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Tax Facts

2012–2013

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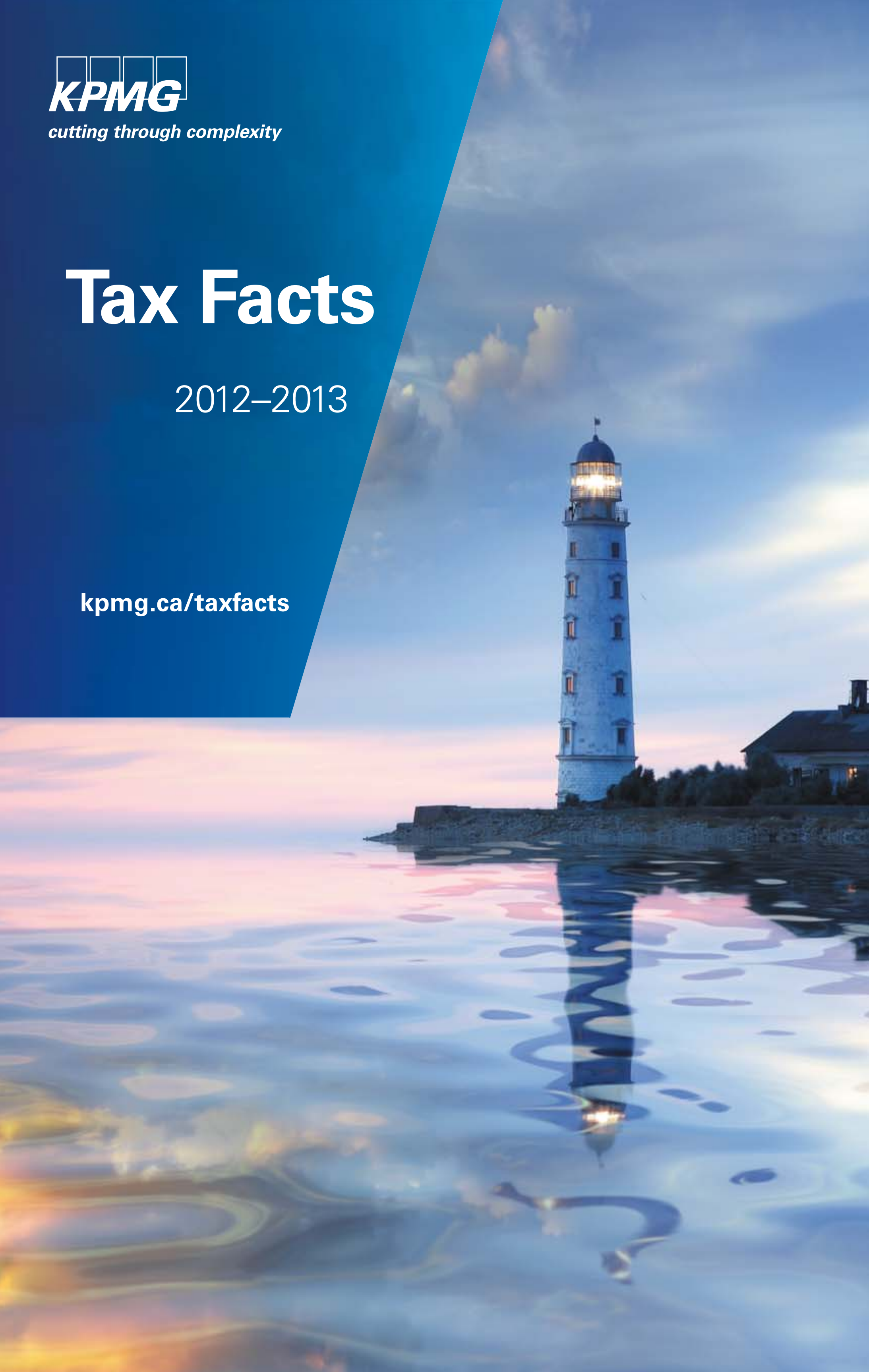

Organization	Web Site
KPMG LLP	www.kpmg.ca
The Funding Portal	www.thefundingportal.com
Canada Revenue Agency	www.cra-arc.gc.ca
Canada Border Services Agency	www.cbsa-asfc.gc.ca
Department of Finance Canada	www.fin.gc.ca
Government of Canada	www.gc.ca
Department of Justice Canada	www.canada.justice.gc.ca
Government Electronic Directory Services	sage-geds.tpsgc-pwgsc.gc.ca
Human Resources and Skills Development Canada	www.hrsdc.gc.ca
Statistics Canada	www.statcan.gc.ca
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Foreign Affairs and International Trade Canada	www.international.gc.ca
Parliament of Canada	www.parl.gc.ca
Supreme Court of Canada	www.scc-csc.gc.ca
Federal Court of Canada	www.fct-cf.gc.ca
Tax Court of Canada	www.tcc-cci.gc.ca
Organization for Economic Cooperation and Development	www.oecd.org
Alberta Treasury Board and Finance	www.finance.gov.ab.ca
British Columbia Ministry of Finance	www.gov.bc.ca/fin
Manitoba Finance	www.gov.mb.ca/finance
New Brunswick Department of Finance	www.gnb.ca/0024
Newfoundland and Labrador Department of Finance	www.fin.gov.nl.ca/fin
Nova Scotia Finance	www.gov.ns.ca/finance
Ontario Ministry of Finance	www.fin.gov.on.ca
Prince Edward Island Department of Finance Energy and Municipal Affairs	www.gov.pe.ca/finance
Revenu Québec	www.revenuquebec.ca
Finances Québec	www.finances.gouv.qc.ca
Government of Saskatchewan Finance	www.finance.gov.sk.ca
Chartered Accountants of Canada	www.cica.ca
Certified Management Accountants	www.cma-canada.org
Certified General Accountants	www.cga-canada.org
Canadian Tax Foundation	www.ctf.ca
International Fiscal Association Canada	www.ifacanada.org
U.S. Internal Revenue Service	www.irs.gov

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Tax Facts

2012–2013

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Chapter 3 — Income Tax Administration and Policy

Chapter 4 — Other Taxes and Levies

Chapter 5 — International

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Chapter 6 — Indirect Taxes

Individuals

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Federal and Provincial/Territorial Income Tax Rates and Brackets for 2012 and 2013[1]

	Tax Rates	Tax Brackets	Surtax Rates	Surtax Thresholds
Federal[2]	15.00%	Up to $42,707		
	22.00	42,708–85,414		
	26.00	85,415–132,406		
	29.00	132,407 and over		
British Columbia[3]	5.06%	Up to $37,013		
	7.70	37,014–74,028		
	10.50	74,029–84,993		
	12.29	84,994–103,205		
	14.70	103,206 and over		
Alberta	10.00%	All income		
Saskatchewan[4]	11.00%	Up to $42,065		
	13.00	42,066–120,185		
	15.00	120,186 and over		
Manitoba[5]	10.80%	Up to $31,000		
	12.75	31,001–67,000		
	17.40	67,001 and over		
Ontario[6]	5.05%	Up to $39,020	20%	$4,213
	9.15	39,021–78,043	36	5,392
	11.16	78,044–500,000		
	12.16	500,001 and over		
Québec[7]	16.00%	Up to $40,100		
	20.00	40,101–80,200		
	24.00	80,201 and over		

See the notes on pages 4 to 5.

	Tax Rates	Tax Brackets	Surtax Rates	Surtax Thresholds
New Brunswick[8]	9.10%	Up to $38,190		
	12.10	38,191–76,380		
	12.40	76,381–124,178		
	14.30	124,179 and over		
Nova Scotia[5,9]	8.79%	Up to $29,590		
	14.95	29,591–59,180		
	16.67	59,181–93,000		
	17.50	93,001–150,000		
	21.00	150,001 and over		
Prince Edward Island[5]	9.80%	Up to $31,984		
	13.80	31,985–63,969		
	16.70	63,970 and over	10%	$12,500
Newfoundland and Labrador[10]	7.70%	Up to $32,893		
	12.50	32,894–65,785		
	13.30	65,786 and over		
Yukon[4]	7.04%	Up to $42,707		
	9.68	42,708–85,414		
	11.44	85,415–132,406		
	12.76	132,407 and over	5%	$6,000
Nunavut[4]	4.00%	Up to $40,721		
	7.00	40,722–81,442		
	9.00	81,443–132,406		
	11.50	132,407 and over		
Northwest Territories[4]	5.90%	Up to $38,679		
	8.60	38,680–77,360		
	12.20	77,361–125,771		
	14.05	125,772 and over		

Federal and Provincial/Territorial Income Tax Rates and Brackets for 2012 and 2013

Notes

(1) The tax and surtax rates apply to both 2012 and 2013. No 2013 rate changes have been announced to date. The tax brackets and surtaxes thresholds indicated in the table are those that apply for 2012; the 2013 amounts will be indexed as outlined in the notes below.

(2) The federal tax brackets are indexed each year by a calculated inflation factor, which is based on the change in the average federal inflation rate over the 12-month period ending September 30 of the previous year compared to the change in the rate for the same period of the year prior to that. The federal inflation factor is 2.8% for 2012.

(3) British Columbia indexes its tax brackets using the same formula as that used federally, but uses the provincial inflation rate rather than the federal rate in the calculation. The province's inflation factor is 2.4% for 2012. Residents of British Columbia are also required to make monthly payments under the province's Medical Services Plan. (see the table "Provincial Health Premiums" and related notes on page 22).

(4) Saskatchewan and the territories (Northwest Territories, Nunavut and the Yukon) index their tax brackets using the same formula as that used federally. The inflation factor is 2.8% for 2012.

(5) Manitoba, Nova Scotia and Prince Edward Island do not index their tax brackets or surtax thresholds. However, on the recommendation of the Minister of Finance, Nova Scotia's personal income tax brackets can be indexed starting in 2011. We understand that legislation will be passed to make Nova Scotia's 2011 and 2012 indexation rates 3.04% and 0%, respectively.

(6) Ontario indexes its tax brackets and surtax thresholds using the same formula as that used federally, but uses the provincial inflation rate rather than the federal rate in the calculation. The province's inflation factor is 3.3% for 2012. The 2012 Ontario budget proposed to create a new fourth tax bracket, for individuals earning more than $500,000 in a taxation year. The proposed bracket would have a tax rate of 12.16% in 2012, and would increase to 13.16% in 2013. Ontario resident individuals with taxable income over $20,000 are also required to pay a Health Premium each year (see the table "Provincial Health Premiums" and related notes on page 23).

(7) Québec indexes its tax brackets using the same formula as that used federally, but uses the provincial inflation rate, excluding changes in liquor and tobacco taxes, rather than the federal rate in the calculation. The province's inflation factor is 2.66% for 2012. Residents of Québec are required to make payments to the province's Health Services Fund (see the table "Provincial Health Premiums" and related notes on page 22).

(8) The New Brunswick 2011 provincial budget announced that the government will delay the personal income tax rate reductions that were scheduled for 2012. As such, the tax rate on all tax brackets will remain at their 2011 levels in 2012.

New Brunswick indexes its tax brackets using the same formula as that used federally. However, for the 2010, 2011 and 2012 taxation years, if the federal inflation factor is less than 2%, then the provincial inflation factor will be 2% for that particular taxation year. Since the federal inflation factor is 2.8% for 2012, New Brunswick used 2.8% to index its tax brackets in 2012.

(9) Nova Scotia created a new personal income tax bracket for taxable income in excess of $150,000 effective January 1, 2010. The marginal rate for this bracket is 21%, which will remain in place until the budget is balanced. The province also suspended its high-income surtax until the budget is balanced. The surtax rate and threshold was 10% and $10,000 respectively.

On the recommendation of the Minister of Finance, Nova Scotia's personal income tax brackets can be indexed starting in 2011. We understand that legislation will be passed to make the 2011 and 2012 indexation rates 3.04% and 0%, respectively.

(10) Newfoundland and Labrador indexes its tax brackets using the same formula as that used federally, but uses the applicable provincial inflation rate rather than the federal rate in the calculation. Newfoundland and Labrador's inflation factor is 3.1% for 2012.

Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012[1]

	Federal[2]	B.C.	Alta.[2]	Sask.	Man.[2,3]
Tax rate applied to credits	15.00%	5.06%	10.00%	11.00%	10.80%
Indexation factor[6]	2.80%	2.40%	1.80%	2.80%	n/a
Basic personal	$10,822	$11,354	$17,282	$14,942	$8,634
Spousal/partner and wholly dependent person[7,15]	10,822	9,964	17,282	14,942	8,634
Net income threshold	—	*996*	—	*1,495*	—
Dependants:[8,15]					
18 and under	—	—	—	5,668	—
18 and over and infirm	6,402	4,250	10,004	8,803	3,605
Net income threshold	*6,420*	*6,770*	*6,609*	*6,246*	*5,115*
Child[9,15] (max)	2,191	—	—	—	—
Adoption[10]	11,440	11,440	11,820	—	10,000
Disability[11]	7,546	7,285	13,331	8,803	6,180
Disability supplement[12]	4,402	4,250	10,004	8,803	3,605
Pension[11] (max)	2,000	1,000	1,331	1,000	1,000
Age 65 and over[11, 13]	6,720	4,356	4,816	4,552	3,728
Net income threshold	*33,884*	*32,424*	*35,851*	*33,884*	*27,749*
Medical expense threshold[14]	2,109	2,020	2,233	2,109	1,728
Caregiver[15]	4,402	4,250	10,004	8,803	3,605
Net income threshold	*15,033*	*14,385*	*15,906*	*15,034*	*12,312*
Employment[16]	1,095	—	—	—	—
Canada Pension Plan[17] (max)	2,307	2,307	2,307	2,307	2,307
Employment Insurance[17] (max)	840	840	840	840	840
Public transit pass costs[18]		—	—	—	—
Children's fitness[19] (max) and arts[20]	500	500	—	Ref.	500
Home buyers[21] (max)	5,000	Ref.	—	10,000	—
Tuition fees and interest paid on student loans[22]					
Education and textbook[22]					
Full time—per month	465	200	672	400	400
Part time—per month	140	60	202	120	120
Charitable donations[23]					
Credit rate on first $200	15.00%	5.06%	10.00%	11.00%	10.80%
Credit rate on balance	29.00	14.70	21.00	15.00	17.40

See the notes on pages 8 to 13.

Ref. = indicates refundable credit - see applicable note.

	Ont.	N.B.	N.S.[4]	P.E.I.[5]	Nfld.
Tax rate applied to credits	5.05%	9.10%	8.79%	9.80%	7.70%
Indexation factor[6]	3.30%	2.80%	n/a	n/a	3.10%
Basic personal	$9,405	$9,203	$8,481	$7,708	$8,237
Spousal/partner and wholly dependent person[7,15]	7,986	7,815	8,481	6,546	6,731
Net income threshold	*798*	*782*	*848*	*655*	*674*
Dependants[8,15]:					
18 and under	—	—	—	—	—
18 and over and infirm[8]	4,433	4,347	2,798	2,446	2,616
Net income threshold	*6,301*	*6,167*	*5,683*	*4,966*	*5,621*
Child[9,15] (max)	—	—	1,200	1,200	7,000
Adoption[10]	11,474	—	—	—	11,116
Disability[11]	7,598	7,451	7,341	6,890	5,558
Disability supplement[12]	4,432	4,346	3,449	4,019	2,616
Pension[11] (max)	1,300	1,000	1,173	1,000	1,000
Age 65 and over[11,13]	4,592	4,494	4,141	3,764	5,258
Net income threshold	*34,183*	*33,455*	*30,828*	*28,019*	*28,814*
Medical expense threshold[14]	2,128	2,083	1,637	1,678	1,794
Caregiver[15]	4,433	4,346	4,898	2,446	2,615
Net income threshold	*15,165*	*14,844*	*13,677*	*11,953*	*12,784*
Employment[16]	—	—	—	—	—
Canada PensionPlan[17] (max)	2,307	2,307	2,307	2,307	2,307
Employment Insurance[17] (max)	840	840	840	840	840
Public transit pass costs[18]	—	—	—	—	—
Children's fitness[19] (max) and arts[20]	Ref.	—	500	—	—
Home buyers[21] (max)	—	—	—	—	—
Tuition fees and interest paid on student loans[22]					
Education and textbook[22]					
Full time—per month	506	400	200	400	200
Part time—per month	151	120	60	120	60
Charitable donations[23]					
Credit rate on first $200	5.05%	9.10%	8.79%	9.80%	7.70%
Credit rate on balance	11.16	17.95	21.00	16.70	13.30

Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012

Notes

(1) The table shows the dollar amounts of federal and provincial non-refundable tax credits for 2012 (except for Québec's, which are outlined on pages 14 to 18). In order to determine the credit value, each dollar amount must be multiplied by the tax rate indicated, which is the lowest tax rate applicable in the particular jurisdiction. For example, the Ontario basic personal credit amount of $9,405 is multiplied by 5.05% to determine the credit value of $475.

Income earned by the taxpayer or dependant, as applicable, in excess of the net income thresholds shown in the table serves to reduce the availability of the credit on a dollar-for dollar basis. The only exception to this is the age credit, which is reduced by 15% of the taxpayer's net income in excess of the threshold.

(2) The spousal/partner and wholly dependent person amounts are calculated by subtracting the spouse/partner and wholly dependant's net income from the maximum amount.

(3) In 2011, Manitoba enacted legislation to increase the basic, spousal and eligible dependant amounts by $1,000 over the next four years. The credits increased to $8,634 (from $8,384) in 2012, and will further increase to $8,884 in 2013 and $9,134 in 2014.

(4) On the recommendation of the Minister of Finance, Nova Scotia's non-refundable tax credits could have been indexed starting in 2011. We understand that legislation will be passed to make the 2011 and 2012 indexation rates 3.04% and 0%, respectively.

(5) The amounts in the table referring to the 'spousal/partner and wholly dependent person' only represent the spousal/partner credit. For purposes of the wholly dependent person, the amounts should read $6,294 and $629 respectively.

(6) The indexation factors indicated in the table are used to index the credits in each jurisdiction. The calculation of these factors is based on the change in the average federal or provincial inflation rate over the 12-month period ending September 30 of the previous year compared to the change in the rate for the same period of the year prior to that.

British Columbia, Alberta, Ontario and Newfoundland and Labrador use the applicable provincial inflation rate in their calculations, while New Brunswick uses the federal inflation rate. For New Brunswick, however, for the 2010, 2011 and 2012 taxation years, if the federal inflation factor is less than 2%, then the provincial inflation factor will be 2% for that particular taxation year. Since the federal inflation factor is 2.8% for 2012, New Brunswick used 2.8% to index its tax brackets in 2012. Saskatchewan sets its own indexation factor each fall. Manitoba and Prince Edward Island do not index their credits. Nova Scotia could have begun indexing it's non-refundable credits starting 2011. We understand that legislation will be passed to make the 2011 and 2012 indexation rates 3.04% and 0%, respectively.

(7) The spousal/partner credit may be claimed for a common-law partner as well as for a spouse. Taxpayers who are single, divorced or separated, and who support a dependant in their home may claim the wholly dependent person credit. The credit can be claimed for dependants under the age of 18 who are related to the taxpayer, for the taxpayer's parents or grandparents, or for any other infirm person who is related to the taxpayer. If either the federal spousal/partner or wholly dependent tax credit is claimed for an infirm person, then the claim may be increased by $300 ($2,000 x 15%) (see note (15)).

The 2012 Nova Scotia budget proposed increasing its spousal/partner and wholly dependent amounts to $8,481 (from $7,201).

(8) The federal infirm dependant tax credit amount reflects a $2,000 enhancement introduced in the 2011 federal budget as the family caregiver tax credit, which is generally available for dependants with infirmities. See note (15) for additional details.

(9) The federal child tax credit may be claimed by parents for each child under age 18 at the end of the year. If the federal child tax credit is claimed for an infirm person, then the claim may be increased by $300 ($2,000 x 15%) (see note (15)).Unused credit amounts may be transferred between spouses. Nova Scotia and Prince Edward Island provide a similar credit for children under the age of 6. If certain conditions are met, an individual can claim $100 per eligible month for a maximum of $1,200 per year.

In 2011, Newfoundland and Labrador introduced a non-refundable child care credit that allows for a maximum of $7,000 of child care expenses to be claimed for children up to 7 years of age, for a maximum credit of $539, and $4,000 for children aged 7 to 16, for a maximum credit of $308.

(10) The adoption credit is available on eligible adoption expenses incurred in the year and not reimbursed to the taxpayer, up to a maximum amount of what is indicated in the table.

(11) The disability, pension and age credits are transferable to a spouse or partner. The amounts available for transfer are reduced by the excess of the spouse's or partner's net income over the basic personal credit amount. The disability credit is also transferable to a supporting person other than a spouse or partner; however, the amount of the credit is reduced by the excess of the disabled person's net income over the basic personal credit amount.

The Nova Scotia budget proposed increasing the disability amount to $7,341(from $5,035).

Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012

Notes, continued

(12) The disability supplement may be claimed by an individual who is under the age of 18 at the end of the year. The amount in the table represents the maximum amount that may be claimed, and is reduced by certain child and attendant care expenses claimed in respect of this individual.

(13) Saskatchewan provides an additional non-refundable tax credit for individuals aged 65 or older in the year, regardless of their net income amount. The amount for 2012 is $1,202.

(14) The medical expense credit is calculated based on qualified medical expenses exceeding 3% of net income or the threshold shown in the table, whichever is less. Medical expenses incurred by both spouses/partners and by their children under age 18 may be totalled and claimed by either spouse/partner. Before 2011, a taxpayer could also claim up to $10,000 of medical expenses in respect of a dependant who is 18 or older, but the expenses were reduced by the lesser of 3% of the dependant's net income or the medical threshold. This $10,000 limit (or similar amount) on medical expenses claimed for a dependent relative has been eliminated for all provinces except Ontario. (While Alberta and Nova Scotia's legislation allows for a limit on medical expenses similar to the federal $10,000 limit, both provinces have stopped applying it for taxation years ending after 2010.) For Québec rules, see "Québec Non-Refundable Tax Credit Rates and Amounts for 2012" and "Québec Refundable Tax Credit Rates and Amounts for 2012" on pages 14 to 18.

(15) The caregiver credit is available to taxpayers who care for a related dependant in their home. The dependant must be over the age of 18 and infirm, or, in the case of a parent or grandparent, over the age of 65.

A new family caregiver tax credit of up to $300 ($2,000 x 15%) is available for caregivers of dependants with a mental or physical infirmity, including spouses and minor children. If eligible, you can claim this credit as an enhancement to one of the existing dependency-related credits: the spousal credit, child tax credit, wholly dependent person credit, caregiver credit or infirm dependant credit.

(16) The federal employment credit may be claimed by individuals based on the lesser of the amount indicated in the table and the amount of employment income earned in the year.

(17) Self-employed taxpayers can deduct 50% of their Canada or Québec Pension Plan premiums in calculating net income. The balance is claimed as a non-refundable tax credit. Proposed amendments will allow self-employed taxpayers to claim Employment Insurance premiums paid, beginning in 2010.

(18) Individuals can claim a federal credit in respect of the cost of monthly transit passes (or passes of a longer duration) incurred for travel by the individual, their spouse or partner, or dependent children under age 19. The costs of certain electronic payment cards and certain weekly public transit passes may also be claimed.

Nova Scotia and Ontario have proposed a credit similar to the federal non-refundable tax credit which have not yet entered into force.

(19) The federal children's fitness credit is available for fees paid for the enrolment of a child, under the age of 16 at the beginning of the year, in which the expenses are paid for an eligible program of physical activity to a maximum of $500 per child. If the child is eligible for the disability tax credit, the age limit increases to under the age of 18 and the claimable amount may increase to $1,000 when a minimum of $100 is paid on eligible expenses.

Manitoba also has a similar credit claimable for children under the age of 18. This credit includes claims for fitness activities by young adults up to the age of 24. The claimable amounts may increase to $1,000 if the child or individual is eligible for the disability tax credit.

Nova Scotia offers a credit for sport and recreational expenses incurred for an eligible child under the age of 18 to a maximum of $500 per child.

The 2012 British Columbia budget proposed a children's fitness credit effective for 2012 and later years. This non-refundable tax credit of up to $500 (or $1,000 for an individual eligible for the disability tax credit) will mirror the federal qualifications.

In 2008, Alberta proposed the organized physical activity non-refundable credit of no more than $500, but this credit has not yet entered into force.

Ontario offers a refundable credit (up to a maximum of $53 per child under the age of 16) for eligible activities as defined by the province. Ontario's refundable credit increases to a maximum of $105 if the child is under the age of 18 and is eligible for the disability tax credit. Overall expenses claimed in 2012 cannot exceed $526.

Saskatchewan offers a refundable credit (up to a maximum of $150) for eligible children aged 6 to 14 as defined by the province. Saskatchewan's 2012 budget extended this credit to children under the age of 18 in 2012.

Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012

Notes, continued

(20) The federal government provides an arts tax credit for eligible amounts up to $500 per year per child. The credit is available for fees paid for the enrolment of a child under the age of 16 at the beginning of the year in an eligible program of artistic, cultural, recreational or developmental activities. The credit applies to eligible amounts paid in 2011 and later years. If the child is eligible for the disability tax credit, the age limit increases to under the age of 18 and the credit may be claimed on an additional $500 when a minimum of $100 is paid on eligible expenses.

Manitoba provides a children's arts and cultural activity tax credit for eligible amounts up to $500 per year per child. The credit is available for fees paid for the enrolment of a child under 16 years old at the beginning of the year in an eligible program of organized and supervised arts and cultural activities. Eligible activities include supervised lessons in music, dramatic arts, dance and visual arts; language instruction; and natural environment and wilderness activities. If the child is eligible for the disability tax credit and is under 18 years old at the beginning of the year, the credit may be claimed on an additional $500 disability supplement amount when a minimum of $100 is paid on eligible expenses.

The 2012 British Columbia budget proposed a children's arts credit effective for 2012 and later years. This non-refundable tax credit of up to $500 (or $1,000 for an individual eligible for the disability tax credit) will mirror the federal qualifications.

(21) First-time home buyers who acquire a qualifying home during the year may be entitled to claim a federal non-refundable tax credit up to $5,000 and worth up to $750 ($5,000 × 15%).

To qualify, neither the individual nor his or her spouse or common-law partner can have owned and lived in another home in the calendar year of the new home purchase or in any of the four preceding calendar years. The credit can be claimed by either the purchaser or by his or her spouse or common-law partner.

The credit will also be available for certain home purchases by or for the benefit of an individual eligible for the disability tax credit.

Saskatchewan's 2012 proposed budget a First-Time Home Buyers Tax Credit that will provide a non-refundable income tax credit of up to $1,100 (11% x $10,000) to eligible taxpayers. There will also be provisions to allow persons with a disability to qualify for the purchase of more accessible homes, with eligibility rules similar to those for the existing federal incentive for first-time home buyers. The credit will generally apply to qualifying homes acquired after December 31, 2011.

British Columbia's 2012 budget proposed a First-Time New Home Buyers Bonus effective from February 21, 2012 to March 31, 2013. The bonus will be a refundable credit equal to 5% of the purchase price of a newly constructed home, up to a maximum of $10,000. The credit will be phased out at a rate of 20% of net income in excess of $150,000 for single individuals and at a rate of 10% of family income in excess of $150,000 for couples. Only one credit can be claimed per home.

(22) Amounts paid for tuition and mandatory ancillary fees in respect of the calendar year are eligible for federal and provincial tax credits. In 2011, the federal Tuition Tax Credit was amended to recognize fees paid to an educational institution, professional association, provincial ministry or similar institution to take an examination that is required to obtain professional status recognized by federal or provincial statute, or to be licensed or certified to practice a profession or trade in Canada. This measure applies to eligible amounts paid for examinations taken in 2011 and later years.

Students may also claim for federal purposes a monthly amount in respect of the cost of textbooks, which is added to the monthly education amount. The monthly textbook credit amount is $65 for full-time students and $20 for part-time students.

The federal pension and education and textbook credit amounts are not indexed. The same is true for all provinces, with the exception of Alberta and Ontario.

The tuition, education and textbook credits are transferable to a spouse or common-law partner, parent or grandparent. The maximum amount transferable is $5,000 (indexed in some provinces) less the excess of the student's net income over the basic personal credit amount. Any amounts not transferred may be carried forward indefinitely by the student.

Interest paid on student loans is also eligible for both a federal and provincial tax credit. The tax credit must be claimed by the student, and can be carried forward for five years.

(23) Charitable donations made by both spouses/partners may be totalled and claimed by either person. The maximum amount of donations that may be claimed in a year is 75% of net income. However, all donations may be carried forward for five years if they are not claimed in the year made. While New Brunswick's legislation indicates that donations over $200 should earn a tax credit at a rate of 14.3%, the province is currently applying a rate of 17.95%.

Québec Non-Refundable Tax Credit Rates and Amounts for 2012

Tax rate applied to credits[1]	20.00%
Indexation factor[2]	2.66%
Basic personal amount	$10,925
Amounts for dependants:	
Child under 18 engaged in full-time training or post-secondary studies[3] Child over 17 who is a full-time student[4]	2,015
Other dependants over 17[5]	2,930
Person living alone or with a dependant:[6, 7]	
Basic amount	1,280
Single-parent amount	1,585
Age 65 and over[6]	2,350
Experienced workers (age 65 and over)[8]	
Pension[6] (max)	2,090
Disability	2,485
Union and professional dues[9]	
Tuition fees and interest paid on student loans[10]	
Medical expenses[11]	
Charitable donations[12]	
Credit rate on first $200	20%
Credit rate on balance	24%

Notes

(1) Québec's credit rate is applied to the dollar amounts shown in the table to determine the credit value. For example, the basic personal credit amount of $10,925 is multiplied by 20% to determine the credit value of $2,185.

The unused portion of all non-refundable credits may be transferred from one spouse/partner to another, but only after all credits have been taken into account in the calculation of the individual's income tax otherwise payable.

(2) Québec indexes its tax credits each year by using an inflation factor that is calculated based on the provincial rate of inflation, excluding changes in liquor and tobacco taxes. The Québec inflation factor is 2.66% for 2012.

(3) This credit is available for a dependent child who is under the age of 18 and is engaged in full-time professional training or post-secondary studies for each completed term, to a maximum of two semesters per year per dependant. It is also available for infirm dependants who are engaged in such activities part-time. The amount claimed is reduced by 80% of the dependant's income for the year, calculated without including any scholarships, fellowships or awards received during the year.

(4) An eligible student is able to transfer to either parent an amount relating to an unused portion of their basic personal credit amount for the year (transfer mechanism for the recognized parental contribution). Each taxation year, the amount that can be transferred must not exceed the limit applicable for that particular year ($7,200 for 2012).

(5) This credit is available if the dependant, other than the spouse, is related to the taxpayer by blood, marriage or adoption and ordinarily lives with the taxpayer. In order to be eligible for the tax credit, the taxpayer must also not have benefited from a transfer of the recognized parental contribution from this dependant. The amount claimed must be reduced by 80% of the dependant's income, calculated without including any scholarships, fellowships or awards received during the year.

(6) The amounts for a person living alone or with a dependant, for being 65 years of age or over, and for pension income are added together and reduced by 15% of net family income. Net family income is the total income of both spouses/partners minus $31,695.

(7) This credit is available if the individual lives in a self-contained domestic establishment that he maintains and in which no other person, other than himself, a minor person, or an eligible student lives. If the individual is living with an eligible student, for the purposes of the transfer mechanism for the recognized parental contribution (see note (4)), the individual may be able to add an amount for a single-parent family of $1,585 to the basic amount for a person living alone.

(8) This new tax credit is available beginning in 2012 for workers who are 65 years of age or older. It will apply to a portion of eligible work income in excess of $5,000. This portion is equal to $3,000 in 2012 and will gradually increase to $10,000 in 2016. The unused portion of the tax credit may not be carried forward or transferred to the individual's spouse.

Eligible work income includes salary and business income but excludes taxable benefits received regarding a previous employment as well as amounts deducted in computing taxable income, such as the stock option deduction.

(9) The credit for union and professional dues is calculated based on the annual fees paid in the year. The portion of professional dues relating to liability insurance is allowed as a deduction from income and therefore not included in calculating the credit amount.

(10) The tuition credit is calculated based on tuition, professional examination and mandatory ancillary fees paid for the calendar year. The student may transfer the unused portion of the tuition credit to either one of his parents or grandparents. The portion of this credit that is not transferred will be available for future use by the student. Interest paid on student loans but unclaimed in a particular year may be carried forward indefinitely.

(11) The medical expense credit is calculated based on qualified medical expenses in excess of 3% of family income. Family income is the total income of both spouses/partners.

(12) Charitable donations made by both spouses/partners may be totalled and claimed by either person. The maximum amount of donations that may be claimed in a year is 75% of net income. However, all donations may be carried forward for five years if they are not claimed in the year made.

Québec Refundable Tax Credit Rates and Amounts for 2012[1]

	Tax Rate	Max expense	Max credit
Medical expenses[2]	25%	certain eligible medical expenses	$ 1,103
Reduced by 5% of family income in excess of $21,340[3]			
Child care expense credit[4]	from 26% to 75%		
The lesser of the expenses incurred or:			
For a child who has a severe or prolonged mental or physical impairment		$10,000	
For a child under the age of seven		9,000	
For a child under the age of seventeen		4,000	
Adoption expense credit[5]	50	20,000	10,000
Infertility treatment credit[6]	50	20,000	10,000
Informal caregivers of related adults[7]			
Basic amount			607[3]
Supplement			497[3]
Reduced by 16% of the eligible relative's income over $22,075[3]			
Respite of caregivers[8]	30	5,200	1,560
Reduced by 3% of the caregiver's family income in excess of $53,465[2]			
Home support of elderly persons living alone[9]			
Not recognized as dependant seniors	30	15,600	4,680
Recognized as dependant seniors	30	21,600	6,480
Reduced by 3% of the individual's family income in excess of $53,465[3]			
Short-term transition of seniors in rehabilitation center[10]	20	costs incurred in maximum 60-day period	
Safety equipment for seniors[11]	20	costs incurred in excess of $500	

Notes

(1) Québec's credit rate, maximum expense eligible and method of calculation of the credit varies from one type of refundable credit to another. Québec's credit rate is applied to the dollar amounts in the table to determine the maximum credit value. For example, the adoption expense credit amount of $20,000 is multiplied by 50% to determine the maximum credit value of $10,000. Some refundable credits are reduced when thresholds are exceeded.

(2) Québec provides a refundable tax credit equal to the total of 25% of medical expenses eligible for the non-refundable credit (see "Québec Non-Refundable Tax Credit Rates and Amounts for 2012" on pages 14 and 15) and 25% of the amount deducted for impairment support products and services. The maximum amount is $1,103 for 2012, reduced by 5% of family income in excess of $21,340.

(3) Québec indexes various tax credits each year by using an inflation factor that is calculated based on the provincial rate of inflation, excluding changes in liquor and tobacco taxes. The Québec inflation factor is 2.66% for 2012.

(4) Unlike the federal treatment of qualifying child care expenses, which are eligible for a deduction in computing net income, Québec provides a refundable tax credit for such expenses. Child care expenses paid in the year are eligible for a credit at a rate that varies from 26% to 75%. The rate of credit falls as net family income rises.

In general, the maximum amount of expenses eligible for credit is the lesser of:

- $10,000 for a child of any age who has a severe or prolonged mental or physical impairment, plus $9,000 for a child under the age of seven, plus $4,000 for a child under the age of 17, or
- The actual child care expenses incurred in the year.

The definition of eligible expenses includes costs incurred during the period an individual receives benefits under the Québec Parental Insurance Plan or the Employment Insurance Plan (see the table "Employment Withholdings—Québec" on page 25). The child care expenses are not limited by the earned income of the parent.

(5) Québec provides a refundable tax credit equal to 50% of specified adoption expenses, to a maximum of $20,000 of qualifying expenses. This represents a maximum annual credit of $10,000. Qualifying expenses include court and legal fees paid to obtain the final adoption order, travel and accommodation expenses for foreign adoptions, translation expenses, and fees charged by foreign and domestic social agencies.

(6) The infertility treatment tax credit is refundable and is equal to 50% of all eligible expenses paid by an individual or his or her spouse/partner in a year to a maximum of $20,000. This represents a maximum annual credit of $10,000 per couple.

Québec Refundable Tax Credit Rates and Amounts for 2012

Notes, continued

(7) There are three components to this credit. The first component applies to caregivers who house an eligible relative in their home where the relative is 70 years of age or older or is an adult with a severe and prolonged mental or physical impairment. The second component applies to informal caregivers who live in an eligible relative's home and a physician has attested that the relative is unable to live alone due to a severe and prolonged mental or physical impairment. Finally, the third component applies to caregivers whose spouse is aged 70 years of age or older, or has a severe and prolonged mental or physical impairment, and the couple lives in their own home other than in a seniors' residence.

This refundable tax credit of up to $1,104 per eligible relative consists of a basic amount of $607 plus a supplement of $497. The credit amount is reduced by 16% of the eligible relative's income over $22,075. Note that caregivers caring for an elderly spouse are not entitled to the supplement amount, although the 2012 Québec budget proposed to increase the amount of the credit to $700 in such cases.

For the purposes of this credit, an eligible relative is a child, grandchild, nephew, niece, brother, sister, uncle, aunt, great-uncle, great-aunt or any other direct ascendant of the individual or the individual's spouse.

(8) Caregivers can also claim a refundable tax credit for respite services. For 2012, this refundable tax credit is equal to 30% of the total qualifying expenses paid in the year, to a maximum of $5,200. Qualifying expenses include specialized respite services respecting the care and supervision of an eligible person. The maximum annual credit of $1,560 must be reduced by 3% of the caregiver's family income in excess of the annual threshold of $53,465. If the expense has been used in calculating another refundable or non-refundable credit, it cannot be claimed for this credit as well.

(9) The refundable tax credit for home support can be claimed by persons age 70 and over living in their home. For individuals not recognized as dependent seniors, the tax credit is equal to 30% of a maximum amount of eligible expenses of $15,600, for a maximum refundable tax credit of $4,680. For individuals recognized as dependent seniors, the tax credit is equal to 30% of a maximum amount of eligible expenses of $21,600, for a maximum refundable tax credit of $6,480. The tax credit is reduced by 3% of the individual's family income in excess of the annual threshold of $53,465. If the expense also qualifies for the non-refundable medical expense credit (see the table "Québec Non-Refundable Tax Credit Rates and Amounts for 2012" and related notes on pages 14 and 15), it cannot be claimed for this credit.

(10) Québec's 2012 budget proposed a new refundable tax credit for individuals aged 70 years or older equal to 20% of the costs incurred for their stay in a private or public rehabilitation centre for functional rehabilitation purposes, up to a maximum period of 60 days, where the individual has a geriatric profile and presents a potential for recovery with a view to returning home following hospitalization.

(11) The 2012 Québec budget proposed a new refundable tax credit beginning in 2012, for seniors of 70 years of age or older equal to 20% of the portion, in excess of $500, of the total amounts paid in the year for the purchase or rental (including installation costs) of equipment to be used in the senior's principal residence to improve their safety and security. Examples of qualifying equipment include remote monitoring systems, GPS tracking devices for persons, and walk-in bathtubs or showers.

	Federal[1]	Alta.	Qué.	Other provinces	Net Income Limit[2]	Capital Gain Inclusion Rate[3]
Tax credit rates for an individual's donations[1,4]						
First $200 of donations	15%	10%	20%	Lowest provincial tax rate	—	—
Balance of donations	29%	21%	24%	Highest provincial tax rate[5]	—	—
Eligible property for an individual[4]						
Cash					75%	n/a
Gifts to the Crown[6]					75	50%
Life insurance policy[7]					75	n/a
Certified cultural property[8]					n/a	0
Ecological property[9]					n/a	0
Qualifying securities[10]					75% plus 25% of TCG	0
Capital property[11]					75% plus 25% of TCG and recapture	50
Donations made in an individual's will						
All gifts[12]					100%	As above
Donations made by corporations						
All gifts[13]					Same as for individuals	

See the notes on pages 20 and 21.

Charitable Donations

Notes

(1) Charitable donations entitle individuals to a two-tier non-refundable tax credit calculated using one rate for donations of up to $200, and another tax rate for donations exceeding $200 (see the table "Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012" and related notes on pages 6 to 13). Eligible donations can be claimed for donations made by the taxpayer or his/her spouse that are supported by official receipts that reflect the recipient charity's registration number.

(2) Generally, the maximum amount of charitable donations that you can claim in a year is 75% of your net income. However, this restriction may be adjusted or removed depending on the type of property being donated.

(3) Donating property may result in a taxable capital gain to the donor. Generally, 50% of capital gains are included in taxable income. However, the inclusion rate for capital gains realized on donated property may be adjusted depending on the type of property being donated.

(4) All donations made to registered Canadian charities and other qualified donees during an individual's lifetime will earn non-refundable credits at the rates shown in the table (see note (1)). Credits are subject to a net income restriction (see note (2)), but unused credits may be carried forward for five years.

(5) While New Brunswick's legislation indicates that donations over $200 should earn a tax credit at a rate of 14.3%, the province is currently applying a rate of 17.95%.

The 2012 Ontario budget proposed to create a fourth tax bracket for individuals earning more than $500,000 in a taxation year. This proposed bracket would have a tax rate of 12.16% in 2012, and would increase to 13.16% in 2013. However, neither of these rates will be applied to donations in excess of $200; the current top tax rate of 11.16% will continue to apply.

(6) These donations include those made to the Government of Canada, a province or a territory, but do not include contributions to political parties.

(7) The donation value of a life insurance policy is generally equal to its cash surrender value, plus any accumulated investment income. The policy must be assigned to the charity, with the charity being registered as the beneficiary. Any taxable amount resulting from the donation will represent income to the donor, and not a capital gain.

(8) Certified cultural property is defined as property that the Canadian Cultural Property Export Review Board has determined meets certain criteria set out in the *Cultural Property Export and Import Act*. The donation of such property must be made to Canadian institutions or public authorities that have been designated by the Minister of Canadian Heritage. Capital gains arising on the donation of such property are not included in income. Capital losses, however, may be deducted within specified limits.

