



TAX FACTS & FIGURES

April 2018

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**FACTS AND FIGURES
FOR TAX PREPARATION AND PLANNING
APRIL 2018**

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CHAPTER 1 - PERSONAL INCOME TAX

1.1 Federal Tax Rates – Individuals

The following Federal tax rates apply for 2018:

Taxable income in excess of	but not over	the tax		of the amount over
\$0	\$46,605	\$0	+ 15%	\$0
46,605	93,208	6,991	+ 20.5%	46,605
93,308	144,489	16,544	+ 26%	93,208
144,489	205,842	29,877	+ 29%	144,489
205,842	n/a	47,670	+ 33%	205,842

1.2 Federal Personal Tax Credits

The personal credits listed below apply for 2018:

	Gross	Credit (15%)
Basic personal	\$11,809	\$1,771.35
Married or equivalent ⁽¹⁾	11,809	1,771.35
Dependents		
Under 18 ⁽²⁾	0	0
Over 18 and infirm ⁽³⁾	6,986	1,048
Age ⁽⁴⁾	7,333	1,100
Disability	8,235	1,235
Supplement for children with disabilities (maximum)	4,804	721

(1) Reduced by spouse's net income.

(2) Replaced by the Child Care Benefit.

(3) Reduced by dependent's net income in excess of \$16,405.

(4) The Age credit is reduced by an amount equal to 15% of an individual's net income exceeding \$36,976.

1.3 Additional Federal Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2018:

- Pension income - 15% of amount up to \$2,000 for a maximum credit of \$300
- Medical expense - 15% of amount in excess of lesser of: 3% of net income or \$2,302
- Tuition fees - 15% of amount paid in respect of attendance at a post-secondary institution
- Charitable donations - 15% for first \$200;
- 29%/33%⁽³⁾ of balance, limited to 75% of net income⁽¹⁾⁽²⁾

- Canada Pension - 15% of contributions
- Employment Insurance - 15% of contributions
- Adoption Expenses - \$15,905 for 2018, \$15,620 for 2017
- Canada Employment Credit - The lesser of \$1,195 or 15% of the individual's employment income for the year
- Tax Credit for Public Transit Passes - Eliminated effective June 30th
- Senior Credit - The province of Ontario introduced the senior tax credit Jul 1st, 2017. To be eligible, you need to be 65 years of age or older at the beginning of the year and living in Ontario by the end of the year

- (1) 100% in the year of death.
- (2) Increased by 25% of taxable capital gain arising from a gift of capital property and by 25% of recaptured capital cost allowance arising from a gift of depreciable capital property.
- (3) The 33% rate will apply to the extent that income is subject to the new 33% tax rate.

1.4 Refundable Medical Tax Credit

The refundable medical tax credit is equal to the lesser of \$1,222 and 25% of the medical expenses eligible for the medical credit reduced by 5% of family net income in excess of \$27,044. To be eligible for the credit, a person must be a resident of Canada throughout the year, be 18 years old or over at the end of the year and must have total employment and/or business income for the year of at least \$3,566.

1.5 Transferability of Tax Credits

Certain tax credits, if not fully utilized by a taxpayer, may be transferred to a spouse or a supporting person. The following chart shows the transfers available.

Tax Credit	Transferable to
Age	Spouse
Disability	Spouse or supporting person
Pension	Spouse or supporting person
Tuition tax credit ⁽¹⁾	Spouse or supporting person (transfer limited to \$750 of federal credit)

- (1) Unused tuition tax credit not transferred by the student may be carried forward indefinitely and applied to reduce the student's tax in subsequent years.

1.6 Ontario Tax Rates – Individuals

On March 28th 2018, Minister of Finance Charles Sousa proposed to eliminate surtaxes effective for the 2018 taxation year. This is to promote a simplified personal tax system and new brackets and rates were introduced. Ontario personal tax brackets and rates are set independently of the federal tax brackets and rates. See tables below for the current and proposed rates:

Current 2018 Tax Brackets and Rates (excluding surtax – see below)

Taxable Income	Tax				
\$0 – \$42,960					5.05%
42,960 – 85,293	\$ 2,169	+	9.15%	over	\$ 42,960
85,293 – 150,000	6,101	+	11.16%	over	85,923
150,000 – 220,000	13,252	+	12.16%	over	150,000
Over 220,000	21,764	+	13.16%	over	220,000

For 2018, the surtax is calculated as 20% of Ontario tax between \$4,638 and \$5,936, and an additional 36% of Ontario tax in excess of \$5,936 to a maximum of 56%. The first level of surtax (20%) for 2018 arises at taxable income of approximately \$75,657 and the second level of surtax (56%) arises at taxable income of approximately \$89,131 for a single taxpayer with only the basic personal tax credit.

Proposed 2018 Tax Brackets and Rates (surtax eliminated)

Taxable Income	Tax				
\$0 – \$42,960					5.05%
42,960 – 71,500	\$ 2,169	+	9.15%	over	\$ 42,960
71,500 – 82,000	4,781	+	11.00%	over	71,500
82,000 – 92,000	5,936	+	13.50%	over	82,000
92,000 – 150,000	7,286	+	17.50%	over	92,000
150,000 – 220,000	17,436	+	19.00%	over	150,000
Over 220,000	30,736	+	20.53%	over	220,000

1.7 Ontario Personal Tax Credits

The personal credits listed below apply for 2018:

	Gross	Credit (5.05%)
Basic personal	\$ 10,354	\$ 523
Married or equivalent ⁽¹⁾	8,792	444
Dependents		
Over 18 and infirm ⁽²⁾	4,881	246
Age ⁽³⁾	5,055	255
Disability	8,365	422
Disability supplement for taxpayers under 18 years of age ⁽⁴⁾	4,879	246

⁽¹⁾ Reduced by spouse's net income in excess of \$879.

⁽²⁾ Reduced by dependent's net income in excess of \$9,671.

⁽³⁾ The Age credit is reduced by an amount equal to 15% of an individual's net income exceeding \$37,635.

⁽⁴⁾ Reduced when total child care and attendant care expenses claimed by this taxpayer by anyone exceed \$2,859 and eliminated when above expenses exceed \$7,737.

1.8 Additional Ontario Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2018:

Pension income	-	5.05% of amount up to \$1,432 for a maximum credit of \$72
Medical expense	-	5.05% of amount in excess of lesser of: 3% of net income or \$2,343
Tuition fees ⁽³⁾	-	5.05% of amount paid in respect of attendance at a post-secondary institution
Education amount ⁽³⁾	-	\$0
Charitable donations	-	5.05% for first \$200;
	-	11.16% of balance, limited to 75% of net income ⁽¹⁾⁽²⁾⁽⁴⁾
Canada Pension	-	5.05% of contributions
Employment Insurance	-	5.05% of contributions

⁽¹⁾ 100% in the year of death.

⁽²⁾ Increased by 25% of taxable capital gain arising from a gift of capital property and by 25% of recaptured capital cost allowance arising from a gift of depreciable capital property.

