



TAX FACTS & FIGURES

August 2020

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FACTS AND FIGURES
FOR TAX PREPARATION AND PLANNING
August 2020

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CHAPTER 1 - PERSONAL INCOME TAX**1.1 Federal Tax Rates – Individuals**

The following Federal tax rates apply for 2020:

Taxable income in	but not over	the tax		of the amount over
\$0	\$48,535	\$0	+ 15%	\$0
48,535	97,069	7,280	+ 20.5%	48,535
97,069	150,473	17,229	+ 26%	97,069
150,473	214,368	31,114	+ 29%	150,473
214,368	n/a	49,644	+ 33%	214,369

1.2 Federal Personal Tax Credits

The personal credits listed below apply for 2020:

	Gross	Credit (15%)
Basic personal ⁽¹⁾	\$13,229	\$1,984
Married or equivalent ⁽²⁾	13,229	1,984
Age ⁽³⁾	7,637	1,146
Disability Amount	8,576	1,286
Supplement for children with disabilities (maximum) ⁽⁴⁾	5,003	750
Canada Caregiver Credit – infirm spouse/dependent or child under 18 ⁽⁵⁾	2,273	341
Canada Caregiver Credit – infirm adult dependent relative ⁽⁶⁾	7,276	1,091

⁽¹⁾ On December 9 2019, the federal government proposed legislation that would provide additional Base Personal Amounts for 2020 and later years. The additional BPA starts being reduced once personal income reaches the second highest income threshold of \$150,473 and is completely eliminated once income reaches \$214,368.

⁽²⁾ Reduced by spouse's net income and eliminated when the amount exceeds \$13,229.

⁽³⁾ The Age credit is reduced by an amount equal to 15% of an individual's net income exceeding \$38,508 and eliminated when income exceeds \$89,421.

⁽⁴⁾ Reduced when the total childcare and attendant care expenses claimed for this taxpayer by anyone exceeds \$2,930 and eliminated when it exceeds \$7,933.

⁽⁵⁾ Created by the Federal 2017 Budget, starting in 2017 and in subsequent years, the Canada Caregiver Credit replaces the Caregiver tax credit, infirm dependant tax credit and the family caregiver tax credit.

⁽⁶⁾ Reduced when relative's income exceeds \$17,085 and eliminated when it exceeds \$24,361.

1.3 Additional Federal Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2020:

Pension income	- 15% of amount up to \$2,000 for a maximum tax saving of \$300
Medical expense	- 15% of amount in excess of lesser of: 3% of net income or \$2,397
Tuition fees	- 15% of amount paid in respect of attendance at a post-secondary
Charitable donations	- 15% for first \$200; - 29%/33% ⁽³⁾ of balance, limited to 75% of net income ⁽¹⁾⁽²⁾
Canada Pension Plan	- 15% of contributions up to \$2,898 for a maximum credit of \$434.70
Employment Insurance	- 15% of contributions up to \$856.36 for a maximum credit of \$128.45
Adoption Expenses	- 15% of \$16,563 for 2020
Canada Employment Credit	- 15% of employment income up to a maximum of \$1,245

⁽¹⁾ Limitation is increased to 100% in the year of death.

⁽²⁾ Limitation can be increased by 25% of taxable capital gains arising from a gift of capital property made in the year and included in taxable income

⁽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 \$1,272 and 25% of the medical expenses eligible for the medical credit reduced by 5% of family net income in excess of \$28,164, which is eliminated when net income reaches \$53,604. 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 \$3,714.

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
Tuition tax credit ⁽¹⁾	Spouse or supporting person (transfer limited to \$5,000 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

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 2020 Tax Brackets and Rates (excluding surtax – see below)

Taxable Income	Tax				
\$0 – \$44,740			5.05%		
44,741 – 89,482	\$ 2,259	+	9.15%	over	\$ 44,740
89,483 – 150,000	6,353	+	11.16%	over	89,482
150,001 – 220,000	13,107	+	12.16%	over	150,000
Over 220,000	21,619	+	13.16%	over	220,000

For 2020, the surtax is calculated as 20% of Ontario tax between \$4,830 and \$6,182, and an additional 36% of Ontario tax in excess of \$6,182 to a maximum of 56%. The first level of surtax (20%) for 2020 arises at taxable income of approximately \$78,783 and the second level of surtax (56%) arises at taxable income of approximately \$92,825 for a single taxpayer with only the basic personal tax credit.

