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Tax Facts and Figures

for Individuals and Corporations

Canada 2006

Key 2006 Income and Capital Tax Rates – Individuals and Corporations

Individuals (page 3)

Applies to taxable income above $118,285.

For eligible dividends, the federal rate is 14.55% and the combined federal/Quebec rate is 29.69% (see pages 14 and 21). No other jurisdictions have announced their rates.

	Top combined marginal rates: Ordinary income and interest	Capital gains	Canadian dividends (non-eligible)
Federal	29.00%	14.50%	19.58%
Alberta	39.00%	19.50%	24.08%
British Columbia	43.70%	21.85%	31.58%
Manitoba	46.40%	23.20%	35.08%
New Brunswick	46.84%	23.42%	37.26%
Newfoundland and Labrador	48.64%	24.32%	37.32%
Northwest Territories	43.05%	21.53%	29.65%
Nova Scotia	48.25%	24.13%	33.06%
Nunavut	40.50%	20.25%	28.96%
Ontario	46.41%	23.20%	31.34%
Prince Edward Island	47.37%	23.69%	31.96%
Québec	48.22%	24.11%	36.35%
Saskatchewan	44.00%	22.00%	28.33%
Yukon	42.40%	21.20%	28.63%

Corporations (pages 24 and 25)

For December 31 year end (12-month taxation year).

		General and M&P		**Canadian-Controlled Private Corporations (CCPCs)**: Active business income to $300,000		Investment income	
		Rate	Combined with federal	Rate	Combined with federal	Rate	Combined with federal
Federal		22.12%		13.12%		35.79%	
Alberta		10.37%	32.49%	3%	16.12%	10.37%	46.16%
British Columbia		12%	34.12%	4.5%	17.62%	12%	47.79%
Manitoba		14.5%	36.62%	4.5%	17.62%	14.5%	50.29%
New Brunswick		13%	35.12%	1.75%	14.87%	13%	48.79%
Newfoundland and Labrador	General	14%	36.12%	5%	18.12%	14%	49.79%
	M&P	5%	27.12%				
Northwest Territories		12.74%	34.86%	4%	17.12%	12.74%	48.53%
Nova Scotia		16%	38.12%	5%	18.12%	16%	51.79%
Nunavut		12%	34.12%	4%	17.12%	12%	47.79%
Ontario	General	14%	36.12%	5.5%	18.62%	14%	49.79%
	M&P	12%	34.12%				
Prince Edward Island	General	16%	38.12%	5.67%	18.79%	16%	51.79%
Québec	Active/eligible	9.9%	32.02%	8.11%	21.23%	16.25%	52.04%
	Other	16.25%	38.37%				
Saskatchewan	General	15.49%	37.61%	5%	18.12%	15.49%	51.27% (See page 42)
	M&P	10%	32.12%				
Yukon	General	15%	37.12%	4%	17.12%	15%	50.79%
	M&P	2.5%	24.62%	2.5%	15.62%	N/A	

Capital Tax on Corporations (page 28)

Financial institutions have different rates. See page 29.

	Rate	**Exemption**
Federal	No capital tax	
Alberta	No capital tax	
British Columbia	No capital tax	
Manitoba	0.3% and 0.5%	$5 million
New Brunswick	0.25%	$5 million
Newfoundland and Labrador	No capital tax	
Northwest Territories	No capital tax	
Nova Scotia	0.26% or 0.52%	$5 million or nil
Nunavut	No capital tax	
Ontario	0.3%	$10 million
Prince Edward Island	No capital tax	
Québec	0.525%	Up to $1 million
Saskatchewan	0.449%	Up to $20 million
Yukon	No capital tax	

Cette brochure est également disponible en français.

Additional copies of *Tax Facts and Figures* may be obtained for $35 from any PricewaterhouseCoopers office listed on our Web site: www.pwc.com/ca.

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Tax Facts and Figures

for Individuals and Corporations

Canada 2006

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Tax Facts and Figures is divided into the following sections:

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Highlights for Individuals and Corporations—2006 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 2006 federal budget measures have yet to be enacted.

Personal income tax rates: lowest rate increasing from 15% to 15.25% for 2006 and to 15.5% for 2007; personal and spousal amounts revised for 2006 to 2009 (p. 14)

Dividends: personal tax on "eligible dividends" paid after 2005 to decrease (p. 14)

Corporate income tax rates: decreasing in stages—general, M&P and resource rates from 22.12% to 19% by January 1, 2010; small business rate from 13.12% to 11% by January 1, 2009 (p. 32)

Small business threshold:* increasing from $300,000 to $400,000 on January 1, 2007 (p. 25)

Large Corporations Tax (LCT): eliminated, retroactive to January 1, 2006 (p. 26)

Financial Institutions capital tax: on July 1, 2006, exemption increasing from $200 million to $1 billion, and a single 1.25% rate will apply (p. 26)

Donations of publicly listed securities: commencing May 2, 2006, capital gains inclusion rate and inclusion rate for securities acquired through employee stock options reduced from 25% to nil (p. 14)

Carryforward of certain losses and investment tax credits: extended from 10 to 20 years after 2005 (p. 32)

Functional currency tax reporting: foreign corporations could be allowed to determine income for Canadian tax purposes in a foreign functional currency (p. 33)

Goods and services tax: rate decreasing from 7% to 6% on July 1, 2006 (pp. 15, 32)

Alberta

Personal income tax rates: rate unchanged; for 2006, basic personal amount increasing by $100 above indexed level (p. 17)

Dividends: awaiting further details before deciding whether to mirror federal proposals (p. 17)

Corporate income tax rates: general and M&P rate decreased from 11.5% to 10% on April 1, 2006; long-term goal is to reduce the rate to 8% (p. 35)

British Columbia

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

Dividends: will mirror federal proposals if federal change is enacted (p. 17)

International Financial Activity Act: enhanced (p. 35)

Manitoba

Personal income tax rates: middle rate decreasing from 14% to 13.5% for 2006 and to 13% for 2007; basic personal amount increasing for 2006 and 2007 (p. 18)

Dividends: will mirror federal proposals if federal change is enacted (p. 18)

Corporate income tax rates: decreasing in stages—general and M&P rate from 14.5% to 14% on January 1, 2007 and, subject to balanced budget requirements, to 13% on July 1, 2008; small business rate from 4.5% to 3% on January 1, 2007 (p. 36)

Capital tax: deduction increasing from $5 million to $10 million after January 1, 2007; general rates decreasing, subject to balanced budget requirements, from 0.3% to 0.2% and from 0.5% to 0.4% after July 1, 2008 (p. 36)

New Brunswick

Personal income tax rates: unchanged (p. 18)

Corporate income tax rates: decreasing—general and M&P rate from 13% to 12% on January 1, 2007; small business rate in stages from 2% to 1% by July 1, 2007 (p. 37)

Small business threshold: increasing in stages from $450,000 to $500,000 by July 1, 2007 (p. 37)

General capital tax: phased out from January 1, 2006 to January 1, 2009 (p. 37)

Newfoundland and Labrador*

Personal and corporate income tax rates: unchanged (pp. 19, 37)

Dividends: awaiting further details before deciding whether to mirror federal proposals (p. 19)

* Federal small business threshold change also applies to Newfoundland and Labrador, Northwest Territories, Nunavut and Prince Edward Island.

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Northwest Territories*

Personal income tax rates: unchanged (p. 19)

Corporate income tax rates: general and M&P rate decreasing from 14% to 11.5% on July 1, 2006; small business rate unchanged (p. 38)

Nova Scotia

Tax Facts and Figures was completed before the June 13, 2006 Nova Scotia election, the results of which could affect provincial changes that have not been enacted.

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

Personal tax credits: will increase by 13.8% over 2006 levels from 2007 to 2010 and will be indexed for inflation after 2010 (p. 19)

Dividends: will not harmonize with federal proposals (p. 19)

Small business threshold: increased from $350,000 to $400,000 on April 1, 2006 (p. 38)

General capital tax: phased out by July 1, 2012 (p. 38)

Financial institution capital tax: exemption for certain trust and loan corporations increased from $10 million to $30 million, retroactive to January 1, 2001 (p. 38)

Nunavut*

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

Ontario

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

Dividends: awaiting further details before deciding whether to mirror federal proposals (p. 20)

Capital tax: phased out by January 1, 2012 (to be accelerated to 2010, subject to affordability); deduction increasing in stages from $10 million to $15 million by January 1, 2008 (pp. 39, 40)

Prince Edward Island*

Personal income tax rates: unchanged (p. 21)

Dividends: will adjust dividend tax credit to preserve "integration" (p. 21)

Corporate income tax rates: general rate unchanged; small business rate decreasing in stages from 6.5% to 1% by April 1, 2010 (p. 40)

Quebec

Personal income tax rates: unchanged (p. 21)

Dividends: personal tax on eligible and non-eligible dividends paid after March 23, 2006 revised (p. 21)

Corporate income tax rates: active income rate increasing in stages from 9.9% to 11.9% by January 1, 2009; small business rate decreased from 8.5% to 8% on March 24, 2006 (p. 41)

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

Capital tax: decreasing in stages—general rate from 0.525% to 0.29% by January 1, 2009; financial institutions rate from 1.05% to 0.58% by January 1, 2009 (p. 41)

Saskatchewan

Personal income tax rates: unchanged (p. 22)

Dividends: awaiting further details before deciding whether to mirror federal proposals (p. 22)

Corporate income tax rates: general rate decreasing in stages from 17% to 12% by July 1, 2008; M&P and small business rates unchanged (p. 42)

Small business threshold: increasing in stages from $300,000 to $500,000 by July 1, 2008 (p. 42)

General capital tax: eliminated for new capital acquired after June 30, 2006; phased out for other capital by July 1, 2008; resource surcharge decreasing from July 1, 2006 to July 1, 2008 (pp. 42, 43)

Financial institutions capital tax: threshold increased from $400,000 to $1 billion, retroactive to taxation years ending after October 30, 2003 (p. 43)

Yukon

Personal and corporate income tax rates: unchanged (pp. 22, 43)

Small business threshold: increasing to $400,000 on January 1, 2007 (p. 43)

* Federal small business threshold change also applies to Newfoundland and Labrador, Northwest Territories, Nunavut and Prince Edward Island.

A Message from Our CEO

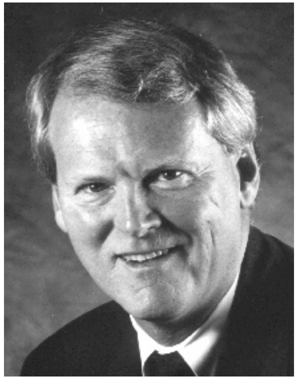
PricewaterhouseCoopers is pleased to present the 29th edition of *Tax Facts and Figures*, a valuable compilation of tax-related information that covers the complexity of our tax system in a user-friendly format.

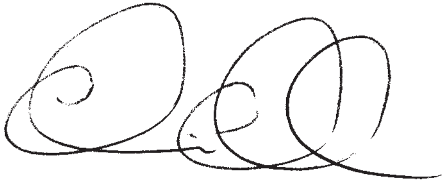
Taxpayers in Canada are welcoming many of the far-reaching tax changes that have recently been announced. Corporate income taxes are on the decline, capital taxes are being slashed or eliminated, and the goods and services tax rate is falling. Taxable Canadian corporations are especially pleased with the decrease in federal personal tax payable on most dividends.

This edition of *Tax Facts and Figures* outlines the changes to Canadian tax rules as of May 31, 2006, and will help you identify the rates and amendments that apply to you or your company. For guidance regarding a personal or corporate tax issue, please contact your PricewaterhouseCoopers adviser.

Tax Facts and Figures accounts for all federal, provincial and territorial budget proposals in 2006, and should be used alongside professional advice. Important post-publication changes can be found on our Web site at **www.pwc.com/ca**.

Please send your comments regarding *Tax Facts and Figures* to **tax.services@ca.pwc.com**. We look forward to hearing from you.





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Rates and other information are current to May 31, 2006, but may change as a result of legislation or regulations issued after that date.

Individuals – National Overview

How Much Tax? Individual Tax Table for 2006

This table shows the combined federal and provincial (or territorial) income taxes payable, assuming only the basic personal tax credit is claimed and all income is interest or ordinary income (such as salary). Other credits (e.g., those set out on pages 6 and 7), 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.

Taxable income	Federal income tax	Combined 2006 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.	Quebec	Sask.	Yukon	Taxable income
$1,000,000	$279,738	$378,248	$420,942	$449,566	$453,065	$471,666	$414,012	$414,038	$466,565	$388,798	$446,556	$458,803	$468,224	$425,894	$408,810	$1,000,000
500,000	134,738	183,248	202,442	217,566	218,865	228,457	199,412	198,788	225,315	186,298	214,508	221,953	227,149	205,894	196,820	500,000
400,000	105,738	144,248	158,742	171,166	172,025	179,816	156,492	155,738	177,065	145,798	168,098	174,583	178,934	161,894	154,422	400,000
300,000	76,738	105,248	115,042	124,766	125,185	131,174	113,572	112,688	128,815	105,298	121,689	127,213	130,719	117,894	112,024	300,000
250,000	62,238	85,748	93,192	101,566	101,765	106,853	92,112	91,163	104,690	85,048	98,484	103,528	106,612	95,894	90,825	250,000
200,000	47,738	66,248	71,342	78,366	78,345	82,532	70,652	69,638	80,565	64,798	75,279	79,843	82,504	73,894	69,626	200,000
150,000	33,238	46,748	49,492	55,166	54,925	58,211	49,192	48,113	56,440	44,548	52,074	56,158	58,397	51,894	48,427	150,000
100,000	19,286	27,796	28,191	32,514	32,169	34,439	28,544	27,365	32,863	25,303	29,418	33,022	34,747	30,590	28,030	100,000
90,000	16,686	24,196	24,162	28,174	27,917	29,875	24,696	23,545	28,366	21,803	25,077	28,585	30,176	26,690	24,229	90,000
80,000	14,086	20,596	20,192	23,834	23,665	25,310	20,848	19,725	23,946	18,303	20,736	24,148	25,605	22,790	20,427	80,000
70,000	11,597	17,107	16,483	19,604	19,524	20,856	17,163	16,016	19,789	14,969	16,590	19,821	21,127	19,000	16,826	70,000
60,000	9,397	13,907	13,304	15,859	15,789	16,692	13,907	12,924	15,922	12,069	13,302	15,832	16,890	15,500	13,658	60,000
50,000	7,197	10,707	10,189	12,309	12,107	12,839	10,651	9,864	12,213	9,169	10,187	12,140	12,950	12,000	10,490	50,000
40,000	4,997	7,507	7,074	8,759	8,425	9,023	7,395	6,804	8,518	6,269	7,072	8,560	9,113	8,500	7,322	40,000
30,000	3,227	4,737	4,506	5,654	5,351	5,638	4,776	4,297	5,254	3,991	4,535	5,441	5,635	5,582	4,753	30,000
20,000	1,702	2,212	2,376	3,039	2,858	3,033	2,519	2,182	2,824	2,066	2,405	2,936	2,710	2,957	2,524	20,000
Top 2006 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 2006 marginal rates**
Non-eligible div. 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%	19.13%	21.33%	19.49%	Non-eligible div. tax credit
Max. value of add'l credits	15.25%	25.25%	21.30%	26.15%	24.93%	26.77%	22.57%	21.15%	24.92%	19.25%	24.69%	26.03%	32.73%	26.25%	22.64%	Max. value of add'l credits

Taxpayers in top brackets (i.e., taxable income above $118,285) who receive Canadian non-eligible dividends can determine their tax by multiplying the dividend tax credit by the amount of non-eligible 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 non-eligible dividends will pay the $85,748 tax shown, less 19.73% of $10,000, yielding $83,775.

Quebec's rate applies to non-eligible dividends paid after March 23, 2006. See page 21.

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.

Top rates apply to taxable income above $118,285.

Individual Marginal Rates for 2006

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.

Each row contains marginal rates for:

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

Provincial brackets below $8,839 are not shown.