(9) Ecological property is generally defined as land, including a covenant, an easement, or in the case of land in Québec, a real servitude, that is certified to be ecologically sensitive, the conservation and protection of which is considered important to the preservation of Canada's environmental heritage. The donation must be made to Canada, a province or territory, a municipality, municipal or public body performing a function of Canadian government, or a registered charity approved by the Minister of the Environment.

(10) Qualifying securities generally include publicly traded shares, shares/units of mutual funds and certain types of debt obligations. Generally, the capital gains resulting on the donation of such securities and the exchange of unlisted securities that are shares or partnership interests for publicly traded securities that are later donated are not taxable provided certain conditions are met.

(11) The amount chosen in respect of the donation cannot be greater than the fair market value of the property and not less than the greater of the property's adjusted cost base and the benefit received as a result of having made the donation. This chosen amount should be used to calculate any taxable capital gain or recapture, as well as the donation credit. Generally, this will result in up to 100% of any taxable capital gain or recapture created from the donation of the property being sheltered by the donation credit.

(12) Donations made in both the year of death and under the individual's will can be claimed in the year of death and, if necessary, carried back to the preceding year. The 100% net income limitation applies to both the year of death and the preceding year. Under proposed changes, in the year of death, an individual can claim the lower of 100% of net income, or the eligible amount of the gifts created in the year of death, plus the unclaimed portion of gifts made in the five years before the year of death. The donation credit may also be claimed on donations of registered retirement savings plans, registered retirement income funds, tax-free savings accounts and life insurance proceeds made by direct beneficiary designations on death.

(13) Corporations receive a deduction in calculating taxable income for donations made in the year or in the previous five years, although unused deductions cannot generally be claimed after an acquisition of control. The net income limits and the capital gain inclusion rates for corporations are the same as those applicable to individuals except that gifts made to certain Crown agencies and foundations are entitled to a donation deduction of up to 100% of net income.

For Québec purposes, the carryforward period for donations made by corporations is 20 years.

Provincial Health Premiums

British Columbia

	Single Individual	Family of Two	Family of Three or More
Maximum annual premium	$ 768	$ 1,392	$ 1,536
Income threshold for premium assistance	22,000	22,000	22,000
Income threshold for full premium	30,000	30,000	30,000

Notes

- Residents of British Columbia are required to make monthly payments under the province's Medical Services Plan (MSP). The amounts in the table reflect information that is effective January 1, 2012. These amounts increased from the prior year.

  No premiums are payable for those with "adjusted net income" at or below the lower thresholds, and full premiums are payable once residents exceed the upper income thresholds. Premium assistance is available for those with "adjusted net income" between these two threshold amounts. "Adjusted net income" is based on the family's net income for the preceding tax year, less deductions for age, family size and disability.
- Effective January 1, 2013, the province proposes to increase the annual premium of the province's MSP as follows: $798 for single person, $1,446 for a family of two and $1,596 for a family of three or more.

Québec

Income Level	Required Contributions
Up to $13,660	Nil
13,661–47,490	1% of income over $13,660, maximum $150
Over 47,490	$150 + 1% of income over $47,490, maximum $1,000

Notes

- Individuals who are residents of Québec on December 31 are required to make payments to the province's Health Services Fund, based on their income calculated for Québec income tax purposes. Contributions are generally required in respect of self-employment income, pension income, investment income other than dividends from taxable Canadian corporations, and capital gains. Deductions are then made for certain items, including eligible RPP and RRSP contributions, support payments, investment carrying charges and allowable business investment losses.
- The income levels indicated in the table are indexed each year using the same indexation factor as that used to index Québec's tax brackets (see the table "Federal and Provincial/Territorial Income Tax Rates and Brackets for 2012 and 2013" and related notes on pages 2 to 5).

Ontario

Taxable Income (TI)	Annual Premium
Up to $20,000	Nil
20,001 to 25,000	6% of TI over $20,000
25,001 to 36,000	$300
36,001 to 38,500	$300 + 6% of TI over $36,000
38,501 to 48,000	$450
48,001 to 48,600	$450 + 25% of TI over $48,000
48,601 to 72,000	$600
72,001 to 72,600	$600 + 25% of TI over $72,000
72,601 to 200,000	$750
200,001 to 200,600	$750 + 25% of TI over $200,000
Over 200,600	$900

Note

- Individuals who are residents of Ontario on December 31 are required to pay a provincial Health Premium as part of their Ontario income tax liability, based on their taxable income. Amounts are withheld from employees' pay as part of their regular income tax withholdings. Self-employed and other individuals who make income tax instalments are required to add the premium to their regular instalment payments.

Employment Withholdings—Federal

Canada Pension Plan

	2011	2012
Maximum annual pensionable earnings	$ 48,300	$ 50,100
Basic exemption	$ 3,500	$ 3,500
Maximum contributory earnings	$ 44,800	$ 46,600
Employer and employee contribution rate	4.95%	4.95%
Maximum annual employer and employee contributions	$ 2,218	$ 2,307
Maximum annual self-employed contributions	$ 4,435	$ 4,613

Employment Insurance

	2011	2012
Maximum annual insurable earnings	$ 44,200	$ 45,900
Employee's premium rate	1.78%	1.83%
Maximum annual employee premiums	$ 787	$ 840
Employer's premium rate	2.49%	2.56%
Maximum annual employer premiums	$ 1,101	$ 1,176

Québec Pension Plan

	2011	2012
Maximum annual pensionable earnings	$ 48,300	$ 50,100
Basic exemption	$ 3,500	$ 3,500
Maximum contributory earnings	$ 44,800	$ 46,600
Employer and employee contribution rate	4.95%	5.03%
Maximum annual employer and employee contributions	$ 2,218	$ 2,342
Maximum annual self-employed contributions	$ 4,435	$ 4,683

Employment Insurance

	2011	2012
Maximum annual insurable earnings	$ 44,200	$ 45,900
Employee's premium rate	1.41%	1.47%
Maximum annual employee premiums	$ 623	$ 675
Employer's premium rate	1.97%	2.06%
Maximum annual employer premiums	$ 872	$ 945

Québec Parental Insurance Plan

	2011	2012
Maximum annual insurable earnings	$ 64,000	$ 66,000
Employee's contribution rate	0.54%	0.56%
Maximum annual employee contributions	$ 344	$ 369
Employer's contribution rate	0.75%	0.78%
Maximum annual employer contributions	$ 481	$ 516
Self-employed contribution rate	0.96%	0.99%
Maximum annual self-employed contributions	$ 611	$ 655

Note

- Québec's Parental Insurance Plan (QPIP) provides benefits to eligible Québec workers who take maternity, paternity, parental or adoption leave from their employment. The plan replaces maternity, parental and adoption benefits provided under the federal Employment Insurance (EI) program, and premiums are mandatory for all employers, employees and self-employed individuals in the province. Required withholdings under the QPIP has been accompanied by a reduction in EI premiums for residents of Québec.

2012 Personal Tax Table—Federal Plus Provincial Tax

Taxable Income	B.C.	Alta.	Sask.	Man.	Ont.
$ 10,000	$ —	$ —	$ —	$ 148	$ 5
15,000	520	336	342	1,023	576
20,000	1,473	1,189	1,591	2,263	1,510
25,000	2,425	2,354	2,841	3,502	2,745
30,000	3,377	3,519	4,090	4,741	3,679
35,000	4,329	4,684	5,339	6,058	4,614
40,000	5,360	5,850	6,588	7,395	5,739
45,000	6,605	7,175	8,056	8,892	7,039
50,000	8,050	8,709	9,767	10,590	8,993
55,000	9,508	10,265	11,490	12,301	10,515
60,000	10,993	11,865	13,240	14,038	12,073
65,000	12,478	13,465	14,990	15,776	13,330
70,000	13,963	15,065	16,740	17,653	14,888
75,000	15,476	16,665	18,490	19,623	16,676
80,000	17,101	18,265	20,240	21,593	18,373
85,000	18,726	19,865	21,990	23,563	20,244
90,000	20,624	21,648	23,923	25,716	22,398
95,000	22,538	23,448	25,873	27,886	24,569
100,000	24,453	25,248	27,823	30,056	26,739
150,000	45,253	43,776	48,448	52,284	48,972
200,000	67,103	63,276	70,448	75,484	72,176
250,000	88,953	82,776	92,448	98,684	95,531
300,000	110,803	102,276	114,448	121,884	118,736
350,000	132,653	121,776	136,448	145,084	141,941
400,000	154,503	141,276	158,448	168,284	165,146
450,000	176,353	160,776	180,448	191,484	188,350
500,000	198,203	180,276	202,448	214,684	211,555

Note

- This table applies to only salary income and includes all federal and provincial taxes and surtaxes. Ontario's taxes also include the province's Health Premium (see the table "Provincial Health Premiums" and related note on page 23). The basic personal credit, federal employment credit, and credits for Canada/Québec Pension Plan contributions and Employment Insurance premiums are included in the calculations for all provinces (see the table "Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012"

Taxable Income	Qué.	N.B.	N.S.	P.E.I.	Nfld.
$ 10,000	$ —	$ 73	$ 131	$ 225	$ 136
15,000	317	863	909	1,051	857
20,000	1,630	2,018	2,048	2,240	1,941
25,000	2,943	3,172	3,186	3,429	3,025
30,000	4,255	4,326	4,350	4,618	4,109
35,000	5,568	5,480	5,797	5,928	5,294
40,000	6,881	6,688	7,243	7,317	6,619
45,000	8,524	8,153	8,851	8,867	8,103
50,000	10,348	9,819	10,658	10,617	9,789
55,000	12,200	11,497	12,479	12,380	11,487
60,000	14,109	13,202	14,341	14,170	13,212
65,000	16,018	14,907	16,274	15,990	14,937
70,000	17,935	16,612	18,208	17,925	16,696
75,000	19,854	18,317	20,141	19,860	18,461
80,000	21,772	20,033	22,075	21,795	20,226
85,000	23,883	21,753	24,008	23,730	21,991
90,000	26,154	23,656	26,125	25,849	23,939
95,000	28,440	25,576	28,275	27,984	25,904
100,000	30,725	27,496	30,450	30,150	27,869
150,000	54,021	47,715	52,728	52,862	48,047
200,000	78,129	69,365	77,728	76,547	69,197
250,000	102,236	91,015	102,728	100,232	90,347
300,000	126,344	112,665	127,728	123,917	111,497
350,000	150,451	134,315	152,728	147,602	132,647
400,000	174,559	155,965	177,728	171,287	153,797
450,000	198,666	177,615	202,728	194,972	174,947
500,000	222,774	199,265	227,728	218,657	196,097

Note, continued

on pages 6 and 7). For Québec purposes, the calculations also include the credit for the province's Parental Insurance Plan (see the table "Employment Withholdings - Québec" and related notes on page 25). No other credits are claimed as they vary with the circumstances of the taxpayer.

Federal and Provincial Alternative Minimum Tax

Federal Alternative Minimum Tax (AMT)

Generally, individuals will be subject to AMT in a particular taxation year if their regular federal tax (net of certain personal credits), calculated in the usual way, is less than their "minimum amount". The "minimum amount" is calculated as follows:

[(adjusted taxable income – $40,000) × lowest federal tax rate of 15%]
less certain federal personal credits

If the minimum amount is greater than regular federal tax, that amount becomes the individual's federal tax liability for the year.

Adjusted taxable income

An individual's adjusted taxable income (ATI) is calculated based on regular taxable income, which is then adjusted for certain tax preference items. The most common items that are not included in regular taxable income and must therefore be added to ATI include:

- 30% of capital gains—effectively, 80% of capital gains are included in income for AMT purposes rather than the regular 50% inclusion rate
- 60% of stock option deductions claimed—effectively, this allows a 20% stock option deduction rather than the regular 50% deduction
- Carrying charges and capital cost allowance claimed on rental and leasing properties in excess of income earned therefrom
- Carrying charges and capital cost allowance claimed on film properties in excess of income earned therefrom
- Carrying charges and resource expenditures claimed on Canadian and foreign resource properties in excess of income earned therefrom
- Financing and other carrying charges claimed on limited partnerships in excess of income earned therefrom
- Tax shelter expenses claimed.

The most common item that is not included in ATI and must therefore be deducted from regular taxable income is the gross-up applied to taxable Canadian dividends (38% gross-up for eligible dividends received in 2012, 25% gross-up for non-eligible dividends)—effectively, only the actual dividend is included in ATI.

The basic exemption of $40,000 is then deducted from ATI to determine if AMT will apply.

Federal AMT carry-over

When AMT is applicable, the difference between the "minimum amount" and the individual's regular federal tax liability may be carried forward seven years and claimed as a credit in any of those years when AMT no longer applies. However, AMT carry-forward balances cannot be used to reduce tax on split income.

Provincial AMT

In general, provincial AMT (with the exception of Québec) is calculated by applying the applicable provincial AMT rate to the amount by which the federal "minimum amount" exceeds regular federal tax. This balance is then added to regular provincial tax in determining the provincial tax liability for the year.

Québec Minimum Tax (QMT)

The QMT system generally mirrors the federal system but with a number of differences, including:

- An add-back for capital gains of 25% rather than 30%—effectively 75% of capital gains are included in income for QMT purposes
- No add-back for stock option deductions claimed.

Provincial AMT carry-overs

Québec is the only province that actually maintains a separate provincial carry-over balance. All other provinces apply their AMT rate to the federal carry-over balance to determine their provincial carry-over balance. Therefore, residents of these provinces do not have the ability to preserve provincial AMT carryforwards in years when they claim federal AMT carryforward amounts. They must claim the equivalent provincial carry-over amount or it will be lost.

Provincial AMT rates

The provincial AMT rates for 2012 are as follows:

British Columbia	33.7%
Alberta	35.0
Saskatchewan	50.0
Manitoba	50.0
Ontario	33.7
Québec	16.0
New Brunswick	57.0
Nova Scotia	57.5
Prince Edward Island	57.5
Newfoundland and Labrador	51.3

British Columbia, Ontario and Newfoundland and Labrador calculate their AMT rate by dividing the province's lowest tax rate (see the table "Federal and Provincial/Territorial Income Tax Rates and Brackets for 2012 and 2013" on pages 2 to 3) by the lowest federal tax rate of 15%. The rest of the provinces have set their rates as a specific percentage in their provincial tax legislation.

Combined Top Marginal Tax Rates For Individuals[1]—2012

	Interest and Regular Income	Capital Gains	Eligible Dividends	Non-eligible Dividends
British Columbia	43.70%	21.85%	25.78%	33.71%
Alberta	39.00	19.50	19.29	27.71
Saskatchewan	44.00	22.00	24.81	33.33
Manitoba	46.40	23.20	32.27	39.15
Ontario	46.41/47.97	23.21/23.99	29.54/31.69	32.57/34.52
Québec	48.22	24.11	32.81	36.35
New Brunswick[2]	43.30	21.65	22.47	30.83
Nova Scotia	46.50/50.00	23.25/25.00	31.23/36.06	31.83/36.21
P.E.I.	47.37	23.69	28.71	41.17
Newfoundland and Labrador	42.30	21.15	22.47	29.96
Yukon	42.40	21.20	15.93	30.41
Northwest Territories	43.05	21.53	22.81	29.65
Nunavut	40.50	20.25	27.56	28.96

Notes

(1) The combined top marginal tax rate is the rate an individual will pay on income that falls into the top federal tax bracket. For provinces that have a top bracket above the top federal tax bracket, a second rate has been included in the table. Individuals taxable on income in excess of $150,000 in Nova Scotia, or on income above $500,000 in Ontario (as proposed in its 2012 budget) should use this higher rate.

(2) While New Brunswick's legislation technically causes its dividend tax credit rate on eligible dividends to be 10.65% (and a combined top marginal tax rate of 24.33% on eligible dividends), the province is currently applying what appears to be its intended dividend tax credit rate of 12%. This intended rate is reflected in the table above.

Individual Marginal Tax Rates for Salary—2012

	$10,500 to $42,707	$42,708 to $50,100	$50,101 to $85,414	$85,415 to $132,406	$132,407 and over
British Columbia	19.04%	28.77%	29.70%	40.70%	43.70%
Alberta	23.31	30.76	32.00	36.00	39.00
Saskatchewan	24.98	34.26	35.00	39.00	44.00
Manitoba	24.78	34.01	34.75	43.40	46.40
Ontario	18.69	30.16	31.15	43.41	46.41/47.97
Québec	26.26	36.58	38.19	45.71	48.22
New Brunswick	23.08	33.36	34.10	38.40	43.30
Nova Scotia	22.77	36.21	38.67	43.50	46.50/50.00
P.E.I.	23.78	35.06	38.70	44.37	47.37
Newfoundland and Labrador	21.68	33.76	34.50	39.30	42.30

Notes

- This table applies to salary income and includes all federal and provincial taxes and surtaxes, but do not include provincial health premiums (see the table "Provincial Health Premiums" and related notes on pages 22 and 23). The following federal and provincial tax credits are included in the calculations: basic personal amount, federal employment amount, Canada/Québec Pension Plan contributions, and premiums paid for Employment Insurance and the Québec Parental Insurance Plan.
- As more than one rate could apply to a particular bracket due to a difference in the federal and provincial bracket thresholds, the rate indicated in the table is that which applies to salary income in approximately the middle range of the bracket. The table assumes that you have salary income that places you in the middle of the above tax brackets before taking the additional salary income into account.

  For provinces that have a top bracket above the top federal tax bracket, a second rate has been included in the table. Individuals taxable on income in excess of $150,000 in Nova Scotia, or on income above $500,000 in Ontario (as proposed in its 2012 budget) should use this higher rate.
- If you have significant salary income in addition to the income in the middle range of the bracket, the salary may attract tax at a rate higher than what is shown. Therefore, for purposes of estimating taxes applicable to this income, use the rate in the next bracket in order to be conservative.

Individual Marginal Tax Rates for Interest—2012

	$10,823 to $42,707	$42,708 to $85,414	$85,415 to $132,406	$132,407 and over
British Columbia	20.06%	29.70%	40.70%	43.70%
Alberta	25.00	32.00	36.00	39.00
Saskatchewan	26.00	35.00	39.00	44.00
Manitoba	25.80	34.75	43.40	46.40
Ontario	20.05	31.15	43.41	46.41/47.97
Québec	28.53	38.37	45.71	48.22
New Brunswick	24.10	34.10	38.40	43.30
Nova Scotia	23.79	38.67	43.50	46.50/50.00
P.E.I.	24.80	38.70	44.37	47.37
Newfoundland and Labrador	22.70	34.50	39.30	42.30

Notes

- This table applies to interest income and includes all federal and provincial taxes and surtaxes, but does not include provincial health premiums (see the tables "Provincial Health Premiums" and related notes on pages 22 and 23). The respective basic personal tax credits are also included in the calculations.
- As more than one rate could apply to a particular bracket due to a difference in the federal and provincial bracket thresholds, the rate indicated in the table is that which applies to income in approximately the middle range of the bracket. The table assumes that you have regular income that places you in the middle of the above tax brackets before taking the interest income into account.

  For provinces that have a top bracket above the top federal tax bracket, a second rate has been included in the table. Individuals taxable on income in excess of $150,000 in Nova Scotia, or on income above $500,000 in Ontario (as proposed in its 2012 budget) should use this higher rate.
- If you have significant interest income in addition to the income in the middle range of the bracket, the interest may attract tax at a rate higher than what is shown. Therefore, for purposes of estimating taxes applicable to this income, use the rate in the next bracket in order to be conservative.

Individual Marginal Tax Rates for Capital Gains—2012

	$10,823 to $42,707	$42,708 to $85,414	$85,415 to $132,406	$132,407 and over
British Columbia	10.03%	14.85%	20.35%	21.85%
Alberta	12.50	16.00	18.00	19.50
Saskatchewan	13.00	17.50	19.50	22.00
Manitoba	12.90	17.38	21.70	23.20
Ontario	10.03	15.58	21.71	23.21/23.99
Québec	14.26	19.19	22.86	24.11
New Brunswick	12.05	17.05	19.20	21.65
Nova Scotia	11.90	19.34	21.75	23.25/25.00
P.E.I.	12.40	19.35	22.19	23.69
Newfoundland and Labrador	11.35	17.25	19.65	21.15

Notes

- This table applies to capital gains income and includes all federal and provincial taxes and surtaxes, but do not include provincial health premiums (see the table "Provincial Health Premiums" and related notes on pages 22 and 23). The respective basic personal tax credits are also included in the calculations.
- As more than one rate could apply to a particular bracket due to a difference in the federal and provincial bracket thresholds, the rate indicated in the table is that which applies to income in approximately the middle range of the bracket. The table assumes that you have regular income that places you in the middle of the above tax brackets before taking the capital gains income into account.

  For provinces that have a top bracket above the top federal tax bracket, a second rate has been included in the table. Individuals taxable on income in excess of $150,000 in Nova Scotia, or on income above $500,000 in Ontario (as proposed in its 2012 budget) should use this higher rate.
- The taxable portion of the capital gain (i.e. 50%) is used to determine which marginal tax bracket will apply. However, when calculating the tax, apply the marginal rate to the actual amount of the capital gain (i.e., 100%).
- If you have significant capital gains income in addition to the income in the middle range of the bracket, the capital gain may attract tax at a rate higher than what is shown. Therefore, for purposes of estimating taxes applicable to this income, use the rate in the next bracket in order to be conservative.

Individual Marginal Tax Rates for Eligible Dividends—2012

	$10,823 to $42,707	**$42,708 to $85,414**	**$85,415 to $132,406**	**$132,407 and over**
British Columbia	(6.84%)	6.46%	21.64%	25.78%
Alberta	(0.03)	9.63	15.15	19.29
Saskatchewan	(0.03)	12.39	17.91	24.81
Manitoba	3.84	16.19	28.13	32.27
Ontario	(1.89)	13.43	25.40	29.54/31.69
Québec	5.64	19.22	29.35	32.81
New Brunswick	(4.03)	9.77	15.71	22.47
Nova Scotia	(0.11)	20.42	27.09	31.23/36.06
P.E.I.	(0.99)	18.19	24.57	28.71
Newfoundland and Labrador	(4.58)	11.70	18.33	22.47

Notes

- These rates apply to "eligible dividends" and take into account all federal and provincial taxes and surtaxes, but do not include provincial health premiums (see the table "Provincial Health Premiums" and related notes on pages 22 and 23). The respective basic personal and dividend tax credits are also included in the calculations.
- As more than one rate could apply to a particular bracket due to a difference in the federal and provincial bracket thresholds, the rate indicated in the table is that which applies to income in approximately the middle range of the bracket. The table assumes that you have regular income that places you in the middle of the above tax brackets before taking the dividend income into account.

  For provinces that have a top bracket above the top federal tax bracket, a second rate has been included in the table. Individuals taxable on income in excess of $150,000 in Nova Scotia, or on income above $500,000 in Ontario (as proposed in its 2012 budget) should use this higher rate.

  While New Bruinswick's legislation technically causes its dividend tax credit rate on eligible dividends to be 10.65% (and a combined top marginal tax rate of 24.33% on eligible dividends), the province is currently applying what appears to be its intended dividend tax credit rate of 12%. This intended rate is reflected in the table above.
- The grossed-up dividend (138% of the cash dividend) is used to determine which marginal tax bracket will apply. However, when calculating the tax, apply the marginal rate to the cash dividend.
- If you have significant dividend income in addition to the income in the middle range of the bracket, the dividend may attract tax at a rate higher than what is shown. Therefore, for purposes of estimating taxes applicable to this income, use the rate in the next bracket in order to be conservative.

Individual Marginal Tax Rates for Non-Eligible Dividends—2012

	$10,823 to $42,707	**$42,708 to $85,414**	**$85,415 to $132,406**	**$132,407 and over**
British Columbia	4.16%	16.21%	29.96%	33.71%
Alberta	10.21	18.96	23.96	27.71
Saskatchewan	10.83	22.08	27.08	33.33
Manitoba	13.40	24.58	35.40	39.15
Ontario	2.77	16.65	28.82	32.57/34.52
Québec	11.74	24.05	33.22	36.35
New Brunswick	6.83	19.33	24.71	30.83
Nova Scotia	3.45	22.05	28.08	31.83/36.21
P.E.I.	13.08	30.46	37.42	41.17
Newfoundland and Labrador	5.46	20.21	26.21	29.96

Notes

- These rates apply to "non-eligible" dividends and take into account all federal and provincial taxes and surtaxes, but do not include provincial health premiums (see the table "Provincial Health Premiums" and related notes on pages 22 and 23). The respective basic personal and dividend tax credits are also included in the calculations.
- As more than one rate could apply to a particular bracket due to a difference in the federal and provincial bracket thresholds, the rate indicated in the table is that which applies to income in approximately the middle range of the bracket. The table assumes that you have regular income that places you in the middle of the above tax brackets before taking the dividend income into account.

  For provinces that have a top bracket above the top federal tax bracket, a second rate has been included in the table. Individuals taxable on income in excess of $150,000 in Nova Scotia, or on income above $500,000 in Ontario (as proposed in its 2012 budget) should use this higher rate.
- The grossed-up dividend (125% of the cash dividend) is used to determine which marginal tax bracket will apply. However, when calculating the tax, apply the marginal rate to the cash dividend.
- If you have significant dividend income in addition to the income in the middle range of the bracket, the dividend may attract tax at a rate higher than what is shown. Therefore, for purposes of estimating taxes applicable to this income, use the rate in the next bracket in order to be conservative.

Eligible Dividend Tax Credit Rates and Amount of Dividends that may be Received Without Incurring Tax in 2012[1]

	Dividend Tax Credit Rate[2]		Amount of Dividend Received Tax Free	
	Actual Dividend	**Taxable Dividend**	**Actual Dividend**	**Taxable Dividend**
Federal	20.73%	15.02%	$ 47,886	$ 66,083
British Columbia	13.80	10.00	47,886	66,083
Alberta	13.80	10.00	47,886	66,083
Saskatchewan	15.18	11.00	47,886	66,083
Manitoba	11.04	8.00	23,447	32,357
Ontario	8.83	6.40	47,886	66,083
Québec	16.42	11.90	33,896	46,776
New Brunswick	16.56	12.00	47,886	66,083
Nova Scotia	12.21	8.85	30,508	42,101
Prince Edward Island	14.49	10.50	44,674	61,650
Newfoundland and Labrador	15.18	11.00	47,886	66,083

Notes

(1) This table assumes only "eligible dividend" income is earned and takes into account all federal and provincial taxes, surtaxes, and alternative minimum taxes, but does not include provincial premiums (see the tables "Provincial Health Premiums" and related notes on pages 22 and 23). The respective basic personal and dividend tax credits are also included. Provincial tax reductions, where applicable, are not taken into account.

In general, "eligible dividends" are dividends paid to Canadian residents by public companies, and by Canadian-controlled private corporations (CCPCs) out of income taxed at the federal general corporate tax rate. CCPCs cannot pay eligible dividends from income that has benefited from a special tax rate such as active business income eligible for the federal small business deduction or investment income that is subject to refundable tax treatment. Public companies and other non-CCPCs can generally pay eligible dividends without restriction.

The gross-up rate for eligible dividends is 38% in 2012. The actual amount received is therefore multiplied by 1.38 to determine the taxable amount of the dividend.

(2) The federal and provincial dividend tax credit (DTC) rates in the table's first column apply to the actual amount of the dividend received by an individual. The DTC rate can also be expressed as a percentage of the taxable dividend, as indicated in the table's second column.

(3) While New Brunswick's legislation technically causes its dividend tax credit rate on eligible dividends to be 10.65% (and combined top marginal tax rate of 24.33% on eligible dividends), the province is currently applying what appears to be its intended dividend tax credit rate of 12%. This intended rate is reflected in the table above.

Non-Eligible Dividend Tax Credit Rates and Amount of Dividends that may be Received Without Incurring Tax in 2012[1]

	Dividend Tax Credit Rate[2]		Amount of Dividend Received Tax Free	
	Actual Dividend	Taxable Dividend	Actual Dividend	Taxable Dividend
Federal	16.67%	13.33%	$36,500	$45,625
British Columbia	4.25	3.40	27,688	34,610
Alberta	4.38	3.50	21,270	26,588
Saskatchewan	5.00	4.00	18,784	23,480
Manitoba	2.19	1.75	9,223	11,529
Ontario	5.63	4.50	39,428	49,285
Québec	10.00	8.00	21,850	27,313
New Brunswick	6.63	5.30	21,874	27,343
Nova Scotia	9.63	7.70	28,339	35,424
Prince Edward Island	1.25	1.00	9,139	11,424
Newfoundland and Labrador	6.25	5.00	18,792	23,490

Notes

(1) This table assumes only "non-eligible dividend" income is earned and takes into account all federal and provincial taxes, surtaxes, and alternative minimum taxes, but does not include provincial premiums (see the tables "Provincial Health Premiums" and related notes on pages 22 and 23). The respective basic personal and dividend tax credits are also included. Provincial tax reductions, where applicable, are not taken into account.

"Non-eligible" dividends are those that are not subject to the dividend rules applying to "eligible" dividends (see the table "Eligible Dividend Tax Credit Rates and Amount of Dividends that may be Received Without Incurring Tax in 2012" and related notes on page 36). The gross-up rate for non-eligible dividends is 25%. The actual amount received is therefore multiplied by 1.25 to determine the taxable amount of the dividend. Prior to the introduction of "eligible dividends" in 2006, all dividends received by individuals from Canadian companies were subject to a 25% gross-up rate.

(2) The federal and provincial dividend tax credit (DTC) rates in the table's first column apply to the actual amount of the dividend received by an individual. The DTC rate can also be expressed as a percentage of the taxable dividend, as indicated in the table's second column.

Automobiles—Deductions and Benefits

	2011[1]	2012
Deduction limits[2]		
Maximum cost for capital cost allowance purposes[3]	$30,000	$30,000
Maximum deductible monthly lease payment[4]	$800	$800
Maximum deductible monthly interest cost on automobile loans[5]	$300	$300
Maximum deductible allowances paid to employees[6]		
First 5,000 employment-related kilometres	52¢	53¢
Each additional employment-related kilometre	46¢	47¢
Taxable benefits		
Standby charge benefit[6,7]		
Employer-owned automobile	2% per month of original cost	
Employer-leased automobile	2/3 of monthly lease cost	
Operating cost benefit per kilometre of personal use[6,8]	24¢	26¢
Allowances[9]	Taxable with certain exceptions	

Notes

(1) The amounts for 2011 became effective on January 1, 2008.

(2) When a motor vehicle is purchased or leased for the purpose of earning income, certain expenses may be deducted. The more common types of motor vehicle expenses include fuel, insurance, maintenance and repairs, licence and registration fees, capital cost allowance (see note (3)), lease payments (see note (4)), and interest (see note (5)). The expenses also include all applicable federal and provincial sales taxes (GST, HST, PST and QST) to the extent the taxpayer is not a sales tax registrant and does not claim an input tax credit (input tax refund in Québec) for the taxes paid.

To compute the deductible portion, aggregate all eligible expenses (after applying the limitations discussed below to certain of the expenses) and multiply the total by the business or employment kilometres driven during the year, less any reimbursements received. For parking fees and tolls, only those charges incurred for business or employment use may be claimed, and no proration based on kilometres driven is necessary.

In order for employees to be able to deduct the employment-use portion of their motor vehicle expenses, they must fulfill the following conditions:

- They must ordinarily carry out the duties of employment away from the employer's place of business or in different places
- The terms of employment require them to pay the motor vehicle expenses, and
- They may not receive a tax-free allowance (see note (9)).

Notes, continued

As well, the employer must sign Form T2200—*Declaration of Conditions of Employment* (Form TP-64.3-V—*General Employment Conditions*, for Québec purposes). Form T2200 does not need to be filed with the employee's tax return, but does need to be provided to the Canada Revenue Agency (CRA) upon request. For Québec purposes, both Form TP-64.3-V and Form TP-59-V—*Employment Expenses of Salaried Employees and Employees Who Earn Commissions*, must be submitted with the employee's tax return in order to substantiate the claim. Employees may also be entitled to claim a GST, HST or QST rebate for the sales tax portion of their employment-related expenses when filing their personal income tax returns.

(3) If a motor vehicle meets the definition of an "automobile", special rules will apply. An "automobile" is generally defined to be a motor vehicle designed for highway and street use with a maximum seating capacity for nine persons. Extended cab pick-up trucks used primarily for the transportation of goods, equipment or passengers in remote areas, and clearly marked police and fire emergency vehicles are excluded from the definition of an automobile.

The maximum amounts shown in the table are determined before all applicable sales taxes, and are based on the automobile's year of purchase.

Each automobile with a cost in excess of the limit is allocated to a separate capital cost allowance (CCA) Class 10.1. The maximum capital cost of each automobile that may be included in Class 10.1 is $30,000 plus all applicable federal and provincial sales taxes. A Class 10.1 automobile is not subject to the normal recapture or terminal loss rules, and is eligible for a 15% CCA claim in the year of disposition.

Motor vehicles not meeting the definition of "automobile" or having a cost equal to or less than the limit are included in Class 10. The normal rules for recapture, terminal loss and CCA apply to these vehicles.

The CCA rate for both classes is 30% declining balance (15% in the year of acquisition).

(4) The maximum amounts shown in the table are determined before all applicable sales taxes, and are based on the year the lease was entered into.

In general, the maximum deductible monthly lease charge is computed, as the lesser of:

- The actual lease payments paid or incurred in the year (including insurance, maintenance and taxes if they are part of the actual lease payment)
- The prescribed monthly rate, or
- The annual lease limit, which is equal to the monthly pre-tax lease cost multiplied by the ratio of

$$\frac{\text{CCA cost limit}}{\begin{array}{c}85\% \times \text{greater of the prescribed limit and}\\ \text{the manufacturer's suggested list price}\end{array}}$$

Upfront payments, also known as balloon payments or lump-sum lease payments, are treated as normal lease charges in the year paid. Such payments cannot be amortized over the term of the lease. However, to determine the deductible portion of the payment, the payment is apportioned over the term of the lease and added to the monthly lease charge. If this notional monthly amount does not exceed the maximum monthly lease payments determined by the formula, the balloon payment may be deducted, in full, in the year paid. If the notional monthly amount exceeds the monthly lease payment determined by the formula, the cumulative excess over the life of the lease reduces the amount of the balloon payment deductible in the year paid.

Termination charges (or terminal credits) are considered part of the normal lease payments in the year paid. Alternatively, they may generally be retroactively spread over the term of the lease if the employer and the employee agree, the prior years are not statute barred and amended T4 slips are prepared by the employer.

Automobiles—Deductions and Benefits

Notes, continued

(5) The maximum deductible monthly interest cost is based on the automobile's year of purchase.

(6) If the motor vehicle does not meet the definition of an automobile there is no requirement to include a standby charge or operating cost benefit in the employee's income. However, in certain circumstances a benefit may still be required and this should be calculated based on a reasonable method such as comparable lease costs or per-kilometre charges.

Travel between home and work in a motor vehicle provided by an employer is generally considered personal use of the vehicle, which results in an employment benefit. Currently, the employment benefit is, generally, 53 cents per kilometre for the first 5,000 kilometres driven and 47 cents for each additional kilometre. However, this rate will be lowered to the operating benefit rate (26 cents per kilometre) where:

- The motor vehicle is specifically designed or suited for the employer's business or trade, and is essential for the performance of the employee's duties
- The motor vehicle is not defined as an automobile (see note (3))
- The employer stipulates in writing to the employee that the motor vehicle must not be used for personal use other than commuting between home and work, and the employee maintains a logbook as proof that there was no other personal use
- There are genuine business reasons for requiring the employee to take the motor vehicle home at night.

The CRA also noted that the use of these vehicles is not considered personal if the employee proceeds directly from home to a point of call or returns home from that point of call.

(7) The standby charge represents the benefit employees or a person related to the employee enjoy when the employer-owned "automobile" (as defined in note (3)) is available for their personal use.

If the employee or the person related to the employee does not use the automobile for personal driving, there is no taxable benefit, even if the automobile is available to the employee for the entire year. This applies as long as the employer requires the employee to use the automobile in the course of his or her employment.

If the employee or the person related to the employee uses the automobile for personal driving, the employee will be subject to a standby charge benefit. The standby charge is calculated differently depending on whether the employer owns or leases the automobile. If the automobile is owned, the benefit is computed at a rate of 2% of the original cost of the automobile multiplied by the number of months available for use. If the automobile is leased, the benefit is computed as 2/3 of the monthly lease cost (excluding liability and collision insurance costs) multiplied by the number of months available for use. The cost of the automobile includes all applicable sales taxes payable by the employer regardless of whether or not the employer is eligible to claim a credit or refund of the taxes. For automobile dealership sales staff, the 2% rate may be reduced to 1.5% per month and the automobile cost can be calculated as the greater of the average cost of all automobiles acquired by the dealer in the year or the average cost of all new automobiles acquired by the dealer in the year.

The treatment of upfront lump-sum and termination payments in respect of leased automobiles for purposes of computing the standby charge benefit is the same as that indicated in note (4).

The standby charge benefit may be reduced if the automobile is used more than 50% for business purposes (based on total kilometres driven), and personal use does not exceed 1,667 kilometres per 30-day period, or 20,004 kilometres per year.

The benefit is also reduced by the amount of any reimbursement made by the employee in the calendar year for the use of the automobile, other than the portion of the reimbursement related to its operating cost.

Employees should maintain travel logs to record total kilometres travelled and to segregate their personal and business use of the automobile.

Québec employees with employer-provided automobiles must provide their employers with logbooks that record the number of days the automobile was available during the year and the kilometres driven each day for personal and employment use. If the automobile was available to the employee on December 31, the logbook must be provided to the employer no later than January 10 of the following year. In other cases, the deadline is 10 days after the automobile was last available to the employee. Employees who do not comply face a $200 penalty.

(8) When an "automobile" (as defined in note (3)) is provided to an employee or a person related to the employee and the employer pays for the operating expenses related to personal use (including GST and PST, or HST), this payment represents a taxable benefit to the employee. Operating expenses include items such as gasoline and oil, maintenance charges and licences and insurance. Operating expenses do not include items such as interest, lease costs for a leased automobile or parking costs.

If the employee is subject to a standby charge and the employer pays any portion of the operating costs of the vehicle, an operating cost benefit is computed based on the per-kilometre rate indicated in the table. For employees principally involved in the selling or leasing of automobiles, the rate is decreased by 3¢ per kilometre. If the employee is not subject to a standby charge and the employer pays for any operating costs, the benefit is computed by multiplying the amount of the operating costs (which includes all applicable sales taxes) by the personal use portion (based on kilometres). Employees should maintain travel logs to record total kilometres travelled and to segregate their personal and business use of the automobile.

Where employment use of the automobile is more than 50% and a standby charge benefit has been included in the employee's income, the employee can elect (in writing by December 31) to calculate the benefit as 50% of the standby charge before deducting any reimbursements made by the employee. The amount of the operating cost benefit may be reduced by any operating costs reimbursed by the employee within 45 days of the end of the calendar year.

(9) An employee may receive an allowance to cover certain costs of operating an automobile for employment use. An "allowance" is generally defined as an amount paid for which the employee does not have to account (by providing receipts, vouchers, etc.) to the employer for its actual use. Generally all allowances, with certain exceptions, are taxable to the employee. This can be contrasted to a "reimbursement" for which the employee must usually provide the employer with receipts and that the employer repays to the employee on a dollar-for-dollar basis. If the reimbursement is for an employment-related expense, the payment is tax-free to the employee. An automobile allowance may be tax-free to the employee if it meets all of the following conditions:

- The amount is reasonable, which generally means that it is based on the prescribed rates, although it may be possible in some circumstances to justify different rates
- The allowance is based solely on the number of kilometres driven in the performance of the duties of employment, and
- The employee is not reimbursed for any automobile-related expenses in addition to the allowance, other than for supplementary business insurance, parking, toll, or ferry charges.

Federal Income Tax Checklist for Employee Benefit Programs

	Do Employee Contributions Result in a Tax Credit or Deduction?	Are Amounts Received from the Plan Taxable to the Recipient?	Do Employer Contributions Confer a Taxable Benefit to the Employee?	Are Costs to the Employer Deductible?
Employer-sponsored programs				
Health and dental care	no[1]	no	no[2]	yes
Weekly indemnity and long-term disability	no	yes[3]	no[4]	yes
Group life insurance	no	no	yes[2,4]	yes
Dependant group life insurance	no	no	yes[2,4]	yes
Accidental death and dismemberment	no	no	no[2,4]	yes
Business travel accident insurance	no	yes	no	yes
Registered pension plan[5]	yes[6]	yes[7]	no	yes
Registered retirement savings plan[5]	yes[6]	yes[7]	yes	yes
Deferred profit sharing plan[5]	n/a	yes[7]	no	yes
Employees' profit sharing plan	no	yes[8]	no	yes
Retirement compensation arrangement[9]	yes[6,10]	yes	no	yes
Government programs				
Canada/Québec Pension Plan	yes[11]	yes	no	yes
Employment Insurance	yes[11]	yes	no	yes
Workers' compensation	n/a	no[12]	no	yes

Notes

(1) Employee contributions may be eligible for the non-refundable medical expense tax credit (see the table "Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012" and related notes on pages 6 to 13).

(2) In Québec, premiums (including any taxes) paid to an insurance company to provide health and dental, life and accidental death benefits will be included in the taxable income of the employee.

(3) The amounts received become taxable once the benefit payments exceed the employee's contributions. The benefit is not taxable if it relates to an "employee pay-all" policy.

(4) The 2012 federal budget proposed to include the amount of an employer's contributions to a group sickness or accident insurance plan in an employee's income in the year of contribution to the extent that the contributions are not in respect of a wage-loss replacement benefit payable on a periodic basis. The Canada Revenue Agency generally views a wage-loss replacement plan to be an insurance arrangement between an employer and an employee that provides benefits to an employee when a loss of employment arises as a result of sickness, maternity or accident. This measure will not affect the tax treatment of private health services plans or certain other plans.

Notes, continued

This measure will generally apply in respect of employer contributions related to coverage after 2012 made after March 28, 2012, except that such contributions made before 2013 will be included in the employee's income for 2013.

(5) The tax status shown applies within certain maximum allowable limits (see the table "Retirement and Savings Plans—Contribution Limits" and related notes on pages 54 and 55).

(6) The employee contributions result in a tax deduction to the employee.