1.7 Ontario Personal Tax Credits

The personal credits listed below apply for 2020:

	Gross	Credit (5.05%)
Basic personal	\$10,783	\$545
Married or equivalent ⁽¹⁾	9,156	462
Age ⁽²⁾	5,265	266
Disability Amount	8,712	440
Supplement for children with disabilities (maximum) ⁽³⁾	5,081	257
Canada Caregiver Credit – infirmed spouse/dependent or child under 18 ⁽⁴⁾	0	0
Canada Caregiver Credit – infirmed spouse/dependent or adult over 18 ⁽⁵⁾	5,082	257

⁽¹⁾ Reduced by spouse's net income in excess of \$915 and eliminated when income exceeds \$10,071.

⁽²⁾ The Age credit is reduced by an amount equal to 5.05% of an individual's net income exceeding \$39,193 and eliminated when income exceeds \$74,293.

⁽³⁾ Reduced when the total childcare and attendant care expenses claimed for this taxpayer by anyone exceeds \$2,976 and eliminated when it exceeds \$8,057.

⁽⁴⁾ Ontario does not have the additional \$2,150+ credit for an infirm spouse/eligible dependent or child under 18.

⁽⁵⁾ Reduced when relative's income exceeds \$17,388 and eliminated when it exceeds \$22,470.

1.8 Additional Ontario Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2020:

Pension income	-	5.05% of amount up to \$1,491 for a maximum tax saving of \$75
Medical expense	-	5.05% of amount in excess of lesser of: 3% of net income or \$2,440
Tuition fees ⁽¹⁾	-	\$0
Education amount ⁽¹⁾	-	\$0
Charitable donations	-	5.05% for first \$200; 11.16% of balance, limited to 75% of net income ⁽²⁾⁽³⁾
Canada Pension	-	5.05% of contributions up to \$2,898, for a max credit of \$146.35
Employment Insurance	-	5.05% of contributions up to \$856.36, for a max credit of \$43.25

⁽¹⁾ The 2016 Ontario Budget announced the elimination of these credits for studies after September 4, 2017.

⁽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⁾ 100% in the year of death.

1.9 Dividends

The following amount of Canadian dividends (actual amount, not taxable amount) 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.

	2020		2019	
	Eligible	Ineligible	Eligible	Ineligible
i) Single taxpayer	\$ 53,230	\$ 28,905	\$ 52,070	\$ 26,370
ii) Married taxpayer (with full married credit)	66,458	45,758	64,138	41,739

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 remains 15% and the federal dividend tax credit remains 9.0301% of the grossed-up dividend (10.38% of the cash amount).

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 remains 15% and the dividend tax credit remains 2.99% of the grossed-up amount (3.434% 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.

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 %
\$10,783 or less	0	0	0	0	0	0	0	0	0
10,784 - 44,740	15.00	5.05	20.05	-0.03/6.87	-6.83/2.37	-6.86/9.24	7.50	2.53	10.03
44,741 - 48,535	15.00	9.15	24.15	-0.03/6.87	-1.17/7.08	-1.20/13.95	7.50	4.58	12.08
48,536 - 78,783	20.50	9.15	29.65	7.56/13.19	-1.17/7.09	6.39/20.28	10.25	4.58	14.83
78,784 - 89,482	20.50	10.98	31.48	7.56/13.19	1.36/9.19	8.92/22.38	10.25	5.49	15.74
89,483 - 92,825	20.50	13.39	33.89	7.56/13.19	4.68/11.97	12.24/25.16	10.25	6.70	16.95
92,826 - 97,069	20.50	17.41	37.91	7.56/13.19	10.23/16.59	17.79/29.78	10.25	8.70	18.95
97,070 - 150,000	26.00	17.41	43.41	15.15/19.52	10.23/16.58	25.38/36.10	13.00	8.70	21.70
150,001 - 150,473	26.00	18.97	44.97	15.15/19.52	12.38/18.38	27.53/37.90	13.00	9.48	22.48
150,474 - 214,368	29.22	18.97	48.19	19.59/23.22	12.38/18.38	31.97/41.60	14.61	9.48	24.09
214,369 - 220,000	33.00	18.97	51.97	24.81/27.57	12.38/18.38	37.19/45.95	16.50	9.48	25.98
Over 220,000	33.00	20.53	53.53	24.81/27.57	14.53/20.17	39.34/47.74	16.50	10.26	26.76

