

FineAnswers

Answers to questions on Tax, Finance and Management Highlight of the October 30th Budget Volume VI

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We were told that Federal corporate tax rates will decrease to 15% by 2011. Also, if the provinces cooperate, the combined rates will come down to 25% and Canada would have the lowest tax rate among the G7. Initially, I could not figure out how all this would affect the overall taxes the corporations have to pay and what if the corporation is a SBC enjoying the reduction in tax rates, both Federal and Provincial, for the first \$400,000. So, I prepared the two schedules below to show what will happen to the tax rates for 2007 to 2012 for Investment Corporations, Small Business Corporations, Manufacturing Corporations and other Corporations ([Schedule A](#)), and also what happens to the combined taxes if all after tax earnings are paid out as dividends ([Schedule B](#)).

Ontario & Federal Corporate Tax Rates after the October 2007 Budget (Schedule A)

		INVESTMENT CCPC *	Upto \$400,000 Active Income SBC	Other	Manufacturing Income	Income Trusts
2007	Federal	35.79%	13.12%	22.12%	22.12%	
	Ontario	14.00%	5.50%	14.00%	12.00%	
	Total	49.79%	18.62%	36.12%	34.12%	
2008	Federal	34.67%	11.00%	19.50%	19.50%	
	Ontario	14.00%	5.50%	14.00%	12.00%	
	Total	48.67%	16.50%	33.50%	31.50%	
2009	Federal	34.67%	11.00%	19.00%	19.00%	
	Ontario	14.00%	5.50%	14.00%	12.00%	
	Total	48.67%	16.50%	33.00%	31.00%	
2010	Federal	34.67%	11.00%	18.00%	18.00%	
	Ontario	14.00%	5.50%	14.00%	12.00%	
	Total	48.67%	16.50%	32.00%	30.00%	
2011	Federal	34.67%	11.00%	16.50%	16.50%	
	Ontario	14.00%	5.50%	14.00%	12.00%	
	Total	48.67%	16.50%	30.50%	28.50%	
2012	Federal	34.67%	11.00%	15.00%	15.00%	28.00%
	Ontario	14.00%	5.50%	14.00%	12.00%	
	Total	48.67%	16.50%	29.00%	27.00%	28.00%

* CCPC with investment income will receive a refund at the rate of 33.3% of the dividend when paying dividends

**Combined Corporate and Personal Tax Rates
Assuming Corporation Distributes all Income
AND
Shareholders are Individuals and are in the Top Tax Bracket
(Schedule B)**

	INVESTMENT CCPC *	Up to \$400K Active Income SBC **	Other	Manufacturing Income
2007	48.29%	44.12%	51.83%	50.32%
2008	47.52%	42.67%	49.40%	47.88%
2009	47.52%	42.67%	48.42%	46.88%
2010	47.52%	42.67%	47.18%	45.63%
2011	47.52%	42.67%	46.02%	44.47%
2012	47.52%	42.67%	44.85%	43.30%

* Dividends are paid to maximize refund of Refundable Dividend Tax on Hand

** Ignores Ontario claw-back

Note: This newsletter cannot replace professional advice. The reader is invited to contact the writer to discuss the contents of the newsletter. Readers are advised to seek professional advice before acting on the material in this newsletter.