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Tax facts and figures
Canada 2012

Canadian individual and corporate tax changes, tax rates, tax deadlines and a wide range of other valuable tax information.

2012

pwc

Key 2012 income tax rates – individuals and corporations

Applies to taxable income above $132,406 ($150,000 for Nova Scotia; $500,000 in Ontario).

Individuals (page 4)

Top combined marginal rates

	Ordinary income and interest	Capital gains	Canadian dividends: Eligible	Canadian dividends: Non-eligible
Federal	29.00%	14.50%	19.29%	19.58%
Alberta	39.00%	19.50%	19.29%	27.71%
British Columbia	43.70%	21.85%	25.78%	33.71%
Manitoba	46.40%	23.20%	32.26%	39.15%
New Brunswick	43.30%	21.65%	22.47%	30.83%
Newfoundland and Labrador	42.30%	21.15%	22.47%	29.96%
Northwest Territories	43.05%	21.53%	22.81%	29.65%
Nova Scotia	50.00%	25.00%	36.06%	36.21%
Nunavut	40.50%	20.25%	27.56%	28.96%
Ontario	47.97%	23.98%	31.69%	34.52%
Prince Edward Island	47.37%	23.69%	28.70%	41.17%
Quebec	48.22%	24.11%	32.81%	36.35%
Saskatchewan	44.00%	22.00%	24.81%	33.33%
Yukon	42.40%	21.20%	15.93% to 19.29%	30.41%

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

Corporations (page 19)

Combined rates

		General and M&P	Canadian-Controlled Private Corporations (CCPCs) – Active business income: to $400,000	Canadian-Controlled Private Corporations (CCPCs) – Active business income: $400,000 to $500,000	Canadian-Controlled Private Corporations (CCPCs) – Investment income
Federal		15%	11%		34.67%
Alberta		25%	14%		44.67%
British Columbia		25%	13.5%		44.67%
Manitoba		27%	11%	23%	46.67%
New Brunswick		25%	15.5%		44.67%
Newfoundland and Labrador	**General**	29%	15%		48.67%
	M&P	20%			n/a
Northwest Territories		26.5%	15%		46.17%
Nova Scotia		31%	15%	27%	50.67%
Nunavut		27%	15%		46.67%
Ontario	**General**	26.5%	15.5%		46.17%
	M&P	25%			n/a
Prince Edward Island		31%	12%		50.67%
Quebec		26.9%	19%		46.57%
Saskatchewan	**General**	27%	13%		46.67%
	M&P	25%			n/a
Yukon	**General**	30%	15%		49.67%
	M&P	17.5%	13.5%		n/a

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Tax facts and figures
Canada 2012

A message from our tax leader

I am pleased to present PwC's 35th edition of *Tax facts and figures*. This informative publication answers many practical questions that arise in the course of tax, financial and estate planning. Its user-friendly format will save you both time and effort in understanding the myriad tax rates, tax deadlines and tax changes that apply to you and your company.

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Of course, tax information is most effective when used in tandem with professional advice. For help, please contact your PwC tax adviser or any of the individuals listed on this page.

Chris

Christopher Kong
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Rates and other information are current to May 31, 2012, but may change as a result of legislation or regulations issued after that date.

Highlights for individuals and corporations: 2012 and beyond

Federal

Personal income tax rates: increased on eligible dividends in 2012 (p. 10).

Corporate income tax rates: general and M&P rate decreased from 16.5% to 15% on January 1, 2012; small business rate unchanged (p. 24).

Pooled Registered Pension Plans: new voluntary savings plan introduced (p. 10).

Personal services business: tax rate increased for taxation years starting after October 31, 2011 (p. 25).

Scientific research and experimental development: after 2013 – 20% investment tax credit (ITC) decreasing to 15% and capital expenditures will no longer be eligible for SR&ED deduction or ITCs; program to be reviewed (p. 24).

Joint ventures: separate fiscal period eliminated for taxation years ending after March 22, 2011 (p. 24).

Thin capitalization rules: 2-to-1 debt-to-equity ratio decreasing to 1.5-to-1 for taxation years beginning after 2012; scope of rules broadened (p. 25).

Foreign affiliate dumping: sweeping rules curtail transactions occurring after March 28, 2012, involving an investment in a foreign affiliate by a Canadian subsidiary of a foreign parent (p. 25).

Alberta

Personal and corporate income tax rates: unchanged[1] (pp. 12, 26).

British Columbia

Personal income tax rates: unchanged[1] (p. 12).

Corporate income tax rates: general and M&P rate increasing from 10% to 11% on April 1, 2014, if fiscal situation worsens; small business rate remains 2.5% (p. 26).

Harmonized Sales Tax: to be replaced by provincial sales tax and federal Goods and Services Tax on April 1, 2013 (pp. 13, 26).

Manitoba

Personal income tax rates: unchanged[1] (p. 13).

Corporate income tax rates: general and M&P rate decreasing from 12% to 11% at a date to be determined; small business rate unchanged (p. 27).

Financial institutions capital tax: rate increasing from 3% to 4% for fiscal years ending after April 17, 2012 (p. 27).

New Brunswick

Personal income tax rates: unchanged[1] (p. 14).

Corporate income tax rates: general and M&P rate unchanged; small business rate decreasing in stages from 4.5% to 2.5% over next three years (p. 28).

Financial Corporation Capital Tax: rate increased from 3% to 4% on April 1, 2012 (p. 28).

1. 2012 personal tax rates on eligible dividends in the province increased due to federal changes. Provincial tax changes also affect 2012 personal tax rates on eligible dividends in British Columbia (p.12) and Manitoba (p.13).

Highlights for individuals and corporations: 2012 and beyond

Newfoundland and Labrador

Personal and corporate income tax rates: unchanged[1] (pp. 14, 28).

Northwest Territories

Personal and corporate income tax rates: unchanged[1] (pp. 15, 29).

Nova Scotia

Personal income tax rates: unchanged[1] (p. 15).

Corporate income tax rates: general and M&P rate unchanged; small business rate decreasing from 4.5% to 4% on January 1, 2012, and to 3.5% on January 1, 2013 (p. 29).

General capital tax: phased out on July 1, 2012 (p. 29).

Harmonized sales tax: decreasing from 15% to 14% by July 1, 2014, and to 13% by July 1, 2015 (pp. 15, 29).

Nunavut

Personal and corporate income tax rates: unchanged[1] (pp. 16, 30).

Ontario

Because the Ontario government is in a minority, it is uncertain whether Ontario tax changes that have not been enacted into law will proceed. At the publication date, the 2012 Ontario budget measures had not been enacted.

Personal income tax rates: rate on taxable incomes over $500,000 increasing from 11.16% to 12.16% for 2012 and to 13.16 after 2012, plus surtaxes[1] (p. 16).

Corporate income tax rates: general rate frozen at 11.5% until the budget is balanced; M&P and small business rates unchanged (p. 30).

Prince Edward Island

Personal and corporate income tax rates: unchanged[1] (pp. 17, 31).

Harmonized Sales Tax (HST): a 14% HST rate will replace a combined 15.5% provincial sales tax/federal goods and services tax rate on April 1, 2013 (pp. 17, 31).

Quebec

Personal and corporate income tax rates: unchanged[1] (pp. 17, 32).

Quebec Sales Tax: rate increased from 8.5% to 9.5% on January 1, 2012; tax to be harmonized with the GST on January 1, 2013 (pp. 17, 32).

Saskatchewan

Personal income tax rates: increased on non-eligible dividends in 2012[1] (p. 18).

Corporate income tax rates: unchanged (p. 33).

Yukon

Personal and corporate income tax rates: unchanged[1] (pp. 18, 33).

1. 2012 personal tax rates on eligible dividends in the province or territory increased due to federal changes.

Individuals

Individual marginal rates for 2012

This table shows combined federal and provincial (or territorial) marginal tax rates – the percentage of tax paid on the last dollar of income, or on additional income.

Provincial brackets below $10,822 are not shown.

Taxable income $10,822 to $42,707

Province	Brackets $	Ordinary income & interest %	Capital gains %	Canadian dividends[1] Eligible %	Canadian dividends[1] Non-eligible %
Federal	10,822	15.00	7.50	(0.03) to 0	2.08
Alberta	17,282 10,822	25.00 15.00	12.50 7.50	(0.03) to 0 (0.03) to 0	10.21 2.08
British Columbia	37,013 11,354 10,822	22.70 20.06 15.00	11.35 10.03 7.50	(3.20) to 0 (6.84) to 0 (0.03) to 0	7.46 4.16 2.08
Manitoba	31,000 10,822	27.75 25.80	13.88 12.90	6.53 to 6.56 3.84 to 3.86	15.83 13.40
New Brunswick	38,190 10,822	27.10 24.10	13.55 12.05	0.11 to 0.14 (4.03) to 0	10.58 6.83
Newfoundland and Labrador	32,893 10,822	27.50 22.70	13.75 11.35	2.04 to 2.07 (4.58) to 0	11.46 5.46
Northwest Territories	38,679 13,280 10,822	23.60 20.90 15.00	11.80 10.45 7.50	(4.03) to 0 (7.76) to 0 (0.03) to 0	5.33 1.96 to 2.08 2.08
Nova Scotia	29,590 10,822	29.95 23.79	14.98 11.90	8.39 to 8.42 (0.11) to 0	11.15 3.45
Nunavut	40,721 12,211 10,822	22.00 19.00 15.00	11.00 9.50 7.50	2.03 to 2.06 (2.11) to 0 (0.03) to 0	5.83 2.08 2.08
Ontario	39,020 10,822	24.15 20.05	12.08 10.03	3.77 to 3.80 (1.89) to 0	7.90 2.77
Prince Edward Island	31,984 10,822	28.80 24.80	14.40 12.40	4.53 to 4.55 (0.99) to 0	18.08 13.08
Quebec	40,100 13,656 10,822	32.53 28.53 12.53	16.26 14.26 6.26	11.16 to 11.18 5.64 to 5.66 (0.02) to 0	16.74 11.74 1.74
Saskatchewan	42,065 14,942 10,822	28.00 26.00 15.00	14.00 13.00 7.50	2.73 to 2.76 (0.03) to 0 (0.03) to 0	13.33 10.83 2.08
Yukon	10,822	22.04	11.02	(11.12) to 0	5.25
Non-resident[2]	10,822	22.20	11.10	(0.04) to 0	3.08

Taxable income $42,707 to $85,414

Province	Brackets $	Ordinary income & interest %	Capital gains %	Canadian dividends[1] Eligible %	Canadian dividends[1] Non-eligible %
Federal	42,707	22.00	11.00	9.63	10.83
Alberta	42,707	32.00	16.00	9.63	18.96
British Columbia	84,993 74,028 42,707	34.29 32.50 29.70	17.15 16.25 14.85	12.79 10.32 6.46 to 9.63	21.95 19.71 16.21
Manitoba	67,000 42,707	39.40 34.75	19.70 17.38	22.60 16.19	30.40 24.58
New Brunswick	76,380 42,707	34.40 34.10	17.20 17.05	10.18 9.77	19.71 19.33
Newfoundland and Labrador	65,785 42,707	35.30 34.50	17.65 17.25	12.81 11.70	21.21 20.21
Northwest Territories	77,360 42,707	34.20 30.60	17.10 15.30	10.60 5.63 to 9.63	18.58 14.08
Nova Scotia	59,180 42,707	38.67 36.95	19.34 18.48	20.42 18.05	22.05 19.90
Nunavut	81,442 42,707	31.00 29.00	15.50 14.50	14.45 11.69	17.08 14.58
Ontario	80,963 78,043 68,719 42,707	39.41 35.39 32.98 31.15	19.70 17.70 16.49 15.58	19.88 17.52 14.19 13.43	23.82 20.82 17.81 16.65
Prince Edward Island	63,969 42,707	38.70 35.80	19.35 17.90	18.19 14.19	30.46 26.83
Quebec	80,200 42,707	42.37 38.37	21.19 19.19	24.74 19.22	29.05 24.05
Saskatchewan	42,707	35.00	17.50	12.39	22.08
Yukon	81,501 42,707	32.16 31.68	16.08 15.84	1.81 to 9.63 2.18 to 9.63	17.62 17.30
Non-resident[2]	42,707	32.56	16.28	14.26	16.03

Taxable income $85,414 to $132,406

Province	Brackets $	Ordinary income & interest %	Capital gains %	Canadian dividends[1] Eligible %	Canadian dividends[1] Non-eligible %
Federal	85,414	26.00	13.00	15.15	15.83
Alberta	85,414	36.00	18.00	15.15	23.96
British Columbia	103,205 85,414	40.70 38.29	20.35 19.15	21.64 18.31	29.96 26.95
Manitoba	85,414	43.40	21.70	28.12	35.40
New Brunswick	124,178 85,414	40.30 38.40	20.15 19.20	18.33 15.70	27.08 24.71
Newfoundland and Labrador	85,414	39.30	19.65	18.33	26.21
Northwest Territories	125,771 85,414	40.05 38.20	20.03 19.10	18.67 16.12	25.90 23.58
Nova Scotia	93,000 85,414	43.50 42.67	21.75 21.34	27.09 25.94	28.08 27.05
Nunavut	85,414	35.00	17.50	19.97	22.08
Ontario	85,414	43.41	21.70	25.40	28.82
Prince Edward Island	98,143 85,414	44.37 42.70	22.19 21.35	24.56 23.71	37.42 35.46
Quebec	85,414	45.71	22.86	29.35	33.22
Saskatchewan	120,185 85,414	41.00 39.00	20.50 19.50	20.67 17.91	29.58 27.08
Yukon	85,414	38.01	19.01	9.88 to 15.15	24.93
Non-resident[2]	85,414	38.48	19.24	22.43	23.43

Taxable income > $132,406

Province	Brackets $	Ordinary income & interest %	Capital gains %	Canadian dividends[1] Eligible %	Canadian dividends[1] Non-eligible %
Federal	132,406	29.00	14.50	19.29	19.58
Alberta	132,406	39.00	19.50	19.29	27.71
British Columbia	132,406	43.70	21.85	25.78	33.71
Manitoba	132,406	46.40	23.20	32.26	39.15
New Brunswick	132,406	43.30	21.65	22.47	30.83
Newfoundland and Labrador	132,406	42.30	21.15	22.47	29.96
Northwest Territories	132,406	43.05	21.53	22.81	29.65
Nova Scotia	150,000 132,406	50.00 46.50	25.00 23.25	36.06 31.23	36.21 31.83
Nunavut	132,406	40.50	20.25	27.56	28.96
Ontario	500,000 132,406	47.97 46.41	23.98 23.20	31.69 29.54	34.52 32.57
Prince Edward Island	132,406	47.37	23.69	28.70	41.17
Quebec	132,406	48.22	24.11	32.81	36.35
Saskatchewan	132,406	44.00	22.00	24.81	33.33
Yukon	132,406	42.40	21.20	15.93 to 19.29	30.41
Non-resident[2]	132,406	42.92	21.46	28.55	28.98

1. Eligible dividends are designated as such by the payor. Most dividends paid by public corporations will be eligible dividends. When two dividend rates are indicated, the rate that applies depends on the level of the taxpayer's other income, with the higher rate applying if the taxpayer has no other income.

2. A non-resident will pay tax on taxable income below $10,822 if the non-resident does not qualify for the federal personal basic tax credit (see page 5). Non-resident rates for interest and dividends apply only in limited cases; generally, interest (other than most interest paid to arm's-length non-residents) and dividends are subject to Part XIII non-resident withholding tax.

Individuals

How much tax? Individual tax table for 2012

This table shows the combined federal and provincial (or territorial) income taxes payable, assuming all income is interest or ordinary income (such as salary) and only the basic personal tax credit is claimed (except for non-residents).

