

Tax Facts and Figures for Individuals and Corporations

Canada 2005



Key 2005 Income Tax Rates – Individuals and Corporations

This table summarizes key combined 2005 federal/provincial and federal/territorial income tax rates for individuals and corporations. Other rates apply in specific cases. Use the table of contents to find more detailed information.

	Individuals Top combined marginal rates			Corporations Combined income tax rates				
	Ordinary income and interest	Capital gains	Canadian dividends	General (Non-Manufacturing)	Manufacturing & processing (M&P)	Canadian-Controlled Private Corporations Active business income up to \$300,000	Investment income	
Federal	29.00%	14.50%	19.58%	22.12%		13.12%	35.79%	Federal
Alberta	39.00%	19.50%	24.08%	33.62%		16.12%	47.29%	Alberta
British Columbia	43.70%	21.85%	31.58%	35.62%		17.62%	49.29%	British Columbia
Manitoba	46.40%	23.20%	35.08%	37.12%		18.12%	50.79%	Manitoba
New Brunswick	46.84%	23.42%	37.26%	35.12%		15.37%	48.79%	New Brunswick
Newfoundland and Labrador	48.64%	24.32%	37.32%	36.12%	27.12%	18.12%	49.79%	Newfoundland and Labrador
Northwest Territories	43.05%	21.53%	29.65%	36.12%		17.12%	49.79%	Northwest Territories
Nova Scotia	48.25%	24.13%	33.06%	38.12%		18.12%	51.79%	Nova Scotia
Nunavut	40.50%	20.25%	28.96%	34.12%		17.12%	47.79%	Nunavut
Ontario	46.41%	23.20%	31.34%	36.12%	34.12%	18.62%	49.79%	Ontario
Prince Edward Island	47.37%	23.69%	31.96%	38.12%	36.02%	19.87%	51.79%	Prince Edward Island
Québec	48.22%	24.11%	32.81%	31.02% (Inactive: 38.37%)	31.02%	22.02%	52.04%	Québec
Saskatchewan	44.00%	22.00%	28.33%	39.12%	32.12%	18.12%	52.79%	Saskatchewan
Yukon	42.40%	21.20%	28.63%	37.12%	24.62%	17.12% (M&P: 15.62%)	50.79%	Yukon

Top rates apply to income above \$115,739. See pages 3, 4 and 5 for details and other rates.

For additional rates and important details, see pages 23, 24 and 25.

The \$300,000 threshold may be higher in some provinces (see pages 35 to 39).

No part of this booklet may be produced without permission from PricewaterhouseCoopers.

Additional copies of *Tax Facts and Figures* may be obtained from any PricewaterhouseCoopers office listed on our Web site: www.pwc.com/ca.

Cette brochure est également disponible en français.

Tax Facts and Figures

for Individuals and Corporations

Canada 2005

Click on a title to link to a topic

Tax Facts and Figures is divided into the following sections:

- Highlights for Individuals and Corporations—2005 and Beyond
- A Message from Our CEO
- Contacts
- Contents

• Individuals	2
• Corporations	23
• Individuals and Corporations	44
• International	52

Highlights for Individuals and Corporations—2005 and Beyond

Federal

Because the federal government is in a minority, it is uncertain whether the federal tax changes that have not been enacted into law will proceed. At the publication date, the 2005 federal budget measures have yet to be enacted.

Personal income tax rates: unchanged (p. 4); personal and spousal amounts will increase beyond inflation from 2006 to 2009 (p. 14)

Corporate income tax rates: corporate surtax will be eliminated on January 1, 2008; general rate reduction and M&P deduction will increase in stages from 7% to 9% from January 1, 2008 to January 1, 2010; as a result, general, M&P and resource rates will be reduced to 19% by 2010 and small business rates will be reduced to 12% by 2008 (p. 32)

Small business threshold:* increased from \$250,000 to \$300,000 on January 1, 2005 (p. 25)

Large Corporations Tax (LCT): rate decreased from 0.2% to 0.175% on January 1, 2005 and will be phased out by 2008 (p. 26)

Deductibility of interest and other expenses: affected by draft legislation (for taxation years beginning after 2004) (pp. 15, 33)

Retirement savings plan and profit sharing plan contribution limits and defined benefit registered pension plan benefits: will increase above previously announced levels (pp. 14, 32)

Foreign property limit for tax deferred income plans: eliminated commencing 2005 (pp. 14, 33)

Alberta

Personal income tax rates: unchanged (p. 17)

Corporate income tax rates: long-term goal is to reduce general and M&P rates from 11.5% to 8% (p. 35)

British Columbia

Personal and corporate income tax rates: unchanged (pp. 17, 35)

Sales tax rate: decreased from 7.5% to 7% on October 21, 2004 (pp. 17, 36)

Manitoba

Personal income tax rates: middle rate will decrease from 14% to 13.5%, and basic personal amount will increase \$100, on January 1, 2006 (p. 18)

Corporate income tax rates: decreasing – general and M&P rate from 15.5% to 15% on January 1, 2005, to 14.5% on July 1, 2006 and to 14% on July 1, 2007; small business rate from 5% to 4.5% on January 1, 2006 and to 4% on January 1, 2007 (p. 36)

Small business threshold: increased from \$360,000 to \$400,000 on January 1, 2005 (p. 36)

Probate fees: Higher after June 30, 2005 (p. 13)

New Brunswick

Personal income tax rates: unchanged (p. 18)

Corporate income tax rates: general and M&P rates unchanged; small business rate decreasing from 2.5% to 2% on July 1, 2005, to 1.5% on July 1, 2006, and to 1% on July 1, 2007 (p. 37)

Small business threshold: increasing from \$425,000 to \$450,000 on July 1, 2005, to \$475,000 on July 1, 2006 and to \$500,000 on July 1, 2007 (p. 37)

Newfoundland and Labrador*

Personal and corporate income tax rates: unchanged (pp. 18, 37)

Northwest Territories*

Personal tax income tax rates: bottom two rates decreased on January 1, 2005 from 7.2% and 9.9% to 5.9% and 8.6% (p. 19)

Corporate income tax rates: unchanged (p. 38)

Payroll tax rate: increased from 1% to 2% on January 1, 2005 (p. 45)

* Federal small business threshold changes apply also to Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island and the Yukon.

Nova Scotia*

Personal and corporate income tax rates: unchanged (pp. 19, 38)

*Small business threshold:** increasing to \$350,000 on April 1, 2005 and to \$400,000 on April 1, 2006 (p. 38)

General capital tax: general rate decreasing in stages from 0.3% to 0.2% from July 1, 2005 to July 1, 2008 and will be eliminated on July 1, 2009 (p. 38)

Nunavut*

Personal and corporate income tax rates: unchanged (pp. 19, 39)

Ontario

Personal and corporate income tax rates: unchanged (pp. 20, 39)

Capital tax: rates will be phased out from January 1, 2009 to January 1, 2012; capital tax deduction increased from \$5 million to \$7.5 million and will further increase in stages to \$15 million by January 1, 2008 (pp. 39, 40)

Prince Edward Island*

Personal income tax rates: unchanged (p. 20)

Corporate income tax rates: general rate unchanged; on April 1, 2005, M&P rate increased from 7.5% to 16% and small business rate decreased from 7.5% to 6.5% (p. 40)

Real Property Transfer Tax: A new Real Property Transfer Tax applies after May 15, 2005 (p. 48)

Québec

Personal income tax rates: unchanged (p. 21)

Corporate income tax rates: active income rate will increase in stages from 8.9% to 11.9% from January 1, 2006 to January 1, 2009; small business rate will decrease from 8.9% to 8.5% on January 1, 2006 (p. 41)

Small business threshold: will be \$400,000 as of January 1, 2006, previously no threshold applied (p.41)

Capital tax: deduction increased from \$600,000 to \$1,000,000 on January 1, 2005; from January 1, 2006 to January 1, 2009, rates will decrease in stages from 0.6% to 0.29% for general rate and from 1.2% to 0.58% for financial institutions rate; general capital tax credit introduced for M&P equipment purchased after April 21, 2005 and before January 1, 2008 (p. 41)

Saskatchewan

Personal income tax rates: unchanged (p. 22)

Corporate income tax rates: general and M&P rates unchanged; small business rate decreased from 5.5% to 5% on January 1, 2005 (p. 42)

Additional capital tax exemption: increased from \$7.5 million to \$10 million on January 1, 2005 (p. 42)

Yukon*

Personal income tax rates: unchanged (p. 22)

Corporate income tax rates: general and M&P rates unchanged; small business rate decreased from 6% to 4% on January 1, 2005 (p. 43)

*Small business threshold:** will increase to \$400,000 on January 1, 2007 (p. 43)

* Federal small business threshold changes apply also to Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island and the Yukon.

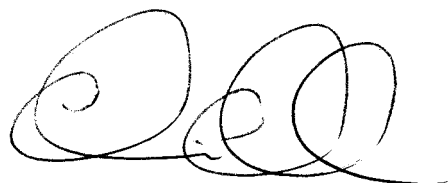
A Message from Our CEO

PricewaterhouseCoopers is pleased to present the 28th edition of *Tax Facts and Figures*, a valuable compilation of tax-related information, covering the complexity of our tax system in a user-friendly format.

This edition of *Tax Facts and Figures* is current to May 20, 2005. It takes into account proposals in all 2005 federal, provincial and territorial budgets. Tax rates have been calculated on the assumption that all budgets and other proposals will be passed into law. Important post-publication changes and updates are available electronically from our Tax News Network Canada Web site **www.ca.taxnews.com** —a PricewaterhouseCoopers virtual community for tax practitioners that provides subscribers with Canadian and global updates on tax information and analysis.

While *Tax Facts and Figures* is helpful as a reference tool, it is most effective when used in tandem with professional advice. The tax facts that fill these pages are just a small part of the knowledge and expertise that reside at PricewaterhouseCoopers. Whether you require assurance, tax or advisory services, PricewaterhouseCoopers offers a global network of trusted advisers to help you achieve better results.

To submit comments on *Tax Facts and Figures*, please contact us at **tax.services@ca.pwc.com**. We look forward to working with you.



C.J.B. Clark
Chief Executive Officer
PricewaterhouseCoopers Canada

PricewaterhouseCoopers Contacts

For assistance with tax matters, contact your PricewaterhouseCoopers adviser or any of the following:

Calgary	Kevin Hinz	kevin.a.hinz@ca.pwc.com
Edmonton	Daniel Woodruff	daniel.a.woodruff@ca.pwc.com
Halifax	Elaine Sibson	elaine.s.sibson@ca.pwc.com
Hamilton	Ian Cowan	ian.cowan@ca.pwc.com
Kitchener/Waterloo	Jeff Jutzi	jeff.k.jutzi@ca.pwc.com
London	Tom Mitchell	tom.r.mitchell@ca.pwc.com
Mississauga	Paul Glover	paul.b.glover@ca.pwc.com
Montreal	Pierre Lessard	pierre.lessard@ca.pwc.com
North York	Louis Provenzano	louis.j.provenzano@ca.pwc.com
Ottawa	Kent Davison	kent.davison@ca.pwc.com
Québec City	Denis Girard	denis.girard@ca.pwc.com
Saint John	Dean Landry	dean.landry@ca.pwc.com
Saskatoon	Frank Baldry	frank.m.baldry@ca.pwc.com
St. John's	Allison Saunders	allison.j.saunders@ca.pwc.com
Toronto	Jim Briggs	jim.m.briggs@ca.pwc.com
Vancouver	Brad Sakich	brad.a.sakich@ca.pwc.com
Windsor	Loris Macor	loris.macor@ca.pwc.com
Winnipeg	Serena Kraayeveld	serena.h.kraayeveld@ca.pwc.com

Office addresses and telephone numbers are available at:
www.pwc.com/ca/offices

Contents *Click on a title to link to a topic*

The colours of the four sections in the table of contents match the tabs on each page of *Tax Facts and Figures*.

Individuals – National Overview	2
How Much Tax? Individual Tax Table for 2005	2
Individual Marginal Rates for 2005	3
Top Marginal Rates – A 13-Year History	4
Components of Individual Income Tax Rates for 2005	4
Personal Tax Credits for 2005	6
Capital Gains Exemption and Rollover	8
Alternative Minimum Tax (AMT)	8
Equivalent Investment Yields at Top Marginal Rates	8
Taxable Income Calculation Worksheet for 2005	9
Income Tax Calculation Worksheet for 2005	10
Child Care Expense Deduction	11
Income Tax Filing and Payment Deadlines for 2005 – Individuals and Trusts	12
Taxation of Trusts	12
Probate Fees (for estates over \$50,000)	13
Federal Tax Changes Affecting Individuals – Selected Highlights	14
Recent Tax Cases Affecting Individuals	16
Individuals – Key Provincial and Territorial Rates and Changes	17

Corporations – National Overview	23
Federal Corporate Tax Rate Components – 1994 to 2005	23
Corporate Income Tax Rates – General and M&P	24
Corporate Income Tax Rates – Canadian-Controlled Private Corporations	25
Other Federal Corporate Tax Rates for 2005	26
Provincial Income Tax Holidays	27
Provincial M&P Investment Tax Credits	27
Capital Tax	28
Income Tax Payment Deadlines for 2005 – Corporations	30
Capital Tax Payment Deadlines for 2005	31
Federal Corporate Tax Changes – Selected Highlights	32
Recent Tax Cases Affecting Corporations	34
Corporations – Key Provincial and Territorial Rates and Changes	35

Individuals and Corporations	44
Sales and Commodity Tax Rates for 2005	44
CPP/QPP and EI Premiums	44
Prescribed Rates for Automobiles (2005)	44
Payroll Tax Rates and Health Care Premiums for 2005	45
Retirement Savings Plans and Profit Sharing Plans	46
Federal Investment Tax Credit Rates	47
Provincial and Territorial R&D Tax Credits	47
Political Contribution Tax Credits for 2005	48
Land Transfer Tax and Registration Fees	48
Filing Deadlines	49
Prescribed Interest Rates for 2004 and 2005	
– Income, Capital and Payroll Taxes	50
Government Web Sites	51

International	52
Combined Marginal U.S. Federal and State Individual Income Tax Rates (2005)	52
U.S. Unified Transfer Tax Rates	53
U.S. Corporate Income Tax Rates – Federal and State (2005)	54
U.S. Federal and State Government Web Sites	55
Canada's Treaty Withholding Tax Rates	56

This booklet is published with the understanding that PricewaterhouseCoopers is not thereby engaged in rendering accounting, legal or other professional service or advice. The comments included in this booklet are not intended to constitute professional advice, nor should they be relied upon to replace professional advice.

Rates and other information are current to May 20, 2005, but may change as a result of legislation or regulations issued after that date.

Individuals – National Overview

How Much Tax? Individual Tax Table for 2005

This table shows the combined federal and provincial (or territorial) income taxes payable, including surtaxes. The calculations assume that only the basic personal tax credit is available and that all income is either interest or ordinary income (such as salary). Other credits, including those set out on pages 6 and 7, are available to some taxpayers, and have not been taken into account.

Certain types of income and deductions may make alternative minimum tax (AMT) apply, affecting the results in this table. AMT is outlined on page 8.

Estimating Your Tax Bill for Other Income Levels

For taxable incomes other than those shown in the table, the tax bill can be estimated by:

- multiplying the appropriate marginal rate (from the next page, or below for top brackets) by the difference between your own taxable income and the taxable income (from the table on this page) just below your own; and
- adding that result to the tax shown for the taxable income just below your own.

	Federal income tax	Combined 2005 federal and provincial/territorial income tax															
		Alberta	B.C.	Manitoba	N.B.	Nfld. & Lab.	Non-resident	N.W.T.	N.S.	Nunavut	Ontario	P.E.I.	Québec	Sask.	Yukon		
Taxable income ↑	\$1,000,000	\$280,241	\$378,789	\$421,565	\$450,252	\$453,677	\$472,169	\$414,756	\$414,675	\$467,068	\$389,429	\$447,215	\$459,307	\$469,364	\$426,480	\$409,412	\$1,000,000
	500,000	135,241	183,789	203,065	218,252	219,477	228,960	200,156	199,425	225,818	186,929	215,167	222,457	228,289	206,480	197,422	500,000
	400,000	106,241	144,789	159,365	171,852	172,637	180,319	157,236	156,375	177,568	146,429	168,758	175,087	180,074	162,480	155,024	400,000
	300,000	77,241	105,789	115,665	125,452	125,797	131,677	114,316	113,325	129,318	105,929	122,348	127,717	131,859	118,480	112,626	300,000
	250,000	62,741	86,289	93,815	102,252	102,377	107,356	92,856	91,800	105,193	85,679	99,143	104,032	107,752	96,480	91,427	250,000
	200,000	48,241	66,789	71,965	79,052	78,957	83,035	71,396	70,275	81,068	65,429	75,939	80,347	83,644	74,480	70,228	200,000
	150,000	33,741	47,289	50,115	55,852	55,537	58,714	49,936	48,750	56,943	45,179	52,734	56,662	59,537	52,480	49,029	150,000
	100,000	19,713	28,261	28,737	33,124	32,674	34,865	29,175	27,881	33,290	25,794	30,001	33,449	35,823	31,053	28,520	100,000
	90,000	17,113	24,661	24,689	28,784	28,422	30,301	25,327	24,061	28,792	22,294	25,660	29,012	31,252	27,153	24,719	90,000
	80,000	14,513	21,061	20,719	24,444	24,170	25,737	21,479	20,241	24,373	18,794	21,319	24,575	26,681	23,253	20,918	80,000
	70,000	11,961	17,508	16,915	20,152	19,966	21,221	17,702	16,468	20,153	15,366	17,048	20,185	22,150	19,401	17,223	70,000
	60,000	9,761	14,308	13,701	16,382	16,207	17,056	14,446	13,323	16,286	12,466	13,703	16,196	17,913	15,901	14,055	60,000
	50,000	7,561	11,108	10,586	12,782	12,525	13,203	11,190	10,263	12,577	9,566	10,585	12,504	13,919	12,401	10,887	50,000
	40,000	5,361	7,908	7,471	9,182	8,843	9,387	7,934	7,203	8,882	6,666	7,470	8,924	10,082	8,901	7,719	40,000
	30,000	3,496	5,044	4,786	5,934	5,637	5,907	5,175	4,581	5,523	4,269	4,815	5,710	6,525	5,872	5,035	30,000
20,000	1,896	2,444	2,581	3,244	3,069	3,227	2,807	2,391	3,019	2,269	2,610	3,130	3,510	3,172	2,731	20,000	
Top 2005 marginal rates	29.00%	39.00%	43.70%	46.40%	46.84%	48.64%	42.92%	43.05%	48.25%	40.50%	46.41%	47.37%	48.22%	44.00%	42.40%	Top 2005 marginal rates	
Dividend tax credit	13.33%	19.73%	18.43%	18.33%	17.03%	18.78%	19.73%	19.33%	21.80%	17.33%	21.34%	21.80%	21.96%	21.33%	19.49%	Dividend tax credit	
Max. value of add'l credits	16.00%	26.00%	22.05%	26.90%	25.68%	27.52%	23.68%	21.90%	25.67%	20.00%	25.44%	26.78%	33.36%	27.00%	23.39%	Max. value of add'l credits	

Taxpayers in top brackets (i.e., taxable income above \$115,739) who receive Canadian dividends can determine their tax by multiplying the dividend tax credit by the amount of Canadian dividends (grossed up by 25%) and subtracting the result from the amount of tax shown in the table. For example, an Alberta resident with \$250,000 taxable income consisting of \$240,000 salary and \$10,000 of grossed-up dividends will pay the \$86,289 tax shown, less 19.73% of \$10,000, yielding \$84,316.

The figures in this table should be reduced by the value of any credits claimed in addition to the basic personal credit. Charitable donations could have a higher maximum value. See pages 6 and 7 for details.

Top rates apply to taxable income above \$115,739.

Individual Marginal Rates for 2005

This table shows your combined federal and provincial (or federal and territorial) marginal tax rate – the percentage of tax you pay on your last dollar of income, or on additional income. Rates include all surtaxes. For more details on federal, provincial and territorial brackets, see pages 4 and 5.

Each row contains marginal rates for:

- **ordinary income and interest** (in bold type);
- the actual amount of capital gains (in ordinary type); and
- *the actual amount of dividends from Canadian corporations* (in italic type).

