

# NOTE ON CORPORATE TAX RATES 2023

---

*François Brouard, DBA, FCPA, FCA  
Sprott School of Business, Carleton University*

---

It may be useful to have a clear idea of the various Canadian corporate tax rates. The actual rate may be different depending on the type of corporation and type of income and the province / territory where the income is earned. Corporate tax rates include both federal and provincial rates.

Provincial rate varies for each province. The provincial rates assumed are based on an average of the most frequent rates applicable in the various provinces and territories. Threshold amount for Small Business Deduction (SBD) may be different in a specific province compare to the federal amount. Manufacturing & Processing (M&P) activities may benefit of a different tax rates in certain provinces. Tax holidays are available to certain corporations in some provinces.

## **Different types of corporation**

- Private corporation
- Canadian-Controlled Private corporation (CCPC)
- Public corporation

## **Different types of income**

- Active business income (ABI)
  - Eligible to Small Business Deduction (SBD)
  - Non-eligible to Small Business Deduction (SBD)
- Investment income
  - Dividend income
  - Investment income other than dividend income
- Specified Investment Business income (SIB)
- Personal Services Business income (PSB)
- Manufacturers of qualifying zero-emission technology (ZETM) (2022-2029/2031)  
(temporarily reduction of half of federal tax rate: 9%>4.5%; 15%>7.5%)

## Summary of Rates for CCPC and Types of Income - 2023

	CCPC				
	Active Business Income (ABI)		Investment income & SIB	Personal Service Business (PSB)	
	Not M & P	M & P			
	Small Business Deduction (SBD) \$500,000	No SBD	No SBD	No SBD	No SBD
<i><u>FEDERAL</u></i>					
Basic federal tax rate	38.00%	38.00%	38.00%	38.00%	38.00%
Federal tax abatement for provincial tax	(10.00%)	(10.00%)	(10.00%)	(10.00%)	(10.00%)
sub-total	28.00%	28.00%	28.00%	28.00%	28.00%
General tax reduction		(13.00%)			
Tax on Personal Service Business (PSB)					5.00%
Small business deduction (SBD)	(19.00%)				
Manufacturing and processing profits deduction (M&P)			(13.00%)		
Refundable tax on CCPC's investment income				10.67%	
FEDERAL TAX RATE	9.00%	15.00%	15.00%	38.67%	33.00%
<i><u>PROVINCIAL</u></i>					
Provincial rate (assumption)	4.00%	12.00%	12.00%	12.00%	12.00%
PROVINCIAL TAX RATE	4.00%	12.00%	12.00%	12.00%	12.00%
COMBINED TAX RATE	<b>13.00%</b>	<b>27.00%</b>	<b>27.00%</b>	<b>50.67%</b>	<b>45.00%</b>

## Summary of Rates for Non-CCPC and Types of Income - 2023

	Non-CCPC			
	Manufacturing and processing income	Active Business Income (ABI)	Investment income & SIB	Personal Service Business (PSB)
	No SBD	No SBD	No SBD	No SBD
<i><u>FEDERAL</u></i>				
Basic federal tax rate	38.00%	38.00%	38.00%	38.00%
Federal tax abatement for provincial tax	(10.00%)	(10.00%)	(10.00%)	(10.00%)
sub-total	28.00%	28.00%	28.00%	28.00%
General tax reduction		(13.00%)	(13.00%)	
Tax on Personal Service Business (PSB)				5.00%
Small business deduction (SBD)				
Manufacturing and processing profits deduction (M&P)	(13.00%)			
Refundable tax on CCPC's investment income				
FEDERAL TAX RATE	15.00%	15.00%	15.00%	33.00%
<i><u>PROVINCIAL</u></i>				
Provincial rate (assumption)	12.00%	12.00%	12.00%	12.00%
PROVINCIAL TAX RATE	12.00%	12.00%	12.00%	12.00%
COMBINED TAX RATE	<b>27.00%</b>	<b>27.00%</b>	<b>27.00%</b>	<b>45.00%</b>