Certain types of income and deductions may trigger alternative minimum tax (AMT), affecting the results.

This table assumes the non-resident will not qualify for the basic personal tax credit. A non-resident can claim this credit only if all or substantially all (i.e., 90% or more) of his or her worldwide income is included in taxable income earned in Canada for the year.

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. Non-residents are subject to provincial or territorial rates on employment income earned, and business income connected with a permanent establishment, in the respective province or territory. Different rates may apply to non-residents in other circumstances.

For the taxation of interest and dividends paid to non-residents, see footnote 2 on page 4.

For Quebec, the federal income tax amounts shown should be reduced by the 16.5% "Quebec abatement." See page 17.

Taxable income	Federal income tax	Combined 2012 federal and provincial/territorial income tax: Alberta	B.C.	Manitoba	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nunavut	Ontario	P.E.I.	Quebec	Sask.	Yukon	Non-resident	Taxable income
$1,000,000	$277,998	$376,270	$417,365	$447,346	$416,427	$408,259	$411,559	$478,390	$386,349	$451,427	$456,170	$465,132	$423,110	$406,281	$413,840	**$1,000,000**
500,000	132,998	181,270	198,865	215,346	199,927	196,759	196,309	228,390	183,849	211,579	219,320	224,057	203,110	194,291	199,240	**500,000**
400,000	103,998	142,270	155,165	168,946	156,627	154,459	153,259	178,390	143,349	165,169	171,950	175,842	159,110	151,893	156,320	**400,000**
300,000	74,998	103,270	111,465	122,546	113,327	112,159	110,209	128,390	102,849	118,760	124,580	127,627	115,110	109,495	113,400	**300,000**
250,000	60,498	83,770	89,615	99,346	91,677	91,009	88,684	103,390	82,599	95,555	100,895	103,519	93,110	88,296	91,940	**250,000**
200,000	45,998	64,270	67,765	76,146	70,027	69,859	67,159	78,390	62,349	72,350	77,210	79,412	71,110	67,097	70,480	**200,000**
150,000	31,498	44,770	45,915	52,946	48,377	48,709	45,634	53,390	42,099	49,145	53,525	55,304	49,110	45,898	49,020	**150,000**
100,000	17,971	26,242	25,115	30,718	28,158	28,531	25,558	31,113	23,632	26,913	30,812	32,008	28,486	26,120	28,999	**100,000**
90,000	15,371	22,642	21,286	26,378	24,318	24,601	21,738	26,788	20,132	22,572	26,511	27,437	24,586	22,319	25,151	**90,000**
80,000	12,987	19,259	17,763	22,255	20,695	20,888	18,134	22,737	16,877	18,486	22,457	23,055	20,902	18,842	21,624	**80,000**
70,000	10,787	16,059	14,626	18,315	17,274	17,358	14,979	18,870	13,977	15,141	18,587	19,218	17,402	15,674	18,368	**70,000**
60,000	8,587	12,859	11,656	14,700	13,864	13,874	11,919	15,003	11,077	12,002	14,832	15,381	13,902	12,506	15,112	**60,000**
50,000	6,387	9,659	8,686	11,225	10,454	10,424	8,859	11,294	8,177	8,887	11,252	11,544	10,402	9,338	11,856	**50,000**
40,000	4,377	6,649	5,905	7,940	7,234	7,164	5,989	7,788	5,488	5,962	7,862	7,870	7,133	6,431	8,880	**40,000**
30,000	2,877	4,149	3,820	5,184	4,769	4,552	3,863	4,793	3,588	3,917	5,061	5,017	4,533	4,227	6,660	**30,000**
20,000	1,377	1,649	1,814	2,604	2,359	2,282	1,773	2,389	1,688	1,912	2,581	2,165	1,933	2,023	4,440	**20,000**

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Personal tax credits for 2012

Key non-refundable tax credits

Non-refundable credits reduce or eliminate tax. For more information on key federal credits, see page 7.

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

Quebec has special rules that affect some credits (see page 7).

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.	Yuk.
General factor / **Charitable donations**	First $200	15	10	5.06	10.8	9.1	7.7	5.9	8.79	4	5.05	9.8	20	11	7.04
Charitable donations	Amount over $200	29	21	14.7	17.4	17.95	13.3	14.05	21	11.5	11.16	16.7	24	15	12.76
Dividend tax credit (on grossed-up amount)	Eligible	15.02	10	10	8	12	11	11.5	8.85	5.51	6.4	10.5	11.9	11	15.08
	Non-eligible	13.33	3.5	3.4	1.75	5.3	5	6	7.7	4	4.5	1	8	4	4.51

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

Maximum dollar ($) value (before surtaxes) of select credits

		Federal amounts	Federal	Alta.	B.C.	Man.	N.B.	Nfld. & Lab.	N.W.T.	N.S.	Nun.	Ont.	P.E.I.	Que.	Sask.	Yuk.
Basic		10,822	1,623	1,728	575	932	837	634	784	745	488	475	755	2,185	1,644	762
Spouse					504		711	518				403	642	n/a		
Equivalent to spouse													617			
Age 65		6,720	1,008	482	220	403	409	405	383	364	366	232	369	470	501	473
Disability	Basic	7,546	1,132	1,333	369	667	678	428	635	645	488	384	675	497		531
	Under 18 supplement	4,402	660	1,000	215	389	396	201	260	303	176	224	394	n/a	968	310
Infirm dependant (18 or over)										246			240			
Caregiver							395			431						
Pension income		2,000	300	133	51	108	91	77	59	103	80	66	98	418	110	141
Child		2,191	329	n/a											623	154
Adoption		11,440	1,716	1,182	579	1,080	n/a	856	n/a			579	n/a			805
Children's fitness		500	75	n/a	25	54	n/a			44	n/a					35
Children's arts										n/a						n/a
Canada Pension Plan (CPP)		2,307	346	231	117	249	210	178	136	203	92	116	226	n/a	254	162
Quebec Pension Plan (QPP)		2,342	351	n/a												
Employment Insurance (EI)	not in Quebec	840	126	84	43	91	76	65	50	74	34	42	82	n/a	92	59
	in Quebec	675	101	n/a												
Canada Employment		1,095	164	n/a												77
Education (per month)	Full-time	400	60	67	10	43	36	15	24	18	16	26	39	403	44	28
	Part-time	120	18	20	3	13	11	5	7	5	5	8	12	n/a	13	8
Textbook (per month)	Full-time	65	10	n/a							3	n/a				5
	Part-time	20	3								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.

Starting 2012, caregivers of dependants with a mental or physical infirmity can claim the federal Family Caregiver Tax Credit, which increases the credits indicated by up to $300. Yukon has a parallel credit of up to $148 (see page 18).

Starting 2012, CPP and QPP amounts differ.

A non-refundable tax credit for children under six is available in Nova Scotia (up to $105 per year), in Nunavut ($48 per year), and in Prince Edward Island (up to $129 per year).

In Ontario, a refundable tax credit provides up to $53 for a child under 16 (up to $105 for a child under 18 with a disability) for fitness and certain non-fitness activities.

In Saskatchewan, a refundable tax credit provides up to $150 per child aged six to 17, for cultural, recreational and sports activity fees. See page 18.

In British Columbia, tax credits for children's fitness and for children's arts can be claimed starting 2012.

In Manitoba, individuals up to age 24 can claim the fitness credit.

In Newfoundland and Labrador, parents can claim a non-refundable tax credit amount equal to the child care expenses that are deductible from their income.

Individuals

Key federal credits: additional information

See pages 10 and 11 for recent changes to federal credits. The provinces and territories may have comparable thresholds and rules.

Dollar value of credits is shown.	Special rules	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 credits transferable = $750)	Indefinite
Education	Credit = $60/month for full-time students and certain disabled part-time students; $18/month for other part-time students		
Textbook	Credit = $10/month for full-time students and certain disabled part-time students; $3/month for other part-time students		
Medical	Credit is based on amount by which qualifying medical expenses exceed the lesser of $2,109 and 3% of net income (generally, expenses for any twelve-month period ending in the year can be claimed)	Either spouse may claim	
CPP/QPP and EI	For employees, maximum credit = $472 (in Quebec, $452); self-employed persons deduct 50% of CPP/QPP premiums paid for their own coverage (maximum deduction of $2,307; in Quebec $2,342) and claim a credit for the non-deductible half of premiums paid (maximum credit $346; in Quebec $351); self-employed persons do not pay EI premiums	n/a	
Canada Employment	Credit is based on employment income		
Transit pass	Public transit passes (monthly or longer) and certain weekly and electronic payment cards are eligible	Spouse or parent	
Student loan interest	Interest must be paid on qualifying student loans	n/a	5 years
Charitable donations	Eligible donations are limited to 75% of net income	Either spouse may claim	
Spouse and equivalent to spouse	Reduced by any net income of the spouse or qualifying dependant	n/a	
Infirm dependant	Reduced if dependant's income exceeds $6,420		
Caregiver	For providers of in-home care for an adult relative (reduced if relative's income exceeds $15,033)		
Age	Reduced if income exceeds $33,884	Spouse	
Pension	Maximum credit = $300		
Child	Credit available for each child under 18		
Children's fitness	Maximum credit = $75 for children under 16; $150 for children under 18 who qualify for the disability tax credit	Either parent may claim	
Children's arts			
Disability – Basic	For individuals with severe and prolonged impairment	Spouse, parent, grandparent, child, grandchild, sibling, aunt, uncle, niece or nephew	
Disability – Under 18 supplement	Reduced if child care expenses and attendant care expenses (claimed as a medical expense for child) exceed $2,578		

Quebec's special credits and rules

The following special rules apply to Quebec's non-refundable tax credits:

- the minimum basic personal credit, the Quebec Pension Plan (QPP), Employment Insurance (EI), Health Services Fund and Quebec Parental Insurance Plan (QPIP) credits are combined into a single basic personal credit equal to $10,925;
- an adult student can transfer the unused portion of the basic personal credit to a parent (but if this transfer is made, the other dependant [18 or over] credit of $586 cannot be claimed for that student);
- most non-refundable credits, such as the basic personal credit and the age credit, can 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 $31,695;
- a person that lives alone or with a dependant can claim a credit of $256;
- a person that qualifies for the living alone credit and lives with an eligible student is eligible for an additional $317 credit;
- the maximum education credit of $403 per term (maximum two terms per year) can be claimed by a supporting Quebec parent (but is not transferable) for a child under 18 who attends post-secondary school full-time (part-time for infirm dependants); and
- the medical expense credit is based on the amount by which qualifying expenses exceed 3% of net family income (see below for details on the refundable medical expense credit).

Select Quebec refundable tax credits are listed below.

The informal caregivers credit consists of three separate credits.

The maximum credit will increase annually to 2016 for the caregivers credit and to 2017 for the home support for seniors credit.

	Details
Adoption	50% of eligible adoption expenses (maximum credit of $10,000)
Child care	26% to 75% of qualifying child care expenses (limits apply)
Caregivers	Maximum credit of $700, plus supplement of $497 (reduced if dependant's income exceeds $22,075)
Respite expenses for informal caregivers	30% of eligible respite expenses paid for the care of a person who resides with the caregiver and has a significant disability; maximum credit of $1,560 is reduced if family income exceeds $53,465
Home support for seniors	30% of eligible expenses; maximum credit of $4,680 for independent seniors, and $6,480 for dependent seniors, aged 70 and over, is reduced if family income exceeds $53,465; expenses eligible for this credit will not qualify for the medical expense credit
Medical	25% of medical expenses eligible for the non-refundable credit and 25% of amount deducted for impairment support products and services; maximum credit of $1,103 is reduced if family income exceeds $21,340

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Individuals

Income tax filing and payment deadlines for 2012 – individuals and trusts

Deadlines falling on holidays or weekends may be extended to the next business day.
See page 40 for other filing deadlines.

		Instalments – Required	Instalments – Deadline	Filing deadline and balance due	Tax forms
Individuals		If tax payable in 2012 and either 2011 or 2010 exceeds tax withheld by more than $3,000 ($1,800 for Quebec residents)	15th of March, June, September, December	April 30 (extensions may be available)	T1 (and TP-1-V for Quebec filers)
Trusts	*Inter vivos*			90 days after trust year end	T3 (and TP-646-V for Quebec filers)
	Testamentary	None			

However, the Canada Revenue Agency's policy is to not charge instalment interest to an *inter vivos* trust.

For the 2012 taxation year of an *inter vivos* trust, the filing deadline is March 31, 2013.

Applies to unit trusts, including mutual fund trusts.

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

See page 4.

	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

Exceptions apply, for example, in Ontario, Prince Edward Island and Yukon, which impose surtaxes.

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

This trust must maintain its status as a testamentary trust for tax purposes.

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).

If a taxpayer (or his/her spouse) carried on a business and died:
- January 1 to December 15, filing deadline[1] is June 15 of the following year; or
- December 16 to December 31, filing deadline[1] is 6 months after date of death.

	Special cases – Filing	Special cases – Balance due
Taxpayer (or spouse) carried on a business	June 15[1]	April 30 (no extension)
Non-resident	If a 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.	
Taxpayer died	Return for year of death—If a taxpayer died: • January to October, filing deadline[1] is April 30; or • November to December, filing deadline[1] is 6 months after date of death.	For deceased, if died: • January to October, April 30; or • November to December, 6 months after date of death. For spouse, April 30.
	Return for year before death—If a taxpayer died: • after year-end, but • before filing deadline for previous year's return, filing deadline[1] is 6 months after date of death.	For deceased, 6 months after date of death. For spouse, April 30.

1. Applies to taxpayer and his or her spouse.

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.

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

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

	Fee schedule (estates over $50,000)	Example fees		
		$500,000 value	$2,000,000 value	$5,000,000 value
Alberta	$200 to $400	$400		
British Columbia	$350 + 1.4% of portion > $50,000	$6,650	$27,650	$69,650
Manitoba	$70 + 0.7% of portion > $10,000	$3,500	$14,000	$35,000
New Brunswick	0.5% of estate	$2,500	$10,000	$25,000
Newfoundland and Labrador	$90 + 0.5% of portion > $1,000	$2,585	$10,085	$25,085
Northwest Territories	$200 to $400	$400		
Nova Scotia	$920 + 1.553% of portion > $100,000	$7,132	$30,427	$77,017
Nunavut	$200 to $400	$400		
Ontario	$250 + 1.5% of portion > $50,000	$7,000	$29,500	$74,500
Prince Edward Island	$400 + 0.4% of portion > $100,000	$2,000	$8,000	$20,000
Quebec	Nominal fee			
Saskatchewan	0.7% of estate	$3,500	$14,000	$35,000
Yukon	$140	$140		

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.

Individuals

Key tax changes

Federal

<table>
<tr><th rowspan="3"></th><th colspan="4">Top federal rates</th></tr>
<tr><th rowspan="2">Ordinary income</th><th rowspan="2">Capital gains</th><th colspan="2">Dividends</th></tr>
<tr><th>Eligible</th><th>Non-eligible</th></tr>
<tr><td>2011</td><td rowspan="2">29%</td><td rowspan="2">14.50%</td><td>17.72%</td><td rowspan="2">19.58%</td></tr>
<tr><td>2012</td><td>19.29%</td></tr>
</table>

		Federal rates			
2012	Bracket	$0	$42,707	$85,414	$132,406
	Rate	15%	22%	26%	29%

Personal tax system: Indexing increased federal tax brackets and most personal tax credits by 2.8% for 2012.