Top marginal rates

	Taxable income \$8,148 to \$35,595				Taxable income \$35,595 to \$71,190				Taxable income \$71,190 to \$115,739				Taxable income > \$115,739		
	Brackets	Ordinary income & Interest	Capital gains	Canadian dividends	Brackets	Ordinary income & Interest	Capital gains	Canadian dividends	Brackets	Ordinary income & Interest	Capital gains	Canadian dividends	Ordinary income & Interest	Capital gains	Canadian dividends
Federal	\$8,148		8.00%	3.33%	\$35,595	22.00%	11.00%	10.83%	\$71,190	26.00%	13.00%	15.83%	29.00%	14.50%	19.58%
Alberta	\$14,523 \$8,148	26.00% 16.00%	13.00% 8.00%	7.83% 3.33%	\$35,595	32.00%	16.00%	15.33%	\$71,190	36.00%	18.00%	20.33%	39.00%	19.50%	24.08%
British Columbia	\$33,061 \$8,676 \$8,148	25.15% 22.05% 16.00%	12.58% 11.03% 8.00%	8.40% 4.52% 3.33%	\$66,123 \$35,595	33.70% 31.15%	16.85% 15.58%	19.08% 15.90%	\$92,185 \$75,917 \$71,190	40.70% 39.70% 37.70%	20.35% 19.85% 18.85%	27.83% 26.58% 24.08%	43.70%	21.85%	31.58%
Manitoba	\$30,544 \$8,148	30.00% 26.90%	15.00% 13.45%	14.58% 10.71%	\$65,000 \$35,595	39.40% 36.00%	19.70% 18.00%	26.33% 22.08%	\$71,190	43.40%	21.70%	31.33%	46.40%	23.20%	35.08%
New Brunswick	\$32,730 \$8,148	30.82% 25.68%	15.41% 12.84%	17.23% 10.81%	\$65,462 \$35,595	38.52% 36.82%	19.26% 18.41%	26.86% 24.73%	\$106,427 \$71,190	43.84% 42.52%	21.92% 21.26%	33.51% 31.86%	46.84%	23.42%	37.26%
Newfoundland and Labrador	\$29,590 \$8,148	32.16% 26.57%	16.08% 13.29%	17.28% 10.30%	\$59,180 \$58,597* \$35,595	41.64% 39.61% 38.16%	20.82% 19.81% 19.08%	28.57% 26.04% 24.78%	\$71,190	45.64%	22.82%	33.57%	48.64%	24.32%	37.32%
Non-resident	\$8,148	23.68%	11.84%	4.93%	\$35,595	32.56%	16.28%	16.03%	\$71,190	38.48%	19.24%	23.43%	42.92%	21.46%	28.98%
Northwest Territories	\$33,811 \$11,609 \$8,148	24.60% 21.90% 16.00%	12.30% 10.95% 8.00%	6.58% 3.33% 3.33%	\$67,622 \$35,595	34.20% 30.60%	17.10% 15.30%	18.58% 14.08%	\$109,939 \$71,190	40.05% 38.20%	20.03% 19.10%	25.90% 23.58%	43.05%	21.53%	29.65%
Nova Scotia	\$29,590 \$8,148	30.95% 24.79%	15.48% 12.40%	12.40% 4.70%	\$59,180 \$35,595	38.67% 36.95%	19.34% 18.48%	22.05% 19.90%	\$93,000 \$80,841* \$71,190	45.25% 44.34% 42.67%	22.63% 22.17% 21.34%	29.31% 28.17% 27.05%	48.25%	24.13%	33.06%
Nunavut	\$10,674 \$8,148	20.00% 16.00%	10.00% 8.00%	3.33% 3.33%	\$35,595	29.00%	14.50%	14.58%	\$71,190	35.00%	17.50%	22.08%	40.50%	20.25%	28.96%
Ontario	\$34,010 \$8,196 \$8,148	25.15% 22.05% 16.00%	12.58% 11.03% 8.00%	8.36% 4.48% 3.33%	\$70,559* \$68,020 \$59,882* \$35,595	39.41% 35.39% 32.98% 31.15%	19.70% 17.70% 16.49% 15.58%	22.59% 19.88% 16.86% 15.86%	\$71,190	43.41%	21.70%	27.59%	46.41%	23.20%	31.34%
Prince Edward Island	\$30,754 \$8,148	29.80% 25.80%	14.90% 12.90%	10.96% 5.96%	\$61,509 \$51,859* \$35,595	40.37% 37.18% 35.80%	20.19% 18.59% 17.90%	23.21% 19.22% 18.46%	\$71,190	44.37%	22.19%	28.21%	47.37%	23.69%	31.96%
Québec	\$28,030 \$8,148	33.36% 29.36%	16.68% 14.68%	14.25% 9.25%	\$56,070 \$35,595	42.37% 38.37%	21.19% 19.19%	25.51% 20.51%	\$71,190	45.71%	22.86%	29.68%	48.22%	24.11%	32.81%
Saskatchewan	\$8,404 \$8,148	27.00% 16.00%	13.50% 8.00%	7.08% 3.33%	\$36,770 \$35,595	35.00% 33.00%	17.50% 16.50%	17.08% 14.58%	\$105,056 \$71,190	41.00% 39.00%	20.50% 19.50%	24.58% 22.08%	44.00%	22.00%	28.33%
Yukon	\$8,148	23.04%	11.52%	4.80%	\$35,595	31.68%	15.84%	15.60%	\$76,628* \$71,190	38.01% 37.44%	19.01% 18.72%	23.15% 22.80%	42.40%	21.20%	28.63%

* The bracket is attributable to provincial or territorial surtaxes and assumes that only the basic credit is claimed. See pages 6 and 7 for more about credits.

Top Marginal Rates – A 13-Year History

The rates in this table apply to ordinary income and interest.

		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Federal rates (including surtaxes)		31.32						30.89	30.45	29.00				
Combined top marginal rates (%) (including surtaxes and flat taxes)	Alberta	46.07					45.60	45.17	43.71	39.00				
	British Columbia	51.11	54.16	54.17			50.11	52.27	51.26	45.70	43.70			
	Manitoba	50.40					50.11	48.95	48.08	46.40				
	New Brunswick	50.74	51.36			51.05	50.43	49.68	48.77	46.84				
	Newfoundland and Labrador	51.33			53.33			52.90	51.31	48.64				
	Non-resident	46.40						45.97	44.37	42.92				
	Northwest Territories	44.37						43.94	43.50	42.05		42.55	43.05	
	Nova Scotia	50.30	53.75	50.30		49.98	49.66	49.23	48.79	47.34		48.25		
	Nunavut	(Nunavut came into existence on April 1, 1999)												
	Ontario	52.35	53.19		52.92	51.64	50.29	48.75	47.86	46.41				
	Prince Edward Island	50.30						49.55	48.79	47.37				
	Québec	52.94				53.01	52.61	52.18	50.67	48.72	48.22			
	Saskatchewan	51.95					51.58	50.79	49.73	45.00	44.50	44.00		
	Yukon	45.94	46.55					46.11	45.37	43.01	42.40			

Ranks of top marginal rates can differ from the ranks of tax payable (see page 2) depending on the rates and brackets that apply at lower incomes (see page 5).

Rank in 2005
(for ordinary income)
1 = highest rates
14 = lowest rates

Components of Individual Income Tax Rates for 2005

Federal Components

The table at the right shows the federal components of personal income tax rates, which apply to taxpayers in all provinces and territories.

Credits reduce the amounts of tax below those shown. In particular, the federal basic credit eliminates federal tax on \$8,148 of taxable income. As a result, it reduces federal tax (other than in Québec) by \$1,304, and by \$1,089 in Québec.

		Federal brackets			
		\$0 to \$35,595	\$35,595 to \$71,190	\$71,190 to \$115,739	More than \$115,739
Other than Québec	Marginal rate	16%	22%	26%	29%
	Federal tax on income below bracket (before credits)	\$0	\$5,695	\$13,526	\$25,109
Québec	Marginal rate (before credits)	13.36%	18.37%	21.71%	24.22%
	Federal tax on income below bracket (before credits)	\$0	\$4,755	\$11,294	\$20,966

In Québec, marginal rates for the federal component of personal tax are reduced by the 16.5% abatement, discussed on the next page.

2005 Provincial and Territorial Components

All provinces, as well as the territories, compute income tax using “tax-on-income” systems (i.e., they set their own rates, brackets and credits). However, except for Québec, they use the federal definition of taxable income.

In Québec, basic federal tax is reduced by the 16.5% “Québec abatement” referred to in the bottom table on the previous page. However, Québec’s provincial rates are higher than elsewhere, which more than compensates for the abatement (see the tables on the previous pages).

The table below shows the key elements of provincial and territorial tax. Additional details, including rate changes, are outlined in **Individuals – Key Provincial and Territorial Rates and Changes** (page 17).

Surtax rates apply to provincial tax above provincial surtax thresholds. *Italic* figures in brackets are the taxable income levels that correspond to the thresholds, assuming only the basic personal credit is claimed.

In British Columbia, a reduction for low incomes was introduced commencing 2005.

Basic personal credits eliminate tax on the amounts of taxable income shown in this column. For the values of the basic credits, see the table on the next page.

Instead of provincial or territorial tax, non-residents pay an additional 48% of basic federal tax, on income taxable in Canada that is not earned in a province, so the non-resident rates are 48% of federal rates. Non-residents are subject to provincial or territorial rates (in this table) on employment income and business income earned in the respective province or territory. Different rates may apply to non-residents in other circumstances.

		Basic amount	Basic brackets and rates (rates apply starting at the brackets shown)					Surtax thresholds and rates		Reduction for low incomes		
Provinces and territories	Alberta	\$14,523	\$0 10%					N/A		No		
	British Columbia	\$8,676	\$0 6.05%	\$33,061 9.15%	\$66,123 11.7%	\$75,917 13.7%	\$92,185 14.7%			Yes		
	Manitoba	\$7,634	\$0 10.9%	\$30,544 14%	\$65,000 17.4%							
	New Brunswick	\$7,888	\$0 9.68%	\$32,730 14.82%	\$65,462 16.52%	\$106,427 17.84%						
	Newfoundland and Labrador	\$7,410	\$0 10.57%	\$29,590 16.16%	\$59,180 18.02%	\$7,032 [\$58,597] 9%						
	Northwest Territories	\$11,609	\$0 5.9%	\$33,811 8.6%	\$67,622 12.2%	\$109,939 14.05%	N/A		No			
	Nova Scotia	\$7,231	\$0 8.79%	\$29,590 14.95%	\$59,180 16.67%	\$93,000 17.5%	\$10,000 [\$80,841] 10%		Yes			
	Nunavut*	\$10,674	\$0 4%	\$35,595 7%	\$71,190 9%	\$115,739 11.5%	N/A		No			
	Ontario	\$8,196	\$0 6.05%	\$34,010 9.15%	\$68,020 11.16%	\$3,929 [\$59,882] 20%		\$4,957 [\$70,559] Additional 36%	Yes			
	Prince Edward Island	\$7,412	\$0 9.8%	\$30,754 13.8%	\$61,509 16.7%	\$5,200 [\$51,859] 10%						
	Québec	\$6,365	\$0 16%	\$28,030 20%	\$56,070 24%	N/A		No				
	Saskatchewan	\$8,404	\$0 11%	\$36,770 13%	\$105,056 15%							
	Yukon*	\$8,148	\$0 7.04%	\$35,595 9.68%	\$71,190 11.44%	\$115,739 12.76%	\$6,000 [\$76,628] 5%		Yes			
	Non-residents*		\$0 7.68%	\$35,595 10.56%	\$71,190 12.48%	\$115,739 13.92%	N/A		No			

* 2005 brackets match federal brackets.

Personal Tax Credits for 2005

Credits listed on this page are non-refundable unless otherwise noted.
Non-refundable credits reduce or eliminate tax, but have no value unless the taxpayer has a tax liability.

See the table on the next page for important limitations, and for information on transferability and carryforwards.

Québec has special rules that affect some credits (see the next page).

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

Credits as percentage of base amount or actual payment (subject to some limitations: see next page)

	Federal	Alta.	B.C.	Man.	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nun.	Ont.	P.E.I.	Qué.	Sask.	Yukon
General factor														
Tuition; medical expenses; CPP/QPP; EI; student loan interest	16%	10%	6.05%	10.9%	9.68%	10.57%	5.9%	8.79%	4%	6.05%	9.8%	20%	11%	7.04%
Charitable donations														
First \$200														
\$200 to \$2,000														
Amount over \$2,000	29%	12.75%	14.7%	17.4%	17.84%	18.02%	14.05%	17.5%	11.5%	11.16%	16.7%	24%	15%	12.76%
Taxable Canadian dividends														
On grossed-up amount (125%)	13.33%	6.4%	5.1%	5%	3.7%	5%	6%	7.7%	4%	5.13%	7.7%	10.83%	8%	5.87%
On actual amount	16.67%	8%	6.38%	6.25%	4.63%	6.25%	7.5%	9.63%	5%	6.41%	9.63%	13.54%	10%	7.33%

Provinces and territories generally use their own amounts to determine credits.

	Federal amounts	Maximum dollar value (before surtaxes) of credits that are based on prescribed amounts												
	Federal	Alta.	B.C.	Man.	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nun.	Ont.	P.E.I.	Qué.	Sask.	Yukon
Basic	\$8,148	\$1,304	\$525	\$832	\$764	\$783		\$636		\$496	\$726	\$1,273		\$574
Spouse	\$6,919	\$1,107	\$1,452	\$449	\$707	\$648	\$685	\$540	\$427	\$421	\$617	N/A	\$924	\$487
Equivalent to spouse														
Age 65	\$3,979	\$637	\$407	\$235	\$406	\$373	\$368	\$335	\$310	\$320	\$242	\$355	\$438	\$280
Disability	Basic \$6,596	\$1,055	\$676	\$394	\$674	\$618	\$529	\$555	\$377	\$427	\$401	\$529	\$440	\$726
Under 18 supplement												\$295		\$464
Infirm dependant (18 or over)	\$3,848	\$616	\$394	\$230	\$393	\$361	\$249	\$227	\$259	\$154	\$234	\$1,273	\$423	\$271
Caregiver									\$367			\$517		
Pension income	\$1,000	\$160	\$113	\$61	\$109	\$97	\$106	\$59	\$88	\$40	\$69	\$98	\$200	\$110
CPP/QPP	\$1,861	\$298	\$186	\$113	\$203	\$180	\$197	\$110	\$164	\$74	\$113	\$182	\$372	\$131
Employment insurance (EI)	\$761	\$122	\$76	\$46	\$83	\$74	\$80	\$45	\$67	\$30	\$46	\$75	\$152	\$54
Education (per month)	Full time \$400	\$64	\$45	\$12	\$44	\$39	\$21	\$24	\$18	\$16	\$27	\$20	\$356	\$44
Part time	\$120	\$19	\$13	\$4	\$13	\$12	\$6	\$7	\$5	\$5	\$8	\$6	\$13	\$8

A tax credit for adoption expenses is available commencing 2005 (see page 14).

x 1.09

x 1.1

x 1.2 or
x 1.56

x 1.1

x 1.05

In jurisdictions that levy a surtax, the surtax increases the value of the credits by the factors shown. See previous page for surtax thresholds and rates.

Québec's Special Credits and Rules

The four credits in the following table are unique to Québec:

	Value of Québec's credit
Dependant child (first)	\$561
Children (additional)	\$517
Single parent	\$280
Living alone	\$226

Due to the introduction of child assistance payments (i.e., a monthly allowance based on the number of dependants and family income) in 2005, these credits are no longer available for minor dependant children, but may still be claimed for children who are at least 18 years old and are full-time students.

The following special rules apply to Québec:

- commencing 2005, taxpayers can no longer file under the simplified tax system and some taxpayers can claim an additional \$2,967 in respect of the basic personal amount;
- some non-refundable credits, such as the basic personal credit, may be transferred to the taxpayer's spouse, if not used by the taxpayer;
- the age, pension and living alone credits are reduced if net family income exceeds \$28,500;
- any income of the infirm person reduces the Québec infirm dependant credit;
- the caregiver credit is refundable (see page 21);
- the maximum education credit of \$356 per term (maximum two terms per year) for a supporting Québec parent is not transferable;
- Québec's child care expense credit is refundable (see page 11), depends on net family income and ranges from 26% to 75% of the expense; and
- medical expense credits are based on the amount by which qualifying expenses exceed 3% of net family income.

Credits: Federal Limitations and Other Information

This table presents additional information related to federal credits. Other restrictions may also apply.

In many cases, the provinces have comparable thresholds and rules. However, there are some differences.

	Limitations	To whom the credit may be transferred	Carry forward
Tuition	Credit available only if at least \$100 is paid in fees to an institution	Spouse, parent or grandparent (Maximum combined tuition + education credit transferable = \$800)	Indefinite
Education	Credit = \$64/month for full-time students and certain disabled part-time students; \$19/month for other part-time students		
Medical	Credit is based on amount by which qualifying medical expenses exceed the lesser of \$1,844 and 3% of net income	Either spouse may claim medical expense credit	
CPP/QPP & EI	For employees, maximum credit = \$420; self-employed persons deduct 50% of CPP/QPP premiums paid for their own coverage (maximum deduction \$1,861) and claim a credit for the non-deductible half of premiums paid (maximum credit \$298); self-employed persons do not pay EI premiums (see page 44)	N/A	
Student loan interest	Interest must be paid on qualifying student loans		5 years
Charitable donation	Eligible donations are limited to 75% of net income	Either spouse may claim donation credit	
Spousal and equivalent to spouse	Reduced if income of the spouse or qualifying dependant exceeds \$692	N/A	
Infirm dependants	Reduced if dependant's income exceeds \$5,460		
Caregiver	For providers of in-home care for an adult relative (reduced if relative's income exceeds \$13,141)		
Age	Reduced if income exceeds \$29,619	Spouse	
Pension	Maximum credit = \$160		
Disability	Basic	Spouse, parent, grandparent, child, grandchild, sibling, aunt, uncle, niece or nephew	
	Under 18 supplement		Reduced if child care expenses and attendant care expenses (claimed as a medical expense) for child exceed \$2,254

Capital Gains Exemption and Rollover

For all taxpayers, half of capital gains, net of capital losses, must be included in income. Some individuals benefit from a \$500,000 cumulative lifetime capital gains exemption for dispositions of qualifying small business corporation shares or qualified farm property.

Individuals can defer tax on all or a portion of capital gains realized on the sale of eligible small business investments if the proceeds are reinvested in other eligible small business investments.

Alternative Minimum Tax (AMT)

Alternative minimum tax (AMT) can reduce or eliminate the income tax savings generated by tax shelter investments, capital gains and certain deductions. The result may be a larger tax bill than expected. You may also be liable for AMT if you earn taxable dividends or claim certain tax credits. AMT may be refunded in any of the seven subsequent years in which you are not liable to pay AMT.

The mechanics of AMT can be complex; for further information, consult your tax adviser. Federal Form T691 is used for the federal AMT computation and Québec Form TP-776.42-V for the Québec computation. The other provinces and the territories have their own AMT calculations, which parallel the federal calculations.

Equivalent Investment Yields at Top Marginal Rates

The table to the right shows the Canadian dividends and capital gains that, after tax at top tax brackets, are equivalent to the after-tax yield from a specified level of interest. In the example below, a resident of Ontario who earns \$6 as 6% interest on \$100 ends up with \$3.22 after tax. Using the figures from the table, that same after-tax yield requires just a \$4.19 capital gain or a \$4.68 Canadian dividend.

Canadian dividends benefit from the dividend tax credit. Most other dividends are taxed at the same rates as interest, which are also the same as the rates for ordinary income, such as salary. Capital gains are taxed at the equivalent of half the rate for interest.

The results shown in the table at the right do not take into account AMT, described above, which could affect capital gains and taxable dividends.

Example: Equivalent after-tax yields for an Ontario resident in the top bracket.

	Interest or ordinary income	Capital gains	Canadian dividends
Marginal rate	46.41%	23.20%	31.34%
\$ Received	\$6.00	\$4.19	\$4.68
Income tax	(\$2.78)	(\$0.97)	(\$1.47)
Net return	\$3.22	\$3.22	\$3.22

(Results may not add exactly due to rounding.)

For the interest rates shown at the top of the table, pre-tax earnings that produce equivalent after-tax yields are given for each jurisdiction, for capital gains and Canadian dividends (in *italics*). Figures can be interpreted as percentages or, equally, as the dollar return on \$100. These results apply only to taxpayers in the top brackets (see page 3).

Pre-Tax Returns (%) Producing Equivalent After-Tax Yields
(at top marginal rates)

	Interest rate									
	2%		4%		6%		8%		10%	
	Gain	Div.	Gain	Div.	Gain	Div.	Gain	Div.	Gain	Div.
Alberta	1.52	1.61	3.03	3.21	4.55	4.82	6.06	6.43	7.58	8.04
British Columbia	1.44	1.65	2.88	3.29	4.32	4.94	5.76	6.58	7.20	8.23
Manitoba	1.40	1.65	2.79	3.30	4.19	4.95	5.58	6.61	6.98	8.26
New Brunswick	1.39	1.69	2.78	3.39	4.17	5.08	5.55	6.78	6.94	8.47
Newfoundland and Labrador	1.36	1.64	2.71	3.28	4.07	4.92	5.43	6.56	6.79	8.19
Non-resident	1.45	1.61	2.91	3.22	4.36	4.82	5.81	6.43	7.27	8.04
Northwest Territories	1.45	1.62	2.90	3.24	4.35	4.86	5.81	6.48	7.26	8.09
Nova Scotia	1.36	1.55	2.73	3.09	4.09	4.64	5.46	6.18	6.82	7.73
Nunavut	1.49	1.68	2.98	3.35	4.48	5.03	5.97	6.70	7.46	8.38
Ontario	1.40	1.56	2.79	3.12	4.19	4.68	5.58	6.24	6.98	7.81
Prince Edward Island	1.38	1.55	2.76	3.09	4.14	4.64	5.52	6.19	6.90	7.73
Québec	1.36	1.54	2.73	3.08	4.09	4.62	5.46	6.17	6.82	7.71
Saskatchewan	1.44	1.56	2.87	3.13	4.31	4.69	5.74	6.25	7.18	7.81
Yukon	1.46	1.61	2.92	3.23	4.39	4.84	5.85	6.46	7.31	8.07

Taxable Income Calculation Worksheet for 2005

This worksheet summarizes the more common income and deduction items.
For an exhaustive list, please refer to form T1.

Québec Taxpayers

Taxable income may differ for Québec tax purposes. For example, Québec allows a tax credit, rather than a deduction, for union dues, professional fees and child care expenses (see page 11). In addition, employer-paid professional fees and group medical insurance are taxable benefits in Québec.

Inclusions		Deductions	
Salary and taxable benefits	_____	Registered Pension Plan contributions	(_____)
Pension income	_____	Registered Retirement Savings Plan contributions	(_____)
Dividends from taxable Canadian corporations (1.25 x actual)	_____	Union or professional dues	(_____)
Interest and other investment income	_____	Child care expenses	(_____)
Rental income (or loss)	_____	Moving expenses	(_____)
Taxable capital gains (50% x actual)	_____	Carrying charges, interest	(_____)
Other income	_____	OAS clawback	(_____)
Business income (or loss)	_____		
Professional income (or loss)	_____		
Total income	A= _____	Total deductions	B = (_____)
		Net income for tax purposes	= A - B = _____

See page 46 for contribution limits.

See page 11 for more information.

A deduction is allowed for the Old Age Security (OAS) pension that is taxed back through the OAS clawback, described on the next page.

Subtract:	Employee home relocation loan deduction	(_____)
	Stock option deduction	(_____)
	Allowable losses of other years	(_____)
	Capital gains exemption	(_____)
Total to be subtracted		C = (_____)
	Taxable income (loss) = A - B - C =	_____

See page 8 for more information.

Income Tax Calculation Worksheet for 2005

This worksheet summarizes only the more common income tax calculation items. For an exhaustive list, please refer to federal Schedule 1 and the applicable provincial or territorial tax calculation schedule. If AMT applies (see page 8), a different tax calculation is required. (In this worksheet, "provincial" includes "territorial.")

Federal income tax

Taxable income = \$				Maximum tax in each bracket	
Portion above \$115,739	(no maximum)	\$	x 29% = \$	No maximum	
Portion between \$71,190 and \$115,739	(maximum \$44,549)	\$	x 26% = \$	\$44,549 x 26% = \$11,583	} Maximum total tax in bottom three brackets = \$25,109
Portion between \$35,595 and \$71,190	(maximum \$35,595)	\$	x 22% = \$	\$35,595 x 22% = \$7,831	
Portion below \$35,595	(maximum \$35,595)	\$	x 16% = \$	\$35,595 x 16% = \$5,695	
Total federal tax = \$					

Adjustments:

Dividend tax credit: 13.33% of taxable amount of dividends from taxable Canadian corporations
 Personal non-refundable tax credits
 Minimum tax carryover applied

()

()

()

See pages 6 and 7.

