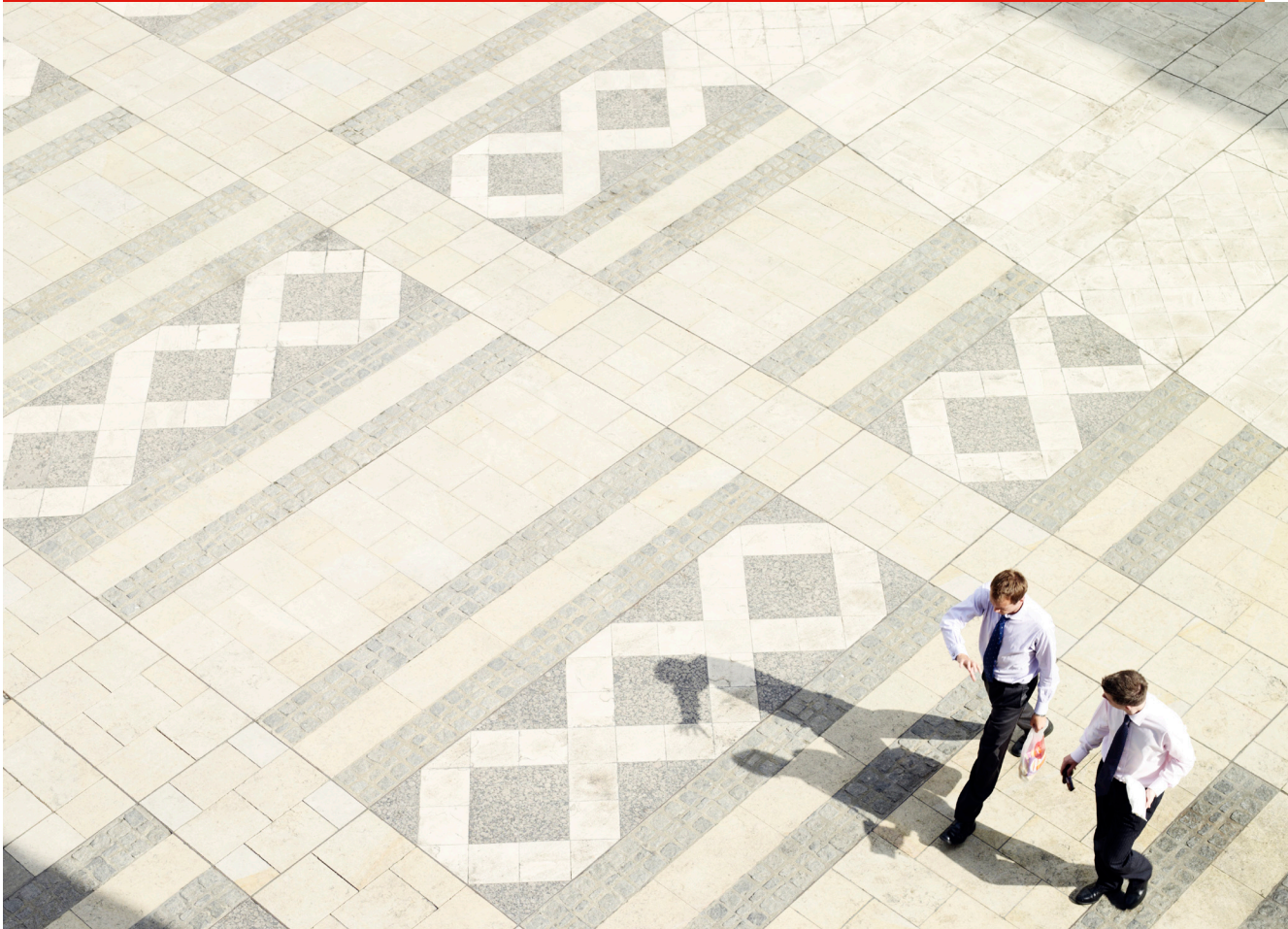


Tax facts and figures

Canada 2011

Canadian individual and corporate tax changes, tax rates, tax deadlines and a wide range of other valuable tax information.

2011



Key 2011 income tax rates – individuals and corporations

Applies to taxable income above \$128,800 (\$150,000 for Nova Scotia).

Individuals (page 4)

	Top combined marginal rates			
	Ordinary income and interest	Capital gains	Canadian dividends	
			Eligible	Non-eligible
Federal	29.00%	14.50%	17.72%	19.58%
Alberta	39.00%	19.50%	17.72%	27.71%
British Columbia	43.70%	21.85%	23.91%	33.71%
Manitoba	46.40%	23.20%	26.74%	39.15%
New Brunswick	43.30%	21.65%	20.96%	30.83%
Newfoundland and Labrador	42.30%	21.15%	20.96%	29.96%
Northwest Territories	43.05%	21.53%	21.31%	29.65%
Nova Scotia	50.00%	25.00%	34.85%	36.21%
Nunavut	40.50%	20.25%	25.72%	28.96%
Ontario	46.41%	23.20%	28.19%	32.57%
Prince Edward Island	47.37%	23.69%	27.33%	41.17%
Quebec	48.22%	24.11%	31.85%	36.35%
Saskatchewan	44.00%	22.00%	23.36%	32.08%
Yukon	42.40%	21.20%	14.28% to 17.72%	30.41%

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

Corporations (page 19)

	Combined rates			
	General and M&P	Canadian-Controlled Private Corporations (CCPCs)		
		Active business income to \$400,000	Active business income \$400,000 to \$500,000	Investment income
	16.5%	11%	34.67%	
	26.5%	14%	44.67%	
	26.5%	13.5%	44.67%	
	28.5%	11%	23%	46.67%
	27%	16%	45.16%	
General	30.5%	15%	48.67%	
M&P	21.5%		n/a	
	28%	15%	46.17%	
	32.5%	15.5%	27%	50.67%
	28.5%	15%	46.67%	
General	28.25%		46.41%	
M&P	26.5%	15.5%	n/a	
	32.5%	12%	50.67%	
	28.4%	19%	46.57%	
General	28.5%	14.24%	46.67%	
M&P	26.5%		n/a	
General	31.5%	15%	49.67%	
M&P	19%	13.5%	n/a	

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Tax facts and figures

Canada 2011

A message from our tax leader

In our ever-changing world, timely and relevant tax information is especially important. PwC's 34th edition of *Tax facts and figures* will help you stay up to date. This convenient reference source includes Canadian individual and corporate tax rates and deadlines, summaries of recent tax cases and a wide range of other valuable tax information.

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Christopher Kong
National Managing Partner – Tax Services
PwC Canada

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PwC tax contacts

Alberta

Calgary	Dale Meister	dale.s.meister@ca.pwc.com
Edmonton	Kent Davison	kent.davison@ca.pwc.com

British Columbia

Vancouver	Brad Sakich	brad.a.sakich@ca.pwc.com
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Manitoba

Winnipeg	David Loewen	dave.loewen@ca.pwc.com
----------	--------------	--

Maritimes

Halifax/Saint John	Dean Landry	dean.landry@ca.pwc.com
--------------------	-------------	--

Newfoundland and Labrador

St. John's	Allison Saunders	allison.j.saunders@ca.pwc.com
------------	------------------	--

Ontario

Greater Toronto Area	Cathy Wraggett	cathy.a.wraggett@ca.pwc.com
Ottawa	Brenda Belliveau	brenda.c.belliveau@ca.pwc.com
Southwestern Ontario	Loris Macor	loris.macor@ca.pwc.com

Quebec

Montreal	Pierre Lessard	pierre.lessard@ca.pwc.com
Quebec City	Remi Tremblay	remi.tremblay@ca.pwc.com

Saskatchewan

Saskatoon	Frank Baldry	frank.m.baldry@ca.pwc.com
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This booklet is published with the understanding that PwC 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 31, 2011, but may change as a result of legislation or regulations issued after that date.

Highlights for individuals and corporations: 2011 and beyond

Federal

When the federal minority government was defeated on March 25, 2011, the March 22, 2011 federal budget died, along with outstanding bills and legislation. Because the same party won a majority in the May 2, 2011 federal election, those measures are expected to be reintroduced, and therefore are reflected in this publication.

Personal income tax rates: unchanged (p. 10).

Corporate income tax rates: decreasing – general and M&P rate from 18% to 16.5% on January 1, 2011, and to 15% on January 1, 2012; small business rate unchanged (p. 24).

Eligible dividends: personal taxes increasing in 2011 and 2012 (p. 10).

Children’s Arts Tax Credit: new starting 2011 (p. 10).

“Kiddie tax”: extended to certain capital gains (p. 10).

Charitable gifts: rules to limit unintended or excessive benefits tightened (p. 11).

Partnership information returns: filing criteria revised for partnerships with fiscal periods ending after December 31, 2010 (p. 10).

Partnership deferral: eliminated for a corporate partner’s taxation year ending after March 22, 2011 (p. 24).

Stop-loss rule on share redemption: extended for share redemptions after March 21, 2011 (p. 24).

Avoidance transactions: a “reportable transaction” after 2010 (p. 11).

Group taxation: federal government exploring options (p. 24).

Alberta¹

Personal and corporate income tax rates: unchanged (pp. 12, 25).

British Columbia¹

Personal income tax rates: unchanged (p. 12).

Corporate income tax rates: decreasing – general and M&P rate from 10.5% to 10% on January 1, 2011, but may increase to 12% on January 1, 2012; small business rate from 2.5% to 0% on April 1, 2012, but may be postponed (p. 26).

Harmonized Sales Tax (HST): referendum to be held from June to July 2011, to determine if the province will keep the HST regime (pp. 12, 26).

Manitoba¹

Personal income tax rates: unchanged (p. 13).

Non-eligible dividends: personal taxes increasing in 2011 (p. 13).

Corporate income tax rates: decreasing – general and M&P rate from 12% to 11% at a date to be determined; small business rate unchanged (p. 26).

General capital tax: eliminated on January 1, 2011; earlier for M&P companies (p. 26).

Financial institutions capital tax: eliminated for small financial institutions, for taxation years ending after April 12, 2011 (p. 26).

New Brunswick¹

Personal income tax rates: lowest three rates decreased in 2011 (p. 13).

Corporate income tax rates: decreasing – general and M&P rate from 11% to 10% on July 1, 2011; small business rate in stages from 5% to 2.5% over next four years (p. 27).

Newfoundland and Labrador¹

Personal income tax rates: top two rates decreased in 2011 (p. 14).

Corporate income tax rates: general and M&P rate unchanged; small business rate decreased from 5% to 4% for taxation years beginning after March 31, 2010 (p. 28).

1. Federal changes increase personal taxes on eligible dividends in the province or territory in 2011 and 2012.

Highlights for individuals and corporations: 2011 and beyond

Northwest Territories¹

Personal and corporate income tax rates: unchanged (pp. 14, 28).

Nova Scotia¹

Personal income tax rates: unchanged (p. 15).

Corporate income tax rates: general and M&P rate unchanged; small business rate decreasing from 5% to 4.5% on January 1, 2011, and to 4% on January 1, 2012 (p. 29).

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

Nunavut¹

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

Ontario¹

Personal income tax rates: unchanged (p. 16).

Corporate income tax rates: general rate decreasing in stages from 14% to 10% by July 1, 2013; M&P and small business rates unchanged (p. 30).

Prince Edward Island¹

Personal and corporate income tax rates: unchanged (pp. 16, 31).

Non-eligible dividends: personal taxes increasing in 2011 (p. 16).

Quebec¹

Personal and corporate income tax rates: unchanged (pp. 17, 31).

Capital tax: eliminated on January 1, 2011; earlier for M&P companies (p. 31).

Quebec Sales Tax rate: increasing from 8.5% to 9.5% on January 1, 2012 (pp. 17, 32).

Saskatchewan¹

Personal income tax rates: unchanged (p. 17).

Non-eligible dividends: personal taxes increasing in 2011 and 2012 (p. 17).

Corporate income tax rates: general and M&P rates unchanged; small business rate decreasing from 4.5% to 2% on July 1, 2011 (p. 32).

Financial institutions capital tax: relief provided for certain small financial institutions, retroactive to taxation years ending after October 31, 2009 (p. 32).

Yukon

Personal and corporate income tax rates: unchanged (pp. 18, 33).

Eligible dividends: personal taxes decreasing in 2011, but increasing in 2012 (p. 18).

Non-eligible dividends: personal taxes decreasing in 2011 (p. 18).

1. Federal changes increase personal taxes on eligible dividends in the province or territory in 2011 and 2012.

Individuals

Individual marginal rates for 2011

This table shows combined federal and provincial (or territorial) marginal tax rates – the percentage of tax paid on the last dollar of income, or on additional income.