1.12 Old Age Security Benefits

	2020	2019
January - March	613.53	601.45
April – June	613.53	601.45
July – September	613.53	607.46
October – December	-	613.53

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

For 2020, benefits are repayable if net income exceeds \$79,054. The repayment is 15% of the excess income, and is fully clawed back when income reaches \$128,137. 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	2020	2019
Death Benefit	n/a	\$2,500.00	\$2,500.00
Retirement benefit - per month	14,109.96	1,175.83	1,154.58
Disability pension - per month	16,651.92	1,387.66	1,362.30
Survivor pension - under 65, per month	7,659.36	638.28	626.63
- 65 and over, per month	8,466.00	705.50	692.75
Orphan pension - per month	3,060.36	255.03	250.27

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

1.14 Employment Insurance Benefits

	2020	2019
Maximum, per week - 55% of insurable earnings	\$573.00	\$562.00

Benefits are repayable when net income exceeds \$67,750 (2019 - \$66,375).

1.15 Canada Workers Benefit (CWB)

The **Canada Workers Benefit (CWB)** is a refundable tax credit that provides tax relief for eligible low-income individuals and families who are in the workforce.

The table below summarizes the 2020 information in comparison to the 2019 information without including Disability Supplement Factors –

Basic Factors affecting Benefits	2020 - Single	2020 - Couple	2019 - Single	2019 - Couple
Base amount of working income	\$3,000	\$3,000	\$3,000	\$3,000
% applied to excess of income over base amount	26%	26%	26%	26%
Maximum CWB/ WITB amount	1,381	2,379	1,355	2,335
Adjusted net income base amount	13,064	17,348	12,820	17,025
% of NI over base amount to reduce benefit	12%	12%	12%	12%
NI at which benefit is reduced to zero	24,572	37,173	24,112	36,483
Working Income where benefit is maxed out	8,312	12,150	8,212	11,981

For disabled persons, an additional credit equal to 26% of earned income in excess of \$1,150 (maximum - \$713.00) 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 and Ontario Child Benefit

For the Canada Child Benefit, you will find below the payment amounts for the periods July 2019 – June 2020 and July 2020 – June 2021:

Age of Children	Basic Canada child benefit amount	
	July 2020 – June 2021	July 2019 – June 2020
For children under 6	\$6,765	\$6,639
For children aged 6 to 17	5,708	5,602

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

Number of Children	-Phase out rates-	
	\$31,711 to \$68,708	Over \$68,708
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 2020 to June 2021 will be based on the adjusted family net income for the 2019 tax year. For example, a family with adjusted family net income of \$80,000 and two children under the age of six would have their annual benefit of \$13,530 phased out based on the total of the following amounts:

- 13.5% of the adjusted family net income between \$31,711 and \$68,708 ($\$36,997 \times 13.5\% = \$4,994.60$); and
- 5.7% of the adjusted family net income over \$68,708 ($\$11,292 \times 5.7\% = \643.64)

As a result, the family would receive an annual Canada Child Benefit of \$7,891 ($\$13,530 - \$5,638$) or \$657 a month.

CCB – COVID-19 Financial Relief

It is proposed to increase the maximum annual Canada Child Benefit (CCB) payment amounts, for only the 2019-20 benefit year, by \$300 per child, as part of the May 2020 payment. Families who do not receive CCB may get a partial payment, depending on their income. This will be based on 2018 tax returns that have been filed.

Ontario Child Benefit –

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

	Period	Amount
July 2017	- June 2018	1,378
July 2018	- June 2019	1,403
July 2019	- June 2020	1,434

A reduction equal to 8% of family net income over \$21,887.

1.17 GST/HST Credit

For the period July 2020 to June 2021, the credit is calculated as follows:

All eligible taxpayers	\$296
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$9,590 to a maximum of	155
Addition for spouse or equivalent	296
Addition for each qualifying child	155

Reduced by 5% of combined net income in excess of \$38,507.

⁽¹⁾ No reduction for single parents.

For the period July 2019 to June 2020, the credit will be calculated as follows:

All eligible taxpayers	\$290
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$9,412 to a maximum of	153
Addition for spouse or equivalent	290
Addition for each qualifying child	153

Reduced by 5% of combined net income in excess of \$37,789.

⁽¹⁾ No reduction for single parents.