= Basic federal tax =

OAS clawback

CPP payable on self-employment earnings

Investment and other tax credits

Refundable tax credits (including

16.5% Québec abatement)

()

()

See page 44 for CPP contribution limits.

= Net federal tax = **A**

The OAS clawback is equal to 15% x [Net income (before deducting clawback) - \$60,806]. The clawback cannot exceed the amount of the Old Age Security pension.

Provincial income tax (except Québec)

Basic provincial tax **B** _____
 Provincial surtaxes _____
 Other provincial tax reductions or credits () _____
Net provincial tax C _____

Basic provincial tax (item B) is calculated by applying the provincial rates and thresholds (page 5) to taxable income and then deducting non-refundable tax credits and the dividend tax credit.

See page 44 for QPP contribution limits.

Québec income tax

Basic income tax **D** _____
 Dividend tax credit (10.83%) () _____
 Non-refundable tax credits () _____
 Non-refundable tax credits from spouse () _____
Income tax _____
 Health Services Fund contribution _____
 QPP payable on self-employed earnings _____
 Refundable tax credits () _____
Net Québec tax E _____

Common non-refundable credits are personal tax credits, QPP and EI, the tax reduction for families, charitable donations, Health Services Fund contributions, union and professional dues credits.

Individuals with income from certain sources, excluding remuneration, above \$12,075 (see page 21) must contribute to the Health Services Fund (annual maximum contribution is \$1,000). The contribution gives rise to a tax credit.

Common refundable credits are GST, child care expenses (see page 11) and caregiver credits.

Total liability = **A + C** or **A + E =**

Instalments paid and taxes withheld at source ()

Balance owing (refund) _____

Child Care Expense Deduction

Except in Québec, qualifying child care expenses can be deducted if they are incurred to permit the taxpayer, or a supporting person of the child, to:

- be employed;
- carry on a business;
- attend secondary school or a designated educational institution (minimum attendance requirements apply); or
- carry on research for which a grant was received.

In Québec, child care expenses are eligible for a refundable tax credit (see page 7).
Some taxpayers are eligible for advance payments of this credit.

A related person is someone connected by blood, marriage or adoption (e.g., the taxpayer's or his or her spouse's child, brother or sister).
Nieces, nephews, aunts or uncles are not related persons.

	Deductibility
To:	Deductible
Individuals providing babysitting services (if social insurance numbers are provided)	
Day nursery schools and daycare centres	
Educational institutions for the part of the fees that relate to child care services	
Day camps or day sports schools	
Boarding schools, overnight sports schools, or overnight camps (see below for deduction limits)	Not deductible
Advertise or use a placement agency to find a child care provider	
The child's father, mother, or supporting person	
A person claimed as a dependant or for whom a caregiver amount was claimed	
A person who is under 18 years of age and related to the taxpayer or the taxpayer's spouse	
For:	Not deductible
Medical or hospital care, clothing, transportation or education costs	
Leisure or recreational activities	

Except in certain circumstances, the lower-income spouse must claim the deduction (federal form T778). The total deduction for all children cannot exceed any of:

- eligible child care expenses (above);
- two-thirds of the taxpayer's earned income, which includes employment income and net self-employment income; and
- the amount calculated based on the per-child limits in the table below.

	Child qualifies for disability tax credit	Child does not qualify for disability tax credit and is:		
		6 or under at year end	7 to 16 at year end	17 or over at year end, dependent and mentally or physically infirm
Maximum annual deduction (per child)	\$10,000	\$7,000	\$4,000	
Maximum for boarding school, overnight sports school or overnight camp (per child)	\$250/week	\$175/week	\$100/week	

Income Tax Filing and Payment Deadlines for 2005 – Individuals and Trusts

Deadlines falling on holidays or weekends may be extended to the next business day. See page 49 for other filing deadlines.

	Instalments		General	Filing deadline and balance due	Tax forms
	Required	Deadline		Extended	
Individuals	If tax payable in 2005 and 2004 or 2003 exceeds tax withheld by more than \$2,000 (\$1,200 for Québec residents)	15th of March, June, September, December	April 30	<p>If individual or his/her spouse carried on a business, filing deadline is June 15 (balance due date remains April 30).</p> <p>Deceased taxpayers If individual or his/her spouse died during the period:</p> <ul style="list-style-type: none"> • November 1 to December 15, filing deadline is 6 months after date of death (June 15 if individual or his/her spouse carried on a business); • December 16 to December 31, filing deadline is 6 months after date of death; or • after year end, but before the filing deadline for that year (i.e., April 30 or June 15), filing deadline for that previous year is later of 6 months after date of death and filing deadline that would otherwise apply. <p>If individual died in:</p> <ul style="list-style-type: none"> • November or December, balance due date is 6 months after date of death; or • January, February, March or April, balance due for the previous year is 6 months after date of death. <p>Non-residents If non-resident receives:</p> <ul style="list-style-type: none"> • rental income on Canadian real property and elects to file under section 216, filing deadline is two years after end of year the income was paid or credited (June 30 if NR6 was filed); or • certain Canadian pension, retirement and social assistance benefits and elects to file under section 217, filing deadline is June 30. 	T1 (and TP-1-V for Québec filers)
Trusts	<i>Inter vivos</i>		90 days after trust year end	None	T3 (and TP-646-V for Québec filers)
	Testamentary	None			

Non-residents are not subject to instalment or filing requirements on these (and certain other) receipts. Instead, 25% Part XIII withholding tax applies (and may be reduced by treaty).

For the 2005 taxation year of an *inter vivos* trust, the filing deadline is March 31, 2006.

Taxation of Trusts

The tax rules applicable to individuals generally apply to trusts (e.g., the income of a trust is generally computed in the same way as the income of an individual). However, there are some important exceptions. For example:

- a trust is entitled to deduct income that is paid or payable to its beneficiaries;
- a trust may not claim some non-refundable tax credits that are available to individuals; and
- alternative minimum tax (AMT) applies to income of a trust not paid or payable to the beneficiaries.

The table to the right provides some basic tax information about trusts.

Applies to unit trusts, including mutual fund trusts.

See page 3.

	Trust created	Year end	Tax rate
Inter vivos trust	During lifetime	December 31	Top personal tax rate
Testamentary trust	On death	Any (year must be \leq 12 months)	Personal marginal tax rates

Mutual fund trusts can elect to have a taxation year that ends on December 15.

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

Probate Fees (for estates over \$50,000)

Probate is an administrative procedure under which a court validates a deceased's will and confirms the appointment of the executor.

All provinces and territories impose probate fees or administrative charges for probating a will. Other fees may apply, in addition to those shown in the table below.

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

Certain properties may be excluded.	Value of estate on which fee is calculated		Fee schedule (estates over \$50,000)	Example fees			
				Value = \$500,000	Value = \$2,000,000	Value = \$5,000,000	
Alberta Northwest Territories	Value net of debts	Up to \$125,000	\$200	\$400			Alberta Northwest Territories
		\$125,000 to \$250,000	\$300				
		Over \$250,000	\$400				
British Columbia	In Manitoba, the higher fees apply after June 30, 2005.	Gross value	\$358 + 1.4% of portion > \$50,000	\$6,658	\$27,658	\$69,658	British Columbia
Manitoba			\$50 + 0.6% of portion > \$10,000	\$2,990	\$11,990	\$29,990	Manitoba
			\$70 + 0.7% of portion > \$10,000	\$3,500	\$14,000	\$35,000	
New Brunswick			0.5% of estate	\$2,500	\$10,000	\$25,000	New Brunswick
Newfoundland and Labrador			\$80 + 0.5% of portion > \$1,000	\$2,575	\$10,075	\$25,075	Newfoundland and Labrador
Nova Scotia	Gross value	Up to \$100,000	\$820	\$6,360	\$27,135	\$68,685	Nova Scotia
		Over \$100,000	\$820 + 1.385% of portion > \$100,000				
Nunavut	Value net of debts		\$15 + 0.3% of portion > \$1,000	\$1,512	\$6,012	\$15,012	Nunavut
Ontario	Gross value	Over \$50,000	\$250 + 1.5% of portion > \$50,000	\$7,000	\$29,500	\$74,500	Ontario
Prince Edward Island		Up to \$100,000	\$400	\$2,000	\$8,000	\$20,000	Prince Edward Island
		Over \$100,000	\$400 + 0.4% of portion > \$100,000				
Québec	Not based on value		Nominal fee				Québec
Saskatchewan	Gross value		0.7% of estate	\$3,500	\$14,000	\$35,000	Saskatchewan
Yukon			\$140	\$140			Yukon

Certain properties may be excluded.

In Manitoba, the higher fees apply after June 30, 2005.

Québec does not levy probate fees. Wills (other than notarial wills) must be authenticated by the Superior Court of Québec. A minimal fee applies.

Federal Tax Changes Affecting Individuals

– Selected Highlights

Because the federal government is in a minority, it is uncertain whether the federal tax changes that have not been enacted into law will proceed. At the publication date, the 2005 federal budget measures have yet to be enacted.

Tax brackets and tax credits: Federal tax brackets and most tax credits increased by 1.7% in 2005 as a result of indexing. The basic personal amount will increase from \$8,148 in 2005, in increments, to at least \$10,000 by 2009, and the spousal, common-law partner (or wholly dependent relative) amounts will increase from \$6,919 in 2005, in increments, to at least \$8,500 in 2009.

Persons with disabilities: Enhanced income tax relief, generally available after 2004, for persons with disabilities and those who care for them, includes changes that:

- clarify, and, in some cases expand, eligibility for the disability tax credit;
- expand the list of eligible expenses qualifying for the disability supports deduction;
- increase the maximum refundable medical expense supplement; and
- extend the maximum period for making contributions to a Registered Education Savings Plan for disabled beneficiaries to 25 years, and extend the termination date for these plans to 30 years.

Medical expense tax credit: After 2004, the:

- maximum medical expenses that may be claimed on behalf of a dependent relative will increase from \$5,000 to \$10,000;
- list of eligible expenses will be expanded; and
- eligibility of home renovation expenses will be clarified.

Adoption expense tax credit: Commencing in 2005, a 16% non-refundable tax credit may be claimed on up to \$10,000 of adoption expenses (per child), which include court, legal and administrative expenses, reasonable travel and living costs for the child and adoptive parents, and fees paid to an adoption agency.

Automobile deductions and benefits: The 2005 prescribed rates will remain at their 2004 levels for purposes of determining capital cost allowance, interest and leasing deductions. For 2005, prescribed rates for purposes of determining automobile allowance deductions and taxable benefits are 3¢ per kilometre higher than for 2004.

For more information on the rules governing automobile expenses and benefits, consult our publication *Car Expenses and Benefits – A Tax Guide* on www.pwc.com/ca.

Emergency medical services vehicles: The method of calculating the taxable benefits for employees using emergency medical services vehicles for personal use changed after 2004.

Retirement savings plans and profit sharing plans: Retirement savings plan and profit sharing plan contribution limits will increase as follows. For more information, see page 46.

	Registered Retirement Savings Plans (RRSPs)		Money Purchase Registered Pension Plans (RPPs)		Deferred Profit Sharing Plans (DPSPs)	
	Previous	New	Previous	New	Previous	New
2004	\$15,500		\$16,500		\$8,250	
2005	\$16,500		\$18,000		\$9,000	
2006	\$18,000		Indexed	\$19,000	Indexed	\$9,500
2007	Indexed	\$19,000		\$20,000		\$10,000
2008		\$20,000		\$21,000		\$10,500
2009		\$21,000		\$22,000		\$11,000
2010		\$22,000				
2011						

Defined benefit registered pension plans (RPPs): The maximum pension benefit that may be paid from defined benefit RPPs will increase as shown:

	Pension benefit (per year of service)	
	Previous	New
2004	\$1,833	
2005	\$2,000	
2006	Indexed	\$2,111
2007		\$2,222
2008		\$2,333
2009		\$2,444
2010		

Foreign property rule: The rule limiting the foreign property content of pension funds and other tax deferred income plans (e.g., RRSPs) will be eliminated for 2005 and subsequent calendar years.

Qualified investments: After February 22, 2005, RRSPs and other deferred income plans will be permitted to invest in investment-grade gold and silver bullion coins and bars, and in certificates of such investments.

Life income funds: The requirement that life income funds must be converted into annuities when their holders turn 80 years of age will be eliminated.

Taxpayer-requested adjustments: For applications for tax relief made after 2004 under certain provisions of the *Income Tax Act*, adjustments will be limited to the previous ten calendar years.

Crown charge reimbursements: Draft rules that apply after September 16, 2004 prevent taxpayers from obtaining inappropriate tax deductions in respect of reimbursed resource-related Crown charges such as royalties.

Deductibility of interest and other expenses: Draft rules affect the deductibility of interest and other expenses, effective for tax years beginning after 2004. However, refinements to the rules are anticipated. See our *Tax Memo* "Deductibility of Interest and Other Expenses: What the New Rules Mean" on www.pwc.com/ca.

Interests in foreign investment entities and non-resident trusts: Draft rules, intended to ensure that Canadian residents cannot defer tax on investment income earned outside Canada through investments in foreign entities and trusts, are effective for taxation years beginning after 2002. Revisions to the rules are expected.

Single-purpose corporations: The Canada Revenue Agency withdrew its administrative policy with respect to single-purpose corporations on January 1, 2005 (delayed from June 23, 2004). As a result, shareholders of such corporations may be assessed taxable benefits. See our *Tax Memo* "The CRA Discontinues Relief for Single-Purpose Corporations: Update" on www.pwc.com/ca.

Social security benefits: The Canada Revenue Agency revised its policy regarding the taxation of Canadian social security benefits paid to residents of certain tax treaty countries for the purposes of Part XIII tax and the Old Age Security benefits recovery tax.

Foreign social security taxes: After 2003, the Canada Revenue Agency no longer permits foreign social security taxes, other than U.S. social security taxes paid under the U.S. *Federal Insurance Contributions Act* (FICA), to qualify as a non-business income tax for foreign tax credit purposes. See our *Tax Memo* "Foreign Social Security Taxes and Foreign Tax Credits – The CRA's Revised Views" on www.pwc.com/ca.

Non-resident investors in Canadian mutual funds: As of January 1, 2005, non-residents that invest in Canadian property mutual funds may be subject to a 15% withholding tax on certain distributions.

Agricultural cooperatives: Members of eligible agricultural cooperative corporations will be permitted to defer the tax on patronage dividends paid in the form of eligible shares until the shares are redeemed. The shares must be issued after 2005 and before 2016.

Tax treaties: Recent developments in the status of Canada's international tax treaties are shown in the table below. (See page 56 for more information.)

Ratified and entered into force	Signed but awaiting ratification	Under negotiation
Belgium Ireland Romania United Arab Emirates	Armenia Azerbaijan Oman	Finland Singapore

Social security agreements: Recent developments in the status of Canada's social security agreements are shown in the table below:

Ratified and entered into force	Signed but awaiting ratification
Turkey	Estonia

Recent Tax Cases Affecting Individuals

Tax cases provide insight into the types of issues pursued by the Canada Revenue Agency (CRA), trends in judicial attitudes, and tax principles advanced by the courts. Some cases related to corporations (page 34) may also apply to individuals.

Residence: In **Pamela Allchin v. The Queen**, the Federal Court of Appeal ruled that the taxpayer was a dual resident because she held a U.S. green card, and therefore the Tax Court of Canada erred in law in deciding that the residency tie-breaker rules in the Canada-U.S. tax treaty did not apply.

Travel expenses: In **Melvin Bryan Strong v. The Queen**, the Tax Court of Canada ruled that the taxpayer could deduct, as travel expenses, meals and beverages paid for business associates while he negotiated contracts away from his employer's place of business. In the court's view, the meals and beverages were not entertainment expenses, which are not deductible by an employee (other than a commissioned salesperson).

Automobile benefit: In **George Gill v. The Queen**, the Tax Court of Canada ruled that the lease cost for purposes of calculating the standby charge (for a vehicle that was available to the employee five days a week) should be reduced to reflect the number of days the vehicle was available for use.

Shareholder benefit: In **Spicy Sports Inc. & Steve Cousins v. The Queen**, the Tax Court of Canada ruled that a payment made by a corporation for a shareholder/employee's surgery was a shareholder benefit, and was not deductible by the corporation.

Partnerships: In **Thomas Whealy and Robert Siskind v. The Queen**, the Federal Court of Appeal upheld the Tax Court of Canada's decision that a partnership did not exist because a business was not carried on, and that the taxpayers did not have a view to a profit. As a result, the taxpayers were prevented from claiming losses allocated to them.

In **David Morley v. The Queen**, the Tax Court of Canada ruled that the fair market value (FMV) of software acquired by a partnership was limited to the amount paid, which approximated FMV. The taxpayer is appealing the decision.

Child care expenses: In **Deanna Bailey v. The Queen**, the Tax Court of Canada ruled that private school fees paid for kindergarten were deductible as child care expenses.

Medical expense credit: In **Michael Melnychuk v. The Queen**, the Tax Court of Canada found that vitamins prescribed by a physician did not qualify for the medical expense tax credit because they were not required to be recorded by a pharmacist.

Charitable donations: In **The Queen v. Charles Malette**, the Federal Court of Appeal decided that the fair market value of an artwork collection donated to a public gallery should be reduced by a bulk discount.

In **Frank Klotz v. The Queen**, the Federal Court of Appeal upheld the Tax Court of Canada's decision that the fair market value of donated artwork was the price the taxpayer paid for it. As a result, the taxpayer was denied the benefit of a so-called "buy-low, donate-high" arrangement. (This case preceded the release of draft legislation that, effective December 5, 2003, limits the tax benefits of charitable donations made under tax shelter or other arrangements.)

Income earned in a province: In **Ronald G. Dunne v. The Queen**, the Court of Québec ruled that a retirement allowance paid to a retired Ontario-resident partner by a multi-provincial partnership was not earned income in Québec. As a result, the taxpayer was not required to allocate a portion of the retirement allowance to Québec and pay Québec income tax on it. The Minister is appealing this decision.

Foreign tax credit: In **Debbie Nadeau v. The Queen**, the Tax Court of Canada ruled the taxpayer's contributions to a U.S. state pension retirement plan were not a non-business income tax eligible for the foreign tax credit.

The CRA recently revised its policy, denying foreign tax credit relief for individuals who pay foreign social security (other than social security contributions paid under the U.S. *Federal Insurance Contributions Act*). See our *Tax Memo* "Foreign Social Security Taxes and Foreign Tax Credits – The CRA's Revised Views" on www.pwc.com/ca.

Individuals – Key Provincial and Territorial Rates and Changes

In addition to the provincial and territorial information that follows, see the National Overview section (pages 2 to 16) for other information, including:

- combined federal and provincial/territorial tax payable (page 2);
- combined federal and provincial/territorial marginal rates (page 3); and
- tax credits (pages 6 and 7).

Filing and payment deadlines are summarized on page 12.

Alberta

2005	Bracket	\$0	Alberta is the only province or territory with a single rate.		
	Rate	10%			
Top combined federal/provincial rates		2004	Ordinary income	Capital gains	Canadian dividends
		2005	39.00%	19.50%	24.08%

Highlights of changes

Personal tax system: Alberta's personal tax credits increased by 1.3% for 2005 as a result of indexing.

Alberta Family Employment Tax Credit: This refundable tax credit for low- and middle-income families will be enhanced commencing July 2005 and indexed commencing July 2006.

Relief for seniors: New measures:

- provide seniors who stay in their current homes a rebate to assist with annual increases in school property taxes, commencing January 1, 2005; and
- exempt seniors from health care premiums (see page 45), commencing October 1, 2004.

Drought-affected farmers: Owners of breeding livestock in designated areas of northern Alberta who had to sell at least 15% of their herd due to drought are eligible for a one-year tax deferral on 2004 income from these sales.

British Columbia

2005	Bracket	\$0	\$33,061	\$66,123	\$75,917	\$92,185
	Rate	6.05%	9.15%	11.7%	13.7%	14.7%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004	43.70%	21.85%	31.58%
	2005			

Highlights of changes

Personal tax system: British Columbia's personal income tax brackets and personal tax credits increased by 1.8% for 2005 as a result of indexing.

Medical expenses tax credit: Retroactive to 2004, new rules allow more medical expenses incurred on behalf of a dependent to be claimed.

Low income tax credit: Commencing 2005, a new non-refundable personal income tax credit will reduce or eliminate provincial tax for individuals with net incomes under \$26,000.

Determination of refundable tax credits: A clarification will ensure that the determination of refundable tax credits constitutes an assessment. As a result, the date of assessment will be used to determine various deadlines (e.g., statute-barred dates).

British Columbia Mining Exploration Tax Credit: This 20% refundable tax credit was extended ten years to December 31, 2016.

Drought-affected farmers: Owners of breeding livestock in designated areas of northern British Columbia who had to sell at least 15% of their herd due to drought are eligible for a one-year tax deferral on 2004 income from these sales.

Sales tax rate: British Columbia's social service tax rate decreased from 7.5% to 7% on October 21, 2004.

Manitoba

2005	Bracket	\$0	\$30,544	\$65,000
	Rate	10.9%	14%	17.4%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004			
	2005	46.40%	23.20%	35.08%

Highlights of changes

Personal tax system: On January 1, 2006, Manitoba's middle rate will decrease from 14% to 13.5% and its basic personal exemption will increase \$100 to \$7,734.

Equity Tax Credit: Manitoba's credit was to expire on June 30, 2005, but has been extended three years to June 30, 2008.

Community Enterprise Development Tax Credit: This 30% non-refundable tax credit of up to \$9,000 on investments in local community enterprises was extended three years to June 30, 2008.

Political contributions tax credit: This credit was enhanced on January 1, 2005, to match the federal credit:

		Political contributions	
		2004	2005
Tax credit rate	75%	First \$200	First \$400
	50%	\$200 to \$550	\$400 to \$750
	33.33%	> \$550	> \$750
Contribution yielding maximum credit		\$1,075	\$1,275
Maximum tax credit		\$500	\$650

Probate fees: Manitoba's probate fees increase for applications made after June 30, 2005. See page 13.

New Brunswick

2005	Bracket	\$0	\$32,730	\$65,462	\$106,427
	Rate	9.68%	14.82%	16.52%	17.84%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004			
	2005	46.84%	23.42%	37.26%

Highlights of changes

Personal tax system: New Brunswick's personal tax brackets and personal tax credits increased by 1.7% for 2005 as a result of indexing.