(7) A federal non-refundable tax credit is available on up to $2,000 of qualified pension income received from a registered pension plan, registered retirement savings plan or deferred profit sharing plan (see the table "Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012" and related notes on pages 6 to 13). Federal proposals to allow a Pooled Retirement Pension Plan (PRPP) for employees of certain corporations, or self-employed taxpayers, will allow income earned from such plans to also be eligible for this pension tax credit.

(8) Amounts are generally taxable when allocated, rather than paid, from the employee profit sharing plan, unless they relate to employee contributions, capital gains realized by or accrued to the trust prior to 1972, or non-taxable dividends received by a taxable Canadian corporation.

The 2012 federal budget proposed that, if certain employees are allocated a portion of an employer's employee profit sharing plan (EPSP) contribution that exceeds 20% of their salary received in the year from that employer, the excess allocation will be taxed at the top federal and provincial income tax rates (unless the employee resides in Quebec, in which case the provincial component will be zero). This proposed penalty tax will generally apply for contributions made after March 28, 2012 and allocated to employees that have a significant equity interest in the employer or do not deal at arm's length with the employer.

Amounts forfeited under the plan, less certain adjustments, are typically deductible from taxable income in the year the employee leaves the plan.

(9) The plan pays a special refundable tax each year equal to one-half of the contributions received plus one-half of the income and capital gains earned by the plan during the year.

The 2012 federal budget proposed to impose anti-avoidance rules that will result in penalty taxes to the employee for advantages deemed received under the retirement compensation arrangement (RCA). If these proposals are enacted, a prohibited investment penalty tax will apply for investments acquired or investments that become prohibited after March 28, 2012. An advantage penalty tax will apply to advantages extended, received or receivable after March 28, 2012, including RCA advantages that related to RCA property acquired, or transactions occurring, before March 29, 2012. Transitional rules will apply.

In addition, the 2012 federal budget proposed that if RCA property has declined in value, the RCA tax will be refunded only in circumstances where the decline in value of the property is not reasonably attributable to prohibited investments or advantages, unless the Canada Revenue Agency is satisfied that it is just and equitable to refund the tax. This measure will apply in respect of RCA tax on RCA contributions made after March 28, 2012.

(10) Employee contributions are deductible only if the total amounts contributed to the plan by the employee in the year do not exceed the total amounts contributed by the employer in the year. The employee contributions must also be required.

(11) The employee contributions result in a non-refundable tax credit to the employee (see the table "Federal and Provincial Non-Refundable Tax Credit Rates and Amounts for 2012" and related notes on pages 6 to 13).

(12) These amounts are included in the employee's net income total, but there is an offsetting deduction when calculating the employee's taxable income.

CPP, EI and GST/HST Applicable to Employee Benefits

Taxable Allowance or Benefit[1]	CPP	EI[2]	GST/HST
Automobile allowances[3]	yes	yes	no
Automobile standby charge and operating cost benefits[3]	yes	no	yes
Awards, gifts, social events[4,5]	yes	yes	no
Board and lodging[6,7]	yes	yes	no
Counselling services[4,8]	yes	yes	no
Discounts on merchandise	yes	no	yes
Educational allowances for children	yes	yes	no
Housing—rent-free or low-rent[6,9]	yes	yes	no
Interest-free and low-interest loans	yes	no	no
Medical expenses[4,10]	yes	yes	no
Moving expenses and relocation benefits[4]	yes	yes	yes
Moving expenses—non-accountable allowance over $650	yes	yes	no
Parking[4]	yes	yes	yes

Notes

(1) This table indicates whether the particular taxable allowance or benefit listed is subject to Canada Pension Plan (CPP) or Employment Insurance (EI) withholdings, and whether GST/HST must be included in the value of the taxable benefit.

(2) Employment insurance (EI) provides temporary financial assistance for unemployed Canadians while they look for work, upgrade their skills or care for a family member who is seriously ill with a significant risk of death, as well as Canadians who are sick, pregnant or caring for a newborn or adopted child. (Québec residents receive such benefits under the Québec Parental Insurance Plan (QPIP), which is discussed further in the table "Employment Withholdings—Québec" on page 25). Maximum annual insurable earnings are $45,900 (see the table "Employment Withholdings—Federal" on page 24). If an individual owns 40% or more of the voting shares of a corporation, the employment income he or she receives from the corporation is not insurable. Regular benefits can be paid for a minimum of 14 weeks and a maximum of 45 weeks. All EI benefits received are subject to income tax.

Taxable Allowance or Benefit[1]	CPP	EI[2]	GST/HST
Premiums for non-group wage-loss replacement or income maintenance plans[4]	yes	yes	no
Professional membership dues[4,8]	yes	yes	no
Recreational facilities[4]	yes	no	yes
Recreational facilities—club membership dues	yes	yes	yes
RRSP administration fees (non-cash)[8]	yes	no	no
RRSP premiums[4]	yes	yes	no
Scholarships and bursaries	yes	yes	no
Spouse/partner's travel expenses[4,11]	yes	yes	no
Stock options	yes	no	no
Subsidized meals	yes	no	yes
Transit passes[4]	yes	yes	yes
Tuition fees[4,8]	yes	yes	no
Uniforms and special clothing[4]	yes	yes	yes

(3) For information relating to automobile allowances and benefits, see the table "Automobiles —Deductions and Benefits" and related notes on pages 38 to 41.

(4) If the allowance or benefit is not paid in cash, then no EI withholdings are required.

(5) If the allowance or benefit is not paid in cash, GST/HST must be included in the value of the benefit.

(6) The rent portion of the benefit is subject to GST/HST if the dwelling is occupied for less than one month. The utility portion of the benefit is subject to GST/HST unless supplied by a municipality.

(7) This benefit is subject to EI withholdings only if the employee receives cash earnings in the same pay period.

(8) GST/HST will apply to the benefit if the fee or service is otherwise subject to such tax.

(9) If this a non-cash benefit, it is subject to EI withholdings only if the employee receives cash earnings in the same pay period.

(10) Some medical expenses are subject to GST/HST.

(11) If the spouse/partner travel expenses are not paid in cash, then GST/HST will apply to the benefit.

Employer Remittance of GST/HST and QST on Employee Taxable Benefits

If the employer is a GST/HST registrant, the employer may have to remit an amount of GST/HST relating to taxable benefits. If a particular good or service subject to GST/HST results in a taxable benefit, the employer is generally considered to have collected an amount for GST/HST on that benefit. There are a limited number of exceptions to this rule, including:

- Goods or services that give rise to a taxable benefit that is GST/HST exempt or zero-rated (as defined in the *Excise Tax Act*), such as interest and premiums for life insurance or medical coverage
- Goods or services that give rise to an allowance that is included in the employee's income, such as an unreasonable automobile allowance, and
- Goods or services that give rise to a taxable benefit, but on which the employer is restricted from claiming an input tax credit, such as club membership dues.

For 2012, the amount of GST remittable for the automobile operating cost benefit is 3% of the benefit and reimbursements. For all other taxable benefits, including the automobile standby charge, a GST rate of 4/104 of the benefit and reimbursements applies.

For 2012, numerous HST related rates and rules apply to determine the amount of HST remittable on taxable benefits. This is due to new recaptured input tax credit requirements for large businesses in British Columbia and Ontario and the various HST rates.

When GST/HST is applicable to employees' taxable benefits, the tax is generally considered to have been collected at the end of February in the year following the year in which the benefit arises. This date corresponds with the deadline for issuing T4 and Relevé 1 slips. The tax related to the benefit is therefore included in the employer's GST/HST return for the reporting period that includes the last day of February.

For QST purposes, the rules are generally the same as discussed above. For 2012, the amount of QST considered to be collected is 6% of the benefits pertaining to the operating cost benefit and 9.5/109.5 for all other taxable benefits, including the automobile standby charge.

Family Net Income	One Child	Two Children	Three Children
$24,863	$3,582	$6,913	$10,248
25,000	3,565	6,881	10,202
40,000	1,735	3,431	5,207
60,000	1,059	2,118	3,621
75,000	759	1,518	3,021
90,000	459	918	2,421

Notes

- The Canada Child Tax Benefit (CCTB) is a tax-free monthly payment made to eligible families to help them with the cost of raising children under the age of 18. In addition to the basic benefit, the CCTB payment may include the National Child Benefit Supplement (NCBS) and the Child Disability Benefit (CDB). The above table summarizes the total payments a family may receive during the period of July 2012 to June 2013 based on various circumstances. The amounts include both the basic CCTB and the NCBS.
- The basic CCTB for this period is $1,405 per child under the age of 18. This amount increases by $98 for the third and each additional child. The benefit is phased out by 2% (for one child) or by 4% (for two or more children) of adjusted family net income in excess of $42,707.
- The NCBS for this period is $2,177 for the first child, $1,926 for the second child, and $1,832 for the third and each additional child. The benefit is phased out by 12.2% (for one child), 23% (for two children) or by 33.3% (for three or more children) of adjusted family net income in excess of $24,863.
- The CDB provides a benefit of up to $2,575 per child under age 18 for children who have a severe and prolonged mental or physical impairment. The benefit is phased out by 2% (for one child) or by 4% (for two or more children) of adjusted family net income in excess of the base amount, which is determined based on the number of children for whom you receive the CCTB.
- The indexing factor used for all CCTB parameters is the same as that used for federal income tax purposes (see the table "Federal and Provincial/Territorial Income Tax Rates and Brackets for 2012 and 2013" and related notes on pages 2 to 5).
- Entitlement is based on family net income as reported for tax purposes, with an adjustment being made if necessary. Each July, the payments are adjusted for the previous year's reported family net income. Payments are made monthly to the person who is primarily responsible for the care and upbringing of the child.
- Eligibility for the CCTB will end the month after a parent ceases to be a Canadian resident or ceases to be the primary caregiver, or the child leaves home, reaches age 18, or dies.
- For residents of Alberta, the basic CCTB is replaced by a benefit based on age.
- Most provinces have additional programs and benefits available to aid lower-income families with the cost of raising children under the age of 18.
- The Universal Child Care Benefit (UCCB), is paid to parents in monthly instalments of $100 per child under the age of six. The UCCB is not income tested, but is taxable in the hands of the lower-income spouse/partner. However, it is not taken into consideration in the determination of family net income for purposes of the CCTB.

Canada/Québec Pension Plan Benefits[1]

	2010	2011	2012
Retirement benefits[2,3]	$ 934	$ 960	$ 986
Disability benefits[4]	1,127	1,153	1,186
Survivor benefits[5]:			
Under age 65	517	529	544
Over age 64	561	576	592
Lump-sum death benefit[6] (max)	2,500	2,500	2,500

Notes

(1) This table summarizes the maximum monthly Canada Pension Plan (CPP) benefits (except for the lump-sum death benefit) that are applicable for each of the years noted. The rates and rules outlined herein may vary slightly under the terms of the Québec Pension Plan (QPP) legislation. Payments are also made to individuals outside Canada provided all eligibility conditions are met.

(2) Retirement benefits are monthly taxable benefits paid to individuals who have made at least one contribution to the CPP or QPP. The contributor has the option of drawing retirement benefits as early as age 60 or as late as age 70. The benefit is based on how much, and for how long, the individual has contributed to the CPP and/or QPP. The age at which an individual chooses to retire also affects the benefit amount. Contributors must apply in order to receive CPP/QPP benefits.

Retirement benefits are designed to provide a monthly benefit amount equal to approximately 25% of the average monthly pensionable earnings during the individual's contributory period. The contributory period commences at the age of 18 and ends when the individual takes a retirement pension, reaches the age of 70, or dies, whichever occurs first. The retirement pension normally begins the month after the contributor's 65th birthday. The benefit amount is adjusted each month before or after the contributor's 65th birthday (see note (3) for more details on these adjustments).

Notes, continued

The monthly benefit amount is indexed to the Consumer Price Index (CPI) and is adjusted annually.

Married or common-law individuals may apply to receive an equal share of the total retirement benefits earned by both individuals. Both partners must be at least 60 years old and both must have applied for their respective benefits. The benefit can be shared even if only one partner has contributed in the past.

Retirement benefits received by non-residents will be subject to a 25% withholding tax; however, this rate may be reduced by a treaty (see the tables “Non-Resident Withholding Tax Rates for Treaty Countries” and related notes on pages 144 to 151).

(3) Canada’s Department of Finance has changed the administration of the CPP. The early penalty will increase to 0.6% per month (from 0.5% per month). This change will be phased in over five years, beginning in 2012. By 2016, individuals that choose to take their pension at age 60 will have their basic amount reduced by 36%.

For individuals that choose to continue to work after 65, the benefit rate will increase to 0.7% per month (from 0.5% per month). This increase is being implemented over three years, starting in 2011. By 2013, individuals that choose to take their pension at age 70 will have their basic amount increased by 42%.

Previously, individuals that received CPP benefits and returned to work (i.e., working beneficiaries) did not pay CPP contributions and, therefore, did not continue to build their CPP pension. Under the existing rules, which began in 2012, taxpayers under age 65 who work and receive a CPP retirement benefit must still make CPP contributions, which are matched by their employers. Employed taxpayers between age 65 and age 70 can opt to participate in the CPP to continue to build their pension, which would require their employers to contribute as well.

These changes, as well as a number of other proposed changes, will not affect beneficiaries receiving CPP retirement benefits before January 1, 2011 that also stay out of the work force.

Notes, continued

(4) Disability benefits are monthly taxable benefits available to individuals that are under the age of 65 and have sustained a severe and prolonged disability that prevents them from working on a regular basis. To be eligible for this benefit, an individual must have made enough CPP/QPP contributions in at least four of the last six years, or must have made valid contributions to the CPP/QPP for at least 25 years and met the minimum requirements in three of the previous six years. Contributors must apply in order to receive this benefit.

The disability benefit payments will continue until the individual's condition improves to the point where he or she can work at any job on a regular basis, the individual reaches the age of 65 or the individual dies, whichever occurs first. After age 65, the individual will receive CPP/QPP retirement benefits.

The monthly disability benefit consists of a minimum fixed amount that all recipients are entitled to receive and an amount based on how much the recipient contributed to the CPP during their entire working career. The monthly benefit amount is indexed to the CPI and is adjusted annually.

A dependent child of a disabled pension recipient may also be eligible to receive taxable benefits if the child is under the age of 18, or between the ages 18 and 25 and a full-time student.

(5) Survivor benefits are monthly taxable benefits available to the spouse/partner of a deceased individual who had made CPP/QPP contributions during his or her lifetime. The surviving spouse/partner must apply in order to receive the benefits.

The amount a surviving spouse/partner will receive depends on whether he or she is also receiving disability or retirement benefits, how much and for how long the contributor paid into the plan, and the spouse/partner's age when the contributor died. For the spouse/partner to be eligible to receive this benefit, the deceased must have made contributions during a certain number of years within his or her contributory period. Where the deceased's contributory period was greater than nine years, contributions must have been made in at least 1/3 of these years or in 10 years, whichever is less. Where the deceased's contributory period was nine years or less, contributions must have been made in at least three years.

If the spouse/partner is 65 years of age or older, and is not receiving other CPP benefits, the benefit is equal to 60% of the retirement pension that the deceased would have received at 65 (calculated retirement pension). If the spouse/partner is under 65, the benefit is generally composed of a flat-rate component and an earnings-related component. The earnings-related component is equal to 37.5% of the calculated retirement pension of the deceased contributor. Certain other adjustments may be applicable depending on the spouse/partner's circumstances.

A dependent child of a deceased contributor may also be eligible to receive monthly benefits if the child is under the age of 18 or between the ages of 18 and 25 and a full-time student. An application must be completed in order to receive this benefit.

The monthly benefit amounts are indexed to the CPI and adjusted annually.

(6) The lump-sum death benefit is a one-time payment made to the estate of a deceased individual who had made contributions to the CPP/QPP during his or her lifetime. To be eligible for this benefit, the deceased must have made contributions during a certain number of years within his or her contributory period. Where the deceased's contributory period was greater than nine years, contributions must have been made in at least 1/3 of these years or 10 years, whichever is less. Where the deceased's contributory period was nine years or less, contributions must have been made in at least three years. The representative for the estate must apply in order to receive the death benefit payment.

The lump-sum death benefit is equal to six months of the deceased's retirement benefits, or what it would have been if the deceased had been 65 years of age at the time of death, up to a maximum of $2,500.

Old Age Security Benefits

Monthly Payments by Quarter	Old Age Security (OAS)[1]		Guaranteed Income Supplement (GIS)[2]			
			Single		Married	
	2011	2012	2011	2012	2011	2012
1st	$524.23	$540.12	$661.69	$732.36	$436.95	$485.61
2nd	526.85	540.12	665.00	732.36	439.13	485.61
3rd	533.70	-	723.65	-	479.84	-
4th	537.97	-	729.44	-	483.68	-

Notes

(1) The OAS basic pension is a monthly taxable benefit available to individuals age 65 and over who have met certain Canadian residency requirements. (The 2012 federal budget proposed an increase to the age of eligibility to 67, starting in April 2023). Generally, a minimum residence period of 40 years after age 18 is required in order to be eligible to receive the full pension entitlement, as shown in the table. A minimum residence period of 10 years after age 18 is required in order to receive a partial pension entitlement. Benefits may also be affected by a social security agreement with a previous country of residence. Individuals must apply in order to receive OAS benefits.

For 2012, if an individual's net income is greater than approximately $69,560, 15% of the excess over this amount must be repaid. If a portion of the OAS pension has to be repaid for a particular year, an appropriate amount will be deducted from the future OAS monthly pension payments as a recovery tax. For non-residents, this recovery tax is in addition to the regular non-resident withholding tax that is also levied. The full OAS pension is eliminated when net income reaches approximately $112,770.

Generally, full or partial OAS pension benefits may be paid indefinitely to non-residents, if the individual had lived in Canada for at least 20 years after age 18. Otherwise, payment may be made only for the month of the individual's departure from Canada and for six additional months. The benefit may be reinstated once the individual returns to live in Canada.

(2) The GIS is a monthly non-taxable benefit paid to low-income OAS recipients. Eligibility to receive the benefit in 2012 is based on the annual income and marital status of the individual:

- Single, divorced, separated or widowed individuals—net income (excluding OAS and GIS) must be less than approximately $16,365.
- Married individuals where both spouses/partners receive OAS benefits—combined net income (excluding OAS and GIS) must be less than approximately $21,650.

The amounts indicated in the table reflect the maximum monthly benefits.

An Allowance is also available to low-income individuals between the ages of 60 and 64 whose spouses/partners are eligible to receive the OAS and the GIS. To be eligible for this non-taxable monthly benefit, you must have lived in Canada for at least 10 years after the age of 18, and family net income in 2012 must be less than approximately $30,335.

Individuals must apply in order to receive GIS and/or Allowance benefits. Generally, individuals may automatically renew the GIS and Allowance by filing their income tax return.

The GIS and Allowance are not payable to non-residents beyond a period of six months after the month of departure. However, individuals may reapply upon return to Canada.

Pension income splitting

If certain conditions are met, Canadian resident individuals earning income eligible for the pension income tax credit and their spouse/partner may reduce their overall tax bill through a pension income splitting measure.

"Income splitting" is a term used to describe strategies to save taxes by shifting income from the hands of a family member in a higher tax bracket to the hands of a second family member in a lower tax bracket so that the same income is either taxed at a lower rate, or not at all if the second family member's income is low enough.

Eligible pension income

Eligible pension income is generally the total of:

- The taxable part of life annuity payments from a superannuation or pension fund or plan
- Annuity and registered retirement income fund (including life income fund) payments and registered retirement savings plan annuity payments if they are received as a result of the death of a spouse/ partner or if the pensioner is age 65 or older at the end of the year.

Canadian resident individuals will generally be able to allocate up to one-half of their eligible pension income to their Canadian resident spouse/partner.

Old Age Security (OAS), Canada or Québec pension plan and retirement compensation arrangement payments do not qualify.

Joint election

In order to split pension income, an individual and their spouse/partner must make a joint election on Form T1032—*Joint Election to Split Pension Income*. This form must be submitted with the respective income tax returns for the year in question and filed by the filing due date for that particular year.

For income tax purposes, the allocated amount will be deducted in computing the income of the individual who received the pension income (the higher income spouse/partner) and included in computing the income of the individual who was allocated such an amount (the lower income spouse/partner). The income tax that is withheld at source from the eligible pension income must be allocated from the higher income spouse/partner to the lower income spouse/partner in proportion to the allocated pension income.

Impact on other credits and amounts

The amount of split pension income that will produce the most tax savings will vary greatly among couples, depending on the income of each spouse/partner. An individual may also need to take into account the impact that this increase in the spouse/partner's taxable income may have in reducing or eliminating the amounts of personal tax credits he or she could otherwise claim or transfer to the other individual. These credits include the spousal credit, the age credit and medical expense credit. The income splitting may also change the individual's or their spouse/partner's entitlement to OAS and/or trigger a clawback of the spouse/partner's OAS benefits.

Retirement and Savings Plans—Contribution Limits

	2011	2012	2013
Money Purchase Registered Pension Plans			
Contribution limit[1]	$ 22,970	$ 23,820	To be calculated
Pensionable earnings[2]	127,611	132,333	
Registered Retirement Savings Plans			
Contribution limit[3]	$ 22,450	$ 22,970	$ 23,820
Previous year's earned income[4]	124,722	127,611	132,333
Deferred Profit Sharing Plans			
Contribution limit[5]	$ 11,485	$ 11,910	To be calculated
Pensionable earnings[6]	63,806	66,167	
Tax Free Savings Account			
Annual Contribution Limits[7]	$5,000	$5,000	To be calculated
Registered Education Savings Plans			
Annual limit[8]	N/A	N/A	N/A
Lifetime limit[9]	$50,000	$50,000	$50,000
Registered Disability Savings Plans			
Annual limit[10]	N/A	N/A	N/A
Lifetime limit[11]	$200,000	$200,000	$200,000

Notes

(1) The money purchase registered pension plan (RPP) contribution limits indicated in the table are maximum limits that apply each year. The contribution limit will be the greater of the limit for the previous year, and the 2009 contribution limit of $22,000 adjusted for inflation. In general, the 2009 contribution limit will be indexed by an inflation factor equal to the average wage for the applicable year divided by the average wage for 2009.

(2) The total of all employer and employee contributions to an RPP are limited to the lesser of the current year's contribution limit and 18% of the employee's pensionable earnings for the year. The amount of pensionable earnings that generates the contribution limit each year is indicated in the table.

(3) The registered retirement savings plan (RRSP) contribution limits are equal to the RPP contribution limits for the preceding year.

Notes, continued

(4) The total of all contributions to an RRSP are limited to the lesser of the current year's contribution limit and 18% of an individual's earned income for the preceding year, plus any carry-forward contribution room. The amount of earned income that generates the contribution limit each year is indicated in the table.

(5) The deferred profit sharing plan (DPSP) contribution limits are equal to one-half of the RPP contribution limits for the year.

(6) The total of all employer contributions to a DPSP are limited to the lesser of the current year's contribution limit and 18% of an employee's pensionable earnings for the year. The amount of pensionable earnings that generates the contribution limit each year is indicated in the table.

(7) Canadians age 18 and over can earn tax-free income in a Tax-Free Savings Account (TFSA) throughout their lifetime. Income, losses and gains on investment in the account, as well as amounts withdrawn, are not taxable and are not taken into account for determining eligibility for certain income-tested benefits or credits. Each calendar year, beginning in 2009, a taxpayer can contribute up to $5,000 to a TFSA, plus any unused TFSA contribution room from the previous year. Generally, amounts withdrawn from a TFSA will be added to the individual's contribution room for future years. TFSA contributions are not tax-deductible. The $5,000 annual contribution room limit is indexed for inflation, and rounded to the nearest $500.

(8) While there is no annual limit, contributions into the plan should be carefully considered in order to maximize government assistance payments under the Canada Education Savings Grants and Canada Learning Bonds programs.

(9) Retirement education savings plans (RESPs) are commonly used by parents and other guardians to save for a child's post-secondary education. Like RRSPs, income earned in the savings plan accumulates tax-free. However, unlike RRSPs, contributions made to an RESP are not deductible in calculating the contributor's net income for tax purposes. In addition, there is no annual contribution limit for a beneficiary. However, for each beneficiary there is a lifetime limit of $50,000, regardless of the number of plans in place for that beneficiary.

(10) While there is no annual limit, contributions into the plan should be carefully considered in order to maximize government assistance payments under the Canada Disability Savings Grant and Canada Savings Bonds programs.

(11) A registered disability savings plan (RDSP) is a savings plan to help parents and others save for the long-term financial security of a person who is eligible for the disability tax credit. Like RESPs, contributions to RDSPs are not tax-deductible, but investment income can be earned in the plan tax-free. While there is no annual limit, contributions on behalf of any one beneficiary are capped at a lifetime maximum of $200,000. Contributions can continue to be made until the end of the year the beneficiary turns 59, or until the beneficiary ceases to be a resident of Canada, dies or ceases to qualify for the disability tax credit.

Growth of a Single $1,000 Contribution in a Tax-Deferred Plan

Number of Years Funds Held in RRSP	Annual Growth Rate					
	2%	4%	6%	8%	10%	12%
1	$ 1,020	$ 1,040	$ 1,060	$ 1,080	$ 1,100	$ 1,120
2	1,040	1,082	1,124	1,166	1,210	1,254
3	1,061	1,125	1,191	1,260	1,331	1,405
4	1,082	1,170	1,262	1,360	1,464	1,574
5	1,104	1,217	1,338	1,469	1,611	1,762
6	1,126	1,265	1,419	1,587	1,772	1,974
7	1,149	1,316	1,504	1,714	1,949	2,211
8	1,172	1,369	1,594	1,851	2,144	2,476
9	1,195	1,423	1,689	1,999	2,358	2,773
10	1,219	1,480	1,791	2,159	2,594	3,106
15	1,346	1,801	2,397	3,172	4,177	5,474
20	1,486	2,191	3,207	4,661	6,727	9,646
25	1,641	2,666	4,292	6,848	10,835	17,000
30	1,811	3,243	5,743	10,063	17,449	29,960
35	2,000	3,946	7,686	14,785	28,102	52,800
40	2,208	4,801	10,286	21,725	45,259	93,051

Notes

- This table shows the accumulated value of a $1,000 one-time registered retirement savings plan (RRSP) or tax-free savings account (TFSA) contribution made in Year 0, assuming the contribution is left in the plan to grow over a number of years, at various interest or growth rates.
- The accumulated values do not take into account any income taxes that would be payable when the funds are eventually withdrawn from the RRSP or when the RRSP plan is wound up. The TFSA contribution, as well as the income earned in the plan, are not subject to tax when withdrawn.

Growth of Annual $1,000 Contributions in a Tax-Deferred Plan

Number of Years Funds Held in RRSP	Annual Growth Rate					
	2%	4%	6%	8%	10%	12%
1	$ 1,020	$ 1,040	$ 1,060	$ 1,080	$ 1,100	$ 1,120
2	2,060	2,122	2,184	2,246	2,310	2,374
3	3,122	3,246	3,375	3,506	3,641	3,779
4	4,204	4,416	4,637	4,867	5,105	5,353
5	5,308	5,633	5,975	6,336	6,716	7,115
6	6,434	6,898	7,394	7,923	8,487	9,089
7	7,583	8,214	8,897	9,637	10,436	11,300
8	8,755	9,583	10,491	11,488	12,579	13,776
9	9,950	11,006	12,181	13,487	14,937	16,549
10	11,169	12,486	13,972	15,645	17,531	19,655
15	17,639	20,825	24,673	29,324	34,950	41,753
20	24,783	30,969	38,993	49,423	63,002	80,699
25	32,671	43,312	58,156	78,954	108,182	149,334
30	41,379	58,328	83,802	122,346	180,943	270,293
35	50,994	76,598	118,121	186,102	298,127	483,463
40	61,610	98,827	164,048	279,781	486,852	859,142

Notes

- This table shows the accumulated value of annual $1,000 registered retirement savings plan (RRSP) or tax-free savings account (TFSA) contributions made at the beginning of each year, assuming they are left in the plan to grow over a number of years, at various interest or growth rates.
- The accumulated values do not take into account any income taxes that would be payable when the funds are eventually withdrawn from the RRSP or when the RRSP plan is wound up. The TFSA contributions, as well as the income earned in the plan, are not subject to tax when withdrawn.

Instalment Requirements[1]

Tax Owing	Thresholds	Payment Due Dates[2]			
Federal	$3,000[3]	Mar.15	Jun.15	Sept.15	Dec.15
Québec	$1,800[4]	Mar.15	Jun.15	Sept.15	Dec.15

Notes

(1) This table applies to all individuals, except farmers and fishers. Specific rules that apply to farmers and fishers are discussed in note (8).

(2) Federal and Québec instalments for individuals are due on or before each of March 15, June 15, September 15 and December 15.

(3) Individuals resident outside Québec at the end of a taxation year are required to pay quarterly tax instalments during the year if their net tax owing is more than $3,000 in the current year or in either of the two preceding years.

Net tax owing generally includes federal taxes (net of applicable tax credits) that become payable on or before the individual's balance-due day for the year, the Old Age Security clawback tax, the Québec abatement, provincial taxes excluding Québec's (net of provincial credits), and investment tax credits. These amounts are reduced by the total taxes withheld at source to arrive at net tax owing. Net tax owing does not take into account losses carried back to previous years, Canada/Québec Pension Plan (CPP/QPP) or Employment Insurance overpayments, employee and partner GST rebates, Child Tax Benefit payments or GST credits. Self-employed individuals must also include CPP/QPP contributions in their instalment payments.

(4) Individuals resident in Québec generally have to pay quarterly Québec tax instalments when the difference between Québec taxes payable and Québec taxes deducted at source is more than $1,800 for the current year or in either of the two preceding years.

Individuals who have moved into or out of Québec will be required to use the applicable federal or Québec instalment threshold and formula for each relevant year to determine whether they are required to make instalment payments.

(5) Quarterly instalment requirements can be calculated by one of three instalment payment options, or by following the reminder notices sent by the tax authorities (see note (6)). The three instalment payment options are:

- Option 1—one-quarter of the current year's estimated net tax owing
- Option 2—one-quarter of the preceding year's net tax owing
- Option 3—For each of the first two instalments, one-quarter of the second preceding year's net tax owing and for the last two instalments, one-half of the difference between the preceding year's net tax owing and the total of the first two instalments made.

(6) Instalment interest will be charged if individuals who are required to pay instalments make late or deficient payments. However, if individuals make instalment payments based on the CRA or Revenu Québec notices, they will not be subject to interest charges or penalties, even if these payments fall short of their total tax liability.

Instalment interest is compounded daily using the applicable prescribed interest rate (see the table "Prescribed Interest Rates" on page 108) and is determined using the instalment method that calculates the least amount of interest. Individuals can reduce or eliminate interest charges on deficient tax instalments by overpaying other instalments or paying other instalments before their due date. This interest offset can reduce a potential interest liability but cannot be used to earn interest.

Tax Instalment Choices	Amount Of Quarterly Payment
Current year estimate	¼ on each quarterly due date[5,6]
Prior year method	¼ on each quarterly due date[5,6]
Second preceding year method	Q1 and Q2 based on second preceding year, and Q3 and Q4 based on prior year[5,6]
Tax authority reminder notices	As stipulated in Canada Revenue Agency or Revenu Québec notices[7]

For federal purposes, a penalty may also apply to individuals who are required to pay instalment interest in excess of $1,000 (see the table "Selected Federal Penalty and Offence Provisions" on page 121 for details). For Québec purposes, an additional interest charge of 10% may apply (see the table "Selected Provincial Penalty Provisions" on page 125).

(7) In February and August each year, the Canada Revenue Agency (CRA) and Revenu Québec send instalment reminder notices to individuals advising them of their quarterly instalment obligations. The February notice indicates the amounts to pay for the March 15 and June 15 instalments, while the August notice indicates the September 15 and December 15 instalment amounts. The instalment amounts reflected in these reminder notices are generally calculated based on the individual's Option 3 payment method (see note (5)).

Individuals may choose to pay instalments based on the CRA's or Revenu Québec's instalment reminder notices, or they may calculate them using one of the other methods discussed in note (5).

Self-employed individuals must also include CPP/QPP contributions in these instalment calculations.

The final balance of federal and provincial tax owing for all individuals is due on or before April 30 of the following year.

(8) For federal purposes, farmers and fishers are required to make one instalment payment by December 31 if their net tax owing is more than $3,000 in the current year and in each of the two preceding years. Farmers and fishers resident in Québec are required to make one instalment payment by December 31 if their net tax owing is more than $1,800 in the current year and in each of the two preceding years.

Instalment reminder notices reflecting the amount that has to be paid by the December 31 due date are sent each year in November.

Instalment requirements can be calculated by one of two instalment payment options:

- Option 1—two-thirds of the current year's estimated net tax owing
- Option 2—two-thirds of the preceding year's net tax owing.

The final balance of federal and provincial tax owing is due on or before April 30 of the following year.

Filing and Payment Deadlines—Personal Tax Returns

	Deadlines and Penalties
Filing of Returns[1]	
Federal and Québec	
General	April 30
Self-employed person and spouse	June 15
Final Payment of Tax[2]	
Federal and Québec	
General	April 30
Self-employed person and spouse	April 30
Late Filing Penalty	
Federal and Québec	5% plus 1% per complete month while failure continues (not exceeding 12 months) of unpaid tax
Federal—Second occurrence	10% plus 2% per complete month while failure continues (not exceeding 20 months) of unpaid tax
Notice of Objection	
Federal and Québec	Later of: (i) one year after filing deadline, or (ii) 90 days after Notice of Assessment

Notes

(1) Federal and Québec personal income tax returns must be filed on or before April 30 of the following year. Self-employed individuals with professional income or income from an unincorporated business and their spouses/partners have until June 15 of the following year to file their returns.

Where an individual dies, the final personal income tax return must generally be filed on or before the regular filing deadline for the year or six months after the death of the individual, whichever is later.

(2) The final tax balance owing for all individuals, regardless of the filing deadline, must be paid by April 30 of the following year. If the due date falls on a Saturday, Sunday or public holiday, the payment must be received by the Canada Revenue Agency (CRA) or be postmarked by the next business day. Québec residents must make their cheque or money order payable to the Minister of Revenue of Québec. The return and payment must be sent to the Québec Revenue Agency. For Québec purposes, if the due date falls on a Sunday or public holiday, then the deadline is extended to the next business day.

The final tax balance owing on the federal personal income tax return of an individual who has died must be paid by April 30 of the following year, or six months after the death of the individual, whichever is later.

Corporations

2

Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2012 and 2013[1]

	Small Business Income up to $400,000[2]	Active Business Income Between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
Federal rates				
General corporate rate	38.0%	38.0%	38.0%	38.0%
Federal abatement	(10.0)	(10.0)	(10.0)	(10.0)
	28.0	28.0	28.0	28.0
Small business deduction[5]	(17.0)	(17.0)	0.0	0.0
Rate reduction[6]	0.0	0.0	(13.0)	0.0
Refundable tax[7]	0.0	0.0	0.0	6.7
	11.0	11.0	15.0	34.7
Provincial rates				
British Columbia[8]	2.5%	2.5%	10.0%	10.0%
Alberta	3.0	3.0	10.0	10.0
Saskatchewan[9]	2.0	2.0	12.0	12.0
Manitoba	0.0	12.0	12.0	12.0
Ontario[10]	4.5	4.5	11.5	11.5
Québec	8.0	8.0	11.9	11.9
New Brunswick[11]	4.5	4.5	10.0	10.0
Nova Scotia[12]	4.0/3.5	16.0	16.0	16.0
Prince Edward Island	1.0	1.0	16.0	16.0
Newfoundland and Labrador	4.0	4.0	14.0	14.0
Territorial rates				
Yukon[13]	4.0	4.0	15.0	15.0
Northwest Territories	4.0	4.0	11.5	11.5
Nunavut	4.0	4.0	12.0	12.0

See the notes on pages 64 and 65 for the dates on which all changes take effect.

All rates must be prorated for taxation years that straddle the effective date of the changes.

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2012 and 2013[1]

	Small Business Income up to $400,000[2]	Active Business Income between $400,000 and $500,000[2]	General Active Business Income[3]	Investment Income[4]
Provincial rates				
British Columbia[8]	13.5%	13.5%	25.0%	44.7%
Alberta	14.0	14.0	25.0	44.7
Saskatchewan[9]	13.0	13.0	27.0	46.7
Manitoba	11.0	23.0	27.0	46.7
Ontario[10]	15.5	15.5	26.5	46.2
Québec	19.0	19.0	26.9	46.6
New Brunswick[11]	15.5	15.5	25.0	44.7
Nova Scotia[12]	15.0/14.5	27.0	31.0	50.7
Prince Edward Island	12.0	12.0	31.0	50.7
Newfoundland and Labrador	15.0	15.0	29.0	48.7
Territorial rates				
Yukon[13]	15.0	15.0	30.0	49.7
Northwest Territories	15.0	15.0	26.5	46.2
Nunavut	15.0	15.0	27.0	46.7

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC—2012 and 2013

Notes

(1) The federal and provincial tax rates shown in the tables apply to income earned by a Canadian-controlled private corporation (CCPC). In general, a corporation is a CCPC if the corporation is a private corporation and a Canadian corporation, provided it is not controlled by one or more non-resident persons, by a public corporation, by a corporation with a class of shares listed on a designated stock exchange, or by any combination of these, and provided it does not have a class of shares listed on a designated stock exchange.

For tax rates applicable to general corporations, see the tables "Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2012 and 2013" and "Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2012 and 2013" and the related notes on pages 68 to 71.

(2) See the table "Small Business Income Thresholds for 2012 to 2014" and the related notes on pages 66 and 67 for changes in the federal and provincial small business income thresholds for 2012 to 2014.

For 2010 and subsequent years, Manitoba and Nova Scotia's provincial small business income thresholds are the only thresholds below the federal amount. For these provinces, a median tax rate applies to active business income between the provincial and federal threshold. The median tax rate is based on the federal small business rate and the applicable provincial general active business rate. For example, in 2012, Nova Scotia's combined rate on active business income between $400,000 and $500,000 is 27% (i.e., 11% federally and 16% provincially).

(3) The general corporate tax rate applies to active business income earned in excess of $500,000. See the table "Small Business Income Thresholds for 2012 to 2014" and the related notes on pages 66 and 67 for changes in the federal and provincial small business income thresholds for 2012 to 2014.

CCPCs that earn income from manufacturing and processing activities are subject to the same rates as those that apply to general corporations (see the tables "Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2012 and 2013" and "Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2012 and 2013" and the related notes on pages 68 to 71).

(4) The federal and provincial tax rates shown in the tables apply to investment income earned by a CCPC, other than capital gains and dividends received from Canadian corporations. The rates that apply to capital gains are one-half of the rates shown in the tables. Dividends received from Canadian corporations are deductible in computing regular Part I tax, but may be subject to Part IV tax, calculated at a rate of 33⅓%.

(5) Corporations that are CCPCs throughout the year may claim the small business deduction (SBD). In general, the SBD is equal to 17% of the least of three amounts — active business income earned in Canada, taxable income and the small business income threshold.

(6) A general tax rate reduction is available on qualifying income. Income that is eligible for other reductions or credits, such as small business income, manufacturing and processing income and investment income subject to the refundable provisions, is not eligible for this rate reduction. A "personal services business" will also not be eligible to claim the general tax rate reduction effective for taxation years that begin after October 31, 2011 under the draft technical amendments released by the Department of Finance on October 31, 2011.

The corporate income tax rate began decreasing in 2008 and continued to decrease until it reached a target rate of 15% on January 1, 2012. The rate reduction therefore increased to 13% (from 11.5%) on January 1, 2012.

(7) The refundable tax of $6\frac{2}{3}\%$ of a CCPC's investment income and capital gains, as well as 20% of such income that is subject to regular Part I tax, is included in the corporation's Refundable Dividend Tax on Hand (RDTOH) account. When taxable dividends (eligible and non-eligible) are paid out to shareholders, a dividend refund equal to the lesser of $33\frac{1}{3}\%$ of the dividends paid or the balance in the RDTOH account is refunded to the corporation.

(8) British Columbia's 2012 budget confirmed that the general corporate income tax rate will remain at 10% and the small business rate will remain at 2.5% for 2012.

In its 2012 budget, the province proposed to increase its general corporate income tax rate to 11% (from 10%), effective April 1, 2014, should the province's fiscal situation worsen.

(9) Saskatchewan's 2012 budget proposed a tax rebate that will generally reduce the general corporate income tax rate on income earned from the rental of newly constructed qualifying multi-unit residential projects by 10%. The rebate generally will be available for a period of 10 consecutive years for rental housing that is registered under a building permit dated on or after March 21, 2012 and before January 1, 2014, and available for rent before the end of 2016.

(10) Ontario's general corporate income tax rate started decreasing on July 1, 2010, and was scheduled to decrease each July 1 thereafter until it reached a target rate of 10% on July 1, 2013.

However, the province's 2012 budget announced a freeze in the corporate rate at 11.5%.

(11) New Brunswick's small business rate reduced to 4.5% (from 5%) effective January 1, 2012.

(12) Nova Scotia's small business rate decreased to 4% (from 4.5%) on January 1, 2012. A further reduction to 3.5% (from 4.0%) on January 1, 2013 was introduced in the province's 2012 budget.

(13) The Yukon Territory provides a manufacturing and processing tax credit that effectively reduces the corporate tax rate on the corporation's Canadian manufacturing and processing profits earned in the year in the Yukon to 2.5% (from 4.0%).

Small Business Income Thresholds for 2012 to 2014[1]

	2012 ($000)	2013 ($000)	2014 ($000)
Federal[2]	$500	$500	$500
British Columbia	500	500	500
Alberta	500	500	500
Saskatchewan	500	500	500
Manitoba	400	400	400
Ontario[3]	500	500	500
Québec[4]	500	500	500
New Brunswick	500	500	500
Nova Scotia	400	400	400
Prince Edward Island	500	500	500
Newfoundland and Labrador	500	500	500

Notes

(1) The small business income thresholds shown in the table apply to active business income earned by a Canadian-controlled private corporation (CCPC) that is eligible for the small business rate of tax (see the tables "Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2012 and 2013" and "Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2012 and 2013" and related notes on pages 62 to 65). All thresholds must be prorated for taxation years that straddle the effective date of the changes indicated, and must be shared by associated corporations.