⁽³⁾ The 2016 Ontario Budget announced the elimination of these credits for studies after September 4, 2017.

⁽⁴⁾ The 2018 Ontario Budget proposes to adjust the charitable donation tax credit rates. The rate on the first \$200 will remain unchanged at 5.05%, while the rate on donations in excess of \$200 will increase from 11.16% to 17.5%.

1.9 Dividends

The following actual amount of Canadian dividends can be received by an Ontario resident with **no federal tax, no provincial tax, and no minimum tax**, assuming no other income or deductions other than the personal and dividend tax credits.

	2018		2017	
	Eligible	Ineligible	Eligible	Ineligible
i) Single taxpayer	\$ 57,320	\$ 33,750	\$ 56,475	\$ 33,315
ii) Married taxpayer (with full married credit)	74,135	49,250	73,035	47,100

For federal tax purposes, the gross-up rate for eligible dividends remains 38% and the federal dividend tax credit remains 15.02% of the grossed-up amount (20.73% of the cash amount).

For non-eligible dividends, the dividend gross-up rate decreases to 16% and the federal dividend tax credit decreases to 10,0313% of the grossed-up dividend (11.64% of the cash amount).

The 2016 Federal Budget eliminated the proposed reductions to the gross-up percentage and dividend tax credit rate for non-eligible dividends which would have applied in 2017 and subsequent years.

For Ontario tax purposes, the dividend tax credit on eligible dividends remains 10% of the grossed-up amount (13.80% of the cash amount). For non-eligible dividends, the dividend gross-up decreases to 16% and the dividend tax credit decreases to 3.12% of the grossed-up amount (3.62% of the cash amount).

Since January 1, 2014 the Fair Share Health Care Levy (FSHCL) is calculated before deducting dividend tax credits from Ontario tax.

1.10 Capital Gains

The capital gains inclusion rate is 50%.

The inclusion rate is 0% for capital gains resulting from donations of publicly-traded securities to certain registered charities.

CHAPTER 1 - PERSONAL INCOME TAX

1.11 Marginal Tax Rates – Individuals

Below you will find two tables for the combined Federal and Ontario marginal rates (in %), one for the current marginal rates and one for the proposed marginal rates. This assumes: all federal and provincial taxes and surtaxes are included; and the taxpayer only qualifies for the basic personal tax credit.

Current Combined Federal & Ontario Tax Brackets (Including Surtax)

Taxable Income	Salary, interest, etc.			Dividends Gains (eligible/non-eligible)			Capital		
	Federal %	Ontario %	Total %	Federal %	Ontario %	Total %	Federal %	Ontario %	Total %
\$10,354 or less	0	0	0	0	0	0	0	0	0
10,355 - 11,809	0	5.05	5.05	0	-6.83/2.23	-6.83/2.23	0	2.52	2.52
11,810 - 42,960	15.00	5.05	20.05	-0.03/5.77	-6.83/2.23	-6.86/8.00	7.50	2.52	10.02
42,961 - 46,605	15.00	9.15	24.15	-0.03/5.77	-1.17/6.99	-1.20/12.76	7.50	4.58	12.08
46,606 - 75,657	20.50	9.15	29.65	7.56/12.15	-1.17/6.99	6.39/19.14	10.25	4.58	14.83
75,658 - 85,923	20.50	10.98	31.48	7.56/12.15	1.36/9.11	8.92/21.26	10.25	5.49	15.74
85,924 - 89,131	20.50	13.39	33.89	7.56/12.15	4.68/11.91	12.24/24.06	10.25	6.70	16.95
89,132 - 93,208	20.50	17.41	37.91	7.56/12.15	10.23/16.57	17.79/28.72	10.25	8.70	18.95
93,209 - 144,489	26.00	17.41	43.41	15.15/18.53	10.23/16.57	25.38/35.10	13.00	8.70	21.70
144,490 - 150,000	29.00	17.41	46.41	19.29/22.01	10.23/18.38	29.52/38.58	14.50	8.70	23.20
150,001 - 205,842	29.00	18.97	47.97	19.29/22.01	12.38/18.38	31.67/40.39	14.50	9.48	23.98
205,843 - 220,000	33.00	18.97	51.97	24.81/26.65	12.38/18.38	37.19/45.03	16.50	9.48	25.98
Over - 220,000	33.00	20.53	53.53	24.81/26.65	14.53/20.19	39.34/46.84	16.50	10.26	26.76

CHAPTER 1 - PERSONAL INCOME TAX

Proposed 2018 Combined Federal & Ontario Tax Brackets

Taxable Income	Salary, interest, etc.			Dividends Gains (eligible/non-eligible)			Capital		
	Federal %	Ontario %	Total %	Federal %	Ontario %	Total %	Federal %	Ontario %	Total %
\$10,354 or less	0	0	0	0	0	0	0	0	0
10,355 - 11,809	0	5.05	5.05	0	-6.83/0.36	-6.83/0.36	0	2.52	2.52
11,810 - 42,960	15.00	5.05	20.05	-0.03/5.77	-6.83/0.36	-6.86/6.13	7.50	2.52	10.02
42,961 - 46,605	15.00	9.15	24.15	-0.03/5.77	-1.17/6.99	-1.20/12.76	7.50	4.58	12.08
46,606 - 71,500	20.50	9.15	29.65	7.56/12.15	-1.17/6.99	6.39/19.14	10.25	4.58	14.83
71,500 - 82,000	20.50	11.00	31.50	7.56/12.15	1.38/9.14	8.94/21.29	10.25	5.50	15.75
82,000 - 92,000	20.50	13.50	34.00	7.56/12.15	4.83/12.04	12.39/24.19	10.25	6.75	17.00
92,000 - 93,208	20.50	17.50	38.00	7.56/12.15	10.35/16.68	17.91/28.83	10.25	8.75	19.00
93,209 - 144,489	26.00	17.50	43.50	15.15/18.53	10.35/16.68	25.50/35.21	13.00	8.75	21.75
144,490 - 150,000	29.00	17.50	46.50	19.29/22.01	10.35/16.68	29.64/38.69	14.50	8.75	23.25
150,001 - 205,842	29.00	19.00	48.00	19.29/22.01	12.42/18.42	31.71/40.43	14.50	9.50	24.00
205,843 - 220,000	33.00	19.00	52.00	24.81/26.65	12.42/18.42	37.23/45.07	16.50	9.50	26.00
Over - 220,000	33.00		53.53	24.81/26.65	14.53/20.19	39.34/46.84	16.50	10.27	26.77

1.12 Old Age Security Benefits

	2018	2017
January - March	586.66	578.53
April - June	589.59	578.53
July - September	-	583.74
October - December	-	585.49

Benefits start in the month following 65th birthday and are paid in the month of death.