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	16.4354%	15.0198%
Top federal rate	17.72%	19.29%

Overseas Employment Tax Credit: This credit is eliminated:
- in 2016, if the employer had committed in writing to the project or activity before March 29, 2012; and
- gradually, by reducing the 80% factor to nil by 2016, in other cases.

Automobile deductions and benefits: The 2012 prescribed rates:
- will remain at their 2011 levels for purposes of determining capital cost allowance, interest and leasing deductions; and
- for purposes of determining:
  - automobile allowance deductions and tax-exempt allowances are 1¢ per kilometre higher; and
  - taxable benefits are 2¢ per kilometre higher,

  than for 2011.

Also, see *Car expenses and benefits – A tax guide* at **www.pwc.com/ca/carexpenses**.

Partnership waivers: Upon royal assent to the enacting legislation, a single designated partner of a partnership can waive, on behalf of all its partners, the three-year time limit for making a determination by the Canada Revenue Agency.

Partnership information returns: Information requirements for partnership information returns have been expanded for fiscal periods ending after 2010 (transitional relief is available for 2011 fiscal periods). See our *Tax memo* "Changes to partnership returns: What they mean for you" at **www.pwc.com/ca/taxmemo**.

Retirement savings plans and deferred profit sharing plans: Contribution limits will increase. See page 37.

Defined benefit registered pension plans (RPPs): The maximum pension benefit that can be paid from these plans is increasing as shown:

	Pension benefit (per year of service)
2011	$2,552
2012	$2,647
2013	Indexed

Pooled Registered Pension Plans (PRPPs): Draft legislation introduces the federal PRPP, a voluntary savings plan aimed at individuals who do not have access to employer-sponsored pension plans. See our *Tax memos* at **www.pwc.com/ca/taxmemo**:
- "Pooled Registered Pension Plans: A new retirement savings vehicle"; and
- "Pooled Registered Pension Plans (PRPPs)–Tax rules introduced."

Employee profit sharing plans (EPSPs): For EPSP contributions generally made after March 28, 2012, a new tax will be imposed on the portion of an employer's EPSP contribution, allocated by the trustee to a "specified employee," that exceeds 20% of the employee's salary received in the year from the employer. A specified employee generally includes an employee who has a significant equity interest in his or her employer or does not deal at arm's length with the employer.

Retirement Compensation Arrangements (RCAs): Anti-avoidance rules for RCAs engaged in non-arm's length transactions will parallel the "prohibited investment" and "advantage" rules applicable to Tax-Free Savings Accounts, Registered Retirement Savings Plans and Registered Retirement Income Funds. They will apply to:
- investments acquired, or that become prohibited after March 28, 2012; and
- advantages extended, received or receivable after March 28, 2012.

For RCA contributions made after March 28, 2012, RCA tax refunds are restricted in certain cases when the RCA property, reasonably attributable to a prohibited investment or advantage, has declined in value.

Group sickness or accident insurance plans: Employer contributions to a group sickness or accident insurance plan generally made after March 28, 2012, relating to coverage after 2012, will be included in an employee's income for the year in which the contributions are made. An exception applies for contributions in respect of wage-loss replacement benefits payable on a periodic basis. This measure will not affect the tax treatment of private health service plans or certain other plans.

Life insurance policy exemption test: For life insurance policies issued after 2013, the test that determines whether a life insurance policy is an exempt policy will be updated and simplified.

Individuals

Registered Disability Savings Plans (RDSPs): Changes:

- allow certain family members to temporarily be the plan holder for an individual who is unable to enter into a contract;
- for withdrawals made after 2013:
  - replace the 10-year repayment rule for grants and bonds with a proportional repayment rule; and
  - enhance flexibility, by revising the rules governing maximum and minimum withdrawals;
- allow Registered Education Savings Plan (RESP) investment income to be transferred tax-free to an RDSP after 2013, if the plans share a common beneficiary and other conditions are met;
- extend the period an RDSP can stay open, in certain cases, when a beneficiary becomes ineligible for the Disability Tax Credit; and
- reduce the administrative burden when an RDSP is transferred from one issuer to another.

Gifts to foreign charities: Canadian donors can make tax-receiptable gifts to designated foreign charitable organizations. The Minister of National Revenue will have discretionary power to grant designated status for 24 months, for applications made on or after the later of January 1, 2013, and royal assent of the enacting legislation.

Charities and registered Canadian amateur athletic associations: Changes:

- that generally apply upon royal assent of the enacting legislation are intended to:
  - increase disclosure of political activities and enforce compliance regarding political activity expenditures; and
  - increase sanctions for non-compliance on tax shelter registration and reporting; and
- limit the validity of tax shelter identification numbers to only one calendar year, for applications made after March 28, 2012 (to the end of 2013, for other applications).

Mineral exploration tax credit for flow-through shares: This credit is extended by one year to flow-through share agreements entered into before April 1, 2013.

Cross-border tax evasion: To facilitate and improve the exchange of tax information and combat cross-border tax evasion, Canada has signed a Protocol amending the Convention on Mutual Administrative Assistance in Tax Matters. The member States of the Council of Europe and the member countries of the Organisation for Economic Co-operation and Development are signatories.

Tax treaties: Recent developments are shown below.

See page 46.

	Ratified and entered into force	Signed but awaiting ratification	Under negotiation (or concluded but not signed)	Negotiations discontinued
Tax treaties	Italy Switzerland	Austria Barbados Luxembourg New Zealand Poland Serbia Singapore	China Hong Kong Israel United Kingdom	Bolivia Costa Rica Cuba Egypt Montenegro

Alberta

	Top combined federal/provincial rates			
	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	39.00%	19.50%	17.72%	27.71%
2012	39.00%	19.50%	19.29%	27.71%

Alberta rate		
2012	Bracket	$0
	Rate	10%

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

Highlights of changes

Personal tax system: Indexing increased Alberta's personal tax credits by 1.8% for 2012.

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	10%	
Top combined rate	17.72%	19.29%

Tax system: Alberta will engage in a discussion about its tax system to build a more predictable, sustainable revenue base, while retaining its tax advantage.

British Columbia

	Top combined federal/provincial rates			
	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	43.70%	21.85%	23.91%	33.71%
2012	43.70%	21.85%	25.78%	33.71%

British Columbia rates						
2012	Bracket	$0	$37,013	$74,028	$84,993	$103,205
	Rate	5.06%	7.70%	10.5%	12.29%	14.7%

Can be reduced for low incomes.

Highlights of changes

Personal tax system:

- Indexing increased British Columbia's tax brackets and most personal tax credits by 2.4% for 2012.
- Starting April 1, 2013, the basic personal amount for each year will be based on the 2009 amount of $9,373, adjusted for inflation.

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	10.31%	10%
Top combined rate	23.91%	25.78%

Children's Fitness Credit and Children's Arts Credit: Commencing 2012, British Columbia will provide these non-refundable tax credits. Eligibility will mirror their federal equivalents (see pages 6 and 7).

Medical Expense Tax Credit: Starting 2012, eligible expenses that can be claimed under this credit in respect of a dependant (other than a spouse or minor child) are not limited to $10,000.

First-Time New Home Buyers' Bonus: First-time home buyers of a newly constructed home that is subject to HST and a written purchase and sale agreement entered into after February 20, 2012, and before April 1, 2013, can claim a refundable tax credit equal to 5% of the home's purchase price. The credit is reduced if net income exceeds a threshold. The maximum credit is $10,000.

Seniors' Home Renovation Tax Credit: Seniors 65 years and older, and individuals who share a home with a relative of that age, can claim a new 10% refundable tax credit on up to $10,000 of permanent home renovation expenditures incurred after March 31, 2012, that provide the senior increased independence and the ability to remain in the home longer.

Training Tax Credits: The existing training tax credits are extended by three years to December 31, 2014.

Medical Services Plan: Monthly premiums are increasing as follows:

		Single	Family (2 persons)	Family (> 2 persons)
Effective date	Before January 1, 2012	$60.50	$109	$121
	January 1, 2012	$64	$116	$128
	January 1, 2013	$66.50	$120.50	$133

Harmonized Sales Tax (HST): On April 1, 2013, the 12% HST will be replaced with a sales tax regime similar to the one that applied before July 1, 2010 (i.e., 7% provincial sales tax and 5% federal Goods and Services Tax). As a result:

- the BC Harmonized Sales Tax Credit will be eliminated on April 1, 2013; and
- the BC Sales Tax Credit will be reinstated, commencing 2013.

See our *Tax memos* at **www.pwc.com/ca/taxmemo**:

- "B.C. votes to extinguish HST";
- "Eliminating the HST in British Columbia: Canada's Department of Finance proposes transitional rules"; and
- "Returning to B.C.'s Provincial Sales Tax: Transitional rules for new housing."

Manitoba

Top combined federal/provincial rates

	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	46.40%	23.20%	26.74%	39.15%
2012	46.40%	23.20%	32.26%	39.15%

Manitoba rates

2012				
Bracket	$0	$31,000	$67,000
Rate	10.8%	12.75%	17.4%

Can be reduced for low incomes.

Highlights of changes

Personal tax system: Changes to Manitoba's personal amounts follow:

		2011	2012	2013	2014
Personal amounts	Basic	$8,384	$8,634	$8,884	$9,134
	Spouse/equivalent to spouse	$8,384	$8,634	$8,884	$9,134

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	11%	8%
Top combined rate	26.74%	32.26%

Mineral Exploration Tax Credit: Retroactive to 2009, taxpayers who earn a tax credit in a higher tax credit year (at 20% or 30%) can carry back unused credits to a lower tax credit year (at 10% or 20%) and claim the same maximum amount as if the credit were earned in the prior year.

New Brunswick

	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	43.30%	21.65%	20.96%	30.83%
2012	43.30%	21.65%	22.47%	30.83%

Top combined federal/provincial rates

New Brunswick rates 2012				
Bracket	$0	$38,190	$76,380	$124,178
Rate	9.1%	12.1%	12.4%	14.3%

Can be reduced for low incomes.

Highlights of changes

Personal tax system:

- Indexing increased New Brunswick's tax brackets and most personal tax credits by 2.8% for 2012.
- The charitable donations tax credit rate for donations exceeding $200 is 17.95% after 2008.

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	12%	
Top combined rate	20.96%	22.47%

New Brunswick will review its eligible dividend tax credit rate.

Newfoundland and Labrador

	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	42.30%	21.15%	20.96%	29.96%
2012	42.30%	21.15%	22.47%	29.96%

Top combined federal/provincial rates

Newfoundland & Labrador rates 2012			
Bracket	$0	$32,893	$65,785
Rate	7.7%	12.5%	13.3%

Can be reduced for low incomes.

Highlights of changes

Personal tax system: Indexing increased Newfoundland and Labrador's tax brackets and most personal tax credits by 3.1% for 2012.

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	11%	
Top combined rate	20.96%	22.47%

Northwest Territories

	Top combined federal/territorial rates			
	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	43.05%	21.53%	21.31%	29.65%
2012	43.05%	21.53%	22.81%	29.65%

2012 Northwest Territories rates				
Bracket	$0	$38,679	$77,360	$125,771
Rate	5.9%	8.6%	12.2%	14.05%

Highlights of changes

Personal tax system: Indexing increased Northwest Territories' tax brackets and most personal tax credits by 2.8% for 2012.

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	11.5%	
Top combined rate	21.31%	22.81%

Nova Scotia

	Top combined federal/provincial rates			
	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	50.00%	25.00%	34.85%	36.21%
2012	50.00%	25.00%	36.06%	36.21%

2012 Nova Scotia rates					
Bracket	$0	$29,590	$59,180	$93,000	$150,000
Rate	8.79%	14.95%	16.67%	17.5%	21%

Can be reduced for low incomes.

Highlights of changes

Personal tax system:

- If Nova Scotia tables a budget surplus in its 2013-2014 fiscal year, for 2013 the $150,000 bracket and 21% rate will be eliminated, but a 10% surtax on provincial income tax exceeding $10,000 will be reinstated.
- Increases in personal amounts follow:

		2011	2012
Personal amounts	Spouse/equivalent to spouse	$7,201	$8,481
	Disability	$5,035	$7,341

Dividends:

	Eligible dividends 2011	Eligible dividends 2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	8.85%	
Top combined rate	34.85%	36.06%

If Nova Scotia tables a budget surplus in its 2013-2014 fiscal year, the top 2013 combined rate will be 32.42% on eligible dividends and 33.06% on non-eligible dividends.

Assistance for low-income individuals:

- Affordable Living Tax Credit – increases to $255 for an individual adult and $60 for a dependant child per year, on July 1, 2012.
- Poverty Reduction Credit – increases to $250 per year on July 1, 2012.
- Seniors who receive the Guaranteed Income Supplement – will receive a minimum tax refund of $50, starting 2012.

Equity Tax Credit: The credit is extended 10 years to February 28, 2022.

Labour Sponsored Venture Capital Tax Credit: The credit will expire on February 28, 2022, instead of on February 29, 2012.

Harmonized Sales Tax (HST): Nova Scotia will reduce its HST rate from 15% to 14% by July 1, 2014, and to 13% by July 1, 2015 (i.e., the provincial portion of the HST will decrease from 10% to 9% and to 8%, respectively).

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Nunavut

	Top combined federal/territorial rates			
	Ordinary income	Capital gains	Dividends	
			Eligible	Non-eligible
2011	40.50%	20.25%	25.72%	28.96%
2012			27.56%	

Nunavut rates					
2012	Bracket	$0	$40,721	$81,442	$132,406
	Rate	4%	7%	9%	11.5%

Highlights of changes

Personal tax system: Indexing increased Nunavut's tax brackets and most personal tax credits by 2.8% for 2012.

Dividends:

	Eligible dividends	
	2011	2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	5.82%	5.51%
Top combined rate	25.72%	27.56%

Ontario

	Top combined federal/provincial rates				
	Ordinary income	Capital gains	Dividends		
			Eligible	Non-eligible	
2011	46.41%	23.20%	28.19%	32.57%	Can be reduced for low incomes.
2012	47.97%	23.98%	31.69%	34.52%	

Ontario rates					
2012	Bracket	$0	$39,020	$78,043	$500,000
	Rate	5.05%	9.15%	11.16%	12.16%

Surtax: 20% of basic provincial tax in excess of $4,213 + 36% of basic provincial tax in excess of $5,392.

Because the Ontario government is in a minority, it is uncertain whether Ontario tax changes that have not been enacted into law will proceed. At the publication date, the 2012 Ontario budget measures had not been enacted.

Highlights of changes

Personal tax system:

- New high-earner tax bracket – Ontario will apply a tax rate of 12.16% on taxable incomes over $500,000 for 2012. The rate will increase to 13.16% after 2012, resulting in a combined rate of 49.53% on ordinary income. The bracket will be eliminated when Ontario's budget is balanced (scheduled for 2017-2018).
- Indexing – Ontario's tax brackets and most personal tax credits increased by 3.3% for 2012 due to indexing.

Dividends:

	Eligible dividends	
	2011	2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	6.4%	
Top combined rate	28.19%	31.69%

For 2013, the top combined rate will increase to 33.85% on eligible dividends and 36.47% on non-eligible dividends, because of the increase in Ontario's high-earner tax rate.

Healthy Homes Renovation Tax Credit: Commencing 2012, seniors 65 years and older, and individuals who share a home with a relative of that age, can claim a new 15% refundable tax credit on up to $10,000 of permanent home renovation expenditures that improve the senior's accessibility or help the senior be more functional or mobile. For 2012, the $10,000 maximum applies to expenses paid or payable from October 1, 2011, to December 31, 2012.

Ontario Trillium Benefit: The government will look at options to allow taxpayers to choose to receive this benefit monthly or as a single payment after the year end.