(2) The federal small business threshold is reduced on a straight-line basis when the associated group's taxable capital (as computed by what was in the past referred to as Large Corporations Tax) employed in Canada in the preceding year is between $10 million and $15 million. This clawback applies to all provinces, with the exception of Ontario (see note (3) below).

(3) Previously, Ontario levied a surtax at a rate of 4.25% on CCPCs claiming the Ontario small business deduction in order to gradually reduce the benefit of the deduction where taxable income exceeded the small business income threshold. Based on the small business limit of $500,000, the phase-out range for the application of the surtax was between $500,000 and $1.5 million. The province eliminated this small business deduction surtax effective July 1, 2010 and, as a result, all CCPCs will benefit from the small business deduction on the first $500,000 of active business income (shared between associated corporations) irrespective of the corporation's taxable income.

(4) Québec's small business deduction is available to CCPCs with paid-up capital (on an associated basis) of less than $10 million, and is phased out for CCPCs with paid-up capital between $10 and $15 million.

Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2012 and 2013[1]

	General M&P Income	General Active Business Income	Investment Income[2]
Federal rates			
General corporate rate	38.0%	38.0%	38.0%
Federal abatement	(10.0)	(10.0)	(10.0)
	28.0	28.0	28.0
M&P deduction[3]	(13.0)	0.0	0.0
Rate reduction[4]	0.0	(13.0)	(13.0)
	15.0	15.0	15.0
Provincial rates			
British Columbia[5]	10.0%	10.0%	10.0%
Alberta	10.0	10.0	10.0
Saskatchewan[6]	10.0	12.0	12.0
Manitoba	12.0	12.0	12.0
Ontario[7]	10.0	11.5	11.5
Québec	11.9	11.9	11.9
New Brunswick	10.0	10.0	10.0
Nova Scotia	16.0	16.0	16.0
Prince Edward Island	16.0	16.0	16.0
Newfoundland and Labrador	5.0	14.0	14.0
Territorial rates			
Yukon[8]	2.5	15.0	15.0
Northwest Territories	11.5	11.5	11.5
Nunavut	12.0	12.0	12.0

See the notes on pages 70 and 71 for the dates on which all changes take effect.

All rates must be prorated for taxation years that straddle the effective date of the changes.

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2012 and 2013[1]

	General M&P Income	General Active Business Income	Investment Income[2]
Provincial rates			
British Columbia[5]	25.0%	25.0%	25.0%
Alberta	25.0	25.0	25.0
Saskatchewan[6]	25.0	27.0	27.0
Manitoba	27.0	27.0	27.0
Ontario[7]	25.0	26.5	26.5
Québec	26.9	26.9	26.9
New Brunswick	25.0	25.0	25.0
Nova Scotia	31.0	31.0	31.0
Prince Edward Island	31.0	31.0	31.0
Newfoundland and Labrador	20.0	29.0	29.0
Territorial rates			
Yukon[8]	17.5	30.0	30.0
Northwest Territories	26.5	26.5	26.5
Nunavut	27.0	27.0	27.0

Combined Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation—2012 and 2013

Notes

(1) The federal and provincial tax rates shown in the tables apply to income earned by corporations other than Canadian-controlled private corporations (CCPCs). A general corporation, typically includes public companies and their subsidiaries, that are resident in Canada, and Canadian-resident private companies that are controlled by non-residents.

For tax rates applicable to CCPCs, see the tables "Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2012 and 2013" and "Combined Federal and Provincial/Territorial Tax Rates for Income Earned by CCPC Effective January 1, 2012 and 2013" and related notes on pages 62 to 65.

(2) The federal and provincial tax rates shown in the tables apply to investment income earned by general corporations other than capital gains and dividends received from Canadian corporations. The rates that apply to capital gains are one-half of the rates shown in the tables. Dividends received from Canadian corporations are deductible in computing regular Part I tax, but may be subject to Part IV tax, calculated at a rate of 33⅓%.

(3) Corporations that derive at least 10% of their gross revenue for the year from manufacturing or processing goods in Canada for sale or lease can claim the manufacturing and processing (M&P) deduction against their M&P income.

(4) A general tax rate reduction is available on qualifying income. Income that is eligible for other reductions or credits, such as small business income, M&P income, and investment income subject to the refundable provisions, is not eligible for this rate reduction.

The corporate income tax rate began decreasing in 2008 and continued to decrease until it reached a target rate of 15% on January 1, 2012. The rate reduction increased to 13% (from 11.5%) on January 1, 2012.

(5) British Columbia's 2012 budget announced that the general corporate income tax rate will be increased to 11% (from 10%) on a temporary basis, effective April 1, 2014, if the province's fiscal situation worsens.

(6) Saskatchewan's 2012 budget announced a tax rebate that will generally reduce the general corporation income tax rate on income earned from the rental of newly constructed qualifying multi-unit residential projects by 10%. The rebate will generally be available for a period of 10 consecutive years for rental housing that is registered under a building permit dated on or after March 21, 2012 and before January 1, 2014, and available for rent before the end of 2016.

(7) Ontario's general corporate income tax rate started decreasing on July 1, 2010 and was scheduled to decrease each July 1 thereafter until it reached a target rate of 10% on July 1, 2013.

However, the province's 2012 budget announced a freeze in the corporate rate at 11.5%.

(8) The Yukon Territory provides a manufacturing and processing tax credit that effectively reduces the corporate tax rate on the corporation's Canadian manufacturing and processing profits earned in the year in the Yukon to 2.5% (from 15%).

Integration—Cost and Benefit of Incorporation for Investment Income

		B.C.	Alta.	Sask.	Man.	Ont.
Income earned through a corporation						
Corporate income		$1,000	$1,000	$1,000	$1,000	$1,000
Corporate tax		(447)	(447)	(467)	(467)	(462)
After-tax amount	(A)	553	553	533	533	538
Dividend refund[4]		267	267	267	267	267
Available for distribution		820	820	800	800	805
Personal tax of individual		(276)	(227)	(267)	(313)	(278)
Net cash to individual	(B)	$ 544	$ 593	$ 533	$ 487	$ 527
Income earned directly by an individual						
Personal income		$1,000	$1,000	$1,000	$1,000	$1,000
Personal tax		(437)	(390)	(440)	(464)	(480)
Net cash to individual	(C)	$ 563	$ 610	$ 560	$ 536	$ 520
Summary						
Tax savings (cost) of incorporation[1]	(B) – (C)	$ (19)	$ (17)	$ (27)	$ (49)	$ 7
Tax deferral (pre-payment)[2]	(A) – (C)	$ (10)	$ (57)	$ (27)	$ (3)	$ 18

See the table "Integration—Cost and Benefit of Incorporation" and the related notes on pages 74 to 76.

		Qué.	N.B.	N.S.	P.E.I.	Nfld.
Income earned through a corporation						
Corporate income		$1,000	$1,000	$1,000	$1,000	$1,000
Corporate tax		(466)	(447)	(507)	(507)	(487)
After-tax amount	(A)	534	553	493	493	513
Dividend refund[4]		267	267	247	247	257
Available for distribution		801	820	740	740	770
Personal tax of individual		(291)	(253)	(268)	(305)	(231)
Net cash to individual	(B)	$ 510	$ 567	$ 472	$ 435	$ 539
Income earned directly by an individual						
Personal income		$1,000	$1,000	$1,000	$1,000	$1,000
Personal tax		(482)	(433)	(500)	(474)	(423)
Net cash to individual	(C)	$ 518	$ 567	$ 500	$ 526	$ 577
Summary						
Tax savings (cost) of incorporation[1]	(B) – (C)	$ (8)	$ 0	$ (28)	$ (91)	$ (38)
Tax deferral (pre-payment)[2]	(A) – (C)	$ 16	$ (14)	$ (7)	$ (33)	$ (64)

Integration—Cost and Benefit of Incorporation

	B.C.	Alta.	Sask.	Man.	Ont.
Tax savings (cost) of incorporation[1]					
Investment income	(1.9%)	(1.7%)	(2.7%)	(4.9%)	0.7%
Capital gains	(0.9)	(0.9)	(1.3)	(2.5)	0.3
Dividends—Eligible[3]	0.0	0.0	0.0	0.0	0.0
Dividends—Non-eligible[3]	0.0	0.0	0.0	0.0	0.0
ABI eligible for SBD	1.0	1.2	2.0	0.6	3.3
ABI in excess of SBD	(0.6)	(0.5)	(1.1)	(4.2)	(1.8)
Tax deferral (pre-payment) from incorporation[2]					
Investment income	(1.0%)	(5.7%)	(2.7%)	(0.3%)	1.8%
Capital gains	(0.4)	(2.8)	(1.3)	(0.1)	0.9
Dividends—Eligible[3]	(7.6)	(14.0)	(8.5)	(1.1)	(1.6)
Dividends—Non-eligible[3]	0.4	(5.6)	0.0	5.8	1.2
ABI eligible for SBD	30.2	25.0	31.0	35.4	32.5
ABI in excess of SBD	18.7	14.0	17.0	19.4	21.5

Notes

(1) Earning income through a corporation involves two layers of taxation: taxation of the income at the corporate level and the subsequent personal taxation upon distribution of the corporation's after-tax income as a dividend to the shareholder. Theoretically, the Canadian income tax system is designed such that the total income tax (corporate and personal) incurred by using a corporation to earn income should be the same as the personal tax that would result if the income were earned directly by an individual who is taxable at the top marginal rate (the principle of integration). However, as the top part of the above table demonstrates, in practice this is not the case. This part of the table summarizes the 2012 income tax savings or cost of earning the following types of income through a corporation, as opposed to an individual earning the income directly:

- Investment income other than capital gains and dividends (see the detailed calculations in the table "Integration—Cost and Benefit of Incorporation for Investment Income" on pages 72 and 73)
- Capital gains
- Dividend income from taxable Canadian corporations
- Active business income (ABI) eligible for the small business deduction (SBD)
- ABI not eligible for the SBD.

	Qué.	N.B.	N.S.	P.E.I.	Nfld.
Tax savings (cost) of incorporation[1]					
Investment income	(0.8%)	(0.0%)	(2.8%)	(9.1%)	(3.8%)
Capital gains	(0.4)	0.1	(1.3)	(4.5)	(1.8)
Dividends—Eligible[3]	0.0	0.0	0.0	0.0	0.0
Dividends—Non-eligible[3]	0.0	0.0	0.0	0.0	0.0
ABI eligible for SBD	(0.2)	1.8	4.2	(0.9)	1.8
ABI in excess of SBD	(2.7)	1.5	(5.9)	(3.4)	(2.7)
Tax deferral (pre-payment) from incorporation[2]					
Investment income	1.7%	(1.4%)	(0.7%)	(3.3%)	(6.4%)
Capital gains	0.8	(0.6)	(0.3)	(1.6)	(3.1)
Dividends—Eligible[3]	(0.5)	(10.9)	2.7	(4.6)	(10.9)
Dividends—Non-eligible[3]	3.0	(2.5)	2.9	7.8	(3.4)
ABI eligible for SBD	29.2	27.8	35.0	35.4	27.3
ABI in excess of SBD	21.3	18.3	19.0	16.4	13.3

Notes, continued

Eligible dividends are subject to lower rates of personal tax (see the table "Combined Top Marginal Tax Rates for Individuals—2012" and related note on page 30). Canadian-controlled private corporations (CCPCs) may only pay such dividends to the extent that they have earned active business income subject to the general corporate tax rate. Therefore, CCPCs that earn only investment income, capital gains, or ABI eligible for the SBD cannot pay eligible dividends to their shareholders.

The calculations used in the tables are based upon the following assumptions:

- The corporation is a CCPC with a taxation year beginning January 1, 2012.
- The individual is in the top marginal tax bracket.
- The CCPC may pay out eligible dividends to its shareholder only in respect of ABI in excess of the SBD. As certain provinces have small business thresholds below the federal amount, for purposes of this analysis, the table reflects ABI subject to the small business rate at both the federal and provincial levels (i.e., income earned up to the provincial threshold amount).

(2) In some circumstances, it is possible to defer the payment of tax at the individual level by using a corporation to earn income that is not immediately paid out to the shareholder. The lower part of the table on pages 74 and 75 summarizes the 2012 tax deferral or pre-payment potential of earning income through a corporation, based on the same types of income and on the same assumptions outlined in note (1).

Integration—Cost and Benefit of Incorporation

Notes, continued

(3) Dividends (both eligible and non-eligible) received from taxable Canadian corporations are deductible in computing Part I tax and are therefore treated differently from other investment income.

Dividends received by CCPCs from unconnected corporations, or from connected corporations that receive a dividend refund on the payment of the dividend, are subject to Part IV tax, calculated at a rate of 33⅓% of the dividend amount. Part IV tax is a refundable tax that is included in the corporation's Refundable Dividend Tax on Hand (RDTOH) account. When taxable dividends (either eligible or non-eligible) are subsequently paid by the corporation to its shareholders, a dividend refund equal to the lesser of 33⅓% of the dividends paid and the balance in the RDTOH account is refunded to the corporation.

Private corporations that are not CCPCs, and certain closely held public companies, must also pay Part IV tax on dividends they receive from taxable Canadian corporations, and may also receive a dividend refund when they subsequently pay dividends to their shareholders. Other public companies and their subsidiaries are not subject to this tax and therefore do not receive a dividend refund when they subsequently pay dividends to their shareholders.

There is no difference between earning Canadian dividend income (both eligible and non-eligible) through a corporation as opposed to earning it directly, as all corporate level tax on such income is refundable. However, there is a potential for a tax deferral or pre-payment based on the difference between the top individual marginal rate applicable to dividend income and the refundable Part IV tax rate of 33⅓%.

(4) The amount of after-tax cash available to pay dividends (including the dividend refund received as a result of the payment of the dividend) is not sufficient to obtain a full refund of the RDTOH account in any of the provinces, with the exception of British Columbia, Alberta, Ontario, Québec and New Brunswick.

For example, if a corporation in Newfoundland and Labrador earns interest income and pays out all of its after-tax income (including its dividend refund) as a dividend, an amount equal to 1% of its income will remain in its RDTOH account, calculated as follows:

Amount available for distribution

Corporate income	$1,000
Corporate tax	(487)
After-tax amount	513
Dividend refund	257
Available for distribution	$ 770

RDTOH account

Refundable tax (26⅔% × $1,000)	$ 267
Dividend refund (33⅓% of $770 dividend)	(257)
RDTOH balance	$ 10

(5) While New Brunswick's legislation technically causes its dividend tax credit rate on eligible dividends to be 10.65% (and a combined top marginal tax rate of 24.33% on eligible dividends), the province is currently applying what appears to be its intended dividend tax credit rate of 12%. This intended rate, which yields a combined top marginal rate on eligible dividends of 22.47%, is reflected in the calculations above.

Capital Tax Rates—General Corporations[1]

	Saskatchewan[3]	Nova Scotia[4]	
		Taxable Capital < $10 million	**Taxable Capital ≥ $10 million**
Tax Rates and Deductions[2]			
2011	—	0.20/0.10%	0.10/0.05%
2012	—	0.10/—	0.05/—
2013	—	—	—
Capital deduction or exemption[5]	—	$5 million	Nil

Notes

(1) In general, these capital tax rates apply to corporations other than insurance companies and financial institutions (banks, loan and trust companies, and certain credit unions and corporations dealing in securities).

(2) The tax rate changes apply as of July 1 of the year indicated. The rates must be prorated for taxation years that straddle the effective date of the changes.

(3) Saskatchewan's capital tax was eliminated on July 1, 2008.

Large resource companies and resource trusts in Saskatchewan are subject to a capital tax surcharge of 3% of the value of sales of all potash, uranium and coal produced in Saskatchewan, and oil and natural gas produced from wells drilled in Saskatchewan prior to October 1, 2002. For oil and natural gas produced from wells drilled in Saskatchewan after September 30, 2002, the resource surcharge rate is 1.7 per cent of the value of sales. The resource surcharge applies to resource trusts in addition to resource corporations.

(4) Nova Scotia's capital tax rates began decreasing by 0.10% (if taxable capital is less than $10 million) and by 0.05% (if taxable capital is $10 million or more) each July 1 on July 1, 2009, and will be completely eliminated on July 1, 2012.

(5) The capital deduction or exemption must be allocated among associated or related companies.

Capital Tax Rates—Financial Institutions[1]

	Federal Part VI Tax[3]	Sask.[4]	Man.[5]	Ont.[6]
Tax rates[2]				
2011	1.25%	0.7/3.25%	3.0%	—
2012	1.25	0.7/3.25	3.0/4.0	—
2013	1.25	0.7/3.25	4.0	—
Capital deduction or exemption[11]	$1 billion	$10 + $10 million	$10 million	Nil

Notes

(1) These capital tax rates apply to corporations that are financial institutions – generally banks, loan and trust companies, credit unions, insurance companies and investment dealers. However, the definition of a financial institution for capital tax purposes varies by province.

Insurance companies are not subject to provincial capital tax except in Ontario, Québec, and Nova Scotia. Credit unions are no longer subject to provincial capital tax. Investment dealers with a permanent establishment in Saskatchewan are subject to financial institutions capital tax, while those with a permanent establishment in Nova Scotia are subject to the general capital tax (see the table "Capital Tax Rates—General Corporations" on page 77).

(2) The tax rate changes all apply as of January 1 of the year indicated with the exception of New Brunswick and Manitoba's changes, which take effect on April 1 and April 17, respectively. The rates must be prorated for taxation years that straddle the effective date of the changes.

(3) Financial institutions for Part VI tax purposes include banks, loan and trust companies, life insurance corporations and certain holding companies. The threshold for the payment of Part VI tax is $1 billion and a single rate of 1.25% applies to taxable capital over the threshold. The amount of Part VI capital tax payable is reduced by the corporation's income tax payable under Part I.

(4) Effective for taxation years ending on or after November 1, 2009, all financial institutions that previously qualified for the lower corporate capital tax rate of 0.7% (for its taxation year ending on or after November 1, 2008 and before November 1, 2009) will not be subject to the high capital tax rate of 3.25% on the first $1.5 billion of their taxable capital. As a result, a tax rate of 0.7% will apply on the first $1.5 billion of taxable capital, and a rate of 3.25% will apply on taxable capital in excess of $1.5 billion. However, if the taxable capital of the financial institution exceeded $1.5 billion for its taxation year ending on or after November 1, 2008 and before November 1, 2009, the entire amount of taxable capital is subject to the 3.25% rate.

Saskatchewan's $10 million capital exemption is available to all corporations. An additional exemption of up to $10 million is available to companies that pay all or a portion of their salaries and wages to employees of a permanent establishment in the province.

(5) Effective for fiscal years ending after April 12, 2011, bank, trust and loan companies with taxable paid up capital of less than $4 billion are exempted from capital tax. The $4 billion exemption must be shared among associated corporations. Effective for taxation years ending after April 17, 2012, Manitoba has proposed to increase the capital tax rate to 4% (from 3%).

	Qué.[7]	N.B.[8]	N.S.[9]	P.E.I.	Nfld.[10]
Tax rates[2]					
2011	—	3.0%	4.0%	5.0%	4.0%
2012	—	3.0/4.0	4.0	5.0	4.0
2013	—	4.0	4.0	5.0	4.0
Capital deduction or exemption[11]	Nil	$10 million	$0.5/30 million	$2 million	$0/5 million

(6) Ontario eliminated its capital tax on most financial institutions on July 1, 2010. However, life insurance corporations that carry on business in Ontario must pay a capital tax equal to 1.25% of their taxable capital allocable to Ontario. The capital tax may be reduced by the company's Ontario income or corporate minimum tax payable for the year.

(7) Québec eliminated its capital tax on January 1, 2011.

Life insurance corporations that carry on business in Québec must pay a capital tax equal to 1.25% of their taxable capital allocable to Québec. The capital tax may be reduced by the company's Québec income tax payable for the year.

Certain financial institutions in Québec must also pay an additional compensatory tax (see the table "Québec Compensatory Tax for Listed Financial Institutions" and the related notes on page 80 for details).

(8) New Brunswick proposed an increase to its capital tax rate to 4% (from 3%) effective April 1, 2012. The New Brunswick government has announced that it will take steps to eliminate the $10 million exemption effective April 1, 2012.

(9) A $30 million capital deduction is available to loan and trust companies with head offices in Nova Scotia. Other banks, loan or trust companies are entitled to a $500,000 capital deduction. Insurance companies are entitled to a $5 million capital deduction where taxable capital employed in Canada is less than $10 million. No capital deduction is permitted if taxable capital exceeds $10 million.

(10) Corporations in Newfoundland and Labrador with aggregate paid-up capital of $10 million or less may claim a capital deduction of $5 million. If aggregate paid-up capital is greater than $10 million, no capital deduction is permitted.

(11) The capital deduction or exemption must be allocated among associated or related companies or financial institutions.

Québec Compensatory Tax for Listed Financial Institutions[1]

Type of Entity	Calculation of Tax
Banks, loan and trust corporations, and corporations trading in securities	0.25%of Québec paid-up capital[2] plus 3.9% (2%)[3] of Québec wages
Insurance corporations subject to Québec capital tax	0.55% (0.35%)[3] of premiums payable
Credit and savings unions	3.8% (2.5%)[3] of Québec wages
All other corporations that are listed financial institutions[4]	1.5% (1.0%)[3] of Québec wages
Individuals, partnerships, trusts, estates, and certain other organizations that are listed financial institutions	1.5% (1.0%)[3] of Québec wages

Notes

(1) All taxpayers who are "listed financial institutions" (for purposes of the *Excise Tax Act*) at some time in a taxation year must pay a compensatory tax for that period. A corporation that elects to be a listed financial institution is deemed to be one throughout the period in which the election remains in effect and must pay the compensatory tax for that period.

(2) Paid-up capital is determined for Québec capital tax purposes without taking into account the deduction for corporations that previously qualified for the capital tax holiday.

(3) Two of the three components of the compensatory tax on financial institutions, namely wages paid and insurance premiums, have been temporarily increased for taxation years ending after March 30, 2010 and beginning before April 1, 2014. The rates indicated in parentheses represent the rates that are applicable for taxation years outside of this period. If a taxation year straddles either of these dates, certain rules apply.

(4) This category includes corporations that are listed financial institutions by virtue of an election (or deemed election) under the *Excise Tax Act*. If the corporation is a listed financial institution by virtue of such an election or deemed election and a member of a closely related group, and if it makes supplies of financial services (or goods and services deemed to be financial services) amounting to less than 90% of the value of all its supplies, the compensatory tax will be based on the proportion of supplies of financial services (or deemed financial services) to total supplies.

Federal Investment Tax Credits (ITCs)[1]

Type of Entity	Nature of Expenditure[2]	ITC Rate on Total Expenditures up to Expenditure Limit[3]	Refund Rate	ITC Rate on Total Expenditures in Excess of Expenditure Limit[3]	Refund Rate
Qualifying CCPCs[4]	Current	35%	100%	20%[5]	40%
	Capital	35	40	20[5]	40
Other corporations[6]	Current and capital	20[6]	—	20[5]	—
Individuals and unincorporated businesses[4]	Current and capital	20[6]	40	20[5]	40

Notes

(1) Federal research and development (R&D) ITCs earned in a taxation year after 1997 can either be applied against federal taxes payable in that year, refunded to the claimant (if applicable), carried forward and claimed in the 20 subsequent years or carried back and applied against federal taxes payable in the three prior years.

ITC claims must be identified on a prescribed form (T2 Schedule 31) and filed with the Canada Revenue Agency (CRA) within 12 months of the entity's filing due date for its regular income tax return. The related prescribed forms (Forms T661 and T661 Part 2) must also be filed within this time frame, to ensure a complete R&D filing.

ITCs claimed in one year are deducted from the entity's R&D expenditure pool in the subsequent year. Provincial ITCs, which are considered to be government assistance, are generally deducted from the R&D pool in the year claimed. The portion of federal ITCs that related to qualifying Ontario R&D expenditures was not deducted from the entity's R&D pool for Ontario purposes, for taxation years ending before 2009. Under the single corporate tax administration system in Ontario (applicable for taxation years ending after 2008), Ontario replaced this treatment with a 4.5% non-refundable Ontario tax credit on R&D expenses incurred in Ontario that qualify for the federal ITC.

(2) The 2012 federal budget proposed to exclude expenditures for R&D capital property (including the right to use such property) made after 2013 for federal ITC purposes.

(3) The expenditure limit is generally $3 million and applies to both current and capital expenditures. The expenditure limit must be shared by associated corporations. However, CCPCs that have a group of unconnected investors, such as venture capital investors, do not have to share the limit provided that the CRA is satisfied that the group of investors was not formed to gain access to multiple expenditure limits.

Notes, continued

(4) Qualifying CCPCs are those with taxable income (on an associated group basis) for the preceding year that does not exceed its "qualifying income limit". A corporation's "qualifying income limit" is determined by the formula $500,000 ×[($40,000,000 - A)/ $40,000,000]. The variable "A" is nil if the corporation's prior year taxable capital employed in Canada is $10 million or less. Otherwise, the variable "A" is equal to the portion of the corporation's prior year taxable capital employed in Canada that exceeds $10 million (not to exceed $40 million).

The expenditure limit (see note (3)) is phased out for CCPCs with taxable capital employed in Canada of between $10 and $50 million in the prior year (on an associated group basis). The expenditure limit is reduced by $0.75 for every $10 by which taxable capital exceeds $10 million. The ability to claim the 35% ITC rate and related 100% ITC refund on current expenditures is eliminated once prior year taxable capital exceeds $50 million or once taxable income exceeds $800,000.

(5) The 2012 federal budget proposed to reduce the ITC rate on expenditures in excess of the expenditure limit, for both CCPCs and non-CCPCs (including individuals and unincorporated businesses) to 15% (from 20%) for taxation years ending after 2013. For taxation years straddling January 1, 2014, the ITC rate will be calculated proportionately, based on the number of days in each calendar year that are within the taxation year.

(6) The 2012 federal budget proposed to reduce the ITC rate for non-CCPCs (including individuals and unincorporated businesses) to 15% (from 20%) for taxation years ending after 2013. For taxation years straddling January 1, 2014, the ITC rate will be calculated proportionately, based on the number of days in each calendar year that are within the taxation year.

Federal R&D expenditure pool

Eligible Canadian R&D expenditures, both current and capital, are aggregated in a pool each year and may be deducted in whole or in part. The 2012 federal budget proposed to exclude expenditures for R&D capital property (including the right to use such property) made after 2013 from the federal R&D expenditures pool. These expenditures can still be claimed as regular business expenditures (presuming they qualify as such).

Any allowable amounts not deducted from the R&D pool in the current year may be carried forward indefinitely.

Foreign current expenditures are also included in the R&D pool and may either be deducted in the year or carried forward. Such expenditures generally do not give rise to federal ITCs. However, R&D labour expenditures incurred outside Canada may result in federal ITCs, as discussed below.

Government assistance (which includes provincial ITCs), non-government assistance and contract payments reduce the amount of eligible expenditures in the year. Eligible expenditures are also reduced when R&D assets, for which the taxpayer received an ITC in any of the 20 previous years (for taxation years after 1997), are converted to commercial use or sold during the year.

Eligible expenditures incurred in the year, as well as project technical narratives and related project information, must be identified on prescribed forms (Forms T661 and T661 Part 2) and filed with the CRA within 12 months of the entity's filing due date for its regular income tax return. The related prescribed form (T2 Schedule 31), must also be filed within this time frame, to ensure a complete R&D filing.

Qualifying current R&D expenditures

Qualifying Canadian current expenditures include the following:

- Salaries and wages of employees directly engaged in R&D—salaries and wages of specified employees (those individuals who directly or indirectly own greater than 10% of the shares of any class of the capital stock of the company, or who do not deal at arm's length with the taxpayer) are limited to five times the year's maximum CPP pensionable earnings and exclude remuneration based on profits or bonuses
- Salaries and wages of Canadian-resident employees carrying on R&D activities outside Canada—these salaries and wages (limited to 10% of the total R&D salary and wages carried on in Canada in the year) are eligible provided the R&D activities are directly undertaken by the taxpayer and done solely in support of R&D carried on by the taxpayer in Canada
- Cost of materials consumed or transformed in R&D
- Lease costs of machinery and equipment used in R&D
- Eligible expenditures incurred by contractors performing R&D directly on behalf of the taxpayer (to be restricted, as proposed by the 2012 federal budget, to only 80% of contractor R&D expenditures, and excluding any R&D contractor expenditures that are considered R&D capital expenditures (also see note (2) on page 81), effective for expenditures incurred on or after January 1, 2013)
- Eligible expenditures incurred by certain third parties where the taxpayer may exploit the results of the R&D.

Proxy election for overhead expenses

The proxy election adds 65% of qualifying R&D salaries and wages (excluding bonuses, taxable benefits and stock option benefits) to the expenditures eligible for federal ITCs (but not to the R&D pool itself). This "notional overhead" amount replaces administration and other overhead costs that are often difficult to support such as utilities, office and other types of supplies. Once the election is made, it is irrevocable for that taxation year.

The 2012 federal budget proposed to reduce the R&D proxy amount from 65% to 60% on January 1, 2013, and again from 60% to 55% on January 1, 2014. For taxation years that straddle these dates, the proxy amount will be calculated proportionately based on the number of days in each calendar year that are within the taxation year.

The salary of specified employees (as discussed above) is limited in a number of ways when calculating the amount of salaries and wages eligible for the proxy election. Only 75% of such employees' salaries can be included as eligible salaries, and the maximum per employee is 2.5 times the year's maximum CPP pensionable earnings. Remuneration based on profits and bonuses are excluded from the proxy computation for both specified and non-specified employees.

Provincial Research and Development Tax Incentives

	Rate	Description
British Columbia[1]	10%	Refundable and non-refundable tax credit for eligible expenditures incurred in British Columbia after August 31, 1999 and before September 1, 2014, by a corporation with a permanent establishment (PE) in the province
Alberta[2]	10%	Refundable tax credit for eligible expenditures incurred in Alberta by a corporation with a PE in the province
Saskatchewan[3]	15%	Refundable tax credit for eligible expenditures incurred in Saskatchewan by a corporation with a PE in the province
Manitoba[4]	20%	Non-refundable and refundable tax credit for eligible expenditures incurred in Manitoba by a corporation with a PE in the province
Ontario *Innovation Tax Credit (OITC)*[5,8]	10%	Refundable tax credit for eligible expenditures incurred in Ontario by a corporation with a PE in the province
Ontario *Business-Research Institute Tax Credit (OBRITC)*[6,8]	20%	Refundable tax credit for eligible expenditures incurred in Ontario by a corporation with a PE in the province as part of an eligible contract with an eligible research institute
Ontario *Research and Development Tax Credit (ORDTC)*[7,8]	4.5%	Non-refundable tax credit for eligible expenditures incurred in Ontario by a corporation with a PE in the province

See the notes on pages 86 and 87.

	Rate	Description
Québec *R&D Wage Tax Credit*[9]	Canadian-controlled corporations—37.5% Others—17.5%	Refundable tax credit for R&D wages of Québec-based employees of a corporation that carries on business in Canada and performs R&D in Québec, or has such work carried out on their behalf in Québec. The corporation no longer needs to have a PE in Québec This credit is also available for 50% of amounts paid to an unrelated subcontractor for R&D performed by employees in Québec and for 100% of amounts attributed to wages paid to employees of a related subcontractor in Québec
Québec *Credit for contract payments to/for R&D entities and projects*[10]	35%	Refundable tax credit for contract and other payments to certain eligible entities (only 80% of payments to unrelated persons are eligible)
New Brunswick[11]	15%	Refundable tax credit for eligible expenditures incurred in New Brunswick by a corporation with a PE in the province
Nova Scotia[11]	15%	Refundable tax credit for eligible expenditures incurred in Nova Scotia by a corporation with a PE in the province
Newfoundland and Labrador[11]	15%	Refundable tax credit for eligible expenditures incurred in Newfoundland and Labrador by a corporation with a PE in the province

Provincial Research and Development Tax Incentives

Notes

(1) Eligible expenditures in British Columbia are those that qualify for federal investment tax credit (ITC) purposes. Canadian-controlled private corporations (CCPCs) are eligible for the refundable credit on expenditures up to their expenditure limit (as it is defined for federal purposes). The credit is not refundable for other corporations or for a CCPC's expenditures in excess of the expenditure limit. The credit, which was set to expire in 2009, has been extended to September 1, 2014. Corporations that are active members of a partnership that incurs qualifying expenditures are also entitled to claim this credit.

The credit is considered to be government assistance and reduces federal expenditures for both the research and development (R&D) deduction and ITCs. The credit can be claimed only once all other tax credits have been claimed. Unused non-refundable credits may be carried forward 10 years and carried back three years. All or part of the non-refundable credit can be renounced each year.

(2) Eligible expenditures in Alberta are those that qualify for federal ITC purposes. The qualifying expenditures must be incurred after December 31, 2008 and cannot exceed $4 million. Alberta's 2012 budget proposed the removal of the reduction to the Alberta expenditure base by federal ITCs earned in the prior year on that portion of federal eligible expenditures which generated Alberta ITCs in that year for taxation years ending on or after March 31, 2012.

(3) Eligible expenditures in Saskatchewan are those that qualify for federal ITC purposes. For all qualifying expenditures made between March 19, 2009 and March 31, 2012, the Saskatchewan ITC was fully refundable for all corporations. For eligible expenditures made after March 31, 2012, the Saskatchewan ITC is fully refundable for CCPCs up to their expenditure limit and non-refundable for all other eligible expenditures. The credit is considered to be government assistance and reduces federal expenditures for both the R&D deduction and ITCs. Unclaimed non-refundable tax credits will remain available, to be claimed against taxes payable for the existing 10-year carryforward period. Unused credits could also be carried back three years.

(4) Eligible expenditures in Manitoba are those that qualify for federal ITC purposes. The 20% tax credit is refundable if the eligible expenditures are incurred after 2009 and are carried on in Manitoba under contract with a qualifying research institute in Manitoba. This refundable tax credit has been enhanced to include eligible in-house R&D expenditures incurred in 2011 and subsequent years. The refundability of this credit has been extended as follows: 25% of the credit for in-house R&D will be refundable beginning in 2011 and this amount will increase to 50% beginning in 2012.

For eligible expenditures incurred prior to 2010, the tax credit was non-refundable. Unused non-refundable credits earned in taxation years ending after 2003 may be carried forward 10 years and carried back three years. Unused credits earned in prior years may only be carried forward seven years.

The tax credit (refundable and non-refundable) is considered to be government assistance and reduces federal expenditures for both the R&D deduction and ITCs. All or part of the credit can be renounced each year but must be renounced no later than six months after the filing due date for that taxation year. The tax implications for federal purposes are different depending on whether the credit is renounced by the filing due date or after the filing due date (but no later than 12 months after the filing due date). Requests to renounce the Manitoba ITCs after the deadline will be denied.

(5) Eligible expenditures in Ontario are those that qualify for federal ITC purposes and are not in excess of the expenditure limit. The expenditure limit is $3 million. All current expenditures and 40% of capital expenditures qualify for the credit. The credit is available to corporations with taxable income under the federal small business income threshold, and taxable paid-up capital (for Ontario capital tax purposes) of less than $25 million, in the preceding year. The corporation's expenditure limit will be reduced where either of these restrictions are exceeded by the associated group, and, for taxation years ending after 2009, will be eliminated once taxable income of the group reaches $800,000 or taxable paid-up capital exceeds $50 million, in the preceding year. Transitional rules apply if a corporation does not have a calendar year end.

(6) In Ontario, an eligible research institute contract is an R&D contract with an eligible research institute (i.e., certain post-secondary and hospital research institutions, and prescribed non-profit research organizations). Eligible expenditures, as defined for federal ITC purposes, are limited to $20 million per year.

(7) Eligible expenditures in Ontario are those that qualify for federal ITC purposes. The credit is non-refundable and is applicable for taxation years ending after 2008. Unused credits may be carried forward 20 years and carried back three years (but only back to taxation years ending after 2008).

(8) The 2012 Ontario budget stated that the province will continue to review the effectiveness of tax credits for R&D in supporting innovation and the overall framework of provincial and federal direct and indirect business supports.

(9) In Québec, to be eligible for the 37.5% rate in respect of a maximum of $3 million in qualifying expenditures, the Canadian-controlled corporation must have less than $50 million in assets on an associated worldwide basis in the preceding year. For corporations with assets between $50 million and $75 million, this rate is proportionally reduced to 17.5%. The limit must be shared by associated corporations. The credit reduces eligible expenditures for federal purposes, but is not taxable in Québec.

(10) In Québec, eligible entities include universities, public research centres, and private research consortiums. These entities must carry on business in Canada and perform R&D in Québec, or have such work carried out on their behalf in Québec. An advance ruling from the Québec Ministry of Revenue is required in order to qualify. Claimants no longer need to have a permanent establishment in Québec.

Other types of eligible payments include expenditures in respect of pre-competitive research projects. An advance ruling from the Québec Ministry of Revenue is required in order to qualify. Claimants no longer need to have a permanent establishment in Québec.

(11) In New Brunswick, Nova Scotia and Newfoundland and Labrador, eligible expenditures are those that are considered qualified expenditures for federal purposes, as defined under the federal *Income Tax Act*. The credit is considered to be government assistance and reduces federal expenditures for both the R&D deduction and ITCs.

Net After-Tax Cost of Performing Research and Development

Small Corporations[1]	B.C.	Alta.	Sask.	Man.	Ont.[2]
Federal tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Provincial ITC	(149)	(149)	(223)	(298)	(209)
Federal ITC @ 35%	(468)	(468)	(443)	(416)	(447)
Federal tax deduction	383	383	334	286	344
Federal taxes saved	$ 42	$ 42	$ 37	$ 31	$ 38
Provincial tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Federal ITC	(468)	(468)	(443)	(416)	(447)
Provincial ITC	(149)	(149)	(223)	(298)	(209)
Provincial tax deduction	383	383	334	286	344
Provincial taxes saved	$ 10	$ 11	$ 7	$ 0	$ 15
Total tax savings					
Federal tax savings	$ 510	$ 510	$ 480	$ 447	$ 485
Provincial tax savings	159	160	230	298	224
Total savings	$ 669	$ 670	$ 710	$ 745	$ 709
Net after-tax cost of R&D	$ 331	$ 330	$ 290	$ 255	$ 291

Notes

(1) This table calculates the net after-tax cost to a Canadian-controlled private corporation (CCPC) of performing research and development (R&D) in the various provinces. The calculations are based on the following assumptions:

- The CCPC's federal and provincial tax rates are those that apply to active business income eligible for the small business deduction. The provincial tax rates used in the calculations are those in effect on January 1, 2012 (see the table "Federal and Provincial /Territorial Tax Rates for Income Earned by a CCPC Effective January 1, 2012 and 2013" on page 62). If the province's tax rate changes during the year, the calculations will need to be updated.
- The CCPC's R&D expenditures are eligible for the 35% federal investment tax credit (ITC).
- Three quarters of the expenditures relate to R&D salaries and the proxy election has been made by the corporation, adding 65% of the salaries to the totals eligible for federal and certain provincial ITCs. The other quarter of the expenditures relate to materials. The calculations in the table assume incremental R&D expenditures have been incurred by the corporation.
- The effects of all ITCs have been shown in the current year's deduction, even though federal ITCs are actually deducted from the R&D pool in the subsequent year.

	Qué.[3]	N.B.	N.S.	P.E.I.	Nfld.
Federal tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Provincial ITC	(281)	(223)	(223)	—	(223)
Federal ITC @ 35%	(422)	(443)	(443)	(521)	(443)
Federal tax deduction	297	334	334	479	334
Federal taxes saved	$ 33	$ 37	$ 37	$ 53	$ 37
Provincial tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Federal ITC	(422)	(443)	(443)	(521)	(443)
Provincial ITC	—	(223)	(223)	—	(223)
Provincial tax deduction	578	334	334	479	334
Provincial taxes saved	$ 46	$ 15	$ 13	$ 5	$ 13
Total tax savings					
Federal tax savings	$ 455	$ 480	$ 480	$ 574	$ 480
Provincial tax savings	327	238	236	5	236
Total savings	$ 782	$ 718	$ 716	$ 579	$ 716
Net after-tax cost of R&D	$ 218	$ 282	$ 284	$ 421	$ 284

Notes, continued

The 2012 federal budget proposed the following changes to the federal scientific research and experimental development (SR&ED) Program, which, if enacted, will reduce the "federal tax savings" and increase the "net after-tax cost of R&D" amounts indicated above:

- Reduction of the ITC rate earned by CCPCs on expenditures in excess of the expenditure limit to 15% (from 20%) for taxation years ending after 2013
- Reduction of the eligible amount of expenditures for SR&ED performed by contractors to 80% (from 100%) for expenditures incurred after 2012
- Reduction of the prescribed proxy rate to 60% (from 65%) on January 1, 2013, with a further reduction to 55% on January 1, 2014.

(2) If the CCPC is also eligible to claim the Ontario Business Research Institute Tax Credit, the net after-tax cost would be $267.

(3) In calculating the net after-tax cost of R&D in Québec, the provincial ITC (the R&D Wage Tax Credit) does not reduce the amount of expenditures qualifying for the provincial R&D deduction.

For additional information on available R&D investment tax credits, and other government assistance programs, visit www.thefundingportal.com.