Provincial brackets below \$10,527 are not shown.	Taxable income \$10,527 to \$41,544					Taxable income \$41,544 to \$83,088					Taxable income \$83,088 to \$128,800					Taxable income > \$128,800				
	Brackets \$	Ordinary income & interest %	Capital gains %	Canadian dividends ¹ Eligible % Non-eligible %		Brackets \$	Ordinary income & interest %	Capital gains %	Canadian dividends ¹ Eligible % Non-eligible %		Brackets \$	Ordinary income & interest %	Capital gains %	Canadian dividends ¹ Eligible % Non-eligible %		Brackets \$	Ordinary income & interest %	Capital gains %	Canadian dividends ¹ Eligible % Non-eligible %	
Federal	10,527	15.00	7.50	(2.02) to 0		41,544	22.00	11.00	7.85 10.83		83,088	26.00	13.00	13.49 15.83		128,800	29.00	14.50	17.72 19.58	
Alberta	16,977 10,527	25.00 15.00	12.50 7.50	(2.02) to 0		41,544	32.00	16.00	7.85 18.96		83,088	36.00	18.00	13.49 23.96		128,800	39.00	19.50	17.72 27.71	
British Columbia	36,146 11,088 10,527	22.70 20.06 15.00	11.35 10.03 7.50	(5.70) to 0 (9.43) to 0 (2.02) to 0		83,001 72,293 41,544	34.29 32.50 29.70	17.15 16.25 14.85	10.64 21.95 8.11 19.71 4.17 to 7.85 16.21		100,787 83,088	40.70 38.29	20.35 19.15	19.68 29.96 16.28 26.95		128,800	43.70	21.85	23.91 33.71	
Manitoba	31,000 10,527	27.75 25.80	13.88 12.90	0.44 to 2.47 (2.31) to 0		67,000 41,544	39.40 34.75	19.70 17.38	16.87 30.40 10.31 24.58		83,088	43.40	21.70	22.51 35.40		128,800	46.40	23.20	26.74 39.15	
New Brunswick	37,150 10,527	27.10 24.10	13.55 12.05	(1.88) to 0.14 (6.11) to 0		74,300 41,544	34.40 34.10	17.20 17.05	8.41 19.71 7.99 19.33		120,796 83,088	40.30 38.40	20.15 19.20	16.73 27.08 14.05 24.71		128,800	43.30	21.65	20.96 30.83	
Newfoundland and Labrador	31,904 10,527	27.50 22.70	13.75 11.35	0.09 to 2.12 (6.68) to 0		63,807 41,544	35.30 34.50	17.65 17.25	11.09 21.21 9.96 20.21		83,088	39.30	19.65	16.73 26.21		128,800	42.30	21.15	20.96 29.96	
Northwest Territories	37,626 12,919 10,527	23.60 20.90 15.00	11.80 10.45 7.50	(6.11) to 0 (9.92) to 0 (2.02) to 0		75,253 41,544	34.20 30.60	17.10 15.30	8.83 18.58 3.76 to 7.85 14.08		122,345 83,088	40.05 38.20	20.03 19.10	17.08 25.90 14.47 23.58		128,800	43.05	21.53	21.31 29.65	
Nova Scotia	29,590 10,527	29.95 23.79	14.98 11.90	6.58 to 8.60 (2.11) to 0		59,180 41,544	38.67 36.95	19.34 18.48	18.87 22.05 16.45 19.90		93,000 83,088	43.50 42.67	21.75 21.34	25.68 28.08 24.51 27.05		150,000 128,800	50.00 46.50	25.00 23.25	34.85 36.21 29.91 31.83	
Nunavut	39,612 11,878 10,527	22.00 19.00 15.00	11.00 9.50 7.50	(0.36) to 1.66 (4.59) to 0 (2.02) to 0		79,224 41,544	31.00 29.00	15.50 14.50	12.33 17.08 9.51 14.58		83,088	35.00	17.50	17.97 22.08		128,800	40.50	20.25	25.72 28.96	
Ontario	37,774 10,527	24.15 20.05	12.08 10.03	1.85 to 3.88 (3.93) to 0		78,370 75,550 66,519 41,544	39.41 35.39 32.98 31.15	19.70 17.70 16.49 15.58	18.32 23.82 15.90 20.82 12.50 17.81 11.72 16.65		83,088	43.41	21.70	23.96 28.82		128,800	46.41	23.20	28.19 32.57	
Prince Edward Island	31,984 10,527	28.80 24.80	14.40 12.40	2.63 to 4.65 (3.01) to 0		63,969 41,544	38.70 35.80	19.35 17.90	16.59 30.46 12.50 26.83		98,143 83,088	44.37 42.70	22.19 21.35	23.10 37.42 22.23 35.46		128,800	47.37	23.69	27.33 41.17	
Quebec	39,060 13,300 10,527	32.53 28.53 12.53	16.26 14.26 6.26	9.73 to 11.42 4.09 to 5.78 (1.69) to 0		78,120 41,544	42.37 38.37	21.19 19.19	23.61 29.05 17.97 24.05		83,088	45.71	22.86	28.32 33.22		128,800	48.22	24.11	31.85 36.35	
Saskatchewan	40,919 14,535 10,527	28.00 26.00 15.00	14.00 13.00 7.50	0.80 to 2.82 (2.02) to 0 (2.02) to 0		41,544	35.00	17.50	10.67 20.83		116,911 83,088	41.00 39.00	20.50 19.50	19.13 28.33 16.31 25.83		128,800	44.00	22.00	23.36 32.08	
Yukon	10,527	22.04	11.02	(13.36) to 0		80,970 41,544	32.16 31.68	16.08 15.84	(0.15) to 7.85 0.23 to 7.85		83,088	38.01	19.01	8.10 to 13.49 24.93		128,800	42.40	21.20	14.28 to 17.72 30.41	
Non-resident²	10,527	22.20	11.10	(3.00) to 0		41,544	32.56	16.28	11.61 16.03		83,088	38.48	19.24	19.96 23.43		128,800	42.92	21.46	26.22 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. A non-resident will pay tax on taxable income below \$10,527 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 (other than most interest paid to arm's-length non-residents) and dividends are subject to Part XIII non-resident withholding tax.

Individuals

How much tax? Individual tax table for 2011

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.

This table assumes the non-resident will not qualify for the basic personal tax credit. A non-resident can claim this credit only if all or substantially all (i.e., 90% or more) of his or her worldwide income is included in 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. Non-residents are subject to provincial or territorial rates on employment income earned, and business income connected with a permanent establishment, in the respective province or territory. Different rates may apply to non-residents in other circumstances.

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

For Quebec, the federal income tax amounts shown should be reduced by the 16.5% "Quebec abatement." See page 17.

		Combined 2011 federal and provincial/territorial income tax																
		Federal income tax	Alberta	B.C.	Manitoba	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nunavut	Ontario	P.E.I.	Quebec	Sask.	Yukon	Non-resident		
Taxable income ↑	\$1,000,000	\$278,325	\$376,628	\$417,871	\$447,700	\$416,878	\$408,668	\$412,075	\$478,717	\$386,857	\$444,225	\$456,497	\$465,586	\$423,570	\$406,755	\$414,259	\$1,000,000	
	500,000	133,325	181,628	199,371	215,700	200,378	197,168	196,825	228,717	184,357	212,177	219,647	224,511	203,570	194,765	199,659	500,000	
	400,000	104,325	142,628	155,671	169,300	157,078	154,868	153,775	178,717	143,857	165,767	172,277	176,296	159,570	152,367	156,739	400,000	
	300,000	75,325	103,628	111,971	122,900	113,778	112,568	110,725	128,717	103,357	119,358	124,907	128,081	115,570	109,969	113,819	300,000	
	250,000	60,825	84,128	90,121	99,700	92,128	91,418	89,200	103,717	83,107	96,153	101,222	103,974	93,570	88,770	92,359	250,000	
	200,000	46,325	64,628	68,271	76,500	70,478	70,268	67,675	78,717	62,857	72,948	77,537	79,866	71,570	67,571	70,899	200,000	
	150,000	31,825	45,128	46,421	53,300	48,828	49,118	46,150	53,717	42,607	49,743	53,852	55,759	49,570	46,372	49,439	150,000	
	100,000	18,189	26,492	25,454	30,964	28,437	28,832	25,902	31,331	23,941	27,402	31,031	32,373	28,772	26,436	29,257	100,000	
	90,000	15,589	22,892	21,625	26,624	24,597	24,902	22,082	27,006	20,441	23,061	26,730	27,802	24,872	22,635	25,409	90,000	
	80,000	13,113	19,415	17,973	22,407	20,881	21,096	18,386	22,863	17,065	18,844	22,583	23,334	21,096	19,019	21,744	80,000	
	70,000	10,913	16,215	14,788	18,467	17,454	17,566	15,155	18,996	14,149	15,373	18,713	19,422	17,596	15,851	18,488	70,000	
	60,000	8,713	13,015	11,818	14,853	14,044	14,066	12,095	15,129	11,249	12,194	14,958	15,585	14,096	12,683	15,232	60,000	
	50,000	6,513	9,815	8,848	11,378	10,634	10,616	9,035	11,420	8,349	9,079	11,378	11,748	10,596	9,515	11,976	50,000	
	40,000	4,421	6,723	5,986	8,011	7,332	7,274	6,083	7,833	5,557	6,072	7,906	8,001	7,222	6,496	8,880	40,000	
	30,000	2,921	4,223	3,878	5,255	4,836	4,616	3,929	4,838	3,646	3,976	5,106	5,111	4,622	4,292	6,660	30,000	
	20,000	1,421	1,723	1,872	2,675	2,426	2,346	1,839	2,433	1,746	1,971	2,626	2,258	2,022	2,088	4,440	20,000	

Taxable income ↑

Individuals

Personal tax credits for 2011

Key non-refundable tax credits

Non-refundable credits reduce or eliminate tax. For more information on key federal credits, see [page 7](#).

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

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

		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	5.06	10.8	9.1	7.7	5.9	8.79	4	5.05	9.8	20	11	7.04
Charitable donations	First \$200														
	Amount over \$200	29	21	14.7	17.4	14.3	13.3	14.05	21	11.5	11.16	16.7	24	15	12.76
Dividend tax credit (on grossed-up amount)	Eligible	16.44	10	10.31	11	12	11	11.5	8.85	5.82	6.4	10.5	11.9	11	15.08
	Non-eligible	13.33	3.5	3.4	1.75	5.3	5	6	7.7	4	4.5	1	8	5	4.51

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													
Basic				561		815	615		745		460	755	2,128			
Spouse		10,527	1,579	1,698		905		762		475	390	642	n/a	1,599	741	
Equivalent to spouse				492		692	503		633			617				
Age 65		6,537	981	473	215	403	398	393	373	364	356	224	369	458	487	460
Disability	Basic	7,341	1,101	1,310	360	667	660	415	618	443	475	371	675	484		517
	Under 18 supplement									303			394			
Infirm dependant (18 or over)		4,282	642	983	210	389	385	195	253		171	217	240	n/a	942	301
Caregiver										431						
Pension income		2,000	300	131	51	108	91	77	59	103	80	64	98	407	110	141
Child		2,131	320						n/a					607		150
Adoption		11,128	1,669	1,161	563	1,080	n/a	830		n/a		561		n/a		783
Children's fitness										44						35
Children's arts		500	75	n/a	54		n/a			n/a			n/a			n/a
CPP/QPP		2,218	333	222	112	240	202	171	131	195	89	112	217	n/a	244	156
Employment Insurance (EI)		787	118	79	40	85	72	61	46	69	31	40	77		87	55
Canada Employment		1,065	160						n/a							75
Education	Full-time	400	60	66	10	43	36	15	24	18	16	25	39	393	44	28
	Part-time	120	18	20	3	13	11	5	7	5	5	7	12	n/a	13	8
Textbook	Full-time	65	10								3					5
	Part-time	20	3				n/a				1					1

See [page 10](#) for more information.

Starting 2010, Ontario provides a refundable tax credit for fitness and non-fitness activities. See [page 16](#).

In Saskatchewan, a refundable tax credit provides up to \$150 per child aged six to fourteen, for cultural, recreational and sport activity fees.

In Quebec, the federal EI amount is lower (it is \$623) because Quebec Parental Insurance Plan premiums are also required, for which a federal tax credit is available (see [page 34](#)).

In Manitoba, commencing 2011:
 • individuals up to age 24 can claim the fitness credit; and
 • a non-refundable tax credit for non-fitness activities can be claimed.
 See [page 13](#).

Starting 2011, Newfoundland and Labrador provides a non-refundable tax credit for child care expenses. See [page 14](#).

x 1.2 or x 1.56	x 1.1	x 1.05
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In jurisdictions that levy a surtax, the surtax increases the value of the credits by the factors shown.

Individuals

Key federal credits: additional information

See [pages 10](#) and [11](#) for recent changes to federal credits. 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		
Education	Credit = \$60/month for full-time students and certain disabled part-time students; \$18/month for other part-time students	Spouse, parent or grandparent (Maximum combined credits transferable = \$750)	Indefinite
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 \$2,052 and 3% of net income (generally, expenses for any twelve-month period ending in the year can be claimed)	Either spouse may claim	
CPP/QPP and EI	For employees, maximum credit = \$451 (in Quebec, \$426); self-employed persons deduct 50% of CPP/QPP premiums paid for their own coverage (maximum deduction of \$2,218) and claim a credit for the non-deductible half of premiums paid (maximum credit \$333); 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 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	
Spouse 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 \$6,076		
Caregiver	For providers of in-home care for an adult relative (reduced if relative's income exceeds \$14,624)	Spouse	
Age	Reduced if income exceeds \$32,961		
Pension	Maximum credit = \$300		
Child	Credit available for each child under 18	Either parent may claim	
Children's fitness	Maximum credit = \$75 for children under 16; \$150 for children under 18 who qualify for the disability tax credit		
Children's arts		Spouse, parent, grandparent, child, grandchild, sibling, aunt, uncle, niece or nephew	
Disability	Basic Under 18 supplement		
	For individuals with severe and prolonged impairment		
	Reduced if child care expenses and attendant care expenses (claimed as a medical expense for child) exceed \$2,508		

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 \$10,640;
- 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 \$571 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 \$30,875;
- a person that lives alone or with a dependant can claim a credit of \$249;
- a person that qualifies for the living alone credit and lives with an eligible student is eligible for an additional \$309 credit;
- the maximum education credit of \$393 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 \$591, plus supplement of \$484 (less if dependant's income exceeds \$21,505)
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 \$52,080
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 \$52,080; 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 \$1,074 is reduced if family income exceeds \$20,785

Commencing 2011, the informal caregivers credit consists of three separate credits. See [page 17](#).

