

2006
Federal and Provincial Tax Rates, Brackets and Surtaxes
and Top Marginal Tax Rates for Individuals

Jurisdiction	Tax Rates and Brackets		Surtax Rates and Thresholds		Top Marginal Rates		
					Salary and Interest	Capital Gains	Non-eligible Dividends
Federal ^a	15.25%	\$0 – 36,378		29.00%	14.50%	19.58%	14.50%
	22.00	36,379 – 72,756		[Quebec Residents	[Quebec Residents	[Quebec Residents	[Quebec Residents
	26.00	72,757 – 118,285		24.22%]	12.11%]	16.35%]	12.11%]
	29.00	118,286 and over					
British Columbia ^b	6.05%	\$0 – 33,755		<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>
	9.15	33,756 – 67,511		14.70%	7.35%	12.00%	[Pending]
	11.70	67,512 – 77,511		<i>Combined</i>	<i>Combined</i>	<i>Combined</i>	<i>Combined</i>
	13.70	77,512 – 94,121		43.70%	21.85%	31.58%	[Pending]
	14.70	94,122 and over					
Alberta ^c	10.0%	All income		<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>
				10.00%	5.00%	4.50%	[Pending]
				<i>Combined</i>	<i>Combined</i>	<i>Combined</i>	<i>Combined</i>
				39.00%	19.50%	24.08%	[Pending]
Saskatchewan ^d	11.0%	\$0 – 37,579		<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>
	13.0	37,580 – 107,367		15.00%	7.50%	8.75%	[Pending]
	15.0	107,368 and over		<i>Combined</i>	<i>Combined</i>	<i>Combined</i>	<i>Combined</i>
				44.00%	22.00%	28.33%	[Pending]
Manitoba ^e	10.9%	\$0 – 30,544		<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>
	13.5	30,545 – 65,000		17.40%	8.70%	15.66%	9.28%
	17.4	65,001 and over		<i>Combined</i>	<i>Combined</i>	<i>Combined</i>	<i>Combined</i>
				46.40%	23.20%	35.24%	23.78%
Ontario ^f	6.05%	\$0 – 34,758	20% \$4,016	<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>	<i>Provincial</i>
	9.15	34,759 – 69,516	36 5,066	17.41%	8.70%	11.75%	[Pending]
	11.16	69,517 and over		<i>Combined</i>	<i>Combined</i>	<i>Combined</i>	<i>Combined</i>
				46.41%	23.20%	31.33%	[Pending]

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Jurisdiction	Tax Rates and Brackets		Surtax Rates and Thresholds		Top Marginal Rates			
					Salary and Interest	Capital Gains	Non-eligible Dividends	Eligible Dividends
Quebec ^g	16.0%	\$0 – 28,710			Provincial 24.00% Combined 48.22%	Provincial 12.00% Combined 24.11%	Provincial 20.00% Combined 36.35%	Provincial 17.55% Combined 29.66%
New Brunswick ^h	9.68%	\$0 – 33,451			Provincial 17.84% Combined 46.84%	Provincial 8.92% Combined 23.42%	Provincial 17.68% Combined 37.26%	Provincial [Pending] Combined [Pending]
Nova Scotia ⁱ	8.79%	\$0 – 29,590	10%	\$10,000	Provincial 19.25% Combined 48.25%	Provincial 9.63% Combined 24.13%	Provincial 13.48% Combined 33.06%	Provincial [Pending] Combined [Pending]
P.E.I. ^j	9.8%	\$0 – 30,754	10%	\$5,200	Provincial 18.37% Combined 47.37%	Provincial 9.19% Combined 23.69%	Provincial 12.38% Combined 31.96%	Provincial [Pending] Combined [Pending]
Newfoundland ^k	10.57%	\$0 – 29,590	9%	\$7,032	Provincial 19.64% Combined 48.64%	Provincial 9.82% Combined 24.32%	Provincial 17.74% Combined 37.32%	Provincial [Pending] Combined [Pending]

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Notes:

- (a) The federal tax brackets are indexed each year by a calculated inflation factor, which is based on the change in the average federal inflation rate over the 12-month period ending September 30 of the previous year compared to the change in the rate for the same period of the year prior to that. The federal inflation factor is 2.2% for 2006.

