CIBC

2023 Tax toolkit

Contents

Jamie Golombek's tax tips

It's important to review your overall tax planning strategy with a tax professional to make the most of any opportunities available, especially as a result of new savings and investment vehicles, credits and tax policy changes that come into effect each year. Here's a list of common tax-saving opportunities for investors:

1. Tax-loss selling

Tax-loss selling is the practice of selling investments that are in an accrued loss position in order to offset capital gains that you realized either in the current year or in the previous three years. For securities denominated in a foreign currency, be aware that currency fluctuations can affect the capital gain or loss that you report.

2. RRSP annuitants who turn 71

If you are turning 71 during the year, you only have until December 31 rather than the normal 60 days following the calendar year to make your final Registered Retirement Savings Plan (RRSP) contribution before converting your plan into a Registered Retirement Income Fund (RRIF) or purchasing an annuity.

3. Contribute to an RESP

Registered Education Savings Plans (RESPs) offer an opportunity for tax-deferred (or, in many cases, potentially tax-free) education savings and the prospect of supplementing savings with government benefits. Most significantly, Canada Education Savings Grants from the government of Canada may provide up to $500 annually, with a lifetime maximum of $7,200 per child.

4. Maximize TFSA contributions

The TFSA dollar limit for 2023 is $6,500 but there's no deadline for making a TFSA contribution. If you haven't previously contributed to a TFSA and have been at least 18 years old and resident in Canada since 2009, you may contribute up to $88,000 to a TFSA in 2023.

5. Make a donation

If you make a donation to a registered charity or foundation, you will be entitled to a donation tax credit based on the amount given. By gifting publicly-traded securities, including mutual funds, you not only receive a tax receipt for the fair market value of the securities being donated but capital gains taxes are eliminated. Pooling donations with your spouse or common-law partner, so that the total is over the $200 threshold, may also yield a higher donation credit.

6. Contribute to an RDSP

Canadians eligible for the Disability Tax Credit, their parents and other eligible contributors can contribute to a Registered Disability Savings Plan (RDSP). Depending on family income, it may be possible to receive up to $70,000 in matching Canada Disability Savings Grants (CDSGs) and up to $20,000 of Canada Disability Savings Bonds (CDSBs) from the government of Canada.

7. First Home Savings Account (FHSA)

If you're a qualifying first-time homebuyer, you may wish to save using the new FHSA, expected to launch in 2023. You can contribute $8,000 annually to your FHSA, up to a lifetime total limit of $40,000. Your annual contribution is tax deductible. Alternatively, you could transfer up to $8,000 annually from your RRSP, and any transfers will reduce the amount you can contribute and deduct. Investment income and gains in an FHSA are tax-free and you can withdraw the full balance from your FHSA tax-free within 15 years (or by age 71) to make a qualifying home purchase. More details are available in our report, "Tax-free First Home Savings Accounts: An overview".

8. Split that pension

You may split up to half of your pension income with your spouse or common-law partner. Aside from the benefit of potentially reducing taxes, you may also be able to preserve some or all of the age credit and avoid or minimize the Old Age Security pension recovery (clawback).

9. Deduct investment expenses

Interest that you pay on money borrowed for investment purposes, as well as investment counselling fees, for non-registered accounts may be tax deductible as a carrying charge on your personal tax return.

10. Apply now to pay less tax all year

You may reduce tax deductions at source by completing CRA Form T1213 (Quebec taxpayers must also complete Form TP-1016-V) to reduce taxes withheld throughout the entire year.

More opportunities for tax savings

When individuals think about investment income, they don't always consider the impact of taxes. One of the most valuable things you can do is understand the taxes that may apply and how your investment choices may affect your after-tax income.

Non-registered investments

One of the main factors that determines how much tax you may pay on non-registered investments is asset allocation. When you choose fixed income and foreign investments, any interest or foreign dividends that you receive are fully taxable at your marginal tax rates. You can improve after-tax returns by choosing investments that are more favourably taxed. For example, only half of the capital gains from equity funds are taxable, and Canadian dividend funds can distribute tax-favourable Canadian dividends to their investors. You can then take advantage of the dividend tax credit to reduce your federal and provincial taxes.

Registered investments

You may receive even greater tax benefits if you choose to save in an RRSP or TFSA. While some may believe that an RRSP is always preferable to a TFSA, since a tax refund is generated, my report "Just do it: The case for tax-free investing" shows that you can earn the equivalent of a tax-free rate of return on investments in both an RRSP and TFSA when tax rates are constant. And TFSAs can offer a significant advantage if tax rates are higher in retirement, or if benefits such as Old Age Security would otherwise be recovered (clawed back) when you take RRIF withdrawals.

There are also two other tax-deferred plans for specialized needs: RESPs can be a valuable tool to help you save for children's post-secondary education and RDSPs can help you accumulate savings for certain family members with a severe and prolonged disability. Both RESPs and RDSPs can attract grants and bonds from the government of Canada that can help savings grow even faster.

Investing if you own an incorporated business

If you are a small business owner, you may also want to consider using excess profits to build investment portfolios within your company, rather than withdrawing the profits currently. There continues to be a significant tax deferral advantage, and only nominal tax cost in most provinces, from incorporation of business income in 2023.

Note, however, that the federal small business deduction (SBD) is limited for Canadian Controlled Private Corporations (CCPCs) with over $50,000 of adjusted aggregate investment income in the previous year. Further information is available in the report, "CCPC Tax Planning for Passive Income". The federal SBD is also reduced for CCPCs with taxable capital exceeding $10 million and eliminated when taxable capital exceeds $50 million.[1] You should discuss these measures with a tax advisor to determine how they may affect the decision to build an investment portfolio in your corporation.

As an alternative, it generally makes sense to withdraw sufficient after-tax business income from your corporation to maximize your TFSA and RRSP contributions and then invest the excess in a corporation. See the reports, "TFSAs for business owners… a smart choice" and "RRSPs: A smart choice for business owners".

There is also information within the Tax Toolkit that may guide your decisions for choosing to retain after-tax investment income within your corporations or distributing the funds immediately and investing them personally. Additional information on investing inside a corporation is available in the report "In good company: Earning investment income in your corporation".

The tables in the following pages provide tax information that you can use to understand how income is taxed personally and in your corporation, which may allow you to keep more of that income in your own pocket in 2023.

[1] The federal SBD is eliminated for CCPCs with taxable capital that exceeds $15 million in taxation years beginning before April 7, 2022.