COVID-19 - Increase to the GST/HST credit amount

An extra payment will be received if you normally receive the GST/HST credit and have filed a 2018 tax return. Payments were issued on April 9th 2020, and the maximum amounts for the 2019 – 2020 benefit year will increase from -

- \$443 to \$886 if you're single
- \$580 to \$1,160 if you're married or living common-law
- \$153 to \$306 for each child under the age of 19 (excluding the first eligible child of a single parent)
- \$290 to \$580 for the first eligible child of a single parent.

1.18 Pension Contribution Limits

	RRSP	RPP	DPSP
2019	26,500	27,230	13,615
2020	27,230	27,830	13,915
2021	27,830		

- 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

	2019	2018
Average rate for year - U.S. \$	1.3269	1.2957
- U.K. £	1.6945	1.7299
- Euro	1.4856	1.5302

1.20 Prescribed Interest Rates for individuals – Federal

	2020	2019
January - March	2.0%	2.0% *
April - June	2.0%	2.0%
July - September	1.0%	2.0%
October - December	-	2.0%

Average annual rates

2015 – 1.00%
 2016 – 1.00%
 2017 – 1.00%
 2018 – 1.75%
 2019 – 2.00%

* Currently, the prescribed rate for refunds and overpaid tax is 3% for non – corporate taxpayers

1.21 Prescribed Interest Rates – Ontario 2020 2019

	Over-due Tax	Refund	Over-due Tax	Refund
January - March	7.0%	1.0%	7.0%	1.0%
April - June	7.0%	1.0%	7.0%	1.0%
July - September	5.0%	0%	7.0%	1.0%
October - December	-	-	7.0%	1.0%

Average annual rates

2015 – 6.00%
 2016 – 6.00%
 2017 – 6.00%
 2018 – 6.25%
 2019 – 7.00%

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 2020 and in either 2019 or 2018.

CHAPTER 2 - CORPORATE INCOME TAX

2.1 Corporate Tax Rates - Combined Federal and Ontario

	Federal	Ontario	2020 Total	2019 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	9.00%	3.2% ⁽¹⁾	12.20%	12.50%
- 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 prorata basis and eliminated when taxable capital reaches \$15,000,000. The same reduction applies to the Ontario small business deduction.

Additionally, the federal small business deduction is clawed back when investment income (AII) exceeds \$50,000, increasing on a prorata basis and eliminated when AII reaches \$150,000. This grind is not applicable to the Ontario SBD and relevant for federal purposes only.

(1) Effective January 1, 2020, the lower rate of Ontario corporate income tax decreased from 3.5% to 3.2%.

2.2 Corporate Integration - 2020 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)).

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	<u>(122)</u>	<u>(265)</u>
	Available for dividend	878	735
(B)	Personal tax (maximum rate)	<u>(419)</u>	<u>(289)</u>
	Net after tax cash	<u>459</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	413	270
	Deferral of tax as a percentage	<u>41.3%</u>	<u>27%</u>
(C - A - B)	Savings (-cost)	(6)	(19)
	Savings (-cost) of tax as a percentage	<u>-0.6%</u>	<u>-1.9%</u>

Corporate Integration – 2020 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>(384)</u>	<u>(393)</u>
	Net after tax cash	<u>421</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	34	10
	Deferral of tax as a percentage	<u>3.4%</u>	<u>1.0%</u>
(C - A - B)	Savings (- cost)	(44)	0
	Savings (- cost) of tax as a percentage	<u>-4.4%</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 ("SBD"), 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 considered in the calculation of the reduction.

2.4 Passive Income Grind on SBD

The changes to limit access to the small business tax rate based on the level of passive investment income of a corporation was included in Bill C-74 and enacted in June 2018. A passive income threshold of \$50,000 has been set meaning any private corporations, including any associated corporations, with passive income over \$50,000 in the preceding year will be subject to a grind of the SBD. The SBD limit is reduced by \$5 for every \$1 of investment income over the \$50,000 threshold; the SBD limit is fully ground once investment income reaches \$150,000 for the associated group of companies.

The rules only apply to taxation years that begin after 2018. If a corporation has a December 31st, year-end, these new rules will not apply until the December 31st, 2019 taxation year.

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 for 2020 if total taxes payable for 2019 or 2018 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 does not exceed \$500,000, taxable capital of the associated group does not exceed \$10 million and the corporation has a perfect compliance history in the last twelve months.
- Ontario monthly instalments required for 2020 if total taxes payable for 2019 or 2018 exceeded \$3,000.

