

**2008 AND 2009 FEDERAL INCOME TAX RATES FOR INCOME EARNED
BY A CANADIAN-CONTROLLED PRIVATE CORPORATION^a**

Effective January 1, 2008

| | Small Business Income up to \$400,000^b | General Active Business Income^c | Investment Income^d |
|---------------------------------------|--|---|--|
| General corporate rate | 38.0% | 38.0% | 38.0% |
| Federal abatement | (10.0) | (10.0) | (10.0) |
| | 28.0 | 28.0 | 28.0 |
| Surtax ^e | 0.0 | 0.0 | 0.0 |
| | 28.0 | 28.0 | 28.0 |
| Small business deduction ^f | (17.0) | 0.0 | 0.0 |
| Rate reduction ^g | 0.0 | (8.5) | 0.0 |
| Refundable tax ^h | 0.0 | 0.0 | 6.7 |
| | <u>11.0</u> | <u>19.5</u> | <u>34.7</u> |

Effective January 1, 2009

| | Small Business Income up to \$400,000^b | General Active Business Income^c | Investment Income^d |
|---------------------------------------|--|---|--|
| General corporate rate | 38.0% | 38.0% | 38.0% |
| Federal abatement | (10.0) | (10.0) | (10.0) |
| | 28.0 | 28.0 | 28.0 |
| Small business deduction ^f | (17.0) | 0.0 | 0.0 |
| Rate reduction ^g | 0.0 | (9.0) | 0.0 |
| Refundable tax ^h | 0.0 | 0.0 | 6.7 |
| | <u>11.0</u> | <u>19.0</u> | <u>34.7</u> |

See the attached notes for the actual dates on which these rates and other rate changes are effective.
All rates must be prorated for taxation years that straddle the effective date of the changes.

**2008 AND 2009 PROVINCIAL/TERRITORIAL INCOME TAX RATES
FOR INCOME EARNED BY A CANADIAN-CONTROLLED
PRIVATE CORPORATION^a**

Effective January 1, 2008

| Jurisdiction | Small Business Income up to \$400,000^b | General Active Business Income^c | Investment Income^d |
|-----------------------------------|--|---|--------------------------------------|
| British Columbia | 4.5% | 12.0% | 12.0% |
| Alberta | 3.0 | 10.0 | 10.0 |
| Saskatchewan ⁱ | 4.5 | 13.0/12.0 | 13.0/12.0 |
| Manitoba ^j | 2.0 | 14.0/13.0 | 14.0/13.0 |
| Ontario ^k | 5.5 | 14.0 | 14.0 |
| Québec ^l | 8.0 | 11.4 | 11.4 |
| New Brunswick | 5.0 | 13.0 | 13.0 |
| Nova Scotia | 5.0 | 16.0 | 16.0 |
| Prince Edward Island ^m | 4.3/3.2 | 16.0 | 16.0 |
| Newfoundland | 5.0 | 14.0 | 14.0 |
| Northwest Territories | 4.0 | 11.5 | 11.5 |
| Nunavut | 4.0 | 12.0 | 12.0 |
| Yukon | 4.0 | 15.0 | 15.0 |

Effective January 1, 2009

| Jurisdiction | Small Business Income up to \$400,000^b | General Active Business Income^c | Investment Income^d |
|-----------------------------------|--|---|--------------------------------------|
| British Columbia | 4.5% | 12.0% | 12.0% |
| Alberta | 3.0 | 10.0 | 10.0 |
| Saskatchewan ⁱ | 4.5 | 12.0 | 12.0 |
| Manitoba ^j | 2.0 | 13.0 | 13.0 |
| Ontario ^k | 5.5 | 14.0 | 14.0 |
| Québec ^l | 8.0 | 11.9 | 11.9 |
| New Brunswick | 5.0 | 13.0 | 13.0 |
| Nova Scotia | 5.0 | 16.0 | 16.0 |
| Prince Edward Island ^m | 3.2/2.1 | 16.0 | 16.0 |
| Newfoundland | 5.0 | 14.0 | 14.0 |
| Northwest Territories | 4.0 | 11.5 | 11.5 |
| Nunavut | 4.0 | 12.0 | 12.0 |
| Yukon | 4.0 | 15.0 | 15.0 |

**2008 AND 2009 COMBINED FEDERAL AND PROVINCIAL/TERRITORIAL
INCOME TAX RATES FOR INCOME EARNED BY A
CANADIAN-CONTROLLED PRIVATE CORPORATION ^a**

