

TAX FACTS & FIGURES

February 2009

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**FACTS AND FIGURES
FOR TAX PREPARATION AND PLANNING
FEBRUARY, 2009**

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FEBRUARY, 2009

CHAPTER 1 – PERSONAL INCOME TAX

1.1 Federal Tax Rates - Individuals

The following Federal tax rates apply for 2009:

<u>Taxable income in excess of</u>	<u>but not over</u>	<u>the tax</u>	<u>of the amount over</u>
\$0	\$40,726	\$0	+ 15%
40,726	81,452	6,109	+ 22%
81,452	126,264	15,069	+ 26%
126,264	n/a	26,720	+ 29%

1.2 Federal Personal Tax Credits

The personal credits listed below apply for 2009:

	<u>Gross</u>	<u>Credit (15%)</u>
Basic personal	\$10,320	\$1,548
Married or equivalent ⁽¹⁾	10,320	1,548
Dependents		
Under 18	2,089	313
Over 18 and infirm ⁽²⁾	4,198	630
Age ⁽³⁾	6,408	962
Disability	7,196	1,079

(1) Reduced by spouse's net income.

(2) Reduced by dependent's net income in excess of \$5,956.

(3) The Age credit is reduced by an amount equal to 15% of an individual's net income exceeding \$32,312

1.3 Additional Federal Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2009:

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 \$2,011
Tuition fees	– 15% of amount paid in respect of attendance at a post-secondary institution
Education amount	– \$60/month of full-time attendance at a post-secondary institution (part-time for disabled student) / \$18/month of part-time attendance
Textbook Tax Credit	– \$10/month entitled to education tax credit as full time student / \$3/month entitled to part-time student
Charitable donations	– 15% for first \$200; – 29% of balance, limited to 75% of net income ⁽¹⁾⁽²⁾
Canada Pension	– 15% of contributions
Employment Insurance	– 15% of contributions
Canada Employment Credit	– 15% of the lesser of \$1,044 or individual's employment income for the year
Tax Credit for Public Transit Passes	– 15% of the total of amounts paid in respect of eligible public transit passes
Children's Fitness Tax Credit	– 15% of the total eligible fees (maximum \$500 per child) for a maximum credit of \$75 per child under 16 years of age

(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.

1.4 Refundable Medical Tax Credit

The refundable medical tax credit is equal to the lesser of \$1,067 and 25% of the medical expenses eligible for the medical credit reduced by 5% of family net income in excess of \$23,633. 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 \$3,116.

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.

<u>Tax Credit</u>	<u>Transferable to</u>
Age	Spouse
Disability	Spouse or supporting person
Pension	Spouse or supporting person
Tuition and education ⁽¹⁾ Textbook tax credit ⁽¹⁾	Spouse or supporting person (transfer limited to \$750 of federal credit and \$358 of Ontario credit)
Amount for children under 18	Spouse

⁽¹⁾ Unused tuition and education credits and Textbook 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.

The following Ontario tax rates apply for 2009:

<u>Taxable income</u>	<u>Tax</u>			
\$ 0 – \$ 36,848			6.05%	
36,848 – 73,698	\$2,229	+	9.15%	over \$36,848
Over 73,698	5,601	+	11.16%	over 73,698

For 2009, the Fair Share Health Care Levy (FSHCL) is calculated as 20% of Ontario tax between \$4,257 and \$5,370, and an additional 36% of Ontario tax in excess of \$5,370 to a maximum of 56%. The first level FSHCL (20%) for 2009 arises at taxable income of approximately \$64,878 and the second level FSHCL (56%) arises at taxable income of approximately \$76,440 for a single taxpayer with only the basic personal tax credit.

1.7 Ontario Personal Tax Credits

The personal credits listed below apply for 2009:

	<u>Gross</u>	<u>Credit (6.05%)</u>
Basic personal	\$8,881	\$537
Married or equivalent ⁽¹⁾	7,541	456
Dependents Over 18 and infirm ⁽²⁾	4,186	253
Age ⁽³⁾	4,336	262
Disability	7,175	434

⁽¹⁾ Reduced by spouse's net income in excess of \$754.

⁽²⁾ Reduced by dependent's net income in excess of \$14,321.