For 2018, benefits are repayable if net income exceeds \$75,910. The repayment is 15% of excess income to a maximum of the OAS received. Tax withholdings are deducted from the monthly OAS payment in respect of the clawback based upon the prior year's net income. Non-residents are required to declare their world- wide income to qualify for OAS payments.

1.13 Canada Pension Plan Benefits – Maximums

	Annual Total	2018	2017
Death Benefit	n/a	\$2,500.00	\$2,500.00
Retirement benefit - per month	13,610.04	1,134.17	1,114.17
Disability pension - per month	16,029.96	1,335.93	1,313.66
Spouse pension - under 65, per month	7,375.44	614.62	604.32
- 65 and over, per month	8,166.00	680.50	668.50
Orphan pension - per month	2,935.68	244.64	241.02

These maximums assume collection of benefits starts at age 65 (i.e. no reduction/premium for early/late collection).

1.14 Employment Insurance Benefits

	2018	2017
Maximum, per week - 55% of insurable earnings	\$547.00	\$543.00

Benefits are repayable when net income exceeds \$64,625 (2017 - \$64,125).

1.15 Working Income Tax Benefit

Since 2007, low income persons with either employment or business income are entitled to a credit equal to 25% of earned income in excess of \$3,000 to a maximum of \$1,059 (\$1,922 for couples and single parents). For 2018, a reduction equivalent to 15% of net family income in excess of \$12,016 (\$16,593 for couples and single parents) will apply.

For disabled persons, an additional credit equal to 25% of earned income in excess of \$1,150 (maximum - \$529.00) will be allowed.

An individual will qualify for the credit if they are a Canadian resident throughout the year and have attained age 19 by the end of the year. Persons who are full-time students for more than 3 months will not qualify for the credit unless they have a dependent child.

1.16 Canada Child Benefit

The 2016 Federal Budget replaced the Canada Child Tax Benefit (CCTB) and the Universal Child Tax Benefit (UCTB) with a new Canada Child Benefit (CCB)

Below you will find the payment amounts for the periods July 2016 – June 2018 and July 2018 – June 2019:

Basic Canada child benefit amount		
Age of Children	July 2018 – June 2019	July 2016 – June 2018
For children under 6	\$6,496	\$6,400
For children aged 6 to 17	5,481	5,400

The benefits will be phased out based on the adjusted family net income (see table below).

-Phase out rates-		
Number of Children	\$30,450 to \$65,975	Over \$65,975
1 child	7.0%	3.2%
2 children	13.5%	5.7%
3 children	19.0%	8.0%
4 or more	23.0%	9.5%

Benefits for the period of July 2018 to June 2019 will be based on the adjusted family net income for the 2017 tax year. For example, a family with adjusted family net income of \$80,000 and two children under the age of 6 would have their annual benefit of \$12,992 phased out based on the total of the following amounts:

- 13.5% of the adjusted family net income between \$30,450 and \$65,975 ($\$35,525 \times 13.5\% = \$4,796$); and
- 5.7% of the adjusted family net income over \$65,975 ($\$14,025 \times 5.7\% = \799)

As a result, the family would receive an annual Canada Child Benefit of \$7,397 ($\$12,992 - \$5,595$) or \$616.42 a month.

Monthly payments for each child under 18 are issued. The maximum annual payment per child will be as follows:

July 2015	-	June 2016	1,336
July 2016	-	June 2017	1,356
July 2017	-	June 2018	1,378

A reduction equal to 8% of family net income over \$20,400.

1.17 GST/HST Credit

For the period July 2018 to June 2019, the credit is calculated as follows:

All eligible taxpayers	\$284
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$9,209 to a maximum of	149
Addition for spouse or equivalent	284
Addition for each qualifying child	149

Reduced by 5% of combined net income in excess of \$36,976.

⁽¹⁾ No reduction for single parents.

For the period July 2017 to June 2018, the credit will be calculated as follows:

All eligible taxpayers	\$280
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$9,073 to a maximum of	147
Addition for spouse or equivalent	280
Addition for each qualifying child	147

Reduced by 5% of combined net income in excess of \$36,429.

⁽¹⁾ No reduction for single parents.

1.18 Pension Contribution Limits

	RRSP	RPP	DPSP
2010	22,000	22,450	11,225
2011	22,450	22,970	11,485
2012	22,970	23,820	11,910
2013	23,820	24,270	12,135
2014	24,270	24,930	12,465
2015	24,930	25,370	12,685
2016	25,370	26,010	13,005
2017	26,010	26,230	13,115
2018	26,230	26,500	26,500
2019	26,500		

- The above limits include both employee and employer contributions.
- The maximum RRSP contribution is 18% of the prior year's "earned income" subject to adjustments for individuals who are members of RPPs and DPSPs.
- Unused RRSP contribution room can be carried forward indefinitely.
- The RRSP over-contribution limit of \$8,000 was reduced to \$2,000 in 1996. Individuals who had an excess over-contribution at that time are allowed to use the amount over \$2,000 as a future deduction in lieu of an additional contribution rather than being required to withdraw the excess amount from the RRSP.

1.19 Exchange rates - per Bank of Canada

	2017	2016
Average rate for year - U.S. \$	1.2986	1.3248
- U.K. £	1.6720	1.7962
- Euro	1.4650	1.4660

1.20 Prescribed Interest Rates – Federal

			2018	2017
January	-	March	1.0% **	1.0% **
April	-	June	2.0% *	1.0% **
July	-	September	-	1.0% **
October	-	December	-	1.0% **
Average annual rates				
			2014 - 1.25% **	
			2015 - 1.00% **	
			2016 - 1.00% **	
			2017 - 1.00% **	

* Prescribed rate set to double on April 1st, 2018.

** The rate is increased 4% for calculating interest on unpaid taxes, instalments and source deductions and is increased 2% on overpayments of taxes, refunds, etc. (for individuals only)

1.21 Prescribed Interest Rates – Ontario

			2018		2017	
			Over-due Tax	Refund	Over-due Tax	Refund
January	-	March	6.0%	0%	6.0%	0%
April	-	June	6.0%	0%	6.0%	0%
July	-	September	-	-	6.0%	0%
October	-	December	-	-	6.0%	0%
Average annual rates						
			2014 - 6.00%			
			2015 - 6.00%			
			2016 - 6.00%			
			2017 - 6.00%			

For purposes of taxable benefit calculations, the Ontario prescribed rate is the same as the federal prescribed rate.

1.22 Income Tax Instalments

- Quarterly tax instalment payments are required if net tax owing was more than \$3,000 in 2018 and in either 2017 or 2016.

CHAPTER 2 - CORPORATE INCOME TAX

2.1 Corporate Tax Rates - Combined Federal and Ontario

	Federal	2018 Ontario	Total	2017 Total
General rate	15.00%	11.50%	26.50%	26.50%
Manufacturing	15.00%	10.00%	25.00%	25.00%
Small business - below \$500,000	10.00% ⁽¹⁾	3.50%	13.50%	15.00%
- over \$500,000	15.00%	11.50%	26.50%	26.50%
Investment Income	38.67%	11.50%	50.17%	50.17%

The Federal small business deduction is "*clawed back*" where the taxable capital employed in Canada exceeds \$10,000,000, increasing on a pro rata basis and eliminated when taxable capital reaches \$15,000,000. The same reduction applies to the Ontario small business deduction.