Effective January 1, 2008

| Jurisdiction | Small Business Income up to \$400,000^b | General Active Business Income^c | Investment Income^d |
|-----------------------------------|--|---|--------------------------------------|
| British Columbia | 15.5% | 31.5% | 46.7% |
| Alberta | 14.0 | 29.5 | 44.7 |
| Saskatchewan ⁱ | 15.5 | 32.5/31.5 | 47.7/46.7 |
| Manitoba ^j | 13.0 | 33.5/32.5 | 48.7/47.7 |
| Ontario ^k | 16.5 | 33.5 | 48.7 |
| Québec ^l | 19.0 | 30.9 | 46.1 |
| New Brunswick | 16.0 | 32.5 | 47.7 |
| Nova Scotia | 16.0 | 35.5 | 50.7 |
| Prince Edward Island ^m | 15.3/14.2 | 35.5 | 50.7 |
| Newfoundland | 16.0 | 33.5 | 48.7 |
| Northwest Territories | 15.0 | 31.0 | 46.2 |
| Nunavut | 15.0 | 31.5 | 46.7 |
| Yukon | 15.0 | 34.5 | 49.7 |

Effective January 1, 2009

| Jurisdiction | Small Business Income up to \$400,000^b | General Active Business Income^c | Investment Income^d |
|-----------------------------------|--|---|--------------------------------------|
| British Columbia | 15.5% | 31.0% | 46.7% |
| Alberta | 14.0 | 29.0 | 44.7 |
| Saskatchewan ⁱ | 15.5 | 31.0 | 46.7 |
| Manitoba ^j | 13.0 | 32.0 | 47.7 |
| Ontario ^k | 16.5 | 33.0 | 48.7 |
| Québec ^l | 19.0 | 30.9 | 46.6 |
| New Brunswick | 16.0 | 32.0 | 47.7 |
| Nova Scotia | 16.0 | 35.0 | 50.7 |
| Prince Edward Island ^m | 14.2/13.1 | 35.0 | 50.7 |
| Newfoundland | 16.0 | 33.0 | 48.7 |
| Northwest Territories | 15.0 | 30.5 | 46.2 |
| Nunavut | 15.0 | 31.0 | 46.7 |
| Yukon | 15.0 | 34.0 | 49.7 |

2008 AND 2009 COMBINED FEDERAL AND PROVINCIAL/TERRITORIAL INCOME TAX RATES FOR INCOME EARNED BY A CANADIAN-CONTROLLED PRIVATE CORPORATION

Notes:

- ^a The federal and provincial/territorial tax rates shown in the tables apply to income earned by a Canadian-controlled private corporation (CCPC). For tax rates applicable to non-CCPCs, see the table entitled “Federal and Provincial/Territorial Tax Rates for Income Earned by a Non-Canadian Controlled Private Corporation” and its related notes.
- ^b See the table entitled “Federal and Provincial/Territorial Small Business Income Thresholds for the Years 2005 to 2009” for changes in the federal and provincial/territorial small business income thresholds during this period.
- Due to the increase in the federal small business threshold to \$400,000 effective for 2007, as announced in the 2006 federal budget, Ontario, Alberta and Saskatchewan will be the only provinces that will have provincial thresholds in excess of the federal amount. For these provinces, a median tax rate will apply to active business income between the federal and provincial thresholds. The median tax rate is based on the federal rate of 22.1% and the applicable provincial small business rate. For example, Alberta’s 2008 combined rate on active business income between \$400,000 and \$460,000 is 22.5% (i.e. 19.5% federally and 3% provincially).
- ^c For federal purposes, the general corporate tax rate applies to active business income earned in excess of \$400,000, and for provincial/territorial purposes the general rates apply to income in excess of the applicable small business income threshold. See the table entitled “Federal and Provincial/Territorial Small Business Income Thresholds for the Years 2005 to 2009” for changes in the federal and provincial/territorial small business income thresholds during this period.
- CCPCs that earn income from manufacturing and processing (M&P) activities are subject to the same rates as those that apply to non-CCPCs (see the table entitled “2008 and 2009 Federal and Provincial/Territorial Tax Rates for Income Earned by a Non-Canadian Controlled Private Corporation” and its related notes).
- ^d The federal and provincial/territorial tax rates shown in the table apply to investment income earned by a CCPC other than capital gains and dividends received from Canadian corporations. The rates that apply to capital gains are one-half of the rates shown in the table. Dividends received from Canadian corporations are deductible in computing regular Part I tax, but may be subject to Part IV tax, calculated at a rate of 33 $\frac{1}{3}$ %.
- ^e The 2005 federal budget announced that the 4% surtax would be eliminated for all small and medium-sized corporations effective January 1, 2008. The 2006 federal budget subsequently announced that the surtax would also be eliminated for large corporations effective January 1, 2008.
- ^f Corporations that are CCPCs throughout the year may claim the small business deduction (SBD). In general, the SBD is equal to 17.0% of the least of three amounts – (i) active business income earned in Canada, (ii) taxable income and (iii) the small business threshold.
- The 2006 federal budget announced that the small business tax rate would decrease from 12% to 11.5% on January 1, 2008, and to 11% on January 1, 2009. The Department of Finance, on October 30, 2007, announced that the decrease to 11% would be accelerated to January 1, 2008, instead of January 1, 2009.
- ^g A general tax rate reduction is available on qualifying income. Income that is eligible for other reductions or credits, such as small business income, M&P income, and investment income subject to the refundable provisions, is not eligible for this rate reduction.
- The 2006 federal budget announced that the general corporate income tax rate will decrease from 21% to 19% in three steps: to 20.5% on January 1, 2008, to 20% on January 1, 2009, and to 19% on January 1, 2010. The rate reduction will therefore increase from 7% to 7.5%, 8% and 9% respectively.