	Taxable income $8,839 to $36,378				Taxable income $36,378 to $72,756				Taxable income $72,756 to $118,285				Top marginal rates: Taxable income > $118,285		
	Brackets	Ordinary income & interest	Capital gains	*Canadian dividends (non-eligible)**	Brackets	Ordinary income & interest	Capital gains	*Canadian dividends (non-eligible)**	Brackets	Ordinary income & interest	Capital gains	*Canadian dividends (non-eligible)**	Ordinary income & interest	Capital gains	*Canadian dividends (non-eligible)**
Federal	$8,839	**15.25%**	7.63%	*2.40% **	$36,378	**22.00%**	11.00%	*10.83%**	$72,756	**26.00%**	13.00%	*15.83%**	**29.00%**	14.50%	*19.58%**
Alberta	$14,899 $8,839	**25.25%** **15.25%**	12.63% 7.63%	*6.90%* *2.40%*	$36,378	**32.00%**	16.00%	*15.33%*	$72,756	**36.00%**	18.00%	*20.33%*	**39.00%**	19.50%	*24.08%*
British Columbia	$33,755 $8,858 $8,839	**24.40%** **21.30%** **15.25%**	12.20% 10.65% 7.63%	*7.46%* *3.58%* *2.40%*	$67,511 $36,378	**33.70%** **31.15%**	16.85% 15.58%	*19.08%* *15.90%*	$94,121 $77,511 $72,756	**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 $8,839	**28.75%** **26.15%**	14.38% 13.08%	*13.02%* *9.77%*	$65,000 $36,378	**39.40%** **35.50%**	19.70% 17.75%	*26.33%* *21.46%*	$72,756	**43.40%**	21.70%	*31.33%*	**46.40%**	23.20%	*35.08%*
New Brunswick	$33,450 $8,839	**30.07%** **24.93%**	15.04% 12.47%	*16.30%* *9.87%*	$66,902 $36,378	**38.52%** **36.82%**	19.26% 18.41%	*26.86%* *24.73%*	$108,768 $72,756	**43.84%** **42.52%**	21.92% 21.26%	*33.51%* *31.86%*	**46.84%**	23.42%	*37.26%*
Newfoundland and Labrador	$29,590 $8,839	**31.41%** **25.82%**	15.71% 12.91%	*16.35%* *9.36%*	$59,180 $58,597 $36,378	**41.64%** **39.61%** **38.16%**	20.82% 19.81% 19.08%	*28.57%* *26.04%* *24.78%*	$72,756	**45.64%**	22.82%	*33.57%*	**48.64%**	24.32%	*37.32%*
Non-resident	$8,839	**22.57%**	11.29%	*3.55%*	$36,378	**32.56%**	16.28%	*16.03%*	$72,756	**38.48%**	19.24%	*23.43%*	**42.92%**	21.46%	*28.98%*
Northwest Territories	$34,555 $11,864 $8,839	**23.85%** **21.15%** **15.25%**	11.93% 10.58% 7.63%	*5.65%* *2.40%* *2.40%*	$69,110 $36,378	**34.20%** **30.60%**	17.10% 15.30%	*18.58%* *14.08%*	$112,358 $72,756	**40.05%** **38.20%**	20.03% 19.10%	*25.90%* *23.58%*	**43.05%**	21.53%	*29.65%*
Nova Scotia	$29,590 $8,839	**30.20%** **24.04%**	15.10% 12.02%	*11.46%* *3.76%*	$59,180 $36,378	**38.67%** **36.95%**	19.34% 18.48%	*22.05%* *19.90%*	$93,000 $80,841 $72,756	**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	$10,909 $8,839	**19.25%** **15.25%**	9.63% 7.63%	*2.40%* *2.40%*	$36,378	**29.00%**	14.50%	*14.58%*	$72,756	**35.00%**	17.50%	*22.08%*	**40.50%**	20.25%	*28.96%*
Ontario	$34,758 $8,839	**24.40%** **21.30%**	12.20% 10.65%	*7.42%* *3.54%*	$72,102 $69,517 $61,206 $36,378	**39.41%** **35.39%** **32.98%** **31.15%**	19.70% 17.70% 16.49% 15.58%	*22.59%* *19.88%* *16.86%* *15.86%*	$72,756	**43.41%**	21.70%	*27.59%*	**46.41%**	23.20%	*31.34%*
Prince Edward Island	$30,754 $8,839	**29.05%** **25.05%**	14.53% 12.53%	*10.02%* *5.02%*	$61,509 $51,859 $36,378	**40.37%** **37.18%** **35.80%**	20.19% 18.59% 17.90%	*23.21%* *19.22%* *18.46%*	$72,756	**44.37%**	22.19%	*28.21%*	**47.37%**	23.69%	*31.96%*
Quebec	$28,710 $11,944 $8,839	**32.73%** **28.73%** **12.73%**	16.37% 14.37% 6.37%	*17.00% ** *12.00% ** *2.00% **	$57,430 $36,378	**42.37%** **38.37%**	21.19% 19.19%	*29.05%** *24.05%**	$72,756	**45.71%**	22.86%	*33.22%**	**48.22%**	24.11%	*36.35%**
Saskatchewan	$8,839	**26.25%**	13.13%	*6.15%*	$37,579 $36,378	**35.00%** **33.00%**	17.50% 16.50%	*17.08%* *14.58%*	$107,367 $72,756	**41.00%** **39.00%**	20.50% 19.50%	*24.58%* *22.08%*	**44.00%**	22.00%	*28.33%*
Yukon	$8,839	**22.29%**	11.15%	*3.86%*	$36,378	**31.68%**	15.84%	*15.60%*	$77,161 $72,756	**38.01%** **37.44%**	19.01% 18.72%	*23.15%* *22.80%*	**42.40%**	21.20%	*28.63%*

* Rates on eligible dividends have been announced for federal and Quebec purposes only. See pages 14 and 21, respectively.

Top Marginal Rates – A 13-Year History

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

<table>
<tr><th colspan="2"></th><th>1994</th><th>1995</th><th>1996</th><th>1997</th><th>1998</th><th>1999</th><th>2000</th><th>2001</th><th>2002</th><th>2003</th><th>2004</th><th>2005</th><th>2006</th><th></th></tr>
<tr><td colspan="2">Federal rates (including surtaxes)</td><td colspan="5">31.32</td><td>30.89</td><td>30.45</td><td colspan="6">29.00</td><td></td></tr>
<tr><td rowspan="14">Combined top marginal rates (%) (including surtaxes and flat taxes)</td><td>Alberta</td><td colspan="4">46.07</td><td>45.60</td><td>45.17</td><td>43.71</td><td colspan="6">39.00</td><td>14</td></tr>
<tr><td>British Columbia</td><td colspan="2">54.16</td><td colspan="3">54.17</td><td>52.27</td><td>51.26</td><td>45.70</td><td colspan="5">43.70</td><td>9</td></tr>
<tr><td>Manitoba</td><td colspan="4">50.40</td><td>50.11</td><td>48.95</td><td>48.08</td><td colspan="6">46.40</td><td>7</td></tr>
<tr><td>New Brunswick</td><td colspan="3">51.36</td><td>51.05</td><td>50.43</td><td>49.68</td><td>48.77</td><td colspan="6">46.84</td><td>5</td></tr>
<tr><td>Newfoundland and Labrador</td><td colspan="2">51.33</td><td colspan="3">53.33</td><td>52.90</td><td>51.31</td><td colspan="6">48.64</td><td>1</td></tr>
<tr><td>Non-resident</td><td colspan="5">46.40</td><td>45.97</td><td>44.37</td><td colspan="6">42.92</td><td>11</td></tr>
<tr><td>Northwest Territories</td><td colspan="5">44.37</td><td>43.94</td><td>43.50</td><td colspan="3">42.05</td><td>42.55</td><td colspan="2">43.05</td><td>10</td></tr>
<tr><td>Nova Scotia</td><td>53.75</td><td colspan="2">50.30</td><td>49.98</td><td>49.66</td><td>49.23</td><td>48.79</td><td colspan="3">47.34</td><td colspan="3">48.25</td><td>2</td></tr>
<tr><td>Nunavut</td><td colspan="5">(Nunavut came into existence on April 1, 1999)</td><td>43.94</td><td>43.50</td><td>42.05</td><td colspan="5">40.50</td><td>13</td></tr>
<tr><td>Ontario</td><td colspan="2">53.19</td><td>52.92</td><td>51.64</td><td>50.29</td><td>48.75</td><td>47.86</td><td colspan="6">46.41</td><td>6</td></tr>
<tr><td>Prince Edward Island</td><td colspan="5">50.30</td><td>49.55</td><td>48.79</td><td colspan="6">47.37</td><td>4</td></tr>
<tr><td>Quebec</td><td colspan="3">52.94</td><td>53.01</td><td>52.61</td><td>52.18</td><td>50.67</td><td>48.72</td><td colspan="5">48.22</td><td>3</td></tr>
<tr><td>Saskatchewan</td><td colspan="4">51.95</td><td>51.58</td><td>50.79</td><td>49.73</td><td>45.00</td><td>44.50</td><td colspan="4">44.00</td><td>8</td></tr>
<tr><td>Yukon</td><td colspan="5">46.55</td><td>46.11</td><td>45.37</td><td>43.01</td><td colspan="5">42.40</td><td>12</td></tr>
</table>

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 2006
(for ordinary income)
1 = highest rate
14 = lowest rate

Components of Individual Income Tax Rates for 2006

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 $8,839 of taxable income. As a result, it reduces federal tax (other than in Quebec) by $1,348, and by $1,126 in Quebec.

		Federal brackets			
		$0 to $36,378	**$36,378 to $72,756**	**$72,756 to $118,285**	**More than $118,285**
Other than Quebec	**Marginal rate**	15.25%	22%	26%	29%
	Federal tax on income below bracket (before credits)	$0	$5,548	$13,551	$25,388
Quebec	**Marginal rate** (before credits)	12.73%	18.37%	21.71%	24.22%
	Federal tax on income below bracket (before credits)	$0	$4,632	$11,315	$21,199

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

2006 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 Quebec, they use the federal definition of taxable income.

In Quebec, basic federal tax is reduced by the 16.5% “Quebec abatement” referred to in the bottom table on the previous page. Nevertheless, Quebec’s provincial rates are higher than elsewhere, which more than compensates for the abatement.

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.

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.

Quebec’s basic amount differs from its minimum basic personal credit of $9,555 (see page 7) because Quebec’s lowest rate, which is 16%, differs from its general factor of 20% (see page 6).

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 or territory, 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**	$14,899	$0 10%					N/A	No
	British Columbia	$8,858	$0 6.05%	$33,755 9.15%	$67,511 11.7%	$77,511 13.7%	$94,121 14.7%		Yes
	Manitoba	$7,734	$0 10.9%	$30,544 13.5%	$65,000 17.4%				
	New Brunswick	$8,061	$0 9.68%	$33,450 14.82%	$66,902 16.52%	$108,768 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	$11,864	$0 5.9%	$34,555 8.6%	$69,110 12.2%	$112,358 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*	$10,909	$0 4%	$36,378 7%	$72,756 9%	$118,285 11.5%		N/A	No
	Ontario	$8,377	$0 6.05%	$34,758 9.15%	$69,517 11.16%			$4,016 *[$61,206]* 20% / $5,065 *[$72,102]* Additional 36%	Yes
	Prince Edward Island	$7,412	$0 9.8%	$30,754 13.8%	$61,509 16.7%			$5,200 *[$51,859]* 10%	
	Quebec	$11,944	$0 16%	$28,710 20%	$57,430 24%			N/A	No
	Saskatchewan	$8,589	$0 11%	$37,579 13%	$107,367 15%				
	Yukon*	$8,328	$0 7.04%	$36,378 9.68%	$72,756 11.44%	$118,285 12.76%		$6,000 *[$77,161]* 5%	Yes
Non-residents*		$8,839	$0 7.32%	$36,378 10.56%	$72,756 12.48%	$118,285 13.92%		N/A	No

* 2006 brackets match federal brackets.

Personal Tax Credits for 2006

Key non-refundable tax credits are listed on this page. 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.

Quebec 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

See pages 14, and 17 to 22.

		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.**	**Que.**	**Sask.**	**Yukon**
General factor (e.g., for tuition; medical expenses; CPP/QPP; EI; student loan interest)		15.25%	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														
	Amount over $200	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%
Dividend tax credit (on grossed-up amount)	Non-eligible	13.33%	6.4%	5.1%	5%	3.7%	5%	6%	7.7%	4%	5.13%	7.7%	8%	8%	5.87%
	Eligible	18.97%	Not announced										11.9%	Not announced	

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

Starting 2006, employees can claim a federal Canada Employment Credit. See page 14.

		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.**	**Que.**	**Sask.**	**Yukon**
Basic		$8,839	$1,348	$1,490	$536	$843	$780	$783	$700	$636	$436	$507	$726	$1,304	$945	$586
Spouse / **Equivalent to spouse**		$7,505	$1,145		$459	$707	$663	$640		$540		$430	$617	N/A		$498
Age 65		$4,066	$620	$415	$240	$406	$381	$368	$342	$310	$327	$247	$355	$440	$447	$286
Disability	Basic	$6,741	$1,028	$688	$402	$674	$632	$529	$568	$377	$436	$409	$529	$450	$742	$475
	Under 18 supplement	$3,933	$600	$402	$234	$393	$369	$249	$232	$210	$157	$239	$295	N/A	$433	$277
Infirm dependant (18 or over)													$240			
Caregiver										$367						
Pension income		$2,000	$305	$115	$61	$109	$97	$106	$59	$88	$40	$70	$98	$200	$110	$70
CPP/QPP		$1,911	$291	$191	$116	$208	$185	$202	$113	$168	$76	$116	$187	$382	$210	$135
Employment insurance (EI)		$729	$111	$73	$44	$79	$71	$77	$43	$64	$29	$44	$71	$119	$80	$51
Education (per month)	Full time	$400	$61	$46	$12	$44	$39	$21	$24	$18	$16	$27	$20	$365	$44	$28
	Part time	$120	$18	$14	$4	$13	$12	$6	$7	$5	$5	$8	$6	N/A	$13	$8
								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.

Starting 2006, students can claim a federal textbook tax credit. See page 15

A federal tax credit for adoption expenses (up to $10,220 per child in 2006) is available. Alberta, Manitoba (see page 18), Newfoundland and Labrador, as well as Ontario, have harmonized with the federal credit. Quebec has its own tax credit for adoption expenses.

Quebec's Special Credits and Rules

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

	Value of Quebec's credit
Dependant child (first)	$575
Children (additional)	$530
Single parent	$287
Living alone	$231

These credits may be claimed only for children who are at least 18 years old and are full-time students.

The following special rules apply to Quebec:

- the minimum basic personal credit for individuals is $9,555. This consists of the basic personal credit of $6,520 plus at least an additional $3,035, which reduces the taxpayer's Quebec Pension Plan, Employment Insurance (EI), Health Services Fund and Quebec Parental Insurance Plan (QPIP) credits, if any;
- some non-refundable credits, such as the basic personal credit and age credit, may be transferred to a spouse, if not used by the taxpayer;
- the age, pension and living alone credits are reduced if net family income exceeds $28,710;
- commencing 2006, the disability (under 18 supplement) credit is replaced with a $37.50 monthly increase in the handicapped children supplement included in child assistance payments;
- commencing 2006, the infirm dependant (18 and over) and the caregiver credits are combined into a refundable caregiver tax credit (maximum credit of $1,000 is reduced if the eligible relative's income exceeds $20,000);
- the maximum education credit of $365 per term (maximum two terms per year) for a supporting Quebec parent is not transferable;
- commencing 2006, employees, employers and the self-employed must contribute to the QPIP. As a result, federal EI premiums are lower for Quebec employees than for other employees (see page 44);
- Quebec's child care expense credit is refundable, 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.

For new credits that may be claimed commencing 2006, see pages 14 and 15.

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 = $763)	Indefinite
Education		Credit = $61/month for full-time students and certain disabled part-time students; $18/month for other part-time students		
Medical		Credit is based on amount by which qualifying medical expenses exceed the lesser of $1,884 and 3% of net income	Either spouse may claim medical expense credit	
CPP/QPP & EI		For employees, maximum credit = $402; self-employed persons deduct 50% of CPP/QPP premiums paid for their own coverage (maximum deduction $1,911) and claim a credit for the non-deductible half of premiums paid (maximum credit $291); 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 $768	N/A	
Infirm dependants		Reduced if dependant's income exceeds $5,580		
Caregiver		For providers of in-home care for an adult relative (reduced if relative's income exceeds $13,430)		
Age		Reduced if income exceeds $30,270	Spouse	
Pension		Maximum credit = $305		
Disability	Basic	For individuals with severe and prolonged impairment	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 $2,303		

Contents

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, qualified farm property or, after May 1, 2006, qualified fishing 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. Individuals that earn taxable dividends or claim certain tax credits may also be liable for AMT. AMT may be refunded in any of the seven subsequent years in which there is no AMT liability.

The mechanics of AMT can be complex. Federal Form T691 is used for the federal AMT computation and Quebec Form TP-776.42-V for the Quebec 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 non-eligible 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 non-eligible 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 non-eligible taxable dividends.

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

	Interest or ordinary income		Capital gains		Non-eligible 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.)

Quebec's rates apply to non-eligible dividends after March 23, 2006 (see page 21).

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 non-eligible 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)

Non-eligible dividends are described on page 14.

	Interest rate									
	2%		4%		6%		8%		10%	
	Gain	*Non-elig. Div.*	Gain	*Non-elig. Div.*	Gain	*Non-elig. Div.*	Gain	*Non-elig. Div.*	Gain	*Non-elig. 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*
Quebec	1.36	*1.63*	2.73	*3.25*	4.09	*4.88*	5.46	*6.51*	6.82	*8.14*
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 2006

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

Quebec Taxpayers

Taxable income may differ for Quebec tax purposes. For example, Quebec 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 Quebec.

Inclusions		Deductions	
Salary and taxable benefits	______	Registered Pension Plan contributions	(______)
Pension income	______	Registered Retirement Savings Plan contributions	(______)
Non-eligible dividends (1.25 x actual)	______	Union or professional dues	(______)
Eligible dividends (1.45 x actual)	______	Child care expenses	(______)
Interest and other investment income	______	Moving expenses	(______)
Rental income (or loss)	______	Carrying charges, interest	(______)
Taxable capital gains (50% x actual)	______	OAS clawback	(______)
Other income	______		
Business income (or loss)	______		
Professional income (or loss)	______		
Total income **A =**	______	**Total deductions** **B =**	(______)
		Net income for tax purposes **= A - B =**	______

See page 14.