Compliance with tax obligations: Ontario will require taxpayers to be compliant with their tax obligations before receiving government grants and other forms of direct government assistance.

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Individuals

Prince Edward Island

	Top combined federal/provincial rates			
	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	47.37%	23.69%	27.33%	41.17%
2012			28.70%	

Prince Edward Island rates				
2012	Bracket	$0	$31,984	$63,969
	Rate	9.8%	13.8%	16.7%

Can be reduced for low incomes.

Surtax: 10% of basic provincial tax in excess of $12,500.

Highlights of changes

Dividends:

	Eligible dividends	
	2011	2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	10.5%	
Top combined rate	27.33%	28.70%

Community Development Equity Tax Credit: Starting 2011, Prince Edward Island residents can claim this 35% non-refundable tax credit on up to $20,000 of investments in eligible Community Economic Development Businesses (maximum annual credit of $7,000) made after July 3, 2011. If the investment is held under five years, the credit will be reduced.

Volunteer Firefighters' Tax Credit: Volunteer firefighters who serve at least 200 hours annually can claim a $500 refundable income tax credit, starting 2012.

Harmonized Sales Tax (HST): On April 1, 2013, a 14% HST (i.e., 9% provincial component plus the 5% federal Goods and Services Tax (GST)) will replace the combined provincial sales tax (PST)/GST rate of 15.5% (i.e., 10% PST, which applies on the 5% GST). Transitional rules will apply. An enhanced refundable tax credit will minimize the impact of the new tax on low- and modest-income individuals.

Quebec

	Top combined federal/provincial rates			
	Ordinary income	Capital gains	Dividends: Eligible	Dividends: Non-eligible
2011	48.22%	24.11%	31.85%	36.35%
2012			32.81%	

	Quebec rates					
	2012	Bracket	$0	$40,100	$80,200	
		Rate	16%	20%	24%	
Federal	2012	Bracket	$0	$42,707	$85,414	$132,406
		Rate	12.53%	18.37%	21.71%	24.22%

Quebec is the only jurisdiction that does not use the federal definition of taxable income.

Federal rates that apply in Quebec have been reduced by the 16.5% "Quebec abatement."

Highlights of changes

Personal tax system: Indexing increased Quebec's tax brackets and most personal tax credits by 2.66% for 2012.

Dividends:

	Eligible dividends	
	2011	2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	11.9%	
Top combined rate	31.85%	32.81%

Tax incentives for seniors: Measures intended to help seniors include:

- the refundable tax credit for home-support services for seniors was enhanced;
- the informal caregivers' basic maximum tax credit increased; and
- refundable tax credits were introduced for costs incurred:
  - by seniors to stay in a functional rehabilitation transition unit; and
  - for equipment to help seniors continue living independently at home.

Voluntary retirement savings plans: Rules implementing these plans are expected to enter into force on January 1, 2013.

Trust tax rate: The tax rate for inter vivos trusts (including mutual fund and specified investment flow-through trusts) increased from 20% to 24%, for trust taxation years ending after March 19, 2012.

Quebec Sales Tax (QST): The QST rate increased from 8.5% to 9.5% on January 1, 2012. The QST will be harmonized with the GST on January 1, 2013, with an effective rate of 14.975%. See our *Tax memo* "QST to be harmonized with GST by 2013" at www.pwc.com/ca/taxmemo.

Individuals

Saskatchewan

	Top combined federal/provincial rates			
	Ordinary income	Capital gains	Dividends	
			Eligible	Non-eligible
2011	44%	22%	23.36%	32.08%
2012			24.81%	33.33%

		Saskatchewan rates		
2012	Bracket	$0	$42,065	$120,185
	Rate	11%	13%	15%

Highlights of changes

Personal tax system: Indexing increased Saskatchewan's tax brackets and most personal tax credits by 2.8% for 2012.

Dividends:

	Eligible dividends		Non-eligible dividends	
	2011	2012	2011	2012
Dividend gross-up	41%	38%	25%	
Dividend tax credit (on grossed-up dividend)	11%		5%	4%
Top combined rate	23.36%	24.81%	32.08%	33.33%

First-time Homebuyers' Tax Credit: Starting 2012, first-time homebuyers can claim a non-refundable tax credit of up to $1,100 on a qualifying home purchase that has a closing date after 2011, and will be used as their principal place of residence. The credit is also available to acquire a more accessible or functional home for an individual who qualifies for the Disability Tax Credit.

Active Families Benefit: Starting 2012, this refundable tax credit of up to $150 per child can be claimed for children 17 (up from 14) and under.

Saskatchewan Advantage Grant for Education Savings: Commencing 2013, a 10% matching grant will be provided for Registered Education Savings Plan contributions, to a maximum of $250 per child per year.

Graduate Retention Program: Commencing 2012, this program will provide a non-refundable (instead of a refundable) tax credit. Taxpayers who have insufficient income to use the non-refundable tax credit can claim a new refundable tax credit equal to the unused portion.

Invest in Saskatchewan Program: The government will review this program, which provides a tax credit to individuals who invest in Labour-sponsored Venture Capital Corporations.

Yukon

	Top combined federal/territorial rates			
	Ordinary income	Capital gains	Dividends	
			Eligible	Non-eligible
2011	42.40%	21.20%	14.28% to 17.72%	30.41%
2012			15.93% to 19.29%	

		Yukon rates			
2012	Bracket	$0	$42,707	$85,414	$132,406
	Rate	7.04%	9.68%	11.44%	12.76%

Can be reduced for low incomes.

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

Highlights of changes

Personal tax system: To match federal brackets and tax credits, indexing increased Yukon's tax brackets and most personal tax credits by 2.8% for 2012.

Dividends:

	Eligible dividends	
	2011	2012
Dividend gross-up	41%	38%
Dividend tax credit (on grossed-up dividend)	15.08%	
Top combined rate	14.28% to 17.72%	15.93% to 19.29%

The rate that applies depends on the level of the taxpayer's other income, with the higher rate applying if the taypayer has no other income.

Family Caregiver Tax Credit: Commencing 2012, caregivers of dependants with a mental or physical infirmity can claim a $2,000 non-refundable tax credit (indexed after 2012).

Corporations

Corporate income tax rates

To compute rates for off-calendar year ends, refer to pages 24 to 33. For income not earned in a province or territory, see pages 20 and 24.

For non-resident corporations, the general and M&P 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 20).

$500,000 threshold ($400,000 in Manitoba and Nova Scotia): This threshold is shared by associated CCPCs. It is reduced on a straight-line basis for CCPCs that, in the preceding year, had taxable capital employed in Canada (on an associated basis) between $10 million and $15 million. This clawback also applies to all provincial and territorial small business deductions except Ontario's.

Income above $500,000 ($400,000 in Manitoba and Nova Scotia): A CCPC's active business income above this threshold is subject to the general or M&P rates.

Investment income: See Refundable Investment Tax on page 20 for more details.

The general rate reduction does not apply to certain types of income. See Federal corporate income tax rate changes (page 24).

Twelve-month taxation year ended December 31, 2012

		General and Manufacturing and Processing (M&P) (%)	Canadian-Controlled Private Corporations (CCPCs) (%): Active business income earned in Canada to $500,000	Canadian-Controlled Private Corporations (CCPCs) (%): Investment income
Basic federal rate		38		
	Provincial abatement	-10		
Less:	General rate reduction or M&P deduction	-13	n/a	n/a
	Small business deduction	n/a	-17	
Plus:	Refundable investment tax	n/a	n/a	6.67
Federal rate		**15**	**11**	**34.67**

		General and M&P: Provincial/ Territorial	General and M&P: Combined	Active business income: Provincial/ Territorial	Active business income: Combined	Investment income: Provincial/ Territorial	Investment income: Combined
Alberta		10	**25**	3	**14**	10	**44.67**
British Columbia		10	**25**	2.5	**13.5**	10	**44.67**
Manitoba		12	**27**	0[1] or 12[1]	**11**[1] or **23**[1]	12	**46.67**
New Brunswick		10	**25**	4.5	**15.5**	10	**44.67**
Newfoundland and Labrador	General	14 **H**	**29**	4 **H**	**15**	14 **H**	**48.67**
	M&P	5 **H**	**20**			n/a	
Northwest Territories		11.5	**26.5**	4	**15**	11.5	**46.17**
Nova Scotia		16	**31**	4[1] **H** or 16[1]	**15**[1] or **27**[1]	16	**50.67**
Nunavut		12	**27**	4	**15**	12	**46.67**
Ontario	General	11.5 **H**	**26.5**	4.5 **H**	**15.5**	11.5 **H**	**46.17**
	M&P	10 **H**	**25**			n/a	
Prince Edward Island		16 **H**	**31**	1 **H**	**12**	16 **H**	**50.67**
Quebec		11.9 **H**	**26.9**	8 **H**	**19**	11.9 **H**	**46.57**
Saskatchewan	General	12	**27**	2	**13**	12	**46.67**
	M&P	10	**25**			n/a	
Yukon	General	15	**30**	4	**15**	15	**49.67**
	M&P	2.5	**17.5**	2.5	**13.5**	n/a	

Corporations subject to Ontario income tax may also be liable for Ontario corporate minimum tax. See page 30.

Special rules apply to manufacturing and processing income in Ontario (see page 30) and Saskatchewan (see page 33).

H Tax holidays are available to certain corporations. See the table on page 21.

1. In Manitoba and Nova Scotia, the lower rate applies to active business income up to $400,000 and the higher rate to active business income from $400,000 to $500,000.

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Corporations

Other federal corporate tax rates for 2012

See Federal corporate income tax rate changes on page 24.

	Rate	Corporations affected	Description	Special rules
Income not earned in a province or territory	25%	All corporations	Income tax is calculated as follows: Basic federal rate 38% Less: General rate reduction - 13% Federal rate 25% Therefore, the federal rate is 25%, instead of 15% (see page 19).	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 (exceptions apply).
Branch Tax	25%	Non-resident corporations, except: • transportation, communications and iron-ore mining companies; and • insurers (other than 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.
Part III.1 Tax on Excess Eligible Dividend Designations	20% or 30%	Canadian-resident corporations	Applies if: • a CCPC has designated as eligible dividends during the year an amount that exceeds the corporation's general rate income pool (GRIP) at the end of the year; or • a non-CCPC pays an eligible dividend when it has a positive balance in its low rate income pool (LRIP).	A corporation subject to Part III.1 tax at the 20% rate (i.e., the excess designation was inadvertent) can elect, with shareholder concurrence, to treat all or part of the excess designation as a separate non-eligible dividend, in which case Part III.1 tax will not apply to the amount that is the subject of the election.
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 through the refundable dividend tax on hand (RDTOH) mechanism 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 34.67% (see page 19). Generally, 26-2/3% of a CCPC's aggregate investment income is added to its RDTOH.	
Part VI Financial Institutions Capital Tax	1.25%	Banks Trust and loan corporations Life insurance companies	Applies if capital employed in Canada is over $1 billion. The threshold is shared among related corporations.	Reduced by the corporation's federal income tax liability. Any unused federal income tax liability can be applied to reduce Financial Institutions Capital Tax for the previous three years and the next seven.

Corporations

Provincial income tax holidays and M&P investment tax credits

Income tax holidays

Other restrictions may apply.

	Eligible corporations		Holiday		Income not taxed each year
Newfoundland and Labrador	Companies meeting job creation and other conditions	Designated after December 31, 2001 – Outside Northeast Avalon region	Full holiday for 15 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	Additional 50% federal tax rebate	Income attributable to new or expanded business
		Designated before January 1, 2002	Full holiday for 10 years, phased out over next 5 years		Income attributable to new or expanded business
Nova Scotia	CCPCs incorporated after April 24, 1992		For 3 years		$500,000 of active business income
Ontario	Companies incorporated in Canada after March 24, 2008, and before March 25, 2012, that commercialize intellectual property developed by Canadian universities, colleges or research institutions		For 10 years		No limit
Prince Edward Island	Aviation- and aerospace-related firms in Slemon Park		To December 31, 2012		Income attributable to P.E.I. operations
	Bioscience companies with more than 10 employees and $750,000 annual payroll		For 10 years		Income attributable to P.E.I. operations
Quebec	Businesses that undertake major investment projects		For 10 years		No limit
	Companies incorporated in Canada after March 19, 2009, and before April 1, 2014, that commercialize intellectual property developed by Quebec universities or public research centres		For 10 years		No limit

This threshold is equal to the federal small business limit (see page 19).

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

M&P investment tax credits

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

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

For Nova Scotia, the cost of the M&P property must exceed $50,000.

Nova Scotia's 20% credit can be claimed by certain industries for the cost (up to $1 million annually) of technologically-advanced machinery, clean technology, equipment, software and hardware. The property cost must exceed $25,000.

	Rate	For M&P property acquired – After	For M&P property acquired – Before	Carry-back	Carry-forward	Refundable
Manitoba	10%	March 11, 1992	January 1, 2015	3 years	10 years	70%
Nova Scotia	10%	December 31, 2009	January 8, 2011	n/a	n/a	100%
	20%	December 19, 2010	No cut-off	n/a	n/a	100%
Prince Edward Island	10%	December 31, 1992	No cut-off	3 years	7 years	No
Quebec	5% to 40%	March 13, 2008	January 1, 2016	3 years	20 years	Sometimes
Saskatchewan	6%	March 26, 1999	April 1, 2004	3 years	10 years	No
	7%	March 31, 2004	October 28, 2006	3 years	10 years	No
	5%	October 27, 2006	No cut-off	n/a	n/a	100%

Depends on level of consolidated paid-up capital.

In Quebec, a cumulative limit of $75 million of eligible investments qualifies for this credit at rates above 5% and/or refundability.

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

Corporations

Capital tax rates

To compute rates for off calendar year ends, refer to pages 24 to 33.

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

The rate rose from 3% to 4% in Manitoba for fiscal years ending after April 17, 2012, and in New Brunswick on April 1, 2012.

See *Insurance industry: Key tax rates and updates* at **www.pwc.com/ca/insurancekeytaxrates** for rates that apply to insurance companies.

Quebec also imposes a compensation tax on payroll (see page 32).

					Twelve-month taxation year ended December 31, 2012 Rate	Exemption
Corporations in general	Nova Scotia	If taxable capital < $10 million			0.05%	$5 million
		If taxable capital ≥ $10 million			0.025%	Nil
Financial institutions (except insurance)	Federal (Part VI Financial Institutions Capital Tax)				1.25%	$1 billion
	Manitoba	If taxable paid-up capital < $4 billion			Nil	n/a
		If taxable paid-up capital ≥ $4 billion			4%	$10 million
	New Brunswick				3.75%	$10 million
	Newfoundland and Labrador	If paid-up capital ≤ $10 million			4%	$5 million
		If paid-up capital > $10 million			4%	Nil
	Nova Scotia	Trust and loan corporations		Head office in N.S.	4%	$30 million
				Other	4%	$500,000
		Banks			4%	$500,000
	Prince Edward Island				5%	$2 million
	Quebec (compensation tax on paid-up capital)				0.25%	Nil
	Saskatchewan	If taxable paid-up capital ≤ $1.5 billion			0.7%	Up to $20 million
		If taxable paid-up capital > $1.5 billion	If taxable paid-up capital ≤ $1.5 billion in taxation year ending after October 31, 2008 and before November 1, 2009	On first $1.5 billion of taxable paid-up capital	0.7%	Up to $20 million
				On taxable paid-up capital > $1.5 billion	3.25%	Up to $20 million
			Other		3.25%	Up to $20 million

Corporations

Payment and filing deadlines – income and capital tax

Federal income tax payments include tax payments for:
- Financial Institutions Capital Tax;
- Tax on Corporations Paying Dividends on Taxable Preferred Shares;
- Additional Tax on Authorized Foreign Banks; and
- General capital tax in Nova Scotia.