2008 AND 2009 COMBINED FEDERAL AND PROVINCIAL/TERRITORIAL INCOME TAX RATES FOR INCOME EARNED BY A CANADIAN-CONTROLLED PRIVATE CORPORATION

Notes, continued:

The Department of Finance, on October 31, 2006, announced a further decrease in the general corporate income tax rate as part of their Tax Fairness Plan. The general corporate income tax rate will decrease from 19% to 18.5% on January 1, 2011. The rate reduction will therefore increase from 9% to 9.5% on this same date.

The Department of Finance, on October 30, 2007, announced a revised schedule of reductions to the general corporate income tax rate that will ultimately fall to a target rate of 15% as of January 1, 2012. The corporate income tax rate will decrease on January 1 of the next five years as follows: to 19.5% on January 1, 2008, to 19% on January 1, 2009, to 18% on January 1, 2010, to 16.5% on January 1, 2011 and to 15% on January 1, 2012. The rate reduction will therefore increase from 7.5% to 8.5%, 9%, 10%, 11.5% and 13% respectively.

- h The refundable tax of $6\frac{2}{3}\%$ of a CCPC's investment income and capital gains, as well as 20% of such income that is subject to regular Part I tax, is included in the corporation's Refundable Dividend Tax on Hand (RDTOH) account. When taxable dividends are paid out to shareholders, a dividend refund equal to the lesser of $33\frac{1}{3}\%$ of the dividends paid or the balance in the RDTOH account is refunded to the corporation.
- i Saskatchewan's 2006 budget announced that the province would decrease its general corporate tax rate from 13% to 12% on July 1, 2008.
- j Manitoba's 2007 budget announced that the province's small business tax rate will decrease from 3% to 2% on January 1, 2008, and subject to balanced budget legislation, to 1% on January 1, 2009. Manitoba's 2006 budget announced that the province's general corporate tax rate would decrease from 14% to 13% on July 1, 2008, but this decrease is subject to provincial balanced budget requirements. The province's 2007 budget subsequently confirmed this reduction and announced further a decrease to 12% on July 1, 2009 subject to balanced budget legislation.
- k Ontario levies a surtax at a rate of 4.25% on CCPCs claiming the Ontario small business deduction in order to gradually reduce the benefit of the deduction where taxable income exceeds the small business income threshold. Based on the small business limit of \$500,000, the phase-out range for the application of the surtax is between \$500,000 and \$1.5 million.
- l Québec's 2005 budget announced that the province's general corporate tax rate would increase from 9.9% to 11.4% on January 1, 2008, and to 11.9% on January 1, 2009. Québec's 2007 budget announced that the province's income tax rate applicable to investment income would decrease over three years, from 16.3% in 2007 to 11.9% in 2009. The income tax rate increased from 9.9% to 11.4% in 2008, and will further increase to 11.9% in 2009.
- m Prince Edward Island's 2006 budget announced a five-year plan to reduce the small business tax rate from 6.5% to 1% in increments of 1.1% per year, effective April 1 of each of the next five years. The small business rate will decrease from 4.3% to 3.2% on April 1, 2008, to 2.1% on April 1, 2009 and to 1% on April 1, 2010.