Net After-Tax Cost of Performing Research and Development—Continued

Large Corporations[1]	B.C.	Alta.	Sask.	Man.	Ont.[2]
Federal tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Provincial ITC	(149)	(149)	(223)	(298)	(67)
Federal ITC @ 20%	(268)	(268)	(253)	(238)	(284)
Federal tax deduction	583	583	524	464	649
Federal taxes saved	$ 87	$ 87	$ 79	$ 70	$ 97
Provincial tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Federal ITC	(268)	(268)	(253)	(238)	(284)
Provincial ITC	(149)	(149)	(223)	(298)	(67)
Provincial tax deduction	583	583	524	464	649
Provincial taxes saved	$ 58	$ 58	$ 63	$ 56	$ 75
Total tax savings					
Federal tax savings	$ 355	$ 355	$ 332	$ 308	$ 381
Provincial tax savings	207	207	286	354	142
Total savings	$ 562	$ 562	$ 618	$ 662	$ 523
Net after-tax cost of R&D	$ 438	$ 438	$ 382	$ 338	$ 477

Notes

(1) This table calculates the net after-tax cost to a general corporation of performing research and development (R&D) in the various provinces. The calculations are based on the following assumptions:

- The federal and provincial tax rates are those that apply to active business income earned by a general corporation. The provincial tax rates used in the calculations are those in effect on January 1, 2012 (see the table "Federal and Provincial/Territorial Tax Rates for Income Earned by a General Corporation Effective January 1, 2012 and 2013" on page 68). If the province's tax rate changes during the year, the calculations will need to be updated.
- The corporation, including all associated companies, has assets and taxable paid-up capital in excess of $75 million and $50 million respectively in the prior year.
- The corporation's R&D expenditures are eligible for the 20% federal investment tax credit (ITC).
- Three quarters of the expenditures relate to R&D salaries and the proxy election has been made by the corporation, adding 65% of the salaries to the totals eligible for federal and certain provincial ITCs. The other quarter of the expenditures relate to materials. The calculations in the table assume that incremental R&D expenditures have been incurred by the corporation, and all eligible expenditures have been fully deducted in the current taxation year.
- The corporation is able to fully claim federal and provincial investment tax credits against taxes payable for the year.
- The effects of all ITCs have been shown in the current year's deduction, even though federal ITCs are actually deducted from the R&D pool in the subsequent year.

	Qué.[3]	N.B.	N.S.	P.E.I.	Nfld.
Federal tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Provincial ITC	(131)	(223)	(223)	—	(223)
Federal ITC @ 20%	(271)	(253)	(253)	(298)	(253)
Federal tax deduction	598	524	524	702	524
Federal taxes saved	$ 90	$ 79	$ 79	$ 105	$ 79
Provincial tax savings					
R&D expenditures	$1,000	$1,000	$1,000	$1,000	$1,000
Federal ITC	(271)	(253)	(253)	(298)	(253)
Provincial ITC	—	(223)	(223)	—	(223)
Provincial tax deduction	729	524	524	702	524
Provincial taxes saved	$ 87	$ 52	$ 84	$ 112	$ 73
Total tax savings					
Federal tax savings	$ 361	$ 332	$ 332	$ 403	$ 332
Provincial tax savings	218	275	307	112	296
Total savings	$ 579	$ 607	$ 639	$ 515	$ 628
Net after-tax cost of R&D	$ 421	$ 393	$ 361	$ 485	$ 372

Notes, continued

The 2012 federal budget proposed the following changes to the federal scientific research and experimental development (SR&ED) Program, which, if enacted, will reduce the "federal tax savings" and increase the "net after-tax cost of R&D" amounts indicated above:

- Reduction of the ITC rate earned by large corporations to 15% (from 20%) for taxation years ending after 2013
- Reduction of the eligible amount of expenditures for SR&ED performed by contractors to 80% (from 100%) for expenditures incurred after 2012
- Reduction of the prescribed proxy rate to 60% (from 65%) on January 1, 2013 with a further reduction to 55% on January 1, 2014
- Elimination of federal ITC on SR&ED capital property (including the right to use such property) after 2013.

(2) If the corporation is eligible to claim the Ontario Business Research Institute Tax Credit the net after-tax cost would be $448.

(3) In calculating the net after-tax cost of R&D in Québec, the provincial ITC (the R&D Wage Tax Credit) does not reduce the amount of expenditures qualifying for the provincial R&D deduction.

For additional information on available R&D investment tax credits, and other government assistance programs, visit www.thefundingportal.com.

Provincial Manufacturing and Processing Tax Incentives

	Rate	Description
Saskatchewan[1]	5%	Refundable tax credit for purchases of qualifying M&P equipment used in the province
Manitoba[2]	10%	Refundable and non-refundable tax credits for purchases prior to January 1, 2015 of qualifying M&P property used in the province
Québec[3]	5% to 40%	Refundable and non-refundable tax credits for purchases prior to January 1, 2016 of qualifying M&P equipment used in the province
Nova Scotia[4]	20%	Refundable tax credit for purchases of qualifying M&P equipment used in the province
Prince Edward Island[5]	10%	Non-refundable tax credit for purchase of qualifying M&P equipment used in the province

Notes

(1) Saskatchewan's manufacturing and processing (M&P) tax credit was converted from a non-refundable credit into a refundable credit for eligible expenditures incurred after April 6, 2006. Qualifying M&P equipment is that which qualifies for federal investment tax credit (ITC) purposes. Used equipment also qualifies if it has been subject to provincial sales tax when purchased. Unused non-refundable credits earned prior to April 7, 2006 have a 10 year carryforward period. The credit (refundable and non-refundable) is considered to be government assistance and reduces the capital cost of the equipment for federal purposes.

(2) Qualifying M&P property in Manitoba is that which qualifies for federal ITC purposes and is purchased or leased prior to January 1, 2015. Qualifying M&P property is new and used prescribed buildings, machinery, and equipment, as well as Class 43.1 or Class 43.2 assets used in the province. The acquired property has to be available for use by the corporation.

For taxation years ending after 2007, the refundable portion is 70% of the credit in respect of qualifying property purchased after 2007 (35% in respect of qualifying property purchased prior to January 1, 2008).

The credit is considered to be government assistance and reduces the capital cost of the equipment for federal purposes. Unused credits earned in taxation years ending after 2003 may be carried forward 10 years and carried back three years. Unused credits earned in prior taxation years may only be carried forward seven years.

Corporations also have the ability to elect to renounce the M&P tax credit, in whole or in part.

(3) Qualifying M&P equipment in Québec is defined in Schedule B of the Taxation Act Regulations, and must be purchased by eligible corporations after March 14, 2008 and prior to January 1, 2016. The 2012-2013 Québec budget proposed to amend the definition to include equipment used primarily in the course of smelting, refining or hydro metallurgy activities, other than ore from a gold or silver mine extracted from a mineral resource located in Canada, acquired after March 20, 2012 and before January 1, 2018. Qualifying M&P equipment must be new, begin to be used within a reasonable time of its acquisition, and used for a period of at least 730 days only in Québec.

The applicable ITC rate depends on:

- Where the eligible investment is purchased
- The purchasing corporation's paid-up capital (PUC) calculated on a consolidated worldwide basis
- A cumulative limit of $75 million that must be shared with associated corporations.

This tax credit is fully refundable for corporations whose PUC does not exceed $250 million. The refundable amount is reduced on a sliding scale basis for corporations with PUC that exceeds $250 million and is eliminated for PUC that exceeds $500 million. Any non-refundable portion of the tax credit may be carried back to the preceding three taxation years or carried forward to the following 20 taxation years

(4) Nova Scotia introduced the Productivity Investment Program (PIP) in 2010. There are two components to this program: the Capital Investment Incentive (CII) and the Workplace Innovation and Productivity Skills Incentive (WIPSI). To be eligible for the CII, the eligible corporation must submit an application to the Department of Economic and Rural Development and Tourism (ERDT), through the Investment Division, prior to any commitment to purchase the qualified property. The qualified property, as defined by the province, must be acquired after December 19, 2010. If approved, a Letter of Offer will be issued and will be valid for six months from the date of issue unless otherwise outlined in the Letter of Offer. On completion of the purchase, the corporation must submit a claim for reimbursement supported by invoices and proof of payment. A reimbursement of 20% of the cost, up to a maximum of $1 million per provincial fiscal year, will be issued provided the claim is made during the six-month approval period. This maximum reimbursement applies to the PIP for both the WIPSI and CII combined. Acquisitions less than $25,000 will not be considered. ERDT may terminate the CII at any time at its sole discretion, however, any issued Letter of Offer will be honoured. The credit is considered government assistance and reduces the capital cost of the equipment for federal purposes. Note that the CII replaces the Manufacturing and Processing Investment Incentive Credit of 10% effective January 7, 2011.

The WIPSI does not pertain to the purchase of M&P equipment and is therefore not addressed in this section.

(5) Qualifying M&P equipment in Prince Edward Island is that which qualifies for federal ITC purposes. The credit is considered to be government assistance and reduces the capital cost of the equipment for federal purposes. Unused credits may be carried forward seven years and carried back three years. An additional 25% credit is available to M&P companies which invest in expansion under the province's Enriched Investment Tax Credit Program. This tax rebate is available through a pre-approved certification process administered through the provincial government.

Ontario Corporate Minimum Tax (CMT)—At a Glance

Who is subject to CMT?[1]	Corporations with annual gross revenues in excess of $100 million and assets in excess of $50 million (on an associated group basis) are subject to CMT
What is the base for CMT?[2]	Corporation's CMT adjusted net income, which is book income before taxes calculated in accordance with generally accepted accounting principles (GAAP) and adjusted for specific items that would otherwise double-count intercorporate profits
CMT adjustments to financial statement income include:[3]	• The reversal of equity or consolidation methods of accounting • The deduction of dividends included in financial statement income to the extent they are deducted for regular tax purposes • The inclusion of the corporation's share of partnership income, calculated in accordance with GAAP • The removal of book gains that result from certain charitable donations or that are deferred for tax purposes under certain rollover provisions of the *Income Tax Act* • Unrealized gains and losses included in accounting income and accounting gains arising from corporate reorganizations or the replacement of assets are exempt from CMT
CMT rate[4]	2.7% of CMT adjusted net income, less any CMT eligible losses, multiplied by the Ontario allocation factor
CMT payable	CMT in excess of the corporation's regular Ontario income tax liability
CMT eligible losses[5]	
Carry forward period	20 years
Carry back period	None
CMT paid in year[6]	
Carry forward period	20 years
Carry back period	None

Notes

(1) These thresholds apply for taxation years ending after June 30, 2010. For earlier taxation years the threshold amounts were $10 million and $5 million respectively, and only one of these thresholds had to be met. Religious organizations and investment, mutual fund, mortgage investment and deposit insurance corporations are exempt from CMT.

(2) By basing CMT on financial statement income, certain Ontario tax preference items are ignored such as capital cost allowance claims in excess of book depreciation, the untaxed portion of capital gains, non-taxable life insurance proceeds included in book income, and items deducted for tax purposes, but ignored for accounting purposes, such as capital gains reserves.

Notes, continued

By the same token, other expenses deducted for financial statement purposes are not required to be added back to income, such as warranty provisions, pension expenses, financing or share issue costs, and real estate soft costs required to be capitalized for income tax purposes.

(3) CMT is calculated based on financial statement income, therefore certain adjustments must be made in order to ensure that profits are taxable only in the corporation that earned them and are not double-counted. Adjustments include these shown in the table.

Unrealized gains and losses—For taxation years ending after March 22, 2007, unrealized gains or losses that are not included in computing income for income tax purposes are excluded for CMT purposes. However, if an election was filed by the corporation by February 23, 2008, this measure will also apply to taxation years beginning after June 30, 2004 and ending before March 23, 2007. Therefore, unrealized foreign exchange gains and losses which are related to assets that are not required to be included in income for tax, unrealized gains and losses on mark-to-market property for accounting and unrealized gains and losses under *CICA Handbook Part II* – Accounting Guideline, AcG-18, 'Investment Companies' are not included in income for CMT purposes. When these unrealized gains and losses are realized (i.e., as a result of the disposition of that property), they are included in CMT income. Unrealized foreign exchange gains and losses which are related to debt must still be included in CMT, even if they are not required to be included in income for income tax purposes.

However, unrealized gains and losses of financial institutions who are required to use the mark-to-market rules will continue to be included in CMT income because their unrealized gains and losses are required to be included in computing income for income tax purposes.

Accounting gains and losses—Effective March 22, 2007, accounting gains arising from corporate reorganizations or the replacement of assets are exempt from CMT. In addition, effective March 22, 2007, when a transferee disposes of a property that was acquired from a transferor that deferred the CMT gain, the transferee is no longer liable for CMT on that deferred gain.

The flow-through of a subsidiary's CMT losses to a parent corporation when a subsidiary amalgamates with or is wound up into its parent corporation has been repealed effective March 22, 2007 to prevent a corporation from obtaining a double deduction for losses.

(4) The 2.7% tax is effective for taxation years ending after June 30, 2010 and applies after deducting any CMT losses carried forward from previous years (see note (5)). This rate was 4% for taxation years ending before July 1, 2010.

(5) CMT losses (based on the corporation's book losses and adjusted in the same way as income) can be carried forward and applied to reduce CMT income in any of the subsequent 20 years for losses attributable to taxation years ending after March 22, 2007. Prior to this date, the carryforward period was 10 years. CMT losses cannot be carried back to offset a prior year's CMT income.

(6) For taxation years ending after March 22, 2007, net CMT paid may be carried forward and applied against a corporation's regular Ontario income tax liability in the subsequent 20 years to the extent that regular income tax (net of all credits) exceeds gross CMT in those years. Prior to this date, the carryforward period was 10 years. The carryforward period has also been extended to 20 years for CMT credits outstanding at the beginning of a corporation's first taxation year ending after 2008. There is no ability to carry back CMT paid to reduce a prior year's regular Ontario income tax liability.

If CMT applies in a year, it will form part of the corporation's instalment base for the following year.

Ontario Harmonization

Collection agreement

In 2006, the Ontario and federal governments signed a Memorandum of Understanding Agreement, under which the federal government will collect and administer Ontario's corporate tax system. This tax collection agreement allows Ontario corporations to make combined payments and file a single corporate tax return for taxation years ending after 2008. To facilitate this change, Ontario harmonized its corporate income tax base with the federal one. Under this federal/Ontario agreement, the Canada Revenue Agency (CRA) also administers Ontario's corporate capital tax and corporate minimum tax (CMT).

The CRA now provides the same services to corporations that pay Ontario corporate income tax that it currently provides for federal income tax. This includes the following functions:

- Payments processing
- Returns processing
- Audit
- Objections and appeals
- Collection of accounts receivable.

Transitional rules

Prior to the corporate tax harmonization, the federal and Ontario governments did not share a common corporate tax base. A corporate taxpayer could therefore have different tax attributes or balances for undepreciated capital cost allowance, cumulative eligible capital, donations carried forward, and unclaimed research and development (R&D) expenses and tax losses. Under the federal/Ontario agreement, corporations use federal tax attributes as the common tax base for taxation years ending after 2008. Without transitional rules, the use of federal tax attributes could cause Ontario corporations to understate or overstate their income tax liabilities.

As a first step in the transition, a corporation compared its federal tax attributes with its Ontario tax attributes at the transition time and addressed the difference according to the transitional rules. A corporation's transition time occurred on the first day of its taxation year that ends in 2009. Thus, depending on a corporation's year-end, the transition time could have occurred early in 2008.

Generally, a corporation's liability or relief under the transitional rules is determined using a temporary five-year tax credit or tax debit mechanism. This credit/debit is determined for each taxation year ending after 2008 and before 2014 by multiplying the Ontario excess/federal excess by the product of:

- The Ontario basic corporate income tax rate (proposed to remain at 11.5% until the end of the transition period)
- The percentage of the corporation's taxable income allocated to Ontario under federal rules
- The percentage that the number of days in the taxation year included in the corporation's "amortization period" is to the total number of days in the corporation's amortization period.

Generally, a corporation's amortization period starts at the beginning of a corporation's first taxation year ending after 2008 and ends five calendar years afterwards. Thus, the percentage will typically be 20% per annum.

A transitional credit is not refundable. If the transitional credit for a taxation year is not fully used, the unused portion can be carried forward only to subsequent taxation years in the amortization period.

Other corporate income tax issues

This collection agreement also resulted in some other changes to the current Ontario tax system. These changes include the following:

- Management fees—the add-back of certain management fees, rents, royalties and similar payments to non-residents of Canada was eliminated
- Ontario tax credit for R&D expenses—the Ontario deduction for the federal investment tax credit (ITC) that relates to Ontario R&D was replaced with a 4.5% non-refundable Ontario tax credit on R&D expenses incurred in Ontario.

Harmonization of other Ontario corporate taxes

Ontario capital tax—Under the federal/Ontario tax collection agreement, Ontario's capital tax base was harmonized with the federal Large Corporations Tax (LCT) base for taxation years ending after 2008. Ontario's capital tax for corporations other than financial institutions was eliminated on July 1, 2010.

Ontario's capital tax for financial institutions, which was generally harmonized with the LCT rules before the federal/Ontario tax collection agreement came into effect, was eliminated on July 1, 2010 for financial institutions other than life insurance corporations (see the table "Capital Tax Rates—Financial Institutions" and the related notes on pages 78 and 79).

Ontario CMT—The CRA also administers Ontario's CMT regime under the tax collection agreement for taxation years ending after 2008 (see the table "Ontario Corporate Minimum Tax (CMT)—At a Glance" and related notes on pages 94 and 95).

Provincial Income Tax Holidays

	Eligible Entities	Length of Holiday	Amounts not Taxed
Québec[1]	New corporation dedicated to the commercialization of intellectual property	Up to 10 years	Income attributable to an eligible commercialization business
Nova Scotia[2]	Eligible small corporations	First three years	Annual active business income up to the amount of the small business income threshold
Prince Edward Island[3,4]	Bioscience corporations	Up to 10 years	Annual provincial corporate income taxes will be rebated
	Aerospace corporations	Up to 20 years	Annual provincial corporate income taxes, sales taxes and property taxes will be rebated
Newfoundland and Labrador[5]	New or existing corporations that qualify as EDGE corporations	First 10 or 15 years, depending on location and year of designation, with taxes being phased in over the next five years	Income attributable to a new business or to the significant expansion of an existing business

Notes

(1) An eligible corporation is one that is incorporated after March 19, 2009 and before April 1, 2014. The eligible corporation must obtain a certificate from the ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE) for that eligible business and must begin to carry on an eligible commercialization business within 12 months of its incorporation.

The corporation can claim the tax holiday on the income from such business for a period of 10 years starting the day of its incorporation. If the corporation's taxation year includes the last day of its exemption period, the tax holiday must be prorated.

(2) Eligible small corporations in Nova Scotia must have their head office in the province. Other conditions that must be met include: not be associated with any other corporation, qualify for the federal small business deduction and pay at least 25% of their salaries and wages to employees resident in the province. Corporations must apply for this designation annually.

(3) Eligible companies in Prince Edward Island are those that have more than 10 employees and a $750,000 annual payroll. Companies must apply and be approved in order to be eligible to receive a tax holiday providing rebates for up to 10 years of provincial corporate income taxes.

(4) Eligible companies in Prince Edward Island are those that are established in Slemon Park, have more than 20 employees and a $500,000 annual payroll. Companies must be approved in order to be eligible to receive a tax holiday for up to 20 years through rebates of provincial corporate income tax, provincial sales tax and provincial real property tax on eligible expenditures.

(5) A corporation in Newfoundland and Labrador that wishes to be designated as an EDGE corporation (Economic Diversification and Growth Enterprise) must demonstrate that it has the potential to invest capital of at least $300,000 or incur incremental sales of at least $500,000 annually, and create and maintain at least 10 permanent jobs in the province.

EDGE corporations are also exempt from payroll taxes and are eligible to receive a rebate of 50% of any federal income tax paid, and a rebate of 100% of any provincial income tax and municipal taxes during their eligibility period.

Federal Income Tax Instalments

Type of Corporation	Thresholds	Payment Due Dates
General corporations[1]	$3,000	Monthly[2]
CCPCs		
Eligible[3]	3,000	Quarterly[2]
Other	3,000	Monthly[2]

Notes

(1) Corporations are required to pay monthly tax instalments during the year if their total taxes payable, under Parts I (Income Tax), VI (Tax on Capital of Financial Institutions), VI.1 (Tax on Corporations Paying Dividends on Taxable Preferred Shares) and XIII.1 (Additional Tax on Authorized Foreign Banks), prior to the deduction of current year refundable tax credits, for the current or preceding taxation year are more than $3,000. However, eligible Canadian-controlled private corporations (CCPCs) may pay quarterly tax instalments if certain criteria are met (see note (3)).

A new corporation is not required to make instalment payments in its first taxation year.

Instalments of tax under Part XII.3 (Tax on Investment Income of Life Insurers) are required if tax for the current or preceding taxation year is $3,000 or more. All other taxes imposed on corporations under the *Income Tax Act* are due on the corporation's balance-due day.

(2) If the taxation year-end is the last day of the month, instalment payments are due on or before the last day of each month or each quarter. Otherwise, the first instalment is due one month/quarter less a day from the first day of the corporation's taxation year and subsequent instalments are due on the same day of each of the following months/quarters.

For example, if a corporation had a year ending October 9, 2011, its instalments for its 2012 taxation year are due on the ninth day of each month (e.g., November 9, December 9, etc.)

If the payment due date falls on a Saturday, Sunday or public holiday, the payment is due by the next business day. Corporations are not required to segregate or identify the type of tax that is being paid (i.e., Parts I, VI, VI.1 or XIII.1 tax) as all payments are included in one corporate account.

A final tax payment based on the estimated balance of the tax liability for the year is due within two months after the end of the taxation year (called the balance due day). Certain CCPCs have three months in which to make their final tax payment (see the table "Filing and Payment Deadlines" and related notes on pages 104 and 105).

All federal tax instalments and final tax payments must be received by the Receiver General or processed by a Canadian financial institution on or before the due date. Payments are not considered received on the postmark date of first-class mail. Payments may possibly be made electronically over the internet (see www.cra-arc.gc.ca/esrvc-srvce/pymnts/bsnss/menu-eng.html). Late and deficient instalments are charged interest at the prescribed rate (see the table "Prescribed Interest Rates" on page 108).

Corporations are responsible for determining the amount of instalments needed. The CRA does not calculate instalment payments for corporations until their tax return has been assessed.

(3) Eligible CCPCs may pay quarterly tax instalments if the corporate has met all of the following conditions:

- Taxable income (on an associated basis) for either the current or previous year does not exceed $500,000
- A small business deduction claim was made in either the current or previous year
- Taxable capital employed in Canada (on an associated basis) does not exceed $10 million in either the current or previous year.
- Generally no compliance irregularities under the *Income Tax Act*, *Employment Insurance Act*, *Canada Pension Plan* or GST/HST section of the *Excise Tax Act* during the preceding 12 months exist.

Tax Instalment Choices	General Monthly Payments	Eligible CCPC Quarterly Payments
Current year estimate	1/12 on monthly due date[4,6]	¼ on quarterly due date[5,6]
Preceding year method	1/12 on monthly due date[4,6]	¼ on quarterly due date[5,6]
Second preceding year method	First 2 months based on second preceding year, and remaining 10 months based on prior year[4,6]	First payment based on second preceding year, and remaining three payments based on difference between instalment base and first payment[5,6]

(4) Corporations, other than eligible CCPCs, must calculate and pay monthly instalments for Parts I, VI, VI.1 and XIII.1 tax using one of the following three options:

- Option 1—1/12 of the estimated tax liability for the current year
- Option 2—1/12 of the preceding year's tax liability (first instalment base), or
- Option 3—1/12 of the second preceding year's tax liability (second instalment base) for the first two months, and for the remaining 10 months, 1/10 of the difference between the first instalment base and the total of the first two payments.

For all three options, a corporation must also include the tax liability associated with each applicable province and/or territory, other than Alberta and Québec (see "Provincial Income and Capital Tax Instalments" on pages 102 and 103). For Ontario, the federal and provincial governments signed a tax collection agreement under which the federal government collects and administers Ontario's corporate tax system (see "Ontario Harmonization" on pages 96 and 97). As a result, for tax years ending after 2008, corporations that have a permanent establishment in Ontario need to send combined Ontario and federal corporation tax payments to the Canada Revenue Agency (CRA). When calculating instalment payments for these years, the federal payments must also include Ontario corporate income and minimum taxes (see the table "Ontario Corporate Minimum Tax (CMT)—At a Glance" and related notes on pages 94 and 95). Ontario's capital tax liability was eliminated on July 1, 2010.

A special adjustment to the tax instalment base is required where at least one of the two preceding taxation years is a short fiscal year.

(5) Eligible CCPCs (discussed in note (3)) will calculate their quarterly instalments for Parts I, VI, VI.1 and XIII.1 tax using one of the following three options:

- Option 1—1/4 of the estimated tax liability for the current year
- Option 2—1/4 of the preceding year's tax liability (first instalment base), or
- Option 3—1/4 of the second preceding year's tax liability (second instalment base) for the first instalment, and for the remaining three payments, 1/3 of the difference between the first instalment base and the first payment.

See the comments in note (4) for the payment of provincial and/or territorial taxes.

A special adjustment to the tax instalment base is required where at least one of the two preceding taxation years is a short fiscal year

(6) Corporations may redirect tax instalments that have already been made to a different taxation year. It may also be possible to transfer amounts to another account of the corporation or to an account of a related corporation. However, a payment cannot be transferred after the taxation year has been assessed. Transferred payments will keep their original payment date for purposes of calculating interest charges.

Provincial Income and Capital Tax Instalments

Basis for instalments
Alberta and Québec are the only provinces that collect their own corporate income taxes.

Saskatchewan, Manitoba and Québec are the only provinces that collect their own corporate capital taxes.

Corporate taxpayers in the remaining provinces remit their income tax payments to the CRA as one payment. If the total provincial/territorial taxes for the current or preceding taxation year are more than $3,000, monthly tax instalments are required. Tax instalments for the provinces that do not collect their own corporate income and capital taxes are calculated using the same basis as that used for federal purposes (see the table "Federal Income Tax Instalments" and related notes on pages 100 and 101). Alberta and Québec also calculate their income tax instalments using this same basis, however, some differences do exist.

Alberta
Canadian-controlled private corporations (CCPCs) are exempt from making monthly tax instalment payments if, in either the current or preceding year, the Alberta small business deduction was claimed and taxable income did not exceed $500,000.

Monthly tax instalments are also not required if any corporation’s Alberta income tax liability for the current year or for the immediately preceding year is not greater than $2,000. In addition, new corporations (other than one formed by an amalgamation) are exempt from making instalment payments in their first taxation year.

Saskatchewan
Financial corporations must make monthly instalments equal to either 1/12 of the estimated tax liability for the current year or 1/12 of the second preceding year’s tax liability for the first three months and for the remaining nine months, 1/9 of the difference between the preceding year’s tax liability and the total of the first three instalments. Corporations subject to the resource surcharge (see the table "Capital Tax Rates—General Corporations" and related notes on page 77) must make monthly instalments equal to either 1/12 of the estimated tax liability for the current year or 1/12 of resource sales for the preceding year multiplied by the surcharge rate. New corporations must make monthly instalments equal to 75% of the estimated tax liability for that year, otherwise interest will be applied (a request to waive such interest may be applied for). If monthly instalments are $400 or less, a corporation is exempt from making monthly payments throughout the taxation year.

Manitoba
Financial institutions with capital tax payable in excess of $5,000 in the preceding year are required to make quarterly instalments equal to the lesser of 25% of the tax paid for the preceding year or 25% of the estimated tax payable for the current year. These instalments are due on or before the 15th day of the 3rd, 6th, 9th and 12th months after the beginning of the taxation year. If the corporation's capital tax liability is less than or equal to $5,000 in the preceding year, the corporation must make one instalment equal to their preceding year's capital tax liability on or before the last day of the third month following their year-end. New financial institutions with estimated current taxes payable in excess of $5,000 must remit quarterly instalments based on the estimated taxes for the year. Manitoba's capital tax for general corporations was eliminated after December 31, 2010.

Québec
Corporations with income and/or capital tax liabilities of $3,000 or less in the current year are exempt from making monthly instalment payments. Also, the frequency of instalment payments for CCPCs is reduced from monthly to quarterly, if certain conditions are met.

Listed financial institutions that are corporations must also make monthly instalments of the Québec compensatory tax (see the table "Québec Compensatory Tax for Listed Financial Institutions" and related notes on page 80).

Atlantic Provinces
Nova Scotia's capital taxes are essentially large corporation taxes. They are administered and collected by the CRA and follow the same instalment requirements as those in place for federal income tax purposes (see the table "Federal Income Tax Instalments" and related notes on pages 100 and 101).

Nova Scotia's capital taxes will be eliminated effective July 1, 2012 (see the table "Capital Tax Rates—General Corporations" and related notes on page 77).

Corporations subject to the financial corporation capital tax in New Brunswick, Nova Scotia and Prince Edward Island are required to make monthly instalments based on the current year's estimated capital tax liability. Instalments are due on or before the 20th day of each month.

Effective October 31, 2008, Newfoundland and Labrador's capital tax for financial institutions has been harmonized with the federal capital tax.

Filing and Payment Deadlines

	Filing Deadline	**Payment Deadline**
Federal Corporate income tax returns[1]	Returns are due within six months after year-end	The balance of taxes payable is due within two months after year-end For certain CCPCs, the deadline is extended to three months[2]
Alberta Corporate income tax returns	Returns are due (and must be received) within six months after year-end	The balance of taxes payable is due within two months after year-end For certain CCPCs, the deadline is extended to three months[3]
Québec Corporate income and capital tax returns	Returns are due within six months after year-end	The balance of taxes payable is due within two months after year-end The same applies to the balance of the compensatory tax[4]
Other provinces Capital tax returns	Returns are due within six months after year-end	The balance of taxes payable is due within six months after year-end[5]
Federal Notice of Objection[6]	Form T400A or equivalent letter must be filed within 90 days from the date of mailing of the Notice of Assessment or Reassessment	Large corporations must remit one-half of the disputed amount within 90 days of the date of mailing of the Notice of Assessment or Reassessment
Provincial Notice of Objection[7,8]	Prescribed form or equivalent letter must be filed within 90 days (30 days for Saskatchewan) from the date of mailing of the Notice of Assessment or Reassessment	Some provinces require the payment of the amount in dispute even though a Notice of Objection has been filed

Notes

(1) The Ontario and federal governments signed a tax collection agreement under which the federal government collects and administers Ontario's corporate tax system for taxation years ending after 2008 (see "Ontario Harmonization" on pages 96 and 97).

(2) For federal purposes, in order to qualify for the extension, the corporation must be a Canadian-controlled private corporation (CCPC) throughout the year, must have taxable income not exceeding the small business income threshold (see the table "Small Business Income Thresholds for 2012 to 2014" and the related notes on pages 66 and 67) on an associated group basis in the preceding year, and must claim the small business deduction in the current or the preceding year.

(3) For Alberta purposes, in order to qualify for the extension, the corporation must be a CCPC throughout the year and, in either the current or the preceding year, must have claimed the Alberta small business deduction and must have had taxable income of not more than $500,000. The extension is also available for CCPCs with a tax liability of $2,000 or less in either the current or the preceding year.

(4) Listed financial institutions that are corporations must complete Form CO-1159.2—*Calcul de la taxe compensatoire des institutions financières* and file it with their corporate income tax returns. Other listed financial institutions must include the compensatory tax on their Relevé 1 Summary. (see the table "Québec Compensatory Tax for Listed Financial Institutions" on page 80).

(5) Corporations that are subject to capital taxes in Nova Scotia must remit the balance of taxes payable within two months after year end (see the tables "Capital Tax Rates—General Corporations" and "Capital Tax Rates—Financial Institutions" and related notes on pages 77 to 79).

(6) A Notice of Objection filed by a large corporation must reasonably describe each issue to be decided, specify the relief sought, detail the amount of the change in any balance, and provide facts and reasons relied on for each issue. A corporation is treated as a large corporation if the total taxable capital employed in Canada of all related corporations at the end of the taxation year exceeds $10 million. Other corporations have the option of using Form T400A or simply writing a letter setting out the facts and reasons for the objection.

(7) For taxation years ending after 2008, Ontario corporations will be subject to the 90-day limit for Notices of Objection (not 180 days). Notices of Objection must be received by the Alberta Tax and Revenue Administration within 90 days.

(8) Some provinces require the use of a prescribed form, while others will accept a written statement detailing all pertinent facts and reasons. Most provinces follow the federal rules in respect of large corporations. Notices of objection must be received by the Alberta Tax and Revenue Administration within 90 days.

In Alberta, "large corporations" (as defined for federal purposes) must file Form AT97—*Notice of Objections*, for all objections including federal-parallel objections and which must include a full description of the issues to which it is objecting, the reasons for the objection and an estimate of the dollar amount in dispute for each issue. Where the federal and Alberta objections are for the same issue, corporations that are not considered "large corporations" may instead file a copy of only the federal objection with the Alberta Tax and Revenue Administration provided that it includes all information required on Form AT97. Supporting documents should be provided in all cases.

Payroll Source Deductions

Remittance requirements for new and regular remitters

New employers or employers with average monthly withholdings of Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums and employees' income tax of less than $15,000 in the second preceding calendar year must ensure that their source deductions are received by the 15th day of the month following the month in which the remuneration was paid. They may remit their payments either electronically, to a taxation centre or to a Canadian financial institution.

Remittance requirements for quarterly remitters

Small employers may remit their source deductions on a quarterly basis if they have average monthly withholding amounts of less than $3,000 in either the first or second preceding calendar year, and no compliance irregularities, outstanding GST/HST returns or T4 information returns in the preceding 12 months. Quarterly remittance periods end on March 31, June 30, September 30 and December 31. Remittances must be received by the 15th of the month following the end of each quarter. Remittances may be made either electronically, to a taxation centre or to a Canadian financial institution.

Remittance requirements for accelerated remitters

Threshold 1 remitters
Employers with average monthly withholding amounts between $15,000 and $50,000 in the second preceding calendar year must remit their source deductions in the following manner:

- For remuneration paid during the first 15 days of the month, remittances must be received by the 25th day of that same month.
- For remuneration paid during the balance of the month, remittances must be received by the 10th day of the following month.

Threshold 1 remitters may remit their payments either electronically, to a taxation centre or to a Canadian financial institution.

Threshold 2 remitters
Employers with average monthly withholding amounts of $50,000 or more in the second preceding calendar year must remit their source deductions four times a month. The remittances must be received by the third working day after the last day of the following periods:

- 1st to the 7th day of the month
- 8th to the 14th day of the month
- 15th to the 21st day of the month
- 22nd to the end of the month.

Threshold 2 remitters are not permitted to make their payments at a taxation centre. They must remit their source deductions either electronically or to a Canadian financial institution.

Remittance requirements for all remitters

If the due date for the remittance falls on a Saturday, Sunday or public holiday, the remittance is due on the next business day.

The source deductions of all associated corporations are combined to determine the range in which average monthly withholding amounts fall. If, for example, this amount is $15,000 or more, then all associated corporations will be considered accelerated remitters.

Income Tax Administration and Policy

3

Income Tax Administration and Policy

Prescribed Interest Rates

	Federal[1]			Alberta[2]	
	Base Rate	Tax Refunds	Tax Debts	Tax Refunds	Tax Debts
2011					
January to March	1.0	1.0/3.0	5.0	0.5	4.5
April to June	1.0	1.0/3.0	5.0	0.5	4.5
July to September	1.0	1.0/3.0	5.0	0.5	4.5
October to December	1.0	1.0/3.0	5.0	0.5	4.5
2012					
January to March	1.0	1.0/3.0	5.0	0.5	4.5
April to June	1.0	1.0/3.0	5.0	0.5	4.5

Notes

(1) The federal prescribed quarterly interest rate is calculated by taking the average yield of Government of Canada 90-day Treasury Bills (rounded to the next highest whole percentage point) sold during the first month of the immediately preceding quarter. This base rate applies to taxable benefits for employees and shareholders, low-interest loans and other related-party transactions.

The rate for tax refunds for non-corporate taxpayers is set at two percentage points higher than this calculated base rate. However, the rate payable to corporations for tax refunds is set at the calculated base rate for quarters that end after June 30, 2010.

The rate for tax debts is set at four percentage points higher than the calculated base rate and applies to all tax debts, penalties, insufficient instalments, and unpaid employee income tax, Canada Pension Plan contributions and Employment Insurance premiums. There was no change in the method used to calculate the rate for tax debts.

Interest charged on tax debts is not deductible in calculating taxable income. Interest received on tax refunds must be included in taxable income in the year received.

For any period of time where interest is calculated both on tax refunds and debts, the two amounts may be offset. Interest will be payable only on the net balance owing, with the rate of interest depending on whether there is a net overpayment or underpayment.

All provinces other than Alberta, Ontario (for taxation years ending before 2009) and Québec use these same rates for corporate income tax refunds and debts. They also apply to all provincial personal tax refunds and debts (except for Québec).

(2) Alberta's tax refund interest rates are based on a "reference rate," which is calculated as 50% of the federal base rate. This rate applies to all assessments and reassessments of any taxation year, including all prior years, issued after February 9, 2010. However, the method of calculating the rate applicable to tax debts is set at 3.5 percentage points higher than the federal reference rate. The rates indicated in the table apply to corporate income taxes.

	Ontario[3]		Québec[4]	
	Tax Refunds	Tax Debts	Tax Refunds	Tax Debts
2011				
January to March	0.0	6.0	1.25	6.0
April to June	0.0	6.0	1.25	6.0
July to September	0.0	6.0	1.50	6.0
October to December	0.0	6.0	1.50	6.0
2012				
January to March	0.0	6.0	1.50	6.0
April to June	0.0	6.0	1.50	6.0

(3) The rates indicated in the table apply to both corporate income and capital taxes for taxation years ending before 2009. For these taxation years, Ontario bases its interest rates on the average prime rate in effect on the 15th of the first month of the previous quarter, rounded to the nearest whole percentage point. The rate applicable to tax refunds is calculated at three percentage points lower than this base rate. The rate applicable to tax debts is set at three percentage points higher than this base rate. The base rate applies to amounts refunded to taxpayers whose tax issues, under the objections or appeals process, are resolved in the taxpayer’s favour.

The Ontario and federal governments have signed a tax collection agreement under which the federal government collects and administers Ontario’s corporate taxes for taxation years ending after 2008. As a result, for taxation years ending after 2008, Ontario’s prescribed interest rates for corporations are based on the federal legislation. See note (1).

(4) Québec determines the interest rate on tax refunds quarterly based on the rate applicable to Québec Savings Bonds on the first day of the third month of the preceding quarter. The rate for tax debts is based on the average of Canada’s prime rate as published by the Bank of Canada on the last Wednesday of each of the months included in the three-month period ending in the second month of the preceding quarter. The result is rounded off to the nearest whole number (with one-half being rounded down), and increased by 3%. The rates indicated in the table apply to personal income taxes, as well as corporate income and capital taxes. Québec also charges an additional 10% per year on underpaid instalments if less than 75% of the required amount (90% for corporations) is paid.

Prescribed Interest Rates—Continued

	B.C.[5]	Sask.[6]	Man.[7]	N.B.[8]
2011				
January to March	6.0	6.0	7.0	5.0
April to June	6.0	6.0	7.0	5.0
July to September	6.0	6.0	7.0	5.0
October to December	6.0	6.0	7.0	5.0
2012				
January to March	6.0	6.0	7.0	5.0
April to June	6.0	6.0	7.0	5.0

Notes, continued

(5) The British Columbia rates indicated in the table apply to underpaid capital taxes and are set under the province's *Financial Administration Act Regulations*. They are calculated based on the prime lending rate of the principal banker of the province in effect on the 15th of the month immediately preceding the quarter, plus 3%. Interest on overpaid capital taxes is set at prime less 2%.

(6) The Saskatchewan rates indicated in the table apply to underpaid capital taxes and are set under the province's *Revenue and Financial Services Act Regulations*. They are calculated based on the prime lending rate of the bank holding the province's consolidated fund in effect on June 15 and December 15 each year, plus 3%. Interest on overpaid capital taxes is set at prime.

(7) The Manitoba rates indicated in the table apply to underpaid capital taxes and are set by regulation under the provincial *Financial Administration Act*. They are calculated based on the prime lending rate of the principal banker to the province in effect on January 1 and July 1 each year, plus 4%.

	N.S.[8]	P.E.I.[9]	Nfld.[10]
2011			
January to March	5.0	1.5% per month	5.0
April to June	5.0	1.5% per month	5.0
July to September	5.0	1.5% per month	5.0
October to December	5.0	1.5% per month	5.0
2012			
January to March	5.0	1.5% per month	5.0
April to June	5.0	1.5% per month	5.0

(8) New Brunswick and Nova Scotia use the federal rates for both underpaid and overpaid capital taxes. The rates indicated in the table apply to underpaid capital taxes. For purposes of the New Brunswick *Financial Corporation Capital Tax Act* only, the interest rate on underpaid financial institutions capital tax is set at 1.06% per month or 13.5% per year, as determined under the province's *Revenue Administration Act Regulations*. Nova Scotia uses the federal rates for both underpaid and overpaid financial institutions capital tax.

(9) The Prince Edward Island rates indicated in the table apply to both underpaid and overpaid financial institutions capital taxes and are set under the province's *Revenue Administration Act Regulations*.

(10) The Newfoundland and Labrador rates indicated in the table apply to financial institutions' underpaid capital tax. For taxation years beginning prior to November 1, 2008, the rate applicable to financial institutions' underpaid capital taxes is 1.2% per month as set under the province's *Regulations* to the *Financial Corporations Capital Tax Act*. The rate applicable to financial institutions' overpaid capital taxes is set at 0.7% per month.

Prescribed Interest Rates for Leasing Rules

	2010	2011	2012
January	4.84%	4.60%	3.61%
February	5.08	4.51	3.42
March	4.92	4.71	3.55
April	4.98	4.69	3.48
May	4.99	4.66	3.56
June	4.99	4.67	3.55
July	4.58	4.41	
August	4.59	4.47	
September	4.71	4.28	
October	4.39	4.00	
November	4.25	3.74	
December	4.38	3.91	

Notes

- The Canada Revenue Agency (CRA) has established prescribed interest rates, under Regulation 4302, to determine and limit both the amount of capital cost allowance that a lessor may claim in respect of "specified leasing property" and the interest portion of payments by a lessee. The rate for these purposes, in any month, is one percentage point greater than the long-term Government of Canada bond rate for the last Wednesday of the month before the preceding month.
- This information is available on the CRA's web site at www.cra-arc.gc.ca.