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 (rents)	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

	2020	2019
Contributory earnings	\$ 58,700.00	\$ 57,400.00
Basic exemption	<u>3,500.00</u>	<u>3,500.00</u>
Maximum contributory earnings	55,200.00	53,900.00
Maximum contributions:		
employees – 5.25% / 5.10% ⁽¹⁾⁽²⁾	2,898.00	2,748.90
self-employed – 10.5% / 10.2%	5,796.00	5,497.80

- ⁽¹⁾ As of 2019, the Canada Pension Plan (CPP) is being gradually enhanced, meaning that taxpayers will receive higher benefits in exchange for making higher contributions. From 2019 to 2023, the contribution rate for employees will gradually increase by one percentage point (from 4.95% to 5.95%) on earnings between \$3,500 and the original earnings limit.
- ⁽²⁾ One-half of the CPP contributions payable by self-employed individuals is deductible against income.

3.2 Employment Insurance Premiums

	2020	2019
Employee maximum: 1.58% x \$54,200 (2019 - 1.62% x \$53,100)	\$ 856.36	\$ 860.22
Employer maximum: 1.4 x \$856.36 (2019 - 1.4 x \$860.22)	1,198.90	1,204.31

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 2020, the rate is 1.58% of insurable earnings. The payment of the premiums for individuals opting in during the 2020 calendar year will be made through their 2020 tax return.

3.3 Ontario Employer Health Tax

The Employer Health Tax (EHT) is remitted by employers based on their Ontario payroll. Effective January 1, 2019, employers are exempt from tax on the first \$490,000 of Ontario payroll. The EHT is calculated as 1.950% of Ontario payroll in excess of the \$490,000 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 took effect January 1, 2019.

Covid 19 – Ontario EHT Relief

The Ontario government has temporarily increased the EHT exemption for 2020 from \$490,000 to \$1 million due to the special circumstances caused by the coronavirus (COVID-19) in Ontario. The exemption will return to the previous amount of \$490,000 on January 1, 2021, and will be adjusted according to inflation again in 2024 using the Ontario Consumer Price Index.

To be able to claim the tax exemption, employers must be eligible employers as defined under the EHT Act. Employers who have a municipal representative on their board of directors, or who are under the control of any level of government, are generally not eligible employers.

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 2020 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. 2020 frequency is based on average monthly remittances made in 2018). 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 2020:

Leasing costs	\$800/month (30-day period) (2019 - \$800)
Interest	\$300/month (2019 - \$300)
CCA	Depreciable cost limited to \$30,000 plus HST (2019 - \$30,000) (net of applicable input tax credits or rebates)
Allowance to employees	\$0.59/km for first 5000 km (\$0.58 - 2019) \$0.53/km for additional kms (\$0.52 - 2019) (Yukon, N.W.T. and Nunavut are \$0.63 and \$0.57 respectively) (2019 - \$0.62 and \$0.56)

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:	\$0.28/personal use kms (\$0.28 – 2019)

- 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 2020 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).

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) AND QST

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 or call CRA 1-800-959-5525.

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, even if its taxable supplies exceed \$50,000.
Public service bodies (including charities)	Revenue** from taxable supplies of \$50,000 or less in the preceding four calendar quarters.
Taxi operator or commercial Ride-sharing driver	Self-employed drivers have to register even if taxable supplies of \$30,000 or less
All others	Revenue** from taxable supplies of \$30,000 or less in the preceding four calendar quarters.

*a registered charity which is also a MUSH entity (MUSH includes a school authority, public college, university, hospital authority or a local authority determined to be a municipality)

** 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.

* Taxable supplies (i.e. sales and / or fees for services)

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*	7%	5%
Ontario	-	13%
Quebec	9.975%	5%
New Brunswick	-	15%
Nova Scotia	-	15%
Prince Edward Island	-	15%
Newfoundland	-	15%

* Reduced from 8% to 7% effective July 1, 2019

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 $(\$450,000 - \text{selling price})/\$100,000$
Price* > \$450,000	No rebate

