

Federal Corporate Tax Rates — 2016–2022 (%)

(Prepared from information available as of June 10, 2022)

The rates shown are in effect for 12-month taxation years ended December 31. All rates that change must be pro-rated for taxation years that straddle the effective date.

		2016 – 2017	2018	2019 – 2022	
General and manufacturing & processing (M&P) income	Basic rate	38			
	Less: provincial abatement	10			
	General federal rate (before deductions)	28			
	Less: general rate reduction or M&P deduction ¹	13			
	General federal and M&P rate	15³			
Canadian-controlled private corporations (CCPCs)	Threshold	Small business deduction threshold ²	\$500,000		
	Active business income up to threshold	General federal rate (before deductions) ¹	28		
		Less: small business deduction ²	17.5	18	19
		CCPC small business rate	10.5	10	9³
	Investment income	General federal rate (before deductions) ¹	28		
		Additional refundable tax	10.67		
CCPC investment income rate		38.67			

Notes:

- The general rate reduction and M&P deduction do not apply to: income benefiting from the small business deduction; investment income of CCPCs; and income of certain corporations (e.g., mutual fund corporations, mortgage investment corporations and investment corporations). In addition, income from a personal services business is:
 - not eligible for the general rate reduction; and
 - subject to a federal corporate tax rate of 33%.
- The small business deduction applies to active business income earned in Canada of associated CCPCs, up to \$500,000. As a result of a clawback, the small business deduction is reduced if taxable capital employed in Canada, on an associated basis, exceeded \$10 million in the preceding year, and eliminated when it reached \$15 million (\$50 million for taxation years beginning after April 6, 2022, as proposed in the 2022 federal budget).

For taxation years beginning after 2018, the small business deduction for a year of a CCPC that (together with associated CCPCs) earns more than \$50,000 of passive investment income in the previous year, is reduced by \$5 for every \$1 of that investment income over \$50,000 (it is eliminated at \$150,000 of investment income). The CCPC's small business deduction will be reduced by the greater of this reduction and the existing clawback (see above) that applies when associated taxable capital employed in Canada exceeds \$10 million.

Recent changes to the small business deduction follow:

	Changes effective after December 31, 2017		
	From	To	Effective
Small business deduction	17.5%	18%	January 1, 2018
	18%	19%	January 1, 2019

- Federal general and CCPC small business rates on eligible income from zero-emission technology M&P activities are temporarily reduced by 50% for taxation years beginning after 2021 and before 2029, and then gradually increasing back to 15% (general) and 9% (CCPC small business) for taxation years beginning after 2031. To qualify for the lower tax rates, at least 10% of the taxpayer's gross revenues from all active businesses carried on in Canada must be derived from eligible zero-emission technology M&P activities.