Capital Cost Allowance[1] **Asset**	**Class**	**Rate**
Advertising signs[2]	8	20%
Aircraft	9	25
Asphalt surfaces (includes roads, sidewalks, airplane runways, parking areas, storage areas)	17	8
Automobiles:		
Acquired for renting or leasing[3]	16	40
Passenger vehicles costing more than $30,000[4]	10.1	30
Other automobiles and automotive equipment	10	30
Boats and ships	7	15
Bridges	1	4
Broadcasting equipment	8	20
Buildings (including component parts):		
Brick, concrete, stone, other[5]	1/1a/1b	4/10/6
Multiple-unit residential[6]	31/32	5/10
Farm, used for storage (some)	8	20
Frame, log, stucco, galvanized or corrugated metal:		
Used in farming or fishing	6	10
Without footings below ground	6	10
China, cutlery and linen	12	100
Computer software (excluding systems software)	12	100
Computer hardware and systems software:		
General purpose electronic data processing equipment[7]	50/52	55/100
Data network infrastructure equipment	46	30
Contractor's movable equipment:		
General, used in construction business	10	30
Power-operated, earth-moving[2]	38	30

Notes

(1) The table serves only as a guide. Note that capital cost allowance (CCA) classes may vary depending on the acquisition date of the asset. Reference should be made to the *Income Tax Regulations*, including draft amendments, for complete information on classification of assets and CCA rates. Unless otherwise prescribed by the *Income Tax Regulations*, all rates are on a declining-balance basis and are subject to the half-year rule. For a taxation year that is less than 365 days, the rates must be prorated for the number of days in the taxation year.

(2) The taxpayer may elect to place these assets in a separate class for CCA purposes. A letter, listing the assets being included in a separate class, must be attached to the income tax return in the year of purchase. If the property is an advertising sign, it must be for outdoor purposes in order to be eligible for the election.

(3) The owner may not rent or lease the automobile to any one person for more than 30 days in the year.

Tax Depreciation and Amortization—Continued

Capital Cost Allowance[1] Asset	Class	Rate
Dams	1	4%
Dies, moulds, jigs, patterns or lasts	12	100
Electrical distributing equipment	47	8
Electrical generating equipment[8]	43.1/43.2	30/50
Fences	6	10
Franchises, patents and licences for a limited life[9]	14	
Furniture and fixtures—office and general[10]	8	20
Gas or oil well equipment:		
Liquefied natural gas facilities	47	8
Natural gas distribution pipelines[11]	51	6
Transmission pipelines and related equipment[2]	49	8
Well equipment	41	25
Greenhouses:		
Rigid frame with plastic covers	8	20
Other	6	10
Leasehold improvements[12]	13	
Motion picture films or videotapes:		
Film and video productions (other than certified films)[6]	10	30
Television commercials	12	100
Videotape cassettes for renting	12	100
Other	10	30
Patents or use of patents[9]	44	25

Notes, continued

(4) The threshold amount of $30,000 is before GST/HST/PST. Each passenger vehicle is allocated to a separate Class 10.1. A Class 10.1 vehicle is not subject to the recapture and terminal loss rules, but is subject to a special half-year CCA rule in the year of disposition (see the table "Automobiles—Deductions and Benefits" and related notes on pages 38 to 41 for more information).

(5) The CCA rate increased from 4% to 10% for eligible non-residential buildings used in manufacturing and processing in Canada if acquired after March 18, 2007 (Class 1a). The CCA rate for other eligible non-residential buildings increased from 4% to 6% if acquired after this date (Class 1b). If buildings are eligible for this increased CCA rate, a taxpayer must elect to place the building into a separate class, otherwise the previous 4% CCA rate (Class 1) will apply.

(6) Assets in this class are prescribed to be in a separate class. However, for assets placed in Class 31 or Class 32, the cost of the assets must be $50,000 or more.

(7) For eligible computers and software acquired after January 27, 2009 and before February 2011, taxpayers can claim a temporary 100% CCA rate. These assets should be included in Class 52 instead of Class 50. The half-year rule does not apply to these assets.

Capital Cost Allowance[1] **Asset**	**Class**	**Rate**
Plant and equipment:		
Mining and resource extraction	41	25%
Cutting or shaping part in a machine	12	100
General machinery and equipment	8	20
Used in manufacturing and processing[10,13]	43/29	30/50
Power-operated earth-moving equipment[2]	38	30
Refrigeration equipment	8	20
Renewable energy generation equipment[8]	43.1/43.2	30/50
Solar heating equipment[8]	43.1/43.2	30/50
Swimming pools	6	10
Tangible capital property not included elsewhere	8	20
Taxi cabs	16	40
Telephone, telegraph or data communication equipment:		
Cellular[10]	8	20
Wires, poles, fibre-optic cables etc.	42	12
Switching equipment (electronic)	8	20
Switching equipment (non-electronic)	17	8
Telecommunication spacecraft[6]	10	30
Tools:[14]		
Under $500	12	100
Over $500	8	20
Tractors, trucks:		
General	10	30
For hauling freight	16	40
Trailers	10	30
Uniforms	12	100

(8) In general, in order to qualify for Class 43.2, an eligible asset must be acquired after February 22, 2005 and before 2020. If the eligible asset is acquired before or after these dates, the purchase is placed in Class 43.1. The definition of eligible assets includes certain assets used to produce clean energy through emerging technologies. The definition was expanded to include heat recovery equipment used in a broader range of applications for assets acquired on or after March 4, 2010.

Class 43.1 and Class 43.2 also include specified thermal energy distribution equipment that is part of a district energy system used by the taxpayer to provide district heating or cooling through the use of specified renewable energy technologies. These assets must be acquired on or after March 4, 2010 and must not have been previously used or acquired for use.

Tax Depreciation and Amortization

Notes, continued

Class 43.2 includes equipment that is used to generate electrical energy in a process in which all or substantially all of the energy input is from waste heat. These assets must have been acquired on or after March 22, 2011 and must not have been previously used or acquired for use. The removal of certain restrictions on waste-fuelled thermal energy equipment initially acquired and used after March 28, 2012 was proposed in the 2012 federal budget.

(9) Limited-life franchises, patents and licences are written off over their effective life, and are not subject to the half-year rule. This does not include a licence to use computer software. Patents, or a right to use patented information, (for a limited or unlimited period) acquired after April 26, 1993 will only be included in Class 14 if the taxpayer elects not to include them in Class 44 (which has a 25% CCA rate).

(10) Taxpayers may elect to place eligible property in a separate class for CCA purposes. Eligible property includes M&P equipment that would otherwise be included in Class 43, as well as computer software, photocopiers, and certain electronic communications equipment such as facsimile transmission devices and telephone and related ancillary equipment that would otherwise be included in Class 8, where the cost for each such eligible property is at least $1,000.

(11) Class 51 is used for natural gas distribution pipelines that were purchased and first used after March 18, 2007. Distribution pipelines purchased before March 19, 2007 were generally placed in Class 1 (which has a 4% rate).

(12) Leasehold improvements are written off over the life of the lease and are not subject to the half-year rule. Subject to a maximum deduction of 20% of the capital cost in any one year, the annual allowance may not exceed the lesser of:

- The undepreciated capital cost of Class 13, and
- The original capital cost of the leasehold improvement divided by the number of 12-month periods in the life of the lease (including the first renewal period), but not exceeding 40 such periods in total.

(13) Eligible manufacturing and processing equipment purchased after March 18, 2007 and before 2014 should be included in Class 29 instead of Class 43. Acquisitions made during this period will have a CCA rate using the straight-line method as follows: up to 25% in the first year, 50% in the second year, and the remaining 25% in a third year.

(14) The limit increased from $200 to $500 for tools acquired after May 1, 2006. The half-year rule does not apply. The description of tools excludes electronic communication devices and electronic data processing equipment.

Cumulative eligible capital (CEC) amortization

Eligible capital property is intangible capital property, the cost of which neither qualifies for capital cost allowance nor is deductible as a current expense. Common eligible capital expenditures (ECE) include goodwill, customer lists, trademarks, government licences and quotas, certain patents, franchises, concessions or licences, initiation or admission fees, expenses of incorporation, reorganization or amalgamation and certain appraisal costs.

When an eligible property is acquired, 75% of its original cost is added to the CEC pool. The pool is then amortized at a rate of 7% annually on a declining balance basis. The amortization claim must be prorated for short taxation years.

When an eligible property is sold, 75% of the proceeds are deducted from the CEC pool. Where such a disposition results in a negative pool balance at the end of the year, all or a portion of the negative balance must be included in income. The portion of the negative pool balance that relates to previously-claimed amortization is fully included in income. The portion that represents a capital gain on the disposition is adjusted so that the taxpayer has an income inclusion equal to 50% of the capital gain.

For dispositions of certain types of ECE, taxpayers may elect to remove a particular asset from the CEC pool balance at its original cost and instead recognize the capital gain that arises on its disposition as if it were an ordinary non-depreciable capital asset. This election may be used only to recognize gains, not losses, and is not available for goodwill and other types of property with an undeterminable original cost.

See Interpretation Bulletins IT-123R6, IT-386R and IT-143R3 for further information.

Tax shield formulas

The following formulas calculate the present value of the future tax benefit from the additional tax basis that would be available by purchasing assets rather than shares:

(a) ECE and capital cost allowance (CCA), no half-year rule

$$\frac{C \times TR \times DR}{DR + i}$$

(b) CCA, half-year rule

$$\frac{C \times TR \times DR}{DR + i} \times \frac{1 + i/2}{1 + i}$$

where:

C = cost of asset, 75% of ECE

TR = tax rate

DR = CCA/amortization rate

i = interest factor

Other Selected Federal Filing Deadlines

Type of Return	Filing Deadline
Payer Information Returns (T4, T4A, T4A-NR, T5)	• On or before the last day of February following the calendar year to which the information slips apply • If the business or activity has been discontinued, no later than 30 days after the discontinuance
Trust Income Tax and Information Return[1] (Federal T3 and Québec TP-646-V), including related slips and summaries	• Within 90 days of trust's year-end • 90 days after a testamentary trust's wind-up or discontinuance
Partnership Information Return[2] (T5013), including related schedules	• Where all members are corporations (excluding professional corporations), no later than five months from the end of the partnership's fiscal period • Where all members are individuals (including trusts), professional corporations, or a combination thereof, no later than March 31 of the calendar year following the year in which the partnership's fiscal period ended • Where the partnership is a tax shelter, no later than March 31 of the calendar year following the year in which the partnership's fiscal period ended • In any other case, the earlier of these two dates • If the business or activity of the partnership has been discontinued, the earlier of 90 days after the discontinuance or the date that the partnership would otherwise have to file
Non-profit Organization Information Return (T1044)	Within six months of NPO's year-end
Tax Shelter Information Return (T5003)	• On or before the last day of February of the year following the year in which any tax-sheltered interests were sold by the promoter to an investor • If the tax shelter business or activity has been discontinued, no later than 30 days after the discontinuance

Notes

(1) The tax year-end of an inter vivos trust is December 31, except for a mutual fund trust that elects to have a December 15 year-end. The tax year-end of a testamentary trust must end within 12 months of the day the person dies. A public trust is also required to disclose certain information in prescribed form by the following filing deadlines: within 60 days after the end of the taxation year, or where the public trust is, at any time in the taxation year, a public investment trust, within 67 days after the end of the calendar year in which the taxation year ends.

Type of Return	Filing Deadline
NR4 Information Return—Amounts Paid or Credited to Non-residents of Canada	On or before March 31 or within 90 days after the end of the estate's or trust's year-end If the business or activity has been discontinued, no later than 30 days after the discontinuance
T1159—Income Tax Return for Electing under Section 216	• If Form NR6—*Undertaking to File an Income Tax Return by a Non-resident Receiving Rent from Real Property or Receiving a Timber Royalty* has been filed and approved, by June 30 of the calendar year following that year • If the non-resident taxpayer disposed of the rental property during the year for which capital cost allowance (CCA) had previously been claimed and recapture of the CCA is being claimed in that year, by April 30 of the calendar year following that year (even if Form NR6 has been approved) • In any other case, within two years of the non-resident taxpayer's year-end
T106—Information Return of Non-arm's Length Transactions with Non-residents	Same filing due date as taxpayer's income tax return
Schedule 91 - Information Concerning Claims for Treaty-based Exemptions	Same filing due date as taxpayer's income tax return
Schedule 97 - Additional information on Non-Resident Corporations in Canada	Same filing due date as taxpayer's income tax return
T1134-A—Information Return Relating to Foreign Affiliates that are not Controlled Foreign Affiliates T1134-B—Information Return Relating to Controlled Foreign Affiliates	Within 15 months of taxpayer's year-end
T1135—Foreign Income Verification Statement	Same filing due date as taxpayer's income tax return
T1141—Information Return in Respect of Transfers or Loans to a Non-resident Trust T1142—Information Return in Respect of Distributions from and Indebtedness to a Non-resident Trust	Same filing due date as taxpayer's income tax return

(2) Every member of a partnership that is, at any time in the fiscal period, a public partnership is also required to disclose certain information in prescribed form by the following filing deadlines: the earlier of 60 days after the end of the calendar year in which the fiscal period ends and four months after the end of the fiscal period, or where the public partnership is, at any time in the fiscal period, a public investment partnership, within 67 days after the end of the calendar year in which the fiscal period ends.

Selected Federal Penalty and Offence Provisions

Description	Penalty/Offence
Failure and repeated failure to file income tax returns	First occurrence—5% plus 1% per complete month while failure continues (not exceeding 12 months) of unpaid tax Second occurrence—10% plus 2% per complete month while failure continues (not exceeding 20 months) of unpaid tax[1]
Failure to file a return or to comply with certain provisions of the *Income Tax Act*	On summary conviction, fine between $1,000 and $25,000, or both the fine and imprisonment for a term not exceeding 12 months
Failure to file certain information returns	Greater of $100 and $25 per day, to a maximum of 100 days[2]
Failure to file foreign-based information returns	Up to 24 months—$500[3] per month less any penalty imposed for failure to file an information return as indicated above Over 24 months—an additional penalty equal to 5% of certain property amounts less any penalty imposed above or for failure to file an information return
Failure to provide information on prescribed forms	$100 for every occurrence (includes failure to disclose Social Insurance Number)[4]
Failure to file in a proper manner	$25 for each failure for an individual; $100 for each failure made by a corporation[5]
Failure to report income in year and in any of three preceding years	10% of amount not reported[6]
False statements or omissions	Greater of $100 and 50% of the tax payable on understatement of income
False statements or omissions on foreign-based information returns	Greater of $24,000 and 5% of certain property amounts[7]

See the notes on pages 122 and 123.

Description	Penalty/Offence
Late or deficient instalment payments	50% of the interest payable on instalments for the year in excess of $1,000, or 25% of interest payable computed as if no instalments had been made, whichever is greater
Failure to deduct or withhold tax	First occurrence—10% of amount not deducted or withheld[8] Second occurrence—20% of amount not deducted or withheld[9]
False information on tax shelter application or sale of tax shelter before number is issued	Greater of $500 and 25% of cost of shelters sold prior to the correct information being filed or issuance of identification number[10]
Wilfully providing incorrect tax shelter identification number	On summary conviction, fine from 100% to 200% of cost of tax shelter, imprisonment for up to two years, or both
Tax evasion	• On summary conviction, fine from 50% to 200% of tax sought to be evaded, or both the fine and imprisonment for up to two years • On indictment, fine from 100% to 200% of tax sought to be evaded and imprisonment for up to five years
Third-party participation in a misrepresentation	Greater of $1,000 and penalty levied for a false statement or omission, capped at a total of $100,000 plus third-party's compensation
Third-party misrepresentation in tax planning arrangements	Greater of $1,000 and 100% of the gross revenue derived from the arrangement if the arrangement is in respect of a planning or valuation activity

Selected Federal Penalty and Offence Provisions

Notes

(1) This penalty applies only where the taxpayer has been subject to the "first occurrence" penalty within the three preceding taxation years and a demand for the income tax return has been made by the Canada Revenue Agency (CRA).

(2) In respect of the Partnership Information Return, where there has previously been a "first-occurrence" penalty within the three preceding taxation years and a demand for the return has been made by the CRA, an additional penalty of $100 per partner is levied for each month or partial month (not exceeding 24 months) that the failure continues. The 2012 federal budget proposed a new penalty for failure to file a tax shelter information return equal to 25% of the greater of cost of shelters sold prior to date that the demand for the return was made by the CRA and the total value that an investor in the tax shelter could donate under a gifting arrangement (as defined in the Income Tax Act). This proposed penalty will apply to demands made and information returns filed after the date the proposed legislation is enacted.

(3) These penalties are imposed where a taxpayer knowingly, or under circumstances amounting to gross negligence, fails to file certain information returns (i.e., Forms T106, T1134-A, T1134-B, T1135, T1141, and T1142, as discussed in the table "Other Filing Deadlines" on page 119). Where the taxpayer fails, knowingly or under circumstances amounting to gross negligence, to comply with a demand made by the CRA to file a foreign-based information return, the penalty is increased to $1,000 per month to a maximum of 24 months.

(4) This penalty is not applicable where a reasonable attempt was made to obtain the outstanding information, or where a Social Insurance Number was applied but not received at the time the return was filed. The 2012 federal budget proposed a new penalty for failure to provide tax shelter information equal to 25% of the greater of cost of shelters sold prior to date that the demand for the return was made by the CRA and the total value that an investor in the tax shelter could donate under a gifting arrangement (as defined in the Income Tax Act). This proposed penalty will apply to demands made and information returns filed after the date the proposed legislation is enacted.

(5) This new penalty has been proposed for tax preparers who are paid to prepare more than 10 income tax returns (for either corporations or individuals) who do not file such tax returns with the Canadian Revenue Agency in electronic format.

(6) This penalty does not apply if the penalty for false statements or omissions has been levied.

(7) For T1142 information returns, the penalty is the greater of $2,500 and 5% of certain property amounts. For T106 information returns, the penalty is $24,000 (see the table "Other Filing Deadlines" on page 119).

(8) Late employer payroll remittances are subject to the following penalties: 3% for remittances that are less than four days late, 5% for remittances that are four or five days late, 7% for remittances that are six or seven days late and 10% for remittances that are more than seven days late. Late employer payroll remittances are also subject to a 20% "second occurrence" penalty (see note (9) below).

(9) The penalty for a "second occurrence" is imposed where a taxpayer is subject to a "first-occurrence" penalty in the same calendar year and the failure was made knowingly or under circumstances amounting to gross negligence.

(10) The 2012 federal budget proposes amending this penalty to the greater of $500 and 25% of the greater of the cost of shelters sold prior to the correct information being filed or an identification number being issued and the total value of property that a participant in the tax shelter can transfer to a donee. This penalty will apply to tax shelter sales and identification number applications made after the date the proposed legislation is enacted.

Selected Provincial Penalty Provisions

Province	Description	Penalty
British Columbia[1]	Failure to file returns and to pay tax when due	10% of the unpaid tax
	Late or deficient instalment payments	10% of shortfall in instalments
Alberta[2]	Failure to file returns	5% plus 1% per complete month while failure continues (not exceeding 12 months) of unpaid tax
	Late or deficient instalment payments	50% of the interest payable on instalments for the year in excess of the greater of $1,000 and 25% of interest payable computed as if no instalments had been made
	Failure to report errors in returns, or receipt of a federal or other provincial assessments and reassessments to Alberta within 90 days of discovery or mailing, respectively	5% of incremental tax owing on the 90th day plus 1% per complete month while failure continues (not exceeding 12 months) plus loss of right to appeal for an arrears interest waiver
Saskatchewan[1]	Failure to file returns and to pay tax when due, and late or deficient instalment payments	First occurrence—fine of up to $1,000
		Second occurrence—fine of up to $5,000, imprisonment for up to three months, or both
		Additional fine equal to amount of tax owing

See the notes on page 126.

Province	Description	Penalty
Manitoba[1]	Failure to file returns	Maximum of $200 per day while failure continues
	Failure to pay tax when due	10% of unpaid tax at the time payment was required
Ontario[3]	Failure and repeated failure to file returns	• First occurrence—5% plus 1% per complete month while failure continues (not exceeding 12 months) of unpaid tax • Second occurrence—10% plus 2% per complete month while failure continues (not exceeding 20 months) of unpaid tax
Québec[4]	Failure to file returns	5% plus 1% per complete month while failure continues (not exceeding 12 months) of the unpaid tax
	Late or deficient instalment payments	Additional interest charge of 10% per year on any unpaid amount
New Brunswick[1]	None prescribed	
Nova Scotia[1,5]	Failure to file returns	Maximum of $100 per day while failure continues
	False or misleading statements, or tax evasion	$1,000 plus twice the amount of tax evaded, plus $1,000 per day that the offence continues
Prince Edward Island[6]	Failure to file returns	Minimum of $100 for each return not filed
	False statements	Between $250 and $5,000
	Failure to pay tax	5% of tax payable (if tax payable is less than $5,000), or $250 of tax payable in any other case
Newfoundland and Labrador[7]	None prescribed	

Selected Provincial Penalty Provisions

Notes

(1) The penalties indicated in the table apply to the province's capital tax legislation, which requires the filing of a separate return. Penalties for personal and corporate income tax returns and payments that are the same as those that apply federally are listed below (see the table "Selected Federal Penalty and Offence Provisions" and the related notes on pages 120 to 123):

- Failure and repeated failure to file returns
- Failure to file certain information returns
- Failure to provide information on prescribed forms
- Failure to report income in the year and in any of the three preceding years
- False statements or omissions, and
- Late or deficient instalment payments.

British Columbia also has third-party penalties similar to those that apply federally. The province eliminated its financial institution's capital tax on April 1, 2010.

For more details, see the tables "Capital Tax Rates—General Corporations" and "Capital Tax Rates—Financial Institutions" and the related notes on pages 77 to 79.

(2) These penalties apply to Alberta's corporate tax legislation. Penalties under the province's personal income tax legislation are the same as those that apply federally.

(3) These penalties, which apply to both Ontario's corporate and personal tax legislation, are the same as those that apply federally.

(4) These penalties apply to Québec's personal and corporate tax legislation.

(5) These penalties apply for purposes of Nova Scotia's financial corporations capital tax. For a failure to comply with a demand from the Minister, the penalty is a maximum of $200 for each day that the failure continues.

(6) These penalties apply to Prince Edward Island's financial corporations capital tax legislation.

(7) Newfoundland and Labrador's *Financial Corporations Capital Tax Act* has been repealed and is now included in the province's *Income Tax Act, 2000*. For taxation years beginning after October 31, 2008, the Canada Revenue Agency administers the province's financial institutions capital tax, which is subject to penalties that are similar to those that apply federally such as failure and repeated failure to file returns, and late or deficient instalments (see the table "Selected Federal Penalty and Offence Provisions" and the related notes on pages 120 to 123).Certain other penalties apply to financial institutions with taxation years beginning prior to November 1, 2008.

Other Taxes and Levies

Provincial Payroll and Health Fund Taxes[1]

	Manitoba Health and Post-Secondary Education Tax	Ontario Employer Health Tax
Tax rate	2.15%[3]	1.95%
Exempt remuneration[5]	$1,250,000[3]	$400,000
Instalment period	Monthly[7]	Monthly[8]
Annual filing deadline	March 31	March 15
Assessment period	6 years	4 years
Refund period	2 years	4 years
Appeal deadline[12]	90 days	180 days

Notes

(1) Payroll, in general, includes all payments, benefits and allowances included in computing employment income under the Income Tax Act. Payroll may also be deemed to include such payments made by associated employers.

(2) In addition to the Health Services Fund (HSF), Québec also levies a Manpower Training Tax. Employers whose payroll exceeds $1 million must allot at least 1% of their payroll to eligible training expenditures. Employers whose eligible training expenditures are lower than the minimum required participation must make a contribution equal to the difference between the two amounts. The employer must remit this contribution by the last day of February of the following year.

Most Québec employers also have a requirement to contribute to the financing of the Commission des normes du travail. For 2012, remuneration of up to $66,000 paid to an employee is subject to a contribution rate of 0.08%. The employer must remit this contribution by the last day of February in the following year.

(3) Employers with annual payroll over $2.5 million are subject to the 2.15% rate with no exemption amount. Annual payroll of $1.25 million or less is exempt from tax. Annual payroll between $1.25 million and $2.5 million is subject to a rate of 4.3% of the amount in excess of $1.25 million.

(4) Employers with annual payroll over $5 million are subject to the 4.26% rate. Employers are entitled to a gradual reduction in the contribution rate if their total annual payroll is less than $5 million. The contribution rate for payroll between $1 million and $5 million is calculated using the formula [2.31 + (0.39 × total payroll/$1 million)]. If annual payroll is less than $1 million, the rate is 2.7%.

(5) Each province has specific eligibility criteria to obtain the exemption. In most cases, the exemption must be prorated among associated corporations and certain corporate partnerships.

	Québec Health Services Fund[2]	**Newfoundland Health and Post-Secondary Education Tax**
Tax rate	4.26%[4]	2.00%
Exempt remuneration[5]	—	$1,200,000[6]
Instalment period	Monthly[9]	Monthly[10]
Annual filing deadline	February 28	February 28
Assessment period	4 years	4 years[11]
Refund period	4 years	3 years
Appeal deadline[12]	90 days	60 days

(6) The $1,200,000 exemption applies to all employees effective January 1, 2011. Prior to this date, there was a $1 million exemption to all employees, during January 1, 2008 through December 31, 2010. Prior to January 1, 2008, there was a $500,000 exemption that applied to employers with annual payroll in excess of $700,000. Employers with annual payroll of less than $600,000 were exempt from tax. For annual payroll between $600,000 and $700,000, the exemption was gradually reduced from $600,000 down to $500,000. Monthly instalments and returns are due on the 15th of the month following the month in which the remuneration is paid.

(7) Monthly instalments and returns are due on the 15th of the month following the month in which the remuneration is paid.

(8) Monthly instalments and returns are due on the 15th of the month following the month in which the remuneration is paid. Employers with annual payroll of $600,000 or less are not required to make instalments. Instead, they must remit the tax once a year along with their annual return.

(9) Monthly instalments and returns are due on the 15th of the month following the month in which the remuneration is paid. However, the frequency of instalments will depend upon an employer's average monthly remittances of income tax, Québec Pension Plan contributions and HSF.

(10) Monthly instalments and returns are due on the 20th of the month following the month in which the remuneration is paid.

(11) If the employer is not registered for this tax, the assessment period could be extended to six years.

(12) The appeal deadline generally starts on the date of mailing of the Notice of Assessment.

Workers' Compensation[1]

	Maximum Assessable Earnings[2]	Minimum Yearly Assessment	Lowest Assessment Rate[3]	Highest Assessment Rate[3]	Average Assessment Rate[3]
British Columbia	$73,700	$ 0	$0.09	$12.02	$1.54
Alberta	86,700	200	0.20	6.54	1.22
Saskatchewan	55,000	100	0.18	3.64	1.60
Manitoba	104,000[4]	100[5]	0.14	37.08	1.50
Ontario	81,700	100	0.21	17.86	2.40
Québec	66,000	65	0.59	19.12	2.13
New Brunswick	58,100	100	0.28	6.50	1.70
Nova Scotia	53,900	0	0.60	10.18	2.65
Prince Edward Island	49,300	50–100[6]	0.34	16.27	1.99
Newfoundland and Labrador	52,885	50	0.58	28.50	2.75

Notes

(1) Each province in Canada has a system of workers' compensation that provides insurance for workers who sustain an injury by accident arising out of and in the course of their work. In return for this insurance, the worker gives up the right to sue the employer for benefits and costs associated with a work-related claim. While the general principles of the system are consistent across all the provinces, each jurisdiction is governed by its own Act and/or Regulations and has its own board or commission to administer the legislation.

While most employers are required to register and pay premiums to the provincial authority in which they have workers, not every province requires all employers to register. Therefore, it is important to understand the registration obligations for the province in which workers are hired.

(2) "Maximum Assessable Earnings" is the maximum annual amount of earnings that is used to compute each worker's payroll for assessment purposes.

	Number of Rate Groups/Units	All Employers and Workers		
		Covered	Covered Unless Excluded	Covered Only if Included
British Columbia	67		✓	
Alberta	110		✓	
Saskatchewan	50		✓	
Manitoba	63		✓	
Ontario	154			✓
Québec	184	✓		
New Brunswick	86		✓	
Nova Scotia	48			✓
Prince Edward Island	20		✓	
Newfoundland and Labrador	77		✓	

(3) The assessment rate is the rate per $100 of assessable earnings. The guidelines for determining assessable earnings vary among provinces. The above rates are standard rates and do not reflect any merit/demerit adjustments under the various provincial experience rating programs.

(4) Employers in Manitoba only report a worker's earnings up to the maximum assessable amount of $96,000. However, an injured worker will receive wage loss benefits based on 90% of their net earnings, with no cap on wage loss benefits.

(5) Compulsory industries in Manitoba pay $100. Forestry, mines, quarries, oil wells, storage, manufacturing, construction, transportation, communications, trade, service and public administration industries are all considered to be compulsory industries. Non-compulsory industries pay a minimum of $150.

(6) Resident employers in Prince Edward Island pay a minimum of $50. Non-resident employers pay a maximum of $100.

Provincial Land Transfer Taxes and Registration Fees

	Legislation	Property Value	Rate of Tax or Fee[1]
British Columbia[2]	Property Transfer Tax Act	Up to $200,000	1.0%
		Over 200,000	2.0
Alberta[3]	Land Titles Act	All values	$50 + 0.02%
Saskatchewan[3]	Land Titles Act	Up to $500	—
		501–8,400	$25
		Over 8,400	0.3%
Manitoba[4]	Tax Administration and Miscellaneous Taxes Act	Up to $30,000	$70
		30,001–90,000	0.5%
		90,001–150,000	1.0
		150,001–200,000	1.5
		Over 200,000	2.0
Ontario[5]	Land Transfer Tax Act	*General*	
		Up to $55,000	0.5%
		55,001–250,000	1.0
		Over 250,000	1.5
		Single Family Residence(s)	
		Up to $55,000	0.5%
		55,001–250,000	1.0
		250,001–400,000	1.5
		Over 400,000	2.0

See the notes on pages 134 and 135.

	Legislation	Property Value	Rate of Tax or Fee[1]
Ontario—City of Toronto[6]	Toronto Municipal Code Taxation, Municipal Land Transfer Tax	*General*	
		Up to $55,000	0.5%
		55,001–400,000	1.0
		400,001–40,000,000	1.5
		Over 40,000,000	1.0
		Single Family Residence(s)	
		Up to $55,000	0.5%
		55,001–400,000	1.0
		Over 400,000	2.0
Québec[7]—Other than City of Montreal	An Act Respecting Duties on Transfers of Immovables	Up to $50,000	0.5%
		50,001–250,000	1.0
		Over 250,000	1.5
Québec[7]—City of Montreal	An Act Respecting Duties on Transfers of Immovables	Up to $50,000	0.5%
		50,001–250,000	1.0
		250,001-500,000	1.5
		500,001-1,000,000	2.0
		Over 1,000,000	2.5
New Brunswick[8]	Real Property Transfer Tax Act	All values	$75 + 50%
Nova Scotia[9]	Land Registration Act	All values	$85.18 + 0% to 1.5%
Prince Edward Island[10]	Lands Protection Act	All values	$550 +1.0%
	Real Property Transfer Tax Act	All values, if over $30,000	$0 to $450 +1.0%
Newfoundland and Labrador[11]	Registration of Deeds Act	Up to $500	$100
		Over 500	0.4%

Provincial Land Transfer Taxes and Registration Fees

Notes

(1) The rates of tax shown in the table are graduated rates. For example, the land transfer tax levied on the transfer of a property in Manitoba valued at $150,000 is calculated as $70 + (0.5% × 60,000) + (1.0% × 60,000) = $970.

(2) British Columbia levies land transfer tax on registered transfers or grants of land, based on the value of the property being transferred. Exemptions may apply to certain mortgages, leases under 30 years, amalgamations, first-time buyers of qualifying residential property, transfers of farmland to related individuals or family farm corporations, transfers of a principal residence or certain recreational residences between related individuals, transfers to registered charities of land used for charitable purposes, certain transfers in the course of subdivisions, certain transfers between joint tenants and tenants in common, transfers between minors and the Public Guardian and Trustee, transfers to and from Trust Companies or the Public Trustee, certain transfers following bankruptcy, transfers resulting from marriage breakdown, transfers under the Veterans' Land Act (Canada), transfers by which property reverts to the Crown, and transfers to municipalities and other local governments. A refund of land transfer tax may be available where both land transfer and provincial sales taxes have been paid.

(3) Alberta and Saskatchewan levy a registration fee on transfers of interests in land, mortgages and other charges based on the value of the property being transferred. The fees indicated in the table apply to transfers of land. The fees applicable to mortgages and other charges generally differ from the land transfer fee.

(4) Manitoba levies land transfer tax on registered transfers of land based on the value of the property being transferred. Exemptions may apply to certain mortgages, leases, dissolutions or wind-ups of wholly owned subsidiaries, transfers to registered charities, transfers that facilitate a subdivision to or from a trustee where there is no change of beneficial ownership, transfers of farmland, certain transfers to veterans or the spouses or common law partners of veterans, and conveyances of title between spouses.

(5) Ontario levies land transfer tax (OLTT) on dispositions of beneficial interests in land, whether or not the transfer is registered, based on the value of the consideration furnished. Exemptions may apply to certain mortgages, leases under 50 years, certain unregistered dispositions, certain transfers between spouses, transfers of farm land between family members or from a family farm corporation to individual family members, certain transfers of land from an individual to a family business corporation, certain transfers of land by registered charities after March 25, 2010, certain transfers of life lease interests, and certain conveyances of mineral lands. A deferral and ultimate cancellation of land transfer tax is available on certain transfers between affiliated corporations. A rebate, to a maximum of $2,000, is available to first-time buyers of newly constructed or resale residential property.

(6) In addition to OLTT, Municipal Land Transfer Tax (MLTT) is levied under Chapter 760, Taxation, Municipal Land Transfer Tax, of the Toronto Municipal Code, passed under the authority of section 267 of the City of Toronto Act, 2006 (Ontario), as amended, on dispositions of beneficial interests in land located in the City of Toronto with closing dates on or after February 1, 2008. Exemptions apply to a transferee which is the Crown or a Crown Agency, certain Ontario government bodies, school boards, universities, colleges, hospitals, nursing homes, the Toronto Community Housing Corporation, the Toronto Economic Development Corporation and the City of Toronto. All conveyances exempt from OLLT are also exempt from MLTT. A rebate to a maximum of $3,725 is available to first-time buyers of newly constructed or resale residential property.

(7) Québec levies land transfer tax on registered transfers of immovable property based on the greatest of the consideration furnished, the consideration stipulated, and the fair market value of the property. Exemptions may apply to certain mortgages, leases under 40 years, amalgamations, transfers between family members and closely related corporations, where the transferee is a public body and where both the transferor and transferee are registered charities.

(8) New Brunswick levies land transfer tax on registered transfers of land based on the greater of the value of the property being transferred and the value of consideration furnished. Exemptions may apply to certain mortgages, leases under 25 years, transfers to the Crown, a Crown agency or a Crown corporation, transfers to a registered charity, and transfers from an executor or administrator to beneficiaries under a will or from an administrator to heirs under intestacy. The 2012 New Brunswick Budget proposed to increase the Real Property Transfer Tax rate to 0.5% (from 0.25%), effective June 1, 2012.

(9) Nova Scotia levies land transfer tax on deeds transferring land if required by municipal by-law, based on the rate stipulated by the municipality and the value of the property being transferred. Exemptions may apply to certain mortgages, leases under 21 years, and transfers between family members.

(10) Prince Edward Island levies a registration fee on applications for land-holding permits by resident corporations, or non-resident individuals or corporations, for the purchase of land if the aggregate land holdings exceed five acres or includes shore frontage exceeding 165 feet. The minimum fee is $550. The fee, however, is limited to $550 on certain transfers between non-resident related persons and corporations. Registration of a deed transferring real property is subject to real property transfer tax based on the greater of the consideration for the transfer and the assessed value. Exemptions may apply to property if the greater of these two amounts does not exceed $30,000, or $200,000 for first-time home buyers of a principal residence. Exemptions may also apply to:

- Certain transfers between family members
- Certain mortgages
- Transfers between persons and their wholly owned corporations
- Transfers between corporations if both corporations are wholly owned by the same person, either directly or through another wholly owned corporation
- Transfers of property to the Crown, a municipality or a registered non-profit organization
- Certain transfers to a trustee in bankruptcy
- Certain transfers to a spouse or former spouse pursuant to a written separation agreement or court order
- Transfers from an executor or administrator to beneficiaries under a will or from an administrator to heirs under intestacy
- Transfers from a registered non-profit organization to the recipient as a gift, donation or prize.

(11) Newfoundland and Labrador levies a registration fee on transfers of interests in land, mortgages and other charges, based on the value of the property being transferred.

Probate Fees[1]

Value of Estate From	To	B.C.[2]	Alta.	Sask.	Man.
$ 0	$ 5,000	—	$25	$7 per $1,000, rounded to nearest $1,000	$70
5,001	10,000	—	✓	✓	✓
10,001	15,000	—	$100	✓	$70 + $7 per $1,000 in excess of $10,000
15,001	20,000	—	✓	✓	✓
20,001	25,000	—	✓	✓	✓
25,001	50,000	$6 per $1,000	$200	✓	✓
50,001	100,000	$150 + $14 per $1,000 in excess of $50,000	✓	✓	✓
100,001	125,000	✓	✓	✓	✓
125,001	150,000	✓	$300	✓	✓
150,001	250,000	✓	✓	✓	✓
250,001	and over	✓	$400	✓	✓
Probate fee for estate of $1,000,000		**$13,658**	**$400**	**$7,000**	**$7,000**

Notes

(1) Probate fees are charged by the courts in each province, with the exception of Québec, to grant letters probate that confirm that the deceased's will is valid and that the executor has the authority to administer the estate. Generally, probate fees are payable on the value of all property of the deceased that passes to the executor or administrator of the estate through the deceased's will. Each province has its own specific rules in determining if any exceptions exist. The applicable provincial statute should be consulted for additional details.

In the table, the "✓" mark indicates that the applicable rate is the same as that indicated above.

Value of Estate From	To	Ont.	N.B.	N.S.	P.E.I.	Nfld.[3]
$ 0	$ 5,000	$5 per $1,000	$25	$78.54	$50	$60 + $5 per $1,000 in excess of $1,000
5,001	10,000	✓	$50	✓	✓	✓
10,001	15,000	✓	$75	$197.48	$100	✓
15,001	20,000	✓	$100	✓	✓	✓
20,001	25,000	✓	$100 + $5 per $1,000 in excess of $20,000	✓	✓	✓
25,001	50,000	✓	✓	$328.65	$200	✓
50,001	100,000	$250 + $15 per $1,000 in excess of $50,000	✓	$920.07	$400	✓
100,001	125,000	✓	✓	$920.07 + $15.53 per $1,000 in excess of $100,000	$400 + $4 per $1,000 in excess of $100,000	✓
125,001	150,000	✓	✓	✓	✓	✓
150,001	250,000	✓	✓	✓	✓	✓
250,001	and over	✓	✓	✓	✓	✓
Probate fee for estate of $1,000,000		**$14,500**	**$5,000**	**$14,897**	**$4,000**	**$5,085**

(2) Probate fees in British Columbia also include a $200 administration fee for estates valued greater than $25,000.

(3) In Newfoundland and Labrador, estates valued at less than $1,000 have a minimum probate fee of $60. The province's probate fees also include an additional $30 Order fee.

The information in this table is provided by Fasken Martineau DuMoulin LLP.

International

5

International

Foreign Exchange Rates—Monthly Averages

	U.S. Dollar	U.K. Pound Sterling	European Euro	Australian Dollar
2011				
January	0.9938	1.5704	1.3285	0.9887
February	0.9876	1.5928	1.3486	0.9958
March	0.9766	1.5779	1.3691	0.9875
April	0.9582	1.5687	1.3850	1.0137
May	0.9680	1.5824	1.3885	1.0340
June	0.9768	1.5841	1.4067	1.0369
July	0.9553	1.5435	1.3636	1.0296
August	0.9828	1.6078	1.4092	1.0300
September	1.0026	1.5808	1.3778	1.0240
October	1.0198	1.6076	1.4000	1.0363
November	1.0258	1.6197	1.3895	1.0352
December	1.0238	1.5953	1.3470	1.0359
2012				
January	1.0133	1.5719	1.3068	1.0547
February	0.9965	1.5751	1.3194	1.0697
March	0.9939	1.5726	1.3126	1.0460
April	0.9926	1.5887	1.3066	1.0275

Notes

- The European Euro is the currency used in the following countries: Andorra, Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Kosovo, Luxembourg, Malta, Monaco, Montenegro, the Netherlands, Portugal, San Marino, Slovakia, Slovenia, Spain and the Vatican City.

	Japanese Yen	Norwegian Krone	Swedish Krona	Swiss Franc
2011				
January	0.0120	0.1697	0.1491	1.0373
February	0.0120	0.1724	0.1535	1.0399
March	0.0120	0.1746	0.1538	1.0632
April	0.0115	0.1773	0.1544	1.0676
May	0.0119	0.1770	0.1550	1.1093
June	0.0121	0.1796	0.1544	1.1627
July	0.0121	0.1753	0.1494	1.1631
August	0.0126	0.1807	0.1536	1.2611
September	0.0131	0.1782	0.1508	1.1444
October	0.0133	0.1808	0.1536	1.1384
November	0.0132	0.1785	0.1520	1.1292
December	0.0132	0.1738	0.1493	1.0969
2012				
January	0.0132	0.1703	0.1478	1.0798
February	0.0127	0.1746	0.1496	1.0930
March	0.0121	0.1741	0.1476	1.0884
April	0.0122	0.1726	0.1474	1.0870

- This information is available on the Bank of Canada's web site at www.bank-banque-canada.ca.

Foreign Exchange Rates—Annual Averages

	U.S. Dollar	U.K. Pound Sterling	European Euro	Australian Dollar
1999	1.4858	2.4038	1.5847	0.9589
2000	1.4852	2.2499	1.3704	0.8633
2001	1.5484	2.2297	1.3868	0.8008
2002	1.5704	2.3582	1.4832	0.8535
2003	1.4015	2.2883	1.5826	0.9105
2004	1.3015	2.3842	1.6169	0.9582
2005	1.2116	2.2067	1.5090	0.9243
2006	1.1341	2.0886	1.4237	0.8543
2007	1.0748	2.1487	1.4691	0.8982
2008	1.0660	1.9617	1.5603	0.9002
2009	1.1420	1.7804	1.5855	0.8969
2010	1.0299	1.5918	1.3661	0.9470
2011	0.9891	1.5861	1.3767	1.0206

Notes

- The European Euro is the currency used in the following countries: Andorra, Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Kosovo, Luxembourg, Malta, Monaco, Montenegro, the Netherlands, Portugal, San Marino, Slovakia, Slovenia, Spain and the Vatican City.