CCPCs can pay federal and Quebec instalments on the last day of months 3, 6, 9 and 12 of the taxation year, if certain conditions are met.

Two $3,000 thresholds apply; one for federal purposes and the other for all provinces and territories combined, except Alberta and Quebec.

Federal balance due deadlines also apply to Part IV tax (page 20). However, no Part IV tax instalments are required.

			Instalments		Balance due		Filing deadline
			Deadline	Waiver conditions	Deadline	Extended deadline (income tax only)	
Income tax	Federal All jurisdictions except: • Alberta • Quebec		Last day of each month	Total tax[1] is ≤ $3,000	2 months after year end	3 months, if the corporation: • was a CCPC throughout the current year; • claimed the small business deduction;[1] 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[1] ≤ $2,000 or CCPC qualifies for extended balance due deadline		3 months for CCPCs that:[1] • claimed Alberta's small business deduction; and • had taxable income ≤ $500,000.	
	Quebec			Quebec income tax[1] ≤ $3,000		No extended deadline	
Capital tax	Corporations in general	Federal	No general capital tax				
		Nova Scotia	Same as Nova Scotia income tax (above). The federal government administers and collects general capital taxes payable to Nova Scotia.				
		Other provinces and territories	No general capital tax				
	Financial institutions	Federal	Same as federal income tax (above)				
		Manitoba	15th day of months 3, 6, 9 and 12 of the year	Capital tax[1] ≤ $5,000	6 months after year end		
		New Brunswick Newfoundland and Labrador Nova Scotia Prince Edward Island	20th day of each month	None			
		Quebec	Same as Quebec income tax (above); No financial institution capital tax, but a 0.25% compensation tax on paid-up capital applies.				
		Saskatchewan	Last day of each month	Capital tax for current year ≤ $4,800	Last day of 6th month after year end		
		Other provinces and territories	No financial institutions capital tax				

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

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

1. In current or previous year.

Corporations

Key tax changes

Federal

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC	
	Active business income to $500,000	Investment income
15	11	34.67

Other 2012 rates

Capital tax	General: None	Financial institutions: 1.25% (see page 22)
Payroll tax	None	
Sales tax	5% GST (see page 39)	

For Canada Pension Plan and Employment Insurance premiums, see page 34.

Most of the key tax changes related to individuals also affect corporations. See pages 10 and 11.

Federal corporate income tax rate changes:

The general and M&P rates do not apply to certain corporations (e.g., mutual fund corporations, mortgage investment corporations and investment corporations).

Effective date		General and M&P rates	Income not earned in a province or territory
	Before January 1, 2012	16.5%	26.5%
	January 1, 2012	15%	25%

The federal government's goal is to achieve combined 25% federal/provincial and federal/territorial rates.

Taxation of corporate groups: The government remains committed to exploring whether new rules for the taxation of corporate groups could improve the functioning of the corporate tax system. See our *Tax memo* "Taxation of Corporate Groups – Consultation Paper Released" at **www.pwc.com/ca/taxmemo**.

Scientific research and experimental development (SR&ED): Changes:
- reduce the 20% SR&ED investment tax credit (ITC) rate to 15% for taxation years ending after 2013 (pro-rated for taxation years straddling January 1, 2014);
- provide that capital property acquired, generally after 2013, is neither deductible as an SR&ED expenditure nor eligible for ITCs;
- reduce the overhead proxy rate from 65% to 60% for 2013 and to 55% after 2013; and
- allow only 80% of SR&ED contract payments (net of SR&ED capital expenditures) to an arm's length contractor, incurred after 2012, to be eligible for ITCs.

In addition, the government will:
- study why taxpayers hire SR&ED consultants on a contingency-fee basis and determine actions needed to reduce taxpayer compliance costs of adhering to the SR&ED program;
- improve the administration of the SR&ED program; and
- consider the advice in the report "Innovation Canada: A Call to Action." See our:
  - *Developments* "Jenkins report provides much-anticipated recommendations" and "Narrowing Canada's innovation gap: PwC's observations on the Jenkins report" at **www.pwc.com/ca/sred/developments**; and
  - podcast "Innovation Canada: A Call to Action" at **www.pwc.com/ca/taxtracks**.

Eligible dividend designations: For dividends paid after March 28, 2012:
- a corporation can designate, at the time it pays a taxable dividend, any portion of the dividend to be an eligible dividend; and
- the Minister of National Revenue can accept late designations of eligible dividends that are made within three years after the day the designation was first required to be made.

Using partnerships to avoid tax: New anti-avoidance rules target the use of partnerships to circumvent the intended application in the *Income Tax Act* of:
- section 88, by generally denying the section 88 "bump" in respect of a partnership interest to the extent that the accrued gain of that interest is reasonably attributable to the amount by which the fair market value of "income assets" exceed their cost amount, generally for amalgamations that occur and wind-ups that begin, after March 28, 2012; and
- section 100 by:
  - extending the application of this section to the sale of a partnership interest to a non-resident person, unless the partnership uses all of its property in carrying on business through a permanent establishment in Canada, generally for dispositions after March 28, 2012; and
  - clarifying that this section will apply to dispositions of a partnership interest when as part of a series of transactions or events, the interest is acquired by a tax-exempt or non-resident person.

Joint venture deferral: Joint venture arrangements can no longer report income using a separate fiscal period. As a result, corporate participants must report their actual share of joint venture income or loss up to the end of their own year-end for tax years ending after March 22, 2011, and in certain cases can claim a transitional reserve for the additional income included in that year. See our *Tax memo* "Joint Ventures—CRA ends policy allowing separate fiscal periods: How will this affect your company? (Updated March 23, 2012)" at **www.pwc.com/ca/taxmemo**.

Corporations

Specified investment flow-throughs (SIFTs), real estate investment trusts (REITs), and publicly traded corporations: Draft proposals that apply to these entities in respect of transactions involving certain stapled securities limit the deductibility of amounts paid or payable after July 19, 2011, in respect of those stapled securities, subject to a transitional period. See our *Tax memo* "Proposed changes for SIFTs, REITs and publicly traded corporations: Deductibility of amounts paid in respect of stapled securities" at **www.pwc.com/ca/taxmemo**.

Capital cost allowance – Clean energy generation equipment: For assets acquired generally after March 28, 2012:

- the types of waste-fuelled thermal energy equipment that qualify for Class 43.2 are expanded; and
- equipment using eligible waste fuels will qualify for Class 43.1 or Class 43.2 only if the applicable environmental laws and regulations were complied with when the equipment first became available for use.

Mineral Exploration and Development Tax Credit: This corporate credit is phased out:

- for pre-production mining exploration expenses, dropping from 10% to 5% in 2013 and nil after 2013; and
- for pre-production development expenses, dropping from 10% to 7% in 2014, 4% in 2015 and nil after 2015 (transitional relief may be available).

Atlantic Investment Tax Credit (AITC): Generally for assets acquired after March 28, 2012:

- the AITC is reduced (subject to possible transitional relief) for certain oil and gas and mining activities, from 10% to 5% in 2014 and 2015 and nil after 2015; and
- a change ensures that "qualified property" includes certain electricity generation equipment and clean energy generation equipment used primarily in an eligible activity (except oil and gas or mining activities).

Hiring credit for small business: The credit is extended one year for employers that paid Employment Insurance (EI) premiums in 2011 of $10,000 or less, if their 2012 EI premiums exceed those paid in 2011.

Life insurers Investment Income Tax (IIT): For life insurance policies issued after 2013, the IIT will be recalibrated when appropriate to neutralize the effects of proposed technical improvements to the IIT base.

New Canada Revenue Agency (CRA) audit approach: The CRA has advanced to the next stage of categorizing large corporations in implementing its new risk assessment approach of selecting files for audit. See our *Tax memo* "CRA risk assessment audit approach – What it can mean for your corporation" at **www.pwc.com/ca/taxmemo**.

Personal services business income: The federal corporate tax rate that applies to this income increased to 28% (from 15% in 2012 and 16.5% in 2011, if the 10% provincial abatement applies), for taxation years starting after October 31, 2011.

Transfer pricing adjustments: All upward transfer pricing adjustments to a taxpayer's income will be treated as deemed dividends subject to withholding tax. The withholding tax can be eliminated, at the discretion of the Minister of Revenue, if the amount of the primary transfer pricing adjustment is repatriated to the Canadian corporation.

Thin capitalization rules: Changes:

- reduce the debt-to-equity ratio from 2-to-1 to 1.5-to-1, for taxation years beginning after 2012;
- extend the rules to apply to debts of a partnership in which a Canadian-resident corporation is a member, for taxation years beginning after March 28, 2012;
- treat disallowed interest as dividends for Part XIII withholding tax purposes, for taxation years ending after March 28, 2012; and
- prevent double taxation when a controlled foreign affiliate of a Canadian-resident corporation lends funds to the corporation and the interest is both disallowed as a deduction in Canada and included in the foreign accrual property income of the affiliate, for taxation years ending after March 28, 2012.

See our *Tax memo* "Canadian federal budget targets Canadian subsidiaries of foreign multinationals" at **www.pwc.com/ca/taxmemo**.

Foreign affiliate dumping: New rules will curtail a variety of transactions, generally occurring after March 28, 2012, involving an investment in a foreign affiliate by a Canadian subsidiary of a foreign parent corporation (except certain transactions occurring before 2013 between arm's length persons). See our *Tax memo* "Canadian federal budget targets Canadian subsidiaries of foreign multinationals" at **www.pwc.com/ca/taxmemo**.

Foreign affiliate amendments: Proposed amendments released on August 19, 2011, affect the taxation of Canadian multinational corporations with foreign affiliates. They revise previously released amendments and introduce new measures. See our:

- *Tax memo* "Long-awaited foreign affiliate amendments released" at **www.pwc.com/ca/taxmemo**; and
- podcast "August 2011 Foreign Affiliate Amendments – Upstream Loans" at **www.pwc.com/ca/taxtracks**.

Tax Information Exchange Agreements (TIEAs): Canada is negotiating fourteen TIEAs and has signed three. Thirteen TIEAs have entered into force (one on behalf of five jurisdictions).

Corporations

Alberta

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC	
	Active business income to $500,000	Investment income
10	3	10
25	**14**	**44.67**

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

Other 2012 rates

Capital tax	None
Payroll tax	None
Sales tax	None

Additional highlights

Scientific research and experimental development (SR&ED): For taxation years ending after March 31, 2012, taxpayers will no longer be required to deduct the federal SR&ED investment tax credit when calculating Alberta's SR&ED refundable tax credit.

Tax system: Alberta will engage in a discussion about its tax system to build a more predictable, sustainable revenue base, while retaining its tax advantage.

British Columbia

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC	
	Active business income to $500,000	Investment income
10	2.5	10
25	**13.5**	**44.67**

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

Other 2012 rates

Capital tax	None
Payroll tax	None
Sales tax	12% HST (see page 39)

Corporate income tax rate changes

Effective date		General and M&P rates	CCPC rates
	Before April 1, 2014	10%	2.5%
	April 1, 2014	11%	

The 11% rate will be triggered only if British Columbia's fiscal situation worsens.

The 2.5% rate was to drop to 0% on April 1, 2012, but this reduction was rescinded.

Additional highlights

Training Tax Credits: Enhancements:

- extend the existing training tax credits by three years to December 31, 2014; and
- introduce refundable training tax credits until December 31, 2019, for employers with apprentices in the shipbuilding and ship repair industry (credits are enhanced if the apprentices are First Nations individuals or persons with disabilities).

Film and digital media tax credits:

- For interprovincial co-productions with principal photography commencing after December 31, 2011:
  - corporations that own less than 100% of the copyright will qualify for the full Film Incentive BC Tax Credit; and
  - the copyright ownership requirements will increase from 20% to 50%.
- Clarifications will provide that, retroactive to September 1, 2010, cutscene productions:
  - in respect of video games, can be eligible activities under the Interactive Digital Media Tax Credit; and
  - are excluded from film tax credits.

Book Publishing Tax Credit: This credit is extended five years to March 31, 2017.

Harmonized Sales Tax (HST): On April 1, 2013, the 12% HST will be replaced with a sales tax regime similar to the one that applied before July 1, 2010 (i.e., 7% provincial sales tax and 5% federal Goods and Services Tax). See our *Tax memos* "B.C. votes to extinguish HST," "Eliminating the HST in British Columbia: Canada's Department of Finance proposes transitional rules" and "Returning to B.C.'s Provincial Sales Tax: Transitional rules for new housing" at **www.pwc.com/ca/taxmemo**.

Corporations

Manitoba

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC: Active business income to $400,000	CCPC: Active business income $400,000 to $500,000	CCPC: Investment income
12	Nil	12	12
27	**11**	**23**	**46.67**

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

Other 2012 rates

Capital tax	General: None	Financial institutions: Nil or 3% or 4% (see page 22)
Payroll tax	Nil to 4.3% (see page 36)	
Sales tax	7% PST (see page 39)	

Corporate income tax rate changes

Subject to balanced budget requirements.

Effective date		General and M&P rates
	July 1, 2009	12%
	To be determined	11%

Additional highlights

Financial institutions capital tax: The financial institution capital tax rate will increase from 3% to 4%, for fiscal years ending after April 17, 2012.

Data Processing Investment Tax Credit: Eligible corporations that purchase or lease new qualified property for use in a data processing centre in Manitoba after April 17, 2012, and before 2016, can claim a new refundable income tax credit that will be based on the capital cost of the new qualified property. The credit will equal:

- 4% for buildings; and
- 7% for machinery and equipment.

Film and Video Production Tax Credit: Companies starting a film or video production after April 17, 2012, can claim accommodation costs incurred and paid up to $250 per night per unit (excluding taxes) as eligible tangible property expenditures for purposes of calculating the cost-of-production tax credit.

Co-op Education and Apprenticeship Tax Credit: Three components of this credit are enhanced, as follows:

The credit is expanded to cover employers eligible for the federal Apprenticeship Job Creation Tax Credit that will receive a top-up.

	Apprentice Hiring Incentive – Early-level (1 and 2): Apprentices who complete a level before 2013	Early-level (1 and 2): after 2012	Advanced-level (3, 4 and 5): before 2013	Advanced-level (3, 4 and 5): after 2012	Journeypersons Hiring Incentive – Journeypersons newly certified before 2013	Journeypersons newly certified after 2012
Credit rate (applies to wages and salaries)	10%	15% or 20%	5%	10%	5%	10%
Maximum credit (per year or level)	$2,000	$3,000 or $4,000	$2,500	$5,000	$2,500	$5,000

The 20% rate ($4,000 annual maximum) applies if the apprentice normally resides outside Winnipeg and reports to an employer's office in rural and northern Manitoba.

Nutrient Management Tax Credit: Agricultural producers can claim a new refundable income tax credit equal to 10% of the capital cost (net of government assistance) of prescribed nutrient management equipment that:

- meets new requirements for water quality protection under *The Environment Act*; and
- is acquired and available for use after April 17, 2012, and before 2016.

Neighbourhoods Alive! Tax Credit: Retroactive to April 13, 2011, clarifications will allow:

- donations made over multiple tax years to accumulate to the $50,000 minimum threshold;
- large up-front donations of up to $200,000 to be used to earn the $15,000 maximum tax credit in subsequent years if in-kind contributions are made in each of those years; and
- limiting donations to the first four years of the new social enterprise and providing in-kind services for years two through five.

Corporate tax underpayment interest rate: Starting July 1, 2012, the interest rate on tax underpayments will increase from prime plus 4% to prime plus 6%.