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Not all fund distributions are created equal

When it comes to non-registered investing, it's not what you earn but what you keep that matters. Here's a look at how $10,000 of investment cash flow is taxed depending on whether it is in the form of income, capital gains, dividends or return of capital.*

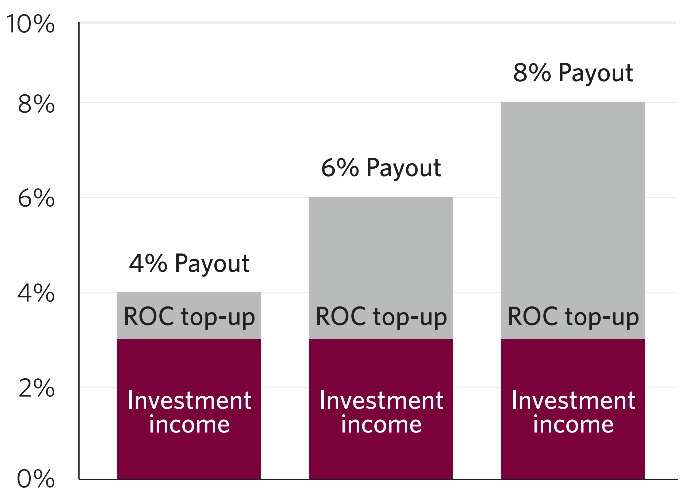
Fund distribution	After tax	Summary
Income	$10,000 = $4,647 after tax	Income – whether from employment, interest-bearing investments or withdrawals from an RRSP or RRIF – is taxed at your full marginal rate.
Capital gains	$10,000 = $7,324 after tax	Only half of a capital gain – realized when an investment is sold at a profit – is taxed at your full marginal rate.
Eligible Canadian dividends	$10,000 = $6,066 after tax	There is dividend tax credit for eligible dividends from a Canadian corporation, which reduces the tax that you pay.
Return of capital	$10,000**	Return of capital (ROC) from Canadian funds generally allows taxes to be deferred. No tax is due when the ROC is received, but the adjusted cost base (ACB) of the investment is reduced by the amount of the ROC. Capital gains may be realized when the investment is sold or if the ACB goes below zero.

*Assuming you are an investor who pays tax the top marginal tax rate in Ontario.

**While a distribution of ROC is not currently taxable, it reduces the ACB and could result in a larger capital gain / smaller capital loss in the future.

Understanding T-Class and return of capital (ROC)

A solution for investors seeking steady cash flow



Key benefits:

Steady cash flow: Investors with a T-Class investment can choose a fixed monthly payout based on an annual percentage of their assets.

Growth potential: The T-Class investment can continue to grow as the investor draws income.

Income tax: A portion of the cash flow from a T-Class investment is in the form of return of capital, which generally does not trigger immediate tax consequences but will result in an increase in capital gains or decrease in capital losses when the investment is sold.

Investment income from underlying securities assuming a 3% return

ROC portion of cash flow

T-Class investments allow an investor to choose a monthly distribution amount comprised of regular investment income and a "top-up" in the form of ROC. The ROC portion is generally not taxable when it is received. Instead, the adjusted cost base (ACB) of the units held by an investor is reduced by the amount of the ROC, which will result in an increase in capital gains or decrease in capital losses when the investment is sold. If the ACB reaches zero, any further distributions will trigger taxable capital gains.

Marginal tax rates (%)

This table shows the marginal tax rates within each bracket. This table assumes that only the basic personal amount and applicable low-income rate reductions are claimed.

Alberta (AB)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $21,002	15.00%	7.50%	6.87%	(0.03%)
$21,003 - $53,358	25.00%	12.50%	15.86%	2.57%
$53,359 - $106,716	30.50%	15.25%	22.18%	10.16%
$106,717 - $142,291	36.00%	18.00%	28.51%	17.75%
$142,292 - $165,429	38.00%	19.00%	30.81%	20.51%
$165,430 - $170,750	41.32%	20.66%	34.62%	25.08%
$170,751 - $227,667	42.32%	21.16%	35.77%	26.46%
$227,668 - $235,674	43.32%	21.66%	36.92%	27.84%
$235,675 - $341,501	47.00%	23.50%	41.16%	32.93%
$341,502 and greater	48.00%	24.00%	42.31%	34.31%

British Columbia (BC)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $22,277	15.00%	7.50%	6.87%	(0.03%)
$22,278 - $23,178	20.06%	10.03%	10.43%	(9.60%)
$23,179 - $37,813	23.62%	11.81%	14.52%	(4.69%)
$37,814 - $45,653	20.06%	10.03%	10.43%	(9.60%)
$45,654 - $53,358	22.70%	11.35%	13.47%	(5.96%)
$53,359 - $91,309	28.20%	14.10%	19.79%	1.63%
$91,310 - $104,834	31.00%	15.50%	23.01%	5.49%
$104,835 - $106,716	32.79%	16.40%	25.07%	7.96%
$106,717 - $127,298	38.29%	19.15%	31.39%	15.55%
$127,299 - $165,429	40.70%	20.35%	34.17%	18.88%
$165,430 - $172,601	44.02%	22.01%	37.98%	23.45%
$172,602 - $235,674	46.12%	23.06%	40.39%	26.35%
$235,675 - $240,715	49.80%	24.90%	44.63%	31.44%
$240,716 and greater	53.50%	26.75%	48.89%	36.54%

Manitoba (MB)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $11,852	0.00%	0.00%	0.00%	0.00%
$11,853 - $14,999	11.77%	5.89%	12.64%	5.21%
$15,000 - $22,944	26.77%	13.39%	19.50%	5.18%
$22,945 - $36,841	25.80%	12.90%	18.38%	3.84%
$36,842 - $53,358	27.75%	13.88%	20.63%	6.53%
$53,359 - $79,624	33.25%	16.63%	26.95%	14.12%
$79,625 - $106,716	37.90%	18.95%	32.30%	20.53%
$106,717 - $165,429	43.40%	21.70%	38.62%	28.12%
$165,430 - $235,674	46.72%	23.36%	42.44%	32.70%
$235,675 and greater	50.40%	25.20%	46.67%	37.78%

New Brunswick (NB)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $20,384	15.00%	7.50%	6.87%	(0.03%)
$20,385 - $45,223	27.40%	13.70%	17.96%	(2.24%)
$45,224 - $47,714	24.40%	12.20%	14.51%	(6.38%)
$47,715 - $53,358	29.00%	14.50%	19.80%	(0.03%)
$53,359 - $95,430	34.50%	17.25%	26.13%	7.56%
$95,431 - $106,716	36.50%	18.25%	28.43%	10.32%
$106,717 - $165,429	42.00%	21.00%	34.75%	17.91%
$165,430 - $176,755	45.32%	22.66%	38.57%	22.49%
$176,756 - $235,674	48.82%	24.41%	42.59%	27.32%
$235,675 and greater	52.50%	26.25%	46.83%	32.40%

Source: Tax Templates Inc.

Marginal tax rates (%)

This table shows the marginal tax rates within each bracket. This table assumes that only the basic personal amount and applicable low-income rate reductions are claimed.

