

Tables 1 and 2: Integration – Active business income and investment income

Table 1: Integration –
Active business income (\$)

(twelve-month taxation year ended December 31, 2023, and \$10,000 of active business income)

This table shows:¹

- the income tax deferral if active business income is earned and retained in a corporation, as opposed to being paid out of the corporation as salary to the shareholder
- the tax saving (cost) if, instead of being paid out of the corporation as salary, the after-tax corporate income is paid out as a dividend to the shareholder in the same year

	Eligible for small business deduction ³		No small business deduction ³	
	Deferral	Saving/(cost)	Deferral	Saving/(cost)
Alberta⁴	3,700	(65)	2,500	(142)
British Columbia⁵	4,339	(12)	2,739	71
Manitoba	4,244	(3)	2,444	(314)
New Brunswick⁶	4,100	(44)	2,350	49
Newfoundland and Labrador⁷	4,369	61	2,569	(666)
Northwest Territories	3,805	528	2,255	173
Nova Scotia	4,250	(23)	2,500	(452)
Nunavut	3,450	125	1,950	(465)
Ontario⁸	General		2,792	(100)
	M&P	4,222	30	2,942
				(9)
Prince Edward Island		4,137	(97)	2,037
Quebec		4,302 ⁹	26 ⁹	(324)
Saskatchewan	General		2,872	(76)
	M&P	3,800	15	2,050
				(114)
Yukon¹⁰	General		2,250	27
	M&P	3,900	(108)	2,100
				(12)
			3,050	664

Table 2: Integration – Investment income (\$)

(twelve-month taxation year ended December 31, 2023, and \$10,000 of investment income)

This table shows:²

- the income tax deferral (prepayment) if investment income is earned and retained in a corporation, as opposed to being earned directly by an individual
- the tax saving (cost) if the after-tax corporate income is paid out as a dividend to the shareholder in the same year

	Portfolio dividends		Capital gains		Interest	
	Deferral/ (prepayment)	(Cost)	Deferral/ (prepayment)	(Cost)	Deferral/ (prepayment)	(Cost)
Alberta⁴	(402)	Nil	67	(177)	133	(354)
British Columbia⁵	(179)	Nil	142	(280)	283	(561)
Manitoba	(55)	Nil	(13)	(347)	(27)	(694)
New Brunswick	(593)	Nil	(8)	(301)	(17)	(603)
Newfoundland and Labrador⁷	787	Nil	57	(295)	113	(590)
Northwest Territories	(1,000)	Nil	(155)	(104)	(312)	(209)
Nova Scotia	325	Nil	67	(283)	133	(566)
Nunavut	(525)	Nil	(308)	(287)	(617)	(573)
Ontario	101	Nil	168	(221)	336	(440)
Prince Edward Island	(411)	Nil	(164)	(419)	(330)	(839)
Quebec	178	Nil	157	(270)	314	(539)
Saskatchewan	(869)	Nil	(158)	(298)	(317)	(596)
Yukon¹⁰	(940)	Nil	(133)	(362)	(267)	(724)

Notes to Tables 1 and 2:

1. Table 1 assumes that:

- the individual is taxed at the top marginal income tax rate (only federal and provincial/territorial income tax, the employer portion of provincial health tax and the employee portion of Northwest Territories and Nunavut payroll taxes are considered)
- when there is no small business deduction, the after-tax corporate income is paid out as an eligible dividend

Different results may arise in special circumstances (e.g. for credit unions).

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2. Table 2 assumes that:

- the individual is taxed at the top marginal income tax rate
- portfolio dividends received are designated as eligible dividends
- no capital gains deductions are available
- the non-taxable portion of the corporation's capital gain is distributed as a tax-free capital dividend
- the taxable dividend paid (eligible for portfolio dividends, non-eligible for capital gains and interest) is sufficient to generate a full refund of refundable tax

3. The federal small business threshold of \$500,000 applies in all provinces and territories, except for Saskatchewan where the threshold is \$600,000 (the figures in the table do not apply to income between \$500,000 and \$600,000).



4. For Alberta, the figures assume that the individual is taxed at Alberta's personal income tax rate on incomes over \$341,502. If the individual's income is \$341,502 or less, but over \$235,675, the figures are as shown in the table below:

	Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction	\$3,600
	No small business deduction	\$2,400
Table 2	Portfolio dividends	(\$540)
	Capital gains	\$17
	Interest	\$33
		(\$357)

5. For British Columbia, the figures assume that the individual is taxed at British Columbia's personal income tax rate on incomes over \$240,716. If the individual's income is \$240,716 or less, but over \$235,675, the figures are as shown in the table below:

	Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction	\$3,976
	No small business deduction	\$2,376
Table 2	Portfolio dividends	(\$689)
	Capital gains	(\$43)
	Interest	(\$87)
		(\$591)

6. For New Brunswick, the figures in Table 1 do not apply to situations in which a Canadian-controlled private corporation (CCPC) is not eligible for the federal small business deduction (SBD), but is eligible for the New Brunswick SBD. This situation occurs because New Brunswick does not parallel the federal rules that phase-out the \$500,000 SBD for CCPCs that earn between \$50,000 and \$150,000 of passive investment income in a previous taxation year. This mismatch in the federal/New Brunswick SBD results in a lower integrated tax rate on active business income.

7. For Newfoundland and Labrador, the figures assume that the individual is taxed at Newfoundland and Labrador's personal income tax rate on incomes over \$1,059,000. If the individual's income is: (a) \$1,059,000 or less, but over \$529,500; (b) \$529,500 or less, but over \$264,750; or (c) \$264,750 or less, but over \$235,675, the figures are as shown in the table below:

	\$1,059,000 or less, but over \$529,500		\$529,500 or less, but over \$264,750		\$264,750 or less, but over \$235,675	
	Deferral (Prepayment)	Saving (Cost)	Deferral (Prepayment)	Saving (Cost)	Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction	\$4,320	\$62	\$4,271	\$64	\$4,172
	No small business deduction	\$2,520	(\$666)	\$2,471	(\$667)	\$2,372
Table 2	Portfolio dividends	\$718	Nil	\$649	Nil	\$511
	Capital gains	\$32	(\$298)	\$7	(\$301)	(\$43)
	Interest	\$63	(\$595)	\$13	(\$601)	(\$87)
						(\$612)

8. For Ontario, the figures in Table 1 do not apply to situations in which a CCPC is not eligible for the federal SBD, but is eligible for the Ontario SBD. This situation occurs because Ontario does not parallel the federal rules that phase-out the \$500,000 SBD for CCPCs that earn between \$50,000 and \$150,000 of passive investment income in a previous taxation year. This mismatch in the federal/Ontario SBD results in a lower integrated tax rate on active business income.

9. For Quebec, the figures assume that the income is eligible for Quebec's small business income tax rate by meeting either:

- the "activities" test (based on activities attributable to M&P and primary sector labour)
- the "hours paid" test (based on current or previous year's remunerated employee hours)

See footnote 5 of [Table 4](#) for more information.

10. For the Yukon, the figures assume that the individual is taxed at Yukon's personal income tax rate on incomes over \$500,000. If the individual's income is \$500,000 or less, but over \$235,675, the figures are as shown in the table below:

	Deferral (Prepayment)	Saving (Cost)
Table 1	Eligible for small business deduction	\$3,680
	No small business deduction	\$1,880
Table 2	General M&P	\$2,830
	Portfolio dividends	(\$1,244)
	Capital gains	(\$243)
	Interest	(\$487)
		(\$741)