- ⁽¹⁾ On October 16, 2017, the Department of Finance announced that the small business tax value would be reduced to 10% effective January 1, 2018 and to 9% in 2019.
- ⁽²⁾ Effective January 1, 2018, the lower rate of Ontario corporate income tax decreased from 4.5% to 3.5%.

2.2 Corporate Integration - 2018 Combined Federal and Ontario Rates

The following charts show the after-tax dollars available for use by an individual of different types of income. The calculations first show the two layers of tax where the income is received by the corporation and then paid by dividend to the individual (Total of Amounts (A) and (B)). The second part shows the tax paid when the income is directly received by the individual (Amount (C)).

1- Individual with Taxable Income below \$220,000

		Small Business Income <500,000	Active Business Income >500,000
	Income in corporation	\$ 1,000	\$ 1,000
(A)	Corporation tax	<u>(135)</u>	<u>(265)</u>
	Available for dividend	865	735
(B)	Personal tax (maximum rate)	<u>(390)</u>	<u>(273)</u>
	Net after tax cash	<u>475</u>	<u>462</u>
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	<u>(520)</u>	<u>(520)</u>
	Net after tax cash	<u>480</u>	<u>480</u>
(C - A)	Deferral of tax	385	255
	Deferral of tax as a percentage	<u>38.5%</u>	<u>25.5%</u>
(C - A - B)	Savings (-cost)	(5)	(18)
	Savings (-cost) of tax as a percentage	<u>-0.5%</u>	<u>-1.8%</u>

Corporate Integration – 2018 Combined Federal and Ontario Rates – cont'd

		Investment Income	Dividend Income
	Income in corporation	\$ 1,000	\$ 1,000
(A)	Corporation tax	(502)	(383)
(A)	Dividend refund	<u>307</u>	<u>383</u>
	Available for dividend	805	1,000
(B)	Personal tax (maximum rate)	<u>(362)</u>	<u>(372)</u>
	Net after tax cash	<u>443</u>	<u>628</u>
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	<u>(520)</u>	<u>(372)</u>
	Net after tax cash	<u>480</u>	<u>628</u>
(C - A)	Deferral of tax	18	(11)
	Deferral of tax as a percentage	<u>1.8%</u>	<u>-1.1%</u>
(C - A - B)	Savings (-cost)	(37)	0
	Savings (-cost) of tax as a percentage	<u>-3.7%</u>	<u>0%</u>

2 – Individual with Taxable Income over \$220,000

		Small Business Income <500,000	Active Business Income >500,000
	Income in corporation	\$ 1,000	\$ 1,000
(A)	Corporation tax	(135)	(265)
	Available for dividend	865	735
(B)	Personal tax (maximum rate)	<u>(405)</u>	<u>(289)</u>
	Net after tax cash	<u>460</u>	<u>446</u>
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	<u>(535)</u>	<u>(535)</u>
	Net after tax cash	<u>465</u>	<u>465</u>
(C - A)	Deferral of tax	400	270
	Deferral of tax as a percentage	<u>40%</u>	<u>27%</u>
(C - A - B)	Savings (-cost)	(5)	(19)
	Savings (-cost) of tax as a percentage	<u>-0.5%</u>	<u>-1.9%</u>

Corporate Integration – 2017 Combined Federal and Ontario Rates – cont'd

		Investment Income	Dividend Income
	Income in corporation	\$ 1,000	\$ 1,000
(A)	Corporation tax	(502)	(383)
(A)	Dividend refund	<u>307</u>	<u>383</u>
	Available for dividend	805	1,000
(B)	Personal tax (maximum rate)	<u>(377)</u>	<u>(393)</u>
	Net after tax cash	<u>428</u>	<u>607</u>
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	<u>(535)</u>	<u>(393)</u>
	Net after tax cash	<u>465</u>	<u>607</u>
(C - A)	Deferral of tax	33	10
	Deferral of tax as a percentage	<u>3.3%</u>	<u>1.0%</u>
(C - A - B)	Savings (- cost)	(37)	0
	Savings (- cost) of tax as a percentage	<u>-3.7%</u>	<u>0%</u>

2.3 Large Corporations Tax (LCT)

The Large Corporations Tax was eliminated as of January 1, 2006; subject to proration for non-calendar taxation years.

For purposes of the reduction of the small business deduction, the taxable capital threshold remains at \$10,000,000. The reduction is calculated at a rate of 0.225% of the taxable capital of a corporation in excess of \$10,000,000. For associated corporations, the taxable capital of all corporations must be taken into account in the calculation of the reduction.

2.4 Capital Tax - Ontario

The Ontario Capital Tax was eliminated as of July 1, 2010.

2.5 Ontario Corporate Minimum Tax

The Ontario Corporate Minimum Tax (CMT) applies to corporations that either have Total Assets in excess of \$50,000,000 or Total Revenues in excess of \$100,000,000. The CMT rate is 2.7%.

Corporate Minimum Taxable income is a corporation's accounting income, adjusted for specific income inclusions and deductions. A corporation must pay the higher of the CMT and the regular income tax. Any excess of the CMT over the regular income tax can be carried forward and applied as a credit against regular income tax in subsequent years.

2.6 Income Tax Instalments

- Monthly federal instalments required if total taxes payable for 2016 or 2015 exceeded \$3,000. CCPC's qualify to make quarterly instalments instead of monthly if they are entitled to the small business deduction, the taxable income of the associated group must not exceed \$500,000 and the taxable capital of the associated group must not exceed \$10 million, all in either the current or previous year.
- Ontario monthly instalments required if total taxes payable for 2016 or 2015 exceeded \$3,000. Effective for taxation years commencing in 2002, Ontario reduced the frequency of corporate instalments from monthly to quarterly where taxes payable in the current or preceding year are at least \$2,000 but less than \$10,000.

2.7 Withholding Tax on Payments to Non-Residents

Type of Payment	United Kingdom	United States
Interest	NIL ⁽¹⁾	NIL ⁽¹⁾
Estate or Trust Income	15%	15%
Copyright, etc.	NIL	NIL
Immovable Property	25%	25%
Alimony	NIL	NIL
Dividends		
- corporate shareholder owns (U.K. - controls) at least 10% of voting shares of payor	5%	5%
- other cases	15%	15%
Periodic Pension Payments	NIL	15%
Periodic Annuity Payments:		
- income averaging annuity contracts	25%	25%
- other	10%	15%
Lump Sum Pension, Annuity or similar type payments	25%	25%
Fees for services performed in Canada	15%	15%

⁽¹⁾ On December 14, 2007 the government enacted Bill C-28 into law. The Bill contained a measure from the 2007 Federal Budget that proposed to reduce the withholding tax rate on interest payments to non-residents to NIL if paid to an arm's length person and was not participating debt.