Newfoundland and Labrador (NL)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $21,167	15.00%	7.50%	6.87%	(0.03%)
$21,168 - $22,444	23.70%	11.85%	13.19%	3.28%
$22,445 - $28,311	39.70%	19.85%	31.59%	25.36%
$28,312 - $41,456	23.70%	11.85%	13.19%	3.28%
$41,457 - $53,358	29.50%	14.75%	19.86%	11.29%
$53,359 - $82,912	35.00%	17.50%	26.19%	18.88%
$82,913 - $106,716	36.30%	18.15%	27.68%	20.67%
$106,717 - $148,026	41.80%	20.90%	34.01%	28.26%
$148,027 - $165,429	43.80%	21.90%	36.31%	31.02%
$165,430 - $207,238	47.12%	23.56%	40.12%	35.60%
$207,239 - $235,674	49.12%	24.56%	42.42%	38.36%
$235,675 - $264,749	52.80%	26.40%	46.66%	43.44%
$264,750 - $529,499	53.80%	26.90%	47.81%	44.82%
$529,500 - $1,058,999	54.30%	27.15%	48.38%	45.51%
$1,059,000 and greater	54.80%	27.40%	48.96%	46.20%

Northwest Territories (NT)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $16,592	15.00%	7.50%	6.87%	(0.03%)
$16,593 - $48,325	20.90%	10.45%	6.75%	(7.76%)
$48,326 - $53,358	23.60%	11.80%	9.86%	(4.03%)
$53,359 - $96,654	29.10%	14.55%	16.18%	3.56%
$96,655 - $106,716	32.70%	16.35%	20.32%	8.53%
$106,717 - $157,138	38.20%	19.10%	26.65%	16.12%
$157,139 - $165,429	40.05%	20.03%	28.77%	18.67%
$165,430 - $235,674	43.37%	21.68%	32.59%	23.25%
$235,675 and greater	47.05%	23.53%	36.82%	28.33%

Nova Scotia (NS)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,893	0.00%	0.00%	0.00%	0.00%
$14,894 - $14,999	8.79%	4.40%	6.67%	(0.08%)
$15,000 - $20,999	28.79%	14.40%	19.29%	6.79%
$21,000 - $24,999	23.79%	11.90%	13.54%	(0.11%)
$25,000 - $29,589	24.32%	12.16%	14.14%	0.62%
$29,590 - $53,358	30.48%	15.24%	21.23%	9.12%
$53,359 - $59,179	35.98%	17.99%	27.55%	16.71%
$59,180 - $74,999	37.70%	18.85%	29.53%	19.08%
$75,000 - $92,999	37.17%	18.59%	28.92%	18.35%
$93,000 - $106,716	38.00%	19.00%	29.88%	19.50%
$106,717 - $149,999	43.50%	21.75%	36.20%	27.09%
$150,000 - $165,429	47.00%	23.50%	40.23%	31.92%
$165,430 - $235,674	50.32%	25.16%	44.04%	36.50%
$235,675 and greater	54.00%	27.00%	48.28%	41.58%

Nunavut (NU)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $17,924	15.00%	7.50%	6.87%	(0.03%)
$17,925 - $50,876	19.00%	9.50%	8.46%	(2.11%)
$50,877 - $53,358	22.00%	11.00%	11.91%	2.03%
$53,359 - $101,753	27.50%	13.75%	18.24%	9.62%
$101,754 - $106,716	29.50%	14.75%	20.54%	12.38%
$106,717 - $165,429	35.00%	17.50%	26.86%	19.97%
$165,430 - $235,674	40.82%	20.41%	33.55%	27.99%
$235,675 and greater	44.50%	22.25%	37.79%	33.08%

Source: Tax Templates Inc.

Marginal tax rates (%)

This table shows the marginal tax rates within each bracket. This table assumes that only the basic personal amount and applicable low-income rate reductions are claimed.

Ontario (ON)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $17,284	15.00%	7.50%	6.87%	(0.03%)
$17,285 - $22,716	25.10%	12.55%	11.61%	(13.69%)
$22,717 - $49,230	20.05%	10.03%	9.24%	(6.86%)
$49,231 - $53,358	24.15%	12.08%	13.95%	(1.20%)
$53,359 - $86,696	29.65%	14.83%	20.28%	6.39%
$86,697 - $98,462	31.48%	15.74%	22.38%	8.92%
$98,463 - $102,139	33.89%	16.95%	25.16%	12.24%
$102,140 - $106,716	37.91%	18.95%	29.78%	17.79%
$106,717 - $149,999	43.41%	21.70%	36.10%	25.38%
$150,000 - $165,429	44.97%	22.48%	37.90%	27.53%
$165,430 - $219,999	48.29%	24.14%	41.71%	32.11%
$220,000 - $235,674	49.85%	24.92%	43.50%	34.26%
$235,675 and greater	53.53%	26.76%	47.74%	39.34%

Quebec (QC)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $16,780	12.53%	6.26%	5.73%	(0.02%)
$16,781 - $17,182	13.53%	6.76%	6.73%	0.98%
$17,183 - $31,780	28.53%	14.26%	20.05%	5.53%
$31,781 - $49,274	27.53%	13.76%	19.05%	4.53%
$49,275 - $53,358	32.53%	16.26%	24.80%	11.43%
$53,359 - $58,349	37.12%	18.56%	30.08%	17.77%
$58,350 - $98,539	38.12%	19.06%	31.08%	18.77%
$98,540 - $106,716	42.12%	21.06%	35.68%	24.29%
$106,717 - $119,909	46.71%	23.36%	40.96%	30.63%
$119,910 - $143,349	48.46%	24.23%	42.97%	33.04%
$143,350 - $165,429	47.46%	23.73%	41.97%	32.04%
$165,430 - $235,674	50.23%	25.11%	45.16%	35.86%
$235,675 and greater	53.31%	26.65%	48.70%	40.11%

Prince Edward Island (PE)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $15,570	15.00%	7.50%	6.87%	(0.03%)
$15,571 - $19,999	24.80%	12.40%	16.64%	(0.99%)
$20,000 - $26,999	29.80%	14.90%	22.39%	5.91%
$27,000 - $31,983	24.80%	12.40%	16.64%	(0.99%)
$31,984 - $53,358	28.80%	14.40%	21.24%	4.53%
$53,359 - $63,968	34.30%	17.15%	27.57%	12.12%
$63,969 - $100,663	37.20%	18.60%	30.90%	16.12%
$100,664 - $106,716	38.87%	19.44%	32.67%	16.97%
$106,717 - $165,429	44.37%	22.19%	39.00%	24.56%
$165,430 - $235,674	47.69%	23.84%	42.81%	29.14%
$235,675 and greater	51.37%	25.69%	47.05%	34.22%