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 2006

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 $118,285	(no maximum)	$	x 29% =	$	No maximum
Portion between $72,756 and $118,285	(maximum $45,529)	$	x 26% =	$	$45,529 x 26% = $11,837
Portion between $36,378 and $72,756	(maximum $36,378)	$	x 22% =	$	$36,378 x 22% = $8,003
Portion below $36,378	(maximum $36,378)	$	x 15.25%	$	$36,378 x 15.25% = $5,548
			Total federal tax =	**$**	

Maximum total tax in bottom three brackets = $25,388

Adjustments:

Dividend tax credit on eligible dividends	( )
Dividend tax credit on non-eligible dividends	( )
Personal non-refundable tax credits	( )
Minimum tax carryover applied	( )
= Basic federal tax	=
OAS clawback	
CPP payable on self-employment earnings	
Investment and other tax credits	( )
Refundable tax credits (including 16.5% Quebec abatement)	( )
= Net federal tax	= A

See pages 6 and 14.

See pages 6 and 7.

The OAS clawback is equal to 15% x [Net income (before deducting clawback) - $62,144]. The clawback cannot exceed the amount of the Old Age Security pension.

See page 44 for CPP contribution limits.

Provincial income tax (except Quebec)

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.

Quebec income tax

Basic income tax	D
Dividend tax credit on eligible dividends	( )
Dividend tax credit on non-eligible dividends	( )
Non-refundable tax credits	( )
Non-refundable tax credits from spouse	( )
Income tax	
Health Services Fund contribution	
QPP payable on self-employed earnings	
QPIP payable on self-employed earnings	
Refundable tax credits	( )
Net Quebec tax	E

See pages 6, 14 and 21.

See page 44 for QPP and QPIP contribution limits.

Common non-refundable credits are personal tax credits, QPP and EI, charitable donations, Health Services Fund and parental insurance plan contributions, union and professional dues credits.

Individuals with income from certain sources, excluding remuneration, above $12,368 (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 QST, child care expenses and caregiver credits (see page 7).

Total liability = **A** + **C** or **A** + **E** =	
Instalments paid and taxes withheld at source	( )
Balance owing (refund)	

Child Care Expense Deduction

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

Commencing July 1, 2006, a Universal Child Care Benefit will be available and the Enhanced Canada Child Care Tax Benefit will be eliminated. See page 14.

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:	Individuals providing babysitting services (if social insurance numbers are provided)	Deductible
	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)	
	Advertise or use a placement agency to find a child care provider	
	The child's father, mother, or supporting person	Not deductible
	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:	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 2006 – 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		Filing deadline and balance due		Tax forms
		Required	**Deadline**	**General**	**Extended**	
Individuals		If tax payable in 2006 and either 2005 or 2004 exceeds tax withheld by more than $2,000 ($1,200 for Quebec residents)	15th of March, June, September, December	April 30	If individual or his/her spouse carried on a business, filing deadline is June 15 (balance due date remains April 30). Deceased taxpayers If individual or his/her spouse died during the period: • 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. If individual died in: • 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. Non-residents If non-resident receives: • 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 Quebec filers)
Trusts	*Inter vivos*			90 days after trust year end	None	T3 (and TP-646-V for Quebec 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 2006 taxation year of an *inter vivos* trust, the filing deadline is March 31, 2007.

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.

	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 ≤ 12 months)	Personal marginal tax rates

Applies to unit trusts, including mutual fund trusts.

See page 3.

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 Nunavut	Value net of debts	Up to $125,000	$200	$400			**Alberta Northwest Territories Nunavut**
		$125,000 to $250,000	$300				
		Over $250,000	$400				
British Columbia	Gross value		$358 + 1.4% of portion > $50,000	$6,658	$27,658	$69,658	**British Columbia**
Manitoba			$70 + 0.7% of portion > $10,000	$3,500	$14,000	$35,000	**Manitoba**
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				
Ontario		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				
Quebec	*Not based on value*		Nominal fee				**Quebec**
Saskatchewan	Gross value		0.7% of estate	$3,500	$14,000	$35,000	**Saskatchewan**
Yukon			$140	$140			**Yukon**

Quebec does not levy probate fees. Wills (other than notarial wills) must be authenticated by the Superior Court of Quebec. 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 2006 federal budget measures have yet to be enacted.

Tax rates and tax brackets: The lowest federal tax rate decreased from 16% to 15%, retroactive to 2005, but will increase to 15.25% in 2006 and to 15.5% in 2007. Federal tax brackets increased by 2.2% in 2006 as a result of indexing.

Basic and spousal tax credits: Most federal tax credits increased by 2.2% in 2006 as a result of indexing. Revisions to the basic personal amount and the spouse/equivalent to spouse (or wholly dependent relative) personal amounts follow.

		2005	2006	2007*	2008*	2009**
Personal amounts	Basic	$8,648	$8,839	$8,739	$8,939	$10,000
	Spousal	$7,344	$7,505	$7,420	$7,590	$8,500

* Personal amounts will increase further due to indexing.
** Minimum amounts for 2009.

Dividends: Personal taxes on eligible dividends paid after 2005 will decrease due to increases in the dividend tax credit.

			2005	2006
Eligible dividends		Dividend gross-up	25%	45%
		Dividend tax credit (on grossed-up dividend)	13.33%	18.97%
	Federal rates	29%	19.58%	14.55%
		26%	15.83%	10.20%
		22%	10.83%	4.40%
		15.25%	n/a	(5.39%)
		15%	2.08%	n/a

Rates on the left are marginal rates on ordinary income. See page 3.

Can be used to shelter federal tax on other income.

Eligible dividends include dividends paid after December 31, 2005 by:
- public corporations or other corporations that are not Canadian-controlled private corporations (CCPCs), that are resident in Canada and are subject to the federal general corporate income tax rate (i.e., 22.12% in 2006); or
- CCPCs to the extent that the CCPC's income is:
  - not investment income (other than eligible dividends from public corporations); and
  - subject to the federal general corporate income tax rate (i.e., the income is active business income not subject to the federal small business rate).

Non-eligible dividends include dividends paid after 2005 out of either income eligible for the federal small business rate or a CCPC's investment income (other than dividends received from public companies). Federal rates for non-eligible dividends have not changed. Refinements to the rules may be forthcoming.

Automobile deductions and benefits: The 2006 prescribed rates will remain at their 2005 levels for purposes of determining capital cost allowance, interest and leasing deductions. Compared to 2005, prescribed rates for purposes of determining:
- automobile allowance deductions and tax exempt allowances are 5¢ per kilometre higher; and
- taxable benefits are 2¢ per kilometre higher.

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

Retirement savings plans and profit sharing plans: Retirement savings plan and profit sharing plan contribution limits will increase. See page 46.

Donations to charities: Commencing May 2, 2006:
- the capital gains inclusion rate is reduced from 25% to nil for donations of publicly listed securities to public charities and of ecologically sensitive lands to conservation charities; and
- the inclusion rate for donations of publicly listed securities acquired through employee stock options is reduced from 25% to nil.

Pension income credit: Commencing 2006, the amount of pension income that qualifies for the pension income credit will increase from $1,000 to $2,000.

Universal Child Care Benefit: Commencing July 1, 2006, the Universal Child Care Benefit (UCCB) will provide all families with a taxable receipt of $100 per month ($1,200 per year) for each child under the age of six. Families not receiving the Canada Child Tax Benefit must apply to receive the UCCB.

Enhanced Canada Child Tax Benefit: This benefit for children under seven will be eliminated by July 1, 2007, for children who reach six before July 1, 2007, and by July 1, 2006, otherwise.

Canada Employment Credit: Commencing July 1, 2006, a non-refundable tax credit may be claimed on up to $250 ($1,000 after 2006) of employment income.

Tax credit for public transit passes: A non-refundable tax credit for the cost of public transit passes (monthly or longer) may be claimed in respect of transit after June 30, 2006.

Textbook tax credit: Commencing 2006, post-secondary students can claim a non-refundable textbook tax credit equal to $65 per month (full-time) or $20 per month (part-time). Unused credits can be carried forward indefinitely or transferred.

Scholarship and bursary income: Commencing 2006, scholarships, fellowships and bursaries received by post-secondary students are exempt from tax.

Children's fitness tax credit: Commencing 2007, parents may claim a non-refundable tax credit on up to $500 of fees paid for the enrolment of each child under 16 in an eligible program of physical activity.

Child Disability Benefit: Assistance to families with children eligible for the disability tax credit will be enhanced.

Refundable medical expense supplement: The supplement is enhanced by:
- increasing the maximum amount of the supplement; and
- indexing the income threshold at which the supplement is reduced.

Apprenticeship Grant: Commencing January 1, 2007, an annual $1,000 taxable cash grant will be provided to apprentices in their first two years of a qualifying apprenticeship program.

Tradesperson's tool expense: Tradespersons who acquire eligible tools after May 1, 2006 for employment may deduct the cost exceeding $1,000 annually (indexed after 2007), up to a maximum deduction of $500 per year.

Mineral exploration tax credit for flow-through shares: This credit is available for flow-through share agreements entered into after May 1, 2006 and before April 1, 2007.

Capital gains of fishers: Income tax relief for dispositions of qualified fishing property after May 1, 2006:
- provides an intergenerational rollover for transfers to a child or grandchild;
- allows access to the $500,000 lifetime capital gains exemption for capital gains arising on dispositions; and
- extends the period to claim a reasonable reserve in respect of proceeds that have not been received on dispositions from five to ten years.

Voluntary Disclosure Program (VDP): Commencing June, 2005, the identity of the taxpayer in a no-name disclosure and a final complete VDP submission must be provided to the Canada Revenue Agency (CRA) within 90 calendar days from the date of receipt by the CRA of the disclosure.

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" at **www.pwc.com/ca/taxmemo**.

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. Refinements to the rules may be forthcoming.

See our *Tax Memos* "New Rules for Foreign Investment Entities (November 2005 Update)" and "New Rules for Non-resident Trusts (November 2005 Update)" at **www.pwc.com/ca/taxmemo**.

Goods and services tax (GST): The GST rate will decrease from 7% to 6% on July 1, 2006. Transitional rules will determine the GST rate applicable to transactions that straddle July 1, 2006, including transactions involving real property and imported goods and services.

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
Armenia Azerbaijan Oman	None	Madagascar Namibia

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
None	Japan Latvia Lithuania

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.

General anti-avoidance rule (GAAR): **L. Mark Evans v. The Queen** involved a series of transactions that enabled the taxpayer to convert dividends into capital gains that were sheltered by the capital gains deduction, and allocate dividend income to his low-income spouse and children. The Tax Court of Canada looked to the Supreme Court of Canada's reasoning in **Canada Trustco Mortgage Company** and **Eugene Kaulius** (discussed on page 34), in deciding that GAAR did not apply.

Michael Overs v. The Queen involved a series of transactions that enabled the taxpayer to repay his shareholder loan with another loan held by his spouse. The Tax Court of Canada ruled that GAAR did not apply, enabling the taxpayer to avoid an income inclusion with respect to the shareholder loan and deduct the interest and carrying charges on his spouse's loan.

In **Jordan B. Lipson, Earl Lipson v. The Queen**, the taxpayers engaged in a series of transactions to deduct interest on a loan, the proceeds of which were ultimately used to purchase a personal residence. The Tax Court of Canada ruled that GAAR applied and that the interest was not deductible. The taxpayers are appealing this decision to the Federal Court of Appeal.

Claude Desmarais v. The Queen involved a series of transactions intended to enable the taxpayer to withdraw funds from a company tax-free. The Tax Court of Canada ruled that GAAR applied and recharacterized the funds withdrawn as taxable dividends paid by the company to the taxpayer.

Convertible hedge: In **Gordon Rezek et al. v. The Queen**, the taxpayers were required to combine the income and loss components of convertible hedge activities because the Federal Court of Appeal ruled that the taxpayers carried on these activities in partnership with their spouses.

Automobile benefits: In **James M. MacMillan v. The Queen**, the Tax Court of Canada ruled that an employer-provided automobile was not "made available" to the employee because he did not have discretion to use it for personal purposes. As a result, no standby charge or operating cost benefit was included in the employee's income.

Stock option benefit: In **The Queen v. Dustin Morin**, the Federal Court of Appeal overturned the Tax Court of Canada's decision, ruling that a third-party consulting fee was not paid to acquire the right to stock options, and therefore the fee did not reduce the stock option benefit included in the taxpayer's employment income.

Educational fees: In **Pirjo Setchell v. The Queen**, the Tax Court of Canada ruled that course fees incurred by the taxpayer, to upgrade her computer skills to attain work either as an employee or an independent contractor, were deductible as a business expense.

Tuition fees: In **Linda E. Valente v. The Queen**, the Tax Court of Canada ruled that tuition fees for on-line courses at a foreign university qualified for the tuition tax credit.

Meals and entertainment gift certificates: In **The Queen v. Mark Stapley**, the Federal Court of Appeal ruled that food and beverage gift certificates and entertainment tickets given to the taxpayer's clients were subject to the 50% disallowance for meals and entertainment.

Moving expenses: In **Jean Graham v. The Queen**, the Tax Court of Canada allowed the taxpayer to claim moving expenses incurred to relocate her residence on assuming a new job with the same employer.

Lease-option arrangement: In **Barry D. Divall v. The Queen**, after the lessee exercised its lease-option agreement to purchase the taxpayer's property, the taxpayer reduced the purchase price by the option price and rent payments received from the lessee. Contradicting both the CRA's administrative position and case law, the Tax Court of Canada applied an "economic realities" approach when analyzing the lease-option agreement and ruled that the agreement was in substance a sale.

Income earned in a province: In **The Queen v. Ronald G. Dunne**, the Quebec Court of Appeal decided that a retired Ontario-resident partner of a multi-provincial partnership was deemed to have a permanent establishment in Quebec. As a result, the retired partner was subject to Quebec income tax on a portion of the retirement allowance paid to him by the partnership. The taxpayer has requested leave to appeal this decision to the Supreme Court of Canada.

Request for information: In **Roger Ellingson v. The Minister of National Revenue**, the Federal Court Trial Division found that the CRA acted beyond its jurisdiction when it required the taxpayer to submit his unfiled income tax returns and net worth statements, because the information may be used in a penal investigation. The Minister is appealing this decision to the Federal Court of Appeal.

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

2006		
	Bracket	$0
	Rate	10%

Alberta is the only province or territory with a single rate.

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2005 / 2006	39.00%	19.50%	24.08%

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: For 2006, Alberta's personal tax credits increased by 1.9% as a result of indexing, and its basic personal exemption increased to $14,899, an additional $100 above indexation.

Dividends: Alberta will await further details before announcing whether it will mirror a proposed federal reduction in personal income taxes on eligible dividends (see page 14).

Health care insurance premium subsidies: On April 1, 2006, Alberta raised by $5,000 the income level under which non-senior individuals, couples and families qualify for full or partial health care insurance premium subsidies.

British Columbia

2006						
	Bracket	$0	$33,755	$67,511	$77,511	$94,121
	Rate	6.05%	9.15%	11.7%	13.7%	14.7%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2005 / 2006	43.70%	21.85%	31.58%

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: British Columbia's personal income tax brackets and personal tax credits increased by 2.1% for 2006 as a result of indexing.

Dividends: British Columbia will mirror a proposed federal reduction in personal income taxes on eligible dividends, if the federal change is enacted (see page 14).

Medical expenses tax credit: Retroactive to 2005, the maximum annual medical expenses that can be claimed increased to $10,000 from $5,000 per dependant.

Mining tax credits: The mining flow-through share tax credit is extended three years to December 31, 2008. In addition, a clarification ensures that the deadlines for claiming the B.C. mining flow-through share and mining exploration tax credits cannot be extended.

Royalty and deemed income rebate: This rebate will be eliminated in 2007 to harmonize with federal taxation of the resource sector, which will allow full deductibility of federal and provincial resource royalties and taxes, commencing 2007.

Manitoba

2006				
	Bracket	$0	$30,544	$65,000
	Rate	10.9%	13.5%	17.4%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2005 / **2006**	**46.40%**	**23.20%**	**35.08%**

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: Manitoba's middle rate decreased from 14% to 13.5% on January 1, 2006, and will further decrease to 13% on January 1, 2007. Its basic personal exemption increased from $7,634 to $7,734 for 2006, and will further increase to $7,834 for 2007.

Dividends: Manitoba will mirror a proposed federal reduction in personal income taxes on eligible dividends, if the federal change is enacted (see page 14).

Adoption expenses tax credit: Commencing 2006, Manitoba will provide a new tax credit that parallels the federal adoption tax credit. Eligible expenditures will be based on federal criteria and cannot exceed $10,000 per adoption.

Children's physical activity tax credit: Manitoba will parallel a proposed federal tax credit that supports families with children enrolled in physical activities, once the federal credit is introduced.

Incentives to hire students: Manitoba will provide the following incentives to hire students:

- For co-op education work placements starting after March 6, 2006, unincorporated employers and corporations and other organizations that are exempt from income tax will be provided an incentive that parallels Manitoba's co-operative education tax credit.
- Employers, including unincorporated and tax-exempt entities, that hire qualifying students who graduate after March 6, 2006, will be eligible for a new co-op graduates hiring incentive, which will provide up to a maximum of $2,500 per year.

Mineral exploration tax credit: As a result of the reintroduction of the federal credit (see page 15), Manitoba has restored this 10% non-refundable credit for flow-through share agreements entered into after May 1, 2006 and before April 1, 2007.

Odour control tax credit: Commencing the 2006 property tax year, agricultural landholders are eligible for this new credit to offset 10% of the purchase price of eligible odour control equipment.