Corporations

New Brunswick

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC: Active business income to $500,000	CCPC: Investment income
10 **25**	4.5 **15.5**	10 **44.67**

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

Other 2012 rates

Capital tax	General: None	Financial institutions: 3.75% (see page 22)
Payroll tax	None	
Sales tax	13% HST (see page 39)	

Corporate income tax rate changes

		General and M&P rates	CCPC rate
Effective date	Before July 1, 2011	11%	5%
	July 1, 2011	10%	
	January 1, 2012		4.5%

The CCPC rate will decline in stages to 2.5% over the next three years.

Additional highlights

Financial Corporation Capital Tax:

		Rate
Effective date	Before April 1, 2012	3%
	April 1, 2012	4%

Multimedia Initiative: Commencing November 22, 2011, the Multimedia Initiative, a funding support program for New Brunswick's film, television and new media industry, effectively replaces the province's Film Tax Credit.

Digital Media Development Program: Corporations in the video game sector can claim this new 30% salary rebate of up to $15,000 per full-time employee per year (maximum annual rebate is $500,000). Revenues and assets cannot exceed specified thresholds.

Newfoundland and Labrador

Corporate income tax rates (for December 31, 2012 year ends)

General (non M&P)	M&P	CCPC: Active business income to $500,000	CCPC: Investment income
14 **H** **29**	5 **H** **20**	4 **H** **15**	14 **H** **48.67**

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 21)

Other 2012 rates

Capital tax	General: None	Financial institutions: 4% (see page 22)
Payroll tax	Nil or 2% (see page 36)	
Sales tax	13% HST (see page 39)	

Additional highlights

No significant corporate tax changes were announced.

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Corporations

Northwest Territories

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC: Active business income to $500,000	CCPC: Investment income
11.5 **26.5**	4 **15**	11.5 **46.17**

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

Other 2012 rates

Capital tax	None
Payroll tax	2% (see page 36)
Sales tax	None

Payroll tax is paid by employees.

Additional highlights

No significant corporate tax changes were announced.

Nova Scotia

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC: Active business income to $400,000	CCPC: Active business income $400,000 to $500,000	CCPC: Investment income
16 **31**	4 **H** **15**	16 **27**	16 **50.67**

Figures in **bold** are combined federal/provincial rates.
H = Tax holiday (see page 21)

Other 2012 rates

Capital tax	General: 0.05% or 0.025% (see page 22)	Financial institutions: 4% (see page 22)
Payroll tax	None	
Sales tax	15% HST (see page 39)	

Corporate income tax rate changes

Effective date	CCPC rate
Before January 1, 2012	4.5%
January 1, 2012	4%
January 1, 2013	3.5%

Applies to active business income up to $400,000.

Additional highlights

General capital tax:

Effective date	Taxable capital < $10 million	Taxable capital > $10 million
Before July 1, 2011	0.2%	0.1%
July 1, 2011	0.1%	0.05%
July 1, 2012	Nil	Nil

Green energy equipment tax credit: Nova Scotia will review Manitoba's Green Energy Equipment Tax Credit for potential implementation in Nova Scotia.

Harmonized Sales Tax (HST): Nova Scotia will reduce its HST rate from 15% to 14% by July 1, 2014, and to 13% by July 1, 2015 (i.e., the provincial portion of the HST will decrease from 10% to 9% and to 8%, respectively).

Nunavut

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC: Active business income to $500,000	CCPC: Investment income
12 **27**	4 **15**	12 **46.67**

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

Other 2012 rates

Capital tax	None
Payroll tax	2% (see page 36)
Sales tax	None

Payroll tax is paid by employees.

Additional highlights

No significant corporate tax changes were announced.

Ontario

Corporate income tax rates (for December 31, 2012 year ends)

General (non M&P)	M&P	CCPC: Active business income to $500,000	CCPC: Investment income
11.5 **H** **26.5**	10 **H** **25**	4.5 **H** **15.5**	11.5 **H** **46.17**

Ontario corporations that, on an associated basis, have annual gross revenues of $100 million or more and total assets of $50 million or more may have a corporate minimum tax (CMT) liability based on adjusted book income. CMT is payable only to the extent that it exceeds the regular Ontario income tax liability.

Figures in **bold** are combined federal/provincial rates.
H = Tax holiday (see page 21)

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.

Other 2012 rates

Capital tax	None
Payroll tax	Nil or 1.95% (see page 36)
Sales tax	13% HST (see page 39)

Because the Ontario government is in a minority, it is uncertain whether Ontario tax changes that have not been enacted into law will proceed. At the publication date, the 2012 Ontario budget measures had not been enacted.

Corporate income tax rate changes

		General rate
Effective date	Before July 1, 2011	12%
	July 1, 2011	11.5%

The rate was to decline to 11% on July 1, 2012 and to 10% on July 1, 2013, but these reductions were rescinded until Ontario's budget is balanced (scheduled for 2017-2018).

Additional highlights

Employer Health Tax (EHT): For EHT assessments issued after March 27, 2012, Ontario will not be bound by federal rulings that determine the existence of an employer-employee relationship.

Research and development (R&D): Ontario is reviewing the effectiveness of R&D tax credits in supporting innovation and the overall framework of provincial and federal business supports. It seeks improvements to R&D tax support that increase R&D expenditures and simplify tax compliance and administration.

Apprenticeship Training Tax Credit: The effectiveness and efficiency of this credit in promoting apprenticeship completions will be reviewed.

Federal/Ontario tax issues: Ontario will explore ways to protect its fiscal interest from unilateral federal changes to the common tax bases. It will work with the federal government on the allocation of inter-jurisdictional losses, the efficient and effective federal administration of Ontario taxes, the integrity and effectiveness of the tax system and ways to combat corporate tax avoidance and underground economy activities.

Corporate tax avoidance: Ontario will consider implementing various measures used by Quebec to fight aggressive tax planning, and will work with the Canada Revenue Agency to see if the tax collection agreement can be used to counter inter-provincial income shifting.

Compliance with tax obligations: Taxpayers will be required to be compliant with their tax obligations before:

- receiving government grants and other forms of direct government assistance; and
- bidding on projects and contracts that involve provincial funding.

Technical amendments: Numerous provincial statutes will be amended to improve effectiveness and enforcement.

Prince Edward Island

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC	
	Active business income to $500,000	Investment income
16 **H** **31**	1 **H** **12**	16 **H** **50.67**

Figures in **bold** are combined federal/provincial rates.
H = Tax holiday (see page 21)

Other 2012 rates

Capital tax	General: None	Financial institutions: 5% (see page 22)
Payroll tax	None	
Sales tax	10% PST (see page 39)	

Additional highlights

Harmonized Sales Tax (HST): On April 1, 2013, a 14% HST (i.e., 9% provincial component plus the 5% federal Goods and Services Tax (GST)) will replace the combined provincial sales tax (PST)/GST rate of 15.5% (i.e., 10% PST, which applies on the 5% GST). Transitional rules will apply.

Corporations

Quebec

Corporate income tax rates (for December 31, 2012 year ends)

General and M&P	CCPC	
	Active business income to $500,000	Investment income
11.9 H **26.9**	8 H **19**	11.9 H **46.57**

Figures in **bold** are combined federal/provincial rates.
H = Tax holiday (see page 21)

Other 2012 rates

Capital tax	General: None	Financial institutions: 0.25% compensation tax on paid-up capital (see page 22)
Payroll tax	4.26%, 2.7% or reduced rates (see page 36)	
Sales tax	9.5% QST (see page 39)	

For Quebec Pension Plan and Quebec Parental Insurance Plan premiums, see page 34.

Additional highlights

Compensation tax for financial institutions: For taxation years beginning after March 31, 2014, the tax rate will decrease:

- for salaries paid by:
  - banks, loan companies, trust companies and securities trading companies from 3.9% to 2%;
  - savings and credit unions from 3.8% to 2.5%; and
  - other financial institutions (excluding insurers) from 1.5% to 1%; and
- for insurers from 0.55% to 0.35%.

Health Services Fund: Starting 2013, employers can reduce contributions to this fund for employees who are 65 or older.

Graduates in remote resource regions: The cumulative tax credits for new graduates working in a remote resource region will increase to $10,000 from $8,000.

Multimedia titles: Changes to refundable tax credits for multimedia titles (general) and for corporations specialized in the production of multimedia titles apply to taxation years ending after March 20, 2012, and affect:

- the categorization of multimedia titles;
- specialized corporation certificates; and
- the rules for subcontracting and eligible work production.

In addition, a 35% refundable tax credit (maximum of $350,000 per production) can be claimed for expenses incurred after March 20, 2012, and before January 1, 2016, to design multimedia events or environments that are staged outside Quebec.

M&P tax incentives:

- Property acquired after March 20, 2012, and before January 1, 2018, for use primarily in ore smelting, refining or hydrometallurgy activities extracted from a mineral resource, may be qualified property for purposes of the tax credit for investments relating to M&P equipment.
- Manufacturing corporations can claim a refundable tax credit (maximum of $45,000) equal to 30% of the certification expenses incurred after March 20, 2012, and before January 1, 2016, to commercialize products outside Quebec.

Financial services corporations: New financial services corporations that hire eligible employees or incur eligible expenditures can claim two new refundable tax credits.

Tax credit for resources: Changes to this refundable tax credit apply to expenses incurred after December 31, 2013, and depend on the type of expenses and corporation.

Mining duties: The tax rate and the credit rate on duties refundable for losses increased from 15% to 16% on January 1, 2012.

Share issue costs: Cost incurred after March 20, 2012, to issue shares as part of an initial public offering under the stock savings plan II are eligible for a new 30% refundable tax credit.

Tourism: A new 25% refundable tax credit (annual maximum of $175,000) can be claimed for renovating or improving tourist accommodations outside Montreal and Quebec City before January 1, 2016.

Non resident trusts: For taxation years ending after March 19, 2012, an inter vivos trust that does not reside in Canada will be:

- liable for 5.3% Quebec tax on property income from the rental of immovable properties located in Quebec; and
- required to file a tax return for each taxation year in which it owns the property.

Inter vivos trusts that dispose of rental immovable properties located in Quebec before becoming a resident of Canada will have to obtain a compliance certificate.

Taxation of trusts: The tax rate for inter vivos trusts (including mutual fund and specified investment flow-through trusts) increased from 20% to 24%, for trust taxation years ending after March 19, 2012.

Quebec Sales Tax (QST): The QST rate increased from 8.5% to 9.5% on January 1, 2012. The QST will be harmonized with the GST on January 1, 2013, with an effective rate of 14.975%. See our *Tax memo* "QST to be harmonized with GST by 2013" at **www.pwc.com/ca/taxmemo**.

Saskatchewan

Corporate income tax rates (for December 31, 2012 year ends)

General (non M&P)	M&P	CCPC: Active business income to $500,000	CCPC: Investment income
12 **27**	10 **25**	2 **13**	12 **46.67**

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

A rebate of up to 2% of M&P profits allocated to Saskatchewan is available, which can reduce the rate from 12% to as low as 10%.

Other 2012 rates

Capital tax	General: None	Financial institutions: 0.7% or 3.25% (see page 22)
Payroll tax	None	
Sales tax	5% PST (see page 39)	

Corporate income tax rate changes

		CCPC rate
Effective date	Before July 1, 2011	4.5%
	July 1, 2011	2%

Additional highlights

Corporate income tax rebate on new rental housing: This rebate, which equals 10% of the rental income from newly constructed multi-unit rental projects that are:

- available for rent before 2017; and
- registered under a building permit dated after March 20, 2012, and before January 1, 2014,

can be earned for up to 10 consecutive years. It does not apply to rental income that is subject to the small business rate.

Research and Development (R&D) Tax Credit: For R&D expenditures incurred after March 31, 2012:

- a 15% refundable tax credit can be claimed by CCPCs on up to $3 million of qualifying expenditures annually; and
- a 15% non-refundable credit can be claimed on qualifying expenditures incurred by:
  - CCPCs exceeding the above limit; and
  - other corporations.

Film Employment Tax Credit: Film productions that have not been registered by SaskFilm before July 1, 2012, will not be eligible for this credit.

Yukon

Corporate income tax rates (for December 31, 2012 year ends)

General (non M&P)	M&P	CCPC: Active business income to $500,000 – Non-M&P	CCPC: Active business income to $500,000 – M&P	CCPC: Investment income
15 **30**	2.5 **17.5**	4 **15**	2.5 **13.5**	15 **49.67**

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

Other 2012 rates

Capital tax	None
Payroll tax	None
Sales tax	None

Additional highlights

No additional significant corporate tax changes were announced.

Individuals and corporations

CPP/QPP, EI and QPIP premiums

				2011	2012
All contributors (other than those in Quebec)	CPP	Maximum pensionable earnings		$48,300	$50,100
		- Basic exemption		$3,500	
		= Maximum contributory earnings		$44,800	$46,600
		Employer/employee rate		4.95%	
		Maximum employer/employee contribution		$2,218	$2,307
		Self-employed contribution rate		9.9%	
		Maximum self-employed contribution		$4,435	$4,613
	EI premiums	Maximum annual insurable earnings		$44,200	$45,900
		Premium per $100 insurable earnings	Employee	$1.78	$1.83
			Employer	$2.492	$2.562
		Annual maximum contribution	Employee	$787	$840
			Employer	$1,101	$1,176
Quebec contributors	**QPP** (higher than CPP starting 2012)	Maximum annual insurable earnings		$48,300	$50,100
		- Basic exemption		$3,500	
		= Maximum contributory earnings		$44,800	$46,600
		Employer/employee rate		4.95%	5.025%
		Maximum employer/employee contribution		$2,218	$2,342
		Self-employed contribution rate		9.9%	10.05%
		Maximum self-employed contribution		$4,435	$4,683
	EI (lower than federal EI premiums due to the QPIP)	Maximum annual insurable earnings		$44,200	$45,900
		Premium per $100 insurable earnings	Employee	$1.41	$1.47
			Employer	$1.974	$2.058
		Annual maximum contribution	Employee	$623	$675
			Employer	$873	$945
	QPIP premiums	Maximum annual insurable earnings		$64,000	$66,000
		Premium per $100 insurable earnings	Employee	$0.537	$0.559
			Employer	$0.752	$0.782
		Annual maximum contribution	Employee	$344	$369
			Employer	$481	$516
		Premium per $100 insurable earnings	Self-employed	$0.955	$0.993
		Annual maximum contribution		$611	$655

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

Self-employed individuals are permitted to deduct half of CPP/QPP premiums paid for their own coverage. The non-deductible half qualifies for a tax credit. As well, a portion of the QPIP premiums paid by self-employed individuals is deductible. Self-employed individuals do not pay EI premiums.

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Individuals and corporations

Health care premiums

The health care premiums shown are payable by individuals, but may be remitted through payroll withholdings.

Premiums will increase on January 1, 2013, by $2.50 for single individuals, $4.50 for two-person families and $5 for families of three or more persons.

				Premiums	Frequency	Relief
British Columbia	Medical Services Plan	Single		$64	Monthly	Low-income earners can get assistance
		Family	of two	$116		
			of > two	$128		
Quebec	Health contribution	Individuals		$200	Annual	Low-income earners are exempt
	Health Services Fund			up to $1,000		Gives rise to a credit

Starting 2013, employers can reduce contributions for employees who are 65 or older.

Applies only if income from certain sources, excluding remuneration, exceeds $13,660.

