

## 2021 – 2022 Federal and Provincial / Territorial Corporate Income Tax Rates

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

Federal	Reference to the Income Tax Act	CCPC			General Corporation		
		Active Business Income eligible for Small Business Deduction (SBD)	Active Business Income <sup>2</sup>	Investment Income <sup>3</sup>	Active Business Income	Investment Income <sup>3</sup>	Manufacturing and Processing (M&P) Income
		%	%	%	%	%	%
Basic federal tax rate	<a href="#">Subsection 123(1)</a>	38	38	38	38	38	38
Federal abatement	<a href="#">Subsection 124(1)</a>	(10)	(10)	(10)	(10)	(10)	(10)
<b>Net tax rate</b>		<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>
General rate for M&P deduction	<a href="#">Section 125.1(1)</a>	-	-	-	-	-	(13)
General rate reduction	<a href="#">Subsection 123.4(1)</a>	-	(13)	-	(13)	(13)	-
Small business deduction	<a href="#">Subsection 125(1.1)</a>	(19)	-	-	-	-	-
Refundable tax	<a href="#">Section 123.3</a>	-	-	10.7	-	-	-
<b>Federal rate</b>		<b>9</b>	<b>15</b>	<b>38.7</b>	<b>15</b>	<b>15</b>	<b>15</b>

Provincial / Territorial <sup>4</sup>	CCPC				General Corporation		
	SBD Thresholds <sup>5</sup> 2020 and 2021	Active Business Income eligible for SBD	Active Business Income <sup>2</sup>	Investment Income <sup>3</sup>	Active Business Income	Investment Income <sup>3</sup>	Manufacturing and Processing (M&P) Income
	CAD\$	%	%	%	%	%	%
<a href="#">Alberta</a>	500,000	2	8	8	8	8	8
<a href="#">British Columbia</a>	500,000	2	12	12	12	12	12
<a href="#">Manitoba</a>	500,000	-	12	12	12	12	12
<a href="#">New Brunswick</a>	500,000	2.5	14	14	14	14	14
<a href="#">Newfoundland and Labrador</a>	500,000	3	15	15	15	15	15
<a href="#">Northwest Territories</a>	500,000	2 <sup>6</sup>	11.5	11.5	11.5	11.5	11.5
<a href="#">Nova Scotia</a>	500,000	2.5	14	14	14	14	14
<a href="#">Nunavut</a>	500,000	3	12	12	12	12	12
<a href="#">Ontario</a>	500,000	3.2	11.5	11.5	11.5	11.5	10 <sup>7</sup>
<a href="#">Prince Edward Island</a>	500,000	2 <sup>8</sup>	16	16	16	16	16
<a href="#">Quebec</a>	500,000	4/3.2 <sup>9</sup>	11.5	11.5	11.5	11.5	11.5
<a href="#">Saskatchewan</a>	600,000	2	12	12	12	12	10 <sup>10</sup>
<a href="#">Yukon</a>	500,000	0 <sup>11</sup>	12	12	12	12	2.5 <sup>12</sup>

### NOTES:

- See also RSM Tax Alert '[2021-2022 Provincial & territorial budgets commentary](#)' for details on the provinces' and territories' proposed tax changes.
- The general corporate tax rate applies to active business income earned in excess of relevant small business income thresholds. For federal purposes, the threshold is \$500,000. For provincial / territorial purposes, see the "SBD Thresholds 2021 and 2022" column.
- The rates apply to investment income other than capital gains and dividends received from Canadian corporations. Capital gains are taxed at an effective rate of 50%. Dividends received by private corporations from Canadian corporations are subject to a special refundable tax of [38.33%](#).
- Provincial and territorial tax information is linked in this table for further details.
- The small business income threshold is shared by associated CCPCs.
- Effective January 1, 2021, the lower rate of Northwest Territories' corporation income tax decreased from 4% to 2%.
- Ontario provides an [M&P tax credit](#) that effectively reduces the corporate tax rate on profits from M&P to 10.00%, as compared to 11.50% for general income.
- Effective January 1, 2021, the Prince Edward Island small business income tax rate decreased from 3.00% to 2.00%.
- Quebec's small business income rate decreased from 4.00% to 3.20% for corporation tax years ending after March 25, 2021. A corporation in the primary or manufacturing sector may be able to claim an additional deduction of up to 4.00% depending on the percentage of the corporation's activities attributable to M&P and the primary sector.
- The [M&P profits tax reduction](#) can reduce the Saskatchewan corporation income tax rate by as much as 2.00% on Canadian M&P profits. Corporations must complete [T2 Schedule 404](#). This can essentially reduce the rate applicable to M&P profits from 12.00% to as low as 10.00%.
- Effective January 1, 2021, the Yukon small business income tax rate decreased from 2.00% to 0.00% and the Yukon small business M&P income tax rate decreased from 1.50% to 0.00%.
- Yukon provides an M&P tax credit that effectively reduces the corporate tax rate on profits from M&P to 2.50%, as compared to 12.00% for general income.