*Pretax price

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

*Pretax price

4.9.2 Employee Rebate

Employees are allowed to claim a rebate equal to 13/113th 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%
School authority	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, if the main purpose is providing dining, recreational or sporting facilities.
Home office expense	ITC disallowed if home office is neither the person's principal 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	<i>If the vehicle is purchased by a business:</i> 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. <i>If the vehicle is purchased by an individual,</i> - Business use of the vehicle \geq 90%, the same restrictions described above for businesses apply; - Business use of the vehicle $<$ 90%, can claim the 13% x CCA as GST/HST ITCs
Leased passenger vehicle	ITCs in respect of passenger vehicle leasing costs are restricted to the amount applicable to the maximum deduction allowed under the Income Tax Act. The limit is currently equal to \$800 per month. This limit is one of two restrictions that apply to passenger vehicle leasing costs. A separate restriction prorates the deductible leasing cost where the value of the vehicle exceeds the capital cost ceiling which is currently equal to \$30,000.

4.10.1 Employee Allowances

A reasonable 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 (and the expense was incurred in Ontario). In addition, the employer must be paying the allowance in respect of its commercial activities.

These rules also apply to volunteers of charities and public institutions, but do not apply to volunteers of not-for-profit organizations.

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.

These rules also apply to volunteers of charities and public institutions, but do not apply to volunteers of not-for-profit organizations.

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. More information can be obtained from the CRA document “draft Technical Information Bulletin B-103 — Harmonized Sales Tax — Place of Supply Rules for Determining Whether a Supply is Made in a Province (draft, June 2012)”

4.12 QST

In general, the registration requirements as well as the imposition of QST are very similar to that of GST/HST.

Effective January 1, 2019, Quebec introduced a mandatory QST registration requirement for business that are non-residents of Canada selling > \$30,000 per year of intangible property or services to consumers located in Quebec.

Effective September 1, 2019 the mandatory registration has been expanded to include Canadian companies that operate outside Quebec and are registered for GST but not already registered for QST. These businesses need to register for QST if they sell goods, intangible property or provide services to consumers resident in Quebec and if the total charges to consumers > \$30,000 in a twelve-month period.

Businesses registered under the mandatory QST system will not be entitled to claim Input Tax Refunds (ITRs).

ADDENDUM
QUEBEC TAX FACTS AND
FIGURES AUGUST 2020

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ADDENDUM
QUEBEC TAX FACTS AND FIGURES
AUGUST 2020

1. Quebec Tax Rates – Individuals

The following Quebec tax rates apply for 2020:

Taxable income in excess of	but not over	the tax	of the amount over
\$0	\$44,545	\$0 + 15%	\$0
44,545	89,080	6,682 + 20%	44,545
89,080	108,390	15,589 + 24%	89,080
108,390	n/a	20,223 + 25.75%	108,390

The Quebec tax brackets and non-refundable tax credits are fully indexed each year. The indexation rate for 2020 is 1.72%.

2. Quebec Personal Tax Credits

The personal credits listed below apply for 2020:

	Gross	Credit (15%)	
Basic personal	\$15,532	\$2,330	
Person living alone ⁽¹⁾	1,780	267	
Married ⁽²⁾	15,532	2,330	
Dependent child (18 years old and over) ⁽³⁾	4,348	652	
- Post-secondary students (under 18 years old)	2,983	447	per term (max. 2)
Single parent family ⁽³⁾	2,197	330	
Other dependents ⁽³⁾	4,348	652	
Disability	3,449	517	
Age ⁽¹⁾	3,267	490	

⁽¹⁾ Reduced by 15% of net family income in excess of \$35,205

⁽²⁾ Reduced by spouse's net income

⁽³⁾ Reduced by dependent's net income

3. Additional Quebec Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2020:

Pension income ⁽¹⁾	-	15% of amount up to \$2,902 for a maximum credit of \$435
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 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 \$35,205

⁽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

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, can receive the following amount of Canadian dividends (actual amount, not taxable amount).

	2020		2019	
	Eligible	Non-eligible	Eligible	Non-eligible
i) Single taxpayer	\$ 39,786	\$ 19,803	\$ 39,503	\$ 21,078
ii) Married taxpayer (with full married credit)	55,536	39,326	59,690	43,557

For Quebec tax purposes, the gross-up for “eligible dividends” remains 38%. The Quebec dividend tax credit is now 11.70% of the grossed-up dividend. 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.

For Quebec tax purposes the gross-up rate for non-eligible dividends is reduced to 15 % and the Quebec dividend tax credit is 4.77% of the grossed-up dividend.