Saskatchewan (SK)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
$0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $17,660	15.00%	7.50%	6.87%	(0.03%)
$17,661 - $49,719	25.50%	12.75%	16.52%	(0.72%)
$49,720 - $53,358	27.50%	13.75%	18.82%	2.04%
$53,359 - $106,716	33.00%	16.50%	25.14%	9.63%
$106,717 - $142,057	38.50%	19.25%	31.47%	17.22%
$142,058 - $165,429	40.50%	20.25%	33.77%	19.98%
$165,430 - $235,674	43.82%	21.91%	37.58%	24.56%
$235,675 and greater	47.50%	23.75%	41.82%	29.64%

Yukon (YT)

Taxable income	Ordinary income and interest	Capital gains	Canadian dividends: Non-eligible	Canadian dividends: Eligible
0 - $14,999	0.00%	0.00%	0.00%	0.00%
$15,000 - $53,358	21.40%	10.70%	13.45%	(7.78%)
$53,359 - $106,716	29.50%	14.75%	22.77%	3.40%
$106,717 - $165,429	36.90%	18.45%	31.28%	13.61%
$165,430 - $235,674	42.25%	21.13%	37.43%	20.99%
$235,675 - $499,999	45.80%	22.90%	41.51%	25.89%
$500,000 and greater	48.00%	24.00%	44.04%	28.93%

Source: Tax Templates Inc.

Federal tax rates and credits

Federal tax brackets

Taxable income	Federal tax up to bottom end of bracket	Marginal tax rate on income within the tax bracket
$0 to $53,359	Nil	15.0%
$53,359 to $106,717	$8,004	20.5%
$106,717 to $165,430	$18,942	26.0%
$165,430 to $235,675	$34,208	29.0%
Over $235,675	$54,579	33.0%

Selected federal personal tax credits

Tax Credit	Maximum base amount	Maximum credit (15%)
Basic personal amount[2]	$15,000	$2,250
Amount for a spouse or common-law partner, or eligible dependant[3]	$15,000	$2,250
Age amount[4]	$8,396	$1,259
Disability amount	$9,428	$1,414
Canada caregiver amount for children under age 18	$2,499	$375
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)[5]	$7,999	$1,200

RRSP Dollar limits

Year	Dollar limit
2022	$29,210
2023	$30,780
2024	$31,560

Employment Insurance premiums (Excludes Quebec)

Maximum insurable earnings	$61,500
Employee premium rate	1.630%
Employer premium rate*	2.282%
Employee maximum premium	$1,002.45
Employer maximum premium	$1,403.43

* Employer EI premium rate equals 1.4 x the employee rate.

Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) contributions

CPP/QPP maximum pensionable earnings	$66,600
CPP/QPP basic exemption	$3,500
CPP employee and employer contribution rate	5.95%
CPP max. employee contributions	$3,754.45
CPP max. self-employed contributions	$7,508.90
QPP employee and employer contribution rate	6.40%
QPP max. employee contributions	$4,038.40
QPP max. self-employed contributions	$8,076.80

Retirement income and RRIF withdrawal factors

Canada Pension Plan (CPP) benefits

Benefit	Max. annual total	Max. monthly benefit
Retirement pension	$15,678.84	$1,306.57
Disability pension	$18,464.04	$1,538.67
Death benefit (lump sum)	$2,500.00	N/A
Survivor's pension - under 65	$8,495.40	$707.95
Survivor's pension - 65 & over	$9,407.28	$783.94
Children of disabled contributor	$3,380.64	$281.72
Children of deceased contributor	$3,380.64	$281.72

The maximum CPP retirement pension may be up to 42% higher if payments begin after the recipient reaches age 65. Amounts may differ for individuals who are eligible for benefits under the Quebec Pension Plan (QPP).

Minimum RRIF withdrawal factors for ages 65 and over

Age	Factor (%)	Age	Factor (%)	Age	Factor (%)
65	4.00	76	5.98	87	9.55
66	4.17	77	6.17	88	10.21
67	4.35	78	6.36	89	10.99
68	4.55	79	6.58	90	11.92
69	4.76	80	6.82	91	13.06
70	5.00	81	7.08	92	14.49
71	5.28	82	7.38	93	16.34
72	5.40	83	7.71	94	18.79
73	5.53	84	8.08	95+	20.00
74	5.67	85	8.51		
75	5.82	86	8.99		

Starting in the year after the year you establish a RRIF, you have to withdraw a yearly minimum amount, which is calculated as a percentage of RRIF assets (as of January 1 of the year). The percentage is based on your age (or may be based on the age of your younger spouse or common-law partner) at the beginning of the year.

Old Age Security (OAS) benefits[6]

Months	Maximum monthly OAS pension[7] before age 75	Maximum monthly OAS pension[7] if age 75 or over
January to March	$687.56	$756.32
April to June	TBA[8]	TBA[8]
July to September	TBA[8]	TBA[8]
October to December	TBA[8]	TBA[8]

Withholding tax on RRSP or RRIF withdrawals

Withdrawal amount	All provinces (Excl. Quebec)	Quebec
Up to $5,000	10%	20%
Over $5,000, up to $15,000	20%	25%
Over $15,000	30%	30%

For RRIFs, there is no tax withheld on withdrawals of up to the required minimum amount. When filing a T1 income tax return for the year, actual taxes payable on RRSP and RRIF income may be higher or lower than the total tax withheld, depending on the RRSP or RRIF annuitant's income.

[2] The basic personal amount is reduced with taxable income between $165,430 and $235,675, and is limited to $13,521 with income above $235,675. [3] The amount for a spouse or common-law partner, or dependant, is reduced with taxable income between $165,430 to $235,675, and is limited to $13,521 with income above $235,675. The amount is also reduced based on the net income of the spouse or common-law partner, or dependant. [4] The age amount is reduced at a rate of 15% with net income exceeding $42,335. [5] The amount is reduced with dependant income above $18,783. [6] A recovery tax (clawback) applies to the OAS pension at a rate of 15% of net income exceeding $86,912 for the year, and the maximum OAS pension in the first quarter of 2023 is completely eliminated with net income exceeding $141,917 ($147,418 for OAS recipients who are age 75 or over). A tax-free Guaranteed Income Supplement (GIS) of up to $1,026.96 monthly (as of the first quarter of 2023) may be available to low-income recipients of the OAS pension.
[7] Assuming the individual started to receive the OAS pension at age 65. [8] To be announced.

Source: Tax Templates Inc.

Registered Education Savings Plan (RESP) overview

RESP contributions

There's no annual contribution limit for an RESP but there's a $50,000 lifetime contribution limit for each beneficiary. Generally, RESP contributions can be made for 31 years and plans can remain open for up to 36 years.