New Brunswick

2006					
	Bracket	$0	$33,450	$66,902	$108,768
	Rate	9.68%	14.82%	16.52%	17.84%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2005 / **2006**	**46.84%**	**23.42%**	**37.26%**

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: New Brunswick's personal tax brackets and personal tax credits increased by 2.2% for 2006, as a result of indexing.

Dividends: New Brunswick has not commented on whether it will mirror a proposed federal reduction in personal taxes on eligible dividends (see page 14).

Low Income Tax Reduction: This reduction will be enhanced to eliminate New Brunswick personal income tax in 2007 for single filers with incomes up to $13,750 and for families with incomes up to $22,000.

Tuition tax rebate: Beginning 2007, a 50% non-refundable tax rebate may be claimed 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).

Rebate on home energy costs: Commencing July 1, 2006, residential users will receive a rebate equal to the 8% provincial portion of the HST on home energy costs (i.e., heating oil, electricity, natural gas, propane, wood and kerosene).

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, 2006.

Newfoundland and Labrador

2006	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	2005			
	2006	**48.64%**	**24.32%**	**37.32%**

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Dividends: Newfoundland and Labrador will await further details before announcing whether it will mirror a proposed federal reduction in personal income taxes on eligible dividends (see page 14).

Review of tax system: The province will review its overall tax structure during the coming fiscal year.

Northwest Territories

2006	Bracket	$0	$34,555	$69,110	$112,358
	Rate	5.9%	8.6%	12.2%	14.05%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/territorial rates	2005			
	2006	**43.05%**	**21.53%**	**29.65%**

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax credits: Northwest Territories' personal income tax brackets and personal tax credits increased by 2.2% for 2006 as a result of indexing.

Dividends: The Northwest Territories has not commented on whether it will mirror a proposed federal reduction in personal taxes on eligible dividends (see page 14).

Nova Scotia

2006	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	2005			
	2006	**48.25%**	**24.13%**	**33.06%**

For 2006, the rate applies to non-eligible dividends (see page 14).

Tax Facts and Figures was completed before the June 13, 2006 Nova Scotia election, the results of which could affect provincial changes that have not been enacted.

Highlights of changes

Personal tax system:

	2006	2007	2008	2009	2010	After 2010
Basic personal credit	$7,231	$7,481	$7,731	$7,981	$8,231	Indexed; starting at 2%
Other credits	Various	Proportionate increase; total increase of 13.8%				

Includes spouse or common-law partner, dependant, pension income, disability, caregiver, age and infirm/dependants age 18 or older.

Dividends: Nova Scotia will not harmonize with federal proposals that reduce personal income taxes on eligible dividends (see page 14).

Healthy Living tax credit: The maximum eligible costs for this non-refundable credit, which is available to parents who register their children in sport or recreation activities, increased from $150 to $500, effective January 1, 2006.

Graduate tax credit: Commencing 2006, students who graduate from an eligible post-secondary program and live and work in Nova Scotia can claim a non-refundable tax credit of up to $1,000. Students will have three years to use the credit after graduation.

Child Care Benefit tax credit: A new non-refundable tax credit for parents of children under six will be applied against the new $1,200 ($600 in 2006) federal Universal Child Care Benefit (see page 14).

Equity Tax Credit: This 30% non-refundable tax credit was extended from December 31, 2006 to December 31, 2009.

Community Economic Development Investment Funds (CEDIF): Nova Scotia will remove provincial guarantees, give additional tax credits to investors in certain cases, and introduce rollover provisions, for CEDIFs.

Rebate on home energy and electricity costs: Commencing January 1, 2007, residential users will receive a rebate for the 8% provincial portion of the HST on home heating costs (e.g., home heating fuel, natural gas and wood) and residential electricity used for non-heating purposes.

Nunavut

2006	**Bracket**	$0	$36,378	$72,756	$118,285
	Rate	4%	7%	9%	11.5%

		Ordinary income	**Capital gains**	**Canadian dividends**
Top combined federal/territorial rates	2005	**40.50%**	**20.25%**	**28.96%**
	2006			

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: For 2006, Nunavut's personal income tax brackets were indexed by 2.2% to correspond with the federal brackets. Indexing also increased Nunavut's personal tax credits by 2.2%.

Dividends: Nunavut has not commented on whether it will mirror a proposed federal reduction in personal taxes on eligible dividends (see page 14).

Ontario

2006	**Bracket**	$0	$34,758	$69,517
	Rate	6.05%	9.15%	11.16%

Surtax:	20% of basic provincial tax in excess of $4,016
	+ 36% of basic provincial tax in excess of $5,065

		Ordinary income	**Capital gains**	**Canadian dividends**
Top combined federal/provincial rates	2005	**46.41%**	**23.20%**	**31.34%**
	2006			

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: For 2006, Ontario's personal income tax brackets, personal credits and surtax thresholds increased by 2.2% as a result of indexing.

Dividends: Ontario will await further details before announcing whether it will mirror a proposed federal reduction in personal income taxes on eligible dividends (see page 14).

Physicians and dentists: Commencing January 1, 2006, Ontario permits family members to hold non-voting shares in a physician's or a dentist's professional corporation.

Labour-Sponsored Investment Funds (LSIFs): The LSIF credit, to be phased out by the end of 2010, will be amended to:

- allow the funds more flexibility in managing their portfolios by expanding the types of investments they can hold;
- parallel federal investment rules and restrictions; and
- create wind-up rules.

Agricultural cooperatives: Individual and corporate members of eligible agricultural cooperatives will defer paying tax on patronage dividends paid in the form of eligible shares, rather than as cash distributions, if certain conditions are met, subject to the passage of federal legislation.

Property and sales tax credits for seniors: The $22,250 income threshold (at which the Ontario property and sales tax credits are clawed back for senior couples) will increase in 2006 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 for single seniors will remain unchanged.

Prince Edward Island

2006	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	2005	**47.37%**	**23.69%**	**31.96%**
	2006			

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Dividends: Prince Edward Island will adjust its dividend tax credit to preserve "integration" between the corporate and personal income tax systems (i.e., so that there is no tax cost or benefit from earning income through a corporation rather than directly).

Quebec

2006	Bracket	$0	$28,710	$57,430
	Rate	16%	20%	24%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2005	**48.22%**	**24.11%**	**32.81%**
	2006			**32.81%, 28.61%, 36.35% or 29.69%**

See the tables below for details.

Highlights of changes

Personal tax system: Personal income tax brackets and some personal tax credits increased by 2.427% for 2006 as a result of indexing.

Dividends: Quebec will revise its personal income taxes on eligible dividends paid after March 23, 2006, pending enactment of the federal proposals for dividends, and on non-eligible dividends paid after March 23, 2006 (see page 14). The changes follow.

		Dividends paid or deemed to have been paid: before March 24, 2006	after March 23, 2006: Non-eligible	after March 23, 2006: Eligible
Quebec rates	**Gross-up**	25%	25%	45%
	Dividend tax credit*	10.83%	8.00%	11.9%

* On the grossed-up dividend.

Can be used to shelter federal tax on other income.

	Taxable income above	Before March 24, 2006: Non-eligible	Before March 24, 2006: Eligible	After March 23, 2006: Non-eligible	After March 23, 2006: Eligible
2006 Combined federal/ Quebec rates	**$8,839**	2%	(4.50%)*	2%	(4.50%)*
	$11,944	8.46%	1.96%*	12%	1.45%*
	$28,710	13.46%	6.96%*	17%	7.25%*
	$36,378	20.50%	15.13%	24.05%	15.42%
	$57,430	25.50%	20.13%	29.05%	21.22%
	$72,756	29.68%	24.98%	33.22%	26.06%
	$118,285	32.81%	28.61%	36.35%	29.69%

* The rates are up to 4.5% higher if the taxpayer does not have other income.

Deduction for workers: Commencing 2006, employees will be entitled to a deduction equal to 6% of their earned income, for a maximum deduction of $500 ($1,000 for 2007).

Employee transit passes: Employees reimbursed for the cost of transit passes will not be in receipt of a taxable benefit, generally for reimbursements made after March 23, 2006.

Charitable donations: Commencing 2006, the $2,000 threshold above which the 24% tax credit for donations and gifts applies is reduced to $200.

Caregiver tax credit: Commencing 2006, a refundable tax credit for natural caregivers of up to $1,000 for each recipient of care is available.

Disability tax credit: This non-refundable tax credit is increased from $2,200 to $2,250 for 2006.

Tax credit for home support of elderly: This refundable tax credit, which is available to individuals aged 70 or over, will increase from 23% to 25% of eligible expenses, starting 2007.

Penalty for false statements: The calculation of the penalty for false statements or omissions will not take into account amounts deducted to amortize the capital cost of a property or related to the eligible portion of intangible assets.

Health Services Fund: The exemption for an individual's contribution to the Health Services Fund increased from $12,075 to $12,368 for 2006, as a result of indexing.

Quebec parental insurance plan (QPIP): Commencing January 1, 2006, employees, employers and the self-employed must contribute to the QPIP, from which maternity, adoption and paternal leave benefits will be paid. See page 44 for contribution rates.

QST on efficient hybrid vehicles: A refund of up to $1,000 of the Quebec sales tax paid on the sale or lease of new fuel-efficient hybrid vehicles after March 23, 2006 and before January 1, 2009 is introduced. The refund cannot be claimed by QST registrants or persons otherwise entitled to a refund of the QST paid.

Saskatchewan

2006				
	Bracket	$0	$37,579	$107,367
	Rate	11%	13%	15%

		Ordinary income	Capital gains	Canadian dividends
Top combined federal/provincial rates	2005			
	2006	**44%**	**22%**	**28.33%**

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: Saskatchewan's income tax brackets and personal tax credits increased by 2.2% for 2006 as a result of indexing.

Dividends: Saskatchewan will await further details before announcing whether it will mirror a proposed federal reduction in personal income taxes on eligible dividends (see page 14).

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

Employee's tool tax credit: Commencing 2006, employees may claim two 11% non-refundable tax credits in respect of the cost of tools purchased as a condition of employment:

- One-time entry credit—available in the initial year of employment and can be claimed once in an individual's lifetime (maximum credit ranges from $148 to $1,375, depending on the employee's trade group).
- Annual maintenance credit—available in subsequent years of employment (maximum credit ranges from $33 to $275, depending on the employee's trade group).

Retail sales tax: Saskatchewan has deferred its decision on whether to harmonize its provincial sales tax with the federal goods and services tax.

Royalty Tax Rebate: This rebate will be eliminated in 2007 to harmonize with federal taxation of the resource sector, which will allow full deductibility of federal and provincial resource royalties and taxes commencing 2007. In addition, the carryforward for any outstanding Royalty Tax Rebates will be limited to seven years, commencing January 1, 2007.

Yukon

2006					
	Bracket	$0	$36,378	$72,756	$118,285
	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	2005			
	2006	**42.40%**	**21.20%**	**28.63%**

For 2006, the rate applies to non-eligible dividends (see page 14).

Highlights of changes

Personal tax system: For 2006, the Yukon's income tax brackets were indexed to correspond with federal brackets. Indexing increased the Yukon's personal tax credits by 2.2%.

Mineral Exploration Tax Credit: This credit, which expires March 31, 2007, is capped at $300,000 for eligible expenses incurred after March 31, 2006.

Dividends: The Yukon has not commented on whether it will mirror a proposed federal reduction in personal taxes on eligible dividends (see page 14).

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 – 1995 to 2006

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.

			1995	1996 - 2000	2001	2002	2003	2004	2005	2006
General		Basic rate	38%							
		Less: provincial abatement	10%							
		Rate after abatement	28%							
		Plus: federal surtax	1.08%	1.12%						
		General federal rate (before reduction)	29.08%	29.12%						
		Less: general rate reduction	n/a		1%	3%	5%	7%		
		General federal rate	**29.08%**	**29.12%**	**28.12%**	**26.12%**	**24.12%**	**22.12%**		
Manufacturing & Processing (M&P) income		General federal rate (before reduction)	29.08%	29.12%						
		Less: M&P deduction	7%							
		M&P rate	**22.08%**	**22.12%**						
Canadian-Controlled Private Corporations (CCPCs)	**Small business threshold**		**$200,000**				**$225,000**	**$250,000**	**$300,000**	
	Active business income up to threshold	General federal rate (before reduction)	29.08%	29.12%						
		Less: small business reduction	16%							
		CCPC small business rate	**13.08%**	**13.12%**						
	Active business income from threshold to $300,000	General federal rate (before reduction)	General federal or M&P rates (above) apply		29.12%				General federal or M&P rates (above) apply.	
		Less: CCPC rate reduction			7%					
		CCPC reduced rate			**22.12%**					
	Investment income	General federal rate (before reduction)	29.08%	29.12%						
		Additional refundable tax	3.36%	6.67%						
		CCPC investment income rate	**32.44%**	**35.79%**						

The federal surtax will be eliminated on January 1, 2008. See page 32.

The general rate reduction, M&P deduction and the small business reduction will increase commencing 2008. The small business threshold will increase to $400,000 in 2007. See page 32.

The 16% small business reduction is reduced in certain cases. See **Small Business Limit** on page 25.

For more information, see **Investment Income** on page 25.

Corporate Income Tax Rates – General and M&P

(for December 31, 2006 year end)

The percentages shown below reflect the combined federal and provincial/territorial corporate rates for a twelve-month taxation year ended December 31, 2006. To compute rates for an off-calendar year end, refer to pages 35 to 43 for provincial and 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		10.37	**32.49***	10.37	**32.49**
British Columbia		12	**34.12***	12	**34.12**
Manitoba		14.5	**36.62***	14.5	**36.62**
New Brunswick		13	**35.12***	13	**35.12**
Newfoundland and Labrador		14 **H**	**36.12***	5 **H**	**27.12**
Northwest Territories		12.74	**34.86***	12.74	**34.86**
Nova Scotia		16	**38.12***	16	**38.12**
Nunavut		12	**34.12***	12	**34.12**
Ontario[1]		14[2]	**36.12***	12[2,3]	**34.12**
Prince Edward Island		16 **H**	**38.12***	16 **H**	**38.12**
Quebec	**Active/eligible**	9.9 **H**	**32.02***	9.9 **H**	**32.02**
	Other	16.25 **H**	**38.37***	N/A	
Saskatchewan		15.49	**37.61***	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.

Application to Canadian-Controlled Private Corporations (CCPCs)

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

- the first $300,000 ($400,000 after 2006) of active business income (a higher threshold applies in some jurisdictions); 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 ($400,000 after 2006) of a CCPC's active business income earned in Canada:
- investment income of a CCPC;
- income of credit unions, most deposit insurance corporations, 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.

Future Federal Income Tax Rate Changes

The federal surtax will be eliminated on January 1, 2008, for all corporations. 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).

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.

2 For CCPCs affected by the clawback, the Ontario rates are higher than those shown. See page 39.

3 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.

4 For 2006, 15.49% is the maximum Saskatchewan rate. A rebate of up to 5.49% of manufacturing profits allocated to Saskatchewan is available, which can reduce the rate to as low as 10%.

5 Although 35.79% (federal) + 15.49% (Saskatchewan) = 51.28%, the exact rate is 51.274%.

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

(for December 31, 2006 year end)

The percentages shown below reflect the combined federal and provincial/territorial corporate rates for a twelve-month taxation year ended December 31, 2006. To compute rates for an off-calendar year end, refer to pages 35 to 43 for provincial and territorial changes. For income not earned in a province or territory, see page 26.

See page 24.

<table>
<tr><th></th><th colspan="2">Active business income of CCPCs up to $300,000</th><th colspan="2">Investment Income</th></tr>
<tr><td>Federal rate (before deductions)</td><td></td><td>29.12%</td><td></td><td>29.12%</td></tr>
<tr><td>Small business deduction</td><td></td><td>-16%</td><td></td><td>N/A</td></tr>
<tr><td>Refundable investment tax</td><td></td><td>N/A</td><td></td><td>6.67%</td></tr>
<tr><td>Federal rate</td><td></td><td>13.12%</td><td></td><td>35.79%</td></tr>
<tr><td></td><td>Prov.</td><td>↓ Fed. + Prov.</td><td>Prov.</td><td>↓ Fed. + Prov.</td></tr>
<tr><td>Alberta</td><td>3</td><td>16.12</td><td>10.37</td><td>46.16</td></tr>
<tr><td>British Columbia</td><td>4.5</td><td>17.62</td><td>12</td><td>47.79</td></tr>
<tr><td>Manitoba</td><td>4.5</td><td>17.62</td><td>14.5</td><td>50.29</td></tr>
<tr><td>New Brunswick</td><td>1.75</td><td>14.87</td><td>13</td><td>48.79</td></tr>
<tr><td>Newfoundland and Labrador</td><td>5 H</td><td>18.12</td><td>14 H</td><td>49.79</td></tr>
<tr><td>Northwest Territories</td><td>4</td><td>17.12</td><td>12.74</td><td>48.53</td></tr>
<tr><td>Nova Scotia</td><td>5 H</td><td>18.12</td><td>16</td><td>51.79</td></tr>
<tr><td>Nunavut</td><td>4</td><td>17.12</td><td>12</td><td>47.79</td></tr>
<tr><td>Ontario[1]</td><td>5.5</td><td>18.62</td><td>14</td><td>49.79</td></tr>
<tr><td>Prince Edward Island</td><td>5.67 H</td><td>18.79</td><td>16 H</td><td>51.79</td></tr>
<tr><td>Quebec</td><td>8.11 H</td><td>21.23</td><td>16.25 H</td><td>52.04</td></tr>
<tr><td>Saskatchewan</td><td>5</td><td>18.12</td><td>15.49</td><td>51.27[5]</td></tr>
<tr><td>Yukon M&P</td><td>2.5</td><td>15.62</td><td colspan="2">N/A</td></tr>
<tr><td>Yukon Non-M&P</td><td>4</td><td>17.12</td><td>15</td><td>50.79</td></tr>
</table>

H, 1, 5 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, Ontario, Quebec and Saskatchewan). 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.