6. Marginal Tax Rates - Individuals

The following **marginal rates** (in %) are in effect for **Quebec** income for 2020. 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
	%	%	%	%	%	%	%	%	%
\$13,229 or less	0	0	0	0	0	0	0	0	0
13,229 - 15,532	12.53	0	12.53	-0.02/5.74	0/0	-0.02/5.74	6.26	0	6.26
15,532 - 44,545	12.53	15.00	27.53	-0.02/5.74	4.55/11.77	4.53/17.51	6.26	7.5	13.76
44,545 - 48,535	12.53	20.00	32.53	-0.02/5.74	11.45/17.52	11.43/23.26	6.26	10.00	16.26
48,535 - 89,080	17.12	20.00	37.12	6.32/11.01	11.45/17.52	17.76/28.53	8.56	10.00	18.56
89,080 - 97,069	17.12	24.00	41.12	6.32/11.01	16.97/22.12	23.28/33.13	8.56	12.00	20.56
97,069 - 108,390	21.71	24.00	45.71	12.65/16.30	16.97/22.12	29.62/38.42	10.85	12.00	22.86
108,390 - 150,473	21.71	25.75	47.46	12.65/16.30	19.39/24.13	32.04/40.43	10.85	12.88	23.73
150,473 - 214,368	24.22	25.75	49.97	16.11/19.18	19.39/24.13	35.50/43.31	12.11	12.88	24.98
Over 214,368	27.56	25.75	53.31	20.72/23.02	19.39/24.13	40.10/47.15	13.78	12.88	26.65

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

7. Quebec Pension Plan Contributions

	2020	2019
Contributory earnings	\$ 58,700.00	\$ 57,400.00
Basic exemption	<u>3,500.00</u>	<u>3,500.00</u>
Maximum contributory earnings	55,200.00	53,900.00
Maximum contributions		
employees - 5.70%	3,146.40	2,991.45
self-employed – 11.40%	6,292.80	5,982.90

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

8. Employment Insurance Premium

	2020	2019
Employee maximum: 1.20% x \$54,200 (2019 1.25% x \$53,100)	\$650.40	\$663.75
Employer maximum: 1.4 x \$650.40 (2019 – 1.4 x \$663.75)	910.56	\$929.25

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 2020, the rate is 1.20% of insurable earnings. The payment of the premiums for individuals opting in during the 2020 calendar year will be made through their 2020 tax return.

9. Quebec Parental Insurance Plan Premiums

	2020	2019
Employee maximum: 0.494% x \$78,500 (2019 - 0.526% x \$76,500)	\$ 387.79	\$ 402.39
Employer maximum: 1.4 x \$387.79 (2019 - \$402.39)	\$ 543.22	\$ 563.04
Self-employed maximum: 0.878% x \$78,500 (2018 – 0.934% x \$76,500)	\$ 689.23	\$ 714.51

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. Contribution to the Health Services Fund

Income	Premium payable
Up to \$15,170	Nothing
From \$15,171 to \$52,745	1% of the income higher than \$15,171 up to a max contribution of \$150
Over \$52,745	\$150 + 1% of income higher than \$52,745 up to a max contribution of \$1,000

In general, contributions are required with respect to self-employment income, pension income, investment income other than dividends paid by taxable Canadian corporations, and capital gains. Certain deductions may reduce the income subject to the contribution such as contributions to an RRSP or an RPP, support payments, carrying charges and interest expenses and business investment loss.

11. Premium payable under the Québec Prescription Drug Insurance Plan

If you are not covered throughout the year by basic prescription drug insurance provided by a group insurance plan and you are not in a situation that allows you to be exempt, you have to pay \$648 (2019: \$626) for your premium under the Québec Prescription Drug Insurance Plan.

12. Refundable Tax Credit for Child-Care Expenses

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

For 2020, the tax credit rate is maintained at 75% as long as net family income does not exceed \$35,950. The tax credit rate is gradually reduced by the increase of the net family income. When net family income exceeds \$157,545, the applicable tax credit rate is reduced to 26%. This chart is useful to apply for advance payments of the tax credit for childcare expenses.