CHAPTER 3 - PAYROLL AND EMPLOYEE BENEFITS

3.1 Canada Pension Plan Contributions

	2018	2017
Contributory earnings	\$ 55,900.00	\$ 55,300.00
Basic exemption	<u>3,500.00</u>	<u>3,500.00</u>
Maximum contributory earnings	52,400.00	51,800.00
Maximum contributions:		
employees - 4.95%	2,593.80	2,564.10
self-employed - 9.9%	5187.60	5,128.20

One-half of the CPP contributions payable by self-employed individuals is deductible against income.

3.2 Employment Insurance Premiums

	2018	2017
Employee maximum: 1.66% x \$51,700 (2017 - 1.63% x \$51,300)	\$ 858.22	\$ 836.19
Employer maximum: 1.4 x \$858.22 (2017 - \$836.19)	1,201.51	1,170.67

Since January 31, 2010, self-employed individuals could enter into an agreement with the Canada Employment Insurance Commission and start paying EI premiums on their self-employment income. The premium rate will be the same that salaried employees currently pay. For 2018, the rate is 1.66% of insurable earnings. The payment of the premiums for individuals opting in during the 2018 calendar year will be made through their 2018 tax return.

3.3 Ontario Employer Health Tax

The Employer Health Tax (EHT) is remitted by employers based on their Ontario payroll. Since January 1, 2014 employers are exempt from tax on the first \$450,000 of Ontario payroll. The EHT is calculated as 1.950% of Ontario payroll in excess of the \$450,000 exemption.

Employers with annual Ontario payroll over \$5 million cannot claim this exemption. Only one annual exemption is available for an associated group of employers. When the combined total Ontario remuneration of all associated employers exceeds \$5 million, these employers are not eligible for the exemption.

Registered charities, including those with payrolls over \$5 million, remain eligible for the exemption.

Employers may be required to pay EHT instalments, as follows:

Annual Payroll:	\$0 - \$600,000	None
	600,001 and over	Monthly

On March 28th 2018, Minister of Finance Charles Sousa proposed to limit the eligibility for the Employer Health Tax Exemption so that only employers who would meet the eligibility criteria for the federal Small Business Deduction would be entitled to claim the EHT exemption. Furthermore, the Budget proposes to implement measures that would restrict associated employers' ability to access multiple EHT exemptions.

These measures, if passed, will take effect January 1, 2019.

3.4 Ontario Health Premium

The Ontario Health Premium is based on an individual's taxable income for a taxation year. Individuals with taxable income of \$20,000 or less will be exempt from this premium.

The rates for 2018 are as follows:

Taxable Income	Premium
\$0 - \$20,000	\$0
\$20,001 - \$24,999	6% over \$20,000
\$25,000 - \$36,000	\$300
\$36,001 - \$38,499	\$300 + 6% over \$36,000
\$38,500 - \$48,000	\$450
\$48,001 - \$48,599	\$450 + 25% over \$48,000
\$48,600 - \$72,000	\$600
\$72,001 - \$72,599	\$600 + 25% over \$72,000
\$72,600 - \$200,000	\$750
\$200,001 - \$200,599	\$750 + 25% over \$200,000
\$200,600 and Over	\$900

This health care premium is included in source deduction withholdings.

3.5 Source Deduction Remittances

The frequency of source deduction remittances by employers is based on the average monthly remittances made in the second preceding year. (i.e. 2018 frequency is based on average monthly remittances made in 2016). However, employers may choose to base the timing of their remittances on the prior year's average remittances, if beneficial.

The due dates for remittances are as follows:

Average Monthly Remittance	Due Date
Under \$25,000	15th day of month following month when the deduction was made
\$25,000 - \$99,999	10th and 25th of each month
\$100,000 and over	3rd, 10th, 17th and 24th of each month

Employers with average monthly deductions of \$3,000 or less are permitted to remit quarterly.

Starting in 2016, new employers with total monthly withholdings of less than \$1,000 can automatically remit quarterly instead of monthly.

3.6 Automobiles Used in Business

1. Restrictions on deductibility of expenses for 2018:

Leasing costs	\$800/month (30-day period) (2017 - \$800)
Interest	\$300/month (2017 - \$300)
CCA	Depreciable cost limited to \$30,000 plus HST (2017 - \$30,000) (net of applicable input tax credits or rebates)
Allowance to employees	\$0.55/km for first 5000 km (\$0.54 - 2017) \$0.49/km for additional kms (\$0.48 - 2017) (Yukon, N.W.T. and Nunavut are \$0.59 and \$0.53 respectively) (2016 - \$0.58 and \$0.52)

2. Employee Benefits

Standby Charge:

Company owned car	2% x original cost (including HST) x number of months vehicle available for use
Company leased car	2/3 x lease payments (including HST) x number of months vehicle available for use
Operating Cost Benefit:	\$0.26/personal use kms (\$0.25 – 2017)

- A reduction of the standby charge is available if the automobile was used by the employee for more than 50% business use and the personal use kilometres per month are below 1,667.
- The employer must remit a portion of the standby charge and operating cost benefit as GST/HST. The remittance rates for 2018 are 12/112 of the standby charge and 9% of the operating cost benefit. (Please see table below if employer is a large business subject to restricted input tax credit).

CHAPTER 3 - PAYROLL AND EMPLOYEE BENEFITS

Please note these rates are provided with respect to employment in Ontario.

The GST/HST remittance rates on standby charges and operating cost benefits for large businesses are as follows:

Taxation Year(s)	Standby Charge	Operating Cost Benefit
2011 – 2014	6.0%	4/104
2015	6.6%	6/106
2016	7.2%	8/108
2017	7.8%	10/110
2018	8.4%	12/112
2019 and subsequent Years	9.0%	12/112

CHAPTER 4 - GOODS & SERVICES TAX (GST)

4.1 GST/HST Registration

All persons engaged in a commercial activity in Canada, must register to collect and remit GST/HST in respect of all taxable supplies made in the course of that activity except if:

- The person is a small supplier;
- The commercial activity is the sale of real property other than in the normal course of business;
- The person is a non-resident who does not carry on any business in Canada.

To register use form RC1.

4.2 Small Supplier Threshold

Type of Business	Threshold
Charity or public institution	Gross revenue* in either of the two previous fiscal years of \$250,000 or less.
Public service bodies (including charities)	Revenue* from taxable supplies of \$50,000 or less in the preceding four calendar quarters.
All others	Revenue* from taxable supplies of \$30,000 or less in the preceding four calendar quarters.

* includes revenue of associates

4.3 Filing Frequency, Reporting Deadlines, and Payment Due Dates

Frequency	Threshold	Due Date
Monthly	Sales > \$6 million	Return and payment due one month after end of each month. Return must be filed electronically.
Quarterly	\$1,500,000 < Sales < \$6 Million	Return and payment due one month after end of each quarter. Return must be filed electronically.
Annually	Sales < \$1,500,000	Return due three months after year end with payment. Instalments required quarterly unless annual net GST/HST remittance is less than \$3,000 in the previous year. Instalments due at end of month following end of fiscal quarter.