Assistance from the government of Canada

Canada Education Savings Grant (CESG)

CESGs are equal to 20% of the first $2,500 contributed for each beneficiary for each year, which may amount to an extra $500 per year, up to a maximum lifetime grant of $7,200 per beneficiary. Additional limitations may apply for RESP beneficiaries who are ages 16 and 17.

Additional Canada Education Savings Grant (Additional CESG)

Families with income equal to or less than $53,359 may be entitled to an additional 20% grant on the first $500 of RESP contributions for a year. Families earning more than $53,359 but not more than $106,717 may be entitled to an additional 10% grant on the first $500 of RESP contributions for a year. Additional limitations may apply for RESP beneficiaries who are ages 16 and 17.

Canada Learning Bond (CLB)

Available for beneficiaries who are age 15 or under throughout the year, CLBs may provide a lifetime maximum of $2,000 per beneficiary.

For each RESP beneficiary, the CLB may provide an initial $500 and annual CLB amounts of $100 for each of the next 15 years.

No contributions are necessary to get the CLB.

Provincial Incentives

Additional incentives are available in some provinces.

Registered Disability Savings Plan (RDSP) overview

RDSP contributions

An RDSP can be opened, and contributions can be made, until the end of the year when the RDSP beneficiary reaches age 59. The lifetime contribution limit per beneficiary is $200,000 with no annual limit on contributions. In some circumstances, the beneficiary's parent or legal guardian may be the holder. An RDSP may be opened for Canadian residents eligible for the Disability Tax Credit.

Canada Disability Savings Grant

The Canada Disability Savings Grant (CDSG) will provide a Government of Canada contribution that is paid directly into the RDSP and is dependent on family income.

The CDSG can be received up to a maximum of $3,500 per year until the end of the year when the beneficiary turns 49, to a lifetime maximum limit of $70,000.

Income level	CDSG	Maximum CDSG
Less than or equal to $106,717	$3 for every $1 contributed (300%) on the first $500 of RDSP contributions	$1,500
Less than or equal to $106,717	$2 for every $1 contributed (200%) on total RDSP contributions over $500 and up to $1,500	$2,000
Greater than $106,717 or no income information available	$1 for every $1 contributed (100%) on the first $1,000 of RDSP contributions	$1,000

Canada Disability Savings Bond

The Canada Disability Savings Bond (CDSB) was introduced to make the RDSP accessible to those who do not have the resources to make contributions. The CDSB will provide a Government of Canada contribution paid directly into the RDSP and is independent of any private contributions.

The CDSB can be received up to a maximum of $1,000 per year until the year the beneficiary turns 49, to a lifetime maximum limit of $20,000.

Income level	CDSB amount
Less than or equal to $34,863	$1,000
Between $34,863 and $53,359	Pro-rated portion of the max. amount of $1,000

Life income fund (LIF) minimum and maximum payment table

This table shows what your estimated minimum and maximum payments would be. Note that the payment will be included in the individual's taxable income for the year. Withholding tax will apply on any payment amounts that exceed the minimum payment for the calendar year.

Maximum withdrawal percentage (%)

Age at Dec. 31 of previous year	Minimum withdrawal (%)[9]	AB, SK[10], BC and NL, ON, NB[11]	QC, MB and NS	Federal	Age at Dec. 31 of previous year	Minimum withdrawal (%)[9]	AB, SK[10], BC and NL, ON, NB[11]	QC, MB and NS	Federal
50	2.50	6.27	6.10	4.33	73	5.53	9.00	8.50	6.89
51	2.56	6.31	6.10	4.36	74	5.67	9.34	8.80	7.24
52	2.63	6.35	6.10	4.40	75	5.82	9.71	9.10	7.65
53	2.70	6.40	6.10	4.44	76	5.98	10.15	9.40	8.11
54	2.78	6.45	6.10	4.48	77	6.17	10.66	9.80	8.65
55	2.86	6.51	6.40	4.53	78	6.36	11.25	10.30	9.29
56	2.94	6.57	6.50	4.58	79	6.58	11.96	10.80	10.03
57	3.03	6.63	6.50	4.64	80	6.82	12.82	11.50	10.93
58	3.13	6.70	6.60	4.70	81	7.08	13.87	12.10	12.03
59	3.23	6.77	6.70	4.76	82	7.38	15.19	12.90	13.40
60	3.33	6.85	6.70	4.83	83	7.71	16.90	13.80	15.16
61	3.45	6.94	6.80	4.91	84	8.08	19.19	14.80	17.52
62	3.57	7.04	6.90	4.99	85	8.51	22.40	16.00	20.81
63	3.70	7.14	7.00	5.09	86	8.99	27.23	17.30	25.76
64	3.85	7.26	7.10	5.19	87	9.55	35.29	18.90	34.01
65	4.00	7.38	7.20	5.31	88	10.21	51.46	20.00	50.50
66	4.17	7.52	7.30	5.43	89	10.99	100.00	20.00	100.00
67	4.35	7.67	7.40	5.57	90	11.92	100.00	20.00	100.00
68	4.55	7.83	7.60	5.73	91	13.06	100.00	20.00	100.00
69	4.76	8.02	7.70	5.90	92	14.49	100.00	20.00	100.00
70	5.00	8.22	7.90	6.10	93	16.34	100.00	20.00	100.00
71	5.28	8.45	8.10	6.33	94	18.79	100.00	20.00	100.00
72	5.40	8.71	8.30	6.59	95+	20.00	100.00	20.00	100.00

Some provinces have a minimum age requirement before payments from a LIF can be received. The minimum payment percentages are the same for all legislations and are determined by the *Income Tax Act*. British Columbia, Alberta, Manitoba and Ontario have an additional component to their calculation which takes into consideration the investment earnings of the LIF from the previous year. The maximum payments for each jurisdiction are subject to change on an annual basis. In January 2008, Ontario introduced "New LIFs" and no original LIFs ("Old LIFs") can be opened although some Old LIFs may still exist. [9] If your birthday is January 1st use the factor for the following year to calculate the LIF minimum payment. [10] Saskatchewan LIFs must be converted to a life annuity at age 80. LIFs are no longer available for purchase in Saskatchewan (they were replaced by Prescribed RRIFs (PRIFs) in 2002) although some Saskatchewan LIFs may still exist. No maximum limit for withdrawals from Saskatchewan PRIFs. [11] Effective January 1st, 2018, there is no maximum age for the owner of a LIF. The previous requirement for the LIF annuitant to purchase an annuity by the end of the calendar year in which they reach age 80 has been removed.

Tax-Free Savings Account (TFSA) overview

TFSA contributions

The TFSA came into effect in 2009 and is available to all Canadian residents age 18 or older. Unused contribution amounts may be carried forward indefinitely.

