ \$20 million	> \$20 million and ≤ \$21 million	> \$21 million
January 1, 2007	Nil	0.3%	2.5%	0.5%
January 1, 2008		0.2%	2.4%	0.4%
January 1, 2009		0.1%	2.3%	0.3%
January 1, 2010		Nil	2.2%	0.2%
After 2010			Nil	

These changes do not apply to Crown corporations.

Capital tax deduction:

Taxation years commencing	Deduction
Before January 2, 2007	\$5 million
After January 1, 2007	\$10 million

Manufacturing and processing (M&P) incentives: Enhancements:

- eliminate capital tax on July 1, 2008, instead of on January 1, 2011, for corporations that use more than 50% of their labour and capital in Manitoba in M&P activities; and
- increase the refundable portion of the Manufacturing Investment Tax Credit from 35% to 70% (instead of to 50%) for qualified property acquired after December 31, 2007, and extend this credit to December 31, 2011, instead of June 30, 2009 (see [page 21](#)).

Film and Video Production Tax Credit: Enhancements that apply to productions commencing principal photography after 2007:

- increase the percentage of eligible salaries paid to non-residents for work performed in Manitoba from 20% to 30% of eligible salaries paid to Manitobans;
- introduce a 5% Manitoba Producer Bonus on eligible salaries when a Manitoba resident receives credit as a producer on an eligible film;
- increase the Frequent Filming Bonus for returning producers from 5% to 10%; and
- modify the requirement that non-residents train Manitobans working on a film to emphasize the transfer of skills to Manitoba technical crew members, regardless of the trainer's residency.

Interactive Digital Media Tax Credit: This refundable tax credit equals 40% of the remuneration paid to Manitobans on eligible digital and media projects that begin prototyping and product development after April 9, 2008, and before 2011 (maximum credit is \$500,000 per project). It replaces the Manitoba New Media Production Grant.

Book Publishing Tax Credit: This refundable tax credit equals 40% of eligible Manitoba labour costs incurred and paid after April 9, 2008, and before 2012 (maximum annual credit is \$100,000). A contract must be entered into after April 9, 2008, for a qualifying book published before 2012. Books printed on paper with recycled content are eligible for a bonus.

Community Enterprise Investment Tax Credit: The maximum annual investment limit that qualifies for this credit increased from \$150,000 to \$450,000, retroactive to January 1, 2008.

Co-op Education and Apprenticeship Tax Credits: This credit (previously the Co-operative Education Tax Credit) will allow employers to earn refundable tax credits equal to 5% of wages and salaries paid to qualifying journeypersons (maximum credit of \$2,500 per 12 months of employment per journeyperson for the first two 12-month periods).

Capital gains refund provisions: These provisions, which apply to mutual fund trusts, will be extended to mutual fund corporations, retroactive to 2006.

New Brunswick

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
13	5	13
32.5	16	47.67

Figures in **bold** are combined federal/provincial rates.

New Brunswick generally supports the federal government's goal to lower the general provincial rate to 10% by 2012.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: 0.1% Financial institutions: 3%	None	Harmonized PST and GST (13%)
See	Page 22	n/a	Page 39

Additional highlights

General capital tax rates:

Effective date	Rate
Before January 1, 2008	0.2%
January 1, 2008	0.1%
January 1, 2009	Nil

Film tax credit: The credit is extended one year to December 31, 2008.

Tax reform: Improvements to the overall tax system for all taxes (e.g., personal and corporate income tax, property tax, consumption tax, fuel tax) will be recommended.

Newfoundland and Labrador

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General (non M&P)	M&P	CCPC	
		Active business income to \$400,000	Investment income
14 H	5 H	5 H	14 H
33.5	24.5	16	48.67

Figures in **bold** are combined federal/provincial rates. H = Tax holiday (see [page 21](#))

The M&P credit can be claimed only by companies that manufacture or process at a permanent establishment in the province.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: None Financial institutions: 4%	Nil or 2%	Harmonized PST and GST (13%)
See	Page 22	Page 36	Page 39

Additional highlights

Health and Post-Secondary Education Tax: The thresholds at which the province's payroll tax (see [page 36](#)) applies increased as follows:

		Total payroll	
		before January 1, 2008	after December 31, 2007
Rates	2%	Over \$700,000	Over \$1,000,000
	4%	\$600,000 to \$700,000	n/a
	0%	\$0 to \$600,000	\$0 to \$1,000,000

Resort Property Investment Tax Credit: Investors can claim a non-refundable tax credit equal to 45% of the purchase price of qualifying resort development property units outside the northeast Avalon Peninsula acquired after June 14, 2007, and before 2013, if certain conditions are met. (Maximum annual credit is \$50,000; maximum lifetime credit is \$150,000.)

Northwest Territories

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
11.5	4	11.5
31	15	46.17

Figures in **bold** are combined federal/territorial rates.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: None Financial institutions: None	2%	None
See	n/a	Page 36	n/a

Payroll tax is paid by employees.

Additional highlights

Tax policy: The Northwest Territories will explore options to generate revenues that may result in changes to the territory's tax policy.

Nova Scotia

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
16	5 H	16
35.5	16	50.67

Figures in **bold** are combined federal/provincial rates.
H = Tax holiday (see [page 21](#))

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: 0.212% or 0.425% Financial institutions: 4%	None	Harmonized PST and GST (13%)
See	Page 22	n/a	Page 39

Additional highlights

General capital tax rates:

Effective date	Taxable capital < \$10 million	Taxable capital ≥ \$10 million
	Before July 1, 2007	0.5%
July 1, 2007	0.45%	0.225%
July 1, 2008	0.4%	0.2%
July 1, 2009	0.3%	0.15%
July 1, 2010	0.2%	0.1%
July 1, 2011	0.1%	0.05%
July 1, 2012	Nil	

Digital media tax credit: This refundable credit became effective July 1, 2007. It is enhanced for expenditures incurred after December 31, 2007, by increasing the rate (applied to eligible Nova Scotia labour expenditures) for productions:

- in the metro Halifax zone, from 35% to 50%; and
- outside the metro Halifax zone, from 40% to 60%.

Film industry tax credit: This credit is enhanced for productions commencing after September 30, 2007, by increasing the rate (applied to eligible Nova Scotia labour expenditures) for filming:

- in the metro Halifax zone, from 35% to 50%; and
- outside the metro Halifax zone, from 40% to 60%.

Review of tax system: Nova Scotia will review all provincial taxes and fees that apply to businesses and individuals.

Nunavut

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
12	4	12
31.5	15	46.67

Figures in **bold** are combined federal/territorial rates.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: None Financial institutions: None	2%	None
See	n/a	Page 36	n/a

Payroll tax is paid by employees.

Additional highlights

Business training tax credit: A training tax credit for businesses will be introduced to encourage skills training by employers.

Ontario

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General (non M&P)	M&P	CCPC				Investment income
		Active business income				
		to \$400,000	\$400,000 to \$500,000	\$500,000 to \$1,500,000 Non-M&P	\$500,000 to \$1,500,000 M&P	
14 H	12 H	5.5 H	5.5 H	18.25 H	15.25 H	14 H
33.5	31.5	16.5	25	37.75	34.75	48.67

Ontario corporations that, on an associated basis, have either gross revenues over \$10 million or total assets over \$5 million may have a corporate minimum tax liability based on adjusted book income. The minimum tax is payable only to the extent that it exceeds the regular Ontario income tax liability.

Figures in **bold** are combined federal/provincial rates. H = Tax holiday (see [page 21](#))

In Ontario, the manufacturing rate applies to profits from manufacturing and processing, farming, mining, logging and fishing operations carried on in Canada and allocated to Ontario.

The benefit of Ontario's small business deduction is clawed back when taxable income of associated corporations exceeds \$500,000 and eliminated when taxable income, on an associated basis, reaches \$1,500,000. Rates include the clawback: 18.25% = 14% + 4.25% clawback, and 15.25% = 12% + 3.25% clawback.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: 0.225% Financial institutions: 0.45% and 0.54% or 0.675%	Nil or 1.95%	8%; no PST on GST
See	Page 22	Page 36	Page 39

Corporate income tax rate changes

See above, under **Corporate income tax rates for 2008.**

		2007	
		Previous	Revised
Small business thresholds	Lower	\$400,000	\$500,000
	Upper	\$1,128,519	\$1,500,000
Clawback	General	4.67%	4.25%
	M&P	3.57%	3.25%

The changes apply retroactively to January 1, 2007.