	Taxable income	Annual premiums (per individual)	
Ontario Health Premium	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	

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Payroll tax rates for 2012

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

Province	Tax	Rate	Total payroll	Payroll tax
Manitoba	Health and Post-Secondary Education Tax	2.15%	Over $2,500,000	Payroll x 2.15%
		4.3%	$1,250,000 to $2,500,000	(Payroll – $1,250,000) x 4.3%
		0%	$0 to $1,250,000	$0
Newfoundland and Labrador	Health and Post-Secondary Education Tax	2%	Over $1,200,000	(Payroll – $1,200,000) x 2%
		0%	$0 to $1,200,000	$0
Northwest Territories	Payroll tax	2%	Over $0	Payroll x 2%
Nunavut	Payroll tax	2%	Over $0	Payroll x 2%
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	

In the Northwest Territories and Nunavut, payroll tax is paid by employees through payroll withholdings.

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 million or more must allot at least 1% of payroll to training, or contribute the shortfall to a provincial fund. In limited cases, corporations may be exempt from contributing to the Health Services Fund, and refunds may be made. Financial institutions (excluding insurers) and investment holding corporations may also be subject to a compensation tax on payroll. See page 32.

Employees, employers and the self-employed must contribute to the Quebec Parental Insurance Plan (QPIP) and individuals may be required to contribute to the Health Services Fund. See pages 34 and 35.

Individuals and corporations

Retirement savings and profit sharing plans

For registered retirement savings plans (RRSPs), defined contribution registered pension plans (RPPs) and deferred profit sharing plans (DPSPs), the amount that can be contributed in a year is the lesser of:

- 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. For example, for RRSPs, the $23,820 fixed dollar limit applies in 2013 if earned income in 2012 (i.e., the previous year) exceeds $132,333 (because 18% of $132,333 is $23,820).

Different rules apply for defined benefit plans.

			Registered retirement savings plan (RRSP)		Defined contribution 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	2011	$22,450	≥ $124,722	$22,970	≥ $127,611	$11,485	≥ $63,806
		2012	$22,970	≥ $127,611	$23,820	≥ $132,333	$11,910	≥ $66,167
		2013	$23,820	≥ $132,333	Indexed			
		2014						
	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)		Defined contribution 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	

Other factors, such as past service pension adjustments, may affect these limits and are not shown, nor are special rules that may apply to transfers and deceased taxpayers.

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 defined contribution.

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.

Employee contributions to DPSPs are not permitted.

Individuals and corporations

R&D tax credits

Federal SR&ED investment tax credit rates

The federal investment tax credit (ITC) and refund rates shown apply to expenditures incurred in 2012.

Unused federal ITCs may reduce federal taxes payable for the previous three years and the next twenty.

See page 24 for significant changes to the ITC program that generally apply after 2012.

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

Generally, a CCPC's $3 million expenditure limit in respect of the 35% credit is reduced by:
- $10 for every $1 by which its previous year's taxable income exceeded $500,000, up to $800,000; and
- $0.075 for every $1 of its previous year's taxable capital employed in Canada above $10 million, up to $50 million.

Thresholds are on an associated basis.

		Investment tax credit (ITC) rate	Refund rate
Qualified SR&ED in Canada	Qualifying Canadian-Controlled Private Corporations (CCPCs)	**35%** of annual qualified expenditures up to threshold ($3 million or less) + **20%** of qualified expenditures not eligible for the 35% rate	**100%** of ITCs on current expenditures computed at the 35% rate + **40%** of ITCs on capital expenditures computed at the 35% rate **and** of ITCs computed at the 20% rate
	Other corporations	**20%**	n/a
	Individuals	**20%**	**40%** of ITCs

The SR&ED ITC is also available for certain salaries or wages (limited to 10% of salaries and wages directly attributable to SR&ED carried on in Canada) incurred in respect of SR&ED carried on outside Canada.

Provincial and territorial R&D tax credits

Only corporations are eligible for R&D tax credits, except in Newfoundland and Labrador, Quebec and Yukon, where individuals can also claim the credits.

Alberta's maximum annual credit is $400,000. It has been enhanced for taxation years ending after March 31, 2012 (see page 26).

British Columbia's refundable tax credit is 10% of the lesser of eligible B.C. R&D expenditures and the federal expenditure limit (i.e., $3 million or less).

Manitoba's credit is:
- fully refundable for certain eligible expenditures incurred after 2009; and
- partially refundable for in-house R&D expenditures after 2010.

		Rate	Refundable?	Carry-back	Carry-forward
Alberta		10%	Yes	n/a	n/a
British Columbia	Qualifying CCPCs	10%	Yes	n/a	n/a
	Other corporations	10%	No	3 years	10 years
Manitoba		20%	Yes/No	3 years	10 years
New Brunswick		15%	Yes	n/a	n/a
Newfoundland and Labrador		15%	Yes	n/a	n/a
Nova Scotia		15%	Yes	n/a	n/a
Ontario	Innovation tax credit	10%	Yes	n/a	n/a
	Business research institute tax credit	20%	Yes	n/a	n/a
	R&D tax credit	4.5%	No	3 years	20 years
Quebec	R&D wage tax credit	17.5% to 37.5%	Yes	n/a	n/a
	University, public research centre, research consortium and private partnership tax credits	35%	Yes	n/a	n/a
Saskatchewan		15%	Yes/No	3 years	10 years
Yukon		15%	Yes	n/a	n/a

In Ontario, corporations that have taxable income under $500,000 and taxable capital under $25 million can claim the innovation tax credit on up to $3 million of expenditures. Those with taxable income between $500,000 and $800,000 or taxable capital between $25 million and $50 million are eligible for a partial credit.[1] 100% of current expenditures and 40% of capital expenditures are eligible.

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

Can be carried back to taxation years ending after 2008.

Quebec Canadian-controlled corporations with less than $50 million in assets can claim the 37.5% rate on up to $3 million of R&D wages. For those with assets between $50 million and $75 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.[1]

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

Applies to R&D expenditures incurred before March 19, 2009, and certain R&D expenditures incurred after March 31, 2012.

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

For R&D expenditures incurred after March 31, 2012, Saskatchewan's credit is refundable only if claimed by a CCPC, up to a specified limit. See page 33.

1. Ontario and Quebec thresholds are in respect of the previous year, on a worldwide associated basis.

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Individuals and corporations

Sales tax rates and land transfer taxes

Sales tax rates for 2012

		Rate	Total rate	PST on GST
Federal		5% GST		
Jurisdictions with only GST	Alberta	5% federal GST only		
	Northwest Territories			
	Nunavut			
	Yukon			
Harmonized jurisdictions	British Columbia	12%		n/a
	New Brunswick	13%		
	Newfoundland and Labrador			
	Nova Scotia	15%		
	Ontario	13%		
Non-harmonized jurisdictions	Manitoba	7%	12%	No
	Prince Edward Island	10%	15.5%	Yes
	Quebec	9.5%	14.975%	
	Saskatchewan	5%	10%	No

A 5% First Nation GST applies instead in certain First Nations.

British Columbia's 12% HST will be replaced with a 7% PST and the 5% GST on April 1, 2013. See pages 13 and 26.

Nova Scotia's 15% HST rate will decline to 14% by July 1, 2014, and to 13% by July 1, 2015. See pages 15 and 29.

Quebec's sales tax is imposed on essentially the same base as the GST. The rate was 8.5% before 2012. It will be harmonized with the GST on January 1, 2013, with an effective rate of 14.975%. See pages 17 and 32.

Prince Edward Island's 10% PST and the 5% GST will be replaced with a 14% HST on April 1, 2013. See pages 17 and 31.

Land transfer tax and registration fees

The provinces and territories charge land transfer taxes and registration fees on the purchase of real property within their boundaries.

Some exemptions or refunds are available. Higher rates may apply to non-residents. Additional fees may be imposed (e.g., on the registration of the deed or mortgage).

		Calculation	Value used
Alberta		$50 + 0.02% of value	Value of property
British Columbia		1% of portion ≤ $200,000 + 2% of portion > $200,000	Fair market value of property
Manitoba		$70 + 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	Fair market value of property
New Brunswick		$75 + 0.5% of value	Greater of assessed value and consideration for the transfer
Newfoundland and Labrador		$100 + 0.4% of portion > $500	Value of property
Northwest Territories **Nunavut**		0.15% of portion ≤ $1,000,000 + 0.1% of portion > $1,000,000	Value of property
Nova Scotia		$85.18 + Up to 1.5% (determined by municipality)	Value of property
Ontario	General	0.5% of portion ≤ $55,000 + 1% of portion between $55,000 and $250,000 + 1.5% of portion > $250,000	Value of consideration
	Family dwelling (one or two units)	As above + 0.5% of portion > $400,000	Value of consideration
Addition for Toronto	General	0.5% of portion ≤ $55,000 + 1% of portion between $55,000 and $400,000 + 1.5% of portion between $400,000 and $40 million + 1% of portion > $40 million	Value of consideration
	Family dwelling (one or two units)	As above + 0.5% of portion between $400,000 and $40 million + 1% of portion > $40 million	Value of consideration
Prince Edward Island	General	1% of value, if value > $30,000	Greater of assessed value and consideration for the transfer
	Non-residents and corporations	As above + 1% of value ($550 minimum) (Depends on land size and corporate ownership)	Purchase price
Quebec		0.5% of portion ≤ $50,000 + 1% of portion between $50,000 and $250,000 + 1.5% of portion > $250,000	Greatest of: • consideration furnished; • consideration stipulated; and • fair market value of property.
Addition for Montreal		0.5% of portion between $500,000 and $1 million + 1% of portion > $1 million	
Saskatchewan		0.3% ($25 minimum)	Value of property
Yukon		0.2% of portion ≤ $5,000 + 0.25% of portion between $5,000 and $10,000 + 0.175% of portion between $10,000 and $25,000 + 0.125% of portion > $25,000	Value of property

For agreements of purchase and sale signed before March 28, 2012, and for deeds registered before June 1, 2012, the rate was 0.25%.

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

Montreal's tax on values exceeding $1 million increased by 0.5% on January 1, 2012.

Individuals and corporations

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 8 for individual and trust income tax filing and payment deadlines and page 23 for corporate and capital tax filing and payment deadlines.

Earlier deadlines apply to publicly traded trusts and publicly traded partnerships for posting information relating to T3s and T5013s to the CDS Innovations Inc. website.

Information requirements for partnership returns have expanded. See page 10.

		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			
	Partnership	Federal, Quebec (T5013/relevé 15)	Last day of March		
	Transactions with non-residents	Federal: NR4			For trusts, form NR4 is due 90 days after the trust's year end.
		Federal: T106 (transactions with non-arm's length 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		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.

180 days for Ontario assessments and reassessments for taxation years ending before 2009.

Individuals and corporations

Prescribed interest rates – income, capital and payroll taxes

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 Canada Revenue Agency (CRA).

Effective July 1, 2012, Manitoba's prescribed interest rate on outstanding tax debts will increase by two percentage points.

Federal rates apply to general capital taxes collected by the CRA on behalf of Nova Scotia.

<table>
<tr><th rowspan="3">Compounding schedule</th><th rowspan="3" colspan="2"></th><th colspan="4">2011</th><th colspan="4">2012</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="6">Daily</td><td rowspan="4">Federal: Income tax, financial institutions capital tax, source deductions, CPP and EI</td><td>Underpayments</td><td colspan="6">5%</td><td></td><td></td></tr>
<tr><td>Overpayments – Corporations</td><td colspan="6">1%</td><td></td><td></td></tr>
<tr><td>Overpayments – Other</td><td colspan="6">3%</td><td></td><td></td></tr>
<tr><td>Taxable benefits</td><td colspan="6">1%</td><td></td><td></td></tr>
<tr><td rowspan="2">Alberta: Corporate income tax</td><td>Underpayments</td><td colspan="6">4.5%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="6">0.5%</td><td></td><td></td></tr>
<tr><td rowspan="6">Monthly</td><td rowspan="2">Manitoba: Financial institutions capital tax and Health and Post-Secondary Education Tax</td><td>Underpayments</td><td colspan="6" rowspan="2">7%</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="6">5%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="6">1%</td><td></td><td></td></tr>
<tr><td rowspan="3">Ontario: Employer Health Tax</td><td>Underpayments</td><td colspan="6">6%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="6">0%</td><td></td><td></td></tr>
<tr><td>Refunds from objection or appeal</td><td colspan="6">3%</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, financial institutions capital tax and Health Services Fund contributions</td><td>Underpayments</td><td colspan="6">6%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="2">1.25%</td><td colspan="4">1.5%</td><td></td><td></td></tr>
<tr><td>Taxable benefits</td><td colspan="6">1%</td><td></td><td></td></tr>
<tr><td rowspan="2">Not compounded</td><td rowspan="2">Saskatchewan: Financial institutions capital tax</td><td>Underpayments</td><td colspan="6">6%</td><td></td><td></td></tr>
<tr><td>Overpayments</td><td colspan="6">3%</td><td></td><td></td></tr>
</table>

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

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Individuals and corporations

Recent tax cases

Tax cases provide insight into the types of issues the Canada Revenue Agency (CRA) pursues, trends in judicial attitudes, and tax principles advanced by the courts.

General anti-avoidance rule (GAAR): In **Copthorne Holdings Ltd. v. The Queen**, the Supreme Court of Canada (SCC) unanimously held that GAAR applied to planning in which cross-border paid-up capital was duplicated and used to make a tax-free return of capital through a share redemption. The SCC also commented on the extended meaning of "series of transactions" in subsection 248(10). See our *Tax memos* "Reflections on Supreme Court ruling on GAAR—Copthorne Holdings Ltd." and "New Supreme Court of Canada ruling on GAAR—Copthorne Holdings Ltd." at **www.pwc.com/ca/taxmemo**.

In both **1207192 Ontario Limited v. The Queen** and **Triad Gestco Ltd. v. The Queen**, the taxpayers engaged in planning that resulted in the payment of a stock dividend in the form of "hi-lo" shares that "shifted" value originally represented by the common shares to preferred shares. By disposing of the common shares the holder triggered a loss on these shares. While in both cases the Tax Court of Canada (TCC) concluded that GAAR applied, its reasoning in each case was different. Both decisions are being appealed to the Federal Court of Appeal (FCA). See our *Tax memo* "New Tax Court of Canada rulings on GAAR—1207192 Ontario Limited and Triad Gestco" at **www.pwc.com/ca/taxmemo**.

In **Global Equity Fund Ltd. v. The Queen**, the TCC held that GAAR did not apply to the deduction of an "artificial" non-capital loss because the Minister had failed to prove that there was a general policy in the *Income Tax Act* against the deduction of artificially created business losses. The Minister has appealed this decision to the FCA.

In **McClarty Family Trust et al v. The Queen**, the TCC ruled that based on the taxpayer's facts a plan that avoided the tax on split income (kiddie tax) was undertaken for the protection of assets and did not include any "avoidance transactions." Therefore, GAAR did not apply in the circumstances.

Beneficial ownership: In **Velcro Canada Inc. v. The Queen**, the TCC decided that the recipient of royalties paid by the Canadian taxpayer was their beneficial owner. The principles established in this case are important for taxpayers paying interest, dividends or royalties to a resident of a treaty country in determining whether the recipient is the "beneficial owner" of the payment. See our *Tax memo* "TCC rules in favour of Velcro Canada: Beneficial ownership for tax treaty purposes" at **www.pwc.com/ca/taxmemo**.

Break fees: In **Morguard Corporation v. The Queen**, the TCC found that the taxpayer had received a break fee as an integral part of, and in the ordinary course of, its regular business operations, and that the receipt of the break fee had no linkage to a capital purpose. The break fee was therefore found to have been received by the taxpayer on account of income. The taxpayer has appealed this decision to the FCA. See our *Tax memo* "TCC rules against Morguard Corporation: Break fee was fully taxable as an income receipt" at **www.pwc.com/ca/taxmemo**.