Low Income Tax Reduction: This reduction will be subject to indexing.

Tuition tax rebate: Beginning 2006, a 50% non-refundable tax rebate will be available on tuition fees paid after 2004 for post-secondary students who work in New Brunswick after graduation. Maximum rebates are \$2,000 (annual) and \$10,000 (lifetime).

Labour-Sponsored Venture Capital (LSVC) Tax Credit: This 15% non-refundable tax credit of up to \$750 on investments in qualifying LSVC funds was extended to December 31, 2005.

Newfoundland and Labrador

2005	Bracket	\$0	\$29,590	\$59,180
	Rate	10.57%	16.16%	18.02%

Surtax: 9% of basic provincial tax in excess of \$7,032

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004			
	2005	48.64%	24.32%	37.32%

Highlights of changes

Tax credits: Retroactive to January 1, 2004, Newfoundland and Labrador's dividend, overseas employment and pension tax credits may be claimed only by taxpayers who are resident in the province on the last day of the year. In addition, residents of Newfoundland and Labrador who earn business income in other jurisdictions will no longer be required to prorate these credits.

Labour-Sponsored Venture Capital (LSVC) Tax Credit: A new 15% non-refundable credit of up to \$750 on investments in qualifying LSVC funds was introduced for 2005 and later years.

Northwest Territories

2005	Bracket	\$0	\$33,811	\$67,622	\$109,939
	Rate	5.9%	8.6%	12.2%	14.05%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/territorial rates	2004	42.55%	21.28%	29.02%
	2005	43.05%	21.53%	29.65%

Increases in top combined rates resulted from territorial changes.

Highlights of changes

Personal tax rates: On July 1, 2004, Northwest Territories' top two personal income tax rates increased, and on January 1, 2005, its bottom two rates decreased.

	2004	2005
Bracket	< \$33,245	< \$33,811
Rate	7.2%	5.9%
Bracket	\$33,245 – \$66,492	\$33,811 – \$67,622
Rate	9.9%	8.6%
Bracket	\$66,492 – \$108,101	\$67,622 – \$109,939
Rate	11.95%	12.2%
Bracket	> \$108,101	> \$109,939
Rate	13.55%	14.05%

Personal tax credits: Northwest Territories' personal tax credits increased by 1.7% for 2005 as a result of indexing.

Risk Capital Investment Tax: For 2005 to 2007, eligible investors in Northwest Territories' businesses can claim a 30% non-refundable territorial tax credit on qualifying investments of up to \$100,000 (maximum credit of \$30,000).

Payroll tax rate: On January 1, 2005, Northwest Territories' payroll tax rate increased from 1% to 2% of employment income. See page 45.

Nova Scotia

2005	Bracket	\$0	\$29,590	\$59,180	\$93,000
	Rate	8.79%	14.95%	16.67%	17.5%

Surtax: 10% of basic provincial tax in excess of \$10,000

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004	48.25%	24.13%	33.06%
	2005			

Highlights of changes

Tax credits: Retroactive to January 1, 2004, Nova Scotia's dividend, overseas employment and pension tax credits may be claimed only by taxpayers who are resident in the province on the last day of the year. In addition, residents of Nova Scotia who earn business income in other jurisdictions will no longer be required to prorate these credits.

Sport and recreational program tax deduction: Commencing July 1, 2005, parents who register their children in organized sports or recreational programs will be allowed a tax deduction of \$150 per child.

Nunavut

2005	Bracket	\$0	\$35,595	\$71,190	\$115,739
	Rate	4%	7%	9%	11.5%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/territorial rates	2004	40.50%	20.25%	28.96%
	2005			

Highlights of changes

Personal tax system: For 2005, Nunavut's personal income tax brackets were indexed by 1.7% to correspond with the federal brackets. Indexing also increased Nunavut's personal tax credits by 1.7%.

Ontario

2005	Bracket	\$0	\$34,010	\$68,020
	Rate	6.05%	9.15%	11.16%

Surtax:	20% of basic provincial tax in excess of \$3,929
	+ 36% of basic provincial tax in excess of \$4,957

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004			
	2005	46.41%	23.20%	31.34%

Highlights of changes

Personal tax system: For 2005, Ontario's personal income tax brackets, personal credits and surtax thresholds increased by 1.9% as a result of indexing.

Property and sales tax credits for seniors: The \$22,000 income threshold (at which the Ontario property and sales tax credits are clawed back for senior couples) will increase in 2005 to an unspecified amount, so that senior couples receiving the guaranteed minimum level of government support will retain their full property and sales tax credit benefits. The \$22,000 threshold will remain unchanged for single seniors.

Income-splitting for physicians and dentists: Ontario will permit family members to hold non-voting shares in a physician's or a dentist's professional corporation.

Ontario Health Premium: The maximum premium increased from \$450 in 2004 to \$900 in 2005 (see page 45).

Prince Edward Island

2005	Bracket	\$0	\$30,754	\$61,509
	Rate	9.8%	13.8%	16.7%

Surtax:	10% of basic provincial tax in excess of \$5,200
---------	--

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004			
	2005	47.37%	23.69%	31.96%

Highlights of changes

Specialized Labour Tax Credit: This new 17% non-refundable tax credit is available on eligible income earned, for up to three years, by eligible workers who move to Prince Edward Island to fill positions in certain export-focused industries.

Share Purchase Tax Credit: This new 35% non-refundable tax credit applies to eligible share investments in qualifying Prince Edward Island corporations. The maximum annual credit is \$35,000.

Real Property Transfer Tax: After May 15, 2005, purchasers of real property are subject to a new 1% transfer tax. See page 48.

Québec

2005	Bracket	\$0	\$28,030	\$56,070
	Rate	16%	20%	24%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004			
	2005	48.22%	24.11%	32.81%

Highlights of changes

Personal tax system: Personal income tax brackets and some personal tax credits increased by 1.427% for 2005 as a result of indexing.

Simplified personal income tax system: On January 1, 2005, the simplified tax system was eliminated.

New \$500 deduction: Commencing 2006, individuals will be entitled to a deduction equal to 6% of their earned income, for a maximum deduction of \$500.

Child care expenses: Starting January 1, 2005, advance payments of the refundable tax credit for child care expenses will be made to qualifying taxpayers.

Caregiver tax credit: Commencing 2006, measures for natural caregivers of adults will be replaced with a refundable tax credit for natural caregivers of up to \$1,000 for each recipient of care.

Disability tax credit: This non-refundable tax credit will increase from \$2,000 to \$2,250 for 2006 and will be indexed commencing 2007.

Medical expense tax credits: For expenses paid after April 21, 2005, changes to Québec's medical expense tax credits:

- exclude from the list of eligible expenses, expenses for purely cosmetic purposes; and
- limit eligible expenses in respect of eyeglass frames to \$200 per person per year.

Growth Stock Plan: Under this new plan, which expires on December 31, 2009, individuals will be able to deduct 100% of the cost of shares acquired in eligible small and medium enterprises. The shares must be held a minimum of three years and the deduction is limited to 10% of the individual's total income for the year.

Alternative minimum tax (AMT): Retroactive to the 2003 taxation year, the following changes will affect the calculation of Québec AMT:

- the AMT rate decreased from 20% to 16%;
- the basic exemption increased from \$25,000 to \$40,000; and
- the portion of capital gains included in adjusted taxable income increased from 70% to 75%.

Logbook for employer-provided automobiles: Commencing in 2005, 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.

Deductibility of investment expenses: The rules that limit the deductibility of investment expenses to the income from such investments earned in a taxation year were revised, retroactive to March 30, 2004, as follows:

- the limit will not apply to trusts, other than personal trusts; and
- changes will affect the treatment of flow-through shares and the portion of capital gains eligible for the \$500,000 capital gains exemption.

Health services tax: The exemption for the individual contribution to the Health Services Fund increased from \$11,905 to \$12,075 for 2005 as a result of indexing.

Saskatchewan

2005	Bracket	\$0	\$36,770	\$105,056
	Rate	11%	13%	15%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2004			
	2005	44%	22%	28.33%

Highlights of changes

Personal tax system: Saskatchewan's income tax brackets and personal tax credits increased by 1.7% for 2005 as a result of indexing.

Post-secondary graduate tax credit: The maximum credit increased from \$500 to \$675 on January 1, 2005 and will further increase to \$850 on January 1, 2006, and \$1,000 on January 1, 2007.

Yukon

2005	Bracket	\$0	\$35,595	\$71,190	\$115,739
	Rate	7.04%	9.68%	11.44%	12.76%

Surtax: 5% of basic territorial tax in excess of \$6,000

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/territorial rates	2004			
	2005	42.40%	21.20%	28.63%

Highlights of changes

Personal tax system: For 2005, the Yukon's income tax brackets were indexed to correspond with federal brackets. Indexing increased the Yukon's personal tax credits by 1.7%.

First Nation Goods and Services Tax: On July 1, 2004, a 7% First Nation Goods and Services Tax replaced the GST for eight First Nations in the Yukon.

Corporations – National Overview

This section outlines corporate tax information for Canada as a whole. It covers federal rates and other important federal information, along with provincial and territorial highlights. Additional details for the provinces and territories are on pages 35 to 43.

Federal Corporate Tax Rate Components – 1994 to 2005

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

		1994	1995	1996 - 2000	2001	2002	2003	2004	2005		
General	Basic rate	38%								The federal surtax will be eliminated on January 1, 2008. See page 32.	
	Less: provincial abatement	10%									
	Rate after abatement	28%									
	Plus: federal surtax	0.84%	1.08%	1.12%							
	General federal rate (before reduction)	28.84%	29.08%	29.12%							
	Less: general rate reduction					1%	3%	5%	7%	The general rate reduction and M&P deduction will increase commencing 2008. See page 32.	
General federal rate	28.84%	29.08%	29.12%	28.12%	26.12%	24.12%	22.12%				
Manufacturing & Processing (M&P) income	General federal rate (before reduction)	28.84%	29.08%	29.12%						The 16% small business reduction is reduced in certain cases. See Small Business Limit on page 25.	
	Less: M&P deduction	7%									
	M&P rate	21.84%	22.08%	22.12%							
Canadian-Controlled Private Corporations (CCPCs)	Small business threshold	\$200,000						\$225,000	\$250,000	\$300,000	The 16% small business reduction is reduced in certain cases. See Small Business Limit on page 25.
	Active business income up to threshold	General federal rate (before reduction)	28.84%	29.08%	29.12%						
		Less: small business reduction	16%								
	CCPC small business rate	12.84%	13.08%	13.12%							
	Active business income from threshold to \$300,000	General federal rate (before reduction)	Before 2001, general federal or M&P rates (above) apply			29.12%			N/A		
		Less: CCPC rate reduction				7%					
		CCPC reduced rate				22.12%					
	Investment income	General federal rate (before reduction)	28.84%	29.08%	29.12%						For more information, see Investment Income on page 25.
		Additional refundable tax	N/A	3.36%	6.67%						
CCPC investment income rate		28.84%	32.44%	35.79%							

Corporate Income Tax Rates – General and M&P (for December 31, 2005 Year End)

The percentages shown below reflect the combined federal and provincial/territorial corporate rates for a twelve-month taxation year ended December 31, 2005. To compute rates for an off-calendar year end, refer to pages 35 to 43 for the provincial/territorial changes. No federal changes affect general or M&P rates. For income not earned in a province or territory, see page 26.

	General (Non-Manufacturing)		Manufacturing & Processing (M&P)	
Basic federal rate		38%		38%
Provincial abatement		-10%		-10%
4% federal surtax		1.12%		1.12%
Federal rate (before deductions)		29.12%		29.12%
Deductions	General rate reduction	-7%*		N/A
	M&P	N/A		-7%
Federal rate		22.12%		22.12%
		↓		↓
	Provincial	Fed.* + Prov.	Provincial	Fed. + Prov.
Alberta	11.5	33.62*	11.5	33.62
British Columbia	13.5	35.62*	13.5	35.62
Manitoba	15	37.12*	15	37.12
New Brunswick	13	35.12*	13	35.12
Newfoundland and Labrador	14 H	36.12*	5 H	27.12
Northwest Territories	14	36.12*	14	36.12
Nova Scotia	16	38.12*	16	38.12
Nunavut	12	34.12*	12	34.12
Ontario¹	14 ²	36.12*	12 ^{2,3}	34.12
Prince Edward Island	16 H	38.12*	13.9 H	36.02
Québec	Active/eligible 8.9 H	31.02*	8.9 H	31.02
	Other 16.25 H	38.37*	N/A	
Saskatchewan	17	39.12*	10 ⁴	32.12
Yukon	15	37.12*	2.5	24.62

* For corporations to which the federal 7% general reduction does not apply, see **General Rate Reduction**, to the right.

Notes to tables above and on page 25:

H Tax holidays are available to certain corporations. See the table on page 27 for details.

¹ Ontario corporations that, on an associated basis, have either gross revenues over \$10 million or total assets over \$5 million may have a corporate minimum tax liability based on adjusted book income. The minimum tax is payable only to the extent that it exceeds the regular Ontario income tax liability.

Application to Canadian-Controlled Private Corporations (CCPCs)

For CCPCs, the table on the left applies to income other than:

- the first \$300,000 (or a higher threshold in some jurisdictions) of active business income; and
- investment income.

See page 25 for more CCPC rates.

General Rate Reduction

The general rate reduction applies to income other than:

- M&P income;
- the first \$300,000 of a CCPC's active business income earned in Canada;
- investment income of a CCPC;
- certain income of credit unions;
- income of mutual fund corporations, mortgage investment corporations and investment corporations; and
- resource income (see **Resource taxation** on page 33), until taxation years beginning after 2006.

This income qualifies for special tax treatment.

See **Federal corporate income tax rate changes** on page 32 for more information.

Future Federal Income Tax Rate Changes

The federal surtax will be eliminated on January 1, 2008. In addition, the general rate reduction and M&P deduction will increase in increments commencing January 1, 2008 from 7% to 9% by January 1, 2010, decreasing the general and M&P rates by 2%. See page 32 for details.

Non-Resident Corporations

For non-resident corporations, the rates in the table apply to business income attributable to a permanent establishment in Canada. Different rates may apply to non-residents in other circumstances. Non-resident corporations may also be subject to branch tax (see page 26).

- For CCPCs affected by the clawback, the Ontario rates are higher than those shown. See page 39.
- In Ontario, the manufacturing rate applies to profits from manufacturing and processing, farming, mining, logging and fishing operations carried on in Canada and allocated to Ontario.
- 17% is the maximum Saskatchewan rate. A rebate of up to 7% of manufacturing profits allocated to Saskatchewan is available, which can reduce the rate to as low as 10%.

Corporate Income Tax Rates – Canadian-Controlled Private Corporations (CCPCs)

(for December 31, 2005 Year End)

The percentages shown below reflect the combined federal and provincial/territorial corporate rates for a twelve-month taxation year ended December 31, 2005. To compute rates for an off-calendar year end, refer to pages 35 to 43 for the provincial/territorial changes. For income not earned in a province or territory, see page 26.

	Active business income of CCPCs up to \$300,000		Investment Income	
See page 23.				
Federal rate (before deductions)		29.12%		29.12%
Small business deduction		-16%		N/A
Refundable investment tax		N/A		6.67%
Federal rate		13.12%		35.79%
	Prov.	Fed. + Prov.	Prov.	Fed. + Prov.
Alberta	3	16.12	11.5	47.29
British Columbia	4.5	17.62	13.5	49.29
Manitoba	5	18.12	15	50.79
New Brunswick	2.25	15.37	13	48.79
Newfoundland and Labrador	5 H	18.12	14 H	49.79
Northwest Territories	4	17.12	14	49.79
Nova Scotia	5 H	18.12	16	51.79
Nunavut	4	17.12	12	47.79
Ontario¹	5.5	18.62	14	49.79
Prince Edward Island	6.75 H	19.87	16 H	51.79
Québec	8.9 H	22.02	16.25 H	52.04
Saskatchewan	5	18.12	17	52.79
Yukon	M&P	2.5	N/A	
	Non-M&P	4	15	50.79

H, 1 See notes on previous page.

See page 24 for rates that apply on active business income of a CCPC above \$300,000 (or the higher thresholds that apply in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia and Ontario). Rates that apply between \$300,000 and those higher thresholds are shown on pages 35 to 43.

Small Business Limit

Federal small business rates apply only to the first \$300,000 of active business income earned in Canada by associated CCPCs. The \$300,000 limit is reduced on a straight-line basis for CCPCs that, in the preceding year, had taxable capital employed in Canada (determined on an associated basis) between \$10 million and \$15 million. This clawback applies to all provincial and territorial small business deductions, except Ontario's, which is described on page 39. Recent increases to the small business limit follow:

	Changes effective after January 1, 2004		
	From	To	Effective
Small business limit	\$250,000	\$300,000	January 1, 2005

For taxation years straddling January 1, 2005, the \$250,000 limit applies for the number of days in the year before that date.

CCPC Rate Reduction

Commencing 2005 taxation years, the 7% federal CCPC reduction that applied to active business income between the small business limit (i.e., \$250,000 as of January 1, 2004) and \$300,000 was eliminated, because the general rate reduction (see page 24) is 7%, and therefore matches the CCPC rate reduction.

Investment Income

Federal rates on investment income are 13-2/3% higher than the general rates for 2005 (see page 23), because:

- CCPC investment income does not benefit from the 7% federal general rate reduction (see page 24); and
- the rates on investment income include a 6-2/3% tax that is refundable when the CCPC pays taxable dividends.

Generally, 26-2/3% of a CCPC's aggregate investment income is added to its refundable dividend tax on hand (RDTOH). This amount is refundable at a rate of \$1 for every \$3 of taxable dividends paid by the CCPC.

Future Federal Income Tax Rate Changes

The federal surtax (see page 32) will be eliminated on January 1, 2008, decreasing the federal small business rate from 13.12% to 12%.

Other Federal Corporate Tax Rates for 2005

(For income tax rates, see pages 24 and 25.)

	Rate	Corporations affected	Description	Special Rules										
Income not earned in a province or territory	32.12%	All corporations	Income tax is calculated as follows, rather than as set out on page 24. <table><tr><td>Basic federal rate</td><td>38%</td></tr><tr><td>4% federal surtax</td><td>1.12%</td></tr><tr><td>Federal rate before deduction</td><td>39.12%</td></tr><tr><td>Less: General rate reduction</td><td>7%</td></tr><tr><td>Federal rate</td><td>32.12%</td></tr></table>	Basic federal rate	38%	4% federal surtax	1.12%	Federal rate before deduction	39.12%	Less: General rate reduction	7%	Federal rate	32.12%	Corporate income that is not earned in a province or territory is neither: <ul style="list-style-type: none">• eligible for the provincial abatement; nor• subject to provincial or territorial tax.
Basic federal rate	38%													
4% federal surtax	1.12%													
Federal rate before deduction	39.12%													
Less: General rate reduction	7%													
Federal rate	32.12%													
Branch Tax (see also page 24)	25%	Non-resident corporations, excluding: <ul style="list-style-type: none">• transportation, communications and iron-ore mining companies; and• insurers (except in special circumstances).	Applies to after-tax profits that are not invested in qualifying property in Canada.	The 25% rate may be reduced by the relevant tax treaty (generally to the withholding tax rate on dividends, which is usually 5%, 10% or 15%). Some treaties prohibit the imposition of branch tax or provide that the tax is payable only on earnings exceeding a threshold.										
Refundable Part IV Tax	33-1/3%	Private corporations Certain public corporations	Payable on taxable dividends received from certain taxable Canadian corporations.	Refundable to the corporation when it pays dividends, through the refundable dividend tax on hand (RDTOH) mechanism. The tax is refundable at a rate of \$1 for every \$3 of taxable dividends paid.										
Refundable Investment Tax	6-2/3%	Canadian-Controlled Private Corporations (CCPCs)	Increases the total federal rate that applies to investment income of a CCPC to 35.79%, after federal surtax. (See page 25.)											
Part VI Financial Institutions Capital Tax (see also page 29)	1.25%	Banks Trust and loan corporations Life insurance companies	Applies to banks, trust and loan corporations and life insurance companies with capital employed in Canada over \$300 million (1% rate for capital between \$200 million and \$300 million; nil below \$200 million). The thresholds are shared among related corporations.	Reduced by the corporation's federal income tax liability, net of any federal surtax claimed against the Large Corporations Tax liability. Any unused federal income tax liability can be applied to reduce Financial Institutions Capital Tax for the previous three years and next seven years.										
Large Corporations Tax (see also pages 28 and 29)	0.175%	All corporations	Imposed on taxable capital employed in Canada over \$50 million. (The \$50 million threshold is shared among related corporations; associated corporations in the case of CCPCs.)	Not deductible in computing income for income tax purposes. It is reduced by the portion of the federal surtax liability that is the corporation's Canadian surtax liability. Any unused Canadian surtax liability can be applied to reduce Large Corporations Tax for the previous three years and next seven years. Unused surtax credits are calculated as if the Large Corporations Tax rate and capital tax threshold were 0.225% and \$10 million, respectively.										

The Large Corporations Tax is being eliminated over five years.

From	To	Effective
0.225%	0.200%	January 1, 2004
0.200%	0.175%	January 1, 2005
0.175%	0.125%	January 1, 2006
0.125%	0.0625%	January 1, 2007
0.0625%	Nil	January 1, 2008

Provincial Income Tax Holidays

The threshold is equal to the federal small business limit. For changes to the threshold, see page 25.

	Eligible corporations	Holiday	Income not taxed each year
Newfoundland and Labrador	Designated before January 1, 2002	Full holiday for 10 years, phased out over next 5 years	Income attributable to new or expanded business
	Companies meeting job creation and other conditions		
	Designated after December 31, 2001	Full holiday for 15 years, phased out over next 5 years	\$300,000 of active business income
	In Northeast Avalon region		
Nova Scotia	Outside Northeast Avalon region	For 5 years	\$300,000 of active business income
	CCPCs in designated growth sectors, incorporated between April 1, 2003 and March 31, 2006	For 3 years	
P.E.I.	CCPCs incorporated after April 24, 1992	Up to March 31, 2012	Income attributable to P.E.I. operations
Québec	CCPCs with first tax year beginning after March 25, 1997 and before March 30, 2004	For 5 years	\$150,000 (\$200,000 before June 12, 2003) of eligible business income
	Corporations accredited to carry on business in an Information Technology Development Centre		No limit
	Businesses that undertake major investment projects	For 10 years	75% of eligible business income
	Small and medium size corporations that carry on manufacturing and processing in a remote resource region	March 30, 2001 to December 31, 2010	
	Corporations carrying out innovative projects in a Biotechnology Development Centre	For 5 years	

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

No limit before June 12, 2003, on the amount of eligible income.