TFSA vs. RRSP

The assets of both TFSAs and RRSPs grow on a tax-free basis within the plans. Most people are familiar with using RRSPs for retirement savings, and TFSAs are one more tool investors can use in meeting their savings goals. The following table is a comparison of the features of a TFSA and RRSP, provided the rules are followed.

Features	TFSA	RRSP
Contributions	Contributions are not tax-deductible.	Contributions are tax-deductible when there is sufficient RRSP contribution room.
Withdrawals	Withdrawals are not included in income and, therefore, are tax-free.	Withdrawals are included in income and fully taxable in the year received.
Dollar limits and contribution room	The 2023 TFSA dollar limit is $6,500. TFSA contribution room for the current year is calculated as the total of the current year's dollar limit plus unused TFSA contribution room from the prior year plus amounts withdrawn from a TFSA in the prior year.	The 2023 RRSP dollar limit is $30,780. RRSP contribution room is calculated as 18% of the prior year's earned income (to a maximum of the RRSP dollar limit for the current year), minus any pension adjustments, plus any unused contribution room from prior years and pension adjustment reversal.
Minimum age requirement	The minimum age to open a TFSA is 18*.	There is no minimum age requirement to open an RRSP.*
Maximum age restriction	There is no maximum age restriction.	RRSP accounts must be closed by December 31 of the year in which an individual turns 71.

*In some provinces, an RRSP or TFSA issuer may require the annuitant or holder to be the age of majority, which is either 18 or 19 depending on the province, before opening an RRSP or TFSA.

Tax owing by individuals at various levels of taxable income

This table shows the combined federal and provincial/territorial income taxes payable assuming ordinary income and that only the basic personal amount and applicable low-income rate reductions are claimed.

Combined Federal and Provincial or Territorial Income Tax

Taxable income	AB	BC	MB[12]	NB	NL	NS	NT	NU	ON[13]	PE	QC	SK	YT
$20,000	$750	$750	$1,709	$750	$750	$1,449	$951	$833	$1,024	$1,184	$1,081	$996	$1,070
$30,000	$3,150	$2,884	$4,318	$3,442	$3,957	$3,929	$3,041	$2,733	$3,466	$4,014	$3,933	$3,546	$3,210
$40,000	$5,650	$5,168	$6,959	$6,182	$6,327	$6,977	$5,131	$4,633	$5,621	$6,814	$6,704	$6,096	$5,350
$50,000	$8,150	$7,288	$9,734	$8,884	$9,193	$10,025	$7,266	$6,533	$7,807	$9,694	$9,492	$8,652	$7,490
$60,000	$11,015	$9,924	$12,875	$12,149	$12,508	$13,453	$9,991	$9,072	$10,588	$12,940	$13,066	$11,767	$10,168
$70,000	$14,065	$12,744	$16,200	$15,599	$16,008	$17,222	$12,901	$11,822	$13,553	$16,545	$16,878	$15,067	$13,118
$80,000	$17,115	$15,564	$19,542	$19,049	$19,508	$20,966	$15,811	$14,572	$16,668	$20,265	$20,690	$18,367	$16,068
$90,000	$20,165	$18,384	$23,332	$22,499	$23,100	$24,683	$18,721	$17,322	$19,693	$23,985	$24,502	$21,667	$19,018
$100,000	$23,215	$21,448	$27,122	$26,040	$26,730	$28,457	$21,753	$20,072	$22,878	$27,705	$28,372	$24,967	$21,968
$120,000	$30,045	$28,649	$35,432	$34,071	$34,720	$36,787	$29,023	$26,667	$31,105	$36,198	$37,407	$32,297	$28,850
$140,000	$37,245	$36,613	$44,112	$42,471	$43,080	$45,487	$36,663	$33,667	$39,787	$45,072	$47,099	$39,997	$36,230
$160,000	$44,799	$44,753	$52,792	$50,871	$51,680	$54,537	$44,356	$40,667	$48,624	$53,946	$56,624	$48,056	$43,610
$180,000	$52,975	$53,532	$61,956	$59,868	$60,923	$64,421	$52,849	$48,515	$58,101	$63,303	$66,520	$56,640	$51,771
$200,000	$61,439	$62,755	$71,299	$69,631	$70,346	$74,484	$61,522	$56,678	$67,758	$72,841	$76,566	$65,403	$60,221
$250,000	$83,347	$86,684	$95,185	$94,567	$95,288	$100,170	$83,733	$77,614	$93,047	$97,211	$102,121	$87,838	$81,855
$300,000	$106,847	$113,434	$120,385	$120,817	$122,040	$127,170	$107,258	$99,864	$119,812	$122,896	$128,773	$111,588	$104,755
$350,000	$130,432	$140,184	$145,585	$147,067	$148,940	$154,170	$130,783	$122,114	$146,576	$148,581	$155,426	$135,338	$127,655
$400,000	$154,432	$166,934	$170,785	$173,317	$175,840	$181,170	$154,308	$144,364	$173,341	$174,266	$182,078	$159,088	$150,555
$450,000	$178,432	$193,684	$195,985	$199,567	$202,740	$208,170	$177,833	$166,614	$200,106	$199,951	$208,731	$182,838	$173,455
$500,000	$202,432	$220,434	$221,185	$225,817	$229,640	$235,170	$201,358	$188,864	$226,871	$225,636	$235,383	$206,588	$196,355
$750,000	$322,432	$354,184	$347,185	$357,067	$365,242	$370,170	$318,983	$300,114	$360,695	$354,061	$368,646	$325,338	$316,355
$1,000,000	$442,432	$487,934	$473,185	$488,317	$500,992	$505,170	$436,608	$411,364	$494,519	$482,486	$501,908	$444,088	$436,355

Source: Tax Templates Inc.

[12] Manitoba amounts include the Family Tax Benefit. [13] Ontario amounts include the Ontario Health Premium.

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 estate representative. This table shows probate fees or administrative charges for probating a will. Other fees may also apply.

Province or Territory	Fee schedule (Estate value over $50,000)[14]	Example of fees with $500,000 estate value	Example of fees with $2,000,000 estate value	Example of fees with $5,000,000 estate value
Alberta	$275 to $525	$525	$525	$525
British Columbia	$350 + 1.4% of portion > $50,000	$6,650	$27,650	$69,650
Manitoba[15]	No probate fee	N/A	N/A	N/A
New Brunswick	0.5% of estate	$2,500	$10,000	$25,000
Newfoundland and Labrador	$60 + 0.6% of portion > $1,000	$3,054	$12,054	$30,054
Northwest Territories	$215 to $435	$435	$435	$435
Nova Scotia	$1,003 + 1.695% of portion > $100,000	$7,783	$33,208	$84,058
Nunavut	$200 to $400	$400	$400	$400
Ontario	1.5% of portion > $50,000	$6,750	$29,250	$74,250
Prince Edward Island	$400 + 0.4% of portion > $100,000	$2,000	$8,000	$20,000
Quebec[16]	Nominal fee	Nominal fee	Nominal fee	Nominal fee
Saskatchewan	0.7% of estate	$3,500	$14,000	$35,000
Yukon	$140	$140	$140	$140

[14] For some provinces and territories, different rates may apply to smaller estates (less than $50,000). [15] While there are no probate fees for applications for probate or administration made on or after November 6, 2020, certain court fees may continue to apply. [16] Although Quebec does not levy probate fees, wills (other than notarial wills) must be authenticated by the Superior Court of Quebec. A nominal fee applies.