Net Family income		Tax credit rate
From	To	(%)
\$0	\$36,570	75
36,570	43,335	70
43,335	50,125	65
50,125	100,225	60
100,225	143,885	57
143,885	147,970	50
147,970	152,060	44
152,060	156,140	38
156,140	160,255	32
160,255	or more	26

13. Prescribed Interest Rates

	2020		2019	
	Over-Tue Tax	Refund	Over-Due Tax	Refund
January – March	7.00%	1.70%	7.00%	2.00%
April – June	7.00%	1.70%	7.00%	2.00%
July – September	6.00%	1.40%	7.00%	1.80%
October – December	-	-	7.00%	1.80%
Average Annual Rates	2016 -	6.00%		
	2017 -	6.00%		
	2018 -	6.25%		
	2019 -	7.00%		

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

14. Corporate Tax Rates - Combined Federal and Quebec

	Federal	2020 Quebec	Total	2019 Total
General rate	15.00%	11.50% ⁽³⁾	26.50%	26.60%
Manufacturing	15.00%	11.50%	26.50%	26.60%
Small business				
- below \$500,000	9.00% ⁽¹⁾	5.00% ⁽⁴⁾⁽⁵⁾	14.00%	15.00%
- over \$500,000	15.00%	11.50%	26.50%	26.60%
Investment Income	38.67% ⁽²⁾	11.50%	50.17%	50.27%

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) 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 2020.
- (2) The refundable portion of part I tax is 30.67%. The dividend refund rate is 38 1/3% of taxable dividend paid.
- (3) 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 2020 and 11.5% in 2020.
- (4) The 2018 Quebec Budget proposed to increase the SBD rate to ease the tax burden on SMBs. The SBD rate was increased at 4.7% for the period that begins on March 28, 2018 and ends on December 31, 2018, at 5.6% for 2020, 6.5% for 2020 and 7.5% for 2021 and future years.
- (5) The 2018 Quebec Budget has reduced the additional deduction for small and medium enterprise in the primary and manufacturing sectors. The deduction rate is 3% for the period that begins on March 28, 2018 and ends on December 31, 2018, 2% in 2020, 1% in 2020. The additional deduction will be eliminated in 2021. The reduced rates apply to CCPC's with paid up capital of \$15 million or less where more than 25% of their activities consist of manufacturing and processing. A corporation can benefit from the full SBD when the proportion of primary and manufacturing sectors activities reaches 50%. The SBD rate is reduced linearly where the proportion of activities is between 25% and 50%.
- (6) The 2017 Quebec budget proposed that corporations must meet a minimum number of hours paid to qualify for the small business deduction. The corporation can meet the requirement if the hours paid to its employees during the taxation year is at least 5,500 hours or if during the previous taxation year, the hours paid to its employees and those from all the associated corporations totaled at least 5,500 hours. 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.
- (7) Due to COVID-19, the calculation of the remunerated hours of a corporation's employees has been adjusted. Therefore, if all or part of the corporation's taxation year is included in the period from March 15 to June 29, 2020, the number of hours for the taxation year is deemed to be equal to the result of the following calculation: the number of remunerated hours of the corporation's employees for the taxation year multiplied by the ratio of 365 to the number of days in the taxation year that are not included in the period.

15. Corporate Integration - 2020 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>(140)</u>	<u>(265)</u>
	Available for Dividend	860	735
(B)	Personal tax (maximum rate)	<u>(405)</u>	<u>(295)</u>
	Net after tax cash	<u>455</u>	<u>440</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	393	268
	Deferral of tax as a percentage	<u>39.3%</u>	<u>26.8%</u>
(C - A - B)	Savings (-cost)	(12)	(27)
	Savings (-cost) of tax as a percentage	<u>-1.2%</u>	<u>-2.7%</u>

Corporate Integration - 2020 Combined Federal and Quebec 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>(379)</u>	<u>(400)</u>
	Net after tax cash	<u>426</u>	<u>600</u>
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	<u>(533)</u>	<u>(400)</u>
	Net after tax cash	<u>467</u>	<u>600</u>
(C - A)	Deferral of tax	31	17
	Deferral of tax as a percentage	<u>3.1%</u>	<u>1.7%</u>
(C - A - B)	Savings (-cost)	(41)	0
	Savings (-cost) of tax as a percentage	<u>-4.1%</u>	<u>0%</u>

16. Income Tax Instalments

- Individuals - Quarterly instalments required in 2020 if net tax owing was more than \$1,800 in either 2019 or 2018 (both federal and Quebec).
- Corporations - Monthly instalments required if total taxes payable in 2019 or 2018 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.