Additional highlights

Capital tax rates:

Ontario decreased its capital tax rates, retroactive to January 1, 2007, as follows:

- General – from 0.285% to 0.225%; and
- Financial institutions – from:
 - 0.57% to 0.45%;
 - 0.855% to 0.675%; and
 - 0.684% to 0.54%, respectively.

Retroactive to January 1, 2007, capital tax is reduced or eliminated for certain manufacturing and resource corporations (see page 31).

Effective date		General rate	Financial institutions	
			Taxable capital ≤ \$400 million	Taxable capital > \$400 million Deposit taking Other
January 1, 2007	General	0.225%	0.45%	0.675% 0.54%
	Financial institutions	0.15%	0.3%	0.45% 0.36%
July 1, 2010			Nil	

Capital tax deduction:

Effective date	Deduction
Before January 1, 2008	\$12.5 million
January 1, 2008	\$15 million

Pro-rated for taxation years straddling the effective date.

Manufacturing and resource corporations: Capital tax is eliminated or reduced as follows:

		Capital tax changes
% of salaries and wages related to M&P and resource activities	≥ 50%	Eliminated on January 1, 2007.
	>20% and < 50%	Reduced proportionately (straight-line) from January 1, 2007, until July 1, 2010, when it will be eliminated.
	≤ 20%	Eliminated on July 1, 2010.

The January 1, 2007 changes apply retroactively.

Ontario Tax Exemption for Commercialization (OTEC): A 10-year income and minimum tax exemption is introduced for corporations that:

- are incorporated in Canada after March 24, 2008, and before March 25, 2012;
- commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes; and
- derive all or substantially all of their income from eligible commercialization activities carried on in Ontario.

Film and media incentives: For labour expenditures incurred after December 31, 2007, and before January 1, 2010, the tax credit rate increased for:

- the Ontario Film and Television Tax Credit, from 30% to 35%; and
- the Ontario Productions Services Tax Credit, from 18% to 25%.

Interactive Digital Media Tax Credit: Enhancements to the credit:

- increase the rate from 20% to 25% for expenditures incurred after March 25, 2008, and before January 1, 2012:
 - by qualifying corporations with gross revenues exceeding \$20 million and total assets exceeding \$10 million; or
 - for fee-for-service work;
- extend the 30% rate for small corporations (annual gross revenues up to \$20 million and total assets up to \$10 million) for expenditures incurred after December 31, 2009, and before January 1, 2012; and
- increase the eligibility period for labour expenses from two years to three, for digital media products completed after March 25, 2008.

Ontario Innovation Tax Credit (OITC): Subject to the enactment of federal scientific research and experimental development changes (see page 24), the OITC is enhanced as follows:

		Taxation years ending	
		before February 26, 2008	after February 25, 2008
OITC expenditure limit		\$2 million	\$3 million
Phase-out range	Taxable income	\$400,000 to \$600,000	\$400,000 to \$700,000
	Taxable capital	\$25 million to \$50 million	

To determine the expenditure limit for a taxation year that includes February 26, 2008, separate calculations with the old and new phase-out ranges are required.

Corporate minimum tax (CMT): An election that had to be filed before February 23, 2008, allowed corporations to remove, for CMT purposes, the effect of Canadian accounting rules that require certain assets to be reported at fair market value rather than historical cost, retroactive to all taxation years starting after June 30, 2004 and ending before March 23, 2007.

Corporate tax harmonization: Commencing taxation years ending after December 31, 2008, the Canada Revenue Agency will administer Ontario's corporate income tax, capital tax, CMT and Special Additional Tax on life insurers. As a result, the Ontario corporate income tax base will be harmonized with the federal base (transitional rules will apply). In addition:

- starting April 3, 2008, federal and Ontario audits, rulings, objections and appeals for all pre-2009 taxation years will be integrated; and
- for taxation years ending after 2008, Ontario will adopt federal rules that:
 - permit small Canadian-controlled private corporations to remit instalments quarterly; and
 - provide that corporations paying up to \$3,000 federal tax in the current or previous year do not have to pay instalments.

Federal harmonization: Ontario will parallel several federal measures, once the relevant federal legislative and regulatory changes are enacted, including those relating to capital cost allowance (see page 24).

Land Transfer Tax (LTT): An LTT will apply within the city of Toronto (see page 39).

Prince Edward Island

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
16 H	3.47 H	16 H
35.5	14.47	50.67

Figures in **bold** are combined federal/provincial rates.
H = Tax holiday (see [page 21](#))

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: None Financial institutions: 5%	None	10%; PST levied on GST
See	Page 22	n/a	Page 39

Corporate income tax rate changes

	CCPC rate
Effective date	
Before April 1, 2007	5.4%
April 1, 2007	4.3%
April 1, 2008	3.2%
April 1, 2009	2.1%
April 1, 2010	1%

Additional highlights

No additional significant corporate tax changes were announced

Quebec

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General and M&P	CCPC	
	Active business income to \$400,000	Investment income
11.4 H	8 H	11.4 H
30.9	19	46.07

Figures in **bold** are combined federal/provincial rates.
H = Tax holiday (see [page 21](#))

For financial institutions (excluding insurance companies) and oil refining companies, the general and M&P rate is 11.9% H and the combined rate is 31.4%.

Because the Quebec government is in a minority, it is uncertain whether Quebec tax changes that have not been enacted into law will proceed. At the publication date, 2007 and 2008 Quebec budget measures had not been enacted.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: 0.36% Financial institutions: 0.97% (including compensatory tax on paid-up capital)	4.26%, 2.7% or reduced rates	7.5%; PST levied on GST
See	Page 22	Page 36	Page 39

Corporate income tax rate changes

Effective date	Active/eligible income (including M&P)		Other
	Financial institutions and oil refining companies	Other active/eligible	
Before February 21, 2007			16.25%
February 21, 2007		9.9%	
June 1, 2007			
January 1, 2008	11.9%		11.4%
January 1, 2009			

Additional highlights

Capital tax rates:

Commencing taxation years ending after March 13, 2008, capital tax is reduced or eliminated for certain manufacturing corporations (see [page 33](#)).

	General rate	Financial institutions
Effective date		
Before January 1, 2008	0.49%	0.98%
January 1, 2008	0.36%	0.72%
January 1, 2009	0.24%	0.48%
January 1, 2010	0.12%	0.24%
January 1, 2011		Nil

Manufacturing and processing (M&P) incentives: Enhancements:

- eliminate or reduce capital tax for Quebec companies engaged in M&P, as follows:

		Capital tax changes
% of activities attributable to M&P (based on M&P assets and labour)	≥ 50%	Eliminated for taxation years ending after March 13, 2008.
	> 20% and < 50%	Reduced proportionately (straight line) for taxation years ending after March 13, 2008, until January 1, 2011, when it will be eliminated.
	≤ 20%	Eliminated on January 1, 2011.

- increase the basic rate of the capital tax credit from 10% to 15% for eligible M&P investments made after November 23, 2007;
- introduce an investment tax credit (ITC) for M&P assets acquired after March 13, 2008, and before January 1, 2016, as follows:

		ITC rate			Refundable portion of ITC
Asset acquired for:	Remote zone	40%	Consolidated paid-up capital	≤ \$250 million	100%
	Bas-Saint Laurent region	30%		> \$250 million and < \$500 million	Partial
	Intermediate zone	20%		≥ \$500 million	Nil
	Other	5%			

The rate is reduced if consolidated paid-up capital equals or exceeds \$250 million and is 5% if this threshold reaches \$500 million.

The non-refundable portion of the ITC can be carried back 3 years and forward 20.