Combined federal and provincial or territorial tax rates for a Canadian Controlled Private Corporation (CCPC)[17]

Province or territory	M&P rate[18]	General rate	Small Business Deduction (SBD) limit ($)[19]	Small Business Deduction (SBD) rate[20]	Investment income rate	Personal services business rate
Alberta	23.00%	23.00%	500,000	11.00%	46.67%	41.00%
British Columbia	27.00%	27.00%	500,000	11.00%	50.67%	45.00%
Manitoba	27.00%	27.00%	500,000	9.00%	50.67%	45.00%
New Brunswick	29.00%	29.00%	500,000	11.50%	52.67%	47.00%
Newfoundland and Labrador	30.00%	30.00%	500,000	12.00%	53.67%	48.00%
Northwest Territories	26.50%	26.50%	500,000	11.00%	50.17%	44.50%
Nova Scotia	29.00%	29.00%	500,000	11.50%	52.67%	47.00%
Nunavut	27.00%	27.00%	500,000	12.00%	50.67%	45.00%
Ontario	25.00%	26.50%	500,000	12.20%	50.17%	44.50%
Prince Edward Island	31.00%	31.00%	500,000	10.00%	54.67%	49.00%
Quebec	26.50%	26.50%	500,000	12.20%	50.17%	44.50%
Saskatchewan	25.00%	27.00%	600,000	9.50%	50.67%	45.00%
Yukon	17.50%	27.00%	500,000	9.00%	50.67%	45.00%

[17] For a CCPC with a tax year of Jan 1 to Dec 31. Rates may vary for non-calendar tax years. [18] Quebec: M&P rate is 13.00% for income up to the SBD limit. Yukon: M&P rate is 9.00% for income up to the SBD limit. [19] The federal SBD limit is $500,000. [20] The SBD rate applies to income that is eligible for the SBD. The Saskatchewan SBD rate is 15.50% with ABI between $500,000 and $600,000.

Corporate and individual tax integration

This table determines the tax savings (cost), and the tax deferral (prepayment), by earning income in a CCPC vs. personally, assuming the individual is taxed at the highest marginal tax rate.

Active Business Income (ABI) eligible for Small Business Deduction (SBD)

Income earned through a corporation ($)	AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YT
Corporate income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Corporate tax	(110)	(110)	(90)	(115)	(120)	(115)	(110)	(120)	(122)	(100)	(122)	(95)	(90)
Available for distribution (A)	890	890	910	885	880	885	890	880	878	900	878	905	910
Tax payable by the individual	(377)	(435)	(425)	(414)	(431)	(427)	(328)	(333)	(419)	(423)	(428)	(378)	(401)
Net cash to individual (B)	513	455	485	471	449	458	562	547	459	477	450	527	509

Income earned directly by an individual ($)	AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YT
Personal income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Personal tax	(480)	(535)	(504)	(525)	(548)	(540)	(471)	(445)	(535)	(514)	(533)	(475)	(480)
Net cash to individual (C)	520	465	496	475	452	460	530	555	465	486	467	525	520

Summary ($)	AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YT
Tax savings (cost) of incorporation (B) – (C)	(7)	(10)	(11)	(4)	(3)	(2)	33	(8)	(6)	(10)	(17)	2	(11)
Tax deferral (pre-payment) (A) – (C)	370	425	414	410	428	425	361	325	413	414	411	380	390

Corporate and individual tax integration

Tax savings (cost) of incorporation (%)	AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YT
Investment income (CCPC), (e.g. interest, rents, royalties)	(3.5)	(5.6)	(6.9)	(6.7)	(6.9)	(6.3)	(2.1)	(5.7)	(4.4)	(9.7)	(5.4)	(6.0)	(7.2)
Capital gains	(1.8)	(2.8)	(3.5)	(3.3)	(3.4)	(3.2)	(1.0)	(2.9)	(2.2)	(4.9)	(2.7)	(3.0)	(3.6)
Canadian dividends – Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Canadian dividends – Non-eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign income, 15% withholding tax	(10.4)	(11.7)	(13.3)	(12.4)	(12.0)	(11.8)	(9.6)	(13.1)	(10.6)	(14.7)	(11.5)	(12.9)	(13.9)
ABI eligible for SBD	(0.7)	(1.0)	(1.1)	(0.4)	(0.3)	(0.2)	3.3	(0.8)	(0.6)	(1.0)	(1.7)	0.2	(1.1)
ABI eligible for M&P credit	(1.8)	(0.3)	(4.3)	0.5	(7.5)	(4.5)	(0.4)	(6.7)	(1.2)	(3.2)	(2.8)	(0.1)	5.1
ABI with no SBD or M&P credit	(1.8)	(0.3)	(4.3)	0.5	(7.5)	(4.5)	(0.4)	(6.7)	(2.0)	(3.2)	(2.8)	(1.3)	(0.3)

Tax deferral (pre-payment) from incorporation (%)	AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YT
Investment income (CCPC), (e.g. interest, rents, royalties)	1.3	2.8	(0.3)	(0.2)	1.1	1.3	(3.1)	(6.2)	3.4	(3.3)	3.1	(3.2)	(2.7)
Capital gains	0.7	1.4	(0.1)	(0.1)	0.6	0.7	(1.6)	(3.1)	1.7	(1.7)	1.6	(1.6)	(1.3)
Canadian dividends – Eligible	(4.0)	(1.8)	(0.6)	(5.9)	7.9	3.3	(10.0)	(5.3)	1.0	(4.1)	1.8	(8.7)	(9.4)
Canadian dividends – Non-eligible	4.0	10.6	8.3	8.5	10.6	9.9	(1.5)	(0.5)	9.4	8.7	10.4	3.5	5.7
Foreign income, 15% withholding tax	1.3	2.8	(0.3)	(0.2)	1.1	1.3	(3.1)	(6.2)	3.4	(3.3)	3.1	(3.2)	(2.7)
ABI eligible for SBD	37.0	42.5	41.4	41.0	42.8	42.5	36.1	32.5	41.3	41.4	41.1	38.0	39.0
ABI eligible for M&P credit	25.0	26.5	23.4	23.5	24.8	25.0	20.6	17.5	28.5	20.4	26.8	22.5	30.5
ABI with no SBD or M&P credit	25.0	26.5	23.4	23.5	24.8	25.0	20.6	17.5	27.0	20.4	26.8	20.5	21.0