The federal tax rate that applies to residents of Quebec is reduced by the 16.5% federal abatement.

The 2006 federal budget announced that the decrease in the lowest tax rate to 15% (from 16%) effective January 1, 2005 would be legislated, and that the rate would then increase to 15.25% for 2006 and to 15.5% for 2007 and subsequent years. These rate changes are included in Bill C-13, which received Third Reading in the House of Commons on June 6, 2006.

The 2006 federal budget confirmed the government's intention to proceed with the previous government's proposal to reduce the federal personal tax rate on dividends received from public companies and certain Canadian controlled private companies paid out of income that has been subject to tax at the high corporate tax rate ("eligible dividends"), effective for 2006 and subsequent years. Although this measure has not yet been tabled in a bill, the government has indicated that the federal personal tax rate on eligible dividends will be 14.5% (based on a gross-up rate of 45% and a dividend tax credit rate of 19%).

- (b) British Columbia indexes its tax brackets using the same formula as that used federally, but uses the applicable provincial inflation rate rather than the federal rate in the calculation. The province's inflation factor is 2.1% for 2006.

In its 2006 budget, the province stated that it will introduce an enhanced dividend tax credit to parallel the federal dividend tax changes once all of the federal details are announced.

- (c) Alberta stated in its 2006 budget that it will wait for federal details before announcing whether it will adopt similar treatment in respect of the taxation of dividends.

- (d) Saskatchewan's inflation factor that is used to index its tax brackets is set by the province each fall. For 2006, the province's inflation factor is 2.2%, the same as the federal factor.

In its 2006 budget, the province stated that it will consider possible changes to the provincial taxation of dividends once details of the federal changes are announced.

- (e) Manitoba's middle tax rate decreased to 13.5% (from 14%) on January 1, 2006. The province's 2006 budget announced that the middle rate will further decrease to 13.0% on January 1, 2007. Manitoba does not index its tax brackets.

Manitoba's 2006 budget bill, which was tabled for First Reading on June 5, 2006, includes proposed changes to the provincial tax rate on both eligible and non-eligible dividends. The dividend tax credit rate in respect of non-eligible dividends (ie. those that are subject to the 25% federal gross-up) will be 4.87% for 2006 and 3.67% for 2007 and subsequent years. The dividend tax credit rate for eligible dividends (ie. those that are subject to the 45% federal gross-up) will be 11% for 2006 and subsequent years.

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Notes:

- (f) Ontario's tax brackets and surtax thresholds are indexed for inflation based on the federal formula, but using the applicable provincial inflation rate rather than the federal rate in the calculation. The province's inflation factor is 2.2% for 2006.

Taxpayers resident in Ontario with taxable income over \$20,000 are also required to pay a Health Premium each year, which is not included in the top marginal rates indicated in the table. The premiums are graduated based on taxable income. The following are examples of the amount of premiums that apply at various taxable income levels:

<u>Taxable income</u>	<u>Premium</u>
\$25,000	\$300
\$50,000	\$600
\$75,000	\$750
\$200,000	\$900

Ontario announced in its 2006 budget that it will review the federal legislation in respect of the taxation of eligible and non-eligible dividends when it is released and will then make a decision as to whether provincial changes will be made.

- (g) Quebec's indexation factor that is used in calculating its tax brackets is based on the provincial rate of inflation excluding changes in liquor and tobacco taxes. The province's inflation factor is 2.4% for 2006.

Quebec announced in its 2006 budget that it will propose changes to the taxation of eligible and non-eligible dividends for dividends paid after March 23, 2006. The dividend tax credit rate in respect of non-eligible dividends (ie. those that are subject to the 25% provincial gross-up) paid after that date will be 8%. The dividend tax credit rate for eligible dividends (ie. those that are subject to the 45% provincial gross-up) paid after that date will be 11.9%.

- (h) New Brunswick's tax brackets are indexed for inflation based on the federal formula and inflation rate. The province's inflation factor is therefore 2.2% for 2006.

New Brunswick has not yet indicated its intentions in respect of the personal taxation of eligible and non-eligible dividends.

- (i) Nova Scotia, Prince Edward Island and Newfoundland do not index their tax brackets or their surtax thresholds. These provinces have not yet indicated their intentions in respect of the personal taxation of eligible and non-eligible dividends.