- allow M&P corporations with paid-up capital on a consolidated basis not exceeding \$75 million to pay January to December 2008 income and capital tax instalments two months after the end of the taxation year (the \$75 million limit does not apply to forestry companies);
- restore the tax holiday for small- and medium-sized enterprises that carry on M&P in remote resource regions of Quebec (Quebec had proposed to gradually reduce the holiday from 75% to 25%);
- extend resource region tax credits to December 31, 2010 (to December 31, 2015 for the “Vallée de l’aluminium” and “Gaspésie and certain maritime regions of Quebec” credits, but reduced rates could apply); and
- introduce a 30% refundable M&P manpower training credit for Quebec employers on certain training expenditures incurred after November 23, 2007, and before 2012.

Research and development (R&D): Enhancements that apply to taxation years ending after March 13, 2008:

- increase the spending limit applicable to the 37.5% R&D wage tax credit from \$2 million to \$3 million; and
- allow pre-competitive research partnerships with public partners to be eligible for the private partnership tax credit.

Media tax incentives: Changes:

- increase the Production Services credit rate from 20% to 25% for eligible labour expenditures incurred after December 20, 2007;
- allow inter-provincial co-productions to qualify for the film and television production credit only if certain conditions are met, for show applications filed after March 13, 2008; and
- reduce the production of shows tax credit if the previous year’s consolidated assets exceed \$50 million and eliminate the credit when this threshold reaches \$75 million, generally for show applications filed after May 31, 2008.

E-business: A 30% refundable tax credit for the development of e-business in the information technology sector is available on salaries incurred and paid after March 13, 2008, and before 2016 (maximum annual credit is \$20,000 per employee).

Tax credit for major employment generating projects in information technology: Contracts entered into after 2007 are not eligible for this credit.

“Aggressive tax planning schemes”: Quebec will devote resources to manage, detect and shut down these schemes, and will issue a paper on this topic in the autumn of 2008.

Taxation year: Retroactive to December 20, 2006, a corporation’s taxation year end must be identical for federal and Quebec purposes.

Federal harmonization: Quebec will harmonize with many federal tax changes (with modifications, in some cases), including those relating to capital cost allowance, donations of medicines, donations of exchangeable securities to registered charities, excessive business holdings regime for private foundations, T3 and T5013 reporting and the disposition of taxable Canadian property by non-residents (see pages 10, 11, 24 and 25).

Saskatchewan

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General (non M&P)	M&P	CCPC				
		Active business income				Investment income
		to \$400,000	\$400,000 to \$450,000	\$450,000 to \$500,000 Non-M&P	M&P	
12.5 32	10 29.5	4.5 15.5	4.5 24	8.73 28.23	7.23 26.73	12.5 47.16

Figures in **bold** are combined federal/provincial rates.

Although 34.67 (federal) + 12.5 (Saskatchewan) = 47.17 the exact rate is 47.164.

For 2008, 12.5% is the maximum Saskatchewan rate. A rebate of up to 2.5% of manufacturing profits allocated to Saskatchewan is available, which can reduce the rate to as low as 10%.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: 0.075% or nil Financial institutions: 3.25% or 0.7%	None	5%; no PST on GST
See	Page 22	n/a	Page 39

Corporate income tax rate changes

Effective date		General rate	Threshold up to which CCPC rate applies
		Before July 1, 2007	14%
July 1, 2007		13%	\$450,000
July 1, 2008		12%	\$500,000

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Additional highlights

Capital tax rates:

The rate changes do not apply to:

- new capital (i.e., additions of depreciable property) acquired after June 30, 2006, for which the rate is nil, by applying a non-refundable tax credit against a corporation's capital tax liability; or
- Saskatchewan Crown corporations, for which the rate remains 0.6%. An additional 0.9% applies to telecommunications Crown corporations.

Effective date		General rate	Resource surcharge	
			Tier 4 oil and gas wells	Other
Before July 1, 2007		0.3%	1.85%	3.3%
July 1, 2007		0.15%	1.75%	3.1%
July 1, 2008		Nil	1.7%	3.0%

Rates apply for production occurring on or after the effective date.

Financial institution capital tax thresholds: The threshold at which the 3.25% rate applies increased from \$1 billion to \$1.5 billion for taxation years ending after October 30, 2008.

Research and Development (R&D): Saskatchewan will examine its R&D program to improve its effectiveness.

Yukon

Corporate income tax rates for 2008 (pro-rated for December 31, 2008 year end)

General (non M&P)	M&P	CCPC		
		Active business income to \$400,000		Investment income
		Non-M&P	M&P	
15 34.5	2.5 22	4 15	2.5 13.5	15 49.67

Figures in **bold** are combined federal/territorial rates.

Other 2008 rates and data

	Capital tax	Payroll tax	Sales tax
Rates	General: None Financial institutions: None	None	None
See	n/a	n/a	n/a

Additional highlights

No additional significant corporate tax changes were announced.

CPP/QPP, EI, QPIP and Health Care Premiums

CPP/QPP, EI and QPIP Premiums

Self-employed individuals are permitted to deduct half of CPP/QPP premiums paid for their own coverage. The non-deductible half qualifies for a tax credit. Self-employed individuals do not pay EI premiums.

Quebec EI premiums are lower due to the QPIP.

Employees with insurable earnings for the year below \$2,000 can claim a refund of premiums.

			2007	2008
CPP/QPP premiums (all contributors)	Maximum pensionable earnings		\$43,700	\$44,900
	- Basic exemption		\$3,500	
	= Maximum contributory earnings		\$40,200	\$41,400
	Employer/employee rate		4.95%	
	Maximum employer/employee contribution		\$1,990	\$2,049
	Self-employed contribution rate		9.9%	
Maximum self-employed contribution		\$3,980	\$4,099	
EI premiums	All contributors (other than those in Quebec)	Maximum annual insurable earnings	\$40,000	\$41,100
		Premium per \$100 insurable earnings	Employee \$1.80	\$1.73
			Employer \$2.52	\$2.422
		Annual maximum contribution	Employee \$720	\$711
		Employer \$1,008	\$995	
	Maximum annual insurable earnings		\$40,000	\$41,100
	Quebec contributors	Premium per \$100 insurable earnings	Employee \$1.46	\$1.39
			Employer \$2.04	\$1.946
		Annual maximum contribution	Employee \$584	\$571
			Employer \$816	\$800
Maximum annual insurable earnings		\$59,000	\$60,500	
QPIP premiums (Quebec only)	Premium per \$100 insurable earnings	Employee	\$0.416	\$0.450
		Employer	\$0.583	\$0.630
	Annual maximum contribution	Employee	\$245	\$272
		Employer	\$344	\$381
	Premium per \$100 insurable earnings	Self-employed	\$0.737	\$0.800
	Annual maximum contribution		\$435	\$484

Health Care Premiums

Only Alberta, British Columbia and Ontario have health care premiums payable by individuals. Some employers pay these premiums on behalf of their employees.

		Alberta will eliminate its health care premiums on January 1, 2009.		Monthly premiums
Seniors are exempt.	Alberta	Health care premiums	Single	\$44
			Family	\$88
Assistance is available to low-income earners.	British Columbia	Medical Services Plan premiums	Single	\$54
			Couple	\$96
			Family	\$108

		Taxable income	Annual premiums (per individual)
Ontario	Up to \$20,000		Nil
	\$20,000 to \$25,000		6% of income > \$20,000
	\$25,000 to \$36,000	\$300	
	\$36,000 to \$38,500	\$300	+ 6% of income > \$36,000
	\$38,500 to \$48,000	\$450	
	\$48,000 to \$48,600	\$450	+ 25% of income > \$48,000
	\$48,600 to \$72,000	\$600	
	\$72,000 to \$72,600	\$600	+ 25% of income > \$72,000
	\$72,600 to \$200,000	\$750	
	\$200,000 to \$200,600	\$750	+ 25% of income > \$200,000
\$200,600 and over	\$900		

Individuals and Corporations

Payroll Tax Rates for 2008

Only those provinces and territories listed in the table below have payroll taxes (by various names).

Manitoba's and Newfoundland and Labrador's (see [page 28](#)) payroll tax thresholds increased on January 1, 2008.