Note: individuals who file on an annual basis, and have a December 31 year end have until June 15 to file their return but payment is due by April 30.

Need form GST 20, Election for Reporting Period to elect for a more frequent reporting period.

Charities are exempt from filing electronic returns.

4.4 Fiscal Year

Normally a GST year is a fiscal year which corresponds to the taxation year. However a registrant can elect to have a GST fiscal year that corresponds to the calendar year.

Need form GST 70, Election/Revocation of Election for GST Fiscal Year

4.5 Penalties and Interest

Offence	Penalty	Interest
Failure to pay or remit an amount	-	T-Bill rate + 4%
Failure to pay, or late payment of instalment	-	T-Bill rate + 4%
Failure to file a return	1% of unpaid balance plus 1/4 of 1% per month for up to 12 months	-
Failure to answer demand for return	-	-
Failure to provide information	\$100 per failure	-
False statement or omission	Greater of \$250 or 25% of amount by which tax is understated or rebate overstated	-
Failure to collect tax from a registrant who would have been able to fully recover the tax	Lesser of penalty and interest owing and 4% of unremitted tax	-
Failure to file a return electronically if required	\$100 for first failure, \$250 for each subsequent failure	-

Neither interest nor penalties are deductible for income tax purposes.

4.6 Objection Period

Time frame	Action
90 days	Limit to file notice of objection.
60 days	Limit to comply with request for further information.
1 year	Limit to ask for an extension of 90 day time limit to file notice of objection, with adequate reason.

Note: If interest and/or penalties have been charged a fairness request can be made to the district tax office in order to waive or cancel them.

4.7 Quick Method

Eligibility

Sales of taxable supplies for four consecutive quarters out of five previous quarters cannot exceed \$400,000 (GST/HST included).

Remittance Rates

Will depend on where the business is located and in which province the supplies of the business are made. The rates provided below would apply to businesses operating out of a permanent establishment in Ontario selling goods or providing services in Ontario. Please see the Revenue Canada Guide RC4058 if you have a permanent establishment in any other province or if you sell goods or provide services in any other province.

	Retail Businesses	Other Businesses
	Remittance Rates	
Ontario business with Ontario customers only	3.4% on first \$30,000 4.4% on remainder	7.8% on first \$30,000 8.8% on remainder

(all amounts are GST/HST included)

If the Quick method is chosen the registrant must reassess its eligibility to continue using the method. In addition if the sales of taxable supplies exceed \$400,000 during the year the registrant must cease using the Quick method in the following year. To again be eligible for the Quick method, a registrant must meet the eligibility criteria set out above. When an election is made to use the Quick Method, it remains in effect for at least one year.

Form needed for regular business: GST 74, Simplified Accounting Methods for Small Business Form
needed for Public Service Bodies: GST 287 Public Sector Bodies Election

4.8 Provincial Tax Rates

Province	PST Rate	GST/HST Rate
British Columbia	7%	5%
Alberta	-	5%
Saskatchewan	6%	5%
Manitoba	8%	5%
Ontario	-	13%
Quebec	9.975%	5%
New Brunswick	-	15%
Nova Scotia	-	15%
Prince Edward Island	-	15%
Newfoundland	-	15%

4.9 GST Rebates

4.9.1 New Housing Rebate and New Residential Rental Property Rebate – Federal Portion

Price of New Home	Rebate
Price < \$350,000	36% of the 5% federal portion of the HST
\$350,000 < Price < \$450,000	Lesser of \$6,300 and 36% of the 5% federal portion of the HST paid multiplied by (\$450,000 - selling price)/\$100,000
Price > \$450,000	No rebate

New Housing Rebate and New Residential Rental Property Rebate – Provincial Portion Ontario

Price of New Home	Rebate
Price < \$400,000	75% of the 8% provincial portion of the HST
Price > \$400,000	\$24,000

4.9.2 Employee Rebate

Employees are allowed to claim a rebate equal to 13/113th=s of the expenses on which HST was paid, that are eligible to reduce net employment income for tax purposes. The employer has to be a registrant (and cannot be a specified employer) for the employee to get this rebate.

4.9.3 Public Service Body Rebates

Type	Federal Rebate*	Ontario Provincial Rebate
Charities and public institutions	50%	82%
Qualifying non-profit organizations	50%	82%
Hospitals	83%	87%
Facility Operators	83%	87%
Schools	68%	93%
University or public college	67%	78%
Municipalities	100%	78%

* *eligibility criteria exist.*

Federal rebate applies to the 5% federal portion of the HST and provincial rebate applies to the 8% Ontario provincial portion of the HST. Ontario provincial rebate is available only if the entity has a permanent establishment in Ontario. Other rebates may be available for the provincial portion of the HST paid in other provinces.

4.10 ITC Restrictions

General restriction: ITC's cannot be claimed on expenses related to goods or services provided on which no GST/HST would have been charged. In addition, the following restrictions exist for all registrants:

Type of Expense	Restriction
Club memberships	No ITC is allowed
Home office expense	ITC disallowed if home office is neither the person's principle place of business nor used continuously to earn income and meet with clients.
Meals and entertainment	Maximum allowed ITC is 50% of the GST paid (Charities excluded).
Automobile purchase	Can claim the GST/HST paid up to a maximum of \$3,900. If purchase price is in excess of \$30,000, only the GST/HST that would be paid on a \$30,000 car can be claimed.

4.10.1 Employee Allowances

An allowance paid to an employee for a taxable supply, is deemed to be a taxable expense for which an ITC can be claimed. The ITC is calculated as 13/113 of the allowance, if it is reasonable to assume that the employee would have paid GST/HST on the underlying expense. In addition, the employer must be paying the allowance in respect of its commercial activities.

4.10.2 Reimbursements

A reimbursement paid to an employee for a taxable supply, is deemed to be the expense of the employer. An ITC can be claimed for either the actual GST paid or at a rate of 12/112 of the total expense paid. In addition, the employer must be paying the reimbursement in respect of its commercial activities.

4.10.3 Temporary ITC Restrictions for Large Businesses

Applicable to businesses with worldwide taxable sales greater than \$10 million (includes sales of associates) made from a permanent establishment in Canada. Restriction applies to the 8% provincial portion of the HST on energy, vehicles weighing less than 3,000 kg, fuel for aforementioned vehicles, telecommunications and meals and entertainment. The restriction will be in place until 2015 and then will be phased out during the following three years. The phase-out of the restriction commences on July 1, 2015. 25% of restricted amounts incurred between July 1, 2015 and June 30, 2016 will be deductible.

Further reductions to the restricted amounts will be implemented July 1, 2016 and the following two years. The restrictions will be fully phased out on July 1, 2018.