Individuals

Income tax filing and payment deadlines for 2011 – 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 2011 and either 2010 or 2009 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	None		90 days after trust year end	T3 (and TP-646-V for Quebec filers)

However, the Canada Revenue Agency's policy is to not charge instalment interest to an *inter vivos* trust.

For the 2011 taxation year of an *inter vivos* trust, the filing deadline is March 30, 2012.

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, for example, in Ontario, Prince Edward Island and Yukon, which impose surtaxes.

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

This trust must maintain its status as a testamentary trust for tax purposes.

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).

	Extended deadlines for individuals	
	Filing	Balance due
Taxpayer (or spouse) carried on a business	June 15	
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. 	April 30 (no extension)
Taxpayer (or spouse) died	If a taxpayer (or his/her 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.

Individuals

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.

This table shows probate fees or administrative charges for probating a will. Other fees may also apply.

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

	Fee schedule (estates over \$50,000)	Example fees		
		\$500,000 value	\$2,000,000 value	\$5,000,000 value
Alberta	\$200 to \$400		\$400	
British Columbia	\$350 + 1.4% of portion > \$50,000	\$6,650	\$27,650	\$69,650
Manitoba	\$70 + 0.7% of portion > \$10,000	\$3,500	\$14,000	\$35,000
New Brunswick	0.5% of estate	\$2,500	\$10,000	\$25,000
Newfoundland and Labrador	\$90 + 0.5% of portion > \$1,000	\$2,585	\$10,085	\$25,085
Northwest Territories	\$200 to \$400		\$400	
Nova Scotia	\$920 + 1.553% of portion > \$100,000	\$7,132	\$30,427	\$77,017
Nunavut	\$200 to \$400		\$400	
Ontario	\$250 + 1.5% of portion > \$50,000	\$7,000	\$29,500	\$74,500
Prince Edward Island	\$400 + 0.4% of portion > \$100,000	\$2,000	\$8,000	\$20,000
Quebec	Nominal fee			
Saskatchewan	0.7% of estate	\$3,500	\$14,000	\$35,000
Yukon	\$140		\$140	

Before April 1, 2011, Nova Scotia's fee was \$902 + 1.523% of portion > \$100,000.

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.

Individuals

Key tax changes

Federal

	Top federal rates				Federal rates					
	Ordinary income	Capital gains	Dividends		2011	Bracket	\$0	\$41,544	\$83,088	\$128,800
			Eligible	Non-eligible						
2010	29%	14.50%	15.88%	19.58%						
2011	29%	14.50%	17.72%	19.58%						

When the federal minority government was defeated on March 25, 2011, the March 22, 2011 federal budget died, along with outstanding bills and legislation. Because the same party won a majority in the May 2, 2011 federal election, those measures are expected to be reintroduced, and therefore are reflected in this publication.

Personal tax system: Indexing increased federal tax brackets and most personal tax credits by 1.4% for 2011.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	17.9739%	16.4354%	15.0198%
Top federal rate	15.88%	17.72%	19.29%

Children's Arts Tax Credit: Commencing 2011, parents can claim a non-refundable tax credit on up to \$500 of fees paid for enrolling each child under 16 in an eligible program of artistic, cultural, recreational or developmental activities. An additional \$500 is available for children under 18 who qualify for the disability tax credit.

Canada Revenue Agency (CRA) access to documents: The CRA's revised policy on access to taxpayer and third-party documents demonstrates its heightened interest in supporting documents that help determine tax obligations and entitlements. This signals that taxpayers may receive more frequent requests for supporting documents. See our *Tax Memo* "CRA Access to Documents" at www.pwc.com/ca/taxmemo.

Automobile deductions and benefits:

- 2011 prescribed rates – these will remain at their 2010 levels for purposes of determining automobile deduction limits and taxable benefits.
- Sample logbook – commencing 2010, self-employed individuals can use a logbook maintained for a sample period that represents a motor vehicle's use to support motor vehicle expenses, in certain circumstances.

Also, see *Car expenses and benefits – A tax guide* at www.pwc.com/ca/carexpenses.

"Kiddie tax": For capital gains realized after March 21, 2011, the "kiddie tax" will apply to certain capital gains included in a minor's income.

Partnership information returns: For partnerships with fiscal periods ending after December 31, 2010, the requirement to file a partnership information return based on the number of partners is replaced with one related to financial thresholds and partner structure. See our *Tax Memo* "Partnership Information Returns – Who Must File Starting 2011?" at www.pwc.com/ca/taxmemo.

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

Defined benefit registered pension plans (RPPs): The maximum pension benefit that can be paid from these plans is increasing as shown:

	Pension benefit (per year of service)
2010	\$2,494
2011	\$2,552
2012	Indexed

Registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs): Anti-avoidance rules for RRSPs and RRIFs will include rules similar to the "advantage," "prohibited investment" and "non-qualified investment" rules applicable to Tax-Free Savings Accounts, for transactions occurring and investments acquired after March 22, 2011. Transitional rules may apply. See our *Tax Memo* "Federal Budget Includes RRSP Anti-Avoidance Rule" at www.pwc.com/ca/taxmemo.

Individual pension plans (IPPs): Measures that affect defined benefit RPPs that are created primarily for one individual require:

- minimum withdrawals from an IPP for members over 71, beginning 2012; and
- past service contributions made after March 22, 2011, to first:
 - be funded out of the member's existing RRSP assets (or account balance under a defined contribution RPP); or
 - reduce the member's accumulated RRSP contribution room.

Employee profit sharing plans (EPSPs): The rules for EPSPs will be reviewed to assess if technical improvements are required.

Pension plan wind-ups: For members whose pension benefits have been reduced because of underfunding, the amount that can be transferred from the pension plan to a retirement savings vehicle on a tax-deferred basis will be the amount that could have been transferred if:

- the plan had been fully funded, and
- the members' benefits had not been reduced.

Individuals

Registered education savings plans (RESPs): Commencing 2011, asset transfers between RESPs for siblings will be allowed if certain conditions are met.

Family Caregiver Tax Credit: Commencing 2012, caregivers of dependants with a mental or physical infirmity can claim a \$2,000 non-refundable tax credit (indexed after 2012).

Charitable gifts: Changes:

- permit the Canada Revenue Agency to disallow charitable tax relief if the donated property is returned to the donor after March 21, 2011;
- defer charitable tax relief on the donation of:
 - a non-qualifying security (NQS) for up to five years if the qualified donee disposes of the NQS to another party (other than when the consideration is the NQS of any person) for dispositions made after March 21, 2011; and
 - an option granted by a taxpayer after March 21, 2011, to a qualified donee to acquire the taxpayer's property, until the donee exercises the option and acquires the property; and
- limit the capital gains tax exemption on a donation of publicly listed flow-through securities acquired by a taxpayer pursuant to an agreement entered into after March 21, 2011.

Education measures: Enhancements:

- allow certain fees for exams taken after 2010 to qualify for the tuition tax credit; and
- starting 2011, allow full-time students at educational institutions outside Canada in a course leading to a degree that is at least three (down from 13) consecutive weeks to:
 - claim the tuition, education and textbook tax credits; and
 - receive educational assistance payments from an RESP.

Medical Expense Tax Credit: Commencing 2011, eligible expenses that can be claimed under this credit in respect of a dependent adult relative are not limited to \$10,000.

Registered disability savings plans (RDSPs): For RDSP withdrawals made after royal assent (earlier in some cases), RDSP beneficiaries with a life expectancy of five years or less can increase their annual RDSP withdrawals, without repaying grants or bonds received by the RDSP.

Child Tax Credit: Commencing 2011, the rule that limits the number of child tax credit claimants to one per domestic establishment is repealed.

Volunteer Firefighters Tax Credit: Volunteer firefighters who serve 200 hours or more annually can claim a non-refundable tax credit based on \$3,000, starting 2011.

Mineral exploration tax credit for flow-through shares: This credit is extended one year to flow-through share agreements entered into before April 1, 2012.

Non-resident trusts (NRTs) and offshore investment funds: Draft legislation released on August 27, 2010, refines the NRT rules, generally for taxation years ending after 2006, and the offshore investment fund rules, for taxation years ending after March 4, 2010. See our *Tax Memo* "August 27, 2010 Draft Legislation Implements 2010 Budget Proposals and Other Previously Announced Measures" at www.pwc.com/ca/taxmemo.

Avoidance transactions: Draft legislation makes an "avoidance transaction" meeting certain conditions a "reportable transaction" that must be reported to the Canada Revenue Agency, generally for transactions entered into after 2010, and those that are part of a series of transactions completed after 2010. See our *Tax Memo* "New Federal Reporting Regime for Aggressive Tax Planning: Draft Legislation Released" at www.pwc.com/ca/taxmemo.

Payments to non-residents: The Canada Revenue Agency issued final versions of three forms that non-residents must file in support of reducing withholding tax rates on payments from Canadians to reflect treaty benefits. See our *Tax Memo* "Payments to non-residents: CRA issues new treaty-based withholding forms" 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	Negotiations to commence
Tax treaties	Greece Turkey	Switzerland	China	Hong Kong
Social security agreements	None			

See page 46.

Individuals

Alberta

	Top combined federal/provincial rates				Alberta rate	
	Ordinary income	Capital gains	Dividends		2011 Bracket	Rate
			Eligible	Non-eligible		
2010	39.00%	19.50%	15.88%	27.71%	\$0	10%
2011	39.00%	19.50%	17.72%	27.71%		

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

Highlights of changes

Personal tax system: Indexing increased Alberta's personal tax credits by 0.9% for 2011.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	10%		
Top combined rate	15.88%	17.72%	19.29%

British Columbia

	Top combined federal/provincial rates				British Columbia rates						
	Ordinary income	Capital gains	Dividends		2011 Bracket	Rate	\$0	\$36,146	\$72,293	\$83,001	\$100,787
			Eligible	Non-eligible							
2010	43.70%	21.85%	21.45%	33.71%			5.06%	7.70%	10.5%	12.29%	14.7%
2011	43.70%	21.85%	23.91%	33.71%							

Can be reduced for low incomes.

Highlights of changes

Personal tax system: Indexing increased British Columbia's tax brackets and most personal tax credits by 0.8% for 2011.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	10.83%	10.31%	9.76%
Top combined rate	21.45%	23.91%	26.11%

Medical Services Plan: Monthly premiums are increasing as follows:

Effective date		Single	Family	
			(2 persons)	(> 2 persons)
	Before January 1, 2011	\$57	\$102	\$114
	January 1, 2011	\$60.50	\$109	\$121
	January 1, 2012	\$64	\$116	\$128

Harmonized Sales Tax (HST): British Columbia will honour the results of a referendum that will be held from June to July 2011, to determine if the 12% HST will be replaced with the former 7% Social Services Tax and the 5% Goods and Services Tax. If the HST regime is retained:

- the HST rate will decrease from 12% to 11% on July 1, 2012, and to 10% on July 1, 2014 (i.e., the provincial component will decrease from 7% to 6% and then to 5%); and
- in 2011, families will receive \$175 for each child under 18, and low- and modest-income seniors will receive \$175.

Individuals

Manitoba

	Top combined federal/provincial rates				2011	Manitoba rates			
	Ordinary income	Capital gains	Dividends			Bracket	\$0	\$31,000	\$67,000
			Eligible	Non-eligible					
2010	46.40%	23.20%	25.09%	38.21%	Rate	10.8%	12.75%	17.4%	
2011	46.40%	23.20%	26.74%	39.15%	Can be reduced for low incomes.				

Highlights of changes

Personal tax system: Changes to Manitoba's personal amounts follow:

Personal amounts		2010	2011	2012	2013	2014
		Basic	\$8,134	\$8,384	\$8,634	\$8,884
	Spouse/equivalent to spouse					

Dividends:

	Eligible dividends			Non-eligible dividends	
	2010	2011	2012	2010	2011
Dividend gross-up	44%	41%	38%	25%	
Dividend tax credit (on grossed-up dividend)	11%			2.5%	1.75%
Top combined rate	25.09%	26.74%	28.12%	38.21%	39.15%

Children's Arts and Cultural Activity Tax Credit: Commencing 2011, a non-refundable tax credit can be claimed on up to \$500 of fees for artistic, cultural, recreational or developmental activities for each child under 16. An additional \$500 is available for children under 18 who qualify for the disability tax credit.

Fitness Tax Credit: Commencing 2011, individuals age 16 to 24 can claim this credit. The maximum credit is \$54 (\$108 for individuals with a disability).