Investment (dis)advantage when investment income is retained in a corporation (%)	AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YT
Investment income (CCPC), (e.g. interest, rents, royalties)	4.9	8.4	6.7	6.5	8.0	7.6	(1.0)	(0.4)	7.8	6.4	8.5	2.8	4.6
Capital gains	2.4	4.2	3.3	3.3	4.0	3.8	(0.5)	(0.2)	3.9	3.2	4.3	1.4	2.3
Canadian dividends – Eligible	(4.0)	(1.8)	(0.5)	(5.9)	7.9	3.2	(10.0)	(5.3)	1.0	(4.1)	1.8	(8.7)	(9.4)
Canadian dividends – Non-Eligible	4.0	10.6	8.3	8.5	10.6	9.9	(1.5)	(0.5)	9.4	8.7	10.4	3.5	5.7
Foreign income, 15% withholding tax	11.7	14.5	13.0	12.2	13.1	13.1	6.5	7.0	14.0	11.4	14.6	9.7	11.2

Source: Tax Templates Inc.

Notes

Assumptions

The integration tables show the tax savings (cost), the tax deferral (prepayment), and the investment advantage (disadvantage) by earning different types of income in a CCPC (rather than personally). It is assumed that:

- the individual and corporation reside in the same province
- the individual shareholder is taxed at the highest effective tax rate, and
- the corporation is a CCPC with a taxation year that begins on January 1 and ends on December 31.

Taxation of corporations and shareholders

When income is earned through a corporation, there are two layers of income tax: the corporation first pays corporate tax on the income; then, when the corporation distributes the after-tax corporate income as a dividend to a shareholder who is an individual, the individual pays personal tax. By contrast, when an individual earns income personally, there is only one layer of tax – personal.

The types of income that are included in the table are outlined below, along with simplified information about the taxes that will generally apply in most circumstances.

SBD Income is active business income that is eligible for the small business deduction (SBD), so it's taxed at lower rates in a corporation. After-tax SBD Income may be distributed as non-eligible dividends to shareholders.

The federal threshold for the SBD is reduced for CCPCs with taxable capital over $10 million. The SBD is not available to CCPCs with taxable capital over $50 million for taxation years that begin on or after April 7, 2022. The federal threshold for the SBD is also reduced for CCPCs with over $50,000 of adjusted aggregate investment income in the previous year. All provinces other than Ontario and New Brunswick follow this federal measure. Further information on passive income in a CCPC is available in the report "CCPC Tax Planning for Passive Income."

M&P Income is active business income that is eligible for the manufacturing and processing (M&P) credit. After-tax M&P income may generally be distributed as eligible dividends, although a portion may be distributed as non-eligible dividends.

General Income includes active business income that is not eligible for the SBD or the M&P credit, so it's taxed at higher rates in a corporation. After-tax General Income may generally be distributed as eligible dividends to shareholders.

Investment income includes interest, rents and royalties and is initially taxed at a high rate in a corporation (which is meant to approximate the highest personal tax rate on this income); however, a portion of the corporate tax is generally refunded to the corporation when the corporation distributes the income as non-eligible dividends to shareholders.

Foreign income, 15% withholding tax is taxed in the same way as investment income; however, a lower portion of corporate tax is generally refunded to the corporation when dividends are paid to shareholders.

50% of **capital gains** are not taxed in a corporation and may be distributed as capital dividends to shareholders, who generally pay no personal tax on the dividends. The other 50% of capital gains is taxed in the same way as investment income.

Eligible Canadian dividends are paid from income that was taxed at a relatively high rate in the corporation, such as General Income. Individual shareholders pay personal tax on the dividends they receive but can claim an enhanced (higher) dividend tax credit that reduces personal tax. This helps compensate for the higher corporate tax.

Non-eligible Canadian dividends are generally paid from two types of corporate income. The first is SBD Income, which is taxed at lower rates in a corporation. The second is Investment Income and capital gains, which includes a portion of non-refundable and refundable corporate taxes. Individual shareholders pay personal tax on the dividends they receive but can claim a dividend tax credit that reduces personal tax.

Corporations generally pay no tax on dividends that they receive from connected Canadian corporations, unless the payor corporation received a refund of refundable taxes. Corporations pay a refundable tax on eligible and non-eligible dividends that they receive from non-connected corporations; this corporate tax is refunded when the corporation distributes dividends.

Effective since 2019, CCPCs generally cannot obtain refunds of taxes paid on investment income while distributing dividends from income taxed at the general corporate rate. Refunds will continue to be available when "non-eligible dividends" are paid out.

Integration

The **tax deferral (prepayment)** arises when income is earned in a CCPC and the corporate tax is less than (greater than) the personal tax that would be paid by an individual. It represents the extra cash (cash deficit) when a corporation earns income and keeps the after-tax income in the corporation, compared to an individual who earns the same income.

The **tax savings (cost)** arises when income is earned in a CCPC and the combined corporate and personal taxes are less than (greater than) the personal tax that would be paid by an individual. It represents the extra cash (cash deficit) when a corporation earns income and has distributed the after-tax income to the shareholder, compared to an individual who earns the same income. When there is "perfect integration," there is no tax savings or tax cost.

The **investment advantage (disadvantage)** is calculated as the difference between the combined corporate and personal tax rate when income is earned through a corporation, and the personal tax rate on the same income. It represents the advantage (or disadvantage) from keeping after-tax investment income in a corporation, when the source of the capital is after-tax income that was originally earned in the corporation.

How the integration information may be helpful to business owners

The tax savings (cost) and the tax deferral (prepayment) from incorporation may help owner-managers to decide whether to earn income within a corporation or personally, and whether income should be paid as salary/bonus or dividends. Additional information is available in the report "Bye Bye Bonus."

Once the decision has been made to retain after-tax income in the corporation for investment purposes (perhaps due to the significant tax deferral on active business income), the owner-manager should also determine whether to retain the after-tax investment income that is earned on the invested funds within the corporation.

When there is an investment advantage (positive value), after-tax investment income should generally be retained in the corporation for re-investment provided that the owner-manager does not need the funds for personal use. The larger the investment advantage, the larger the benefit from leaving after-tax investment income in the corporation for re-investment. When there is an investment disadvantage (negative value), after-tax investment income should generally be distributed to shareholders in the year it is earned. The larger the investment disadvantage, the larger the benefit from distributing after-tax investment income from the corporation and re-investing personally. Additional information is available in the report "In Good Company."

226 | 01/2023