	Japanese Yen	Norwegian Krone	Swedish Krona	Swiss Franc
1999	0.0131	0.1905	0.1799	0.9901
2000	0.0138	0.1689	0.1624	0.8793
2001	0.0128	0.1723	0.1500	0.9184
2002	0.0126	0.1977	0.1619	1.0112
2003	0.0121	0.1982	0.1735	1.0418
2004	0.0120	0.1931	0.1772	1.0473
2005	0.0110	0.1882	0.1628	0.9746
2006	0.0098	0.1769	0.1539	0.9050
2007	0.0091	0.1832	0.1589	0.8946
2008	0.0104	0.1900	0.1623	0.9840
2009	0.0122	0.1815	0.1493	1.0505
2010	0.0118	0.1706	0.1432	0.9896
2011	0.0124	0.1765	0.1525	1.1187

- This information is available on the Bank of Canada's web site at www.bank-banque-canada.ca.

Non-Resident Withholding Tax Rates for Treaty Countries[1]

Country[2]	Interest[3]	Dividends[4]	Royalties[5]	Pensions/ Annuities[6]
Algeria	15%	15%	0/15%	15/25%
Argentina[7]	12.5	10/15	3/5/10/15	15/25
Armenia	10	5/15	10	15/25
Australia	10	5/15	10	15/25
Austria[8]	10	5/15	0/10	25
Azerbaijan	10	10/15	5/10	25
Bangladesh	15	15	10	15/25
Barbados[8]	15	15	0/10	15/25
Belgium	10	5/15	0/10	25
Brazil	15	15/25	15/25	25
Bulgaria[7]	10	10/15	0/10	10/15/25
Cameroon	15	15	15	25
Chile[7]	15	10/15	15	15/25
China, People's Rep[9]	10	10/15	10	25
Columbia[10]	(10)	(5/15)	(10)	(15/25)
Croatia	10	5/15	10	10/15
Cyprus	15	15	0/10	15/25
Czech Republic	10	5/15	10	15/25
Denmark	10	5/15	0/10	25
Dominican Republic	18	18	0/18	18/25
Ecuador[7]	15	5/15	10/15	15/25
Egypt	15	15	15	25
Estonia[7]	10	5/15	10	10/15/25
Finland	10	5/15	0/10	15/20/25

See the notes on pages 148 to 151.

Country[2]	Interest[3]	Dividends[4]	Royalties[5]	Pensions/ Annuities[6]
France[8]	10%	5/15%	0/10%	25%
Gabon	10	15	10	25
Germany	10	5/15	0/10	15/25
Greece	10	5/15	0/10	15/25
Guyana	15	15	10	25
Hungary	10	5/15	0/10	10/15/25
Iceland	10	5/15	0/10	15/25
India	15	15/25	10/15/20	25
Indonesia	10	10/15	10	15/25
Ireland	10	5/15	0/10	0/15/25
Israel	15	15	0/15	15/25
Italy	10	5/15	0/5/10	15/25
Ivory Coast	15	15	10	15/25
Jamaica	15	15	10	15/25
Japan	10	5/15	10	25
Jordan	10	10/15	10	25
Kazakhstan[7]	10	5/15	10	15/25
Kenya	15	15/25	15	15/25
Korea, Rep. of	10	5/15	10	10/15/25
Kuwait	10	5/15	10	15/25
Kyrgyzstan	15	15	0/10	15/25
Latvia[7]	10	5/15	10	10/15/25
Lebanon[10]	(10)	(5/15)	(5/10)	(15/25)
Lithuania[7]	10	5/15	10	10/15/25

Non-Resident Withholding Tax Rates for Treaty Countries[1]—Continued

Country[2]	Interest[3]	Dividends[4]	Royalties[5]	Pensions/ Annuities[6]
Luxembourg	10%	5/15%	0/10%	25%
Malaysia	15	15	15	15/25
Malta	15	15	0/10	15/25
Mexico	10	5/15	0/10	15/25
Moldova	10	5/15	10	15/25
Mongolia	10	5/15	5/10	15/25
Morocco	15	15	5/10	25
Namibia[10]	(10)	(5/15)	(0/10)	(0/25)
Netherlands	10	5/15	0/10	15/25
New Zealand	15	15	15	15/25
Nigeria	12.5	12.5/15	12.5	25
Norway	10	5/15	0/10	15/25
Oman	10	5/15	0/10	15/25
Pakistan	15	15	0/15	25
Papua New Guinea	10	15	10	15/25
Peru[7]	15	10/15	15	15/25
Philippines	15	15	10	25
Poland	15	15	0/10	15/25
Portugal	10	10/15	10	15/25
Romania	10	5/15	5/10	15/25
Russian Federation	10	10/15	0/10	25
Senegal	15	15	15	15/25
Serbia[10]	(10)	(5/15)	(10)	(15/25)

See the notes on pages 148 to 151.

Country[2]	Interest[3]	Dividends[4]	Royalties[5]	Pensions/ Annuities[6]
Singapore[8]	15%	15%	15%	25%
Slovak Republic	10	5/15	0/10	15/25
Slovenia	10	5/15	10	15/25
South Africa[7]	10	5/15	6/10	25
Spain	15	15	0/10	15/25
Sri Lanka	15	15	0/10	15/25
Sweden	10	5/15	0/10	25
Switzerland	10	5/15	0/10	15/25
Tanzania	15	20/25	20	15/25
Thailand	15	15	5/15	25
Trinidad & Tobago	10	5/15	0/10	15/25
Tunisia	15	15	0/15/20	25
Turkey	15	15/20	10	15/25
Ukraine	10	5/15	0/10	25
United Arab Em.	10	5/15	0/10	25
United Kingdom[11]	10	5/15	0/10	0/10/25
United States[12]	—	5/15	0/10	15/25
Uzbekistan	10	5/15	5/10	25
Venezuela[7]	10	10/15	5/10	25
Vietnam[7]	10	5/10/15	7.5/10	15/25
Zambia	15	15	15	15/25
Zimbabwe	15	10/15	10	15/25

Non-Resident Withholding Tax Rates for Treaty Countries

Notes

(1) The actual treaty should be consulted to determine if specific conditions, exemptions or tax-sparing provisions apply for each type of payment. The rates indicated in the table apply to payments from Canada to the treaty country; in some cases, a treaty may provide for a different rate of withholding tax on payments from the other country to Canada.

(2) As of April 30, 2012, Canada is negotiating or renegotiating tax treaties or protocols with the following countries:

China (PRC)	Madagascar (new)	Poland
Hong Kong (PRC) (new)	Malaysia	Spain
Israel	Netherlands	United Kingdom
Luxembourg	New Zeland	

(3) Canada eliminated its domestic withholding tax on certain arm's-length interest payments, however non-arm's length payments continue to be subject to a 25% withholding tax.

(4) Dividends subject to Canadian withholding tax include taxable dividends (other than capital gains dividends paid by certain entities) and capital dividends.

The withholding tax rate on dividends under the terms of Canada's tax treaties generally varies depending on the percentage ownership of the total issued capital or percentage ownership of the voting rights owned by the recipient.

(5) Royalties generally are defined to include:

- Payments received as consideration for the use of or the right to use any copyright, patent, trademark, design or model, plan, secret formula or process.
- Payments received as consideration for the use of or the right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience.
- Payments in respect of motion picture films, works on film or videotape for use in connection with television.
- In some cases, technical assistance in respect of these items is also included.

Paragraph 212(1)(d) generally exempts from withholding tax cultural royalties or similar payments for copyrights in respect of the production or reproduction of any literary, dramatic, musical or artistic work, other than a motion-picture film or a videotape or other means for use in connection with television. However, several treaties exempt all cultural royalties from tax.

Canada has announced in its treaty negotiations that it is prepared to eliminate the withholding tax on arm's-length payments in respect of rights to use patented information or information concerning scientific experience. It also stated that it is prepared to negotiate, on a bilateral basis, exemptions from withholding taxes for payments for the use of computer software. As such, some recent treaties generally contain an exemption for such payments.

(6) In general, the terms "pension," "periodic pension payment" and "annuity" are defined in the applicable treaty. However, if they are defined in the treaty by reference to the laws of Canada, or are not specifically defined therein, the definition in the *Income Tax Conventions Interpretation Act* must be used.

Section 217 allows non-residents who earn certain types of pension and other retirement benefits to elect to file a Canadian tax return and pay Part I tax thereon, rather than being subject to Canada's 25% withholding tax on the income.

The withholding tax rate varies depending on, among other attributes, whether the payment is a lump-sum or periodic payment, or if the payment is a pension or annuity.

Some treaties provide for an exemption for certain types of pensions or for an exemption up to a threshold amount. Some pensions are taxable only in the source country.

(7) The treaty currently in effect with these countries includes a Most Favoured Nation clause, which provides for reduced withholding rates if the other country signs a treaty with another OECD member country and that treaty includes a lower withholding rate. This clause allows the lower rate to apply to the Canadian treaty. The items of income to which the clause applies vary by treaty. The lower withholding rate in the other country's treaty will apply to Canada if that treaty is signed after the date that Canada's treaty with the particular country is signed.

(8) A protocol or replacement treaty is signed but not yet ratified. If there are changes to withholding tax rates in the protocol or replacement treaty, the new rates are indicated in parentheses. Otherwise, the rates in the table continue to apply.

(9) The treaty does not apply to Hong Kong.

(10) A new treaty is signed but not yet in effect. The rates in the new treaty are indicated in parentheses. Until ratification, the withholding tax rate is generally 25%.

(11) The following terms apply under the provisions of the Canada-U.K. treaty:

Interest—Interest is defined as income from debt claims of every kind, whether or not secured by mortgage, and whether or not carrying a right to participate in the debtor's profits, including premiums and prizes attaching to bonds and debentures, as well as income assimilated to income from money lent by the tax law of Canada or the U.K. as the case may be. There are certain exemptions under the treaty. See also note (3).

Dividends—The 5% withholding tax rate applies if the recipient of the dividend is a company that controls, directly or indirectly, at least 10% of the voting power of the payer. See also note (4).

Royalties—Cultural royalties, excluding royalties in respect of films or motion pictures, and videotapes or other media for use in television broadcasting, are taxable only in the resident country. The protocol extends this treatment to payments for the use of any patent or for information concerning industrial, commercial or scientific experience, as well as payments for the use of computer software. See also note (5).

Non-Resident Withholding Tax Rates for Treaty Countries

Notes, continued

Pensions/Annuities—Pensions are defined to include any payment under a superannuation, pension or retirement plan, and certain other amounts, but exclude any payments in settlement of all future entitlements or payments under an income-averaging annuity contract (IAAC). Pensions are taxable only in the resident country. Under the terms of the protocol, pension payments must be periodic to qualify for the tax exemption.

Annuities are defined as periodic payments payable during a person's lifetime or for a specified period of time, under an obligation to make the payments in return for money or money's worth. The definition excludes pensions, any payments in settlement of all future entitlements and IAACs. Annuities are subject to tax in the payer country at a rate of 10%. See also note (6).

(12) The protocol to the Canada-U.S. treaty entered into force on December 15, 2008. The most significant changes contained in the protocol are as follows:

- The withholding tax rate on interest paid to non-arm's length parties decreased to 7% on January 1, 2008, 4% on January 1, 2009 and 0% on January 1, 2010
- Treaty benefits apply to certain "fiscally transparent entities" (FTEs) such as limited liability companies, where the owner is resident in one of the countries, the income of the FTE is subject to tax in the owners' hands and the FTE is not resident in the other country
- Treaty benefits are denied to certain FTEs that are treated as flow-through entities under the laws of one of the countries, and as regular taxable entities under the laws of the other country
- The permanent establishment provisions cover certain Canadian or U.S. service providers who are present in the other country for more than 183 days in any 12-month period
- The 5% treaty withholding tax rate on dividends applies to corporate members of FTEs that hold at least 10% of the voting shares in the company paying the dividends
- The treaty includes a limitation-on-benefits (LOB) clause that generally allows treaty benefits to be claimed only by certain "qualifying" persons, or entities carrying on connected active business activities in both countries.

The following items apply under the provisions of the Canada-U.S. treaty:

Interest—Interest is defined as income from debt claims of every kind, whether or not secured by mortgage, and whether or not carrying a right to participate in the debtor's profits, including premiums and prizes attaching to bonds and debentures, as well as income assimilated to income from money lent by the tax law of Canada or the U.S., as the case may be. Contingent interest arising in the U.S. that does not qualify as portfolio interest will be subject to a withholding rate of 15%. As well, interest arising in Canada that is determined by reference to receipts, sales, income, profits or other cash flow of the debtor will also be subject to a 15% withholding rate. See also note (3).

Dividends—The 5% withholding tax rate applies if the recipient of the dividends is a company that is the beneficial owner of at least 10% of the voting stock of the payer. The rate of Canadian branch tax is also limited to 5% on cumulative branch profits exceeding Cdn$500,000. The first Cdn$500,000 of cumulative branch profits are exempt from branch tax. See also note (4).

Royalties—Royalties are generally defined as payments for the use of, or right to use, any cultural property and any copyright of scientific work; any patent, trademark, design or model, plan, secret formula or process; and information concerning industrial, commercial or scientific experience. The definition also includes gains from the alienation of any intangible property or rights in such property to the extent that such gains are contingent on the productivity, use or subsequent disposition of such property or rights. See also note (5).

The following royalties are exempt from withholding tax:

- Cultural royalties, excluding royalties in respect of films or motion pictures, and videotapes or other media for use in television broadcasting
- Payments for the use of, or right to use, computer software
- Payments for the use of, or right to use, patents or information concerning industrial, commercial or scientific experience (excluding any such information in relation to a rental or franchise agreement)
- Payments in respect of broadcasting as may be agreed to between the countries.

Pensions/Annuities—Pensions are defined to include any payment under a superannuation, pension, or other retirement arrangement and certain other amounts, but exclude IAAC payments. The protocol extends the definition of pensions to include Roth IRAs and similar arrangements. Payments of Old Age Security and Canada/Québec Pension Plan benefits to U.S. residents are taxable only in the U.S. and are not subject to Canadian withholding tax. Conversely, the U.S. will not withhold tax on social security benefits paid to Canadian residents, and only 85% of such benefits will be taxable by Canada.

Annuities are defined as periodic payments payable during a person's lifetime or for a specified period of time, under an obligation to make the payments in return for adequate and full consideration (other than services rendered). The definition excludes non-periodic payments or any annuity the cost of which was tax deductible in the country in which it was acquired. See also note (6).

International Social Security Agreements[1]

Country[1]	Federal		Québec	
	Date in Force[2]	CPT Form Number	Date in Force[2]	Form Number
Antigua & Barbuda	Jan. 1, 1994	111		
Australia[3]	Jan. 1, 2003	N/A		
Austria	Dec. 1, 1996	112	May 1, 1997	QUÉ/A 1
Barbados	Jan. 1, 1986	113	Jan. 1, 1986	QUÉ/BAR 3
Belgium	Jan. 1, 1987	121	Nov. 1, 2010	QUÉ/BE 101 QUÉ/BE 128
Brazil[4]				
Chile	June 1, 1998	114	Nov. 1, 1999	QUÉ/CHL 1
Croatia	May 1, 1999	115	May 1, 2001	QUÉ/HR 1
Cyprus	May 1, 1991	116	Sept. 1, 1991	QUÉ/CY 1
Czech Republic	Jan. 1, 2003	137	Nov. 1, 2003	QUÉ/RTC 1
Denmark	Jan. 1, 1986	117	Apr. 1, 1988	QUÉ/DAN 1
Dominica	Jan. 1, 1989	118	Jan. 1, 1989	QUÉ/DOM 1
Estonia	Nov. 1, 2006	142		
Finland	Jan. 1, 1997	128	Sept. 1, 1998	QUÉ/SF 1
France[5]	Mar. 1, 1981	52	Nov. 1, 2006	SE 401-Q-201
Germany[6]	Dec. 1, 2003	130	Apr. 1, 1988	QUÉ/D 101
Greece	Dec. 1, 1997	54	Nov. 1, 2010	QUÉ/GR 1
Grenada	Feb. 1, 1999	119		

See the notes on page 155.

Country[1]	Federal		Québec	
	Date in Force[2]	CPT Form Number	Date in Force[2]	Form Number
Hungary	Oct. 1, 2003	141	July 1, 2006	QUÉ/HU 101
Iceland	Oct. 1, 1989	49		
Ireland	Jan. 1, 1992	50	Oct. 1, 1994	QUÉ/IRL 1
Israel[7]	Sept. 1, 2003	140		
Italy	Jan. 1, 1979	51	Jan. 1, 1979	QUÉ/IT 3
Jamaica	Jan. 1, 1984	57	Jan. 1, 1989	QUÉ/JAM 1
Japan	Mar. 1, 2008	122		
Jersey & Guernsey	Jan. 1, 1994	120		
Korea	May 1, 1999	58		
Latvia	Nov. 1, 2006	143		
Lithuania	Nov. 1, 2006	144		
Luxembourg	Jan. 1, 1994	60	Nov. 1, 1993	QUÉ/LUX 1
Macedonia	Nov. 1, 2011	163		
Malta	Mar. 1, 1992	61	Mar. 1, 1992	QUÉ/MLT 1
Mexico	May 1, 1996	62		
Morocco	Mar. 1, 2010	166	Dec. 1, 2010	QUÉ/MAR 1
Netherlands	Apr. 1, 2004	63	Jan. 1, 2004	QUÉ/PB 1
New Zealand[8]	May 1, 1997	N/A	Apr. 1, 1988	QUÉ/NOR 1

International Social Security Agreements[1]—Continued

Country[1]	Federal		Québec	
	Date in Force[2]	CPT Form Number	Date in Force[2]	Form Number
Norway	Jan. 1,1987	127	Apr. 1, 1988	QUÉ/NOR 1
Philippines	July 1, 2001	64	Dec. 1, 2000	QUÉ/PHI 1
Poland	Oct. 1, 2009	161		
Portugal	May 1, 1981	55	Nov. 1, 1992	QUÉ/POR 3
Romania	Nov. 1, 2011	165		
St. Kitts & Nevis	Jan. 1, 1994	65		
Saint Lucia	Jan. 1, 1988	67	Jan. 1, 1988	QUÉ/STL 1
Saint Vincent & the Grenadines	Nov. 1, 1998	66		
Slovakia	Jan. 1, 2003	138	Aug. 1, 2005	QUÉ/SK 1
Slovenia	Jan. 1, 2001	68	May 1, 2001	QUÉ/SI 1
Spain	May 1, 1997	125		
Sweden	Apr. 1, 2003	129	Apr. 1, 1988	QUÉ/S 1
Switzerland	Oct. 1, 1995	69	Oct. 1, 1995	QUÉ/CH 1
Trinidad & Tobago	July 1, 1999	70		
Turkey	Jan. 1, 2005	72	Jan. 1, 2005	QUÉ/TR 1
United Kingdom[9]	Apr. 1, 1998	71		
United States	Oct. 1, 1997	56	Aug. 1, 1984	QUÉ/USA 101
Uruguay	Jan. 1, 2002	136	Jan. 1, 2002	QUÉ/URU 1

Notes

(1) Bilateral social security agreements allow residency in either of the countries to be taken into account in determining eligibility for benefits. These agreements are intended to eliminate cases where a worker may have to contribute to the Canada Pension Plan (CPP) and to the social security system of the other country for the same work. They also guarantee that a worker's CPP coverage is properly maintained when he or she is seconded to another country, or when itinerant workers live or work in each country.

A foreign employer who does not have a place of business in Canada may apply to have the employment of employees working in Canada covered under the CPP. This coverage is optional. Even if the country where the foreign employer is located does not have a social security agreement with Canada, the employer can apply for coverage by completing Form CPT13—*Application for Coverage of Employment in Canada under the Canada Pension Plan by an Employer Resident Outside Canada*.

An employer operating in Canada can apply for coverage under the CPP of the employment of employees working in a country with which Canada has not signed a social security agreement by completing Form CPT8—*Application and Undertaking for Coverage of Employment in a Country other than Canada under the Canada Pension Plan*.

(2) The "Date in Force" is the date of the original agreement or the most recent revised or supplementary agreement, protocol or convention.

(3) While Australia and Canada have a social security agreement, it is not considered to be a tax arrangement by the Canada Revenue Agency. As such, it is administered exclusively by Service Canada. Form AUS140-CA(B) should be used to apply for benefits under Australia's social security system. Once completed, the form should be sent to:

Service Canada
Ottawa, ON,
K1A 0L4

(4) As of June 12, 2012, Quebec is negotiating or renegotiating a social security agreement with Brazil.

(5) An agreement (new, revised or supplementary), protocol or convention has been signed by Canada but is not yet in force.

(6) As of June 6, 2011, Québec is negotiating or renegotiating a social security agreement with Germany.

(7) This is a limited agreement dealing only with contributions; it does not include benefits.

(8) While New Zealand and Canada have a social security agreement, it is not considered to be a tax arrangement by the Canada Revenue Agency. As such, it is administered exclusively by Service Canada. To benefit from the agreement with New Zealand, a form should be requested from the Service Canada processing centre. Once completed, the form should be sent to:

Service Canada
Ottawa, ON,
K1A 0L4

(9) This is a limited agreement dealing only with contributions; it does not include benefits or the indexing of U.K. pensions paid in Canada. Canada and the United Kingdom also have consolidated arrangements in place (in force on December 1, 1995) that allow residents of the United Kingdom to use periods of residence in Canada as if they were periods of contribution to the U.K. National Insurance Scheme in order to determine eligibility for U.K. social security benefits.

U.S. Federal Personal Income Tax Rates—2012

Single taxpayers

If Taxable Income Is Over	But Not Over	The Tax Rate Is	Of the Amount Over
$ 0	$ 8,700	10%	$ 0
8,700	35,350	$ 870 + 15%	8,700
35,350	85,650	4,867.50 + 25%	35,350
85,650	178,650	17,442.50 + 28%	85,650
178,650	388,350	43,482.50 + 33%	178,650
388,350		112,683.50 + 35%	388,350

Married individuals filing joint returns

If Taxable Income Is Over	But Not Over	The Tax Rate Is	Of the Amount Over
$ 0	$ 17,400	10%	$ 0
17,400	70,700	$ 1,740 + 15%	17,400
70,700	142,700	9,735 + 25%	70,700
142,700	217,450	27,735 + 28%	142,700
217,450	388,350	48,665 + 33%	217,450
388,350		105,062 + 35%	388,350

See the notes on page 158.

Married individuals filing separate returns

If Taxable Income Is Over	But Not Over	The Tax Rate Is	Of the Amount Over
$ 0	$ 8,700	10%	$ 0
8,700	35,350	$ 870 + 15%	8,700
35,350	71,350	4,867.50 + 25%	35,350
71,350	108,725	13,867.50 + 28%	71,350
108,725	194,175	52,531 + 33%	108,725
194,175		52,531 + 35%	194,175

Heads of households

If Taxable Income Is Over	But Not Over	The Tax Rate Is	Of the Amount Over
$ 0	$ 12,400	10%	$ 0
12,400	47,350	$ 1,240 + 15%	12,400
47,350	122,300	6,482.50 + 25%	47,350
122,300	198,050	25,220 + 28%	122,300
198,050	388,350	46,430 + 33%	198,050
388,350		109,229 + 35%	388,350

U.S. Federal Personal Income Tax Rates—2012

Notes

- Although originally set to expire in 2010, the tax rate reductions contained in the Jobs and Growth Tax Relief Reconciliation Act of 2003 (2003 Act) of 25%, 28%, 33% and 35% will remain at these levels until 2012, as extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Act). They will revert back to the rates that were in effect prior to the Economic Growth and Tax Relief Reconciliation Act of 2001 (2001 Act) of 28%, 31%, 36% and 39.6% for 2013 and subsequent years.
- The 2010 Act changed the sunset provision under the 2003 Act and 2001 Act. The 10% bracket was originally scheduled to be eliminated after 2010; it will now be eliminated after 2012.

Taxation of capital gains

- The 2003 Act established a new maximum tax rate of 15% for net long-term capital gains, which applies to the sale of assets held for more than 12 months. This 15% rate, which came into effect in 2003, applies to individuals taxed in the 25% and above tax brackets and was only to remain in effect until 2010. However, the 2010 Act has extended these provisions until 2012. For years after 2012, this rate will increase to the old 20% tax rate (18% for assets held more than five years). For 2008 to 2012, a lower rate of 0% applies to net long-term capital gains that would otherwise be taxed in the 10% or 15% tax brackets. For years after 2012, this rate will increase to the old 10% tax rate.
- Gains from collectibles such as art, rugs or coins are not eligible for the reduced rates, and neither are gains from the sale of qualified small business stock and of investment real estate to the extent of depreciation previously claimed.
- Special rules also apply to sales of principal residences. Individuals are generally permitted to exclude from taxable income up to $250,000 of gain ($500,000 for married individuals filing joint returns) realized on the sale or exchange of a residence provided it was owned and occupied as a principal residence for at least two years out of the five years prior to the sale or exchange. Only one sale in any two-year period qualifies for the exclusion.

Taxation of dividends

- The 2003 Act also established a new 15% tax rate on dividends received by individuals in the higher tax brackets (i.e. in the 25% and above tax brackets), and a 5% rate applicable to individuals in the 10% and 15% tax brackets. These new rates came into effect in 2003. The 15% rate was only to remain in effect until 2010; however the 2010 Act has extended this provision until 2012. The 5% rate decreased to 0% effective for the 2008 to 2010 years, however, the 2010 Act extended this provision until 2012. For years after 2012, dividend income will return to being taxed at the ordinary income tax rates for all individuals.
- Dividends are eligible for these reduced tax rates if, in general, the shares are held for at least 60 days.
- In general, dividends received from domestic and certain foreign corporations are eligible for the reduced rates. Those received from foreign holding companies and foreign investment companies are specifically excluded.

U.S. Federal Insurance Contribution Act (FICA) Tax Rates

Social Security and Medicare Taxes

	Wage Base Limit	Tax Rate Employee	Tax Rate Employer	Maximum Annual Contribution Employee	Maximum Annual Contribution Employer
2010	Up to $106,800	7.65%	7.65%	$8,170	$8,170
	Over 106,800	1.45	1.45	N/A	N/A
2011	Up to $106,800	5.65	7.65	$6,034	$8,170
	Over 106,800	1.45	1.45	N/A	N/A
2012	Up to $110,100	5.65	7.65	$6,221	$8,170
	Over 110,100	1.45	1.45	N/A	N/A

Self-employment Tax

	Net Earnings Limit	Self-employed Tax Rate	Maximum Annual Contribution
2010	Up to $106,800	15.3%	$16,340
	Over 106,800	2.9	N/A
2011	Up to $106,800	13.3	$14,204
	Over 106,800	2.9	N/A
2012	Up to $110,100	13.3	$14,643
	Over 110,100	2.9	N/A

U.S. Federal Estate and Generation-Skipping Transfer Tax Rates

If the Amount Is Over	But Not Over	The Tentative Tax Is	Of the Amount Over
$ 0	$ 10,000	18%	$ 0
10,000	20,000	$ 1,800 + 20%	10,000
20,000	40,000	3,800 + 22%	20,000
40,000	60,000	8,200 + 24%	40,000
60,000	80,000	13,000 + 26%	60,000
80,000	100,000	18,200 + 28%	80,000
100,000	150,000	23,800 + 30%	100,000
150,000	250,000	38,800 + 32%	150,000
250,000	500,000	70,800 + 34%	250,000
500,000		155,800 + 35%	500,000

Notes

- The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("2010 Tax Relief Act") reinstated the estate and generation skipping transfer tax that had been repealed under the Economic Growth and Tax Relief Reconciliation Act of 2001. Effective retroactively to January 1, 2010, the 2010 Tax Relief Act provides higher exemptions amounts and lower tax rates

  For 2011 and 2012, the maximum marginal tax rate for both the estate tax and generation-skipping transfer tax is 35%. Assets passing at death from a U.S. citizen or U.S. domiciliary to a non¬resident alien may be subject to deemed disposition tax. The reduced tax rates and higher exemptions amounts under the 2010 Tax Relief Act will "sunset" on January 1, 2013 and the maximum marginal tax rate of 55% will be reinstated.

- All amounts referred to in the table and the notes are denominated in U.S. dollars.
- The gift tax remains in effect.
- In 2012, assuming there are no further legislative changes, most U.S. citizens and U.S. domiciled decedents will be allowed an estate exemption of $5 million, effectively exempting estates of less than that amount from tax. The gift tax exemption amount has also been increased to $5 million. In addition, the 2010 Tax Relief Act allows portability of the estate and gift tax exemption to a surviving U.S. citizen spouse. This allows the surviving spouse to utilize any exemption amount not utilized by the decedent spouse.
- Non-resident aliens are allowed a credit of only $13,000, effectively exempting U.S. situs assets of $60,000 or less from U.S. estate tax.
- The Canada–U.S. Treaty increases the credit for residents of Canada from the $13,000 allowed under U.S. law up to the amount of the credit allowed to U.S. citizens. However, the credit must be prorated by the ratio of the FMV of the individual's U.S. situs assets over the worldwide estate.
- In 2012, a generation-skipping transfer tax of 35% will apply in addition to any estate or gift tax payable on certain transfers to individuals or trusts that are more than one generation below the transferor. Each U.S. individual will be entitled to a lifetime exemption for generation-skipping transfers of $5 million, but an election may be required on a gift or estate tax return to provide the intended utilization of the exemption. For 2013 and subsequent years the lifetime exemption will revert to $1 million and a generation-skipping transfer tax of 55% will apply.
- Taxable gifts made during one's lifetime and from their estate upon death are combined in determining the exempt amount and the applicable tax rate.
- The following table summarizes both the exemption amounts and the highest tax rates for estate and gift taxes, for the years 2010 to 2013. For 2010, an estate may elect out of estate tax. Such an election would result in the application of the modified carryover basis rules. For 2012, the 'estate exempt amount' will be indexed for inflation.

	Estate Exempt Amount	**Lifetime Gift Exempt Amount**	**Highest Estate and Gift Tax Rate**
2010	$5,000,000	$5,000,000	35% (estate tax only)
2011 and 2012	5,000,000	5,000,000	35
2013 and subsequent years	1,000,000	1,000,000	55

Withholding of U.S. Tax on the Disposition of U.S. Real Property

Withholding requirements

The United States requires a purchaser to withhold tax upon the acquisition of a U.S. real property interest (USRPI) from a foreign (non-U.S.) vendor. The objective of such withholding is to ensure that tax is paid by the foreign vendor on the gain (if there is one).

In general, a 10% federal withholding obligation will be imposed on anyone who purchases a USRPI from a foreign vendor. Forms 8288 and 8288-A are to be used in reporting and remitting the tax withheld. In most cases, these forms must be filed, and the tax withheld remitted within 20 days from the date of sale. A purchaser failing to withhold can be held liable for the amount that should have been withheld and any applicable penalties and interest..

Many states impose a withholding tax in addition to the federal withholding tax when property in the state is being sold.

Exemptions from withholding

There are several exceptions to the general withholding requirements, including the following:

(1) Purchase of a residence for $300,000 or less—The requirement to withhold does not apply if the purchaser acquires the property for use as a residence and its acquisition price is $300,000 or less. A property is considered to have been acquired for use as a principal residence if, on the date of transfer, the purchaser has definite plans to reside at the property for at least 50% of the number of days that the property is in use during each of the first two 12-month periods following the date of the transfer. The purchaser will be considered to reside at a property on any day on which a member of his or her family resides at the property.

(2) Vendor is not a foreign person—No tax needs to be withheld if an affidavit is provided stating the vendor's U.S. taxpayer identification number and the fact that the vendor is not a foreign person..

(3) Withholding certificate is issued by the IRS—No tax needs to be withheld if the purchaser receives the appropriate certificate/qualifying statement from the vendor. Generally, a withholding certificate can be applied for on Form 8288-B.The IRS will ordinarily act upon a request for a withholding certificate within 90 days after its receipt..

A withholding certificate may be issued where:

- The vendor has reached an agreement with the IRS for the payment of any tax resulting from the disposition of the USRPI, and adequate security for its payment has been provided, or
- The vendor's gain from the sale is exempt from U.S. tax or a reduced withholding tax amount is appropriate, and any previously unsatisfied withholding liability of the vendor has been satisfied.

Filing requirements

Any individual disposing of a USRPI is required to file federal and state income tax returns reporting the disposition of the property. The requirement to file applies whether or not the proper withholding has been made by the purchaser at the time of the sale.

U.S. Federal Corporate Income Tax Rates—2012

If Taxable Income Is Over	But Not Over	The Tax Rate Is	Of the Amount Over
$ 0	$ 50,000	15%	$ 0
50,000	75,000	$ 7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333		35%	0

Notes

- Income earned by certain personal service corporations is taxed at a flat rate of 35%.
- The rate of tax levied on the undistributed income of personal holding companies is 15%.

U.S. State Maximum Personal and Corporate Tax Rates[1]—2012

	Personal Tax Rate	Corporate Tax Rate
Alabama	5.00%	6.50%
Alaska	no income tax	9.40
Arizona	4.54	6.97
Arkansas	7.00	6.50
California	9.30	8.84
Colorado	4.63	4.63
Connecticut	6.70	7.50
Delaware	6.75	8.70
District of Columbia	8.95	9.98
Florida	no income tax	5.50
Georgia	6.00	6.00
Hawaii	11.00	6.40
Idaho	7.40	7.40
Illinois	5.00	7% + 2.5% replacement tax
Indiana	3.40	8.50
Iowa	8.98	12.00
Kansas	6.45	4% + 3% surtax[2]

Notes

(1) These rates should only be used for general information purposes as most states have graduated rates that apply at lower levels of taxable income. State tax rates apply to taxable income as determined for state tax purposes. Many states also impose an alternative minimum tax, a gross receipts tax, a capital tax or an intangibles tax. Most states tax capital gains at different rates than ordinary income for individuals but not for corporations.

(2) Kansas applies the 3% surtax on taxes payable that exceed $50,000.

(3) Some states, such as Ohio and Washington, which do not impose a corporate income tax do impose a tax on business activity in the state, however based upon a measure (usually gross receipts) other than corporate net income.

	Personal Tax Rate	Corporate Tax Rate
Kentucky	6.00%	6.00%
Louisiana	6.00	8.00
Maine	8.50	8.93
Maryland	5.50	8.25
Massachusetts	5.25	8.00
Michigan	4.35	6.00
Minnesota	7.85	9.80
Mississippi	5.00	5.00
Missouri	6.00	6.25
Montana	6.90	6.75
Nebraska	6.84	7.81
Nevada	no income tax	no income tax
New Hampshire	5% of dividend & interest income	8.50
New Jersey	8.97	9.00
New Mexico	4.90	7.60
New York	8.82	7.10
North Carolina	7.75	6.90

U.S. State Maximum Personal and Corporate Tax Rates[1]—2012—Continued

	Personal Tax Rate	Corporate Tax Rate
North Dakota	3.99%	5.15%
Ohio	5.93	no income tax[3]
Oklahoma	5.25	6.00
Oregon	9.90	7.60
Pennsylvania	3.07	9.99
Rhode Island	5.99	9.00
South Carolina	7.00	5.00
South Dakota	no income tax	no income tax
Tennessee	6% of dividend & interest income	6.50
Texas	no income tax	1% of taxable margin
Utah	5.00	5.00
Vermont	8.95	8.50
Virginia	5.75	6.00
Washington	no income tax	no income tax[3]
West Virginia	6.50	7.75
Wisconsin	7.75	7.90
Wyoming	no income tax	no income tax

See the notes on page 164.

Commercial imports

An importer of commercial goods must declare all goods imported into Canada to the Canada Border Services Agency (CBSA). The applicable duties and taxes are assessed on the Canadian value of the goods at the time of import. Importers can complete the clearance procedure themselves, or they can engage the services of a licensed customs broker to act on their behalf. There are various systems in place to assist importers and their agents with the reporting, release, and accounting procedures of the imported goods. Documents are submitted to the CBSA either in hard copy format, via electronic data interchange, or a combination of the two, depending on the release service option used.

Examples of documents which may be required by the CBSA when importing commercial goods include:

- Sales invoice from the vendor, exporter or shipper
- Canada Customs Invoice (CCI)
- Cargo Control document (which is the carrier's responsibility to provide)
- Canada Customs Coding Form (Form B3), accounting for the duties and taxes owing on the goods
- Any required permits, licences or certificates
- Certificate of origin, if a preferential duty rate is being claimed.

All documentation must contain a proper description of the goods, the price paid or payable, and the quantity shipped.

Rates of duty

The *Customs Act* provides authority for the collection of duties on goods imported into Canada while the *Customs Tariff* sets out the duty rates applicable to the various classifications of goods. The duty rates vary and are based on the nature and origin of the goods imported, as well as the place of export. Preferential duty rates are accorded to countries which have signed trade agreements with Canada.

International Trade and Customs—Continued

North American Free Trade Agreement (NAFTA)

The NAFTA has been in effect since January 1994 and is the world's largest free trade area. One of the principal purposes of the NAFTA is to eliminate barriers to trade and facilitate the cross-border movement of goods and services throughout the free trade area.

In order to be considered originating under the NAFTA, all goods must be either wholly produced or manufactured in Canada, Mexico or the United States, or they must meet the Specific Rules of Origin of Annex 401 of the NAFTA. The Specific Rules of Origin require either a tariff classification change (non-originating goods undergo sufficient processing to change the classification), the application of a regional value content costing methodology, or both. A NAFTA Certificate of Origin must be provided by the vendor, producer or exporter of the goods verifying they meet the specific rule of origin requirements and qualify as originating under the NAFTA before the goods can move into another NAFTA country under the preferential duty rates.

Other Free Trade Agreements

The Government of Canada has embarked on an aggressive trade negotiation agenda with many of Canada's trading partners. As a result, goods shipped directly to Canada from certain countries may be entitled to benefit from lower or "free" duty rates.

In addition to the NAFTA, Canada also has trade agreements in place with Chile, Columbia, Costa Rica, Israel, Peru, and the European Free Trade Association which includes the countries Iceland, Liechtenstein, Norway and Switzerland. Trade agreements have also been signed with Honduras, Panama and Jordan, but will not be implemented until legislation has been passed.

Similar to the NAFTA, under these other free trade agreements, the exporter or producer of the goods must provide the Canadian importer with a Certificate of Origin certifying that the imported goods meet the specific rule of origin requirement for that product.

Customs Self-Assessment (CSA)

The CSA program is a release and accounting system developed by the CBSA to help qualifying Canadian importers reduce costs that have traditionally been associated with cross-border trading by investing in compliance.

CSA fundamentally changed the customs commercial process for approved importers. It moves beyond the existing transactional approach to an importer self-assessment approach. Approved importers are able to use their own commercial business system to trigger customs accounting. Importers self-assess the duties and GST owing on imported goods through a financial institution of their choice. The CBSA expects that CSA will result in increased compliance with customs requirements as well as improved competitiveness for Canadian businesses.

In addition to self-assessment accounting, the CBSA offers CSA approved importers a new clearance option. This option gives importers the opportunity to eliminate costs associated with the release of CSA eligible goods. As some restrictions do apply to the release program, importers may choose to apply for one or both options within the CSA program.

eManifest

As part of the CBSA's mandate to strengthen Canada's border security and improve the commercial border process, the CBSA has implemented eManifest. eManifest allows importers, carriers and freight forwarders to provide advance trade data to the CBSA electronically, prior to the goods arriving at the border, regardless of mode of transport. eManifest is being implemented by client type over a number of years, using an 18-month implementation timeline.

The 18-month implementation period began for highway carriers on November 1, 2011 and becomes mandatory on May 1, 2013. Implementation for rail carriers, freight forwarders and importers is set to begin during 2012 and will apply to all importers not participating in CSA.

Customs Verification Reviews (CVRs)

The CBSA has changed the way it reviews imports and penalizes violations. In the past, transactions were reviewed as they occurred. The CBSA now relies on a post import audit process to review transactions and penalize violations. This process of compliance verification reviews is called CVRs.

The following are some of the areas the CBSA reviews when performing a CVR:

- All documentation relating to imports during the audit period, including a copy of the purchase order, sales invoice, customs documentation, shipping documents, etc.
- Links and communication between a company's customs department and other departments and systems
- Written description of a company's accounting systems and other internal controls.

The CBSA also imposes monetary penalties for importers who are in violation of customs legislation. In most cases these penalties are assessed for violations discovered during a CVR.

The Administrative Monetary Penalty System (AMPS)

It is the responsibility of the importer and exporter of record to ensure compliance with customs legislation is being adhered to on all import and export transactions. The AMPS is designed to ensure compliance with customs legislation by imposing monetary penalties for non-compliance.

The AMPS applies to contraventions of the Customs Act, the Customs Tariff, and the regulations thereunder, as well as contraventions of the terms and conditions of licencing agreements and undertakings. The AMPS imposes monetary penalties proportionate to the type, frequency, and severity of the infraction. Most penalties are graduated, with consideration being given to the compliance history of the importer or exporter. They range from $100 to a maximum of $25,000 per infraction.

To ensure accuracy and completeness of all trade transactions, and to avoid AMPS penalties for non-compliance, importers and exporters must have written procedures in place to ensure declarations being made to the CBSA are accurate and complete.

Areas of responsibility include, but are not limited to:

- Release of imported goods
- Duty and GST payable
- Reporting of exports
- Documentation
- Transmission of information
- Maintenance of records
- Responsiveness to queries from the CBSA after payment.

In the majority of cases, penalties will be issued against the importer or exporter of record, regardless of who actually committed the infraction.

Border security

New cross-border trade and customs improvements were first announced by Canada and the United States in the "Shared Vision for Perimeter Security Declaration" in February 2011. Implementation of these improvements is currently underway and importers and exporters can expect to hear more details about these improvements in the future.

Changes are to include improving the programs that help trusted businesses and travelers move efficiently across the border. This includes NEXUS and the Partners in Protection and Customs-Trade Partnership Against Terrorism border security programs. It also introduces new measures to facilitate the movement of goods while reducing the administrative burden for businesses involved in cross-border trade.