In the Northwest Territories and Nunavut, payroll tax is paid by employees through payroll withholdings.

Associated employers must aggregate their payroll costs to apply the thresholds.

		Rate	Total payroll	Payroll tax
Manitoba	Health and Post-Secondary Education Tax	2.15%	Over \$2,500,000	Payroll x 2.15%
		4.3%	\$1,250,000 to \$2,500,000	(Payroll – \$1,250,000) x 4.3%
		0%	\$0 to \$1,250,000	\$0
Newfoundland and Labrador	Health and Post-Secondary Education Tax	2%	Over \$1,000,000	(Payroll – \$1,000,000) x 2%
		0%	\$0 to \$1,000,000	\$0
Northwest Territories	Payroll tax	2%	Over \$0	Payroll x 2%
Nunavut				
Ontario	Employer Health Tax	1.95%	Over \$400,000	(Payroll - \$400,000) x 1.95%
		0%	\$0 to \$400,000	\$0
Quebec	Health Services Fund	4.26%	Over \$5,000,000	Payroll x rate
		Reduced rates	\$1,000,000 to \$5,000,000	
		2.7%	\$0 to \$1,000,000	

Reduced rates for employers with annual payrolls between \$1 million and \$5 million depend on both the calendar year and the employer's total payroll.

Every Quebec employer with a payroll of \$1,000,000 or more must allot at least 1% of payroll to training, or contribute to a provincial fund the difference between that amount and the amount actually spent on training. In limited cases, corporations may be exempt from the Health Services Tax, and in some cases refunds may be made. Investment holding corporations may also be subject to a 1% compensatory tax on payroll.

Employees, employers and the self-employed must contribute to the Quebec parental insurance plan (QPIP). See [page 35](#).

Individuals whose income from certain sources, excluding remuneration, exceeds \$12,774 must contribute to the Health Services Fund (annual maximum contribution is \$1,000). The contribution gives rise to a tax credit.

Retirement Savings and Profit Sharing Plans

For registered retirement savings plans (RRSPs), money purchase registered pension plans (RPPs) and deferred profit sharing plans (DPSPs), the amount that can be contributed in a year is equal to the lesser of:

- 18% of earned income for the previous year (for RRSPs) or of pensionable earnings for the current year (for RPPs and DPSPs); and
- fixed dollar limits.

The table below outlines these limits. For example, for RRSPs, the \$21,000 fixed dollar limit applies in 2009 if earned income in 2008 (i.e., the previous year) exceeds \$116,667 (because 18% of \$116,667 is \$21,000).

Also known as defined contribution plans. For defined benefit plans, different rules apply.

Other factors, such as past service pension adjustments, may affect these limits and are not shown, nor are special rules that may apply to transfers and deceased taxpayers.

The PA reflects the value of benefits accruing to the individual for the year in a DPSP and/or an RPP, whether defined benefit or money purchase.

A PAR may restore RRSP contribution room when a member withdraws from a defined benefit RPP and the amount received is less than the total PAs.

The fixed-dollar DPSP contribution limit is half of the fixed dollar money purchase RPP contribution limit for the year.

Employee contributions to DPSPs are not permitted.

		Registered retirement savings plan (RRSP)		Money purchase registered pension plan (RPP)		Deferred profit sharing plan (DPSP)	
% of earnings		18% of earned income for the previous year		18% of pensionable earnings for the year			
		Maximum contribution	Earned income (previous year)	Maximum contribution	Pensionable earnings (current year)	Maximum contribution	Pensionable earnings (current year)
Dollar limits	2007	\$19,000	≥ \$105,556	\$20,000	≥ \$111,112	\$10,000	≥ \$55,556
	2008	\$20,000	≥ \$111,112	\$21,000	≥ \$116,667	\$10,500	≥ \$58,334
	2009	\$21,000	≥ \$116,667	\$22,000	≥ \$122,223	\$11,000	≥ \$61,112
	2010	\$22,000	≥ \$122,223	Indexed			
	2011						
Contribution limits	Limits apply to:	All contributions		Combined employer/employee contributions		Employer contributions	
	Reduced by:	Pension Adjustment (PA) for the previous year		DPSP contributions for the year (Terms of plan may impose lower limits)		Money purchase RPP contributions for the year (Terms of plan and employer's profits may impose lower limits)	
	Increased by:	Unused contribution limits of previous years and pension adjustment reversals (PARs)		n/a			
	Stated in:	Previous year's Notice of Assessment		Documents provided by the employer or plan administrator			
Deadlines	Employer's contribution	n/a		120 days after employer's year end			
	Individual's contributions	60 days after the calendar year end (i.e., March 1, but February 29 for leap years; adjusted for deadlines that fall on weekends)		December 31		n/a	

Individuals and Corporations

Investment Tax Credits and R&D Tax Credits

Federal Investment Tax Credit Rates

The federal investment tax credit (ITC) and refund rates shown apply to expenditures incurred in 2008 for qualified property in certain regions and for qualified scientific research and experimental development (SR&ED).

Unused federal ITCs may reduce federal taxes payable for the previous three and the next 20 years. (The 20-year carryforward was extended retroactively. See [page 11](#).)

Generally includes new buildings and/or machinery and equipment to be used primarily in Canada in manufacturing or processing, mining, oil and gas, logging, farming or fishing.

In respect of unused ITCs on scientific research and experimental development expenditures.

For taxation years ending after February 25, 2008, generally, a CCPC's \$3 million expenditure limit in respect of the 35% credit is reduced by:

- \$10 for every \$1 by which its previous year's taxable income exceeded \$400,000, up to \$700,000; and
- \$0.075 for every \$1 of its previous year's taxable capital employed in Canada above \$10 million, up to \$50 million.

Thresholds are on an associated basis. (A \$2 million expenditure limit and lower thresholds apply for taxation years ending before February 26, 2008. See [page 24](#).)

	Investment tax credit (ITC) rate	Refund rate
Qualified property in Atlantic provinces, Gaspé region and Atlantic offshore region	10%	n/a
Qualified SR&ED in Canada Qualifying Canadian-Controlled Private Corporations (CCPCs)	35% of annual expenditures up to threshold (\$3 million or less) + 20% of qualified expenditures not eligible for the 35% rate	100% of ITCs on current expenditures computed at the 35% rate + 40% of ITCs on capital expenditures computed at the 35% rate and of ITCs computed at the 20% rate
Other corporations Individuals	20%	n/a 40% of ITCs

The ITC is extended to certain salary or wages incurred in respect of SR&ED carried on outside Canada after February 25, 2008. See [page 11](#).

Provincial and Territorial R&D Tax Credits

Only those provinces and territories listed in the table offer R&D tax credits, and in most jurisdictions only corporations are eligible.¹

In Ontario, for taxation years ending after February 25, 2008 (and subject to the enactment of federal SR&ED changes; see above and [page 24](#)) corporations that have taxable income under \$400,000 and taxable capital under \$25 million may claim the innovation tax credit on up to \$3 million of expenditures. Those with taxable income between \$400,000 and \$700,000 or taxable capital between \$25 million and \$50 million are eligible for a partial credit. 100% of current expenditures and 40% of capital expenditures are eligible. (A \$2 million expenditure limit and lower taxable income thresholds apply for taxation years ending before February 26, 2008. See [page 31](#).)²

Commencing taxation years ending after 2008, Ontario's deduction for the portion of the federal ITC relating to Ontario's SR&ED expenditures will be replaced with a 4.5% non-refundable tax credit.

Quebec Canadian-controlled corporations with less than \$50 million in assets may claim the 37.5% rate on up to \$3 million (\$2 million for taxation years ending before March 14, 2008) of R&D wages. For those with assets between \$50 million and \$75 million, the rate is gradually reduced to 17.5%. The rate is 17.5% for all other taxpayers. 50% of payments to unrelated subcontractors are eligible for the credit.²

Alberta introduced a refundable SR&ED tax credit for eligible expenditure incurred after 2008 (see [page 26](#)).