	Changes effective after January 1, 2005		
	From	**To**	**Effective**
Small business limit	$300,000	$400,000	January 1, 2007

For taxation years straddling January 1, 2007, the $300,000 limit applies for the number of days in the year before that date.

Investment Income

Federal rates on investment income are 13-2/3% higher than the general rates for 2006 (see page 24), because:

- CCPC investment income does not benefit from the 7% federal general rate reduction; 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 small business rate will decrease in increments commencing January 1, 2008, from 12% to 11% by January 1, 2009. In addition, the federal surtax will be eliminated on January 1, 2008 for all corporations. These changes will decrease the federal small business rate from 13.12% in 2006 to 11% by January 1, 2009. See page 32 for details.

Other Federal Corporate Tax Rates for 2006

(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: 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: • eligible for the provincial abatement; nor • subject to provincial or territorial tax.
Branch Tax	25%	Non-resident corporations, excluding: • 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	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 $1 billion (before July 1, 2006, 1.25% rate for capital over $300 million; 1% 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 and next seven years. Unused income taxes that can be carried back from taxation years ending after June 30, 2006, will be calculated using capital tax rates and thresholds that applied before July 1, 2006.
Large Corporations Tax	Nil	All corporations	Before 2006, imposed on taxable capital employed in Canada over $50 million. The $50 million threshold was shared among related corporations; associated corporations in the case of CCPCs.	Not deductible in computing income for income tax purposes. 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, before 2006, the 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.

Eliminated retroactive to January 1, 2006. The rate was 0.175% from January 1, 2005, and was to be reduced to 0.125% on January 1, 2006, 0.0625% on January 1, 2007 and nil on 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	Companies meeting job creation and other conditions	Designated before January 1, 2002		Full holiday for 10 years, phased out over next 5 years	Additional 50% federal tax rebate	Income attributable to new or expanded business	
		Designated after December 31, 2001	In Northeast Avalon region	Full holiday for 10 years, phased out over next 5 years			
			Outside Northeast Avalon region	Full holiday for 15 years, phased out over next 5 years			
	CCPCs in designated growth sectors, incorporated between April 1, 2003 and March 31, 2006		Outside Northeast Avalon region	For 5 years		$300,000 of active business income	
			In Northeast Avalon region	For 3 years			
Nova Scotia	CCPCs incorporated after April 24, 1992						
P.E.I.	Aviation- and aerospace-related firms in Slemon Park			Up to December 31, 2012		Income attributable to P.E.I. operations	
Quebec	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			
	Small and medium size corporations that carry on manufacturing and processing in a remote resource region			March 30, 2001 to December 31, 2010		75% of eligible business income	Reduced or eliminated when paid-up capital exceeds $20 million

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

Applies only to corporations that were eligible before March 31, 2004.

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

Provincial M&P Investment Tax Credits

Manitoba, Prince Edward Island and Saskatchewan provide investment tax credits based on the cost of qualifying manufacturing and processing (M&P) property acquired during 2006 for use in the particular jurisdiction. The credits are non-refundable, except in Manitoba, where they are partially refundable, and in Saskatchewan, where they are refundable for purchases after April 6, 2006.

British Columbia and Nova Scotia permit the carryforward of unused M&P credits.

For federal tax purposes, the credits are considered government assistance and reduce the capital cost of the M&P asset.

Manitoba's refundable portion of the credit increased from 20% to 35% for taxation years ending after March 6, 2006. See page 36.

Extended from July 1, 2006.

	Rate	For M&P property acquired After	For M&P property acquired Before	Carry back	Carry forward
British Columbia	3%	March 31, 2000	July 31, 2001	3 years	10 years
Manitoba	10%	March 11, 1992	July 1, 2009		
Nova Scotia	30%	December 31, 1996	January 1, 2001		7 years
	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		10 years

Manitoba's carryforward was 7 years before 2004.

Transitional rules extend the expiry date in some cases. See page 39.

Saskatchewan's carryforward was 7 years before April 7, 2006. See page 43.

Saskatchewan's credit is refundable for purchases after April 6, 2006. See page 43.

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

No cut-off dates have been specified.

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.

Subject to balanced budget requirements, Manitoba's capital tax rates will decrease for taxation years beginning after July 1, 2008. In addition, Manitoba's exemption will increase to $10 million for taxation years commencing after January 1, 2007. See page 36.

New Brunswick's capital tax will be eliminated in stages by January 1, 2009. See page 37.

Nova Scotia's capital tax will be eliminated in stages by July 1, 2012. See page 38.

Ontario's capital tax will be eliminated in stages by January 1, 2012 (accelerated to 2010, subject to affordability). In addition, Ontario's exemption will increase in stages to $15 million by 2008. See pages 39 and 40.

Quebec's capital tax rate will decrease in stages to 0.29% by January 1, 2009. See page 41.

The federal LCT was eliminated January 1, 2006. See page 26.

Exemptions are generally shared by associated or related corporations.

Corporations in General

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

		Rate (for December 31, 2006 year end)	Exemption
Federal Large Corporations Tax (LCT)		No capital tax	
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		0.25%	
Newfoundland and Labrador		No capital tax	
Nova Scotia	If taxable capital < $10 million	0.52%	$5 million
	If taxable capital ≥ $10 million	0.26%	Nil
Ontario		0.3%	$10 million
Prince Edward Island		No capital tax	
Quebec		0.525%	Up to $1 million
Saskatchewan		0.449%	Up to $20 million

For all corporations except Crown corporations and financial institutions, Saskatchewan's capital tax will be eliminated on new capital invested in Saskatchewan after June 30, 2006, and on all other capital in stages by July 1, 2008. See page 42.

Saskatchewan's capital tax surcharges on large resource corporations and trusts will be reduced in stages until July 1, 2008. See page 43.

Capital Tax (continued)

Financial Institutions (i.e., banks and trust and loan companies) and Insurance Companies

Tax base may vary by jurisdiction and type of institution.

The federal LCT was eliminated January 1, 2006. See page 26.

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

The federal Part VI Financial Institution Capital Tax declined on July 1, 2006. (See page 26.) The information shown applies after June 30, 2006.

Jurisdiction	Condition	Financial institutions: Rate (for December 31, 2006 year end)	Financial institutions: Exemption	Insurance companies: Life	Insurance companies: Non-Life
Federal	Large Corporations Tax (LCT)	No capital tax	No capital tax	Same as financial institutions	
Federal	Part VI Financial Institutions Capital Tax	1.25%	$1 billion	Same as financial institutions	
Alberta		No capital tax	Nil	No capital tax	No capital tax
British Columbia	If net paid-up capital ≤ $1 billion; If net paid-up capital < $10 million	No capital tax	Nil	No capital tax	No capital tax
British Columbia	If net paid-up capital ≤ $1 billion; If net paid-up capital ≥ $10 million; B.C. paid-up capital < $10.25 million	Reduced rates	Nil	No capital tax	No capital tax
British Columbia	If net paid-up capital ≤ $1 billion; If net paid-up capital ≥ $10 million; B.C. paid-up capital ≥ $10.25 million	1%	Nil	No capital tax	No capital tax
British Columbia	If net paid-up capital > $1 billion; Based in and has head office in B.C.	1%	Nil	No capital tax	No capital tax
British Columbia	If net paid-up capital > $1 billion; Other	3%	Nil	No capital tax	No capital tax
Manitoba		3%	$5 million	General capital tax (page 28)	General capital tax (page 28)
New Brunswick		3%	$10 million	No capital tax	No capital tax
Newfoundland and Labrador	If paid-up capital ≤ $10 million	4%	$5 million	No capital tax	No capital tax
Newfoundland and Labrador	If paid-up capital > $10 million	4%	Nil	No capital tax	No capital tax
Nova Scotia	Trust and loan corporations; Head office in N.S.	4%	$30 million	General capital tax (page 28)	General capital tax (page 28)
Nova Scotia	Trust and loan corporations; Other	4%	$500,000	General capital tax (page 28)	General capital tax (page 28)
Nova Scotia	Banks	4%	$500,000	General capital tax (page 28)	General capital tax (page 28)
Ontario	On first $400 million of taxable capital	0.6%	$10 million	1.25%	No capital tax
Ontario	On taxable capital > $400 million; Deposit-taking financial institutions	0.9%	Nil	1.25%	No capital tax
Ontario	On taxable capital > $400 million; Other	0.72%	Nil	1.25%	No capital tax
Prince Edward Island		5%	$2 million		No capital tax
Quebec		1.3%	Nil	1.25%	No capital tax
Saskatchewan	If taxable paid-up capital ≤ $1 billion	0.7%	Up to $20 million		
Saskatchewan	If taxable paid-up capital > $1 billion	3.25%	Up to $20 million		

Ontario's capital tax will be eliminated in stages by January 1, 2012 (accelerated to 2010, subject to affordability). Ontario's exemption will increase in stages to $15 million by 2008. See pages 39 and 40.

Saskatchewan's $1 billion threshold increased from $400 million, retroactive to taxation years ending after October 30, 2003.

Manitoba's exemption will increase to $10 million for taxation years commencing after January 1, 2007. See page 36.

Nova Scotia's $30 million exemption increased from $10 million, retroactive to January 1, 2001.

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

The 1.3% Quebec rate includes a base capital tax rate of 1.05%, and a 0.25% compensatory tax on paid-up capital. A 2% compensatory tax on payroll also applies. Quebec's base capital tax rate for financial institutions will decrease gradually to 0.58% by January 1, 2009. See page 41.

Income Tax Payment Deadlines for 2006 – 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 Quebec.

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 – Deadline	Instalments – Waiver conditions	Balance due (months after year end) – Deadline	Balance due (months after year end) – Extended deadline	Filing deadline
Federal and all provinces and territories not listed below		Last day of each month	Total tax* is ≤ $1,000	2 months after year end	3 months, if the corporation: • 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 ≤ the total business limit for those taxation years	6 months after year end
Alberta			Alberta income tax* ≤ $2,000 or CCPC qualifies for extended balance due deadline		3 months for CCPCs that:* • claimed Alberta's small business deduction; and • had taxable income ≤ $500,000	
Ontario	Ontario income and capital tax* < $10,000	Last day of months 3, 6, 9 and 12 of taxation year	Ontario income and capital tax* < $2,000		3 months, if the corporation: • was a CCPC throughout the current year; and • in the previous year had taxable income ≤ $400,000	
	Other	Last day of each month	No waiver			
Quebec			Quebec income and capital tax* ≤ $1,000		No extended deadline	

* For current or previous year.

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Capital Tax Payment Deadlines for 2006

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

No extended deadlines are available.

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

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

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 2006 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.

The nil rate will apply to all corporations, overriding rules that eliminate or reduce the surtax only when taxable capital is under $75 million.

		Changes effective after January 1, 2005		
		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
CCPCs	**Rates**	12%	11.5%	January 1, 2008
		11.5%	11%	January 1, 2009
	Threshold up to which CCPC rate applies	$300,000	$400,000	January 1, 2007

The general rate reduction does not apply to the first $300,000 ($400,000 after 2006) of a CCPC's active business income earned in Canada, investment income of CCPCs, credit unions, most deposit insurance corporations, mutual fund corporations, mortgage investment corporations, and investment corporations. Until taxation years beginning after 2006, it also does not apply to resource income.

After 2007, CCPCs with taxable income less than $400,000 can pay their balance of corporate income tax owing three months after the end of their taxation year.

Refundable investment tax credits (ITCs) for CCPCs: For taxation years ending after 2006, the $2 million limit on SR&ED expenditures (to which the 35% ITC rate applies) will be reduced when the previous year's taxable income is between $400,000 and $600,000 (formerly $300,000 and $500,000).

Carry-forward period for losses and ITCs: Extended from 10 to 20 years for non-capital, farm and restricted farm losses, a life insurer's taxable Canadian life investment losses, and SR&ED, Atlantic investment and mineral exploration ITCs, incurred or earned in taxation years ending after 2005.

Goods and services tax (GST): The GST rate will decrease from 7% to 6% on July 1, 2006. Transitional rules will determine the GST rate applicable to transactions that straddle July 1, 2006, including transactions involving real property and imported goods and services.

Large Corporations Tax: Eliminated, retroactive to January 1, 2006.

Financial Institutions Capital Tax changes:

		Rate	
		Before July 1, 2006	**After June 30, 2006**
Taxable capital employed in Canada	Between $200 million and $300 million	1%	Nil
	Between $300 million and $1 billion	1.25%	
	Over $1 billion	1.25%	

Penalty for failing to file: Commencing the 2006 taxation year, new late-filing penalties will apply to large corporations based on taxable capital employed in Canada and Part VI Financial Institutions Capital Tax payable.

Automobile deductions and benefits: The 2006 prescribed rates will remain at their 2005 levels for purposes of determining capital cost allowance, interest and leasing deductions. Compared to 2005, prescribed rates for purposes of determining:

- automobile allowance deductions and tax exempt allowances are 5¢ per kilometre higher; and
- taxable benefits are 2¢ per kilometre higher.

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

Capital cost allowance (CCA): Enhancements extend:

- the 100% CCA rate to tools, kitchen utensils and medical and dental instruments acquired after May 1, 2006 costing $500 or less (increased from $200); and
- accelerated CCA (under Class 43.1 and 43.2), to certain cogeneration systems acquired after November 13, 2005 used in the pulp and paper industry.

Apprenticeship Job Creation Tax Credit: A 10% non-refundable tax credit on salaries and wages paid to apprentices after May 1, 2006 is available (maximum annual credit is $2,000 per apprentice). Unused credits can be carried back 3 years and forward 20.

Retirement savings plans and profit sharing plans: Retirement savings plan and profit sharing plan contribution limits will increase. See page 46.

Expenditures upon which a credit or deduction is claimed: Draft rules, that apply to stock options granted and shares issued after November 16, 2005, limit the amount of an expenditure upon which a tax credit or deduction is claimed to the amount actually disbursed by the taxpayer. Parallel limitations are provided on the issuance of interests in partnership and trusts. See our *Tax Memo* "Draft Legislation Overrides Alcatel – Affects SR&ED ITCs and More (Revised December 21, 2005)" at **www.pwc.com/ca/taxmemo**.

Scientific Research and Experimental Development (SR&ED): Claims in respect of SR&ED expenditures or ITCs filed after November 16, 2005, must be filed by the 12 month deadline, which starts six months after the year end. The CRA can no longer waive this deadline. See our *Tax Memo* "Draft Legislation Overrides Alcatel – Affects SR&ED ITCs and More (Revised December 21, 2005)" at **www.pwc.com/ca/taxmemo**.

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 changes described on page 32; the tax rate for 2006 is 24.12%);
- 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.

The 15% ITC for investors in mining company flow-through shares is reintroduced for flow-through share agreements entered into after May 1, 2006, and before April 1, 2007.

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" at **www.pwc.com/ca/taxmemo**.

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. Refinements to the rules may be forthcoming. See our *Tax Memos* "New Rules for Foreign Investment Entities (November 2005 Update)" and "New Rules for Non-resident Trusts (November 2005 Update)" at **www.pwc.com/ca/taxmemo**.

Cross-border share-for-share exchanges: Federal proposals are expected 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.

Provincial income allocation: The CRA has made the review of provincial income allocation an audit priority.

Functional currency tax reporting: Proposals could allow corporations, required for financial reporting purposes to use a functional currency other than the Canadian dollar, to determine income for Canadian tax purposes in that functional currency.

Voluntary Disclosure Program (VDP): Commencing June 2005, the identity of the taxpayer in a no-name disclosure and a final complete VDP submission must be provided to the CRA within 90 calendar days from the date of receipt by the CRA of the disclosure.

Aggressive tax planning: Recent CRA initiatives that target aggressive tax planning include the creation of centres of expertise across Canada, involvement in a Joint International Tax Shelter Information Centre, implementation of the Canada-U.S. Competent Authority Memorandum of Understanding and a review of novel tax planning disclosure.

Books and records: The CRA has commented that:

- taxpayers may be required to provide the CRA access to their electronic systems and maintain usable electronic records for access by the CRA;
- accountants' working papers used to determine a taxpayer's tax liability may be subject to review by the CRA; and
- Canadian residents and non-residents that carry on business in Canada may be required to provide the CRA with information located outside Canada.

See our *Tax Memo* "Electronic and other Record-Keeping Requirements—The CRA's Views" at **www.pwc.com/ca/taxmemo**.

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
Armenia Azerbaijan Oman	None	Madagascar Namibia

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
None	Japan Latvia Lithuania

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 **The Queen v. Canada Trustco Mortgage Company**, the Supreme Court of Canada (SCC) ruled that a complex leasing arrangement entered into by the taxpayer was not subject to GAAR, while in **Eugene Kaulius et al. v. The Queen**, it found that GAAR applied to deny partnership losses claimed by the taxpayers. Although in the result the SCC agreed with the Federal Court of Appeal's (FCA) decisions in both cases, its approach to the interpretation of GAAR was different in subtle but, arguably, important ways from that of the FCA in cases such as **OSFC Holdings Limited v. The Queen** (a companion case to **Kaulius** arising out of the same facts).