Provincial M&P Investment Tax Credits

Five provinces (but none of the territories) provide investment tax credits based on the cost of qualifying manufacturing and processing (M&P) property acquired for use in the particular jurisdiction. The credits are non-refundable, except in Manitoba, where they are partially refundable. For federal tax purposes, the credits are considered government assistance and reduce the capital cost of the M&P asset. See page 47 for other tax credits.

M&P credits available for assets acquired during 2005.

After March 8, 2005, Manitoba's credit is extended to used equipment and is partially refundable. See page 36.

	Rate	For M&P property acquired		Carry back	Carry forward
		After	Before		
British Columbia	3%	March 31, 2000	July 31, 2001	3 years	10 years
Manitoba	10%	March 11, 1992	July 1, 2006		7 years
Nova Scotia	30%	December 31, 1996	January 1, 2001		
	15%	December 31, 2000	January 1, 2003		
Prince Edward Island	10%	December 31, 1992	N/A		
Saskatchewan	7%	March 20, 1997	March 27, 1999		
	6%	March 26, 1999	April 1, 2004		
	7%	March 31, 2004	N/A		

Manitoba's carryforward was 7 years before 2004.

No cut-off dates have been specified.

An additional 25% credit may be claimed in P.E.I. by export-focused corporations. See page 41.

Capital Tax

In addition to federal capital taxes:

- six provinces levy a general capital tax on corporations (other than financial institutions and insurance companies) that have a permanent establishment there;
- all provinces except Alberta levy a capital tax on financial institutions such as trust and loan companies and banks (see page 29); and
- four provinces levy a capital tax on insurance companies (see page 29).

The calculation of the tax base may differ from province to province. The territories do not impose capital taxes.

The two tables that follow set out capital tax rates for a twelve-month taxation year ending December 31, 2005. The second table (on the next page) applies to banks, trust and loan companies and insurance companies, which follow special rules not applicable to other corporations.

Capital Tax Rates and Exemptions for 2005

Corporations in General
(For financial institutions and insurance companies, see table on the next page.)

Federal Large Corporations Tax (LCT)		0.175%	\$50 million
Alberta		No capital tax	
British Columbia			
Manitoba	On first \$10 million taxable capital	0.3%	\$5 million
	On taxable capital > \$10 million	0.5%	
New Brunswick		0.3%	
Newfoundland and Labrador		No capital tax	
Nova Scotia	If taxable capital < \$10 million	0.57%	\$5 million
	If taxable capital ≥ \$10 million	0.29%	Nil
Ontario		0.3%	\$7.5 million
Prince Edward Island		No capital tax	
Québec		0.6%	Up to \$1 million
Saskatchewan		0.6%	Up to \$20 million

On January 1, 2005, the federal LCT rate decreased from 0.2% to 0.175%. The rate will further decrease to 0.125% on January 1, 2006. See **Other Federal Corporate Tax Rates for 2005** on page 26.

Exemptions are generally shared by associated or related corporations.

Nova Scotia's capital tax rates will decrease from 0.6% to 0.55% and from 0.3% to 0.275%, respectively, on July 1, 2005 and will further decrease in stages to 0.4% and 0.2% by July 1, 2008. The rates had increased on April 1, 2004. See **Additional Nova Scotia highlights** on page 38.

Ontario's exemption increased to \$7.5 million on January 1, 2005 and will further increase in stages to \$15 million by 2008. See **Additional Ontario highlights** on page 40.

For taxation years commencing after January 1, 2004, Manitoba's reduced rates, which applied if taxable capital was between \$5 million and \$5.015 million, no longer apply.

Québec's maximum exemption increased from \$600,000 to \$1 million on January 1, 2005. The exemption is reduced by \$1 for every \$3 of the previous year's paid-up capital (of the associated group) exceeding the exemption. Québec's capital rate will be reduced starting January 1, 2006. See **Additional Québec highlights** on page 41.

Ontario's capital tax rate will be reduced starting January 1, 2009 and eliminated by January 1, 2012. See **Additional Ontario highlights** on page 39.

Saskatchewan imposes capital tax surcharges on large resource corporations and trusts.

Saskatchewan's maximum exemption increased from \$17.5 million to \$20 million for taxation years beginning after December 31, 2004. See **Additional Saskatchewan highlights** on page 42.

Capital Tax Rates and Exemptions for 2005 (continued)

On January 1, 2005, the federal LCT rate decreased from 0.2% to 0.175% and will further decrease to 0.125% on January 1, 2006. See **Other Federal Corporate Tax Rates for 2005** on page 26.

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

Financial Institutions and Insurance Companies

(For other corporations, see table on the previous page.)

Tax base or other capital may vary by jurisdiction and type of institution.

Financial Institutions and Insurance Companies (For other corporations, see table on the previous page.) Tax base or other capital may vary by jurisdiction and type of institution.				Financial institutions		Insurance companies	
				Rate (for December 31, 2005 Year End)	Exemption	Life	Non-Life
Federal	Large Corporations Tax (LCT)			0.175%	\$50 million	Same as financial institutions	
	Part VI Financial Institutions Capital Tax	On capital ≤ \$300 million		1% (1.175% including LCT)	\$200 million		
		On capital > \$300 million		1.25% (1.425% including LCT)			
Alberta				No capital tax		No capital tax	
British Columbia	If net paid-up capital ≤ \$1 billion	If net paid-up capital < \$10 million		Reduced rates			
		B.C. paid-up capital < \$10.25 million					
	If net paid-up capital ≥ \$10 million	B.C. paid-up capital ≥ \$10.25 million		1%			
		If net paid-up capital > \$1 billion		Based in and has head office in B.C. Other	3%		
Manitoba				\$5 million		General capital tax (page 28)	
New Brunswick				\$10 million		No capital tax	
Newfoundland and Labrador	If paid-up capital ≤ \$10 million			\$5 million			
	If paid-up capital > \$10 million			Nil			
Nova Scotia	Trust and loan corporations		Head office in N.S.	4%	\$10 million	General capital tax (page 28)	
	Other						
	Banks				\$500,000		
Ontario	On first \$400 million of taxable capital			0.6%	\$7.5 million	1.25%	No capital tax
	On taxable capital > \$400 million	Deposit-taking financial institutions		0.9%	Nil		
		Other		0.72%			
Prince Edward Island				5%	\$2 million	1.25%	
Québec				1.45%	Nil		
Saskatchewan	If taxable paid-up capital ≤ \$400 million			0.7%	Up to \$20 million		
	If taxable paid-up capital > \$400 million			3.25%			

See also **Other Federal Corporate Tax Rates for 2005** on page 26.

For taxation years commencing after January 1, 2004, Manitoba's reduced rates, which applied if taxable capital was between \$5 million and \$5.015 million, no longer apply.

Ontario's capital tax rates will be reduced starting January 1, 2009 and eliminated by January 1, 2012. See **Additional Ontario highlights** on page 39.

The 1.45% Québec rate includes a base capital tax rate of 1.20%, and a 0.25% compensatory tax on paid-up capital. A 2% compensatory tax on payroll also applies. Québec's capital tax rate for financial institutions will be reduced starting January 1, 2006. See **Additional Québec highlights** on page 41.

On April 1, 2004, P.E.I.'s rate increased from 3% to 5%.

Saskatchewan's maximum exemption increased from \$17.5 million to \$20 million for taxation years beginning after December 31, 2004. See **Additional Saskatchewan highlights** on page 42.

On April 1, 2004, Nova Scotia's rate increased from 3% to 4%.

Ontario's exemption increased to \$7.5 million on January 1, 2005 and will further increase in stages to \$15 million by 2008. See **Additional Ontario highlights** on page 40.

Effective rate is reduced because of a graduated capital allowance. A \$10 million exemption applies.

Income Tax Payment Deadlines for 2005 – Corporations

Federal income tax payments include tax payments for:

- Large Corporations Tax;
- Financial Institutions Capital Tax;
- Tax on Corporations Paying Dividends on Taxable Preferred Shares;
- Additional Tax on Authorized Foreign Banks;
- New Brunswick and Nova Scotia general capital tax; and
- corporate income tax for all provinces and territories other than Alberta, Ontario and Québec.

Separate \$1,000 thresholds apply for federal purposes and for these provincial/territorial jurisdictions (i.e., there are two \$1,000 thresholds).

Federal balance due deadlines also apply to Part IV tax (page 26). However, no Part IV tax instalments are required.

	Instalments		Balance due (months after year end)		Filing deadline
	Deadline	Waiver conditions	Deadline	Extended deadline	
Federal and all provinces and territories not listed below	Last day of each month	Total tax* is \leq \$1,000	2 months after year end	3 months, if the corporation: <ul style="list-style-type: none"> • was a CCPC throughout the current year; • claimed the small business deduction in the current or previous year; and • had taxable income, on an associated basis, in taxation years ending in the previous calendar year \leq the total business limit for those taxation years. 	6 months after year end
Alberta		Alberta income tax* \leq \$2,000 or CCPC qualifies for extended balance due deadline		3 months for CCPCs that:* <ul style="list-style-type: none"> • claimed Alberta's small business deduction; and • had taxable income \leq \$500,000 	
Ontario	Ontario income and capital tax* $<$ \$10,000 Other	Last day of months 3, 6, 9 and 12 of taxation year		3 months, if the corporation: <ul style="list-style-type: none"> • was a CCPC throughout the current year; and • in the previous year had taxable income \leq \$400,000. 	
Québec	Last day of each month	Québec income and capital tax* \leq \$1,000		No extended deadline	

* For current or previous year.

Capital Tax Payment Deadlines for 2005

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

No extended deadlines are available.

		Instalments		Balance due date and filing deadline
		Deadline	Waiver conditions	
Corporations in general	Federal	Same as federal income tax (see page 30)		
	Manitoba	15th day of months 3, 6, 9 and 12 after year end	Capital tax for previous year ≤ \$2,400	6 months after year end
	New Brunswick Nova Scotia	Same as provincial income tax (see page 30). The federal government administers and collects general capital taxes payable to New Brunswick and Nova Scotia.		
	Ontario Québec	Same as provincial income tax (see page 30)		
	Saskatchewan	Last day of each month	Capital tax for current year ≤ \$4,800	Last day of 6th month after year end
	Other provinces and territories	No general capital tax		
Financial institutions	Federal	Same as federal income tax (see page 30)		
	British Columbia	15th day of months 4, 7, 10 and 13 after year end	Capital tax for current year ≤ \$3,000	184 days after year end
	Manitoba	Same as Manitoba general capital tax (above)		
	New Brunswick Newfoundland and Labrador Nova Scotia Prince Edward Island	20th day of each month	None	6 months after year end
	Ontario Québec	Same as provincial income tax (see page 30)		
	Saskatchewan	Same as Saskatchewan general capital tax (above)		
	Other provinces and territories	No financial institutions capital tax		

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

Federal Corporate Tax Changes – Selected Highlights

Because the federal government is in a minority, it is uncertain whether the federal tax changes that have not been enacted into law will proceed. At the publication date, the 2005 federal budget measures have yet to be enacted.

Federal corporate income tax rate changes:

Elimination of the federal surtax results in a 1.12% decrease in income tax rates for all corporations.

	Changes effective after January 1, 2004		
	From	To	Effective
Federal surtax	4%	Nil	January 1, 2008
General reduction and M&P deduction	7%	7.5%	January 1, 2008
	7.5%	8%	January 1, 2009
	8%	9%	January 1, 2010

The general rate reduction does not apply to the first \$300,000 of a CCPC's active business income earned in Canada, investment income of CCPCs, certain income of credit unions and income of mutual fund corporations, mortgage investment corporations, or investment corporations. Until taxation years beginning after 2006, it also does not apply to resource income.

Automobile deduction limits and benefit rates: The 2005 prescribed rates will remain at their 2004 levels for purposes of determining capital cost allowance, interest and leasing deductions. For 2005, prescribed rates for purposes of determining automobile allowance deductions and taxable benefits are 3¢ per kilometre higher than for 2004.

For more information on the rules governing automobile expenses and benefits, consult our publication, *Car Expenses and Benefits – A Tax Guide* on www.pwc.com/ca.

Deduction of provincial payroll and capital taxes: The interim measure that limits the deductibility of provincial payroll and capital taxes has been extended indefinitely. Under this measure, the federal government prohibits the deduction of any increase in provincial payroll and capital taxes, by way of rate increases, base changes or the introduction of new taxes. This measure does not apply to New Brunswick, Newfoundland and Labrador, Nova Scotia or Québec, because these provinces have aligned their sales taxes with the GST.

Capital cost allowance (CCA): CCA rates increased for the following assets acquired after February 22, 2005:

- new oil and gas transmission pipelines, including ancillary equipment (4% to 8%);
- new and used oil and gas pumping and compression equipment on transmission pipelines (4% to 15%);
- combustion turbines that generate electricity (8% to 15%);

- transmission and distribution equipment and structures, excluding buildings, of electrical energy distributors (4% to 8%); and
- new wire and cable used for telephone, telegraph or data communication (5% to 12%).

Specified energy property rules: These rules, which limit the amount of CCA deductions that may be claimed by passive investors in specified energy properties, were extended to electricity transmission and distribution assets, combustion turbines and renewable energy generation equipment eligible for the new CCA rates, among other things.

Renewable and alternative energy: The CCA rate increased to 50% from 30% on certain high-efficiency cogeneration systems and renewable energy generation equipment (e.g., wind turbines, small hydroelectric facilities, active solar heating equipment, fixed location photovoltaic equipment and geothermal energy equipment) acquired after February 22, 2005 and before January 1, 2012.

Class 43.1 was expanded to include certain distribution equipment of a district energy system relying on efficient cogeneration and biogas production equipment acquired after February 22, 2005.

Retirement savings plans and profit sharing plans: Retirement savings plan and profit sharing plan contribution limits will increase as follows. For more information, see page 46.

	Registered Retirement Savings Plans (RRSPs)		Money Purchase Registered Pension Plans (RPPs)		Deferred Profit Sharing Plans (DPSPs)	
	Previous	New	Previous	New	Previous	New
2004	\$15,500		\$16,500		\$8,250	
2005	\$16,500		\$18,000		\$9,000	
2006	\$18,000		Indexed	\$19,000	Indexed	\$9,500
2007	Indexed	\$19,000		\$20,000		\$10,000
2008		\$20,000		\$21,000		\$10,500
2009		\$21,000		\$22,000		\$11,000
2010		\$22,000				
2011						

Defined benefit registered pension plans (RPPs): The maximum pension benefit that may be paid from defined benefit RPPs will increase as shown.

	Pension benefit (per year of service)	
	Previous	New
2004	\$1,833	
2005	\$2,000	
2006	Indexed	\$2,111
2007		\$2,222
2008		\$2,333
2009		\$2,444
2010		

Foreign property rule: The rule limiting the foreign property content of pension funds and other tax deferred income plans (e.g., RRSPs) will be eliminated for 2005 and subsequent calendar years.

Taxpayer requested adjustments: For applications for tax relief made after 2004 under certain provisions of the *Income Tax Act*, adjustments will be limited to the previous ten calendar years.

Resource Taxation: Commencing 2003, the following changes are being phased in over five years:

- a reduction in the federal corporate income tax rate on resource income from 29.12% to 22.12% (the rate will subsequently be further reduced by the elimination of the corporate surtax and the increase in the general rate reduction, described on page 32—the tax rate for 2005 is 26.12%);
- a deduction for actual provincial and other Crown royalties and mining taxes paid and the elimination of the existing 25% resource allowance; and
- a new 10% tax credit for qualifying exploration expenditures.

In addition, the 15% investment tax credit for investors in mining company flow-through shares will expire at the end of 2005.

Crown charge reimbursements: Draft rules that apply after September 16, 2004 prevent taxpayers from obtaining inappropriate tax deductions in respect of reimbursed resource-related Crown charges such as royalties.

Deductibility of interest and other expenses: Draft rules affect the deductibility of interest and other expenses effective for tax years beginning after 2004. However, refinements to the rules are anticipated. See our *Tax Memo* “Deductibility of Interest and Other Expenses: What the New Rules Mean” on www.pwc.com/ca.

Interests in foreign investment entities and non-resident trusts: Draft rules, intended to ensure that Canadian residents cannot defer tax on investment income earned outside Canada through investments in foreign entities and trusts, apply to taxation years beginning after 2002. Revisions to the rules are expected.

Cross-border share-for-share exchanges: Federal proposals will be released pertaining to tax-deferred share-for-share exchanges when a Canadian-resident shareholder exchanges shares of a domestic corporation for shares of a foreign corporation.

Single purpose corporations: The Canada Revenue Agency withdrew its administrative policy with respect to single-purpose corporations on January 1, 2005 (delayed from June 23, 2004). As a result, shareholders of such corporations may be assessed taxable benefits. See our *Tax Memo* “The CRA Discontinues Relief for Single-Purpose Corporations: Update” on www.pwc.com/ca.

Non-resident investors in Canadian mutual funds: As of January 1, 2005, non-residents that invest in Canadian property mutual funds may be subject to a 15% withholding tax on certain distributions.

Income trusts: Implementation of new measures that were intended to limit a pension fund's investment in business income trusts was suspended. The government commented that it will release a consultation paper dealing with income trusts and other flow through entities.

Scientific research and experimental development (SR&ED) tax credit: Expenditures incurred, after February 22, 2005, on SR&ED performed in Canada's Exclusive Economic Zone (an area within 200 nautical miles from the Canadian coastline) will qualify for the SR&ED investment tax credit.

Agricultural cooperatives: Members of eligible agricultural cooperative corporations will be permitted to defer the tax on patronage dividends paid in the form of eligible shares until the shares are redeemed. The shares must be issued after 2005 and before 2016.

Tax treaties: Recent developments in the status of Canada's international tax treaties are shown in the table below. See page 56 for more information.

Ratified and entered into force	Signed but awaiting ratification	Under negotiation
Belgium Ireland Romania United Arab Emirates	Armenia Azerbaijan Oman	Finland Singapore

Social security agreements: Recent developments in the status of Canada's social security agreements are shown in the table below.

Ratified and entered into force	Signed but awaiting ratification
Turkey	Estonia

Recent Tax Cases Affecting Corporations

Tax cases provide insight into the types of issues pursued by the Canada Revenue Agency (CRA), trends in judicial attitudes, and tax principles advanced by the courts. Some cases related to individuals (page 16) may also apply to corporations.

General anti-avoidance rule (GAAR): In **CIT Financial Ltd. v. The Queen**, the Federal Court of Appeal upheld the Tax Court of Canada's decision that reduced to fair market value the taxpayer's cost of software acquired in a non-arm's length transaction. Furthermore, the court agreed that GAAR did not apply because another provision of the *Income Tax Act* applied to limit the cost of the software. Leave to appeal was denied by the Supreme Court of Canada.

Foreign exchange loss: The Federal Court of Appeal ruled that three-quarters of a foreign exchange loss realized on the repayment of foreign-denominated debt was deductible in **Imperial Oil Limited v. The Queen** (and reached a parallel decision in **Inco Limited v. The Queen**). The Supreme Court of Canada has agreed to hear the Minister's appeal in **Imperial**, but has not yet considered the Minister's request for leave to appeal in **Inco**.

Leasing fees: In **Pantorama Industries Inc. v. The Queen**, the Federal Court of Appeal overturned the Tax Court of Canada's decision and ruled that fees paid to a third-party leasing consultant for negotiating or renewing leases were deductible as a current business expense.

Small business deduction: In **The Queen v. Lenester Sales Ltd. & Sushi Sales Limited**, the Federal Court of Appeal upheld the Tax Court of Canada's decision that the taxpayers were not controlled by their franchisor because the franchise relationship did not cause the franchisor to exercise de facto control over the taxpayers. Therefore, the taxpayers were not associated with the franchisor and were entitled to the full small business deduction.

In **Diane Baker, Bronwen Lapointe, Michael Stone, Town Properties Ltd. v. The Queen**, the Federal Court of Appeal upheld the Tax Court of Canada's ruling that employees who worked four hours per day, five days per week, were not full-time. As a result, the corporation could not claim the small business deduction and its shareholders were denied access to the capital gains exemption for qualified small business corporation shares.

Capital tax: In **Canadian Forest Products Ltd. v. The Queen**, the Tax Court of Canada ruled that outstanding cheques were not loans or advances for purposes of calculating taxable capital subject to the Large Corporations Tax. This decision conflicts with the CRA's position and is being appealed by the Minister.

Scientific Research and Experimental Development (SR&ED): In **Alcatel Canada Inc. v. The Queen**, the Tax Court of Canada ruled that stock option benefits included in employment income of employees directly engaged in the prosecution of SR&ED were eligible expenditures for purposes of calculating the taxpayer's SR&ED investment tax credits. This case is not being appealed, but technical amendments may be forthcoming.

Contingent liability: In **General Motors of Canada Limited v. The Queen**, the Federal Court of Appeal found that the Tax Court of Canada did not err in concluding that amounts accrued in a "special contingency fund" to support employee programs were not deductible, because the requirement for the taxpayer to accrue amounts under the collective agreement did not create a legally enforceable liability. Leave to appeal was denied by the Supreme Court of Canada.

Withholding tax: In **Transocean Offshore Limited v. The Queen**, the Federal Court of Appeal upheld the Tax Court of Canada's decision that a payment made to compensate a non-resident for the loss of rent was subject to Canadian withholding tax. The taxpayer has requested leave to appeal this decision to the Supreme Court of Canada.

In **Zainul and Shazma Holdings Ltd. o/a Holiday Inn Hinton v. The Queen**, the Tax Court of Canada ruled that an up-front fee paid to a non-resident to apply for a franchise was not a rent, royalty or similar payment, but was simply an application fee. Therefore, the payment was not subject to withholding tax.

In **Eastern Success Co. Ltd. v. The Queen**, the Tax Court of Canada ruled that interest paid to a non-resident that was included in the cost of condominium units sold by a non-resident was not subject to withholding tax. The Minister is appealing this decision.

Saskatchewan resource surcharge: In **Cogema Resources Inc. v. The Queen**, the Tax Court of Canada ruled that the surcharge was deductible because it was a sales tax and was in relation to the sale, not production, of minerals. This case supports the deduction of the surcharge by uranium producers, but may not apply to other resource corporations. The Minister is appealing this decision.