	Rate	Credit against	Refundable?	Carry-back	Carry-forward
Alberta	SR&ED after 2008		Yes	n/a	
British Columbia	Qualifying CCPCs	Provincial income tax	No	3 years	10 years
Manitoba	Other corporations				
New Brunswick					
Newfoundland and Labrador ¹					
Nova Scotia					
Ontario	Innovation tax credit	Provincial income and capital tax	Yes	n/a	
	Business research institute tax credit				
	R&D wage tax credit				
Quebec ¹	17.5% to 37.5%				
	University, public research centre, research consortium and private partnership tax credits				
Saskatchewan		Prov./terr. income tax	No	3 years	10 years
Yukon ¹			Yes	n/a	

20% of qualifying payments (up to \$20 million annually on an associated basis) to an Ontario eligible research institute.

Yukon's rate is 20% on R&D expenditures made to the Yukon College.

In some cases, Quebec's 35% credit is available on 80% of payments to certain eligible entities (e.g., universities and public research centres).

- In Newfoundland and Labrador, Quebec and the Yukon, the credits can be claimed by individuals as well as corporations.
- Ontario and Quebec thresholds are in respect of the previous year, on a worldwide associated basis.

Sales Tax Rates and Land Transfer Taxes

Sales and Commodity Tax Rates for 2008

The GST rate decreased from 6% on January 1, 2008.

A 5% First Nation GST applies instead in certain First Nations.

	Sales tax rate	PST on GST?	PST+GST, or HST
Federal	5% GST		n/a
Alberta	No sales tax		5% federal GST
British Columbia	7%	No PST on GST	12%
Manitoba			
New Brunswick	HST (Harmonized PST and GST)		13%
Newfoundland and Labrador			
Northwest Territories	No sales tax		5% federal GST
Nova Scotia	HST (Harmonized PST and GST)		13%
Nunavut	No sales tax		5% federal GST
Ontario	8%	No PST on GST	13%
Prince Edward Island	10%	PST on GST	12.875%
Quebec	7.5%		
Saskatchewan	5%	No PST on GST	10%
Yukon	No sales tax		5% federal GST

PST = Provincial sales tax
 GST = Goods and services tax
 HST = Harmonized sales tax

Minimum of \$60 in Nunavut and \$100 in Northwest Territories.

Only Nova Scotia and Toronto, Ontario, can impose municipal land transfer taxes. Toronto's tax applies to agreements signed after 2007, with closings after January 31, 2008.

Land Transfer Tax and Registration Fees

This table summarizes land transfer taxes and registration fees that provinces and territories charge on the purchase of real property within their boundaries.

Some exemptions (or refunds) are available. Higher rates may apply to non-residents. Some jurisdictions charge additional fees (e.g., on the registration of the deed or mortgage).

	Calculation	Value used
Alberta	\$35 + 0.02% of value	Value of property
British Columbia	1% of portion ≤ \$200,000 + 2% of portion > \$200,000	Fair market value of property
Manitoba	\$69 + 0.5% of portion between \$30,000 and \$90,000 + 1% of portion between \$90,000 and \$150,000 + 1.5% of portion between \$150,000 and \$200,000 + 2% of portion > \$200,000	
New Brunswick	\$65 + 0.25% of value	Greater of assessed value and consideration for the transfer
Newfoundland and Labrador	\$100 + 0.4% of portion > \$500	Value of property
Northwest Territories	0.15% of portion ≤ \$1,000,000	
Nunavut	+ 0.1% of portion > \$1,000,000	
Nova Scotia	\$81.08 + Up to 1.5% (determined by municipality)	Value of consideration
Ontario	General 0.5% of portion ≤ \$55,000 + 1% of portion between \$55,000 and \$250,000 + 1.5% of portion > \$250,000	
	Single-family homes As above + 0.5% of portion > \$400,000 (For land with 1 or 2 single-family homes)	
Addition for Toronto	General 0.5% of portion ≤ \$55,000 + 1% of portion between \$55,000 and \$400,000 + 1.5% of portion between \$400,000 and \$40 million + 1% of portion > \$40 million	
	Single-family homes As above + 0.5% of portion between \$400,000 and \$40 million + 1% of portion > \$40 million (For land with 1 or 2 single-family homes)	
Prince Edward Island	General 1% of value, if value > \$30,000	Greater of assessed value and consideration for the transfer
Quebec	Non-residents & corporations As above + 1% of value (\$500 minimum) (Depends on land size and corporate ownership)	Purchase price
Quebec	0.5% of portion ≤ \$50,000 + 1% of portion between \$50,000 and \$250,000 + 1.5% of portion > \$250,000	Greatest of: • consideration furnished; • consideration stipulated; and • fair market value of property.
Saskatchewan	0.3% (\$25 minimum)	Value of property
Yukon	0.2% of portion ≤ \$5,000 + 0.25% of portion between \$5,000 and \$10,000 + 0.175% of portion between \$10,000 and \$25,000 + 0.125% of portion > \$25,000	

Individuals and Corporations

Filing Deadlines

Deadlines falling on holidays or weekends may be extended to the next business day.

In addition to income tax returns, individuals, trusts, corporations and partnerships may be subject to other filing requirements. Several are noted below. See [page 8](#) for individual and trust income tax filing and payment deadlines and [page 23](#) for corporate and capital tax filing and payment deadlines.

Earlier deadlines apply to publicly traded trusts and publicly traded partnerships for posting information relating to T3s and T5013s to the CDS Innovations Inc. website (see [page 11](#)).

		Jurisdiction or form	Filing deadline	Details and exceptions
Income reporting	Trusts	Federal, Quebec (T3 slip/relevé 16)	90 days after trust year end	n/a
	Other	Federal, Quebec (T4/relevé 1, T5/relevé 3, etc.)	Last day of February	If filer's business activity is discontinued, deadline is 30 days after discontinuance. March 31 deadline for partnership information returns applies to partnerships with only individual members. Otherwise: <ul style="list-style-type: none"> • for partnerships with only corporate members: five months after end of fiscal period; • for partnerships with both individual and corporate members: earlier of last day of March and five months after end of fiscal period; • in all cases, if partnership discontinues, earlier of normal filing deadline and 90 days after discontinuance.
Tax shelter	Federal, Quebec	Last day of March		
Partnership	Federal, Quebec (T5013/relevé 15)			
Information returns	Transactions with non-residents	Federal: NR4	Individuals: April 30 Corporations: 6 months after year end Trusts: 90 days after year end	
	Foreign property/trust	Federal: T106 (transactions with related parties)		Partnerships: (T106, T1135 and T1142 only): same as for partnership information return
		Federal: T1135, T1141, T1142	For trusts, form NR4 is due 90 days after the trust's year end. For individuals, forms T106, T1135, T1141 and T1142 are due June 15 if the taxpayer or the taxpayer's spouse carried on a business in the year.	
		Federal: T1134-A, T1134-B	Individuals, corporations, trusts and partnerships: 15 months after year end	n/a
Notice of objection		Federal, all provinces	90 days after mailing date of assessment or reassessment	Filing deadline is 180 days after mailing date of assessment or reassessment for Ontario corporate tax. In all jurisdictions, for an individual or a testamentary trust: the later of one year after the filing due date and 90 days after mailing date of the assessment or reassessment.

Prescribed Interest Rates – Income, Capital and Payroll Taxes

In most jurisdictions, interest is charged on underpayments of income, capital and payroll taxes at a fixed percentage above the interest governments pay on overpayments.

Rates left blank were not available when *Tax Facts and Figures* was published.