Fertility Treatment Tax Credit: This credit is enhanced retroactive to October 1, 2010.

Primary Caregiver Tax Credit: Starting 2011, the maximum annual credit increased from \$1,020 to \$1,275 per care recipient.

Mineral Exploration Tax Credit: This credit is extended by three years to flow-through share agreements entered into before April 1, 2015.

Community Enterprise Development Tax Credit: This credit is extended by three years to December 31, 2014.

New Brunswick

	Top combined federal/provincial rates				2011	New Brunswick rates				
	Ordinary income	Capital gains	Dividends			Bracket	\$0	\$37,150	\$74,300	\$120,796
			Eligible	Non-eligible						
2010	43.30%	21.65%	19.19%	30.83%	Rate	9.1%	12.1%	12.4%	14.3%	
2011	43.30%	21.65%	20.96%	30.83%	Can be reduced for low incomes.					

Highlights of changes

Personal tax system: New Brunswick's tax brackets and most personal tax credits increased by 2% for 2011. A planned reduction to the 2011 top personal tax rate from 14.3% to 12.7% will not be implemented and personal tax reductions scheduled for 2012 will be delayed. As a result, New Brunswick's tax rates, brackets and personal amounts follow:

The thresholds and personal amounts for 2011 and 2012 are indexed using a 2% rate. For 2012, if the indexation factor exceeds 2%, the thresholds and amounts will be based on that factor. The thresholds and amounts will continue to be indexed after 2012.

Income tax rates and thresholds		2010	2011	2012
		Highest		14.3%
		\$118,427	\$120,796	\$123,212
		13.3%	12.4%	
		\$72,843	\$74,300	\$75,786
		12.5%	12.1%	
		\$36,421	\$37,150	\$37,893
	Lowest	9.3%	9.1%	
			\$0	
Personal amounts	Basic	\$8,777	\$8,953	\$9,132
	Spouse/equivalent to spouse	\$7,453	\$7,602	\$7,754

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	12%		
Top combined rate	19.19%	20.96%	22.47%

Individuals

Newfoundland and Labrador

Top combined federal/provincial rates					Newfoundland & Labrador rates				
	Ordinary income	Capital gains	Dividends		2011 Bracket	Rate	\$0	\$31,904	\$63,807
			Eligible	Non-eligible					
2010	43.40%	21.70%	22.79% or 20.77%						
2011	42.30%	21.15%	20.96%						

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 2% for 2011. Changes to its tax rates and age amount follow:

		2010	2011
Income tax rates	Highest	14.4%	13.3%
	Middle	12.65%	12.5%
Age amount		\$4,340	\$5,100

Dividends:

	Eligible dividends			Non-eligible dividends	
	2010 before July 1	2010 after June 30	2011	2012	2011
Dividend gross-up	44%		41%	38%	25%
Dividend tax credit (on grossed-up dividend)	9.6%	11%		5%	
Top combined rate	22.79%	20.77%	20.96%	22.47%	31.33%

Child Care Tax Credit: Starting 2011, parents can claim a non-refundable tax credit amount equal to the child care expenses that are deductible from their income.

Volunteer Firefighters' Tax Credit: Volunteer firefighters who serve at least 200 hours annually can claim a non-refundable tax credit based on \$3,000, starting 2011.

Northwest Territories

Top combined federal/territorial rates					Northwest Territories rates					
	Ordinary income	Capital gains	Dividends		2011 Bracket	Rate	\$0	\$37,626	\$75,253	\$122,345
			Eligible	Non-eligible						
2010	43.05%	21.53%	19.81%							
2011	43.05%	21.53%	21.31%							

Highlights of changes

Personal tax system: Indexing increased Northwest Territories' tax brackets and most personal tax credits by 1.4% for 2011.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	11.32%	11.5%	
Top combined rate	19.81%	21.31%	22.81%

Individuals

Nova Scotia

Top combined federal/provincial rates				Nova Scotia rates							
	Ordinary income	Capital gains	Dividends		2011 Rate	Bracket	\$0	\$29,590	\$59,180	\$93,000	\$150,000
			Eligible	Non-eligible							
2010	50.00%	25.00%	33.37%	36.21%							
2011	50.00%	25.00%	34.85%	36.21%							

Can be reduced for low incomes.

Highlights of changes

Personal tax system: If Nova Scotia tables a budget surplus in its 2012-2013 fiscal year, for 2012 the \$150,000 bracket and 21% rate will be eliminated, but a 10% surtax on provincial income tax exceeding \$10,000 will be reinstated. Increases in personal amounts follow:

		2010	2011	After 2011
Personal amounts	Basic	\$8,231	\$8,481	Indexed
	Other	Increase of 3.04% in 2011 over 2010		

Includes spouse, age, disability, infirm dependant, caregiver and pension income credits.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	8.85%		
Top combined rate	33.37%	34.85%	36.06%

If Nova Scotia tables a budget surplus in its 2012-2013 fiscal year, the top 2012 combined rate will be 32.42% on eligible dividends and 33.06% on non-eligible dividends.

Affordable Living Tax Credit and Poverty Reduction Credit: Effective July 1, 2011, these payments will be indexed by 2.2%.

Probate fees: These fees increased on April 1, 2011. See [page 9](#).

Nunavut

Top combined federal/territorial rates				Nunavut rates						
	Ordinary income	Capital gains	Dividends		2011 Rate	Bracket	\$0	\$39,612	\$79,224	\$128,800
			Eligible	Non-eligible						
2010	40.50%	20.25%	23.64%	28.96%						
2011	40.50%	20.25%	25.72%	28.96%						

Highlights of changes

Personal tax system: Indexing increased Nunavut's tax brackets and most personal tax credits by 1.4% for 2011.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	6.11%	5.82%	5.51%
Top combined rate	23.64%	25.72%	27.56%

Individuals

Ontario

	Top combined federal/provincial rates				2011	Ontario rates			
	Ordinary income	Capital gains	Dividends			Bracket	\$0	\$37,774	\$75,550
			Eligible	Non-eligible					
2010	46.41%	23.20%	26.57%	32.57%	Rate	5.05%	9.15%	11.16%	
2011	46.41%	23.20%	28.19%	32.57%	Can be reduced for low incomes. Surtax: 20% of basic provincial tax in excess of \$4,078 + 36% of basic provincial tax in excess of \$5,219.				

Highlights of changes

Personal tax system: Indexing increased Ontario's tax brackets and most personal tax credits by 1.8% for 2011.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	6.4%		
Top combined rate	26.57%	28.19%	29.54%

Children's Activity Tax Credit: Commencing 2010, parents can claim this refundable tax credit of up to \$50 for each child under 16 who is enrolled in a physical activity or other qualifying program. An additional \$50 credit is available for children under 18 who qualify for the disability tax credit.

Ontario Trillium Benefit: Starting July 1, 2012, the Ontario Sales Tax Credit, the Ontario Energy and Property Tax Credit and the Northern Ontario Energy Credit will be combined, paid monthly and called the Ontario Trillium Benefit.

Prince Edward Island

	Top combined federal/provincial rates				2011	Prince Edward Island rates			
	Ordinary income	Capital gains	Dividends			Bracket	\$0	\$31,984	\$63,969
			Eligible	Non-eligible					
2010	47.37%	23.69%	25.70%	39.66%	Rate	9.8%	13.8%	16.7%	
2011	47.37%	23.69%	27.33%	41.17%	Can be reduced for low incomes. Surtax: 10% of basic provincial tax in excess of \$12,500.				

Highlights of changes

Dividends:

	Eligible dividends			Non-eligible dividends	
	2010	2011	2012	2010	2011
Dividend gross-up	44%	41%	38%	25%	
Dividend tax credit (on grossed-up dividend)	10.5%			2.1%	1%
Top combined rate	25.70%	27.33%	28.70%	39.66%	41.17%

Equity Tax Credit: During 2011, this non-refundable tax credit of up to \$7,000 will be available to individuals who invest in eligible businesses.

Individuals

Quebec

Top combined federal/provincial rates					Quebec rates						
	Ordinary income	Capital gains	Dividends		2011	Bracket	Rate	\$0	\$39,060	\$78,120	
			Eligible	Non-eligible							
2010	48.22%	24.11%	30.68%	36.35%	Federal	2011	Bracket	\$0	\$41,544	\$83,088	\$128,800
2011			31.85%								

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."

Highlights of changes

Personal tax system: Indexing increased Quebec's tax brackets and most personal tax credits by 1.27% for 2011.

Dividends:

	Eligible dividends		
	2010	2011	2012
Dividend gross-up	44%	41%	38%
Dividend tax credit (on grossed-up dividend)	11.9%		
Top combined rate	30.68%	31.85%	32.81%

Tax credit for experienced workers: Commencing 2012, this new tax credit will eliminate or reduce the income tax paid by individuals 65 or over on eligible work income over \$5,000. When fully phased in, in 2016, up to \$10,000 of income can be exempt.

Informal caregivers of adult persons: Commencing 2011, this refundable tax credit will consist of separate credits for:

- informal caregivers who house, in the strict sense of the term, an eligible relative;
- informal caregivers who cohabit with an eligible relative unable to live alone; and
- certain informal caregivers caring for an elderly spouse.

Voluntary retirement saving plan: Quebec will allow this type of plan to be patterned on the pooled registered pension plan framework.

Quebec pension plan: The contribution rate will increase annually by 0.15% from January 1, 2012, to January 1, 2017, causing the rate to rise from 9.9% to 10.8%.

Health contribution: The health contribution will increase from \$100 in 2011 to \$200 in 2012, unless family income is below a threshold.

Quebec Sales Tax (QST): The QST rate will increase from 8.5% to 9.5% on January 1, 2012.

Saskatchewan

Top combined federal/provincial rates					Saskatchewan rates						
	Ordinary income	Capital gains	Dividends		2011	Bracket	Rate	\$0	\$40,919	\$116,911	
			Eligible	Non-eligible							
2010	44%	22%	21.64%	30.83%	Federal	2011	Bracket	\$0	\$41,544	\$83,088	\$128,800
2011			23.36%								

Highlights of changes

Personal tax system: Indexing increased Saskatchewan's tax brackets and most personal tax credits by 1.4% for 2011. The following personal amounts increased by more than 1.4%:

		2010	2011
Personal amounts	Basic	\$13,348	\$14,535
	Spouse/equivalent to spouse		
	Child	\$4,944	\$5,514

Dividends:

	Eligible dividends			Non-eligible dividends		
	2010	2011	2012	2010	2011	2012
Dividend gross-up	44%	41%	38%	25%		
Dividend tax credit (on grossed-up dividend)	11%			6%	5%	4%
Top combined rate	21.64%	23.36%	24.81%	30.83%	32.08%	33.33%

Saskatchewan Pension Plan (SPP): Draft rules that generally apply starting 2010:

- require SPP contributions to be based on an individual's registered retirement savings plan (RRSP) limit;
- allow an increase to the annual SPP contribution limit from \$600 to \$2,500; and
- extend to SPPs certain tax rules that apply to registered pension plans and RRSPs.

Individuals

Yukon

Top combined federal/territorial rates				Yukon rates						
	Ordinary income	Capital gains	Dividends		2011 Rate	Bracket	\$0	\$41,544	\$83,088	\$128,800
			Eligible	Non-eligible						
2010	42.40%	21.20%	18.80%	30.49%						
2011	42.40%	21.20%	14.28% to 17.72%	30.41%						

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

Highlights of changes

Personal tax system: To match federal brackets and tax credits, indexing increased Yukon's tax brackets and most personal tax credits by 1.4% for 2011.

Dividends:

	Eligible dividends			Non-eligible dividends	
	2010	2011	2012	2010	2011
Dividend gross-up	44%	41%	38%	25%	
Dividend tax credit (on grossed-up dividend)	10.83%	15.08%		4.45%	4.51%
Top combined rate	18.80%	14.28% to 17.72%	15.93% to 19.29%	30.49%	30.41%

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.

Corporations

Corporate income tax rates

To compute rates for off-calendar year ends, refer to [pages 24 to 33](#).
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 ([page 24](#)).

Corporations subject to Ontario income tax may also be liable for Ontario corporate minimum tax. See [page 30](#).

Twelve-month taxation year ended December 31, 2011							
		General and Manufacturing and Processing (M&P) (%)		Canadian-Controlled Private Corporations (CCPCs) (%)			
				Active business income earned in Canada to \$500,000	Investment income		
Basic federal rate				38			
Less: Provincial abatement				-10			
Less: General rate reduction or M&P deduction		-11.5		n/a			
Less: Small business deduction		n/a		-17			
Plus: Refundable investment tax		n/a		n/a	6.67		
Federal rate		16.5		11	34.67		
		Provincial/Territorial	Combined	Provincial/Territorial	Combined	Provincial/Territorial	
						Combined	
Alberta		10	26.5	3	14	10	44.67
British Columbia		10	26.5	2.5	13.5	10	44.67
Manitoba		12	28.5	0 ¹ or 12 ¹	11 ¹ or 23 ¹	12	46.67
New Brunswick		10.5	27	5	16	10.5	45.16
Newfoundland and Labrador		General 14 H	30.5	4 H	15	14 H	48.67
		M&P 5 H	21.5			n/a	
Northwest Territories		11.5	28	4	15	11.5	46.17
Nova Scotia		16	32.5	4.5 ¹ H or 16 ¹ H	15.5 ¹ or 27 ¹	16	50.67
Nunavut		12	28.5	4	15	12	46.67
Ontario		General 11.75 H	28.25	4.5 H	15.5	11.75 H	46.41
		M&P 10 H	26.5			n/a	
Prince Edward Island		16 H	32.5	1 H	12	16 H	50.67
Quebec		11.9 H	28.4	8 H	19	11.9 H	46.57
Saskatchewan		General 12	28.5	3.24	14.24	12	46.67
		M&P 10	26.5			n/a	
Yukon		General 15	31.5	4	15	15	49.67
		M&P 2.5	19	2.5	13.5	n/a	

Special rules apply to manufacturing and processing income in Ontario (see [page 30](#)) and Saskatchewan (see [page 32](#)).