Rectification order: In **Snow White Productions Inc. v. PMP Entertainment Inc. et al.**, the British Columbia Supreme Court approved the taxpayers' petition to amend a production services agreement to reflect the true agreement between the parties. As a result, the taxpayer was eligible for federal and British Columbia film tax credits that had been denied because of an error in the agreement.

Corporations – Key Provincial and Territorial Rates and Changes

The information below summarizes corporate income tax rates and changes for 2005, for each province and territory. Highlights of rates for capital tax, payroll tax and sales tax are also provided, along with other relevant highlights.

In addition, see pages 23 to 34 for provincial and territorial rates and other information, compiled under **Corporations: National Overview**.

Alberta

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General and M&P	Active business income of CCPCs		Investment income of CCPCs
	\$300,000 to \$400,000	to \$300,000	
11.5	3	3	11.5
33.62	25.12	16.12	47.29

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

Changes in Alberta corporate income tax rates

	Changes effective after January 1, 2004		
	From	To	Effective
General and M&P	12.5% ↘	11.5%	April 1, 2004
CCPC Rates (to \$400,000 threshold)	4% ↘	3%	April 1, 2004

For Alberta health care premiums, see page 45.

Other 2005 Alberta rates and data

Capital tax	General: None	Payroll tax	None
	Financial institutions: None	Sales tax	
		Deadlines	See pages 30 and 49.

Additional Alberta highlights

Corporate income tax rates: Alberta's long-term goal is to reduce the general rate (which also applies to M&P income) to 8%.

Drought-affected farmers: Owners of breeding livestock in designated areas of northern Alberta who had to sell at least 15% of their herd due to drought are eligible for a one-year tax deferral on 2004 income from these sales.

British Columbia

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General and M&P	Active business income of CCPCs		Investment income of CCPCs
	\$300,000 to \$400,000	to \$300,000	
13.5	4.5	4.5	13.5
35.62	26.62	17.62	49.29

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

Changes to British Columbia's small business threshold

	Changes effective after January 1, 2004		
	From	To	Effective
Threshold up to which CCPC rate applies	\$300,000 ↘	\$400,000	January 1, 2005

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

For British Columbia health care premiums, see page 45.

Other 2005 British Columbia rates and data

Capital tax See page 29	General: None	Payroll tax	None
	Financial institutions: 3%, 1%, reduced rates or nil	Sales tax	7%; no PST on GST
		Deadlines	See pages 30, 31 and 49.

Additional British Columbia highlights

Film tax incentives: For the period January 1, 2005 to March 31, 2006, the Film Incentive B.C. will increase from 20% to 30% and the British Columbia Production Services Tax Credit will increase from 11% to 18%.

Foreign tax credit: After 2005, a corporation is deemed to have claimed the maximum federal foreign tax credit before the provincial foreign tax credit is allowed.

Capital tax: Effective April 1, 2005, a corporation may claim an investment allowance deduction for shares in a financial corporation only if both corporations have the same taxation year-end.

British Columbia Mining Exploration Tax Credit: This 20% refundable tax credit was extended ten years to December 31, 2016.

Drought-affected farmers: Owners of breeding livestock in designated areas of northern British Columbia who had to sell at least 15% of their herd due to drought are eligible for a one-year tax deferral on 2004 income from these sales.

Sales tax rate: British Columbia's social service tax rate decreased from 7.5% to 7% on October 21, 2004.

Manitoba

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General and M&P	Active business income of CCPCs		Investment income of CCPCs
	\$300,000 to \$400,000	to \$300,000	
15 37.12	5 27.12	5 18.12	15 50.79

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

Changes in Manitoba corporate income tax rates

		Changes effective after January 1, 2004		
		From	To	Effective
General and M&P		15.5%	↘ 15%	January 1, 2005
		15%	↘ 14.5%	July 1, 2006
		14.5%	↘ 14%	July 1, 2007
CCPCs	Rates	5%	↘ 4.5%	January 1, 2006
		4.5%	↘ 4%	January 1, 2007
	Threshold up to which CCPC rate applies	\$360,000	↗ \$400,000	January 1, 2005

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 Manitoba rates and data

Capital tax See pages 28 and 29	General: 0.3% and 0.5% Financial institutions: 3%	Payroll tax	0 to 4.3% (See page 45)
		Sales tax	7%; no PST on GST
		Deadlines	See pages 30, 31 and 49

Additional Manitoba highlights

Manufacturing Investment Tax Credit: After March 8, 2005, used assets will qualify for this credit and one-fifth of the credit will be refundable (see page 27).

Film tax incentives: The Film and Video Production Tax Credit increased from 35% to 45% and the pre-production period is extended for productions that begin principal photography after March 8, 2005. Retroactive to April 20, 2004, the frequent filming incentive is available to producers of serial productions and the rural and Northern incentive is extended to include a larger geographic area.

Research and Development Tax Credit (R&D): The R&D tax credit increased from 15% to 20% on March 9, 2005.

Equity Tax Credit: Manitoba's credit was to expire on June 30, 2005, but has been extended three years to June 30, 2008.

Co-operative Education Tax Credit: This tax credit is extended three years from December 31, 2005 to December 31, 2008.

New Brunswick

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General and M&P	Active business income of CCPCs			Investment income of CCPCs
	\$425,000 to \$450,000	\$300,000 to \$425,000	to \$300,000	
13 35.12	7.45 29.57	2.25 24.37	2.25 15.37	13 48.79

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

Changes in New Brunswick corporate income tax rates

		Changes effective after January 1, 2004		
		From	To	Effective
CCPCs	Rates	3%	➤ 2.5%	July 1, 2004
		2.5%	➤ 2%	July 1, 2005
		2%	➤ 1.5%	July 1, 2006
		1.5%	➤ 1%	July 1, 2007
	Threshold up to which CCPC rate applies	\$400,000	➤ \$425,000	July 1, 2004
		\$425,000	➤ \$450,000	July 1, 2005
		\$450,000	➤ \$475,000	July 1, 2006
		\$475,000	➤ \$500,000	July 1, 2007

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 New Brunswick rates and data

Capital tax See pages 28 and 29	<i>General:</i> 0.3% <i>Financial institutions:</i> 3%	Payroll tax None
		Sales tax Harmonized PST and GST (15%)
		Deadlines See pages 30, 31 and 49.

Additional New Brunswick highlights

No additional significant corporate tax changes were announced.

Newfoundland and Labrador

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General (non-M&P)	M&P	Active business income of CCPCs to \$300,000	Investment income of CCPCs
14 H 36.12	5 H 27.12	5 H 18.12	14 H 49.79

The M&P credit can be claimed only by companies that manufacture or process at a permanent establishment in the province.

Figures in **bold** are combined federal/provincial rates. **H** = tax holiday (see page 27)

Changes to Newfoundland and Labrador's small business threshold

	Changes effective after January 1, 2004		
	From	To	Effective
Threshold up to which CCPC rate applies	\$250,000	➤ \$300,000	January 1, 2005

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 Newfoundland and Labrador rates and data

Capital tax See page 29	<i>General:</i> None <i>Financial institutions:</i> 4%	Payroll tax Nil, 2% or 4% (See page 45)
		Sales tax Harmonized PST and GST (15%)
		Deadlines See pages 30, 31 and 49

Additional Newfoundland and Labrador highlights

Film and Video Industry Tax Credit: This credit was enhanced and extended four years, from December 31, 2004 to December 31, 2008.

Northwest Territories

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General and M&P	Active business income of CCPCs to \$300,000	Investment income of CCPCs
14 36.12	4 17.12	14 49.79

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

Changes to Northwest Territories' small business threshold

	Changes effective after January 1, 2004		Effective
	From	To	
Threshold up to which CCPC rate applies	\$250,000 ↗	\$300,000	January 1, 2005

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 Northwest Territories rates and data

Capital tax	None	Sales tax	None
Payroll tax	2%	Deadlines	See pages 30 and 49.

Payroll tax is paid by employees. (See page 45.)

Additional Northwest Territories highlights

Risk Capital Investment Tax Credit: For 2005 to 2007 taxation years, eligible investors in Northwest Territories' businesses can claim a non-refundable territorial tax credit equal to 15% on qualifying investments of up to \$200,000 (maximum credit of \$30,000).

Payroll tax rate: On January 1, 2005, the payroll tax rate increased from 1% to 2% of employment income. See page 45.

Nova Scotia

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General and M&P	Active business income of CCPCs		Investment income of CCPCs
	\$300,000 to \$350,000	to \$300,000	
16 38.12	7.71 29.83	5 H 18.12	16 51.79

Figures in **bold** are combined federal/provincial rates. **H** = tax holiday (See page 27)

Changes to Nova Scotia's small business threshold

	Changes effective after January 1, 2004		
	From	To	Effective
Threshold up to which CCPC rate applies	\$250,000 ↗	\$300,000	January 1, 2005
	\$300,000 ↗	\$350,000	April 1, 2005
	\$350,000 ↗	\$400,000	April 1, 2006

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 Nova Scotia rates and data

Capital tax See pages 28 and 29	General: 0.29% or 0.57% Financial institutions: 4%	Payroll tax	None
		Sales tax	Harmonized PST and GST (15%)
		Deadlines	See pages 30, 31 and 49.

Additional Nova Scotia highlights

Capital tax rate changes:

		Changes effective after January 1, 2004			
		From	To	Effective	
General rate	Taxable capital ≥ \$10 million	0.25%	↗	0.3%	April 1, 2004
		0.3%	↘	0.275%	July 1, 2005
		0.275%	↘	0.25%	July 1, 2006
		0.25%	↘	0.225%	July 1, 2007
		0.225%	↘	0.2%	July 1, 2008
		0.2%	↘	Nil	July 1, 2009
	Taxable capital < \$10 million	0.5%	↗	0.6%	April 1, 2004
		0.6%	↘	0.55%	July 1, 2005
		0.55%	↘	0.5%	July 1, 2006
		0.5%	↘	0.45%	July 1, 2007
		0.45%	↘	0.4%	July 1, 2008
		0.4%	↘	Nil	July 1, 2009
Financial institutions rate		3%	↗	4%	April 1, 2004

Nova Scotia previously planned to eliminate its general capital tax on April 1, 2006.

Nova Scotia film credit: This credit will be extended from December 31, 2005 to December 31, 2015 and, commencing 2005, the rate will increase from 30% to 35% for productions in the downtown Halifax Regional Municipality and from 35% to 40% for other productions. In addition, a 5% frequent-film bonus is available after December 31, 2004.

Nunavut

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General and M&P	Active business income of CCPCs to \$300,000	Investment income of CCPCs
12 34.12	4 17.12	12 47.79

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

Changes to Nunavut's small business threshold

Threshold up to which CCPC rate applies	Changes effective after January 1, 2004		Effective
	From	To	
	\$250,000	➤ \$300,000	January 1, 2005

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 Nunavut rates and data

Capital tax	None	Sales tax	None
Payroll tax	1%	Deadlines	See pages 30 and 49.

Payroll tax is paid by employees. (See page 45.)

Additional Nunavut highlights

No additional significant corporate tax changes were announced.

Ontario

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

	General (non-M&P)	M&P	Active business income of CCPCs		Investment income of CCPCs
			\$400,000 to \$1,128,519	\$300,000 to \$400,000	\$300,000 to \$400,000
M&P	N/A	12 34.12	15.57 37.69	5.5 27.62	5.5 18.62
Non-M&P	14 36.12	N/A	18.67 40.79		14 49.79

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

Ontario's small business deduction is clawed back when taxable income of associated corporations exceeds \$400,000 and eliminated when taxable income, on an associated basis, reaches \$1,128,519. Rates include the clawback: 15.57% = 12% + 3.57% clawback; and 18.67% = 14% + 4.67% clawback.

Other 2005 Ontario rates and data

Capital tax	General: 0.3% See pages 28 and 29 Financial institutions: 0.6% and 0.72% or 0.9%	Payroll tax	Nil or 1.95% (See page 45)
		Sales tax	8%; no PST on GST
		Deadlines	See pages 30, 31 and 49.

Additional Ontario highlights

Capital tax rate changes:

Effective date	Changes effective after January 1, 2004			
	General rate	Financial institutions		
		Taxable capital ≤ \$400 million	Taxable capital > \$400 million Non-deposit taking	Other
January 1, 2008	0.3%	0.6%	0.72%	0.9%
January 1, 2009	0.225%	0.45%	0.54%	0.675%
January 1, 2010	0.15%	0.3%	0.36%	0.45%
January 1, 2011	0.075%	0.15%	0.18%	0.225%
January 1, 2012	Nil			

For taxation years straddling the effective date, the previous rate applies for the number of days in the year before that date.

Capital tax deduction changes:

Effective date	Deduction	
	Before January 1, 2005	\$5 million
	January 1, 2005	\$7.5 million
	January 1, 2006	\$10 million
	January 1, 2007	\$12.5 million
	January 1, 2008	\$15 million

For taxation years straddling the effective date, the previous deduction applies for the number of days in the year before that date.

Tax avoidance: For taxation years ending after May 11, 2005, Ontario corporate tax liability will be based on whether a corporation is resident (rather than incorporated) in Canada.

Film and Television incentives: On January 1, 2005:

- the Ontario Film and Television Tax Credit (OFTTC) rate increased from 20% to 30%, for labour expenditures incurred before January 1, 2010;
- the OFTTC rate for first-time producers (on the first \$240,000 of qualifying labour expenditures) increased from 30% to 40%, for qualifying labour expenditures incurred before January 1, 2010;
- the Ontario Production Services Tax Credit (OPSTC) increased from 11% to 18%, for labour expenditures incurred before April 1, 2006; and
- the 3% OPSTC regional bonus for filming outside the Greater Toronto Area was eliminated.

Computer Animation and Special Effects Tax Credit: For eligible expenditures incurred after May 11, 2005, this credit will be based only on Ontario labour expenditures net of certain government assistance.

Interactive Digital Media Tax Credit: For eligible products completed after May 11, 2005, the minimum 90% copyright ownership requirement is relaxed, provided the product is not developed under a fee-for-service arrangement.

Sound Recording Tax Credit: Enhancements to the eligibility criteria that apply for taxation years ending after May 11, 2005, reduce the minimum period for carrying on a sound recording business and the minimum total playing time, and require a distribution plan.

Book Publishing Tax Credit: This credit is enhanced for new Canadian authors of children's books published after May 11, 2005.

Corporate tax administration: A single federal tax collection system for Ontario and federal corporate tax is planned.

Resource allowance: To prevent corporations from claiming both an Ontario incentive deduction and an additional resource allowance on that incentive, a clarification will require that, retroactive to taxation years beginning after May 6, 1997, income computed for Ontario purposes must be used to determine Ontario resource profits.

Prince Edward Island

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General (non-M&P)	M&P	Active business income of CCPCs to \$300,000	Investment income of CCPCs
16 H 38.12	13.9 H 36.02	6.75 H 19.87	16 H 51.79

Figures in **bold** are combined federal/provincial rates. **H** = tax holiday (See page 27)

Changes in Prince Edward Island corporate income tax rates

		Changes effective after January 1, 2004		
		From	To	Effective
M&P	Rates	7.5%	↗ 16%	April 1, 2005
		7.5%	↘ 6.5%	April 1, 2005
	Threshold up to which CCPC rate applies	\$250,000	↗ \$300,000	January 1, 2005

For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 Prince Edward Island rates and data

Capital tax	General: None Financial institutions: 5%	Sales tax	10%; PST levied on GST
Payroll tax	None	Deadlines	See pages 30, 31 and 49.

Additional Prince Edward Island highlights

Financial institutions capital tax rate changes:

		Changes effective after January 1, 2004		
		From	To	Effective
Financial institutions rate		3%	↗ 5%	April 1, 2004

Enriched Investment Tax Credit: This new 25% non-refundable tax credit may be claimed on eligible manufacturing and processing property acquired by export-focused corporations, in addition to the existing 10% Prince Edward Island Investment Tax Credit.

Innovation and Development Tax Credit: This new refundable tax credit is available for projects that support the development and/or commercialization of new products, processes and services for sale primarily outside Prince Edward Island. The effective credit rate is 52.5% of eligible salaries and wages incurred during a two-year period.

Real Property Transfer Tax: After May 15, 2005, purchasers of real property are subject to a new 1% transfer tax. See page 48.

Québec

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

	General (Non-M&P)	M&P	Active business income of CCPCs to \$300,000	Investment income of CCPCs
Active/eligible	8.9 H 31.02		8.9 H 22.02	N/A
Other	16.25 H 38.37		N/A	16.25 H 52.04

Figures in **bold** are combined federal/provincial rates. **H** = tax holiday (See page 27)

Changes in Québec corporate tax rates

		Changes effective after January 1, 2004		
		From	To	Effective
Active/eligible income (including M&P)		8.9%	↗ 9.9%	January 1, 2006
		9.9%	↗ 11.4%	January 1, 2008
		11.4%	↗ 11.9%	January 1, 2009
Rates		8.9%	↘ 8.5%	January 1, 2006
CCPCs	Threshold up to which CCPC rate applies	None	↗ \$400,000	January 1, 2006

For taxation straddling the effective date, the original threshold applies for the number of days in the year before that date. Paralleling the federal small business deduction, Québec's CCPC rate will be reduced on a straight-line basis when taxable capital exceeds \$10 million (see page 25).

Other 2005 Québec rates and data

Capital tax See pages 28 and 29	General: 0.6%	Payroll tax	4.26%, 2.7% or reduced rates (see page 45)
	Financial institutions: 1.45% (including compensatory tax on paid-up capital)	Sales tax	7.5%; PST levied on GST
		Deadlines	See pages 30, 31 and 49

Additional Québec highlights

Capital tax deduction: Increases to the capital tax deduction for corporations other than financial institutions follow:

		Changes effective after January 1, 2004	
		From	To
Capital tax deduction			Effective
		\$600,000 ↗	\$1,000,000
			January 1, 2005

The capital tax deduction is reduced by \$1 for every \$3 of the previous year's paid-up capital (of the associated group) in excess of the maximum capital tax deduction.

Capital tax rate changes:

		Changes effective after January 1, 2004	
		From	To
General rate		0.6%	↘ 0.525%
		0.525%	↘ 0.49%
		0.49%	↘ 0.36%
		0.36%	↘ 0.29%
Financial institutions rate		1.2%	↘ 1.05%
		1.05%	↘ 0.98%
		0.98%	↘ 0.72%
		0.72%	↘ 0.58%

Capital tax credit: Corporations, other than financial institutions, can claim a non-refundable capital tax credit equal to 5% of the cost of new M&P assets acquired after April 21, 2005 and before January 1, 2008.

Short-term securities and capital tax: For taxation years ending after June 29, 2004, the following investments will be subject to the 120-day minimum holding period rule:

- shares of banks or corporations related to banks;
- shares of savings and credit unions; and
- loans and advances to corporations related to banks or savings and credit unions.

Bonds issued by partnerships will be subject to the 120-day minimum holding period rule for taxation years ending after April 21, 2005.

Corporate filings: As a result of a policy change, all Québec corporate tax returns and forms must be filed in French only.

Research and Development Tax Credits (R&D): The maximum R&D tax credit for Canadian controlled corporations that qualify as small medium enterprises increased from 35% to 37.5% on April 22, 2005 (see page 47). Some Quebec R&D tax credits will be available only to persons or partnerships that carry on business in Quebec and have an establishment in Quebec.

Information technology sector: This new refundable tax credit equals 25% of eligible salaries (maximum \$60,000 per employee) incurred after January 1, 2005 and before January 1, 2017 for major employment-generating projects in the information technology sector.

Logbook for employer-provided automobiles: Commencing in 2005, 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.

Deductibility of investment expenses: The rules that limit the deductibility of investment expenses to the income from such investments earned in a taxation year were revised, retroactive to March 30, 2004, as follows:

- the limit will not apply to trusts, other than personal trusts; and
- changes will affect the treatment of flow-through shares and the portion of capital gains eligible for the \$500,000 capital gains exemption.

Film production services tax credit: Effective December 31, 2004, the refundable tax credit for film productions services that do not meet the Québec content criteria (i.e., foreign productions) increased from 11% to 20%.

Mining duties regime: Technical changes were made to the additional depreciation allowance.

Saskatchewan

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

General (non-M&P)	M&P	Active business income of CCPCs to \$300,000	Investment income of CCPCs
17 39.12	10 32.12	5 18.12	17 52.79

17% is the maximum Saskatchewan rate. A rebate of up to 7% of manufacturing profits allocated to Saskatchewan is available, which can reduce the rate to as low as 10%.

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

Changes in Saskatchewan corporate income tax rates

		Changes effective after January 1, 2004		
		From	To	Effective
CCPCs	Rates (to \$300,000 threshold)	5.5%	5%	January 1, 2005

Other 2005 Saskatchewan rates and data

Capital tax See pages 28 and 29	General: 0.6% Financial institutions: 3.25% or 0.7%	Payroll tax	None
		Sales tax	7%; no PST on GST
		Deadlines	See pages 30, 31 and 49

Additional Saskatchewan highlights

Capital tax exemption change:

		Basic exemption	Additional exemption (shared by associated group)
Taxation years beginning after	December 31, 2003	\$10 million	\$7.5 million
	December 31, 2004		\$10 million

Although a \$10 million basic exemption is available to all corporations, the additional exemption must be shared by the associated group of companies. The extent that the additional exemption is available to a company will depend on the proportion of salaries and wages paid in Saskatchewan by that company in relation to the total salaries and wages paid by the associated group.

Capital Tax Resource Surcharge: Commencing April 1, 2005, the Resource Surcharge was extended to resource trusts, and resource corporations affiliated with resource trusts.

Yukon

Corporate income tax rates for 2005 (pro-rated for December 31, 2005 year end)

	General (non-M&P)	M&P	Active business income of CCPCs to \$300,000	Investment income of CCPCs
M&P	N/A	2.5 24.62	2.5 15.62	N/A
Non-M&P	15 37.12	N/A	4 17.12	15 50.79

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

Changes in Yukon corporate income tax rates

		Changes effective after January 1, 2004		
		From	To	Effective
CCPCs	Rates	6%	↘ 4%	January 1, 2005
	Threshold up to which CCPC rate applies	\$250,000	↗ \$300,000	January 1, 2005
		\$300,000	↗ \$400,000	January 1, 2007

The threshold applies to non-M&P income. For taxation years straddling the effective date, the original threshold applies for the number of days in the year before that date.