Compounding schedule		2007				2008				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
		Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	
Daily	Federal: Income tax, financial institutions capital tax, source deductions, CPP and EI	Underpayments	9%				8%			
		Overpayments	7%				6%			
		Taxable benefits	5%				4%			
	Alberta: Corporate income tax	Underpayments	8.5%				7.5%			
		Overpayments	5%				4%			
Monthly	British Columbia: Financial institutions capital tax	Underpayments	9%		9.25%	9%	8.25%			
		Overpayments	4%		4.25%	4%	3.25%			
	Manitoba: Capital tax and Health and Post-Secondary Education Tax	Underpayments	10%							
		Some overpayments	10%							
	New Brunswick: Financial institutions capital tax	Underpayments	13.5% (1.06% per month)							
		Overpayments	New Brunswick does not pay interest on overpayments							
Daily	Newfoundland and Labrador: Financial institutions capital tax and Health and Post-Secondary Education Tax	Underpayments	15.39% (1.2% per month)							
		Overpayments	8.73% (0.7% per month)							
	Nova Scotia: Financial institutions capital tax	Underpayments					8%			
		Overpayments					6%			
	Ontario: Corporate income and capital tax and Employer Health Tax	Underpayments	9%							
		Overpayments	3%							
Refunds from objection or appeal		6%								
Monthly	Prince Edward Island: Financial institutions capital tax	Underpayments	19.56% (1.5% per month)							
Daily	Quebec: Corporate and personal income tax, capital tax and Health Services Fund contributions	Underpayments	9%							
		Overpayments	3.25%		3.5%	3.75%				
		Taxable benefits	5%				4%			
Not compounded	Saskatchewan: Capital tax	Underpayments	9%							
		Overpayments	6%							

Federal rates apply to:

- general capital taxes collected by the Canada Revenue Agency (CRA) on behalf of New Brunswick and Nova Scotia; and
- Ontario corporate income and capital tax payments made to the CRA (commencing for taxation years ending in 2009).

Quebec charges an additional 10% per year on underpaid instalments if less than 75% of the required amount is paid.

Recent Tax Cases

Tax cases provide insight into the types of issues the Canada Revenue Agency pursues, trends in judicial attitudes, and tax principles advanced by the courts.

General anti-avoidance rule (GAAR): In **The Queen v. MIL (Investments) S.A.**, a Luxembourg-resident taxpayer claimed an exemption under the Canada-Luxembourg Income Tax Convention 1989 on a capital gain on the sale of shares in a Canadian public company. The Federal Court of Appeal agreed with the Tax Court of Canada's decision that GAAR did not apply and that the tax benefit obtained by the taxpayer was not an abuse or misuse of the object and purpose of the relevant provisions of the *Income Tax Act* or the treaty.

In **The Queen v. John MacKay et al.**, a series of transactions was undertaken to enable a partnership to acquire real estate in a tax-effective manner. The result was that the taxpayers claimed non-capital losses with respect to their share of a partnership loss that arose from the write-down of the real estate. The Federal Court of Appeal (FCA) held that GAAR applied and denied the non-capital losses. The FCA confirmed that an overall non-tax purpose for a series of transactions does not preclude a particular step in the series from being an avoidance transaction (and potentially subject to GAAR) if the primary purpose of that step was to obtain a tax benefit. The taxpayers have requested leave to appeal this decision to the Supreme Court of Canada.

In **Copthorne Holdings Ltd. v. The Queen**, the Tax Court of Canada (TCC) ruled that GAAR applied to transactions undertaken by the taxpayer that had the effect of inflating the paid-up capital of the taxpayer's shares. The TCC found that a purported return of capital should be taxed as a deemed dividend subject to Canadian withholding tax. However, the TCC refused to impose the penalty sought by the Minister for failure to withhold. The taxpayer is appealing this decision.

Treaty interpretation: In **Prévost Car Inc. v. The Queen**, a Netherlands company, created by a British and a Swedish company (which were at arm's length), wholly owned a Canadian company. A shareholder agreement provided that 80% of the profits of the jointly held companies would be paid out as dividends. The Tax Court of Canada held that the dividends paid by the Canadian company were beneficially owned by the Netherlands company, and therefore were subject to a reduced withholding tax rate under the Canada-Netherlands Income Tax Convention 1986. The Minister intends to appeal this decision. See our *Tax Memo* "Important Court Ruling on Treaty Interpretation – Another Setback for the CRA" at www.pwc.com/ca/taxmemo.

Treaty limitations: In **The Queen v. Canwest Mediaworks Inc. (Successor by Amalgamation to Canvideo Television Sales (1983) Limited)**, the Federal Court of Appeal ruled that the Minister's reassessment to include foreign accrual property income in the taxpayer's income was not statute-barred although it was issued after the five-year limit imposed by the Canada-Barbados Income Tax Convention 1980. The taxpayer has requested leave to appeal this decision to the Supreme Court of Canada.

Unnamed persons: In **eBay Canada Limited and eBay CS Vancouver Inc. v. The Minister of National Revenue**, the Federal Court Trial Division upheld a court order that required Canadian residents to provide to the Canada Revenue Agency information on unnamed persons that was stored in data facilities owned by another party located outside Canada. The taxpayers are appealing this decision.

Unpaid amounts: In **Dow Chemical Canada Inc. v. The Queen**, the Tax Court of Canada ruled that the taxpayer, an amalgamated company, did not have to include in its income unpaid interest on a related-party loan because it was a new corporation and was not related to the creditor corporation in the year the interest was incurred. The Minister is appealing this decision.

Supply contract rights: In **Basell Canada Inc. v. The Queen**, the Tax Court of Canada decided that a payment to assume the rights under a supply contract was deductible as a current expense, although the payment formed part of the purchase price of business assets acquired by the taxpayer.

Stop-loss rules: As part of a restructuring plan, the taxpayer in **Cascades Inc. v. The Queen**, sold its shares in a company (PIL) to its wholly owned subsidiary, triggering a capital loss. Within 30 days of the sale, the subsidiary and PIL were amalgamated. The Tax Court of Canada ruled that the stop-loss rules did not apply to deny the capital loss. The Minister is appealing this decision.

Stock options: In **Imperial Tobacco Canada Limited (Successor by Amalgamation to Shoppers Drug Mart Limited) v. The Queen**, the Tax Court of Canada allowed a subsidiary to deduct reimbursements to its parent for payments by the parent to the subsidiary's employees on the surrender of options to acquire shares of the parent. The Tax Court of Canada found that the payments were akin to compensation to the employees and did not create an enduring benefit to the subsidiary's business.

Conversion premium on convertible debt: In **Tembec Inc., Cascades Inc. and Provigo Inc. v. The Queen**, the Tax Court of Canada ruled that no deduction could be claimed for the amount by which the fair market value of shares issued on conversion of a convertible debt exceeded the issue price of the debt. The taxpayers are appealing this decision.

Contingent liabilities: In **The Queen v. Allan McLarty**, the taxpayer purchased seismic data for \$100,000, paid by cash and note. The Supreme Court of Canada (SCC) restored the Tax Court of Canada's finding that the parties were at arm's length and that the note created an absolute liability even though the holder's recourse was limited to the sale proceeds of the data acquired and any amount remaining would be forgiven. The SCC characterized the note as creating limited recourse debt and held that this did not make the liability contingent.

U.S. Top Individual Income Tax Rates – Federal and State Combined (2008)

Combined state and federal rates generally apply to employment income, interest and non-qualified dividends, among other things. These rates are shown for the federal brackets set out below. State rates can be calculated by subtracting the applicable federal marginal tax rate (i.e., 28%, 33% or 35%); see below.

The tables do not take into account:

- deductibility of state taxes for federal tax purposes, which will reduce the tax rates shown;
- full or partial deductibility of federal taxes for state tax purposes, which may reduce the tax rates shown for Alabama, Iowa, Louisiana, Missouri, Montana, North Dakota (optional method filers only) and Oregon;
- other taxes that may apply (e.g., alternative minimum taxes);
- special rates that may apply to certain types of income (e.g., long-term capital gains, qualified dividends) or in certain circumstances (e.g., to non-residents of a state who have income from that state);
- city or county income taxes; and
- marginal rates that apply under the status “married filing separately” or “head of household.”