\$500,000 threshold (\$400,000 in Manitoba and Nova Scotia): This threshold 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 also applies to all provincial and territorial small business deductions except Ontario's.

Income above \$500,000 (\$400,000 in Manitoba and Nova Scotia): A CCPC's active business income above this threshold is subject to the general or M&P rates.

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

Due to rounding the combined rate differs slightly from the sum of the federal and provincial rates for New Brunswick (see [page 27](#)) and Ontario (see [page 30](#)).

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

1. In Manitoba and Nova Scotia, the lower rate applies to active business income up to \$400,000 and the higher rate to active business income from \$400,000 to \$500,000.

Corporations

Other federal corporate tax rates for 2011

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

	Rate	Corporations affected	Description	Special rules						
Income not earned in a province or territory	26.5%	All corporations	Income tax is calculated as follows: <table style="margin-left: 20px; border-collapse: collapse;"> <tr> <td style="padding-right: 10px;">Basic federal rate</td> <td style="text-align: right;">38%</td> </tr> <tr> <td style="padding-right: 10px;">Less: General rate reduction</td> <td style="text-align: right;">- 11.5%</td> </tr> <tr> <td style="padding-right: 10px;">Federal rate</td> <td style="text-align: right; border-top: 1px solid black;">26.5%</td> </tr> </table> <p>Therefore, the federal rate is 26.5%, instead of 16.5% (see page 19).</p>	Basic federal rate	38%	Less: General rate reduction	- 11.5%	Federal rate	26.5%	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	- 11.5%									
Federal rate	26.5%									
Branch Tax	25%	Non-resident corporations, except: <ul style="list-style-type: none"> • transportation, communications and iron-ore mining companies; and • insurers (other than 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 Eligible Dividend 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, with shareholder concurrence, to treat all or part of the excess designation as a separate non-eligible dividend, in which case Part III.1 tax will not apply to the amount that is the subject of the election.						
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 through the refundable dividend tax on hand (RDTOH) mechanism 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 page 19). 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 threshold is shared among related corporations.	Reduced by the corporation's federal income tax liability. Any unused federal income tax liability can be applied to reduce Financial Institutions Capital Tax for the previous three years and the next seven.						
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).						

Corporations

Provincial income tax holidays and M&P investment tax credits

Income tax holidays

Other restrictions may apply.

	Eligible corporations	Holiday	Income not taxed each year
Newfoundland and Labrador	Companies meeting job creation and other conditions 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	Income attributable to new or expanded business
	Designated before January 1, 2002 In Northeast Avalon region	Full holiday for 10 years, phased out over next 5 years	
	CCPCs in designated growth sectors, incorporated between April 1, 2003, and March 31, 2006 Outside Northeast Avalon region	For 5 years	\$500,000 of active business income
Nova Scotia	CCPCs incorporated after April 24, 1992	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	To December 31, 2012	Income attributable to P.E.I. operations
Quebec	Businesses that undertake major investment projects	For 10 years	No limit
	Companies incorporated in Canada after March 19, 2009, and before April 1, 2014, that commercialize intellectual property developed by Quebec universities or public research centres		
	Small and medium-sized corporations that carry on M&P in a remote resource region	March 30, 2001 to December 31, 2010	75% of eligible business income Reduced or eliminated when paid-up capital exceeds \$20 million

This threshold is equal to the federal small business limit (see page 19).

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

M&P investment tax credits

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

For Nova Scotia, the cost of the M&P property must exceed \$50,000.

Nova Scotia has not accepted new applications since January 8, 2011 (see page 29).

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

	Rate	For M&P property acquired		Carry-back	Carry-forward	Refundable
		After	Before			
British Columbia	3%	March 31, 2000	July 31, 2001	3 years	10 years	No
Manitoba	10%	March 11, 1992	January 1, 2015			70%
Nova Scotia	10%	December 31, 2009	No cut-off	n/a		100%
Prince Edward Island	10%	December 31, 1992				
Quebec	5% to 40%	March 13, 2008	January 1, 2016	3 years	7 years	No
		March 26, 1999	April 1, 2004		20 years	Sometimes
Saskatchewan	7%	March 31, 2004	October 28, 2006	n/a	10 years	No
	5%	October 27, 2006	No cut-off			100%

Depends on level of consolidated paid-up capital.

In Quebec, a cumulative limit of \$75 million of eligible investments qualifies for this credit at rates above 5% and/or refundability.

Saskatchewan's credit is refundable for purchases after April 6, 2006.

Corporations

Capital tax rates

General capital tax was eliminated in Manitoba and Quebec on January 1, 2011, and in Ontario on July 1, 2010.

For Manitoba, the nil rate applies for taxation years ending after April 12, 2011.

Financial institutions capital tax was eliminated in British Columbia on April 1, 2010, in Ontario on July 1, 2010, and in Quebec on January 1, 2011.

See *Insurance Industry: Key Tax Rates and Updates* at www.pwc.com/ca/insurancekeytaxrates for rates that apply to insurance companies.

Quebec also imposes a compensatory tax on payroll (see [page 31](#)).

To compute rates for off calendar year ends, refer to [pages 24 to 33](#).

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

				Twelve-month taxation year ended December 31, 2011	
				Rate	Exemption
Corporations in general	Nova Scotia	If taxable capital < \$10 million		0.15%	\$5 million
		If taxable capital ≥ \$10 million		0.075%	Nil
Federal (Part VI Financial Institutions Capital Tax)				1.25%	\$1 billion
	Manitoba	If taxable paid-up capital < \$4 billion		Nil	n/a
		If taxable paid-up capital ≥ \$4 billion		3%	\$10 million
New Brunswick					
	Newfoundland and Labrador	If paid-up capital ≤ \$10 million			\$5 million
		If paid-up capital > \$10 million			Nil
Financial institutions (except insurance)	Nova Scotia	Trust and loan corporations	Head office in N.S.	4%	\$30 million
		Banks	Other		\$500,000
	Prince Edward Island			5%	\$2 million
Quebec (compensatory tax on paid-up capital)				0.25%	Nil
	Saskatchewan	If taxable paid-up capital ≤ \$1.5 billion		0.7%	Up to \$20 million
		If taxable paid-up capital > \$1.5 billion	If taxable paid-up capital ≤ \$1.5 billion in taxation year ending after October 31, 2008 and before November 1, 2009		
			Other		

See [page 32](#) for more information.

Corporations

Payment and filing 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
- General capital tax in Nova Scotia and Ontario.

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.

Two \$3,000 thresholds apply; one for federal purposes and the other for all provinces and territories combined, except Alberta and Quebec.

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

Capital tax was eliminated in Manitoba and Quebec on January 1, 2011, and in Ontario on July 1, 2010. For Manitoba's capital tax deadlines, see its financial institutions capital tax deadlines (below). For Ontario's and Quebec's, see their income tax deadlines (above).

Financial institutions capital tax was eliminated in British Columbia on April 1, 2010, in Ontario on July 1, 2010, and in Quebec on January 1, 2011. However, Quebec's 0.25% compensatory tax on paid-up capital remains. For British Columbia, the capital tax balance due and filing deadline is 184 days after year end. For Ontario's capital tax deadlines, see its income tax deadlines (above).

	Deadline	Instalments		Deadline	Balance due		Filing deadline	
		Waiver conditions	Extended deadline (income tax only)					
Income tax	Federal All jurisdictions except: • Alberta • Quebec	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; ¹ 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.			
	Quebec		Quebec income and capital tax ¹ ≤ \$3,000		No extended deadline			
Capital tax	Corporations in general	Federal	No general capital tax					
		Nova Scotia	Same as Nova Scotia income tax (above). The federal government administers and collects general capital taxes payable to Nova Scotia.					
		Other provinces and territories	No general capital tax					
	Financial institutions		Federal	Same as federal income tax (above)				
			Manitoba	15th day of months 3, 6, 9 and 12 of the year	Capital tax for current year ≤ \$5,000	6 months after year end		
			New Brunswick Newfoundland and Labrador Nova Scotia Prince Edward Island	20th day of each month	None			
			Quebec	Same as Quebec income tax (above)				
			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 financial institutions capital tax					

In Manitoba, corporations that qualify for the waiver must nevertheless make one instalment three months after year end.

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

1. In current or previous year.

Corporations

Key tax changes

Federal

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
16.5	11	34.67

Other 2011 rates

Capital tax	General: None	Financial institutions: 1.25% (see page 22)
Payroll tax	None	
Sales tax	5% GST (see page 39)	

For Canada Pension Plan and Employment Insurance premiums, see [page 34](#).

When the federal minority government was defeated on March 25, 2011, the March 22, 2011 federal budget died, along with outstanding bills and legislation. Because the same party won a majority in the May 2, 2011 federal election, those measures are expected to be reintroduced, and therefore are reflected in this publication.

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

- Canada Revenue Agency (CRA) access to documents
- Automobile deductions and benefits
- Partnership information returns
- Retirement savings plans and profit sharing plans
- Defined benefit registered pension plans (RPPs)
- Registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs)
- Individual pension plans (IPPs)
- Employee profit sharing plans (EPSPs)
- Pension plan wind-ups
- Charitable gifts
- Mineral exploration tax credit for flow-through shares
- Non-resident trusts (NRTs) and offshore investment funds
- Avoidance transactions
- Payments to non-residents
- Tax treaties and social security agreements

Federal corporate income tax rate changes:

The general and M&P rates do not apply to certain corporations (e.g., mutual fund corporations, mortgage investment corporations and investment corporations).

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

Effective date	General and M&P rates	Income not earned in a province or territory
Before January 1, 2011	18%	28%
January 1, 2011	16.5%	26.5%
January 1, 2012	15%	25%

Partnership deferral: New measures curtail the deferral of partnership income for corporate partners with taxation years ending after March 22, 2011, that use partnerships with misaligned year ends. See our *Tax Memo* "2011 federal budget ends deferral of corporate income tax through the use of partnerships" at www.pwc.com/ca/taxmemo.

Stop-loss rule on share redemption: With certain exceptions, an existing rule reduces the loss realized by a corporation from the disposition of a share by the amount of tax-free dividends received, or deemed to be received, on the share on or before the disposition. The exceptions to this rule are eliminated, with respect to any deemed dividend arising on the redemption of shares held by a corporation, for redemptions after March 21, 2011, unless the corporation and the shareholder are both private corporations and the shareholder is not a financial institution.

Capital cost allowance (CCA): Enhancements extend:

- the 50% straight-line accelerated CCA rate to eligible M&P machinery and equipment acquired before 2014; and
- the Class 43.2, 50% declining balance CCA rate to equipment acquired after March 21, 2011, that generates electricity using waste heat.

Group taxation: The federal government issued a consultation paper that explores possible approaches for a new system for taxing corporate groups in Canada. See our *Tax Memo* "Taxation of Corporate Groups – Consultation Paper Released" at www.pwc.com/ca/taxmemo.

Foreign affiliate amendments: Draft legislation released on August 27, 2010, affects the taxation of Canadian corporations with foreign affiliates. See our *Tax Memo* "August 27, 2010 Draft Legislation Implements 2010 Budget Proposals and Other Previously Announced Measures" at www.pwc.com/ca/taxmemo.

Real estate investment trusts (REITs): Draft legislation released on December 16, 2010, affects the tax rules that apply to REITs. See our *Tax Memo* "Proposed Changes to Real Estate Investment Trust (REIT) Tax Rules" at www.pwc.com/ca/taxmemo.

Corporations

Federal Court of Appeal (FCA) decisions: Draft income tax proposals counter what the federal government considers to be taxpayer-friendly FCA decisions in:

- **Collins v. The Queen;**
- **Lehigh Cement Limited v. The Queen** (see [page 42](#)); and
- **The Queen v. National Life Assurance Company of Canada.**

See our *Tax Memo* “Finance Proposes Legislative Measures to Counter FCA Decisions” at www.pwc.com/ca/taxmemo.

Qualifying environmental trusts (QETs): Changes that generally apply starting 2012 for QETs created after 2011:

- expand the range of trusts eligible for QET treatment;
- expand the list of eligible investments for a QET; and
- reduce the tax rate payable by a QET to the corporate income tax rate.

Hiring Credit for Small Business: Employers that paid Employment Insurance (EI) premiums in 2010 of \$10,000 or less will receive a credit of up to \$1,000 if their 2011 EI premiums exceed those paid in 2010.

Oil sands properties: Measures will bring the taxation of oil sands properties more in line with that of the conventional oil and gas sector.