For a detailed commentary on **Canada Trustco and Kaulius**, see our *Tax Memo* "Supreme Court of Canada Dismisses Appeals in GAAR Cases" (by Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers) at: **www.pwc.com/ca/taxmemo**.

Univar Canada Ltd. v. The Queen involved a series of transactions that resulted in the taxpayer's acquiring the shares of a Barbados investment company. The taxpayer excluded interest income earned by the Barbados company from its foreign accrual property income and deducted dividends received from the Barbados company. The Tax Court of Canada ruled that neither GAAR nor a specific anti-avoidance provision applied.

Allocation of partnership income: **XCO Investments Ltd. and West Topaz Property Ltd. v. The Queen** involved a series of transactions that resulted in the taxpayers' reducing their taxes on the sale of an apartment building by allocating the income to a third party that had losses. The Tax Court of Canada applied an anti-avoidance provision and reallocated the income from the sale to the taxpayers. The taxpayers are appealing this decision to the Federal Court of Appeal.

Interest deduction: In **Crown Forest Industries Limited et al. v. The Queen**, the Tax Court of Canada ruled that a taxpayer that deducted interest using the accrual method for financial statement purposes could deduct the interest using the cash method for tax purposes. This enabled the taxpayer to avoid the application of the thin capitalization rules, which would have limited the deductibility of the interest.

Canadian-controlled private corporation (CCPC): In **Sedona Networks Corporation v. The Queen**, the Tax Court of Canada applied the hypothetical shareholder rules in the definition of CCPC and ruled that the taxpayer was not a CCPC, and therefore could not claim refundable investment tax credits. The taxpayer is appealing this decision to the Federal Court of Appeal.

Personal services business: In **Dynamic Industries Ltd. v. The Queen**, the Federal Court of Appeal overturned the Tax Court of Canada's decision and ruled that the taxpayer was not carrying on a personal services business, although it provided services to only one company.

Loss determination: The Supreme Court of Canada dismissed the taxpayer's leave to appeal in **Inco Limited v. The Queen**. The Federal Court of Appeal had found that a CRA letter showing losses available for carryforward was not a loss determination. As a result, the losses were not considered statute barred.

Withholding tax: The Supreme Court of Canada dismissed the taxpayer's leave to appeal in **Transocean Offshore Limited v. The Queen**. The Federal Court of Appeal had decided that a payment made to compensate the taxpayer for the loss of rent was subject to withholding tax.

Foreign-based financial information: In **Saipem Luxembourg S.V. v. The CCRA**, the Federal Court of Appeal ruled that a non-resident was required to provide the CRA with foreign-based financial information because the request was reasonable, given the Minister's intention to conduct an audit of the taxpayer's business activities carried on in Canada. Leave to appeal was denied by the Supreme Court of Canada.

Disclosure of unnamed persons: In **The Minister of National Revenue v. Welton Parent Inc.**, the Federal Court Trial Division found that the CRA did not have the authority to order the taxpayer to reveal the names of the unnamed employers, because the unnamed employers were protected by solicitor-client privilege, but could order the taxpayer to produce the requested information and documents, after deleting references to the unnamed employers.

Ontario employer health tax: The Supreme Court of Canada dismissed the taxpayer's leave to appeal in **Toronto Blue Jays Baseball Club et al. v. The Minister of Finance (Ontario)**. The Court of Appeal of Ontario had ruled that non-Ontario locations where games were played were not permanent establishments for Employer Health Tax (EHT) purposes, causing the taxpayers to be liable for EHT on salaries paid to employees who reported to the non-Ontario games.

Saskatchewan resource surcharge: In **Cogema Resources Inc. v. The Queen**, the Federal Court of Appeal ruled that the Saskatchewan resource surcharge was deductible because it was in relation to the sale, not production, of minerals.

Corporations – Key Provincial and Territorial Rates and Changes

The information below summarizes corporate income tax rates and changes for 2006, for each province and territory. Highlights of rates for capital tax, payroll tax and sales tax are also provided.

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 2006 (pro-rated for December 31, 2006 year end)

General and M&P	Active business income of CCPCs $300,000 to $400,000	Active business income of CCPCs to $300,000	Investment income of CCPCs
10.37	3	3	10.37
32.49	**25.12**	**16.12**	**46.16**

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

Changes to Alberta corporate income tax rates

	Changes effective after January 1, 2005 From	To	Effective
General and M&P	11.5% ➘	10%	April 1, 2006

Other 2006 Alberta rates and data

For Alberta health care premiums, see page 45.

Capital tax	*General:* None *Financial institutions:* None

Payroll tax	None
Sales tax	None
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%.

Income trusts: As part of its continuing review of the tax system, Alberta is examining the transformation of corporations to income trusts.

British Columbia

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

General and M&P	Active business income of CCPCs $300,000 to $400,000	Active business income of CCPCs to $300,000	Investment income of CCPCs
12	4.5	4.5	12
34.12	**26.62**	**17.62**	**47.79**

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

Changes to British Columbia's corporate income tax rates

	Changes effective after January 1, 2005 From	To	Effective
General and M&P	13.5% ➘	12%	July 1, 2005

Other 2006 British Columbia rates and data

For British Columbia health care premiums, see page 45.

Capital tax See page 29	*General:* None *Financial institutions:* 3%, 1%, reduced rates or nil

Payroll tax	None
Sales tax	7%; no PST on GST
Deadlines	See pages 30, 31 and 49.

Additional British Columbia highlights

Film tax incentives: The 30% Film Incentive B.C. Tax Credit is extended to March 31, 2008 and the 18% British Columbia Production Services Tax Credit is extended to May 31, 2008. In addition, commencing February 22, 2006, the definition of designated Vancouver area for purposes of determining the regional film tax credits has been expanded.

Tax credit filing requirements: A clarification ensures that the deadlines cannot be extended for claiming the B.C. tax credits for mining exploration, scientific research and experimental development, manufacturing and profit investment, film, or book publishing.

Training and skills development: A program of tax credits will be introduced to encourage skills training by employers.

International Financial Activity Act: Retroactive to September 1, 2004, the interest adjustment in the calculation of income used to determine the tax refund is eliminated and, commencing January 1, 2006, a refund of B.C. corporate income tax on income derived from certain life science patents is allowed.

Royalty and deemed income rebate: This rebate will be eliminated in 2007 to harmonize with federal taxation of the resource sector, which will allow full deductibility of federal and provincial resource royalties and taxes commencing 2007.

Manitoba

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

General and M&P	Active business income of CCPCs $300,000 to $400,000	Active business income of CCPCs to $300,000	Investment income of CCPCs
14.5 **36.62**	4.5 **26.62**	4.5 **17.62**	14.5 **50.29**

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

Changes to Manitoba corporate income tax rates

	Changes effective after January 1, 2005		
	From	To	Effective
General and M&P	15%	14.5%	January 1, 2006
	14.5%	14%	January 1, 2007
	14%	13%	July 1, 2008
CCPC rates	5%	4.5%	January 1, 2006
	4.5%	3%	January 1, 2007

Subject to balanced budget requirement.

Other 2006 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

Capital tax rate changes:

		Changes effective after January 1, 2005		
		From	To	Effective
General rate	On first $10 million of taxable capital	0.3%	0.2%	Taxation years commencing after July 1, 2008
	On taxable capital > $10 million	0.5%	0.4%	

Subject to balanced budget requirement.

Capital tax deduction changes:

	Changes effective after January 1, 2005		
	From	To	Effective
Capital tax deduction	$5 million	$10 million	Taxation years commencing after January 1, 2007

Manufacturing Investment Tax Credit: This tax credit is extended three years from June 30, 2006 to June 30, 2009 and the refundable portion will increase from 20% to 35% for taxation years ending after March 6, 2006. See page 27.

Incentives to hire students: Manitoba will introduce the following incentives to hire students:

- For co-op education work placements starting after March 6, 2006, unincorporated employers and corporations and other organizations that are exempt from income tax will be given an incentive that parallels Manitoba's co-operative education tax credit.
- Employers, including unincorporated and tax-exempt entities, that hire qualifying students who graduate after March 6, 2006, will be eligible for a new co-op graduates hiring incentive, which will provide up to a maximum of $2,500 per year.

Odour control incentives: Commencing with the 2006 property tax year, agricultural landholders are eligible for a new odour control tax credit to offset 10% of the purchase price of eligible odour control equipment. This new credit may be claimed instead of the odour control corporation tax credit, which has been enhanced.

New Brunswick

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

General and M&P	Active business income of CCPCs $450,000 to $475,000	$300,000 to $450,000	to $300,000	Investment income of CCPCs
13 **35.12**	7.2 **29.32**	1.75 **23.87**	1.75 **14.87**	13 **48.79**

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

Changes to New Brunswick corporate income tax rates

		Changes effective after January 1, 2005 From		To	Effective
General and M&P		13%	↘	12%	January 1, 2007
CCPCs	Rates	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	$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 2006 New Brunswick rates and data

Capital tax See pages 28 and 29	*General:* 0.25% *Financial institutions:* 3%

Payroll tax	None
Sales tax	Harmonized PST and GST (14%)
Deadlines	See pages 30, 31 and 49.

The rate was 15% before July 1, 2006.

Additional New Brunswick highlights

Capital tax rate changes:

	Changes effective after January 1, 2005 From		To	Effective
General rate	0.3%	↘	0.25%	January 1, 2006
	0.25%	↘	0.2%	January 1, 2007
	0.2%	↘	0.1%	January 1, 2008
	0.1%	↘	nil	January 1, 2009

Investment tax credit for forestry industry: For the 2006 and 2007 taxation years, M&P equipment purchased after March 31, 2006 by forestry companies will qualify for a 50% rebate, to a maximum of 50% of New Brunswick property tax paid for the year.

Newfoundland and Labrador

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 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 corporate income tax rates

	Changes effective after January 1, 2005 From		To	Effective
Threshold up to which CCPC rate applies	$300,000	↗	$400,000	January 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 2006 Newfoundland and Labrador rates and data

Capital tax See page 29	*General:* None *Financial institutions:* 4%

Payroll tax	Nil, 2% or 4% (See page 45)
Sales tax	Harmonized PST and GST (14%)
Deadlines	See pages 30, 31 and 49

The rate was 15% before July 1, 2006.

Additional Newfoundland and Labrador highlights

Income trusts: Newfoundland and Labrador will review the effect of income trusts on corporate tax.

Review of tax system: The province will review its overall tax structure during the coming fiscal year.

Contents

Northwest Territories

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

General and M&P	Active business income of CCPCs to $300,000	Investment income of CCPCs
12.74 **34.86**	4 **17.12**	12.74 **48.53**

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

Changes to Northwest Territories' corporate income tax rates

	Changes effective after January 1, 2005			
	From		To	Effective
General and M&P	14%	↘	11.5%	July 1, 2006
Threshold up to which CCPC rate applies	$300,000	↗	$400,000	January 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 2006 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

No additional significant corporate tax changes were announced.

Nova Scotia

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

General and M&P	Active business income of CCPCs: $350,000 to $400,000	Active business income of CCPCs: $300,000 to $350,000	Active business income of CCPCs: to $300,000	Investment income of CCPCs
16 **38.12**	7.71 **29.83**	5 **27.12**	5 **H** **18.12**	16 **51.79**

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

Tax Facts and Figures was completed before the June 13, 2006 Nova Scotia election, the results of which could affect provincial changes that have not been enacted.

Changes to Nova Scotia's corporate income tax rates

	Changes effective after January 1, 2005			
	From		To	Effective
Threshold up to which CCPC rate applies	$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 2006 Nova Scotia rates and data

Capital tax See pages 28 and 29	*General:* 0.26% or 0.52% *Financial institutions:* 4%	**Payroll tax**	None
		Sales tax	Harmonized PST and GST (14%)
		Deadlines	See pages 30, 31 and 49.

The rate was 15% before July 1, 2006.

Additional Nova Scotia highlights

Capital tax rate changes:

		Changes effective after January 1, 2005			
		From		To	Effective
General rate	Taxable capital ≥ $10 million	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%	↘	0.15%	July 1, 2009
		0.15%	↘	0.1%	July 1, 2010
		0.1%	↘	0.05%	July 1, 2011
		0.05%	↘	Nil	July 1, 2012
	Taxable capital < $10 million	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%	↘	0.3%	July 1, 2009
		0.3%	↘	0.2%	July 1, 2010
		0.2%	↘	0.1%	July 1, 2011
		0.1%	↘	Nil	July 1, 2012

Financial institution capital tax exemption change: The exemption for trust and loan corporations with head offices in Nova Scotia increased from $10 million to $30 million, retroactive to January 1, 2001.

Nova Scotia film credit: Commencing July 1, 2006, film productions with more than 50% of production outside of the Halifax Regional Municipality will be eligible for the 5% regional bonus on the entire production.

Energy efficiency tax credit: A 25% non-refundable tax credit on capital invested in renewable energy sources or energy-efficient measures after June 30, 2006 can be claimed against general capital tax payable. The credit cannot exceed 50% of the general capital tax for the year.

Manufacturing and processing investment tax credit: Expenditures incurred after May 9, 2006 will no longer qualify for transitional rules that allow corporations to claim this credit until taxation years ending in 2009. See page 27.

Nunavut

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 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 corporate income tax rates

	Changes effective after January 1, 2005 From	To	Effective
Threshold up to which CCPC rate applies	$300,000 ➚	$400,000	January 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 2006 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 2006 (pro-rated for December 31, 2006 year end)

	General (non-M&P)	M&P	Active business income of CCPCs $400,000 to $1,128,519	$300,000 to $400,000	to $300,000	Investment income of CCPCs
M&P	N/A	12 **34.12**	15.57 **37.69**	5.5 **27.62**	5.5 **18.62**	N/A
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 2006 Ontario rates and data

Capital tax See pages 28 and 29	*General:* 0.3% *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:

		Changes effective after January 1, 2005 General rate	Financial institutions Taxable capital ≤ $400 million	Taxable capital > $400 million Non-deposit taking	Other
Effective date	Before January 1, 2007	0.3%	0.6%	0.72%	0.9%
	January 1, 2007	0.285%	0.57%	0.684%	0.855%
	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			

Subject to affordability, the capital tax will be eliminated in 2010.

Capital tax deduction changes:

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

The deduction is pro-rated for taxation years straddling the effective date.

Business losses: The carry-forward period will be extended from ten to twenty years for business losses incurred or earned in taxation years ending after 2005, subject to passage of federal legislation. See page 32.

Capital cost allowance (CCA): The CCA rate will increase to 50% from 30% on certain co-generation systems acquired after November 13, 2005 that use black liquor, a renewable energy source, subject to passage of federal regulations. See page 32.

Film incentives: Ontario's Production Services Tax Credit's enhanced rate of 18% on eligible labour expenditures is extended one year to March 31, 2007.

Interactive Digital Media Tax Credit: The credit is expanded for expenditures incurred after March 23, 2006 and before January 1, 2010 by:

- increasing the rate from 20% to 30% for qualifying corporations with annual gross revenues up to $20 million and total assets up to $10 million; and
- extending eligibility for the credit at the 20% rate to qualifying corporations that:
  - have annual gross revenues exceeding $20 million and total assets exceeding $10 million; or
  - perform fee-for-service work in Ontario, under contract with an arm's-length party to develop an eligible interactive digital media product.

Expenses to issue shares, options and other interests: Expenses claimed in respect of certain transactions, such as the issuance of shares or granting of options after November 16, 2005, will be limited, subject to the passage of federal legislation. See page 32.

Corporate tax administration: Proposed legislation will authorize Ontario to:

- sign a corporate income tax collection agreement with the federal government;
- delegate the collection of other Ontario corporate taxes (e.g., capital tax) to the federal government; and
- allow the Canada Revenue Agency to audit Ontario corporate taxes for taxation years ending before the commencement of a corporate tax collection agreement.

Labour-Sponsored Investment Funds (LSIFs): The LSIF credit, to be phased out by the end of 2010, will be amended to:

- allow the funds more flexibility in managing their portfolios by expanding the types of investments they can hold;
- parallel federal investment rules and restrictions; and
- create wind-up rules.

Provincial income allocation: Ontario is increasing its audit emphasis on transfer pricing arrangements between entities in Ontario and related entities in other jurisdictions in Canada.

Mining tax: Fines and penalties imposed after March 23, 2006, on the computation of tax payable under the *Mining Tax Act*, will be restricted.

Agricultural cooperatives: Members of eligible agricultural cooperatives will defer paying tax on patronage dividends paid in the form of eligible shares, rather than as cash distributions, if certain conditions are met, subject to the passage of federal legislation.

Prince Edward Island

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

General and M&P	Active business income of CCPCs to $300,000	Investment income of CCPCs
16 **H** **38.12**	5.67 **H** **18.79**	16 **H** **51.79**

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

Changes to Prince Edward Island corporate income tax rates

		Changes effective after January 1, 2005			
		From		To	Effective
M&P		7.5%	↗	16%	April 1, 2005
CCPCs	**Rates**	7.5%	↘	6.5%	April 1, 2005
		6.5%	↘	5.4%	April 1, 2006
		5.4%	↘	4.3%	April 1, 2007
		4.3%	↘	3.2%	April 1, 2008
		3.2%	↘	2.1%	April 1, 2009
		2.1%	↘	1%	April 1, 2010
	Threshold up to which CCPC rate applies	$300,000	↗	$400,000	January 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 2006 Prince Edward Island rates and data

Capital tax See page 29	*General:* None *Financial institutions:* 5%
Payroll tax	None

Sales tax	10%; PST levied on GST
Deadlines	See pages 30, 31 and 49.