Top three federal taxable income ranges (\$US)

	Third	Second	Top
Single	\$78,850 to \$164,550	\$164,550 to \$357,700	Above \$357,700
Married filing jointly	\$131,450 to \$200,300	\$200,300 to \$357,700	\$357,700
Federal marginal rate	28%	33%	35%

Combined Federal and State Rates (%)

	Third	Second	Top
Alabama	33	38	40
Alaska	28	33	35
Arizona	32.54 or 32.24	37.54	39.54
Arkansas	35	40	42
California	37.3	42.3	44.3
Colorado	32.63	37.63	39.63
Connecticut	33	38	40
Delaware	33.95	38.95	40.95
Florida	28	33	35
Georgia	34	39	41
Hawaii	36.25	41.25	43.25
Idaho	35.8	40.8	42.8
Illinois	31	36	38
Indiana	31.4	36.4	38.4
Iowa	36.98	41.98	43.98
Kansas	34.45	39.45	41.45
Kentucky	34	39	41
Louisiana	34	39	41
Maine	36.5	41.5	43.5
Maryland	33	38.25	40.5
Massachusetts	33.3	38.3	40.3
Michigan	32.35	37.35	39.35
Minnesota	35.85	40.85	42.85
Mississippi	33	38	40
Missouri	34	39	41
Montana	34.9	39.9	41.9
Nebraska	34.84	39.84	41.84
Nevada	28	33	35
New Hampshire	28	33	35
New Jersey	34.37	39.37	43.97
New Mexico	32.9	37.9	39.9
New York	34.85	39.85	41.85
North Carolina	35.75	40.75	42.75
North Dakota	32.34	38.04	40.54
Ohio	33.74 or 34.24	39.24	41.24
Oklahoma	33.5	38.5	40.5
Oregon	37	42	44
Pennsylvania	31.07	36.07	38.07
Rhode Island	35.75	42	44.9
South Carolina	35	40	42
South Dakota	28	33	35
Tennessee	28	33	35
Texas	28	33	35
Utah	33	38	40
Vermont	36.5	42	44.5
Virginia	33.75	38.75	40.75
Washington	28	33	35
Washington D.C.	36.5	41.5	43.5
West Virginia	34.5	39.5	41.5
Wisconsin	34.75	39.75	41.75
Wyoming	28	33	35

In Arizona, 32.54% applies to single filers, 32.24% applies to married joint filers.

In California, the rate is 45.3% on incomes over US\$1 million.

In Massachusetts, the rates are 6.7% higher on short-term capital gains.

In Maryland, the rate is 41.25% on incomes over US\$1 million.

In New Hampshire, the rates are 5% higher on interest and dividends.

In North Dakota, the rates are 40%, 45% and 47%, respectively, for taxpayers using the optional method.

In Ohio, 33.74% applies to single filers, 34.24% applies to married joint filers.

In Tennessee, the rates are 6% higher on interest and dividends.

U.S. Unified Transfer Tax Rates

The U.S. unified transfer tax system may result in a U.S. tax liability for U.S. citizens and Canadian residents, as follows:

Various deductions and adjustments are allowed in deriving the tax base for estate tax purposes.

	Circumstances	Type of unified transfer tax	Estate tax imposed on:
U.S. citizens (residing in Canada or elsewhere)	Transfers: • on death; or • of property during lifetime.	Estate tax Gift tax or generation-skipping tax	Fair market value (FMV) of taxpayer's worldwide assets at death.
Canadian residents (who are not U.S. citizens)	Individual: • dies owning U.S. situs assets (e.g., shares of U.S. corporations, U.S. real estate, U.S. business assets); or • transfers real or tangible U.S. situs assets during lifetime.		Taxpayer's U.S. situs assets at death. (If FMV of worldwide assets < US\$1.2 million, estate tax is imposed only on U.S. real estate and U.S. business assets.)

Estate Taxes

The rates in the table on the right apply from the thresholds shown to the next threshold (or to the entire taxable amount above the threshold if there is no higher threshold).

Gift Taxes

Gift taxes are computed by applying the rates in the table on the right to cumulative taxable lifetime transfers and subtracting the gift taxes previously payable. In general, the fair market value of the transferred property is the starting point for the gift tax calculation.

Canadian residents (who are not U.S. citizens) can reduce their estate tax liability by claiming a unified credit equal to the greater of:

- US\$13,000; and
- the amount of the unified credit (i.e., US\$780,800 in 2008) given to a U.S. citizen, pro-rated by the value of the individual's U.S. assets divided by his or her worldwide assets.

The gift tax unified credit is a lifetime exclusion. An annual exclusion of US\$12,000 per donee also applies.

Generation-Skipping Transfer Tax

A transfer that is:

- subject to either gift or estate tax; and
- made to a person who is two or more generations below the donor (e.g., a grandchild), is a generation-skipping transfer and is subject to the U.S. generation-skipping transfer tax.

Therefore, generation-skipping transfer tax may apply in addition to estate or gift tax. It is computed at the same rates as estate tax. Every donor is allowed a lifetime exemption, which is indexed annually for inflation. For 2008, the exemption is US\$2,000,000.

The estate tax will be repealed entirely in 2010. Without further legislative action it will be re-established in 2011, using the 2001 rate regime. Unlike the estate tax, the gift tax will continue in 2010, with the top gift tax rate being 35%, applicable to transfers over US\$1,000,000. However, starting in 2011, it again follows estate tax rates.

		2007 to 2008	2009	2010	2011
Threshold	\$0		18%	Estate tax repealed	18%
	\$10,000		20%		20%
	\$20,000		22%		22%
	\$40,000		24%		24%
	\$60,000		26%		26%
	\$80,000		28%		28%
	\$100,000		30%		30%
	\$150,000		32%		32%
	\$250,000		34%		34%
	\$500,000		37%		37%
	\$750,000		39%		39%
	\$1,000,000		41%		41%
	\$1,250,000		43%		43%
	\$1,500,000				45%
\$2,000,000				49%	
\$2,500,000				53%	
\$3,000,000				55%	
Estate tax (US\$)	Exemption	\$2,000,000	\$3,500,000		\$1,000,000
	Unified credit	\$780,800	\$1,455,800		\$345,800
Gift tax (US\$)	Exemption			\$1,000,000	
	Unified credit			\$345,800	

The unified credit is equal to the value of the exemption.

U.S. Corporate Income Tax Rates – Federal and State (2008)

Rates apply to income from the thresholds shown to the next threshold (or to all higher income if there is no higher threshold). The threshold refers to taxable income for federal purposes, and to taxable or net income, depending on the state.

The tables do not take into account:

- lower rates (federally and in some states) that apply only to income below \$100,000;
- other taxes that may be imposed (e.g., minimum taxes, franchise taxes, capital taxes);
- special rates that may apply to certain types of corporations (e.g., S-Corporations, banks, insurance corporations) or on certain types of income (e.g., capital gains, income from domestic production activities, see below);
- city or county income taxes;
- the deductibility of state taxes for federal tax purposes; and
- the deductibility of federal taxes for state tax purposes in Alabama, Iowa, Louisiana and Missouri.

Federal rates and brackets (\$US)

	Threshold	Rate (%)	
General	\$100,000	39	
	\$335,000	34	
	\$10,000,000	35	
	\$15,000,000	38	
	\$18,333,333	35	
Personal service		35	
Personal holding	\$0	15	
Accumulated earnings	Personal service	\$150,000	15
	Other	\$250,000	

A deduction for domestic production activities reduces the effective tax rate on this income in stages from 35% to 31.85% by 2010. The effective 2008 rate is 32.90%.

Additional tax applies to undistributed income.

May apply in addition to regular tax.