Other 2005 Yukon rates and data

Capital tax	None	Sales tax	None
Payroll tax		Deadlines	See pages 30 and 49

Additional Yukon highlights

First Nation Goods and Services Tax: On July 1, 2004, a 7% First Nation Goods and Services Tax replaced the GST for eight First Nations in the Yukon.

Individuals and Corporations

This section provides information that applies to individuals and corporations.

Sales and Commodity Tax Rates for 2005

On October 21, 2004, British Columbia's sales tax rate decreased from 7.5% to 7%.

	Sales tax rate	PST on GST?	Combined PST and GST, or HST
Federal	7% GST		N/A
Alberta	No sales tax		7% federal GST
British Columbia	7%	No PST on GST	14%
Manitoba			
New Brunswick	Harmonized PST and GST (or HST)		15%
Newfoundland and Labrador			
Northwest Territories	No sales tax		7% federal GST
Nova Scotia	Harmonized PST and GST (or HST)		15%
Nunavut	No sales tax		7% federal GST
Ontario	8%	No PST on GST	15%
Prince Edward Island	10%	PST on GST	17.7%
Québec	7.5%		15.025%
Saskatchewan	7%	No PST on GST	14%
Yukon	No sales tax		7% federal GST

PST = Provincial sales tax
GST = Goods and Services tax
HST = Harmonized sales tax

A 7% First Nation GST applies instead in eight First Nations (see page 22 or page 43).

Prescribed Rates for Automobiles (2005)

Prescribed rates for determining automobile deduction limits and taxable benefits for 2005 are set out below. For more details, refer to our booklet *Car Expenses and Benefits – A Tax Guide*, which is available on our Web site: www.pwc.com/ca.

			2005 Prescribed rates
Deduction limits	Owned cars	Maximum capital cost on which capital cost allowance (CCA) may be claimed	\$30,000 + GST/HST & PST on \$30,000
		Maximum monthly interest deduction	\$300
	Leased cars	Thresholds used to determine maximum deduction for lease payments	\$30,000 + GST/HST & PST on \$30,000
		Lease cost limit	\$800 + GST/HST & PST on \$800
Taxable benefits	Automobile allowances	Per-kilometre allowance	\$35,294 + GST/HST & PST on \$35,294
		Same limits as tax-exempt allowances, below	
	Tax-exempt allowances	Kilometres driven in the Yukon, NWT or Nunavut	First 5,000 49¢ Each add'l 43¢
		Kilometres driven in all other locations	First 5,000 45¢ Each add'l 39¢
Operating cost benefit		Persons employed principally in selling or leasing automobiles	17¢
		All other employees	20¢

CPP/QPP and EI Premiums

Self-employed individuals are permitted to deduct half of CPP/QPP premiums paid for their own coverage. The non-deductible half qualifies for a tax credit. Self-employed individuals do not pay EI premiums.

		2004	2005
CPP/QPP Premiums	Maximum pensionable earnings	\$40,500	\$41,100
	- Basic exemption		\$3,500
	= Maximum contributory earnings	\$37,000	\$37,600
	Employer/employee rate	4.95%	
	Maximum employer/employee contribution	\$1,831.50	\$1,861.20
	Self-employed contribution rate	9.9%	
EI Premiums	Maximum self-employed contribution	\$3,663.00	\$3,722.40
	Maximum annual insurable earnings	\$39,000	
	Premium rate per \$100 insurable earnings	Employee \$1.98	\$1.95
		Employer \$2.77	\$2.73
	Annual maximum contribution	Employee \$772	\$761
		Employer \$1,081	\$1,065

Under a federal government proposal, the employee EI rate will not increase for 2006 and 2007. Subsequently, the rate will not change by more than 15¢ from the previous year, subject to government override.

Payroll Tax Rates and Health Care Premiums for 2005

Payroll Tax Rates

Only those provinces and territories listed in the table below have payroll taxes (by various names).

For payrolls between \$600,000 to \$700,000, the \$600,000 exemption is phased down to \$500,000 by reducing the exemption by \$1 for every dollar of payroll above the exemption. The result is an effective rate of 4%.

In the Northwest Territories and Nunavut, payroll tax is paid by employees. It is not levied on employers, but employers must deduct the tax from remuneration paid to employees.

Individuals whose income from certain sources, excluding remuneration, exceeds \$12,075 (see page 21) must contribute to the Health Services Fund (annual maximum contribution is \$1,000). The contribution gives rise to a tax credit.

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

		Rate	Total payroll	Payroll tax
Manitoba	Health and Post-Secondary Education Tax	2.15%	Over \$2,000,000	Payroll x 2.15%
		4.3%	\$1,000,000 to \$2,000,000	(Payroll – \$1,000,000) x 4.3%
		0%	\$0 to \$1,000,000	\$0
Newfoundland and Labrador	Health and Post-Secondary Education Tax	2%	Over \$700,000	(Payroll – \$500,000) x 2%
		4%	\$600,000 to \$700,000	(Payroll – \$600,000) x 4%
		0%	\$0 to \$600,000	\$0
Northwest Territories	Payroll tax	2%	Over \$0	Payroll x 2%
Nunavut		1%		Payroll x 1%
Ontario	Employer Health Tax	1.95%	Over \$400,000	(Payroll – \$400,000) x 1.95%
		0%	\$0 to \$400,000	\$0
Québec	Health Services Fund	4.26%	Over \$5,000,000	Payroll x rate
		Reduced rates	\$1,000,000 to \$5,000,000	
		2.7%	\$0 to \$1,000,000	

On January 1, 2005, Northwest Territories' payroll tax increased from 1% to 2%.

Reduced rates for employers with annual payrolls between \$1 million and \$5 million depend on both the calendar year and the employer's total payroll.

Every Québec employer with a payroll of \$1,000,000 or more must allot at least 1% of payroll to training, or contribute to a provincial fund the difference between that amount and the amount actually spent on training. In limited cases, corporations may be exempt from the Health Services Tax, and in some cases refunds may be made. Investment holding corporations may also be subject to a 1% compensatory tax on payroll.

Commencing 2006, employees, employers and the self-employed must contribute to a parental insurance plan, from which maternity, adoption and parental leave benefits will be paid.

Health Care Premiums

Only Alberta, British Columbia and Ontario have health care premiums payable by individuals. Some employers pay these premiums on behalf of their employees.

Seniors are exempt.			Monthly premiums
Alberta	Health care premiums	Single	\$44
		Family	\$88
British Columbia	Medical Services Plan premiums	Single	\$54
		Couple	\$96
		Family	\$108

Assistance is available to low-income earners.

	Taxable income	Annual premiums (per individual)
Ontario	Up to \$20,000	Nil
	\$20,000 to \$25,000	6% of income > \$20,000
	\$25,000 to \$36,000	\$300
	\$36,000 to \$38,500	\$300 + 6% of income > \$36,000
	\$38,500 to \$48,000	\$450
	\$48,000 to \$48,600	\$450 + 25% of income > \$48,000
	\$48,600 to \$72,000	\$600
	\$72,000 to \$72,600	\$600 + 25% of income > \$72,000
	\$72,600 to \$200,000	\$750
	\$200,000 to \$200,600	\$750 + 25% of income > \$200,000
	\$200,600 and over	\$900

The rate was reduced from 25% to 6% and the threshold was increased from \$36,600 to \$38,500.

The maximum premium increased from \$450 in 2004.

Retirement Savings Plans and Profit Sharing Plans

For registered retirement savings plans (RRSPs), money purchase registered pension plans (RPPs) and deferred profit sharing plans (DPSPs), the amount that can be contributed in a year is limited by both:

- 18% of earned income for the previous year (for RRSPs) or of pensionable earnings for the current year (for RPPs and DPSPs); and
- fixed dollar limits.

The table below outlines these limits. If earnings exceed the figures in *italics*, the fixed-dollar limits apply. For example, for RRSPs, the \$18,000 fixed dollar limit applies in 2006 if earned income in 2005 (i.e., the previous year) exceeds \$100,000 (because 18% of \$100,000 is \$18,000).

Two additional factors affecting contribution limits are also shown, along with contribution deadlines. However, other factors, such as past service pension adjustments, may also affect these limits and are not shown, nor are special rules that may apply to transfers and deceased taxpayers.

Also known as defined contribution plans. For defined benefit plans, different rules apply.

		Registered Retirement Savings Plan (RRSP)		Money Purchase Registered Pension Plan (RPP)		Deferred Profit Sharing Plan (DPSP)		
% of earnings		18% of earned income for the previous year		18% of pensionable earnings for the year				
		Maximum contribution	Earned income (previous year)	Maximum contribution	Pensionable earnings (current year)	Maximum contribution	Pensionable earnings (current year)	
r 32 these	Dollar limits	2004	\$15,500	≥ \$86,111	\$16,500	≥ \$91,667	\$8,250	≥ \$45,833
		2005	\$16,500	≥ \$91,667	\$18,000	≥ \$100,000	\$9,000	≥ \$50,000
		2006	\$18,000	≥ \$100,000	\$19,000	≥ \$105,556	\$9,500	≥ \$52,778
		2007	\$19,000	≥ \$105,556	\$20,000	≥ \$111,112	\$10,000	≥ \$55,556
		2008	\$20,000	≥ \$111,112	\$21,000	≥ \$116,667	\$10,500	≥ \$58,334
		2009	\$21,000	≥ \$116,667	\$22,000	≥ \$122,223	\$11,000	≥ \$61,112
		2010	\$22,000	≥ \$122,223				
Contribution limits	2011	Indexed						
Limits apply to:		All contributions		Combined employer/employee contributions		Employer contributions		
Reduced by:		Pension Adjustment (PA) for the previous year		DPSP contributions for the year (Terms of plan may impose lower limits)		Money purchase RPP contributions for the year (Terms of plan and employer's profits may impose lower limits)		
Increased by:		Unused contribution limits of previous years and pension adjustment reversals (PARs)		N/A				
Stated in:		Previous year's Notice of Assessment		Documents provided by the employer or plan administrator				
Employer's contribution		N/A		120 days after employer's year end				
Deadlines	Individual's contributions	60 days after the calendar year end (i.e., March 1, but February 29 for leap years; adjusted for deadlines that fall on weekends)		December 31		N/A		

See pages 14 or 32 for changes to these limits.

The PA reflects the value of benefits accruing to the individual for the year in a DPSP and/or an RPP, whether defined benefit or money purchase.

The fixed dollar DPSP contribution limit is half of the fixed dollar money purchase RPP contribution limit for the year.

Employee contributions to DPSPs are not permitted.

A PAR may restore RRSP contribution room when a member withdraws from a defined benefit RPP and the amount received is less than the total PAs.

Federal Investment Tax Credit Rates

The federal investment tax credit (ITC) and refund rates shown apply to expenditures incurred in 2005 for qualified property in certain regions and for qualified scientific research and experimental development (SR&ED). Several provinces grant credits for specific types of capital and current expenditures (see **Provincial and Territorial R&D Tax Credits**, below, and **Provincial M&P Investment Tax Credits**, page 27). Unused federal ITCs may reduce federal taxes payable for the previous three years and the next ten.

Generally includes new buildings and/or machinery and equipment to be used primarily in Canada in manufacturing or processing, mining, oil and gas, logging, farming or fishing.

In respect of unused ITCs on scientific research and experimental development expenditures.

A CCPC's \$2 million expenditure limit in respect of the 35% credit and cash refunds is reduced by:

- \$10 for every \$1 by which its previous year's taxable income exceeded \$300,000 (up to \$500,000); and
- \$0.40 for every \$1 of its previous year's taxable capital employed in Canada above \$10 million (up to \$15 million).

Thresholds are on an associated basis.

	Investment tax credit (ITC) rate	Refund rate
Qualified property in Atlantic Provinces, Gaspé region, and Atlantic offshore region	10%	N/A
Qualified SR&ED in Canada	35% of annual expenditures up to threshold (\$2 million or less) + 20% of qualified expenditures not eligible for the 35% rate	100% of ITCs on current expenditures computed at the 35% rate + 40% of ITCs on capital expenditures computed at the 35% rate and of ITCs computed at the 20% rate
Other corporations	20%	N/A
Individuals		40% of ITCs

Provincial and Territorial R&D Tax Credits

Only those provinces and territories listed in the table offer R&D tax credits, and in most jurisdictions only corporations are eligible.¹

Manitoba's rate increased from 15% to 20% on March 9, 2005.

In Ontario, corporations that have taxable income under \$300,000 and taxable capital under \$25 million may claim the innovation tax credit on up to \$2 million of expenditures. Those with taxable income between \$300,000 and \$500,000 or taxable capital between \$25 million and \$50 million are eligible for a partial credit. 100% of current expenditures and 40% of capital expenditures are eligible.²

Québec Canadian-controlled corporations with less than \$25 million in assets may claim the 37.5% (35% before April 22, 2005) rate on up to \$2 million of R&D wages. For those with assets between \$25 million and \$50 million, the rate is gradually reduced to 17.5%. The rate is 17.5% for all other taxpayers. 50% of payments to unrelated subcontractors are eligible for the credit.²

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

	Rate	Credit against	Refundable?	Carry back	Carry forward
British Columbia	10%	Provincial income tax	Yes	N/A	
Manitoba	20%		No	3 years	10 years
New Brunswick	15%		Yes	Manitoba's carryforward was 7 years before 2004.	
Newfoundland and Labrador¹					
Nova Scotia				N/A	
Ontario					
Québec¹					
Saskatchewan	15%	Prov./terr. income tax	No	3 years	10 years
Yukon¹			Yes	N/A	

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

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

1 In Newfoundland and Labrador, Québec and the Yukon, the credits can be claimed by individuals as well as corporations.

2 All thresholds are in respect of the previous year, on a worldwide associated basis.

Political Contribution Tax Credits for 2005

Except in Manitoba, Ontario and Québec, where provincial political contribution tax credits are available only to individuals, corporations can also claim the credits. A federal credit may be claimed only in respect of contributions to a federal political party, candidate or association. A provincial or territorial credit may be claimed in respect of contributions to a provincial or territorial political party, candidate and/or constituency association. The table below shows the maximum credits available and the credit rates that apply to contributions within specified ranges.

	Max. credit	33.33%	Credit rate 50%	75%	100%
Federal Manitoba* (see page 18)	\$650	\$750 to \$1,275	\$400 to \$750	First \$400	
Saskatchewan					
New Brunswick	\$500	\$550 to \$1,075	\$200 to \$550	First \$200	
Alberta	\$1,000	\$1,100 to \$2,300	\$200 to \$1,100	First \$200	
British Columbia Newfoundland and Labrador Nova Scotia Prince Edward Island Yukon	\$500	\$550 to \$1,150	\$100 to \$550	First \$100	N/A
Ontario*	\$1,120	\$1,120 to \$2,548	\$336 to \$1,120	First \$336	
Québec*	\$405	N/A		First \$540	
Northwest Territories Nunavut	\$500		\$100 to \$900	N/A	First \$100

Generally, Ontario corporations can deduct from taxable income a maximum of \$16,800 of political contributions. Further limits apply, depending on the recipient of the contribution.

The maximum Québec credit is in respect of \$140 of contributions under Québec's *Act Respecting Elections and Referendums in Municipalities*, plus \$400 under Québec's *Election Act*.

* In Manitoba, Ontario and Québec, provincial credits are available only to individuals.

Land Transfer Tax and Registration Fees

This table summarizes land transfer taxes and registration fees that provinces and territories charge on the purchase of real property within their boundaries.

Exemptions (or refunds) are available in certain circumstances. Non-residents may be subject to higher rates. Some jurisdictions charge additional fees (e.g., on the registration of the deed or mortgage).

	Calculation	Value used	Type
Alberta	\$35 + 0.02% of value	Value of land	Registration fee
British Columbia	1% of portion ≤ \$200,000 + 2% of portion > \$200,000	Fair market value of property	Land transfer tax
Manitoba	0.5% of portion between \$30,000 and \$90,000 + 1% of portion between \$90,000 and \$150,000 + 1.5% of portion between \$150,000 and \$200,000 + 2% of portion > \$200,000		
New Brunswick	0.25%		
Newfoundland and Labrador	\$75 + 0.4% of portion > \$500	Value of property	Registration fee
Northwest Territories & Nunavut	0.15%* of portion ≤ \$1,000,000 + 0.1% of portion > \$1,000,000	Value of land	Land transfer tax
Nova Scotia	\$74.50 + Up to 1.5% (determined by municipality)	Value of property	
Ontario	General + 0.5% of portion ≤ \$55,000 + 1% of portion between \$55,000 and \$250,000 + 1.5% of portion > \$250,000 Single-family homes (For land with 1 or 2 single-family homes) As above + 0.5% of portion > \$400,000	Value of consideration	
Prince Edward Island	General (applies after May 15, 2005) 1% of value Non-residents & corporations (Applies depending on land size and corporate ownership) As above + 1% of value (\$500 minimum)	Greater of assessed value and consideration for the transfer	Registration fee
Québec	0.5% of portion ≤ \$50,000 + 1% of portion between \$50,000 and \$250,000 + 1.5% of portion > \$250,000	Greatest of: consideration furnished; consideration stipulated; and fair market value of property	Land transfer tax
Saskatchewan	0.3% (\$25 minimum)	Value of land	Registration fee
Yukon	0.15% of portion between \$5,000 and \$10,000 + 0.075% of portion between \$10,000 and \$25,000 + 0.025% of portion > \$25,000	Value of property	

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

Filing Deadlines

Deadlines falling on holidays or weekends may be extended to the next business day.

In addition to income tax returns, individuals, trusts, corporations and partnerships may be subject to other filing requirements. Several are noted below. See page 12 for individual and trust income tax filing and payment deadlines and pages 30 and 31 for corporate and capital tax filing and payment deadlines.

		Jurisdiction or form	Filing deadline		Details and exceptions
Income reporting	Trusts	Federal, Québec (T3 slip/ relevé 16)	90 days after trust year end	If filer's business activity is discontinued, deadline is 30 days after discontinuance.	N/A
	Other	Federal, Québec (T4/relevé 1, T5/relevé 3, etc.)	Last day of February		March 31 deadline for partnership information returns applies to partnerships with only individual members. Otherwise: • for partnerships with only corporate members: five months after end of fiscal period; • for partnerships with both individual and corporate members: earlier of last day of March and five months after end of fiscal period; • in all cases: if partnership discontinues, earlier of normal filing deadline and 90 days after discontinuance.
Information returns	Tax shelter	Federal, Québec	Last day of March		
	Partnership				
	Transactions with non-residents	Federal: NR4	Individuals: April 30 Corporations: 6 months after year end Trusts: 90 days after year end Partnerships: (T106, T1135 and T1142 only): Same as for partnership information return	For trusts, form NR4 is due 90 days after the trust's year end.	
	Foreign property/trust	Federal: T106 (transactions with related parties)			
		Federal: T1135 T1141 T1142			
	Federal: T1134-A T1134-B	Individuals, corporations, trusts and partnerships:15 months after year end	N/A		
Notice of objection		Federal, all provinces	90 days after mailing date of assessment or reassessment		Filing deadline is 180 days after mailing date of assessment or reassessment for Ontario corporate tax. In all jurisdictions, for an individual or a testamentary trust: the later of one year after the filing due date and 90 days after mailing date of the assessment or reassessment.

Prescribed Interest Rates for 2004 and 2005 – Income, Capital and Payroll Taxes

In most jurisdictions, interest is charged on underpayments of income, capital and payroll taxes at a fixed percentage above the interest governments pay on overpayments.

Rates left blank were not available when *Tax Facts and Figures* was published.

Compounding schedule	Federal prescribed rates also apply to provincial/territorial personal and corporate income tax collected by the CRA.	2004				2005					
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
		Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.		
Daily	Federal: Income tax, Large Corporations Tax, financial institutions capital tax, source deductions, CPP and EI	Underpayments	7%	6%	7%						
		Overpayments	5%	4%	5%						
		Taxable benefits	3%	2%	3%						
	Alberta: Corporate income tax and capital tax	Underpayments	6.5%	5.5%	6.5%						
Overpayments		3%	2%	3%							
Monthly	British Columbia: Capital tax	Underpayments	7.5%	7%	6.75%	7%	7.25%				
		Overpayments	2.5%	2%	1.75%	2%	2.25%				
	Manitoba: Capital tax and Health and Post-Secondary Education Tax	Underpayments	8.5%		7.75%		8.25%				
		Some overpayments									
	New Brunswick: Financial institutions capital tax	Underpayments	13.5% (1.06% per month)								
		Overpayments	New Brunswick does not pay interest on overpayments								
	Newfoundland and Labrador: Financial institutions capital tax and Health and Post-Secondary Education Tax	Underpayments	15.39% (1.2% per month)								
		Overpayments	8.73% (0.7% per month)								
Daily	Nova Scotia: Financial institutions capital tax	Underpayments	7%	6%	7%						
		Overpayments	5%	4%	5%						
	Ontario: Corporate income and capital tax and Employer Health Tax	Underpayments	8%	7%							
		Overpayments	3%	2%							
		Refunds resulting from objection or appeal	5%	4%							
Monthly	Prince Edward Island: Financial institutions capital tax	Underpayments	19.56% (1.5% per month)								
		Overpayments									
Daily	Québec: Corporate and personal income tax, capital tax and Health Services Fund contributions	Underpayments	7%								
		Overpayments	2%	1.25%	1.5%	1.65%					
		Taxable benefits	3%	2%	3%						
Not compounded	Saskatchewan: Capital tax	Underpayments	7.5%	6.75%	7.25%						
		Overpayments	4.5%	3.75%	4.25%						

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

Government Web Sites

The following table provides a summary of the main and tax-related Web sites for the federal, provincial and territorial governments. As well, a wealth of tax-related information from governments and other sources is available electronically from PricewaterhouseCoopers on **Tax News Network Canada** – a virtual tax community that provides subscribers with Canadian and international information, insight and analysis to support well-informed tax and business decisions. Visit www.ca.taxnews.com to register or to take advantage of a 30-day free trial offer.