Additional Prince Edward Island highlights

No additional significant corporate tax changes were announced.

Quebec

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

	General (Non-M&P)	M&P	Active business income of CCPCs $300,000 to $400,000	Active business income of CCPCs to $300,000	Investment income of CCPCs
Active/eligible	9.9 **H** **32.02**		8.11 **H** **30.23**	8.11 **H** **21.23**	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 to Quebec corporate income tax rates

		Changes effective after January 1, 2005 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
CCPCs	**Rates**	8.9%	↘	8.5%	January 1, 2006
		8.5%	↘	8.0%	March 24, 2006
	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. Parallelling the federal small business deduction, Quebec's CCPC rate will be reduced on a straight-line basis when taxable capital exceeds $10 million (see page 25).

Other 2006 Quebec rates and data

Capital tax See pages 28 and 29	*General:* 0.525% *Financial institutions:* 1.30% (including compensatory tax on paid-up capital)

Payroll tax	4.26%, 2.7% or reduced rates (see page 45)
Sales tax	7.5%; PST levied on GST
Deadlines	See pages 30, 31 and 49

Additional Quebec highlights

Capital tax rate changes:

	Changes effective after January 1, 2005 From		To	Effective
General rate	0.6%	↘	0.525%	January 1, 2006
	0.525%	↘	0.49%	January 1, 2007
	0.49%	↘	0.36%	January 1, 2008
	0.36%	↘	0.29%	January 1, 2009
Financial institutions rate	1.2%	↘	1.05%	January 1, 2006
	1.05%	↘	0.98%	January 1, 2007
	0.98%	↘	0.72%	January 1, 2008
	0.72%	↘	0.58%	January 1, 2009

Employee transit passes: Employers will be able to deduct from income from a business 200% of the amount otherwise deductible relating to employee transit passes, generally for reimbursements made after March 23, 2006.

Charitable donations: The carry-forward period for donations made by corporations is extended from five to twenty years for taxation years ending after March 23, 2006.

Tax credit for major job-creating projects: Changes are introduced to the refundable tax credit for major job-creating projects, especially with respect to the concept of an eligible corporation and situations involving business reorganization and business continuation.

Tax credit for on-the-job training period: This refundable tax credit (30% of eligible expenditures for corporations, otherwise 15%) is made permanent.

Research and development (R&D): Technical adjustments affect the R&D salary tax credit, university R&D tax credit, pre-competitive R&D tax credit and Quebec film and television production tax credit. In addition, measures relating to eligible activities carried out in a designated site were revised and a refundable tax credit for private partnerships was introduced (see page 47).

Financial services: A new 20% tax credit is available on salaries paid to certain employees that specialize in financial derivatives who are hired by eligible corporations after March 23, 2006.

Forestry: Changes affecting the forestry sector:

- increase the rate of the capital tax credit for new M&P assets from 5% to 15% for investments made after March 23, 2006 and before January 1, 2010 (transitional rules apply);
- introduce a 40% temporary refundable tax credit for the construction or major repair of public access roads and bridges in forest areas for expenses incurred by a corporation or a partnership after March 23, 2006 and before January 1, 2011 (transitional rules apply);
- introduce a tax deferral mechanism that averages (for a period of not more than four years) income derived from the sale of timber relating to a private woodlot; and
- revise the calculation of forest royalties.

Quebec parental insurance plan (QPIP): Commencing January 1, 2006, employees, employers and the self-employed must contribute to the QPIP, from which maternity, adoption and paternal leave benefits will be paid. Contributions are deductible by employers. See page 44 for contribution rates.

Saskatchewan

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 year end)

General (non-M&P)	M&P	Active business income of CCPCs $300,000 to $400,000 Non-M&P	M&P	to $300,000	Investment income of CCPCs
15.49	10	10.95	7.48	5	15.49
37.61	**32.12**	**33.07**	**29.60**	**18.12**	**51.27**

Although 35.79 (federal) + 15.49 (Saskatchewan) = 51.28, the exact rate is 51.274.

For 2006, 15.49% is the maximum Saskatchewan rate. A rebate of up to 5.49% 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 to Saskatchewan corporate income tax rates

	Changes effective after January 1, 2005 From		To	Effective
General	17%	↘	14%	July 1, 2006
	14%	↘	13%	July 1, 2007
	13%	↘	12%	July 1, 2008
Threshold up to which CCPC rate applies	$300,000	↗	$400,000	July 1, 2006
	$400,000	↗	$450,000	July 1, 2007
	$450,000	↗	$500,000	July 1, 2008

Other 2006 Saskatchewan rates and data

Capital tax See pages 28 and 29	*General:* 0.449% *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 rate changes:

		Changes effective after January 1, 2005 From		To	Effective
General rate	**New capital**	0.6%	↘	Nil	July 1, 2006
	Other capital	0.6%	↘	0.3%	July 1, 2006
		0.3%	↘	0.15%	July 1, 2007
		0.15%	↘	Nil	July 1, 2008

New capital includes capital additions, which will include additions to depreciable property in Saskatchewan made after June 30, 2006 and before July 1, 2008.

The nil rate is implemented by way of a non-refundable tax credit that is applied against a corporation's capital tax liability.

The rate changes do not apply to Saskatchewan Crown corporations or financial institutions.

Financial institution capital tax threshold change: The threshold up to which the 0.7% capital tax rate applies increased from $400,000 to $1 billion, retroactive to taxation years ending after October 30, 2003.

Capital tax resource surcharge rate changes:

	Changes effective after January 1, 2005			
	From		To	Effective
Tier 4 oil and gas wells	2%	➘	1.85%	July 1, 2006
	1.85%	➘	1.75%	July 1, 2007
	1.75%	➘	1.7%	July 1, 2008
Other	3.6%	➘	3.3%	July 1, 2006
	3.3%	➘	3.1%	July 1, 2007
	3.1%	➘	3.0%	July 1, 2008

Rates apply for production occurring on or after the effective date.

Film Employment Tax Credit: Commencing January 1, 2006:

- the base credit is increased from 35% to 45% of eligible labour costs;
- a 5% additional credit is introduced for productions with budgets over $3 million and at least six out of ten key positions held by Saskatchewan residents; and
- the maximum credit paid to non-Saskatchewan residents can include no more than 25% of eligible labour costs.

Manufacturing and Processing Investment Tax Credit (ITC): Enhancements:

- make this credit refundable for qualified property purchased after April 6, 2006; and
- extend the carry-forward period for unclaimed ITCs earned before April 7, 2006 from seven years to ten.

See page 27.

Retail sales tax: Saskatchewan has deferred its decision on whether to harmonize its provincial sales tax with the federal goods and services tax.

Royalty Tax Rebate: This rebate will be eliminated in 2007 to harmonize with federal taxation of the resource sector, which will allow full deductibility of federal and provincial resource royalties and taxes commencing 2007. In addition, the carryforward for any outstanding Royalty Tax Rebates will be limited to seven years, commencing January 1, 2007.

Yukon

Corporate income tax rates for 2006 (pro-rated for December 31, 2006 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 to Yukon corporate income tax rates

	Changes effective after January 1, 2005			
	From		To	Effective
Threshold up to which CCPC rate applies	$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 2006 Yukon rates and data

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

Additional Yukon highlights

Mineral Exploration Tax Credit: This credit, which expires March 31, 2007, is capped at $300,000 for eligible expenses incurred after March 31, 2006.

Individuals and Corporations

This section provides information that applies to individuals and corporations.

Sales and Commodity Tax Rates for 2006

The federal GST rate was 7% before July 1, 2006. Therefore, combined rates were 1% higher before July 1, 2006.

	Sales tax rate	PST on GST?	Combined PST and GST, or HST
Federal	6% GST	N/A	
Alberta	No sales tax		6% federal GST
British Columbia	7%	No PST on GST	13%
Manitoba			
New Brunswick	Harmonized PST and GST (or HST)		14%
Newfoundland and Labrador			
Northwest Territories	No sales tax		6% federal GST
Nova Scotia	Harmonized PST and GST (or HST)		14%
Nunavut	No sales tax		6% federal GST
Ontario	8%	No PST on GST	14%
Prince Edward Island	10%	PST on GST	16.6%
Quebec	7.5%		13.95%
Saskatchewan	7%	No PST on GST	13%
Yukon	No sales tax		6% federal GST

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

A 6% (7% before July 1, 2006) First Nation GST applies instead in eight First Nations in the Yukon.

CPP/QPP and EI Premiums

				2005	2006
CPP/QPP premiums (all contributors)		Maximum pensionable earnings		$41,100	$42,100
		- Basic exemption		$3,500	
		= Maximum contributory earnings		$37,600	$38,600
		Employer/employee rate		4.95%	
		Maximum employer/employee contribution		$1,861	$1,911
		Self-employed contribution rate		9.9%	
		Maximum self-employed contribution		$3,722	$3,821
EI premiums	**All contributors** (other than those in Quebec)	Maximum annual insurable earnings		$39,000	
		Premium rate per $100 insurable earnings	Employee	$1.95	$1.87
			Employer	$2.73	$2.62
		Annual maximum contribution	Employee	$761	$729
			Employer	$1,065	$1,022
	Quebec contributors	Maximum annual insurable earnings		Same as above	$39,000
		Premium rate per $100 insurable earnings	Employee		$1.53
			Employer		$2.14
		Annual maximum contribution	Employee		$597
			Employer		$835

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.

Starting 2006, Quebec EI premiums are lower due to the QPIP.

Prescribed Rates for Automobiles (2006)

Prescribed rates for determining automobile deduction limits and taxable benefits for 2006 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/carexpenses**.

				2006 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	Lease cost limit	$30,000 + GST/HST & PST on $30,000
			Monthly lease limit	$800 + GST/HST & PST on $800
			Manufacturer's list price limit	$35,294 + GST/HST & PST on $35,294
	Automobile allowances	Per-kilometre allowance	Same limits as tax-exempt allowances, below	
Taxable benefits	**Tax-exempt allowances**	Kilometres driven in the Yukon, NWT or Nunavut	First 5,000	54¢
			Each add'l	48¢
		Kilometres driven in all other locations	First 5,000	50¢
			Each add'l	44¢
	Operating cost benefit	Persons employed principally in selling or leasing automobiles		19¢
		All other employees		22¢

QPIP Premiums

		2006
Maximum annual insurable earnings		$57,000
Premium rate per $100 insurable earnings	Employee	$0.416
	Employer	$0.583
Annual maximum contribution	Employee	$237
	Employer	$332
Premium rate per $100 insurable earnings	Self-employed	$0.737
Annual maximum contribution		$420

Starting 2006, contributions to Quebec's parental insurance plan are required.

Employees with insurable earnings for the year below $2,000 can claim a refund of premiums.

Payroll Tax Rates and Health Care Premiums for 2006

Payroll Tax Rates

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

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

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 $12,368 (see page 21) must contribute to the Health Services Fund (annual maximum contribution is $1,000). The contribution gives rise to a tax credit.

		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	Payroll tax	1%	Over $0	Payroll x 1%
Ontario	Employer Health Tax	1.95%	Over $400,000	(Payroll - $400,000) x 1.95%
		0%	$0 to $400,000	$0
Quebec	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	

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 Quebec 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 (see page 44).

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

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 $19,000 fixed dollar limit applies in 2007 if earned income in 2006 (i.e., the previous year) exceeds $105,556 (because 18% of $105,556 is $19,000).

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)	
Contribution limits	% 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)
	Dollar limits	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*	Indexed			
		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			
Deadlines	Employer's contribution		N/A		120 days after employer's year end			
	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	

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.

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.

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 2006 for qualified property in certain regions and for qualified scientific research and experimental development (SR&ED).

Unused federal ITCs may reduce federal taxes payable for the previous three and the next ten years (extended to 20 years for ITCs earned in taxation years ending after 2005; see page 32).

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 (increased to $400,000 and $600,000 for taxation years ending after 2006; see page 32); 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	Qualifying Canadian-Controlled Private Corporations (CCPCs)	**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 of a qualifying corporation computed at the 20% rate
	Other corporations	**20%**	N/A
	Individuals	**20%**	**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]

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	**Qualifying CCPCs**	10%	Provincial income tax	Yes	N/A	
	Other corporations	10%	Provincial income tax	No	3 years	10 years
Manitoba		20%	Provincial income tax	No	3 years	10 years
New Brunswick		15%	Provincial income tax	Yes	N/A	
Newfoundland and Labrador[1]		15%	Provincial income tax	Yes	N/A	
Nova Scotia		15%	Provincial income tax	Yes	N/A	
Ontario	**Innovation tax credit**	10%	Provincial income and capital tax	Yes	N/A	
	Business research institute tax credit	20%	Provincial income and capital tax	Yes	N/A	
Quebec[1]	**R&D wage tax credit**	17.5% to 37.5%	Provincial income and capital tax	Yes	N/A	
	University, public research centre, research consortium and private partnership tax credits	35%	Provincial income and capital tax	Yes	N/A	
Saskatchewan		15%	Prov./terr. income tax	No	3 years	10 years
Yukon[1]		15%	Prov./terr. income tax	Yes	N/A	

Manitoba's carryforward was 7 years before 2004.

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 (increased to $400,000 and $600,000 for taxation years ending after 2006) 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]

Quebec Canadian-controlled corporations with less than $25 million in assets may claim the 37.5% 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]

After March 23, 2006, the tax credit for private partnerships replaced the pre-competitive research tax credit.

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

In some cases, Quebec'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, Quebec 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 2006

Except in Manitoba, Ontario and Quebec, 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.

<table>
<tr><th rowspan="2"></th><th rowspan="2">Max. credit</th><th colspan="4">Credit rate</th></tr>
<tr><th>33.33%</th><th>50%</th><th>75%</th><th>100%</th></tr>
<tr><td>Federal
Manitoba*
Saskatchewan</td><td>$650</td><td>$750 to $1,275</td><td>$400 to $750</td><td>First $400</td><td rowspan="6">N/A</td></tr>
<tr><td>New Brunswick</td><td>$500</td><td>$550 to $1,075</td><td>$200 to $550</td><td>First $200</td></tr>
<tr><td>Alberta</td><td>$1,000</td><td>$1,100 to $2,300</td><td>$200 to $1,100</td><td>First $200</td></tr>
<tr><td>British Columbia
Newfoundland and Labrador
Nova Scotia
Prince Edward Island
Yukon</td><td>$500</td><td>$550 to $1,150</td><td>$100 to $550</td><td>First $100</td></tr>
<tr><td>Ontario*</td><td>$1,120</td><td>$1,120 to $2,548</td><td>$336 to $1,120</td><td>First $336</td></tr>
<tr><td>Quebec*</td><td>$405</td><td colspan="2" rowspan="1">N/A</td><td>First $540</td></tr>
<tr><td>Northwest Territories
Nunavut</td><td>$500</td><td></td><td>$100 to $900</td><td>N/A</td><td>First $100</td></tr>
</table>

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

* In Manitoba, Ontario and Quebec, 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).

<table>
<tr><th colspan="2"></th><th>Calculation</th><th>Value used</th><th>Type</th></tr>
<tr><td colspan="2">Alberta</td><td>$35
+ 0.02% of value</td><td>Value of land</td><td>Registration fee</td></tr>
<tr><td colspan="2">British Columbia</td><td>1% of portion ≤ $200,000
+ 2% of portion > $200,000</td><td rowspan="2">Fair market value of property</td><td rowspan="3">Land transfer tax</td></tr>
<tr><td colspan="2">Manitoba</td><td>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</td></tr>
<tr><td colspan="2">New Brunswick</td><td>0.25%</td><td>Greater of assessed value and consideration for the transfer</td></tr>
<tr><td colspan="2">Newfoundland and Labrador</td><td>$100
+ 0.4% of portion > $500</td><td>Value of property</td><td rowspan="3">Registration fee</td></tr>
<tr><td colspan="2">Northwest Territories & Nunavut</td><td>0.15%* of portion ≤ $1,000,000
+ 0.1% of portion > $1,000,000</td><td>Value of land</td></tr>
<tr><td colspan="2">Nova Scotia</td><td>$74.50
+ Up to 1.5% (determined by municipality)</td><td>Value of property</td></tr>
<tr><td rowspan="2">Ontario</td><td>General</td><td>0.5% of portion ≤ $55,000
+ 1% of portion between $55,000 and $250,000
+ 1.5% of portion > $250,000</td><td rowspan="2">Value of consideration</td><td rowspan="3">Land transfer tax</td></tr>
<tr><td>Single-family homes</td><td>(For land with 1 or 2 single-family homes)
As above + 0.5% of portion > $400,000</td></tr>
<tr><td rowspan="2">Prince Edward Island</td><td>General</td><td>1% of value</td><td>Greater of assessed value and consideration for the transfer</td></tr>
<tr><td>Non-residents & corporations</td><td>(Applies depending on land size and corporate ownership)
As above + 1% of value ($500 minimum)</td><td>Purchase price</td><td>Registration fee</td></tr>
<tr><td colspan="2">Quebec</td><td>0.5% of portion ≤ $50,000
+ 1% of portion between $50,000 and $250,000
+ 1.5% of portion > $250,000</td><td>Greatest of: consideration furnished; consideration stipulated; and fair market value of property</td><td>Land transfer tax</td></tr>
<tr><td colspan="2">Saskatchewan</td><td>0.3% ($25 minimum)</td><td>Value of land</td><td rowspan="2">Registration fee</td></tr>
<tr><td colspan="2">Yukon</td><td>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</td><td>Value of property</td></tr>
</table>

* 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, Quebec (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, Quebec (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, Quebec	Last day of February		
	Partnership	Federal, Quebec	Last day of March		
	Transactions with non-residents	Federal: NR4	Last day of March		For trusts, form NR4 is due 90 days after the trust's year end.
		Federal: T106 (transactions with related parties)	**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 individuals, forms T106, T1135, T1141 and T1142 are due June 15 if the taxpayer or the taxpayer's spouse carried on a business in the year.
	Foreign property/trust	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 2005 and 2006 – 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.