State rates and brackets (\$US)

	Threshold	Rate (%)	
Alabama	\$0	6.5	
Alaska	\$90,000	9.4	
Arizona	\$0	6.968	
Arkansas	\$100,000	6.5	
California	\$0	8.84	
Colorado	\$0	4.63	
Connecticut	\$0	7.5	
Delaware	\$0	8.7	
Florida	\$5,000	5.5	
Georgia	\$0	6	
Hawaii	\$100,000	6.4	
Idaho	\$0	7.6	
	Personal property	\$0	2.5
Illinois	General	\$0	4.8
		\$0	8.5
Indiana	\$100,000	10	
Iowa	\$250,000	12	
Kansas	\$50,000	7.35	
Kentucky	\$100,000	6	
Louisiana	\$100,000	7	
	\$200,000	8	
Maine	\$75,000	8.33	
	\$250,000	8.93	
Maryland	\$0	8.25	
Massachusetts	\$0	9.5	
Michigan Business Income Tax	\$45,000	4.95	
Minnesota	\$0	9.8	
Mississippi	\$10,000	5	
Missouri	\$0	6.25	
Montana	\$0	6.75	
Nebraska	\$50,000	7.81	
Nevada		No income tax	
New Hampshire	\$0	8.5	
New Jersey	\$0	9.36	
New Mexico	\$0	4.8	
	\$500,000	6.4	
	\$1,000,000	7.6	
	\$0	6.5	
New York	Small business	\$290,000	7.1
		\$350,000	11.45
		\$390,000	n/a
	Manufacturers	\$0	6.5
Other		\$0	7.1
		\$0	6.9
North Carolina	\$0	6.9	
North Dakota	\$30,000	6.5	
Ohio	\$50,000	3.62	
	\$2,297,727	3.4	
Oklahoma	\$0	6	
Oregon	\$0	6.6	
Pennsylvania	\$0	9.99	
Rhode Island	\$0	9	
South Carolina	\$0	5	
South Dakota		No income tax	
Tennessee	\$0	6.5	
Texas		No income tax	
Utah	\$0	5	
Vermont	\$25,000	8.5	
Virginia	\$0	6	
Washington		No income tax	
Washington D.C.	\$0	9.975	
West Virginia	\$0	8.75	
Wisconsin	\$0	7.9	
Wyoming		No income tax	

Taxpayers subject to the Michigan Business Tax (MBT) pay a surcharge equal to 21.99% of MBT (maximum surcharge is \$6 million). MBT includes the Business Income Tax.

Businesses with at least \$4 million in annual receipts pay a surcharge equal to 3% of Wisconsin tax (maximum surcharge is \$9,800).

Canada's Treaty Withholding Tax Rates

This table summarizes treaty withholding tax rates (%) on payments arising in Canada. Rates in square brackets after an arrow are set out in a protocol, replacement treaty or new treaty that is signed, but not in force. To the left of the arrow are the rates that are being replaced, i.e., the rate or rates in the existing treaty or protocol or, if no treaty is in force, the 25% rate

	Dividends	Interest ³	Royalties ⁴
Algeria	15	15	0 or 15
Argentina	10 or 15	12.5	3, 5, 10 or 15
Armenia	5 or 15	10	10
Australia	5 or 15	10	10
Austria	5 or 15	10	0 or 10
Azerbaijan	10 or 15	10	5 or 10
Bangladesh	15	15	10
Barbados	N 15	15	0 or 10
Belgium	5 or 15	10	0 or 10
Bolivia	N	25% imposed by Canada	
Brazil	15 or 25	15	15 or 25
Bulgaria	10 or 15 ¹	10	0 or 10 ¹
Cameroon	15	15	15
Chile ¹	10 or 15	15	15
China P.R. (not Hong Kong)	10 or 15	10	10
Colombia, Rep. of	N	25% imposed by Canada	
Costa Rica	N	25% imposed by Canada	
Croatia	5 or 15	10	10
Cuba	N	25% imposed by Canada	
Cyprus	15	15	0 or 10
Czech Rep.	5 or 15	10	10
Denmark	5 or 15	10	0 or 10
Dominican Rep.	18	18	0 or 18
Ecuador	5 or 15	15	10 or 15 ¹
Egypt	N 15	15	15
Estonia	5 or 15	10	10 ¹
Finland	5 or 15	10	0 or 10
France	5 or 15	10	0 or 10
Gabon	25 → [15]	25 → [10]	25 → [10]
Germany	5 or 15	10	0 or 10
Greece	N	25% imposed by Canada	
Guyana	15	15	10
Hungary	5 or 15	10	0 or 10

	Dividends	Interest ³	Royalties ⁴
Iceland	5 or 15	10	0 or 10
India	15 or 25	15	10, 15 or 20
Indonesia	10 or 15	10	10
Ireland	5 or 15	10	0 or 10
Israel	15	15	0 or 15
Italy	15 → [5 or 15]	15 → [10]	0 or 10 → [0, 5 or 10]
Ivory Coast	15	15	10
Jamaica	15	15	10
Japan	5 or 15	10	10
Jordan	10 or 15	10	10
Kazakhstan	5 or 15	10	10 ¹
Kenya	15 or 25 ¹	15	15
Korea, Rep. of	5 or 15	10	10
Kuwait	5 or 15	10	10
Kyrgyzstan	15 ¹	15 ¹	0 or 10
Latvia	5 or 15	10	10 ¹
Lebanon	25 → [5 or 15]	25 → [10]	25 → [5 or 10]
Lithuania	5 or 15	10	10 ¹
Luxembourg	5 or 15	10	0 or 10
Madagascar	N	25% imposed by Canada	
Malaysia	N 15	15	15
Malta	15	15	0 or 10
Mexico	5 or 15	10	0 or 10
Moldova	5 or 15	10	10
Mongolia	5 or 15	10	5 or 10
Morocco	15	15	5 or 10
Namibia	N	25% imposed by Canada	
Netherlands	5 or 15	10	0 or 10
New Zealand	15	15	15
Nigeria	12.5 or 15	12.5	12.5
Norway	5 or 15	10	0 or 10
Oman	5 or 15	10 ¹	0 or 10
Pakistan	15	15	0 or 15

imposed by Canada. If two or more dividend rates are provided, the lower (lowest two for Vietnam) applies if the recipient is a company that owns or controls a specified interest of the payor.

	Dividends	Interest ³	Royalties ⁴
Papua New Guinea	15	10	10
Peru ¹	10 or 15	15	15
Philippines	15	15	10
Poland	N 15	15	0 or 10
Portugal	10 or 15	10	10
Romania	5 or 15	10	5 or 10
Russia	10 or 15	10	0 or 10
Senegal	15	15	15
Serbia and Montenegro	N	25% imposed by Canada	
Singapore	N 15	15	15
Slovak Republic	5 or 15	10	0 or 10
Slovenia	5 or 15	10	10
South Africa	5 or 15	10	6 or 10
Spain	N 15	15	0 or 10
Sri Lanka	15	15	0 or 10
Sweden	5 or 15	10	0 or 10
Switzerland	5 or 15	10	0 or 10
Tanzania	20 or 25	15	20
Thailand	15	15	5 or 15
Trinidad and Tobago	5 or 15	10	0 or 10
Tunisia	15	15	0, 15 or 20
Turkey	N	25% imposed by Canada	
Ukraine	5 or 15	10	0 or 10
United Arab Emirates	5 or 15	10	0 or 10
United Kingdom	5 or 15	10	0 or 10
United States	5 or 15	10 → [0] ²	0 or 10
Uzbekistan	5 or 15	10	5 or 10
Venezuela	10 or 15 ¹	10	5 or 10
Vietnam	5, 10 or 15	10	7.5 or 10
Zambia	15	15	15
Zimbabwe	10 or 15	15	10

N Negotiation or renegotiation of tax treaty or protocol underway or to commence.

- If the other state (Canada for treaty with Oman) concludes a treaty with another country providing for a lower rate (higher for Kenya), the lower rate (higher for Kenya) will apply, with limits in some cases.
- The fifth Protocol to the Canada-U.S. treaty eliminates withholding tax on cross-border interest payments between:
 - arm's-length persons – on or after the first day of the second month that begins after the Protocol's entry into force; and
 - related persons – subject to the Limitation of Benefits article, phases out over three years (if both countries ratify the Protocol in 2008) from 10% to 7%, retroactively on amounts paid or credited after December 31, 2007, to 4% in 2009 and to nil after 2009.

- Commencing 2008, Canadian withholding tax is eliminated on most interest paid to arm's-length non-residents.
- A nil royalty rate generally applies to:
 - copyright royalties and payments for a literary, dramatic, musical or other artistic work (but not royalties for motion picture films or works on film or videotape or other means of reproduction for use in television); and/or
 - royalties for computer software or a patent, or for information concerning industrial, commercial or scientific experience (but not royalties for a rental or franchise agreement).

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