	General	Tax-Related	
Federal	canada.gc.ca	Canada Revenue Agency	www.cra-arc.gc.ca
		Canada Border Services Agency	www.cbsa-asfc.gc.ca
		Department of Finance	www.fin.gc.ca
		Human Resources & Skills Development Canada	www.hrsdc.gc.ca
		Industry Canada	www.ic.gc.ca
		Social Development Canada	www.sdc.gc.ca
Alberta	www.gov.ab.ca	Alberta Finance	www.finance.gov.ab.ca
British Columbia	www.gov.bc.ca	Ministry of Provincial Revenue	www.rev.gov.bc.ca
Manitoba	www.gov.mb.ca	Manitoba Finance Taxation Division	www.gov.mb.ca/finance/taxation
New Brunswick	www.gnb.ca	Department of Finance	www.gnb.ca/0024/tax/index.asp
Newfoundland and Labrador	www.gov.nf.ca	Finance	www.fin.gov.nl.ca/fin
Northwest Territories	www.gov.nt.ca	GNWT Department of Finance	www.fin.gov.nt.ca
Nova Scotia	www.gov.ns.ca	Department of Finance	www.gov.ns.ca/finance
Nunavut	www.gov.nu.ca	Department of Finance	www.gov.nu.ca/finance
Ontario	www.gov.on.ca	Ministry of Finance Tax Revenue Division	www.trd.fin.gov.on.ca
Prince Edward Island	www.gov.pe.ca	Provincial Treasury	www.gov.pe.ca/pt
Québec	www.gouv.qc.ca	Revenu Québec	www.revenu.gouv.qc.ca
Saskatchewan	www.gov.sk.ca	Saskatchewan Finance	www.gov.sk.ca/finance/taxation
Yukon	www.gov.yk.ca	Department of Finance	www.finance.gov.yk.ca

International

This section provides information on U.S. income tax rates and withholding rates in Canada's international tax treaties.

Combined Marginal U.S. Federal and State Individual Income Tax Rates (2005)

Combined state and federal rates (%) to the right generally apply to employment income, interest and non-qualified dividends, among other things. These rates are shown for the federal brackets, set out below. State rates can be calculated by subtracting the applicable federal marginal tax rate (i.e., 28%, 33% or 35%); see below.

The tables do not take into account:

- deductibility of state taxes for federal tax purposes, which will reduce the tax rates shown;
- full or partial deductibility of federal taxes for state tax purposes, which may reduce the tax rates shown for Alabama, Iowa, Louisiana, Missouri, Montana, North Dakota, Oklahoma, Oregon and Utah;
- other taxes that may apply (e.g., alternative minimum taxes);
- special rates that may apply to certain types of income (e.g., long-term capital gains, qualified dividends) or in certain circumstances (e.g., to non-residents of a state who have income from that state);
- city or county income taxes; and
- marginal rates that apply under the status "married filing separately" or "head of household."

Top three federal taxable income ranges (\$US)

	Third	Second	Top
Single	\$71,950 to \$150,150	\$150,150 to \$326,450	Above \$326,450
Married filing jointly	\$119,950 to \$182,800	\$182,800 to \$326,450	
Federal marginal rate	28%	33%	35%

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

In Oklahoma, the rates are 38%, 43% and 45%, respectively, for taxpayers using the optional method.

	Third	Second	Top
Alabama	33	38	40
Alaska	28	33	35
Arizona	32.72 or 33.04*	37.72 or 38.04*	40.04
Arkansas	35	40	42
California	37.3	42.3	44.3
Colorado	32.63	37.63	39.63
Connecticut	33	38	40
Delaware	33.95	38.95	40.95
Florida	28	33	35
Georgia	34	39	41
Hawaii	36.25	41.25	43.25
Idaho	35.8	40.8	42.8
Illinois	31	36	38
Indiana	31.4	36.4	38.4
Iowa	36.98	41.98	43.98
Kansas	34.45	39.45	41.45
Kentucky	34	39	41
Louisiana	34	39	41
Maine	36.5	41.5	43.5
Maryland	32.75	37.75	39.75
Massachusetts	33.3	38.3	40.3
Michigan	31.9	36.9	38.9
Minnesota	35.85	40.85	42.85
Mississippi	33	38	40
Missouri	34	39	41
Montana	34.9	39.9	41.9
Nebraska	34.84	39.84	41.84
Nevada	28	33	35
New Hampshire	28	33	35
New Jersey	33.53 or 34.37*	39.37	41.37 or 43.97*
New Mexico	34	39	41
New York	34.85 or 35.25*	40.25	42.25 or 42.7*
North Carolina	35.75 or 36.25*	40.75 or 41.25*	43.25
North Dakota	32.34	38.04	40.54
Ohio	33.2, 33.94 or 34.9*	39.9 or 40.5*	42.5

	Third	Second	Top
Oklahoma	34.65	39.65	41.65
Oregon	37	42	44
Pennsylvania	31.07	36.07	38.07
Rhode Island	35.75 or 37*	42 or 42.9*	44.9
South Carolina	35	40	42
South Dakota	28	33	35
Tennessee	28	33	35
Texas	28	33	35
Utah	35	40	42
Vermont	36.5 or 37*	42 or 42.5*	44.5
Virginia	33.75	38.75	40.75
Washington	28	33	35
Washington D.C.	36.7	41.7	43.7
West Virginia	34.5	39.5	41.5
Wisconsin	34.5 or 34.75*	39.75	41.75
Wyoming	28	33	35

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

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

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

In North Dakota, the rates are 40%, 45% and 47%, respectively, for taxpayers using the optional method.

* Multiple combined rates are shown when one or more state threshold falls within a federal bracket.

U.S. Unified Transfer Tax Rates

The U.S. unified transfer tax system may result in a U.S. tax liability for U.S. citizens and Canadian residents, as follows:

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

	Circumstances	Type of unified transfer tax	Estate tax imposed on
U.S. citizens (residing in Canada or elsewhere)	Transfers: • on death; or • of property during lifetime.	Estate tax Gift tax or generation-skipping tax	Fair market value (FMV) of taxpayer's worldwide assets at death.
Canadian residents (who are not U.S. citizens)	Individual: • dies owning U.S. situs assets (e.g., shares of U.S. corporations, U.S. real estate, U.S. business assets); or • transfers real or tangible U.S. situs assets during lifetime.		Taxpayer's U.S. situs assets at death. (If FMV of worldwide assets < US\$1.2 million, estate tax is imposed only on U.S. real estate and U.S. business assets.)

Generation-Skipping Transfer (GST) Tax

A transfer that is:

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

is a generation-skipping transfer and is subject to the U.S. GST tax.

Therefore, GST tax may apply in addition to estate or gift tax. It is computed at the same rates as estate tax. Every donor is allowed a lifetime GST exemption, which is indexed annually for inflation. For 2005, the GST exemption is US\$1,500,000.

The estate tax will be repealed entirely in 2010. Without further legislative action it will be re-established in 2011, using the 2001 rate regime. Unlike the estate tax, the gift tax will continue in 2010, with the top gift tax rate being 35%, applicable to transfers over US\$1,000,000. However, starting in 2011, it again follows estate tax rates.

Estate Taxes

The rates in the table on the right apply from the thresholds shown to the next threshold (or to the entire taxable amount above the threshold if there is no higher threshold).

Gift Taxes

Gift taxes are computed by applying the rates in the table on the right to cumulative taxable lifetime transfers and subtracting the gift taxes previously payable. In general, the fair market value of the transferred property is the starting point for the gift tax calculation.

Canadian residents (who are not U.S. citizens) can reduce their estate tax liability by claiming a unified credit equal to the greater of:

- US\$13,000; and
- the amount of the unified credit (i.e., US\$555,800 in 2005) given to a U.S. citizen, pro-rated by the value of the individual's U.S. assets divided by his or her worldwide assets.

The gift tax unified credit is a lifetime exclusion. An annual exclusion of US\$11,000 per donee also applies.

		2004	2005	2006	2007 - 8	2009	2010	2011
Threshold	\$0	18%					Estate tax repealed	18%
	\$10,000	20%						20%
	\$20,000	22%						22%
	\$40,000	24%						24%
	\$60,000	26%						26%
	\$80,000	28%						28%
	\$100,000	30%						30%
	\$150,000	32%						32%
	\$250,000	34%						34%
	\$500,000	37%						37%
	\$750,000	39%						39%
	\$1,000,000	41%						41%
	\$1,250,000	43%						43%
	\$1,500,000	45%						45%
\$2,000,000						49%		
\$2,500,000	48%	47%	46%	45%		53%		
\$3,000,000						55%		
Estate tax (US\$)	Exemption	\$1,500,000		\$2,000,000		\$3,500,000		\$1,000,000
	Unified credit	\$555,800		\$780,800		\$1,455,800		\$345,800
Gift tax (US\$)	Exemption	\$1,000,000						
	Unified credit	\$345,800						

The unified credit is equal to the value of the exemption.

U.S. Corporate Income Tax Rates – Federal and State (2005)

Rates apply from the thresholds shown to the next threshold (or to all higher income if there is no higher threshold). The threshold is taxable income for federal purposes, and taxable or net income, depending on the state. Rates for banks are shown when they differ from regular rates.

The tables do not take into account:

- lower rates (federally and in some states) that apply only to income below \$100,000;
- other taxes that may be imposed on banks (e.g., based on the value of deposits or shares) or on all corporations (e.g., minimum taxes, franchise taxes, capital taxes);
- special rates that may apply to certain types of corporations (e.g., S-Corporations, insurance corporations) or on certain types of income (e.g., capital gains, income from domestic production activities, see below);
- city or county income taxes;
- the deductibility of state taxes for federal tax purposes; and
- the deductibility of federal taxes for state tax purposes in Alabama, Iowa (not deductible by banks), Louisiana, Missouri and North Dakota (deductible by banks only).

Federal rates and brackets (\$US)

	Threshold	Rate (%)
General	\$100,000	39
	\$335,000	34
	\$10,000,000	35
	\$15,000,000	38
	\$18,333,333	35
Personal service		35
Personal holding	\$0	15
Accumulated earnings	Personal service	\$150,000
	Other	\$250,000
		15

Additional tax applies to undistributed income.

May apply in addition to regular tax.

A deduction for domestic production activities reduces the effective tax rate on such income in stages from 35% to 31.85% by 2009. The effective 2005 rate is 33.95%.

State rates and brackets (\$US)

	Threshold	Rate (%)
Alabama	\$0	6.5
Alaska	\$90,000	9.4
Arizona	\$0	6.968
Arkansas	\$100,000	6.5
California	Banks	\$0
	Other	\$0
Colorado	\$0	4.63
Connecticut	\$0	7.5
	\$0	8.7
Delaware	Banks	\$20,000,000
		\$25,000,000
		\$30,000,000
		\$650,000,000
	Other	\$0
Florida	\$0	5.5
Georgia	\$0	6.0
Hawaii	Banks	\$0
	Other	\$100,000
Idaho	\$0	7.6
Illinois	Personal property	\$0
	General	\$0
Indiana	\$0	8.5
Iowa	Banks	\$0
	Other	\$100,000
		\$250,000
Kansas	Banks	\$25,000
	Other	\$50,000
		No income tax
Kentucky	Banks	\$100,000
	Other	\$250,000
		No income tax
Louisiana	Banks	\$100,000
	Other	\$200,000
		\$0
Maine	Banks	\$0
	Other	\$75,000
Maryland	\$0	8.33
Maryland	Banks	\$0
	Other	\$250,000
Massachusetts	\$0	8.93
Massachusetts	Banks	\$0
	Other	\$0
Michigan	Income tax	No income tax
	Single Business Tax	\$0 (exemptions available)
Minnesota	\$0	1.9
Mississippi	Banks	\$0
	Other	\$10,000

	Threshold	Rate (%)
Missouri	Banks	\$0
	Other	\$0
Montana	\$0	7
Montana	\$0	6.25
Montana	\$0	6.75
Nebraska	Banks	No income tax
	Other	\$50,000
Nevada	\$0	7.81
Nevada	No income tax	
New Hampshire	\$0	No income tax
New Jersey	Banks	\$0
	Other	\$0
		\$0
New Mexico	\$500,000	8.5
New Mexico	Other	\$1,000,000
		\$0
New York	\$0	7.6
North Carolina	\$0	7.5
North Carolina	Banks	\$0
	Other	\$0
North Dakota	\$30,000	6.9
North Dakota	Banks	\$0
	Other	\$30,000
Ohio	Banks	No income tax
	Other	\$50,000
Oklahoma	\$0	8.5
Oregon	\$0	6
Oregon	\$0	6
Pennsylvania	Banks	No income tax
	Other	\$0
Rhode Island	\$0	9.99
Rhode Island	Banks	\$0
	Other	\$0
South Carolina	Banks	\$0
	Other	\$0
South Dakota	Banks	\$0
		\$400,000,000
		\$425,000,000
		\$450,000,000
		\$475,000,000
		\$500,000,000
		\$600,000,000
		\$1,200,000,000
South Dakota	Other	No income tax
	Other	\$0
Tennessee	\$0	6.5
Texas	No income tax	
Utah	\$0	5
Vermont	Banks subject to franchise tax	\$25,000
		\$250,000
Virginia	Other	No income tax
Washington	\$0	6
Washington D.C.	No income tax	
West Virginia	\$0	9.975
Wisconsin	\$0	9
Wyoming	\$0	7.9
Wyoming	No income tax	

U.S. Federal and State Government Web Sites

The following table provides a summary of the general and tax-related sites for the U.S. federal and state governments.

	General	Tax-Related		General	Tax-Related
Federal	www.firstgov.gov	www.irs.gov	Montana	www.state.mt.us	www.state.mt.us/revenue
Alabama	www.alabama.gov	www.ador.state.al.us	Nebraska	www.nebraska.gov	www.revenue.state.ne.us
Alaska	www.state.ak.us	www.revenue.state.ak.us	Nevada	www.nv.gov	tax.state.nv.us
Arizona	az.gov/webapp/portal	www.revenue.state.az.us	New Hampshire	www.state.nh.us	www.nh.gov/revenue
Arkansas	www.arkansas.gov	www.arkansas.gov/dfa	New Jersey	www.state.nj.us	www.state.nj.us/treasury/taxation
California	www.state.ca.us	www.ftb.ca.gov	New Mexico	www.state.nm.us	www.state.nm.us/tax
Colorado	www.colorado.gov	www.revenue.state.co.us/main/home.asp	New York	www.state.ny.us	www.tax.state.ny.us
Connecticut	www.ct.gov	www.ct.gov/drs	North Carolina	www.ncgov.com	www.dor.state.nc.us
Delaware	delaware.gov	www.state.de.us/revenue/default.shtml	North Dakota	discovernd.com	www.state.nd.us/taxdpt
Florida	www.myflorida.com	www.state.fl.us/dor/taxes	Ohio	ohio.gov/index.stm	tax.ohio.gov
Georgia	www.georgia.gov	www.gatax.org	Oklahoma	www.ok.gov	www.oktax.state.ok.us/oktax
Hawaii	www.hawaii.gov	www.state.hi.us/tax/tax.html	Oregon	www.oregon.gov	egov.oregon.gov/DOR
Idaho	www.state.id.us	tax.idaho.gov	Pennsylvania	www.state.pa.us	www.revenue.state.pa.us
Illinois	www.illinois.gov	www.revenue.state.il.us	Rhode Island	www.ri.gov	www.tax.state.ri.us
Indiana	www.state.in.us	www.in.gov/dor	South Carolina	www.myscgov.com	www.sctax.org/default.htm
Iowa	www.iowa.gov	www.state.ia.us/tax/html	South Dakota	www.state.sd.us	www.state.sd.us/drr/revenue.html
Kansas	www.accesskansas.org	www.ksrevenue.org/index.htm	Tennessee	www.state.tn.us	www.state.tn.us/revenue
Kentucky	kentucky.gov	revenue.ky.gov	Texas	www.state.tx.us	www.cpa.state.tx.us/m23taxes.html
Louisiana	www.louisiana.gov	www.rev.state.la.us	Utah	www.utah.gov	tax.utah.gov
Maine	www.state.me.us	www.state.me.us/revenue	Vermont	vermont.gov	www.state.vt.us/tax
Maryland	www.maryland.gov	www.comp.state.md.us	Virginia	www.virginia.gov	www.tax.virginia.gov
Massachusetts	www.mass.gov	www.dor.state.ma.us	Washington	access.wa.gov	dor.wa.gov
Michigan	www.michigan.gov	www.michigan.gov/treasury	Washington D.C.	www.dc.gov	cfo.dc.gov/otr/site/default.asp
Minnesota	www.state.mn.us	www.taxes.state.mn.us	West Virginia	www.wv.gov	www.state.wv.us/taxdiv
Mississippi	www.state.ms.us	www.mstc.state.ms.us	Wisconsin	www.wisconsin.gov	www.dor.state.wi.us
Missouri	www.state.mo.us	dor.state.mo.us	Wyoming	wyoming.gov	revenue.state.wy.us

Canada's Treaty Withholding Tax Rates

This table summarizes withholding tax rates (%) under treaties that are in force, are signed but not in force, or are under negotiation. (Special rules may reduce the rates shown.) Rates in square brackets after an arrow are set out in a protocol, replacement treaty or new treaty that is signed, but not in force. To the left of the bracket are the rates that are being replaced, i.e., the rate or rates in the existing treaty or protocol or, if no treaty is in force, the 25% rate imposed by Canada. Except for Ireland, if two or more dividend rates are provided, the lower (lowest) rate applies if the recipient is a company that own/controls a specified interest of the payor.

A nil royalty rate generally applies to:

- copyright royalties and payments for a literary, dramatic, musical or other artistic work (but not royalties for motion picture films or works on film or videotape or other means of reproduction for use in television); and/or
- royalties for computer software, a patent or for information concerning industrial, commercial or scientific experience (but not royalties for a rental or franchise agreement).

	Dividends	Interest	Royalties		Dividends	Interest	Royalties		Dividends	Interest	Royalties
Algeria	15	15	0 or 15	Iceland	5 or 15	10	0 or 10	Peru*	10 or 15	15	15
Argentina	10 or 15	12.5	3, 5, 10 or 15	India	15 or 25	15	10, 15 or 20	Philippines	15**	15	10**
Armenia	25→[5 or 15]	25→[10]	25→[10]	Indonesia	10 or 15	10	10	Poland	15	15	0 or 10
Australia	5 or 15	10	10	Ireland***	5 or 15	10	0 or 10	Portugal	10 or 15	10	10
Austria	5 or 15	10	0 or 10	Israel	15	15	0 or 15	Romania	5 or 15	10	5 or 10
Azerbaijan	25→[10 or 15]	25→[10]	25→[5 or 10]	Italy	15→[5 or 15]	15→[10]	0 or 10→ [0, 5 or 10]	Russia	10 or 15	10	0 or 10
Bangladesh	15	15	10	Ivory Coast	15**	15	10	Saint Lucia	N	25% imposed by Canada	
Barbados	N	15	0 or 10	Jamaica	15**	15	10	Senegal**	15	15	15
Belgium	5 or 15	10	0 or 10	Japan	5 or 15	10	10	Serbia and Montenegro	N	25% imposed by Canada	
Bolivia	N	25% imposed by Canada		Jordan	10 or 15	10	10	Singapore	N	15	15
Brazil	15 or 25	15	15 or 25	Kazakhstan	5 or 15	10	10*	Slovak Republic	5 or 15	10	0 or 10
Bulgaria	10 or 15*	10	0 or 10*	Kenya	15 or 25*	15	15	Slovenia	5 or 15	10	10
Cameroon**	15	15	15	Korea, Rep. of	N	15	15	South Africa	5 or 15	10	6 or 10
Chile*	10 or 15	15	15	Kuwait	5 or 15	10	10	Spain	15	15	0 or 10
China P.R. (not Hong Kong)	N	10 or 15	10	Kyrgyzstan	15*	15*	0 or 10	Sri Lanka	15	15	0 or 10
Colombia, Rep. of	N	25% imposed by Canada		Latvia	5 or 15	10	10*	Sweden	5 or 15	10	0 or 10
Costa Rica	N	25% imposed by Canada		Lebanon	25→[5 or 15]	25→[10]	25→[5 or 10]	Switzerland	5 or 15	10	0 or 10
Croatia	5 or 15	10	10	Lithuania	5 or 15	10	10*	Tanzania	20 or 25	15	20
Cuba	N	25% imposed by Canada		Luxembourg	5 or 15**	10	0 or 10	Thailand	15**	15**	5 or 15
Cyprus	15	15	0 or 10	Malaysia	15**	15	15	Trinidad and Tobago	5 or 15	10	0 or 10
Czech Rep.	5 or 15	10	10	Malta	15**	15	0 or 10	Tunisia	15	15	0, 15 or 20
Denmark	5 or 15	10	0 or 10	Mauritius	N	25% imposed by Canada		Turkey	N	25% imposed by Canada	
Dominican Rep.	18**	18	0 or 18	Mexico	N	10 or 15	15*	Ukraine	5 or 15	10	0 or 10
Ecuador	5 or 15	15	10 or 15*	Moldova	5 or 15	10	10	United Arab Emirates	5 or 15	10	0 or 10
Egypt	N	15**	15	Mongolia	5 or 15	10	5 or 10	United Kingdom	5 or 15	10	0 or 10
Estonia	5 or 15	10	10*	Morocco	15	15	5 or 10	United States	N	5 or 15	10
Finland	N	10 or 15	0 or 10	Netherlands	5 or 15	10	0 or 10	Uzbekistan	5 or 15	10	5 or 10
France	5 or 15	10	0 or 10	New Zealand	15	15	15	Venezuela	10 or 15*	10	5 or 10
Gabon	25→[15]	25→[10]	25→[10]	Nigeria	12.5 or 15	12.5	12.5	Vietnam	5, 10 or 15	10	7.5 or 10
Germany	5 or 15	10	0 or 10	Norway	5 or 15	10	0 or 10	Zambia	15	15	15
Greece	N	25% imposed by Canada		Oman	25→[5 or 15]	25→[10]*	25→[0 or 10]	Zimbabwe	10 or 15**	15	10
Guyana	15	15**	10	Pakistan**	15	15	0 or 15				
Hungary	5 or 15	10	0 or 10	Papua New Guinea	15**	10	10				

N Negotiations or renegotiation of tax treaty or protocol underway.

* If the other state (Canada for treaty with Omar) concludes a treaty with another country providing for a lower (higher for Kenya) rate, the lower (higher for Kenya) rate will apply, with limits in some cases.

** The rate(s) apply to payments arising in Canada. Other rules may apply to payments arising in the other state.

*** The rates for Ireland apply starting in 2006. Until then, the rate is nil or 15% on dividends and royalties, and 15% on interest.

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, advisory and tax services for public, private and government clients in all markets. More than 120,000 people in 139 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders. In Canada, PricewaterhouseCoopers LLP (www.pwc.com/ca) and its related entities have more than 4,200 partners and staff, and offices in 25 locations.

© 2005 PricewaterhouseCoopers LLP, Canada. “PricewaterhouseCoopers” refers to PricewaterhouseCoopers LLP, Canada, an Ontario limited liability partnership, or, as the context requires, the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

www.pwc.com/ca