Federal prescribed rates also apply to provincial/territorial personal and corporate income tax collected by the CRA.

<table>
<tr><th rowspan="3">Compounding schedule</th><th rowspan="3" colspan="2"></th><th colspan="4">2005</th><th colspan="4">2006</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th></tr>
<tr><th>Jan. - Mar.</th><th>Apr. - Jun.</th><th>Jul. - Sep.</th><th>Oct. - Dec.</th><th>Jan. - Mar.</th><th>Apr. - Jun.</th><th>Jul. - Sep.</th><th>Oct. - Dec.</th></tr>
<tr><td rowspan="5">Daily</td><td rowspan="3">Federal: Income tax, Large Corporations Tax, financial institutions capital tax, source deductions, CPP and EI</td><td>Underpayments</td><td colspan="5">7%</td><td>8%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="5">5%</td><td>6%</td><td></td><td></td></tr>
<tr><td>Taxable benefits</td><td colspan="5">3%</td><td>4%</td><td></td><td></td></tr>
<tr><td rowspan="2">Alberta: Corporate income tax</td><td>Underpayments</td><td colspan="5">6.5%</td><td>7.5%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="5">3%</td><td>4%</td><td></td><td></td></tr>
<tr><td rowspan="8">Monthly</td><td rowspan="2">British Columbia: Financial institutions capital tax</td><td>Underpayments</td><td colspan="3">7.25%</td><td>7.5%</td><td>8%</td><td>8.5%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="3">2.5%</td><td>2.5%</td><td>3%</td><td>3.5%</td><td></td><td></td></tr>
<tr><td rowspan="2">Manitoba: Capital tax and Health and Post-Secondary Education Tax</td><td>Underpayments</td><td colspan="4" rowspan="2">8.25%</td><td colspan="2" rowspan="2">9%</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>Some overpayments</td></tr>
<tr><td rowspan="2">New Brunswick: Financial institutions capital tax</td><td>Underpayments</td><td colspan="8">13.5% (1.06% per month)</td></tr>
<tr><td>Overpayments</td><td colspan="8">New Brunswick does not pay interest on overpayments</td></tr>
<tr><td rowspan="2">Newfoundland and Labrador: Financial institutions capital tax and Health and Post-Secondary Education Tax</td><td>Underpayments</td><td colspan="8">15.39% (1.2% per month)</td></tr>
<tr><td>Overpayments</td><td colspan="8">8.73% (0.7% per month)</td></tr>
<tr><td rowspan="5">Daily</td><td rowspan="2">Nova Scotia: Financial institutions capital tax</td><td>Underpayments</td><td colspan="5">7%</td><td>8%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="5">5%</td><td>6%</td><td></td><td></td></tr>
<tr><td rowspan="3">Ontario: Corporate income and capital tax and Employer Health Tax</td><td>Underpayments</td><td colspan="4">7%</td><td colspan="2">8%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="4">2%</td><td colspan="2">3%</td><td></td><td></td></tr>
<tr><td>Refunds resulting from objection or appeal</td><td colspan="4">4%</td><td colspan="2">5%</td><td></td><td></td></tr>
<tr><td rowspan="2">Monthly</td><td rowspan="2">Prince Edward Island: Financial institutions capital tax</td><td>Underpayments</td><td colspan="8" rowspan="2">19.56% (1.5% per month)</td></tr>
<tr><td>Overpayments</td></tr>
<tr><td rowspan="3">Daily</td><td rowspan="3">Quebec: Corporate and personal income tax, capital tax and Health Services Fund contributions</td><td>Underpayments</td><td colspan="4">7%</td><td colspan="2">8%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td>1.5%</td><td>1.65%</td><td colspan="2">1.55%</td><td colspan="2">2%</td><td></td><td></td></tr>
<tr><td>Taxable benefits</td><td colspan="5">3%</td><td>4%</td><td></td><td></td></tr>
<tr><td rowspan="2">Not compounded</td><td rowspan="2">Saskatchewan: Capital tax</td><td>Underpayments</td><td colspan="4">7.25%</td><td colspan="2">8%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="4">4.25%</td><td colspan="2">5%</td><td></td><td></td></tr>
</table>

Federal rates apply to Large Corporations Tax collected by the CRA on behalf of N.B. and N.S.

Commencing July 1, 2006, the rate used to calculate interest paid on overpayments will change from the base rate minus 2% to the base rate minus 3%.

Quebec 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.

	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
		Social Development Canada	www.sdc.gc.ca
		Industry Canada	www.ic.gc.ca
Alberta	www.gov.ab.ca	Alberta Finance	www.finance.gov.ab.ca
British Columbia	www.gov.bc.ca	Ministry of Small Business and 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
Quebec	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

Human Resources and Skills Development Canada and Social Development Canada have been merged into Human Resources and Social Development. However, their Web sites are still separate.

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 (2006)

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, 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	$74,200 to $154,800	$154,800 to $336,550	Above $336,550
Married filing jointly	$123,700 to $188,450	$188,450 to $336,550	
Federal marginal rate	28%	33%	35%

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

	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	33.8 or 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	33.3	38.3	40.3
New York	34.85	39.85	41.85
North Carolina	35.75 or 36.25*	40.75 or 41.25*	43.25
North Dakota	32.34	38.04	40.54
Ohio	32.76, 33.44, or 34.32*	39.32 or 39.87*	41.87

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

	Third	Second	Top
Oklahoma	34.25	39.25	41.25
Oregon	37	42	44
Pennsylvania	31.07	36.07	38.07
Rhode Island	35.75	42	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	42	44.5
Virginia	33.75	38.75	40.75
Washington	28	33	35
Washington D.C.	36.5	41.5	43.5
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.

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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.)

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$780,800 in 2006) 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$12,000 per donee also applies.

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 2006, the GST exemption is US$2,000,000.

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.

		2005	2006	2007 - 8	2009	2010	2011
Threshold	**$0**	18%				Estate tax repealed Gift tax 35% top rate	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	47%	46%	45%			49%
	$2,500,000						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.

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International

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U.S. Corporate Income Tax Rates – Federal and State (2006)

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.

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 (e.g., minimum taxes, franchise taxes, capital taxes);
- special rates that may apply to certain types of corporations (e.g., S-Corporations, banks, 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, Louisiana and Missouri.

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		$0	35
Personal holding		$0	15
Accumulated earnings	**Personal service**	$150,000	15
	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 2006 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		$0	8.84
Colorado		$0	4.63
Connecticut		$0	9
Delaware		$0	8.7
Florida		$5,000	5.5
Georgia		$0	6
Hawaii		$100,000	6.4
Idaho		$0	7.6
Illinois	**Personal property**	$0	2.5
	General	$0	4.8
Indiana		$0	8.5
Iowa		$100,000	10
		$250,000	12
Kansas		$50,000	7.35
Kentucky		$100,000	7
Louisiana		$100,000	7
		$200,000	8
Maine		$75,000	8.33
		$250,000	8.93
Maryland		$0	7
Massachusetts		$0	9.5
Michigan	**Single Business Tax**	$0 (exemptions available)	1.9
	Other	No income tax	
Minnesota		$0	9.8
Mississippi		$10,000	5
Missouri		$0	6.25
Montana		$0	6.75

		Threshold	Rate (%)
Nebraska		$50,000	7.81
Nevada		No income tax	
New Hampshire		$0	8.5
New Jersey		$0	9
New Mexico		$0	4.8
		$500,000	6.4
		$1,000,000	7.6
New York	**Small Business**	$0	6.5
		$290,000	7.5
		$350,000	14.75
		$390,000	N/A
	Other	$0	7.5
North Carolina		$0	6.9
North Dakota		$30,000	7
Ohio		$50,000	8.5
Oklahoma		$0	6
Oregon		$0	6.6
Pennsylvania		$0	9.99
Rhode Island		$0	9
South Carolina		$0	5
South Dakota		No income tax	
Tennessee		$0	6.5
Texas		No income tax	
Utah		$0	5
Vermont		$25,000	8.75
		$250,000	8.9
Virginia		$0	6
Washington		No income tax	
Washington D.C.		$0	9.975
West Virginia		$0	9
Wisconsin		$0	7.9
Wyoming		No income tax	

Businesses with at least $4 million in annual receipts pay a surcharge equal to 3% of Wisconsin tax (maximum surcharge is $9,800).

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
Federal	www.firstgov.gov	www.irs.gov
Alabama	www.alabama.gov	www.ador.state.al.us
Alaska	www.state.ak.us	www.revenue.state.ak.us
Arizona	az.gov/webapp/portal	www.revenue.state.az.us
Arkansas	www.arkansas.gov	www.arkansas.gov/dfa
California	www.ca.gov/state/portal/myca_ homepage.jsp	www.ftb.ca.gov
Colorado	www.colorado.gov	www.revenue.state.co.us/main/home.asp
Connecticut	www.ct.gov	www.ct.gov/drs/site/default.asp
Delaware	delaware.gov	www.state.de.us/revenue/default.shtml
Florida	www.myflorida.com	www.state.fl.us/dor/taxes
Georgia	www.georgia.gov	www.etax.dor.ga.gov
Hawaii	www.hawaii.gov	www.state.hi.us/tax/tax.html
Idaho	www.state.id.us	tax.idaho.gov
Illinois	www.illinois.gov	www.revenue.state.il.us
Indiana	www.state.in.us	www.in.gov/dor
Iowa	www.iowa.gov	www.state.ia.us/tax/index.html
Kansas	www.accesskansas.org	www.ksrevenue.org/index.htm
Kentucky	kentucky.gov	revenue.ky.gov
Louisiana	www.louisiana.gov	www.rev.state.la.us
Maine	www.state.me.us	www.state.me.us/revenue
Maryland	www.maryland.gov	www.comp.state.md.us
Massachusetts	www.mass.gov	www.dor.state.ma.us
Michigan	www.michigan.gov	www.michigan.gov/treasury
Minnesota	www.state.mn.us	www.taxes.state.mn.us
Mississippi	www.state.ms.us	www.mstc.state.ms.us
Missouri	www.mo.gov	dor.mo.gov

	General	Tax-Related
Montana	www.mt.gov	mt.gov/revenue
Nebraska	www.nebraska.gov	www.revenue.state.ne.us
Nevada	www.nv.gov	tax.state.nv.us
New Hampshire	www.state.nh.us	www.nh.gov/revenue
New Jersey	www.state.nj.us	www.state.nj.us/treasury/taxation
New Mexico	www.newmexico.gov	www.state.nm.us/tax
New York	www.ny.gov	www.tax.state.ny.us
North Carolina	www.ncgov.com	www.dor.state.nc.us
North Dakota	www.nd.gov	www.nd.gov/tax
Ohio	ohio.gov/index.stm	tax.ohio.gov
Oklahoma	www.ok.gov	www.oktax.state.ok.us/oktax
Oregon	www.oregon.gov	egov.oregon.gov/DOR
Pennsylvania	www.state.pa.us	www.revenue.state.pa.us
Rhode Island	www.ri.gov	www.tax.state.ri.us
South Carolina	www.sc.gov	www.sctax.org/default.htm
South Dakota	www.state.sd.us	www.state.sd.us/drr2/revenue.html
Tennessee	www.state.tn.us	www.state.tn.us/revenue
Texas	www.state.tx.us	www.cpa.state.tx.us/m23taxes.html
Utah	www.utah.gov	tax.utah.gov
Vermont	vermont.gov	www.state.vt.us/tax
Virginia	www.virginia.gov	www.tax.virginia.gov
Washington	access.wa.gov	dor.wa.gov
Washington D.C.	www.dc.gov	cfo.dc.gov/otr/site/default.asp
West Virginia	www.wv.gov	www.state.wv.us/taxdiv
Wisconsin	www.wisconsin.gov	www.dor.state.wi.us
Wyoming	wyoming.gov	revenue.state.wy.us

Canada's Treaty Withholding Tax Rates

This table summarizes treaty withholding tax rates (%) on payments arising in Canada. 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. If two or more dividend rates are provided, the lower (lowest two for Vietnam) rate applies if the recipient is a company that owns/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
Algeria		15	15	0 or 15
Argentina		10 or 15	12.5	3, 5, 10 or 15
Armenia		5 or 15	10	10
Australia		5 or 15	10	10
Austria		5 or 15	10	0 or 10
Azerbaijan**		10 or 15	10	5 or 10
Bangladesh		15	15	10
Barbados	N	15	15	0 or 10
Belgium		5 or 15	10	0 or 10
Bolivia	N	25% imposed by Canada		
Brazil		15 or 25	15	15 or 25
Bulgaria		10 or 15*	10	0 or 10*
Cameroon		15	15	15
Chile*		10 or 15	15	15
China P.R. (not Hong Kong)	N	10 or 15	10	10
Colombia, Rep. of	N	25% imposed by Canada		
Costa Rica	N	25% imposed by Canada		
Croatia		5 or 15	10	10
Cuba	N	25% imposed by Canada		
Cyprus		15	15	0 or 10
Czech Rep.		5 or 15	10	10
Denmark		5 or 15	10	0 or 10
Dominican Rep.		18	18	0 or 18
Ecuador		5 or 15	15	10 or 15*
Egypt	N	15	15	15
Estonia		5 or 15	10	10*
Finland	N	10 or 15	10	0 or 10
France		5 or 15	10	0 or 10
Gabon		25→[15]	25→[10]	25→[10]
Germany		5 or 15	10	0 or 10
Greece	N	25% imposed by Canada		
Guyana		15	15	10
Hungary		5 or 15	10	0 or 10
Iceland		5 or 15	10	0 or 10

		Dividends	Interest	Royalties
India		15 or 25	15	10, 15 or 20
Indonesia		10 or 15	10	10
Ireland		5 or 15	10	0 or 10
Israel		15	15	0 or 15
Italy		15→[5 or 15]	15→[10]	0 or 10→[0, 5 or 10]
Ivory Coast		15	15	10
Jamaica		15	15	10
Japan		5 or 15	10	10
Jordan		10 or 15	10	10
Kazakhstan		5 or 15	10	10*
Kenya		15 or 25*	15	15
Korea, Rep. of	N	15	15	15
Kuwait		5 or 15	10	10
Kyrgyzstan		15*	15*	0 or 10
Latvia		5 or 15	10	10*
Lebanon		25→[5 or 15]	25→[10]	25→[5 or 10]
Lithuania		5 or 15	10	10*
Luxembourg		5 or 15	10	0 or 10
Madagascar	N	25% imposed by Canada		
Malaysia		15	15	15
Malta		15	15	0 or 10
Mauritius	N	25% imposed by Canada		
Mexico	N	10 or 15	15*	0 or 15*
Moldova		5 or 15	10	10
Mongolia		5 or 15	10	5 or 10
Morocco		15	15	5 or 10
Namibia	N	25% imposed by Canada		
Netherlands		5 or 15	10	0 or 10
New Zealand		15	15	15
Nigeria		12.5 or 15	12.5	12.5
Norway		5 or 15	10	0 or 10
Oman		5 or 15	10*	0 or 10
Pakistan		15	15	0 or 15
Papua New Guinea		15	10	10

		Dividends	Interest	Royalties
Peru*		10 or 15	15	15
Philippines		15	15	10
Poland		15	15	0 or 10
Portugal		10 or 15	10	10
Romania		5 or 15	10	5 or 10
Russia		10 or 15	10	0 or 10
Saint Lucia	N	25% imposed by Canada		
Senegal		15	15	15
Serbia and Montenegro	N	25% imposed by Canada		
Singapore	N	15	15	15
Slovak Republic		5 or 15	10	0 or 10
Slovenia		5 or 15	10	10
South Africa		5 or 15	10	6 or 10
Spain		15	15	0 or 10
Sri Lanka		15	15	0 or 10
Sweden		5 or 15	10	0 or 10
Switzerland		5 or 15	10	0 or 10
Tanzania		20 or 25	15	20
Thailand		15	15	5 or 15
Trinidad and Tobago		5 or 15	10	0 or 10
Tunisia		15	15	0, 15 or 20
Turkey	N	25% imposed by Canada		
Ukraine		5 or 15	10	0 or 10
United Arab Emirates		5 or 15	10	0 or 10
United Kingdom		5 or 15	10	0 or 10
United States	N	5 or 15	10	0 or 10
Uzbekistan		5 or 15	10	5 or 10
Venezuela		10 or 15*	10	5 or 10
Vietnam		5, 10 or 15	10	7.5 or 10
Zambia		15	15	15
Zimbabwe		10 or 15	15	10

N Negotiation or renegotiation of tax treaty or protocol underway.

* If the other state (Canada for treaty with Oman) 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 rates for Azerbaijan apply starting in 2007. Until then, Canada imposes a rate of 25%.

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