Financial statement reporting: For fiscal years beginning after December 31, 2010:

- most “publicly accountable enterprises” must adopt International Financial Reporting Standards (IFRS); and
- private enterprises must adopt either IFRS or Accounting Standards for Private Enterprises (ASPE).

These changes could affect the measurement and reporting of income taxes for financial statement purposes and the calculation of Canadian taxes payable. See our *Tax Memos* “IFRS and Tax: The Rubber has Hit the Road” and “The Move to IFRS: CRA Guidance” at www.pwc.com/ca/taxmemo.

Memorandum of Understanding (MOU): The competent authorities of Canada and the United States released a MOU regarding the conduct of mandatory binding arbitration proceedings under the mutual agreement procedure of the Canada-U.S. tax treaty. See our *Tax Memo* “Memorandum of Understanding (MOU) on the Canada-U.S. Tax Treaty Arbitration Process” at www.pwc.com/ca/taxmemo.

Tax Information Exchange Agreements (TIEAs): Canada is negotiating 11 TIEAs and has signed 13. One TIEA has entered into force (with the former Netherlands Antilles).

Alberta

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
10	3	10
26.5	14	44.67

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

Other 2011 rates

Capital tax	None
Payroll tax	
Sales tax	

Additional highlights

Group taxation: Alberta supports the federal government’s initiative on the taxation of corporate groups, provided that it produces a “fair distribution of corporate income tax revenue among the provinces.”

Corporations

British Columbia

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
10	2.5	10
26.5	13.5	44.67

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

Other 2011 rates

Capital tax	None
Payroll tax	12% HST (see page 39)
Sales tax	

Corporate income tax rate changes

Effective date		General and M&P rates	CCPC rates
		Before January 1, 2011	10.5%
January 1, 2011		10%	0%
April 1, 2012			

If the HST regime survives the referendum, these rates will increase in 2012 (see Harmonized Sales Tax below).

Additional highlights

Harmonized Sales Tax (HST): British Columbia will honour the results of a referendum that will be held from June to July 2011, to determine if the 12% HST will be replaced with the former 7% Social Services Tax and the 5% Goods and Services Tax.

If the HST regime is retained:

- the HST rate will decrease from 12% to 11% on July 1, 2012, and to 10% on July 1, 2014 (i.e., the provincial component will decrease from 7% to 6% and then to 5%);
- the general and M&P rate will increase from 10% to 12% on January 1, 2012; and
- the decline in the CCPC rate to 0% scheduled for April 1, 2012, will be postponed.

Manitoba

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC		
	Active business income to \$400,000	\$400,000 to \$500,000	Investment income
12	Nil	12	12
28.5	11	23	46.67

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

Other 2011 rates

Capital tax	General: None	Financial institutions: Nil or 3% (see page 22)
Payroll tax	Nil to 4.3% (see page 36)	
Sales tax	7% PST (see page 39)	

Corporate income tax rate changes

Subject to balanced budget requirements.	Effective date		General and M&P rates	CCPC rate
			Before December 1, 2010	12%
December 1, 2010			12%	0%
To be determined			11%	n/a

Applies to active business income up to \$400,000.

Additional highlights

General capital tax:

Capital tax was eliminated on July 1, 2008, for corporations that use more than 50% of their labour and capital in Manitoba in M&P activities.

Before Manitoba's \$10 million capital tax deduction.

Taxation year commencing after January 1, 2010	On taxable capital employed in Manitoba		
	≤ \$20 million	> \$20 million and ≤ \$21 million	> \$21 million
After 2010	Nil	2.2%	0.2%
	Nil		

These changes do not apply to Crown corporations.

Financial institutions capital tax: Financial institutions with taxable capital under \$4 billion will be exempt from this tax, for taxation years ending after April 12, 2011.

Corporations

Manufacturing Investment Tax Credit: This credit is extended by three years to December 31, 2014. Taxpayers can elect to renounce all or part of the credit.

Cultural Industries Printing Tax Credit: This new 15% refundable credit can be claimed on costs incurred and paid after April 12, 2011, and before 2015, for printing, assembly and binding performed in Manitoba to produce eligible books (generally, Canadian-authored non-periodical publications).

Book Publishing Tax Credit: This credit is extended by three years to December 31, 2014. Enhancements for amounts incurred and paid after April 12, 2011:

- allow non-refundable monetary advances and labour costs used to publish an electronic or digital version of an eligible literary work to qualify for the credit; and
- increase the bonus for printing on recycled paper from 10% to 15%.

Green Energy Equipment Tax Credit: This credit will increase from 10% to 15% for geothermal heating system installations after April 12, 2011, and from:

- 5% to 7.5% for manufacturers and purchasers of qualifying geothermal heat pumps; and
- 10% to 15% on other eligible installation costs for geothermal heating systems.

Neighbourhoods Alive! Tax Credit: This new 30% non-refundable tax credit is available to corporations that donate funds to charitable organizations to create new social enterprises after April 12, 2011, and before 2020. The maximum annual tax credit is \$15,000.

Co-op Education and Apprenticeship Tax Credits: Certain components of these credits are extended by three years to December 31, 2014. The province is also examining ways to simplify the application process.

Odour Control Tax Credit: This credit is extended by three years to December 31, 2014. Taxpayers can elect to renounce all or part of the credit.

Online tax payments: Effective May 1, 2011, businesses can pay Manitoba taxes through financial institution online bill payment systems.

New Brunswick

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
10.5	5	10.5
27	16	45.16

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

Although 34.67% (federal) + 10.5% (New Brunswick) = 45.17%, the exact rate is 45.163%.

Other 2011 rates

Capital tax	General: None	Financial institutions: 3% (see page 22)
Payroll tax	None	
Sales tax	13% HST (see page 39)	

Corporate income tax rate changes

Effective date		General and M&P rates	CCPC rate
		Before July 1, 2010	12%
July 1, 2010	11%		
July 1, 2011		10%	4.5%
January 1, 2012			

The CCPC rate will decline in stages to 2.5% over the next three years.

The rate was to decline to 8% on July 1, 2012, but this reduction was rescinded.

Additional highlights

Film Tax Credit: This credit will be phased out in New Brunswick's 2011-2012 fiscal year.

Digital Media Tax Credit: The province intends to create this credit, but no details have been announced.

Corporations

Newfoundland and Labrador

Corporate income tax rates (for December 31, 2011 year ends)

General (non M&P)	M&P	CCPC	
		Active business income to \$500,000	Investment income
14 H 30.5	5 H 21.5	4 H 15	14 H 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 2011 rates

Capital tax	General: None	Financial institutions: 4% (see page 22)
Payroll tax	Nil or 2% (see page 36)	
Sales tax	13% HST (see page 39)	

Corporate income tax rate changes

Taxation years beginning		CCPC rate
	before April 1, 2010	5%
	after March 31, 2010	4%

Additional highlights

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

Rates	Total payroll	
	before January 1, 2011	after December 31, 2010
2%	over \$1,000,000	over \$1,200,000
0%	\$0 to \$1,000,000	\$0 to \$1,200,000

Northwest Territories

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
11.5 28	4 15	11.5 46.17

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

Other 2011 rates

Capital tax	None
Payroll tax	2% (see page 36)
Sales tax	None

Payroll tax is paid by employees.

Additional highlights

No significant corporate tax changes were announced.

Corporations

Nova Scotia

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC		
	Active business income to \$400,000	\$400,000 to \$500,000	Investment income
16	4.5 H	16 H	16
32.5	15.5	27	50.67

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

Other 2011 rates

Capital tax	General: 0.15% or 0.075% (see page 22)	Financial institutions: 4% (see page 22)
Payroll tax	None	
Sales tax	15% HST (see page 39)	

Corporate income tax rate changes

		CCPC rate
Effective date	Before January 1, 2011	5%
	January 1, 2011	4.5%
	January 1, 2012	4%

Applies to active business income up to \$400,000.

Additional highlights

General capital tax:

		Taxable capital < \$10 million	Taxable capital ≥ \$10 million
Effective date	Before July 1, 2010	0.3%	0.15%
	July 1, 2010	0.2%	0.1%
	July 1, 2011	0.1%	0.05%
	July 1, 2012	Nil	

Film Industry Tax Credit: For productions with principal photography commencing after November 30, 2010, enhancements to this credit:

- eliminate the cap on total production costs; and
- provide that employees must be resident in Nova Scotia only during the production period.

Digital Media Tax Credit: For productions with principal photography starting after November 30, 2010, employees must be resident in Nova Scotia only during the production period.

M&P Investment Tax Credit: No new applications for this credit have been accepted since January 8, 2011. Corporations have one year from the date an application is approved to purchase the M&P equipment and submit a claim for the credit.

Nunavut

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
12	4	12
28.5	15	46.67

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

Other 2011 rates

Capital tax	None
Payroll tax	2% (see page 36)
Sales tax	None

Payroll tax is paid by employees.

Additional highlights

No significant corporate tax changes were announced.

Corporations

Ontario

Corporate income tax rates (for December 31, 2011 year ends)

General (non M&P)	M&P	CCPC	
		Active business income to \$500,000	Investment income
11.75 H 28.25	10 H 26.5	4.5 H 15.5	11.75 H 46.41

See Corporate Minimum Tax below.

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.

Although 34.67% (federal) + 11.75% (Ontario) = 46.42%, the exact rate is 46.414%.

Other 2011 rates

Capital tax	None
Payroll tax	Nil or 1.95% (see page 36)
Sales tax	13% HST (see page 39)

Corporate income tax rate changes

Effective date		General rate	M&P rate	CCPC rate	Small business clawback rate	
					General	M&P
	Before July 1, 2010	14%	12%	5.5%	4.25%	3.25%
	July 1, 2010	12%				
	July 1, 2011	11.5%	10%	4.5%	0%	
	July 1, 2012	11%				
	July 1, 2013	10%				

Before July 1, 2010, the benefit of the small business deduction was clawed back when taxable income of associated corporations exceeded \$500,000 and eliminated completely once taxable income, on an associated basis, reached \$1,500,000.

Additional highlights

Corporate Minimum Tax (CMT): The CMT rate decreased from 4% to 2.7% on July 1, 2010. The thresholds for CMT to apply increased as follows:

Corporations subject to Ontario income tax may have a CMT liability based on adjusted book income. CMT is payable only to the extent that it exceeds the regular Ontario income tax liability. Thresholds apply on an associated basis.

	Taxation years ending	
	before July 1, 2010	after June 30, 2010
Total assets	> \$5 million or > \$10 million	≥ \$50 million and ≥ \$100 million

Capital tax rates:

Before July 1, 2010, capital tax was eliminated or reduced as follows:

% of salaries and wages related to M&P and resource activities	≥ 50%	Eliminated.
	> 20% and < 50%	Reduced proportionately (straight-line).

General rate	Financial institutions		
	≤ \$400 million	> \$400 million	
		Deposit-taking	Other
Before July 1, 2010	0.15%	0.3%	0.45%
July 1, 2010	Nil		

After Ontario's \$15 million capital tax deduction.

Book Publishing Tax Credit: For expenditures incurred after March 29, 2011, the period for qualifying marketing expenditures will start one year before and end one year after the publication date. This replaces a 12-month period.

Functional currency (mining): For taxation years beginning after December 31, 2010, mine operators in Ontario that calculate their Canadian tax results using a functional currency other than the Canadian dollar under the Canadian *Income Tax Act* can elect under the Ontario *Mining Tax Act* to file their Ontario mining tax returns in that functional currency.

Research and development (R&D): Ontario will work with the federal government to improve the effectiveness of federal R&D tax support by strengthening administration, enhancing collaboration between the business and education sectors, and making the system fairer for small businesses that perform R&D.

Group taxation: Ontario supports the federal government's initiative for a formal system for the taxation of corporate groups, provided it increases the competitiveness of Canada's corporate tax system and ensures that the provinces receive the revenues to which they are entitled.

Tax Collection Agreement (TCA): During its review of the TCA in 2011, Ontario will work with the federal government to ensure consistency with current needs, best practices, new technology and changes in federal/provincial partnership.

Technical amendments: Ontario will amend numerous provincial statutes to improve effectiveness and enforcement. No details have been provided.

Corporations

Prince Edward Island

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
16 H 32.5	1 H 12	16 H 50.67

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

Other 2011 rates

Capital tax	General: None	Financial institutions: 5% (see page 22)
Payroll tax	None	
Sales tax	10% PST (see page 39)	

Corporate income tax rate changes

	CCPC rate
Effective date Before April 1, 2010	2.1%
April 1, 2010	1%

Additional highlights

Financial institutions capital tax: Retroactive to taxation years commencing after September 30, 2006, the capital tax base will include accumulated other comprehensive income. This income results from accounting changes relating to fiscal years beginning after September 30, 2006.

Quebec

Corporate income tax rates (for December 31, 2011 year ends)

General and M&P	CCPC	
	Active business income to \$500,000	Investment income
11.9 H 28.4	8 H 19	11.9 H 46.57

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

Other 2011 rates

Capital tax	General: None	Financial institutions: 0.25% compensatory tax on paid-up capital (see page 22)
Payroll tax	4.26%, 2.7% or reduced rates (see page 36)	
Sales tax	8.5% QST (see page 39)	

Additional highlights

Capital tax rates:

Before January 1, 2011, capital tax was eliminated or reduced as follows:

% of activities attributable to M&P (based on M&P assets and labour)	≥ 50%	Eliminated.
	> 20% and < 50%	Reduced proportionately (straight-line).