4.11 Place of Supply

GST registrants who deal with customers outside of Ontario will need to be familiar with the place of supply rules which came into effect on May 1, 2010. These rules dictate which rate of GST or HST applies to the supply of goods and services inside and outside of Canada.

ADDENDUM
QUEBEC TAX FACTS AND FIGURES
APRIL 2018

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**ADDENDUM
QUEBEC TAX FACTS AND FIGURES
APRIL 2018**

1. Quebec Tax Rates – Individuals

The following Quebec tax rates apply for 2018:

Taxable Income	Tax	
\$0 - \$43,055		15%
43,055 - 86,105	\$6,458	+ 20% over \$43,055
86,105 - 104,765	15,068	+ 24% over 86,105
Over 104,765	19,546	+ 25.75% over 104,765

For 2018, the income tax rate applicable on the first bracket has been decreased from 16% to 15%. The Quebec tax brackets and non-refundable tax credits are fully indexed each year. The indexation rate for 2018 is 0.82%.

2. Quebec Personal Tax Credits

The personal credits listed below apply for 2018:

	Gross	Credit (15%)	
Basic personal	\$15,012	\$2,252	
Person living alone ⁽¹⁾	1,721	258	
Married ⁽²⁾	15,012	2,252	
Dependent child (18 years old and over) ⁽³⁾	4,202	630	
- Post-secondary students (under 18 years old)	2,884	433	per term (max. 2)
Single parent family ⁽³⁾	2,124	319	
Other dependents ⁽³⁾	4,202	630	
Disability	3,334	500	
Age ⁽¹⁾	3,158	474	

⁽¹⁾ Reduced by 15% of net family income in excess of \$34,030

⁽²⁾ Reduced by spouse's net income

⁽³⁾ Reduced by dependent's net income

For 2018, the rate for calculating non-refundable tax credits has been decreased from 16% to 15%.

3. Additional Quebec Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2018:

Pension income ⁽¹⁾	- 15% of amount up to \$2,805 for a maximum credit of \$421
Medical expense	- 20% of amount in excess of 3% of net income ⁽²⁾
Charitable donations	- 20% for first \$200; 24%/25.75% of balance, limited to 75% of net income ⁽³⁾⁽⁴⁾
Quebec/Canada Pension	- 15% of contributions
Employment Insurance	- 15% of contributions
Quebec Parental Insurance	- 15% of contributions
Tuition fees	- 8% of fees
Union dues, professional fees	- 10% of amount paid

⁽¹⁾ Reduced by 15% of net family income in excess of \$34,030

⁽²⁾ For married taxpayer, total net income of the two individuals.

⁽³⁾ 100% in the year of death.

⁽⁴⁾ Increased by 25% of taxable capital gain arising from a gift of capital property and by 25% of recaptured capital cost allowance arising from a gift of depreciable capital property.

4. Transferability of Tax Credits

Any tax credits, if not fully utilized by a taxpayer, may be transferred to a spouse or a supporting person.

5. Dividends

The following actual amount of Canadian dividends can be received by a Quebec resident with **no federal tax, no provincial tax, and no minimum tax**, assuming no other income or deductions other than the personal and dividend tax credits.

	2018		2017	
	Eligible	Non-eligible	Eligible	Non-eligible
i) Single taxpayer	\$ 39,406	\$ 24,420	\$ 36,100	\$ 22,030
ii) Married taxpayer (with full married credit)	55,014	44,313	56,915	41,990

For Quebec tax purposes the gross-up rate for non-eligible dividends is reduced to 16 % (from 17%) and the Quebec dividend tax credit remains 7.05% of the grossed up dividend (8.178% of the cash amount).

For Quebec tax purposes, the gross-up for “eligible dividends” remains 38%. The Quebec dividend tax credit remains at 11.9% of the grossed-up dividend (16.422% of the cash amount). These rates apply to dividends paid by public corporations or other non-Canadian controlled private corporations (CCPC’s) or by CCPC’s out of business income not subject to the small business deduction.

6. Marginal Tax Rates - Individuals

The following **marginal rates** (in %) are in effect for **Quebec** income for 2018. This assumes: all federal and provincial surtaxes are included, and the taxpayer only qualifies for the basic personal tax credit.

Taxable Income		Salary, Interest, etc.			Dividends (Eligible/Non-eligible)			Capital Gains		
		Federal	Quebec	Total	Federal	Quebec	Total	Federal	Quebec	Total
		%	%	%	%	%	%	%	%	%
\$11,809	or less	0	0	0	0	0	0	0	0	0
11,809	15,012	12.53	0	12.53	-0.02/4.81	0/0	-0.02/4.81	6.26	0	6.26
11,809	- 43,055	12.53	15.00	27.53	-0.02/4.81	4.30/9.22	4.28/14.03	6.26	7.5	13.76
43,506	- 46,605	12.53	20.00	32.53	-0.02/4.81	11.18/15.02	11.16/19.83	6.26	10.00	16.26
46,606	- 86,105	17.12	20.00	37.12	6.31/10.14	11.18/15.02	17.49/25.16	8.56	10.00	18.56
86,106	- 93,208	17.12	24.00	41.12	6.31/10.14	16.70/19.66	23.01/29.80	8.56	12.00	20.56
93,209	- 104,765	21.71	24.00	45.71	12.65/15.47	16.70/19.66	29.35/35.13	10.85	12.00	22.86
104,766	- 144,489	21.71	25.75	47.46	12.65/15.47	19.12/21.69	31.77/37.16	10.85	12.88	23.73
144,490	- 205,842	24.22	25.75	49.97	16.10/18.37	19.12/21.69	35.22/40.06	12.11	12.88	24.98
Over	205,842	27.56	25.75	53.31	20.72/22.25	19.11/21.69	39.83/43.94	13.78	12.88	26.65

These rates do not take into account the Quebec alternative minimum tax.

7. Quebec Pension Plan Contributions

	2018	2017
Contributory earnings	\$ 55,900.00	\$ 55,300.00
Basic exemption	<u>3,500.00</u>	<u>3,500.00</u>
Maximum contributory earnings	52,400.00	51,800.00
Maximum contributions		
employees - 5.40%	2,829.60	2,797.20
self-employed - 10.80%	5,659.20	5,594.40

One-half of the QPP contributions payable by self-employed individuals is deductible against income.

8. Employment Insurance Premiums

	2018	2017
Employee maximum: 1.30% x \$51,700 (2017 – 1.27% x \$51,300)	\$ 672.10	\$ 651.51
Employer maximum: 1.4 x \$672.10 (2017 – 651.51)	\$ 912.11	\$ 912.11

As of January 1, 2006, Employment Insurance Premiums are reduced for employment in Quebec since Quebec now has its own parental benefits plan.

Since January 31, 2010, self-employed individuals can enter into an agreement with the Canada Employment Insurance Commission and start paying EI premiums on their self-employment income. The premium rate will be the same that salaried employees currently pay. For 2018, the rate is 1.30% of insurable earnings. The payment of the premiums for individuals opting in during the 2018 calendar year will be made through their 2018 tax return.