Partners in Protection (PIP)
Canada's security program enlists the cooperation of private industry in an effort to enhance border security, combat organized crime and terrorism. It is also intended to help detect and prevent contraband smuggling while at the same time increasing awareness of customs compliance issues.

Customs-Trade Partnership Against Terrorism (C-TPAT)
C-TPAT is the U.S.'s voluntary government-business initiative designed to strengthen and improve overall international supply chain and U.S. border security. Through this program, businesses are asked to ensure the integrity of their security practices and communicate and verify the security guidelines of their business partners within the supply chain. At this time, participation in the C-TPAT program is open to U.S. importers, Canadian and Mexican manufacturers, licensed U.S. customs brokers, consolidators, carriers and third party logistics providers.

Under the Security and Prosperity Partnership of North America, the CBSA and U.S. Customs and Border Protection have an arrangement for mutual recognition and compatibility of Canada's PIP program with the U.S. C-TPAT program. Participation in both of these security programs is voluntary and requires participants to provide customs with a comprehensive self-assessment of their current security measures.

Personal Imports

Currency

There are no restrictions on the amount of monetary instruments or cash that can be brought into or taken out of Canada. However, importing or exporting monetary instruments of Cdn$10,000 or more (or the equivalent in a foreign currency), must be reported to the CBSA upon arrival to Canada or prior to the departure from Canada on Form E667—*Cross-Border Currency or Monetary Instruments Report—General*. Monetary instruments or cash not reported to the CBSA may be subject to seizure, forfeiture or an assessment of penalties. Penalties range from $250 to $5,000.

Personal Exemptions

If you are a Canadian resident returning from travel outside Canada, a former resident returning to live in Canada, or a temporary resident of Canada returning from a trip outside of Canada, you are entitled to a personal exemption which allows the import of goods into Canada without paying the applicable customs duty, GST/HST, and excise tax. The amount of your exemption is based on the length of your time outside of Canada. Based on proposals made in the 2012 federal budget, the exemptions are:

Length of absence	Value of Goods	Alcohol	Tobacco
Less than 24 hours	Personal exemption does not apply	N/A	N/A
24 hours or more	Up to $200	N/A	N/A
48 hours or more	Up to $800	1.5L wine or 1.14L liquor or 24 × 355 ml cans/bottles of beer	200 cigarettes, 50 cigars/cigarillos, 200 tobacco sticks, and 200 grams of manufactured tobacco

If the length of absence is 24 hours or more and the value of the goods purchased abroad exceeds CAD $200 the personal exemption of $200 cannot be claimed. Instead, the applicable duty and tax must be paid on the total value of the goods being brought into Canada. You must have the goods with you when you arrive in Canada and, this personal exemption does not include alcohol or tobacco products.

If the length of absence is 48 hours or more and the value of goods purchased abroad exceeds the personal exemption of CAD $800, duty will be assessed on the amount by which the value of the goods exceeds the personal exemption amount. For example, if $1,000 of goods was purchased while on a three day trip, duty and tax would be calculated and must be paid on the amount exceeding the $800 personal exemption amount (i.e. $200). You must have the goods with you when you arrive in Canada.

When calculating the number of days away, the date of departure from Canada is not included, but the date of return is. A personal exemption can be used any number of times throughout the year, however, personal exemptions cannot be combined with, or transferred to another person.

All alcohol and tobacco products must accompany you in your hand or checked luggage and must be marked "CANADA DUTY PAID • DROIT ACQUITTÉ". One will find Canadian-made products sold at a duty-free shop marked this way.

Prohibited or restricted goods

The following items are prohibited or subject to import restrictions:

- Firearms
- Replica firearms
- Explosives, fireworks, and ammunition
- Used or second-hand vehicles that are not manufactured in the current year
- Food products
- Animals, plants, and their products
- Endangered species
- Cultural property
- Goods subject to import controls
- Posters and handbills depicting scenes of crime or violence
- Photographic, film, video or other visual representations that are child pornography under the *Criminal Code*
- Books, printed paper, drawings, paintings, prints, photographs or representations of any kind that, under the *Criminal Code*:
  - are deemed to be obscene
  - constitute hate propaganda
  - are of treasonable character, or
  - are of a seditious character.

6 Indirect Taxes

Indirect Taxes

Goods and Services Tax and Harmonized Sales Tax

Canada's Goods and Services Tax (GST) applies at a rate of 5% to most goods acquired and services rendered in Canada. Five provinces have a Harmonized Sales Tax (HST) that is comprised of a 5% federal component and a provincial component that varies by province. In New Brunswick and Newfoundland and Labrador, the HST rate is 13%. Effective July 1, 2010, Nova Scotia increased its HST to 15% from 13%. Also effective July 1, 2010, British Columbia and Ontario harmonized their provincial sales tax (PST) with the GST to create a 12% HST in British Columbia and a 13% HST in Ontario. The British Columbia and Ontario HST generally use the same tax base and rules as the GST. However, some exceptions do exist, such as recaptured input tax credit (ITC) rules for large businesses and point-of-sale rebates of the provincial component of the HST on a few specific items.

Businesses that are registered for GST/HST purposes are required to collect and remit GST/HST on their sales of taxable supplies and are generally entitled to claim an offsetting ITC for GST/HST paid on their related expenditures. The tax is ultimately borne by consumers since they cannot generally claim GST/HST refunds on their purchases.

Zero-rated supplies (e.g., exported goods and basic groceries) are taxable supplies on which a zero percent rate of GST/HST applies, and suppliers are generally entitled to recover the GST/HST paid as an ITC on their related expenditures.

GST/HST does not apply to exempt supplies such as residential rents and financial services, but unlike zero-rated supplies, suppliers are not entitled to recover the GST/HST paid on their related expenditures (although certain suppliers of public services are entitled to partial rebates).

Finally, certain supplies are simply deemed not taxable, and the recovery of the GST/HST depends on the particular circumstances.

Note that British Columbia and Prince Edward Island are proposing changes for 2013. Effective April 1, 2013, British Columbia will transition from HST back to a 5% GST and a 7% PST system. Prince Edward Island proposes to apply a 14% HST on April 1, 2013.

HST Place of Supply Rules

Generally, as of May 1, 2010, new HST place of supply rules apply to determine whether a supply is made in any of the HST provinces. In general, the new rules affect GST-registered businesses that have clients across Canada.

Rules for Many Employers and Pension Plans

Many employers and their registered pension plans are subject to recent GST/HST pension plan rules. These rules apply to employers for fiscal years that began after September 22, 2009.

Under the pension plan rules, qualifying employers with registered pension plans are deemed to make taxable supplies to their pension plans on the last day of their fiscal year and to have collected GST/HST. As such, they are required to remit the amount of GST/HST on certain costs, known as "deemed supplies", relating to these registered pension plans. These costs may include external costs, such as actuarial, management and audit fees, and internal costs such as salaries of employees with pension plan-related responsibilities.

On the other hand, a pension plan that is a qualifying pension entity may be entitled to claim a partial rebate, generally equal to 33% of the GST/HST remitted by the employer on the "deemed supplies" and GST/HST paid on goods and services acquired directly by the pension entity. The partial rebate is subject to numerous conditions. In some cases, an election is available to transfer this rebate to the employer, but the effects of making this election should be carefully considered.

Québec has harmonized the Québec Sales Tax (QST) with these rules, with some adjustments.

Indirect Taxes—Continued

Financial Institutions – New Rules for Many Entities
In 2010 and 2011, significant changes have been proposed to the rules for selected listed financial institutions. Many of the proposed changes relate to how these entities calculate their liability for the provincial component of the HST under the special attribution method (SAM) in interim returns, if applicable, and the annual GST/HST final return.

The proposed changes also result in more financial institutions being subject to the complicated SAM formula, including many investments funds (e.g., some pension plans), located only in one province with beneficiaries across Canada.

The form GST494—*Goods and Services Tax/Harmonized Sales Tax Final Returns for Selected Listed Financial Institutions* has been updated and reflects the proposed changes. To complete and file this final return, selected listed financial institutions must understand the new and proposed rules as they apply to their specific facts and circumstances. These entities will have to take into consideration several items, including:

- The proposed provincial attribution percentage calculations
- Numerous adjustments, including: recaptured ITC requirements and rules related to some inter-company transactions.

Financial Institutions – GST/HST Annual Information Schedule
Most financial institutions which are GST/HST registrants with total annual revenue of more than $1 million are generally required to file an annual information return for each fiscal year. The relevant form is GST111—*Schedule 1 – Financial Institution GST/HST Annual Information Schedule*. This form is required to be filed within six months after the end of each fiscal year.

The term "financial institution" is defined within the related legislation and includes entities commonly known as financial institutions such as banks, insurers and securities dealers. Other entities may also qualify as a financial institution (some exclusions apply), such as:

- Investment plans (e.g., pension plans, mutual funds, segregated funds),
- An entity whose financial revenue exceeds $10 million and is greater than 10% of its total revenues, or
- An entity with greater than $1 million in income with respect to the lending of money.

Québec Sales Tax

Québec Sales Tax (QST) is generally the same as the GST/HST in application. One of the main differences is the treatment of financial services, which are exempt for GST/HST but are zero-rated for QST.

Effective January 1, 2012, the QST was increased to 9.5% (from 8.5%). The QST applies to the GST-included price of taxable supplies made in Québec. Québec has also harmonized the QST place of supply rules with the new HST place of supply rules, subject to some specific provincial features. Effective January 1, 2013, Québec will further harmonize the QST rules with the GST rules. Québec proposes, among other changes, to increase the QST to 9.975% which will apply to the price of taxable supplies (before GST) and financial services will become QST-exempt.

Provincial Retail Sales Tax

Canada's provincial retail sales taxes (RST), also known as provincial sales tax (PST), are single-stage taxes similar to those levied in many U.S. states. Three provinces levy an RST (Saskatchewan, Manitoba, Prince Edward Island). RST generally applies to the retail sale of goods and certain services to persons who use those goods or services. The rates and rules vary among the provinces. Effective April 1, 2013, British Columbia will transition from an HST system to GST and PST systems while Prince Edward Island proposes to transition to an HST (from a GST and a PST).

Taxation of Supplies—GST/HST and QST[1]

Types of Supplies	GST[2]	HST[2]	QST[2]
Accommodations (e.g., hotels, motels)	Taxable	Taxable	Taxable
Automobiles:			
Retail sales	Taxable	Taxable[3]	Taxable[4]
Private sales	Non-taxable[5]	Taxable[6]	Taxable[4]
Books (ISBN)	Taxable[7]	Taxable[8]	Zero-rated
Day care	Exempt	Exempt	Exempt
Education:			
Primary, secondary, post-secondary	Exempt	Exempt	Exempt
Exports[9]:			
Exported goods	Zero-rated	Zero-rated	Zero-rated[10]
Services supplied to non-residents	Zero-rated	Zero-rated	Zero-rated
Intangibles supplied to non-residents	Zero-rated	Zero-rated	Zero-rated
Farming:			
Prescribed equipment, fertilizer and supplies	Zero-rated	Zero-rated	Zero-rated
Sale of farm produce	Zero-rated	Zero-rated	Zero-rated
Financial services	Exempt	Exempt	Zero-rated[11]
Fishing:			
Prescribed equipment	Zero-rated	Zero-rated	Zero-rated
Sale of fish	Zero-rated	Zero-rated	Zero-rated
Food:			
Basic groceries	Zero-rated	Zero-rated	Zero-rated
Snack foods	Taxable	Taxable	Taxable
Prepared meals	Taxable	Taxable	Taxable
Furniture	Taxable	Taxable	Taxable
Gasoline and other motive fuels	Taxable	Taxable[12]	Taxable
Health care:			
Hospital and clinical care	Exempt	Exempt	Exempt
Medical devices (e.g., canes, etc.)	Zero-rated	Zero-rated	Zero-rated
Medical and dental services	Exempt	Exempt	Exempt
Prescription drugs	Zero-rated	Zero-rated	Zero-rated
Public and private nursing homes	Exempt	Exempt	Exempt
Household equipment	Taxable	Taxable	Taxable

See the notes on pages 182 and 183.

Types of Supplies	**GST[2]**	**HST[2]**	**QST[2]**
Housing:			
New housing[13]	Taxable	Taxable	Taxable
Used housing	Exempt	Exempt	Exempt
Residential rentals	Exempt	Exempt	Exempt
Imports[14]:			
Commercial goods	Taxable	Non-taxable	Non-taxable
Non-commercial goods	Taxable	Taxable	Taxable
Legal aid	Exempt	Exempt	Exempt
Legal, accounting and other professional services	Taxable	Taxable	Taxable
Manufacturing equipment	Taxable	Taxable	Taxable
Mineral rights	Non-taxable	Non-taxable	Non-taxable
Municipal services	Exempt	Exempt	Exempt
Office equipment and supplies	Taxable	Taxable	Taxable
Parking (leased):			
Commercial	Taxable	Taxable	Taxable
Residential[15]	Taxable	Taxable	Taxable
Recreation:			
Public-sector programs for ages 14 and under	Exempt	Exempt	Exempt
Other recreation and entertainment	Taxable	Taxable	Taxable
Related-party transactions[16]	Taxable	Taxable	Taxable
Sale of business assets[17]	Taxable	Taxable	Taxable
Supplies by small suppliers[18]	Non-taxable	Non-taxable	Non-taxable
Transportation:			
Freight within Canada/Québec	Taxable	Taxable	Taxable
Freight into or out of Canada/Québec[19]	Zero-rated	Zero-rated	Zero-rated
Municipal public transit	Exempt	Exempt	Exempt
Travel within Canada/Québec	Taxable	Taxable	Taxable
Travel into or out of Canada[20]	Zero-rated	Zero-rated	Zero-rated
Utilities (e.g., electricity, natural gas)	Taxable	Taxable	Taxable

Taxation of Supplies—GST/HST and QST[1]

Notes

(1) This table serves only as a guide. The applicable legislation and administrative policies should be consulted as specific rules and exceptions within these broad categories may apply. Many provinces propose changes for 2013. These changes are generally not reflected in this table.

(2) Taxable supplies made in British Columbia, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador are taxed under the HST at the rate specific for the province, while taxable supplies made elsewhere in Canada are generally taxed at the GST rate of 5% (and provincial sales taxes (PST), if applicable).

Supplies made in Québec are also taxable at 9.5% on the GST-included price.

(3) An individual who acquires a vehicle from a dealer outside an HST province is subject to the 5% GST and PST/RST, if applicable. An additional provincial levy will be charged if the vehicle is registered in an HST province.

(4) Retail sales are sales made other than for the purposes of re-supply by sale or lease for at least one year. Automotive dealers are generally not authorized to collect QST on the retail sale of qualifying road vehicles. The purchaser is required to pay QST upon registering the vehicle with the Société de l’assurance automobile du Québec, and dealers must provide documentation as to the amount of QST payable. Dealers are required to collect QST on leases of vehicles or sales of non-qualifying road vehicles.

(5) The sale is non-taxable if it is made by a non-registrant.

(6) An individual acquiring a vehicle from a non-registrant is subject to a provincial levy if the vehicle is registered in an HST province.

(7) A GST rebate may be claimed by certain public service bodies (see the table “Rebates for Public Service Bodies” and related notes on page 188).

(8) Purchasers in an HST province are generally entitled to a point-of-sale rebate equal to the provincial component of the HST on qualifying books.

(9) In some cases, exported goods and services may be exempt supplies, in which case the exporter is not entitled to recover ITCs. Intangibles that may be used in Canada/Québec are generally taxable. However, most supplies of intangible personal property made to non-registered non-residents for use outside Canada are zero-rated.

(10) Some inter-provincial sales of goods in Québec that are intended to be exported from Québec by the recipient (other than a consumer) may be zero-rated. Generally, the recipient must provide satisfactory evidence that the goods are shipped outside Québec. For interprovincial shipments if such evidence cannot be provided, the tax authorities, in certain circumstances, may accept a written declaration containing, among other specific information, the recipient’s GST/HST registration number, as well as a signed statement from the recipient that the goods will be shipped outside Québec but within Canada.

(11) Québec proposes to make financial services QST exempt effective January 1, 2013.

(12) British Columbia provides a point-of-sale rebate of the provincial component of the HST on qualifying motor fuels.

(13) A partial rebate may be available (see the table “Personal Rebates—GST/HST and QST” and related notes pages 192 and 193).

(14) Generally, only GST applies to imports of commercial goods, however some entities may be required to self-assess the provincial component of the HST. The importation of services and intangibles may also require self-assessment of GST/HST by certain entities, such as financial institutions.

(15) Leased residential parking may be GST/HST and/or QST exempt under specific circumstances.

(16) In certain circumstances, qualifying corporations and partnerships can elect to not apply GST/HST and/or QST to certain related-party transactions.

(17) In certain circumstances, the vendor of all or part of a business can elect with the purchaser not to have GST/HST and/or QST apply to the sale.

(18) Supplies made by small suppliers are not taxable if the small supplier is not GST/HST registered. In general, a person is a small supplier if its total revenues (including revenues from an associated person) are $30,000 or less in the last four consecutive calendar quarters and in any single calendar quarter. The threshold is $50,000 for charities, non-profit organizations, municipal bodies, universities, colleges, schools and hospitals. Special rules apply for taxi operators, municipalities, charities and certain other persons. The small supplier’s rules do not apply to real property.

(19) Freight out of Canada/Québec is zero-rated only where consideration paid for the service is $5 or more.

(20) If the travel includes air travel, the journey must generally be into or out of the “taxation area,” which is defined for GST purposes as Canada, the continental United States, and the islands of St. Pierre and Miquelon. For HST and QST purposes, the taxation area is Canada.

Special Reporting Methods—Quick Method for Small Businesses

The "Quick Method" is an optional method of reporting GST, HST and QST available only to small businesses. To qualify, a business' total tax-included sales (excluding sales of real property, capital property, which includes eligible capital property, and financial services) in four consecutive fiscal quarters of the last five cannot exceed $200,000 ($219,000, GST and QST included, under QST system). The method is not available to financial institutions, certain professional service providers or public service organizations.

For GST/HST purposes, the federal government proposes to increase the GST/HST-included sales threshold to $400,000 (from $200,000) for reporting periods beginning after 2012. Québec has yet to confirm whether it will adopt a similar measure for QST purposes.

Collection
Registrants electing to use the Quick Method charge and collect tax on taxable sales in the same manner as all other registrants. GST or HST is charged on taxable sales, depending on whether the sales are made in a non-HST or an HST province respectively. In addition to GST, QST is charged on taxable sales made in Québec by QST registrants.

Remittance
Small businesses using the Quick Method calculate their GST, HST and QST remittances by applying a specific percentage to tax-included taxable sales (see the table on the following page). This differs from the method used by other registrants where the actual amount of GST, HST or QST paid on purchases is deducted as input tax credits (input tax refunds in Québec) from the tax collected on sales. The full amount of any tax collectible on sales of real property or capital property must be remitted.

Input tax credits/refunds
Under the Quick Method, input tax credits (input tax refunds in Québec) are generally available only on real property and capital purchases acquired for use in taxable activities.

Quick Method Remittance Rates for Small Businesses[1]

	GST[2]	HST[3]	QST[4]
Supplies made through a permanent establishment in a non-HST province			
Retailers and wholesalers[5]	1.8%	Various[6]	3.4%
Service providers	3.6	Various[6]	6.6
Legal, accounting and financial consulting services	Not eligible	Not eligible	Not eligible
Supplies made through a permanent establishment in an HST province			
Retailers and wholesalers[5]	0%[7]	Various[6]	—
Service providers	1.8	Various[6]	—
Legal, accounting and financial consulting services	Not eligible	Not eligible	—

Notes

(1) These remittance rates apply to GST, HST and QST taxable sales. The remittance rate for all supplies is subject to a 1% reduction on the first $30,000 ($32,850 for QST purposes) of eligible supplies. Effective July 1, 2010, British Columbia and Ontario harmonized their provincial sales tax with the GST to create a 12% HST in British Columbia and a 13% HST in Ontario.

(2) This column applies to supplies made in a non-participating province.

(3) This column applies to supplies made in an HST participating province.

(4) This column applies to supplies made in Québec through a permanent establishment in Québec. The rates 3.4% and 6.6% reflect the increased QST rate to 9.5% and apply to reporting periods starting after December 31, 2011.

(5) Generally, in order to qualify as a retailer or wholesaler, the cost of goods for resale (excluding basic groceries and other specific items) must be at least 40% of sales revenue in Canada for GST/HST purposes or in Québec (for QST purposes) (excluding basic groceries and other specific items). If this is not the case, the remittance rate for service providers must be used.

(6) The applicable rates vary by HST province.

(7) Registrants who use the 0% remittance rate are entitled to a credit on eligible sales to account for the fact that they will in general, be paying HST on their inputs but collecting only GST on their sales. The applicable rates of the credit (2.3%, 2.8%, 4%) vary by HST province.

Special Reporting Methods—Special Quick Method for Public Service Bodies

The "Special Quick Method" allows selected public services bodies (PSBs), specified facility operators, qualifying non-profit organizations and certain charities to calculate their GST, HST or QST remittances on a simplified basis using prescribed percentages. Selected PSBs include hospitals, external suppliers, facility operators, municipalities, school authorities, universities and public colleges (established and operated otherwise than for profit).

Collection
Under the Special Quick Method, registrants charge and collect tax on taxable sales in the same manner as all other registrants. The GST or HST is charged on taxable sales, depending on whether the sales are made in a non-HST or an HST province respectively. In addition to GST, QST is charged on taxable sales made in Québec.

Remittance
Entities using the Special Quick Method calculate their GST, HST or QST remittances by applying a prescribed percentage to tax-included taxable sales. In general, the full amount of any tax collectible on sales of real property or other capital assets over $10,000 must be remitted. Zero-rated exports and non-taxable sales are excluded.

The prescribed percentages reflect the various HST rates.

Input tax credits/refunds and rebates
Full input tax credits (input tax refunds in Québec) can generally be claimed only on real property and other capital assets with a cost greater than $10,000 used primarily (over 50%) in taxable activities. Entities that have elected to use this method are generally able to claim a partial rebate of the GST/QST that cannot be claimed as an input tax credit/refund.

Special Reporting Methods—Simplified Method of Accounting for ITCs and ITRs

Eligible small businesses (other than listed financial institutions) and public service bodies (charities, non-profit organizations, hospitals, municipalities, schools, universities and public colleges) may elect to use a simplified method to determine their eligible input tax credits (ITCs) and input tax refunds (ITRs). Generally, for GST purposes, this method allows a registrant to claim as ITCs 5/105 of its total expenditures used for providing taxable goods and services on which GST is paid. For QST purposes, the factor used to determine ITRs is 9.5/109.5 (8.5/108.5 prior to January 1, 2012). For HST purposes, the applicable factor (12/112, 13/113 or 15/115) depends on the rate of the HST paid.

The simplified method is available to eligible small businesses and public service bodies (PSBs) with worldwide taxable sales of less than $500,000 in the immediately preceding fiscal year. This includes supplies made by associated entities, but excludes sales of real property that is capital property to the registrant, and supplies of financial services. In addition, a registrant's taxable (other than zero-rated) purchases for the previous fiscal year may not exceed $2 million. The federal government proposes to increase the annual threshold for taxable sales to $1 million (from $500,000) and the annual threshold for taxable purchases to $4 million (from $2 million) for reporting periods beginning after 2012. Québec has yet to confirm whether it will adopt similar measures for QST purposes.

As well, a PSB must meet the additional requirement that it is reasonable to expect that its purchases will not exceed $2 million in the current year.

The simplified method may not be used to calculate tax paid on taxable real property acquisitions, and it does not apply to purchases of goods and services on which no GST/HST or QST is paid or payable.

Rebates for Public Service Bodies[1]

			Provincial component of the HST				
Types of Organizations	**GST[2]**	**QST**	**B.C.**	**Ont.**	**N.B.**	**N.S.**	**Nfld.**
Charities and qualifying non-profit organizations	50%	50%	57%	82%	50%	50%	50%
Hospital authorities, facility operators or external suppliers	83	51.5	58	87	0[3]	83[4]	0
Municipalities	100	0	75	78	57.14	57.14	0
School authorities	68	47	87	93	0[3]	68	0
Universities and public colleges	67	47	75	78	0	67	0

Notes

(1) Some entities may qualify to claim public service bodies' rebates for the GST, the provincial component of the HST or the QST paid on eligible purchases and expenses. These rebates are summarized in the above table.

(2) A specified person may be entitled to a rebate of 100% for GST paid on "printed books". Municipalities, universities, school authorities, some post-secondary colleges and technical institutes, as well as charities, public institutions and qualifying non-profit organizations that operate public lending libraries, may qualify as specified persons. A charity or a qualifying non-profit organization whose primary purpose is to promote literacy may apply to become a specified person.

(3) In New Brunswick, hospital and school authorities that are part of the provincial government pay HST on their purchases, but the full amount of HST paid is rebated to them.

(4) In Nova Scotia, the rebate for the provincial component of the HST of 83% applies for hospital authorities only.

Special Reporting Methods—Net Tax Calculation Method for Charities

Charities registered for GST/HST and QST, if applicable, (other than charities that are universities, public colleges, school authorities, hospitals or designated local authorities) are required to use a simplified method of net tax calculation, the "Net Tax Calculation Method", unless they qualify and elect out of using this method.

Collection
Charities charge and collect GST/HST and QST, if applicable, on their taxable sales.

Remittance
The Net Tax Calculation Method calculates the GST/HST and QST to be remitted as 60% of the tax collected by the charity. If the charity is acting as an agent, or has collected tax on the sale of real property or capital property, then the full amount of tax must be remitted.

Input tax credits/refunds and rebates
Full input tax credits (input tax refunds in Québec) are generally available on capital property and real property used primarily in commercial activities. Otherwise, the 50% charity rebate applies (see the table "Rebates for Public Service Bodies" and related notes on page 188).

Election available
Eligible charities may elect to determine their net tax with the regular method rather than the simplified method where they:

- make supplies outside Canada in the course of their business
- make zero-rated supplies in the course of their business, or
- have at least 90% taxable sales.

Restrictions on QST Input Tax Refunds for Large Businesses

Certain large businesses may not claim input tax refunds (ITRs) of QST in respect of several types of goods and services.

A QST registrant is generally considered to be a large business for a given fiscal year if the value of the taxable sales, other than sales of financial services, made in Canada by the registrant and the registrant's associates exceed $10 million during the immediately preceding fiscal year.

The value of taxable sales made in Canada includes the value of all exports, including sales deemed to have been made outside Canada. It also includes the value of sales deemed to have been made for nil consideration pursuant to an election made jointly by corporations that are specified members of a group of closely related corporations. However, it excludes GST and the value attributable to the sale of immovables that are capital property, or the goodwill of a business sold (where no QST is payable on the goodwill).

The following financial institutions are considered large businesses regardless of the value of their taxable sales:

- Banks
- Trust companies
- Credit unions
- Insurers
- The segregated funds of insurers
- Investment plans
- The Régie de l'assurance-dépôts du Québec and the Canada Deposit Insurance Corporation
- A person associated to one of the above.

The following goods and services do not give entitlement to ITRs if acquired by a large business:

- Road vehicles (e.g., cars and trucks) under 3,000 kilograms that must be registered under the Québec *Highway Safety Code*, fuel for such vehicles (other than diesel fuel) and some property or services relating to such vehicles
- Electricity, gas, combustibles and steam (unless used for the production of tangible personal property intended for sale)
- Telephone and other telecommunication services (excluding services related to 1-800, 1-888 or 1-877 telephone services and Internet access)
- Meals and entertainment (to which the 50% limit for income tax purposes is applicable).

Recaptured ITCs for Ontario and British Columbia HST for Large Businesses

Under the Ontario and British Columbia HST, large businesses (a person with more than $10 million in annual taxable sales, including associates of the person, and some financial institutions) are required to recapture input tax credits (RITC) on the provincial component of the HST on some specific expenses. The RITC requirement is scheduled to apply for the first five years of the HST and will then be phased out over three years.

The rules for RITCs are similar to the restrictions for ITRs for QST purposes. However, one significant difference is that a business subject to these rules cannot simply forego claiming the input tax credits (ITCs) subject to the RITCs. The business must claim the ITCs and recapture the ITCs in the appropriate reporting period. Large businesses are generally required to show the amounts of RITCs for British Columbia and Ontario HST separately when filing their returns.

The specified goods and services subject to the RITC, other than for fuel in British Columbia, are generally similar to the ones subject to the restricted ITRs for QST purposes.

However, qualifying public service bodies and persons whose chief source of income is farming are not considered to be large businesses for RITC purposes and are not subject to the RITC requirements.

Personal Rebates—GST/HST and QST[1]

New Housing Rebates[2] Value of Home	GST	QST
Up to $300,000	36% of GST paid	50% to 0% of QST paid plus QST on the GST-rebated amount[3]
$300,001 to 350,000	36% of GST paid	QST paid on the GST-rebated amount
$350,001 to 449,999	36% to 0% of GST paid	Same as above
Over $449,999	No rebate available	No rebate available

Notes

(1) A partial rebate of GST/HST and QST paid by individuals in respect of qualifying new or substantially renovated homes or qualifying residential rental properties may be available. The applicable legislation and administrative policies should be consulted to determine eligibility for such rebates.

(2) A qualifying purchaser may be eligible to a new housing rebate for a portion of the GST, QST, and/or the provincial component of the Ontario and British Columbia HST paid on new qualifying residential units.

(3) The rebate rate decreases from 50% (previously 36%) to 0% for houses with values between $200,000 and $300,000. Prior to January 1, 2011, the top rate was generally 36%. Transitional rules determine when the 50% rebate rate applies.

New Housing Rebates[2] Value of Home	British Columbia[4]	Ontario	Nova Scotia[5]
Up to $300,000	Lesser of 71.43% of provincial HST component and $26,250	Lesser of 75% of provincial HST component and $24,000	Lesser of 18.75% of provincial HST component and $1,500
$300,001 to 350,000	Same as above	Same as above	Same as above
$350,001 to 449,999	Same as above	Same as above	Same as above
Over $449,999	Same as above	Same as above	Same as above

(4) British Columbia proposes to enhance the B.C. new housing rebates. Eligible purchasers of qualifying new homes with a purchase price of up to $850,000 may now be eligible for a provincial HST rebate of up to $42,500 (previously $26,250). For a new qualifying home with a purchase price of $850,000 and above, an eligible purchaser would generally be entitled to the maximum rebate of $42,500. As noted previously, British Columbia will transition from an HST system back to GST and PST systems effective April 1, 2013. As part of the transition, British Columbia has introduced specific transitional rules for real property transactions which are beyond the scope of this publication.

(5) For agreements entered into after April 6, 2010, the provincial new housing rebate is generally administered by the province (previously by the CRA). The housing rebates are calculated on the provincial portion of the HST and are in addition to the GST rebate. The rebate is limited to first-time home buyers and does not apply to substantially renovated existing homes. The maximum rebate increased to $3,000 (from $1,500) applies generally to purchase and sales agreements dated after March 31, 2012.

Prescribed Interest Rates—GST/HST and QST

	GST/HST[1]		QST	
	Tax Refunds	Tax Debts	Tax Refunds	Tax Debts
2010				
January to March	3.00	5.00	1.15	5.00
April to June	3.00	5.00	1.15	5.00
July to September	1.00/3.00	5.00	1.25	5.00
October to December	1.00/3.00	5.00	1.25	6.00
2011				
January to March	1.00/3.00	5.00	1.25	6.00
April to June	1.00/3.00	5.00	1.25	6.00
July to September	1.00/3.00	5.00	1.50	6.00
October to December	1.00/3.00	5.00	1.50	6.00
2012				
January to March	1.00/3.00	5.00	1.50	6.00
April to June	1.00/3.00	5.00	1.50	6.00

Note

(1) The prescribed rate of interest for GST/HST purposes is based on the average yield of Government of Canada 90-day Treasury Bills (rounded to the next highest whole percentage point) sold during the first month of the immediately preceding quarter. The rate applicable to tax refunds is set at two percentage points higher than this calculated base rate. Effective July 1, 2010, the rate payable to corporations for tax refunds is set at the calculated base rate. The rate for tax debts is set at four percentage points higher than the calculated base rate. There was no change in the method used to calculate the rate for tax debts.

GST/HST and QST Filing and Assessment Periods[1]

	Annual Level of Taxable Supplies[2]		
	Up to $1,500,000	**$1,500,000 to $6,000,000**	**Over $6,000,000**
Reporting period	Annually	Quarterly	Monthly
Optional reporting period[3]	Monthly or quarterly	Monthly	None available
Filing due date	Three months after end of annual reporting period[4]	One month after end of reporting period	One month after end of reporting period
Assessment period[5]	4 years	4 years	4 years
Period for Notice of Objection	90 days	90 days	90 days
Period for Notice of Appeal	90 days	90 days	90 days

Notes

(1) This table serves only as a guide. The applicable legislation should be consulted.

(2) Taxable supplies include those that are zero-rated. Some supplies, however, may be excluded from this definition.

(3) In order to use the optional reporting period, an election must generally be filed at the start of the year.

(4) For GST/HST and QST reporting, an individual with an annual reporting period, with business income, and a December 31 year-end must pay by April 30 and file by June 15.

(5) Generally, the assessment period may be extended if there is fraud or misrepresentation attributable to neglect, carelessness or wilful default.

Selected Penalty Provisions—GST/HST and QST[1]

Description	GST/HST Penalty	QST Penalty
Failure to file a return by due date	1% of unpaid tax plus 0.25% per complete month (not exceeding 12) while the return remains outstanding[2]	$25 per day to a maximum of $2,500
Failure to remit tax by due date	No penalty, interest only[3]	7%–15% of the tax payable[4]
Failure to provide information	$100 for each failure	$100 for each failure
Failure to recapture input tax credits as required	5% of amount plus 1% per month until amount is reported (for a total maximum of 10%)	Not applicable
False statement or omissions attributable to gross negligence	Greater of $250 and 25% of the reduction in tax	50% of the tax benefit
Penalties for third parties	Greater of $1,000 and the lesser of 50% of the tax benefit or $100,000 plus compensation	Greater of $1,000 and the lesser of 50% of the tax benefit or $100,000 plus compensation

Notes

(1) Other penalties and fines may apply.

(2) This late-filing penalty applies to returns required to be filed on or after April 1, 2007. The penalty also applies to outstanding returns on that date, but the additional 0.25% per month penalty will only apply after that date.

(3) Effective April 1, 2007, the 6% GST/HST penalty was eliminated. In situations where amounts were due but not remitted by April 1, 2007, the amounts are subject to the 6% penalty as well as the applicable rates of interest for tax debts until March 31, 2007. After March 31, 2007, the 6% penalty will no longer accrue; however, the amounts due will be subject to the higher rates of interest effective April 1, 2007 (see the table "Prescribed Interest Rates—GST/HST and QST" and related notes on page 194).

(4) Where the amount is no more than seven days late, a penalty of 7% applies. Where the amount is between eight and 14 days late, a penalty of 11% applies. In all other cases, a 15% penalty applies.

	Saskatchewan	Manitoba	P.E.I.[2]
General sale or lease of goods and taxable services	5%	7%	10%
Alcoholic beverages	10[3]	7	10

Notes

(1) This table serves only as a guide. The applicable legislation and administrative policies should be consulted as specific rules and exceptions within these broad categories may apply.

British Columbia, Alberta, Ontario, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador do not levy a Retail Sales Tax (RST). New Brunswick, Nova Scotia and Newfoundland and Labrador have blended their sales tax with the federal GST to create the HST as of April 1, 1997. British Columbia and Ontario have done the same and have adopted the HST effective July 1, 2010. Québec levies the QST.

Effective April 1, 2013, British Columbia will transition from an HST system back to a 5% GST and a 7% PST systems while Prince Edward Island proposes to adopt an HST.

(2) In Prince Edward Island, the PST applies to the GST-included price. Prince Edward Island proposes to adopt a 14% HST effective April 1, 2013.

(3) Saskatchewan's 10% tax on alcoholic beverages is levied as a separate liquor consumption tax.

Refunds and Rebates—Retail Sales Tax

	Saskatchewan	Manitoba	P.E.I.
Refunds and rebates[1]			
Bad debts	Yes	Yes	Yes
Taxes paid in error	Yes	Yes	Yes[2]
Returned goods[3]	Yes	Yes	Yes
Properties shipped out of province[4]	No	No[5]	No
Limitation period	4 years	2 years	4 years

Notes

(1) This table serves only as a guide. The applicable legislation and administrative policies should be consulted as specific rules and exceptions within these broad categories may apply. Each province may provide additional specific refund and rebate provisions.

(2) No refund is available for taxes paid under a mistake of law.

(3) Generally applies where the full purchase price and tax are refunded. While not legislated, Manitoba allows a vendor to refund the tax where a sale is considered cancelled.

(4) Specific rules may apply for goods shipped out of the province by suppliers and for vehicles shipped out of province.

(5) A refund may be available to non-residents of Canada who take the goods outside Canada within 30 days after the purchase.

Tax Status of Certain Transactions—Retail Sales Taxes[1]

Transaction Type	Saskatchewan	Manitoba	P.E.I.
Business			
Goods for resale/lease	Exempt	Exempt	Exempt
Raw materials	Exempt	Exempt	Exempt
Production equipment	Taxable	Taxable	Exempt
Farming equipment/supplies	Exempt	Exempt	Exempt
Fishing equipment/supplies	Taxable	Exempt	Exempt
Personal			
Admission to entertainment venues	Exempt	Exempt	Taxable
Basic groceries	Exempt	Exempt[2]	Exempt[2]
Books, magazines[3]	Exempt	Exempt[4]	Exempt[4]
School supplies	Taxable	Taxable	Exempt
Children's clothing	Exempt	Exempt	Exempt
Prescription drugs	Exempt	Exempt	Exempt
Business and personal			
Sale or lease of goods	Taxable	Taxable	Taxable
Repair/maintenance of goods	Taxable[5]	Taxable	Taxable
Prepared meals	Exempt	Taxable	Taxable
Parking	Exempt	Exempt	Exempt
Legal services	Taxable	Taxable	Taxable
Telecommunication services	Taxable	Taxable	Taxable

Notes

(1) This table serves only as a guide. The provincial legislation and administrative policies should be consulted as specific rules and exceptions within these broad categories may apply.

(2) In Manitoba and Prince Edward Island, carbonated beverages, snack foods and candy are generally subject to tax.

(3) The definitions of exempt publications and books vary by province.

(4) In Manitoba, magazines are not exempt. In Prince Edward Island, magazines are exempt only if they are purchased by subscription.

(5) In Saskatchewan, repairs to exempt items may be excluded.

Prescribed Interest Rates—Retail Sales Tax[1]

	Saskatchewan[2] (PST)	Manitoba[3] (RST)	P.E.I.[4] (PST)
2010			
January to March	5.25	6.25	18.00
April to June	5.25	6.25	18.00
July to September	5.50	6.50	18.00
October to December	5.50	6.50	18.00
2011			
January to March	6.00	7.00	18.00
April to June	6.00	7.00	18.00
July to September	6.00	7.00	18.00
October to December	6.00	7.00	18.00
2012			
January to March	6.00	7.00	18.00
April to June	6.00	7.00	18.00

Notes

(1) The rates indicated in the table apply to tax debts.

(2) In Saskatchewan, the rates for tax refunds are 3% less than those for tax debts.

(3) In Manitoba, no interest is paid on tax refunds.

(4) In Prince Edward Island, no interest is paid on tax refunds unless the refund is as a result of an appeal or an objection. In these cases, interest is paid at the rates indicated in the table.

Filing and Assessment Periods—Retail Sales Tax[1]

	Saskatchewan	Manitoba	P.E.I.
Reporting period[2]	Monthly	Monthly	Monthly
Filing due date[3]	20th of next month	20th of next month	20th of next month
Assessment period[4]	6 years	6 years[5]	5 years
Period for Notice of Objection	30 days	90 days	60 days
Period for Notice of Appeal	30 days	90 days	30 days

Notes

(1) The table serves only as a guide. The applicable legislation should be consulted.

(2) Reporting periods may be monthly, quarterly, semi-annual or seasonal basis based on the province. The filing frequency depends on the amount of monthly RST collected.

(3) The filing due date in all jurisdictions applies to the month following the end of the applicable reporting period.

(4) Generally, the assessment period may be extended where there is evidence of wilful default or fraud.

(5) While the law does not establish a specific assessment period, Manitoba generally restricts the assessment period to 6 years.

Selected Penalty Provisions—Retail Sales Tax[1]

Description	Saskatchewan	Manitoba	P.E.I.
Legislation	Revenue and Financial Services Act	Tax Administration and Miscellaneous Taxes Act	Revenue Administration Act
Failure to remit tax by due date	10% of the unpaid tax to a maximum of $500 per return	10% of the unpaid tax (minimum $10)	5% of the tax collectible to a maximum of $250
Failure to file a return by due date	Maximum of $1,000 for first time offence or $5,000 for repeated offence	No specific provision	Minimum of $100 for each unfiled return
Non-compliance with legislation attributable to neglect, carelessness, wilful default or fraud	10%, 25% or 100% of the unpaid tax[2]	Up to 50% of the unpaid tax	No specific penalty[3]

Notes

(1) Other penalties or fines may apply.

(2) In Saskatchewan, the penalty is applied where tax is owing as a result of an audit. The 100% penalty is generally applied in cases where the tax was collected and wilfully not remitted.

(3) In Prince Edward Island, the fine for making a false statement, impeding an officer or other non-specified violation is $250 to a maximum of $5,000.

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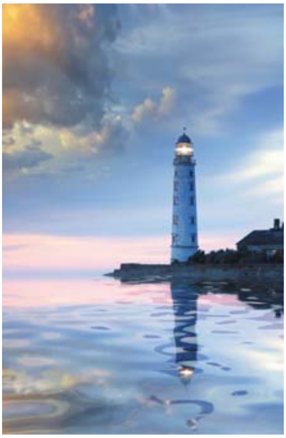

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- Provincial payroll and health taxes, Workers' Compensation, land transfer taxes and probate fees
- Canada's tax treaties and social security agreements
- U.S. federal and state personal and corporate income tax rates
- Federal and provincial sales tax rates, refunds, rebates and filing requirements

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