	General rate	Financial institutions
Effective date Before January 1, 2011	0.12%	0.24%
January 1, 2011	Nil	

Compensatory tax for financial institutions: For taxation years ending after March 30, 2010, and beginning before April 1, 2014, the tax rate will increase:

- for salaries paid by:
 - banks, loan companies, trust companies and securities trading companies from 2% to 3.9%;
 - savings and credit unions from 2.5% to 3.8%; and
 - other financial institutions (excluding insurance companies) from 1% to 1.5%; and
- for insurance companies from 0.35% to 0.55%.

Refundable tax credit for the production of cellulosic ethanol in Quebec:

Corporations that produce cellulosic ethanol in Quebec from renewable materials can receive a new refundable tax credit of up to \$0.15 per litre until March 31, 2018.

Corporations

Mining duties: The tax rate and the credit rate on duties refundable for losses is increasing, as follows:

	Rate
Effective date	
Before March 31, 2010	12%
March 31, 2010	14%
January 1, 2011	15%
January 1, 2012	16%

Refundable tax credit for book publishing: After March 17, 2011, the digital version of an eligible book, and a book that is part of an eligible group of books, may qualify for this tax credit.

Refundable tax credit for sound recording production: After March 17, 2011, a sound recording sold in a format other than on a physical medium (e.g., a downloadable file) can qualify for this credit.

Investments in tax-advantaged funds: Amendments to the statutes for incorporating investment corporations, such as the Fonds de solidarité des travailleurs du Québec (FTQ) or Fondation and Capital régional et coopératif Desjardins, will, among other things:

- recognize investments made for business succession;
- increase recognition of investments in local venture capital funds; and
- increase the limit applicable to the strategic investment category.

Quebec Sales Tax (QST): The QST rate will increase from 8.5% to 9.5% on January 1, 2012. Transitional rules will apply.

Saskatchewan

Corporate income tax rates (for December 31, 2011 year ends)

General (non M&P)	M&P	CCPC	
		Active business income to \$500,000	Investment income
12	10	3.24	12
28.5	26.5	14.24	46.67

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

A rebate of up to 2% of M&P profits allocated to Saskatchewan is available, which can reduce the rate from 12% to as low as 10%.

Other 2011 rates

Capital tax	General: None	Financial institutions: 0.7% or 3.25% (see page 22)
Payroll tax	None	
Sales tax	5% PST (see page 39)	

Corporate income tax rate changes

	CCPC rate
Effective date	
Before July 1, 2011	4.5%
July 1, 2011	2%

Additional highlights

Financial institutions capital tax: Retroactive to taxation years ending after October 31, 2009, financial institutions that qualified for the 0.7% capital tax rate in taxation years ending after October 31, 2008, and before November 1, 2009, will be subject to a:

- 0.7% capital tax rate on their first \$1.5 billion of taxable capital; and
- 3.25% capital tax rate on taxable capital exceeding \$1.5 billion.

Corporations

Yukon

Corporate income tax rates (for December 31, 2011 year ends)

General (non M&P)	M&P	CCPC		
		Active business income to \$500,000		Investment income
		Non-M&P	M&P	
15 31.5	2.5 19	4 15	2.5 13.5	15 49.67

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

Other 2011 rates

Capital tax	
Payroll tax	None
Sales tax	

Corporate income tax rate changes

Effective date	Threshold up to which CCPC rate applies
Before January 1, 2011	\$400,000
January 1, 2011	\$500,000

Additional highlights

No additional significant corporate tax changes were announced.

Individuals and corporations

CPP/QPP, EI and QPIP premiums

			2010	2011	
CPP/QPP premiums (all contributors)	Maximum pensionable earnings		\$47,200	\$48,300	
	- Basic exemption			\$3,500	
	= Maximum contributory earnings		\$43,700	\$44,800	
	Employer/employee rate		4.95%		
	Maximum employer/employee contribution		\$2,163	\$2,218	
	Self-employed contribution rate		9.9%		
Maximum self-employed contribution		\$4,326	\$4,435		
Maximum annual insurable earnings		\$43,200	\$44,200		
EI premiums	All contributors (other than those in Quebec)	Premium per \$100 insurable earnings	Employee	\$1.73	\$1.78
			Employer	\$2.422	\$2.492
		Annual maximum contribution	Employee	\$747	\$787
			Employer	\$1,046	\$1,101
	Quebec contributors	Maximum annual insurable earnings		\$43,200	\$44,200
		Premium per \$100 insurable earnings	Employee	\$1.36	\$1.41
			Employer	\$1.904	\$1.974
		Annual maximum contribution	Employee	\$588	\$623
	Employer	\$823	\$873		
QPIP premiums (Quebec only)	Maximum annual insurable earnings		\$62,500	\$64,000	
	Premium per \$100 insurable earnings	Employee	\$0.506	\$0.537	
		Employer	\$0.708	\$0.752	
	Annual maximum contribution	Employee	\$316	\$344	
		Employer	\$443	\$481	
	Premium per \$100 insurable earnings	Self-employed	\$0.899	\$0.955	
Annual maximum contribution	Self-employed	\$562	\$611		

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.

The QPP rate will increase after 2011. See [page 17](#).

Individuals and corporations

Health care premiums

The health care premiums shown are payable by individuals, but may be remitted through payroll withholdings.

Premiums will increase on January 1, 2012, by \$3.50 for single individuals and \$7 for all families.

			Premiums	Frequency	Relief
British Columbia	Medical Services Plan	Single	\$60.50	Monthly	Low-income earners can get assistance
		of two	\$109		
		Family of > two	\$121		
Quebec	Health contribution	Individuals	\$100	Annual	Low-income earners are exempt
Health Services Fund		up to \$1,000	Gives rise to a credit		

Applies only if income from certain sources, excluding remuneration, exceeds \$13,305.

Premium will increase to \$200 for 2012.

	Taxable income	Annual premiums (per individual)
Ontario Health Premium	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 2011

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

Newfoundland and Labrador's payroll tax thresholds increased on January 1, 2011. See [page 28](#).

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

		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		2%	Over \$1,200,000	(Payroll - \$1,200,000) x 2%
		0%	\$0 to \$1,200,000	\$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 million 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 contributing to the Health Services Fund, and refunds may be made. Financial institutions (excluding insurers) and investment holding corporations may also be subject to a compensatory tax on payroll. See [page 31](#).

Employees, employers and the self-employed must contribute to the Quebec parental insurance plan (QPIP) and individuals may be required to contribute to the Health Services Fund. See [pages 34](#) and [35](#).

Individuals and corporations

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 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 \$22,970 fixed dollar limit applies in 2012 if earned income in 2011 (i.e., the previous year) exceeds \$127,611 (because 18% of \$127,611 is \$22,970).

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	2010	\$22,000	≥ \$122,223	\$22,450	≥ \$124,722	\$11,225	≥ \$62,361
	2011	\$22,450	≥ \$124,722	\$22,970	≥ \$127,611	\$11,485	≥ \$63,806
	2012	\$22,970	≥ \$127,611	Indexed			
	2013						
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 2011.

Unused federal ITCs may reduce federal taxes payable for the previous three and the next twenty years.

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.

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 \$500,000, up to \$800,000; 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.

	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	35% of annual qualified 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	20%	n/a
Individuals		40% of ITCs

Provincial and territorial R&D tax credits

Only corporations are eligible for R&D tax credits, except in Newfoundland and Labrador, Quebec and Yukon, where individuals can also claim the credits.

Alberta's maximum annual credit is \$400,000.

British Columbia's refundable tax credit is 10% of the lesser of eligible B.C. R&D expenditures and the federal expenditure limit (i.e., \$3 million or less).

In Ontario, corporations that have taxable income under \$500,000 and taxable capital under \$25 million can claim the innovation tax credit on up to \$3 million of expenditures. Those with taxable income between \$500,000 and \$800,000 or taxable capital between \$25 million and \$50 million are eligible for a partial credit.¹ 100% of current expenditures and 40% of capital expenditures are eligible.

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

Quebec Canadian-controlled corporations with less than \$50 million in assets can claim the 37.5% rate on up to \$3 million 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.¹

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

	Rate	Credit against	Refundable?	Carry-back	Carry-forward
Alberta					
British Columbia	10%	Provincial income tax	Yes	n/a	
Qualifying CCPCs			No	3 years	10 years
Other corporations	20%		Yes/No		
Manitoba					
New Brunswick					
Newfoundland and Labrador	15%				
Nova Scotia			Yes		n/a
	Innovation tax credit	Provincial income and capital tax			
Ontario	10%				
	Business research institute tax credit	Provincial income tax	No	3 years	20 years
	R&D tax credit				
	4.5%				
Quebec	17.5% to 37.5%	Provincial income and capital tax	No	3 years	20 years
	R&D wage tax credit				
	35%		Yes		n/a
	University, public research centre, research consortium and private partnership tax credits				
Saskatchewan	15%	Prov./terr. income tax		3 years	10 years
Yukon					n/a

Manitoba's credit is:

- fully refundable for certain eligible expenditures incurred after 2009; and
- partially refundable for in-house R&D expenditures after 2010.

Can be carried back to taxation years ending after 2008.

Applies to R&D expenditures incurred before March 19, 2009.

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

1. Ontario and Quebec thresholds are in respect of the previous year, on a worldwide associated basis.

Individuals and corporations

Sales tax rates and land transfer taxes

Sales tax rates for 2011

	Rate	Total rate	PST on GST	
Federal	5% GST			
Jurisdictions with no sales tax	Alberta	5% federal GST only	n/a	
	Northwest Territories			
	Nunavut			
	Yukon			
Harmonized jurisdictions	British Columbia	12%	n/a	
	New Brunswick	13%		
	Newfoundland and Labrador			
	Nova Scotia	15%		
	Ontario	13%		
Non-harmonized jurisdictions	Manitoba	7%	12%	No
	Prince Edward Island	10%	15.5%	Yes
	Quebec	8.5%	13.925%	
	Saskatchewan	5%	10%	No

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

If the HST regime survives British Columbia's referendum, the HST rate will decrease after 2011. See pages 12 and 26.

Quebec's sales tax is imposed on essentially the same base as the GST. The rate will increase to 9.5% on January 1, 2012.

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

Land transfer tax and registration fees

The provinces and territories charge land transfer taxes and registration fees on the purchase of real property within their boundaries.

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

	Calculation	Value used	
Alberta	\$50 + 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	\$70 + 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	\$75 + 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 + 0.1% of portion > \$1,000,000		
Nunavut			
Nova Scotia	\$85.18 + 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
	Family dwelling (one or two units)		As above + 0.5% of portion > \$400,000
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
	Family dwelling (one or two units)	As above + 0.5% of portion between \$400,000 and \$40 million + 1% of portion > \$40 million	
Prince Edward Island	General	1% of value, if value > \$30,000	Greater of assessed value and consideration for the transfer
	Non-residents and corporations	As above + 1% of value (\$550 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.	
Addition for Montreal	0.5% of portion > \$500,000		
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.

For partnerships with fiscal periods ending after 2010, the criteria for filing a partnership information return has changed. See [page 10](#).

		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			
Partnership	Federal, Quebec (T5013/relevé 15)	Last day of March			
Information returns	Transactions with non-residents	Federal: NR4	Individuals: April 30	Corporations: 6 months after year end	For trusts, form NR4 is due 90 days after the trust's year end.
	Foreign property/trust	Federal: T106 (transactions with non-arm's length parties)	Trusts: 90 days after year end	Partnerships: (T106, T1135 and T1142 only): same as for partnership information return	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: T1135, T1141, T1142			
		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		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.

180 days for Ontario assessments and reassessments for taxation years ending before 2009.

Individuals and corporations

Prescribed interest rates – income, capital and payroll taxes

Rates left blank were not available when *Tax facts and figures* was published.

Federal prescribed rates also apply to provincial/territorial personal and corporate income tax collected by the Canada Revenue Agency (CRA).

In Alberta, effective February 10, 2010, the rates at which refund interest is calculated are half of the rates previously in effect.

Federal rates apply to:

- general capital taxes collected by the CRA on behalf of Nova Scotia; and
- Ontario corporate income and capital tax payments made to the CRA .