9. Quebec Parental Insurance Plan Premiums

	2018	2017
Employee maximum: 0.548% x \$74,000 (2017 - 0.548% x \$72,500)	\$ 405.52	\$ 397.30
Employer maximum: 1.4 x \$405.52 (2017 - \$397.30)	\$ 567.58	\$ 556.08
Self-employed maximum: 0.973% x \$74,000 (2017 – 0.973% x \$72,500)	\$ 720.02	\$ 705.43

Since 2006, salaries and wages paid by Quebec employers are subject to Quebec parental insurance plan premiums.

Self-employed workers are also subject to Quebec parental insurance plan premiums on their net business income if his or her place of business is in Quebec on December 31st of that year.

10. Health Services Fund

The 2017 Quebec budget announced the elimination of the health services fund, retroactively as of 2016, for all adults whose income for that year does not exceed \$134,095. Adults whose income for 2016 was greater than \$134,095 must pay for that year a health contribution equal to the lesser of \$1,000 or 4% of the amount by which their income for the year exceed \$134,095. Revenue Quebec will be responsible for cancelling or recalculating the amount for 2016.

For 2017 and the future years, the health services fund has been completely eliminated.

11. Refundable Tax Credit for Child-Care Expenses

Since 1994, child-care expenses no longer give entitlement to a deduction, but rather to a refundable tax credit.

The credit is based on net family income and is usually claimed by the supporting person who has the lower income.

For 2018, the tax credit rate is maintained at 75% as long as net family income does not exceed \$35,060. The rate is decreased by 1% for every \$1,295 in net family income in excess of \$35,060 as long as net family income does not exceed \$156,245. When net family income exceeds \$156,245, the applicable tax credit rate is reduced to 26%.

12. Prescribed Interest Rates

	2018		2017	
	Over-due Tax	Refund	Over-due Tax	Refund
January – March	6.00%	1.40%	6.00%	1.10%
April – June	-	-	6.00%	1.10%
July – September	-	-	6.00%	1.10%
October – December	-	-	6.00%	1.10%
Average annual rates:	2013	- 6.00%		
	2014	- 6.00%		
	2015	- 6.00%		
	2016	- 6.00%		

For purposes of taxable benefit calculations, the Quebec prescribed rate is the same as the federal prescribed rate.

13. Corporate Tax Rates - Combined Federal and Quebec

	Federal	2018		2017	
		Quebec	Total	Total	
General rate	15.00%	11.70% ⁽³⁾	26.70%	26.80%	
Manufacturing	15.00%	11.70%	26.70%	26.80%	
Small business ⁽⁵⁾					
- below \$500,000	10.00% ⁽²⁾	8.00% ⁽¹⁾	18.00%	18.50%	
- over \$500,000	15.00%	11.70%	26.70%	26.80%	
Investment Income	38.67% ⁽³⁾	11.70%	50.37%	50.47%	

The small business deduction is "*clawed back*" where the taxable capital employed in Canada exceeds \$10,000,000, increasing on a pro rata basis and eliminated when taxable capital reaches \$15,000,000.

- (1) The manufacturing corporate tax rate for small and medium enterprise is 4%. The reduced rates apply to CCPC's with paid up capital of \$15 million or less where at least 25% of their activities consist of manufacturing and processing.
- (2) On October 16, 2017, the Department of Finance announced that the small business tax rate would be reduced to 10% effective January 1, 2018 and to 9% in 2019.
- (3) The refundable portion of part I tax is 30.67%. The dividend refund rate is 38 1/3% of taxable dividend paid.
- (4) The 2015 Quebec Budget proposed a gradual reduction of the general rate starting in 2017. The general rate will be reduced to 11.8% in 2017, 11.7% in 2018, 11.6% in 2019 and 11.5% in 2020.
- (5) The 2017 Quebec budget proposed that corporations must meet a minimum number of hours paid to qualify for the small business deduction. If the number of hours paid is less than 5,500, the small business deduction will be reduced and will become nil at 5,000 hours or less.

14. Corporate Integration - 2018 Combined Federal and Quebec Rates

The following charts show the after-tax dollars available for use by an individual of different types of income. The calculations first show the two layers of tax where the income is received by the corporation and then paid by dividend to the individual (Total of Amounts (A) and (B)). The second part shows the tax paid when the income is directly received by the individual (Amount (C)).

		Small Business Income < \$500,000	Active Business Income > \$500,000
	Income in Corporation	\$ 1,000	\$ 1,000
(A)	Corporation tax	<u>(180)</u>	<u>(267)</u>
	Available for Dividend	820	733
(B)	Personal tax (maximum rate)	<u>(360)</u>	<u>(292)</u>
	Net after tax cash	<u>460</u>	<u>441</u>
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	<u>(533)</u>	<u>(533)</u>
	Net after tax cash	<u>467</u>	<u>467</u>
(C - A)	Deferral of tax	353	266
	Deferral of tax as a percentage	<u>35.3%</u>	<u>26.6%</u>
(C - A - B)	Savings (-cost)	(7)	(26)
	Savings (-cost) of tax as a percentage	<u>-0.7%</u>	<u>-2.6%</u>

14. Corporate Integration - 2018 Combined Federal and Quebec Rates - (cont'd)

	Investment Income	Dividend income
Income in corporation	\$ 1,000	\$ 1,000
(A) Corporation tax	(504)	(383)
(A) Dividend refund	<u>307</u>	<u>383</u>
Available for dividend	803	1,000
(B) Personal tax (maximum rate)	<u>(353)</u>	<u>(398)</u>
Net after tax cash	<u>450</u>	<u>602</u>
Income earned directly	1,000	1,000
(C) Personal tax (maximum rate)	<u>(533)</u>	<u>(398)</u>
Net after tax cash	<u>467</u>	<u>602</u>
(C - A) Deferral of tax	29	16
Deferral of tax as a percentage	<u>2.9%</u>	<u>1.6%</u>
(C - A - B) Savings (-cost)	(17)	0
Savings (-cost) of tax as a percentage	<u>-1.7%</u>	<u>0%</u>

15. Capital Tax Quebec

The Quebec capital tax was eliminated as of January 1, 2011. The rate was reduced to 0.36% for 2008, 0.24% for 2009 and 0.12% for 2010. These rates were prorated for non-calendar year ends.

16. Income Tax Instalments

- Individuals - Quarterly instalments required if net tax owing was more than \$1,800 in 2018 and in either 2017 or 2016 (both federal and Quebec).
- Corporations - Monthly instalments required if total taxes payable in 2017 or 2016 exceeded \$3,000 (both federal and Quebec).
- CCPC's qualify to make quarterly instalments instead of monthly if they are entitled to the small business deduction, the taxable income of the associated group must not exceed \$500,000 and the taxable capital of the associated group must not exceed \$10 million, all in the current or previous year.