Stock option payments: In **Imperial Tobacco Canada Limited v. The Queen**, the FCA upheld the TCC's decision that payments made by the taxpayer to its employees to eliminate an employee stock option plan in the context of a going-private transaction were capital in nature and not deductible. The SCC has dismissed the taxpayer's application for leave to appeal. See our *Tax memo* "Deduction Denied for Amounts Paid to Employees for Stock Options in course of Going-Private Transaction (Imperial Tobacco case)" at **www.pwc.com/ca/taxmemo**.

Trust residence: In **St. Michael Trust Corp. v. The Queen (*sub nom.* Garron)**, the SCC agreed with the reasoning in the lower courts that central management and control over the trust property, rather than the residence of the trustees, was the appropriate test for determining trust residence for purposes of the *Income Tax Act*. See our *Tax memo* "Supreme Court of Canada rules on trust residence – St. Michael Trust Corp. v. The Queen (Garron Family Trust)" at **www.pwc.com/ca/taxmemo**.

Amalgamations: In **Envision Credit Union v. The Queen**, the FCA upheld the TCC's decision that the tax attributes of two predecessor corporations flowed through to the amalgamated corporation under common law principles. The FCA also found that section 87 of the *Income Tax Act* applied to the amalgamation, even though property of the predecessor corporations was transferred to a subsidiary simultaneously with the amalgamation. The taxpayer is seeking leave to appeal to the SCC.

Classification of property: In **CAE Inc. v. The Queen**, the TCC ruled that the use to which each flight simulator built by the taxpayer was put (i.e., lease or sale) determined whether the simulator was inventory or depreciable property. The TCC found that the taxpayer could claim capital cost allowance on leased simulators, but that the simulators sold to banks in sale-leaseback transactions gave rise to business income. The taxpayer has appealed this decision to the FCA.

Dividend refund: In **Tawa Developments Inc. v. The Queen**, the TCC denied a request for a dividend refund that was made more than three years after the relevant taxation year, but did not reduce the taxpayer's refundable dividend tax on hand by the amount of the denied refund.

Proceeds of disposition: In **Daishowa-Marubeni International Ltd. v. The Queen**, the majority of the FCA found that the TCC had made no error in determining that the taxpayer's proceeds from the disposition of certain forest tenures included the assumption by the purchaser of reforestation liabilities, but found that the TCC erred in including only 20% of the long-term reforestation liability in the taxpayer's proceeds. The taxpayer is seeking leave to appeal to the SCC.

Requirement for information: In **The Minister of National Revenue v. RBC Life Insurance Company et al**, the Federal Court cancelled orders that required insurance companies to provide information on the holders of their "10-8" life insurance plans because the Minister failed to disclose all relevant information. The Minister has appealed this decision to the FCA.

U.S. top individual income tax rates – federal and state combined (2012)

Combined state and federal rates generally apply to employment income, interest and non-qualified dividends, among other things. These rates are shown on the right for the top three federal brackets, which are set out below.

	Top three federal taxable income ranges ($US)		
	Third	Second	Top
Single	$85,650 to $178,650	$178,650 to $388,350	Above $388,350
Married filing jointly	$142,700 to $217,450	$217,450 to $388,350	
Federal marginal rate	28%	33%	35%

2010 federal marginal rates were extended to 2011 and 2012.

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 and Oregon;
- other taxes that may apply (e.g., alternative minimum taxes);
- special rates for 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.”

	Combined federal and state rates (%)		
	Third	Second	Top
Federal	28	33	35
Alabama	33	38	40
Alaska	28	33	35
Arizona	32.54 or 32.24	37.54	39.54
Arkansas	35	40	42
California	37.3	42.3	44.3
Colorado	32.63	37.63	39.63
Connecticut	34	39.7 or 39	41.7
Delaware	34.75	39.75	41.75
Florida	28	33	35
Georgia	34	39	41
Hawaii	38 or 36.25	44 or 43	46
Idaho	35.4	40.4	42.4
Illinois	33	38	40
Indiana	31.4	36.4	38.4
Iowa	36.98	41.98	43.98
Kansas	34.45	39.45	41.45
Kentucky	34	39	41
Louisiana	34	39	41
Maine	36.5	41.5	43.5
Maryland	33.5 or 33.25	38.75	40.75
Massachusetts	33.25	38.25	40.25
Michigan	32.35	37.35	39.35
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	34.37	39.37	43.97
New Mexico	32.9	37.9	39.9
New York	34.65	39.85	41.85
North Carolina	35.75	40.75	42.75
North Dakota	31.13	36.63	38.99
Ohio	33.45 or 33.93	38.93	40.93
Oklahoma	33.25	38.25	40.25
Oregon	37.9 or 37	42.9	44.9
Pennsylvania	31.07	36.07	38.07
Rhode Island	33.99	38.99	40.99
South Carolina	35	40	42
South Dakota	28	33	35
Tennessee	28	33	35
Texas	28	33	35
Utah	33	38	40
Vermont	35.8	41.8	43.95
Virginia	33.75	38.75	40.75
Washington	28	33	35
Washington D.C.	36.5	41.95	43.95
West Virginia	34.5	39.5	41.5
Wisconsin	34.75	40.75	42.75
Wyoming	28	33	35

In Arizona, 32.54% applies to single filers, 32.24% to married joint filers.

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

In Connecticut, 39.7% applies to single filers, 39% to married joint filers.

In Hawaii, 38% and 44% apply to single filers, 36.25% and 43% to married joint filers.

In Maryland, 33.5% applies to single filers, 33.25% to married joint filers.

In Massachusetts, the rates are 6.75% higher on short-term capital gains.

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

In New York, the rate is 43.82% on incomes over $1 million for single filers and over $2 million for married joint filers.

In Ohio, 33.45% applies to single filers, 33.93% to married joint filers.

In Oregon, 37.9% applies to single filers, 37% to married joint filers.

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

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International

U.S. estate, gift and generation-skipping transfer tax rates

A U.S. estate tax, gift tax or generation-skipping transfer tax liability may arise for U.S. citizens and Canadian residents, as follows:

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

	Circumstances	Estate tax imposed on	Gift tax imposed on
U.S. citizens (residing in Canada or elsewhere)	Transfers: • on death; or • of property during lifetime.	Fair market value (FMV) of taxpayer's worldwide assets at death.	FMV of gifts of all property regardless of where the property is located.
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.)	FMV of gifts of U.S. real property and U.S.-situs tangible personal property.

Generation-skipping transfer tax may apply in addition to estate or gift tax. A transfer is generation-skipping and subject to the U.S. generation-skipping transfer tax if it is:

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

Unless legislation is passed before 2013, the 2001 estate tax rate regime will be re-established in 2013.

Rates are additive. For example, tax on $14,000 would be $2,600 (i.e., [18% x $10,000] + [$4,000 x $20%]). For gift tax, apply the rates to the cumulative taxable lifetime transfers made (generally, based on the fair market value of the transferred property) and subtract the gift tax previously payable.

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$1,772,800 in 2012) 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 unified credit is equal to the amount of tax that applies at the exemption level.

<table>
<tr><th></th><th></th><th>2011</th><th>2012</th><th>2013</th></tr>
<tr><td rowspan="17">Threshold</td><td>$0</td><td colspan="3">18%</td></tr>
<tr><td>$10,000</td><td colspan="3">20%</td></tr>
<tr><td>$20,000</td><td colspan="3">22%</td></tr>
<tr><td>$40,000</td><td colspan="3">24%</td></tr>
<tr><td>$60,000</td><td colspan="3">26%</td></tr>
<tr><td>$80,000</td><td colspan="3">28%</td></tr>
<tr><td>$100,000</td><td colspan="3">30%</td></tr>
<tr><td>$150,000</td><td colspan="3">32%</td></tr>
<tr><td>$250,000</td><td colspan="3">34%</td></tr>
<tr><td>$500,000</td><td colspan="2" rowspan="8">35%</td><td>37%</td></tr>
<tr><td>$750,000</td><td>39%</td></tr>
<tr><td>$1,000,000</td><td>41%</td></tr>
<tr><td>$1,250,000</td><td>43%</td></tr>
<tr><td>$1,500,000</td><td>45%</td></tr>
<tr><td>$2,000,000</td><td>49%</td></tr>
<tr><td>$2,500,000</td><td>53%</td></tr>
<tr><td>$3,000,000</td><td>55%</td></tr>
<tr><td rowspan="3">Exemption (US$)</td><td>Estate tax</td><td rowspan="3">$5,000,000</td><td rowspan="3">$5,120,000</td><td rowspan="3">$1,000,000</td></tr>
<tr><td>Generation-skipping transfer tax</td></tr>
<tr><td>Gift tax</td></tr>
<tr><td rowspan="3">Unified credit ($US)</td><td>Estate tax</td><td rowspan="3">$1,730,800</td><td rowspan="3">$1,772,800</td><td rowspan="3">$345,800</td></tr>
<tr><td>Generation-skipping transfer tax</td></tr>
<tr><td>Gift tax</td></tr>
</table>

The gift tax unified credit is a lifetime exclusion. In 2012, an annual exclusion of US$13,000 (US$139,000 to a non-U.S. citizen spouse; US$136,000 in 2011) per donee also applies.

For 2011 and 2012, the total of the estate tax and gift tax exemption cannot exceed US$5 million and US$5,120,000, respectively. Generation-skipping transfer tax has a separate US$5,120,000 (US$5 million in 2011) exemption.

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International

U.S. corporate income tax rates – federal and state (2012)

Rates apply to income from the thresholds shown to the next threshold (or to all higher income if there is no higher threshold). The threshold refers to taxable income for federal purposes, and to taxable or net income, depending on the state.

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			15
Accumulated earnings	Personal service	$150,000	15
	Other	$250,000	

A deduction for domestic production activities reduces the effective tax rate on this income to 31.85%.

Additional tax applies to undistributed income.

May apply in addition to regular tax.

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 above);
- 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.

State rates and brackets ($US)

In Connecticut, if annual gross revenues are at least $100 million, a 20% surcharge applies.

		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	7.5
Delaware		$0	8.7
Florida		$25,000	5.5
Georgia		$0	6
Hawaii		$100,000	6.4
Idaho		$0	7.4
Illinois	Personal property	$0	2.5
	General	$0	7
Indiana		$0	8.25
Iowa		$100,000	10
		$250,000	12
Kansas		$50,000	7
Kentucky		$100,000	6
Louisiana		$100,000	7
		$200,000	8
Maine		$75,000	8.33
		$250,000	8.93
Maryland		$0	8.25
Massachusetts		$0	8
Michigan		$0	6
Minnesota		$0	9.8
Mississippi		$10,000	5
Missouri		$0	6.25
Montana		$0	6.75
Nebraska		$100,000	7.81

In Michigan, effective January 1, 2012, a 6% corporate income tax replaces the Michigan Business Tax (MBT). However, taxpayers with certificated or awarded credits can elect to continue to pay MBT until all credits are used or expired.

		Threshold	Rate (%)
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	Manufacturers	$0	6.5
	Small business (Net income ≤ $390,000)	$0	6.5
		$290,000	7.1
		$350,000	11.45
	Other	$0	7.1
North Carolina		$0	6.9
North Dakota		$50,000	5.15
Ohio		No income tax	
Oklahoma		$0	6
Oregon		$0	6.6
		$250,000	7.6
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	8.5
Virginia		$0	6
Washington		No income tax	
Washington D.C.		$0	9.975
West Virginia		$0	7.75
Wisconsin		$0	7.9
Wyoming		No income tax	

In Wisconsin, businesses with at least $4 million in annual gross receipts pay a 3% surcharge on their tax (maximum surcharge is $9,800).

International

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 arrow 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) applies if the recipient is a company that owns or controls a specified interest of the payor.

		Dividends	Related-party interest[3]	Royalties[4]
Algeria		15	15	0 or 15
Argentina		10 or 15	12.5	3, 5, 10 or 15
Armenia		5 or 15	10	10
Australia	N	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		15	15	0 or 10
Belgium		5 or 15	10	0 or 10
Brazil		15 or 25	15	15 or 25
Bulgaria		10 or 15[1]	10	0 or 10[1]
Cameroon		15	15	15
Chile[1]		10 or 15	15	15
China P.R. (not Hong Kong)	N	10 or 15	10	10
Colombia, Rep. of		25 → [5 or 15]	25 → [10]	25 → [10][1]
Croatia		5 or 15	10	10
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[1]
Egypt		15	15	15
Estonia		5 or 15	10	10[1]
Finland		5 or 15	10	0 or 10
France		5 or 15	10	0 or 10
Gabon		15	10	10
Germany		5 or 15	10	0 or 10
Greece		5 or 15	10	0 or 10
Guyana		15	15	10
Hong Kong	N	25% imposed by Canada		
Hungary		5 or 15	10	0 or 10

		Dividends	Related-party interest[3]	Royalties[4]
Iceland		5 or 15	10	0 or 10
India		15 or 25	15	10, 15 or 20
Indonesia		10 or 15	10	10
Ireland		5 or 15	10	0 or 10
Israel	N	15	15	0 or 15
Italy		5 or 15	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[1]
Kenya		15 or 25[1]	15	15
Korea (South)		5 or 15	10	10
Kuwait		5 or 15	10	10
Kyrgyzstan		15[1]	15[1]	0 or 10
Latvia		5 or 15	10	10[1]
Lebanon		25 → [5 or 15]	25 → [10]	25 → [5 or 10]
Lithuania		5 or 15	10	10[1]
Luxembourg		5 or 15	10	0 or 10
Madagascar	N	25% imposed by Canada		
Malaysia	N	15	15	15
Malta		15	15	0 or 10
Mexico		5 or 15	10	0 or 10
Moldova		5 or 15	10	10
Mongolia		5 or 15	10	5 or 10
Morocco		15	15	5 or 10
Namibia		25 → [5 or 15]	25 → [10]	25 → [0 or 10]
Netherlands	N	5 or 15	10	0 or 10
New Zealand		15 → [5 or 15]	15 → [10]	15 → [5 or 10]
Nigeria		12.5 or 15	12.5	12.5
Norway		5 or 15	10	0 or 10
Oman		5 or 15	10[1]	0 or 10

		Dividends	Related-party interest[3]	Royalties[4]
Pakistan		15	15	0 or 15
Papua New Guinea		15	10	10
Peru[1]		10 or 15	15	15
Philippines		15	15	10
Poland		15 → [5 or 15]	15 → [10]	0 or 10 → [5 or 10]
Portugal		10 or 15	10	10
Romania		5 or 15	10	5 or 10
Russia		10 or 15	10	0 or 10
Senegal		15	15	15
Serbia		25 → [5 or 15]	25 → [10]	25 → [10]
Singapore		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	N	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		15 or 20	15	10
Ukraine		5 or 15	10	0 or 10
United Arab Emirates		5 or 15	10	0 or 10
United Kingdom	N	5 or 15	10	0 or 10
United States		5 or 15	0[2]	0 or 10
Uzbekistan		5 or 15	10	5 or 10
Venezuela		10 or 15[1]	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, or concluded (but not signed).

1. If the other state (Canada for treaty with Oman) concludes a treaty with another country providing for a lower rate (higher for Kenya), the lower rate (higher for Kenya) will apply in respect of specific payments or with limits, in some cases.
2. For the United States, the nil rate applies subject to the Limitation of Benefits article.
3. Canadian withholding tax does not apply to interest (except for "participating debt interest") paid to arm's length non-residents.
4. 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 or a patent, or for information concerning industrial, commercial or scientific experience (but not royalties for a rental or franchise agreement).

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