Compounding schedule		2010				2011				
		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	5%							
		Overpayments	Corporations	1%						
			Other	3%						
		Taxable benefits	1%							
Monthly	Alberta: Corporate income tax	Underpayments	4.5%							
		Overpayments	0.5%							
	British Columbia: Financial institutions capital tax	Underpayments	5.25%	5.5%	6%					
		Overpayments	0.25%	0.5%	1%					
	Manitoba: Capital tax and Health and Post-Secondary Education Tax	Underpayments	6.25%		6.5%		7%			
		Some overpayments	6.25%		6.5%		7%			
	New Brunswick: Financial institutions capital tax	Underpayments	13.5% (1.06% per month)							
		Overpayments	New Brunswick does not pay interest on overpayments							
	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)							
Daily	Nova Scotia: Financial institutions capital tax	Underpayments	5%							
		Overpayments	3%	1%						
	Ontario: Employer Health Tax	Underpayments	5%		6%					
		Overpayments	0%		3%					
Monthly	Prince Edward Island: Financial institutions capital tax	Underpayments	19.56% (1.5% per month)							
		Overpayments	19.56% (1.5% per month)							
Daily	Quebec: Corporate and personal income tax, capital tax and Health Services Fund contributions	Underpayments	5%		6%					
		Overpayments	1.15%	1.25%						
		Taxable benefits	1%							
Not compounded	Saskatchewan: Financial institutions capital tax	Underpayments	5.25%	5.5%		6%				
		Overpayments	2.25%	2.5%		3%				

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

Individuals and corporations

Recent tax cases

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

General anti-avoidance rule (GAAR): In *The Queen v. Collins & Aikman Products Co.*, the Federal Court of Appeal (FCA) upheld the Tax Court of Canada (TCC) decision that GAAR did not apply to a cross-border reorganization that resulted in a tax-free return of capital to the taxpayer's foreign parent. The Minister has not sought leave to appeal to the Supreme Court of Canada (SCC).

In *Lehigh Cement Limited v. The Queen*, the FCA held that GAAR did not apply to a series of transactions that were undertaken to enable the taxpayer to avoid Part XIII withholding tax on interest payments made on a loan from a related Belgian company by having an arm's length Belgian bank purchase the right to receive all interest payments on the loan. The SCC dismissed the Minister's application for leave to appeal. Proposed legislation negates the effect of the FCA's decision. See our *Tax Memo* "Finance Proposes Legislative Measures to Counter FCA Decisions" at www.pwc.com/ca/taxmemo.

Sham doctrine: In *Paul Antle et al. v. The Queen*, the FCA found that the Barbados spousal trust settled by the taxpayer was not properly constituted and never came into existence. The SCC dismissed the taxpayers' application for leave to appeal. See our *Tax Memo* "The FCA Decision in Antle" at www.pwc.com/ca/taxmemo.

Trust residency: In *St. Michael Trust Corp.* (also known as *Garron Family Trust et al.*) *v. The Queen*, the FCA upheld the TCC decision that rejected a rule of residency of a trust based solely on the residency of the trustees, instead favouring a "central management and control test." The taxpayers have requested leave to appeal to the SCC.

Deduction for capital losses: In *The Toronto-Dominion Bank v. The Queen*, the TCC held that the taxpayer had subscribed for shares at an inflated price and this created an artificial and undue capital loss on the disposition of the shares. Therefore the capital loss was disallowed. The taxpayer has appealed to the FCA.

Deduction for non-capital losses: In *S.T.B. Holdings Ltd. v. The Queen*, the TCC found that the taxpayer could deduct non-capital losses of a subsidiary it wound up shortly after its acquisition and write-down inventory acquired on the wind-up, because the taxpayer carried on the same business as the wound-up subsidiary. The TCC also held that the taxpayer was holding property of the wound-up company for profit or with a reasonable expectation of profit, making losses realized on the sale of the property on income account.

Transfer pricing: In *GlaxoSmithKline Inc. v. The Queen*, the issue was whether the intercompany price of the drug should be based on comparable uncontrolled prices (CUPs) of generic versions of the drug. The FCA found that the business realities, such as the use of the brand name, should be taken into account, bringing into question the comparability of those generic CUPs. The SCC granted leave to appeal to the SCC. See our *Tax Memo* "Taxpayer Wins Appeal in Transfer Pricing Case (GlaxoSmithKline) – "Business Reality" Prevails" at www.pwc.com/ca/taxmemo.

Late-filed T1135: In *Leonard Asper Holdings Inc. v. The Attorney General of Canada*, the Federal Court dismissed applications for judicial review of the Tax Services Office's decision to deny the taxpayer's request for relief from penalties and arrears reassessed due to late filing of T1135 forms, notwithstanding that the related foreign income was fully reported for tax purposes. The taxpayer has appealed to the FCA. See our *Tax Memo* "Late-Filed T1135: Court Denies Waiver of Penalties and Interest in Asper Holdings" at www.pwc.com/ca/taxmemo.

Late-filing penalty: In *Exida.com Limited Liability Company v. The Queen*, the FCA held that a non-resident corporation was required to pay late-filing penalties although it had no taxes payable.

Guarantee fees: In *The Queen v. General Electric Capital Canada Inc.*, the FCA decided that the taxpayer could deduct guarantee fees paid to its U.S.-based parent because they were equal to or below an arm's length price. The Minister has not sought leave to appeal to the SCC. See our *Tax Memo* "Guarantee Fees: Federal Court of Appeal Confirms GE Capital Canada Inc. Decision" at www.pwc.com/ca/taxmemo.

Stock option payments: In *Imperial Tobacco Canada Limited v. The Queen*, the TCC held that payments made by Imperial Tobacco to its employees to eliminate an employee stock option plan in the context of a going-private transaction were capital in nature and not deductible. The taxpayer has appealed to the FCA. See our *Tax Memo* "Deduction Denied for Amounts Paid to Employees for Stock Options in course of Going-Private Transaction (Imperial Tobacco case)" at www.pwc.com/ca/taxmemo.

Foreign tax credits: In *4145356 Canada Limited v. The Queen*, the TCC held that foreign taxes paid by a partnership, of which the taxpayer was a member, were "paid by the taxpayer" and therefore the taxpayer was entitled to a foreign tax credit. The TCC did not consider the proposed "foreign tax credit generator" rules, which were announced after the transactions at issue. The Minister has appealed to the FCA.

International

U.S. top individual income tax rates – federal and state combined (2011)

Combined state and federal rates generally apply to employment income, interest and non-qualified dividends, among other things. These rates are shown on the right for the top three federal brackets, which are set out below.

Newly passed U.S. legislation extends 2010 federal marginal rates to 2011 and 2012.

	Top three federal taxable income ranges (\$US)			
	Third	Second	Top	
Single	\$83,600 to \$174,400	\$174,400 to \$379,150	Above \$379,150	
Married filing jointly	\$139,350 to \$212,300	\$212,300 to \$379,150		
Federal marginal rate	28%	33%	35%	

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 and Oregon;
- other taxes that may apply (e.g., alternative minimum taxes);
- special rates for 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.”

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

In Hawaii, 37% and 44% apply to single filers, 36.25% and 43% to married joint filers.

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

In Michigan, the rates are 0.1% lower after September 30, 2011.

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

In North Carolina, the rates are up to 0.23% higher under proposed legislation.

In Ohio, 33.45% applies to single filers, 33.93% to married joint filers.

In Oregon, 38.8% and 44% apply to single filers, 37% and 43.8% to married joint filers.

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

	Combined federal and state rates (%)		
	Third	Second	Top
Federal	28	33	35
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	41.5
Delaware	34.95	39.95	41.95
Florida	28	33	35
Georgia	34	39	41
Hawaii	37 or 36.25	44 or 43	46
Idaho	35.8	40.8	42.8
Illinois	33	38	40
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	40.85	43.97
North Carolina	35.75	40.75	42.75
North Dakota	31.81	37.42	39.86
Ohio	33.45 or 33.93	38.93	40.93
Oklahoma	33.5	38.5	40.5
Oregon	38.8 or 37	44 or 43.8	46
Pennsylvania	31.07	36.07	38.07
Rhode Island	33.99	38.99	40.99
South Carolina	35	40	42
South Dakota	28	33	35
Tennessee	28	33	35
Texas	28	33	35
Utah	33	38	40
Vermont	35.8	41.8	43.95
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	40.75	42.75
Wyoming	28	33	35

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

International

U.S. estate, gift and generation-skipping transfer tax rates

A U.S. estate tax, gift tax or generation-skipping transfer tax liability may arise for U.S. citizens and Canadian residents, as follows:

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

	Circumstances	Estate tax imposed on	Gift tax imposed on
U.S. citizens (residing in Canada or elsewhere)	Transfers: • on death; or • of property during lifetime.	Fair market value (FMV) of taxpayer's worldwide assets at death.	FMV of gifts of all property regardless of where the property is located.
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.)	FMV of gifts of U.S. real property and U.S.-situs tangible personal property.

Generation-skipping transfer tax may apply in addition to estate or gift tax. A transfer is generation-skipping and subject to the U.S. generation-skipping transfer tax if it is:

- subject to either gift or estate tax; and
- made to a person who is two or more generations younger than the donor (e.g., a grandchild).

Newly passed U.S. legislation reinstates estate and generation-skipping taxes for 2010 to 2012. However, for 2010:

- the estate tax is optional at the election of the estate; and
- the generation-skipping tax rate is zero.

Unless legislation is passed before 2013, the 2001 estate tax rate regime will be re-established in 2013.

		2010	2011 to 2012	2013
Threshold	\$0		18%	
	\$10,000		20%	
	\$20,000		22%	
	\$40,000		24%	
	\$60,000		26%	
	\$80,000		28%	
	\$100,000		30%	
	\$150,000		32%	
	\$250,000		34%	
	\$500,000			37%
	\$750,000			39%
\$1,000,000			41%	
\$1,250,000			43%	
\$1,500,000			45%	
\$2,000,000			49%	
\$2,500,000			53%	
\$3,000,000			55%	
Exemption (US\$)	Estate tax			
	Generation-skipping transfer tax	\$5,000,000 (0% rate)	\$5,000,000	\$1,000,000
	Gift tax	\$1,000,000		
Unified credit (\$US)	Estate tax			
	Generation-skipping transfer tax	Nil	\$1,730,800	\$345,800
	Gift tax	\$330,800		

Rates are additive. For example, tax on \$14,000 would be \$2,600 (i.e., [18% x \$10,000] + [\$4,000 x 20%]). For gift tax, apply the rates to the cumulative taxable lifetime transfers made (generally, based on the fair market value of the transferred property) and subtract the gift tax previously payable.

For 2010, the estate tax exemption applies if the election to opt out of estate tax is not made.

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\$1,730,800 in 2011) 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 unified credit is equal to the amount of tax that applies at the exemption level.

The gift tax unified credit is a lifetime exclusion. In 2011, an annual exclusion of US\$13,000 (US\$136,000 to a non-U.S. citizen spouse) per donee also applies.

For 2011 and 2012, the total of the estate tax and gift tax exemption cannot exceed US\$5 million. Generation-skipping transfer tax has a separate US\$5 million exemption. These amounts will be indexed for 2012.

International

U.S. corporate income tax rates – federal and state (2011)

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.

Federal rates and brackets (\$US)

	Threshold	Rate (%)	
General	\$100,000	39	A deduction for domestic production activities reduces the effective tax rate on this income to 31.85%.
	\$335,000	34	
	\$10,000,000	35	
	\$15,000,000	38	
	\$18,333,333	35	
Personal service		35	Additional tax applies to undistributed income.
Personal holding	\$0	15	
Accumulated earnings	Personal service	\$150,000	May apply in addition to regular tax.
	Other	\$250,000	

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 above);
- 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.

State rates and brackets (\$US)

	Threshold	Rate (%)	
Alabama	\$0	6.5	In Connecticut, if annual gross revenues are at least \$100 million, a 10% surcharge applies.
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	7
		\$0	8.5
Indiana	\$100,000	10	
Iowa	\$250,000	12	
Kansas	\$50,000	7	
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	8.25	
Michigan Business Income Tax	\$0	4.95	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.
Minnesota	\$0	9.8	
Mississippi	\$10,000	5	
Missouri	\$0	6.25	
Montana	\$0	6.75	
Nebraska	\$100,000	7.81	
Nevada	No income tax		
New Hampshire	\$0	8.5	
New Jersey	\$0	9	
	\$0	4.8	
New Mexico	\$500,000	6.4	
	\$1,000,000	7.6	
	Manufacturers	\$0	6.5
New York	Small business	\$0	6.5
	(Net income	\$290,000	7.1
	≤ \$390,000)	\$350,000	11.45
	Other	\$0	7.1
North Carolina	\$0	6.9	In North Carolina, a 3% surcharge will apply under proposed legislation, increasing the rate to 7.107%.
North Dakota	\$50,000	6.4	
Ohio	No income tax		
Oklahoma	\$0	6	
	\$0	6.6	
Oregon	\$250,000	7.6	
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	8.5	
Wisconsin	\$0	7.9	In Wisconsin, businesses with at least \$4 million in annual gross receipts pay a 3% surcharge on their tax (maximum surcharge is \$9,800).
Wyoming	No income tax		

International

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 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	Related-party 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	N 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)	N 10 or 15	10	10
Colombia, Rep. of	25 → [5 or 15]	25 → [10]	25 → [10] ¹
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	15	10	10
Germany	5 or 15	10	0 or 10
Greece	5 or 15	10	0 or 10
Guyana	15	15	10
Hong Kong	N	25% imposed by Canada	
Hungary	5 or 15	10	0 or 10
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, 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 (South)	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	25 → [5 or 15]	25 → [10]	25 → [0 or 10]
Netherlands	N 5 or 15	10	0 or 10
New Zealand	N 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
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 ⁵	15 or 20	15	10
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	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.

1. 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 in respect of specific payments or with limits, in some cases.
2. For the United States, the nil rate applies between related persons, subject to the Limitation of Benefits article.
3. Canadian withholding tax does not apply to interest (except for "participating debt interest") paid to arm's length non-residents.

4. 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).
5. For Turkey, the rates apply after 2011. Before 2012, the rates are 25%.

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