⁽³⁾ The Age credit is reduced by an amount equal to 15% of an individual's net income exceeding \$32,280.

1.8 Additional Ontario Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2009:

Pension income	- 6.05% of amount up to \$1,228 for a maximum credit of \$74
Medical expense	- 6.05% of amount in excess of lesser of: 3% of net income or \$2,009
Tuition fees	- 6.05% of amount paid in respect of attendance at a post-secondary institution
Education amount	- \$29/month of full-time attendance at a post-secondary institution (part-time for disabled student) / \$9/month of part-time attendance
Charitable donations	- 6.05% for first \$200; - 11.16% of balance, limited to 75% of net income ⁽¹⁾⁽²⁾
Canada Pension	- 6.05% of contributions
Employment Insurance	- 6.05% 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.

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.

	<u>2009</u>		<u>2008</u>	
	<u>Eligible</u>	<u>Ineligible</u>	<u>Eligible</u>	<u>Ineligible</u>
i) Single taxpayer	61,735	37,500	\$54,555	\$36,670
ii) Married taxpayer (with full married credit)	70,100	46,575	61,950	45,545

The May 2006 Federal budget announced an increase to the gross-up rate for "eligible" dividends to 45% and the federal dividend tax credit to 19% of the grossed-up dividend (27.50% of the cash amount). These rates would apply to dividends paid after 2005 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 federal tax purposes the gross-up rate for non-eligible dividends remains 25% and the federal dividend tax credit is 13 ⅓% of the grossed-up dividend (16 ⅔% of the cash amount).

For Ontario tax purposes, the dividend tax credit for non-eligible dividends remains at 5.13% of the grossed-up dividend (6.41% of the cash amount). In August 2006, the Ontario government announced that it would harmonize with the federal proposals by increasing the dividend tax credit for eligible dividends over a 5 year period.

The dividend tax credit on eligible dividends will be phased in as follows:

2006	6.5% of the grossed-up amount	(9.43% of the cash amount)
2007	6.7% of the grossed-up amount	(9.72% of the cash amount)
2008	7.0% of the grossed-up amount	(10.15% of the cash amount)
2009	7.4% of the grossed-up amount	(10.73% of the cash amount)
2010	7.7% of the grossed-up amount	(11.17% of the cash amount)

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

The following **marginal rates** (in %) are in effect for **Ontario** income for 2009. This assumes: all federal and provincial taxes and surtaxes are included; and the taxpayer only qualifies for the basic personal tax credit.

<u>Taxable income</u>		<u>Salary, interest, etc....</u>			<u>Dividends (eligible/non-eligible)</u>			<u>Capital Gains</u>		
		<u>Federal</u>	<u>Ontario</u>	<u>Total</u>	<u>Federal</u>	<u>Ontario</u>	<u>Total</u>	<u>Federal</u>	<u>Ontario</u>	<u>Total</u>
		%	%	%	%	%	%	%	%	%
\$8,881	or less	0	0	0	0	0	0	0	0	0
8,882	- 10,320	0	6.05	6.05	0	-1.96/1.15	-1.96/1.15	0	3.02	3.02
10,321	- 36,848	15.00	6.05	21.05	-5.75/2.08	-1.96/1.15	-7.71/3.23	7.50	3.02	10.52
36,849	- 40,726	15.00	9.15	24.15	-5.75/2.08	0.71/5.03	-5.04/7.11	7.50	4.57	12.07
40,727	- 64,878	22.00	9.15	31.15	4.40/10.83	0.71/5.03	5.11/15.86	11.00	4.57	15.57
64,879	- 73,698	22.00	10.98	32.98	4.40/10.83	0.85/6.03	5.25/16.86	11.00	5.49	16.49
73,699	- 76,440	22.00	13.39	35.39	4.40/10.83	3.86/9.04	8.26/19.87	11.00	6.70	17.70
76,441	- 81,452	22.00	17.41	39.41	4.40/10.83	5.02/11.76	9.42/22.59	11.00	8.70	19.70
81,453	- 126,264	26.00	17.41	43.41	10.20/15.83	5.02/11.76	15.22/27.59	13.00	8.70	21.70
Over	126,264	29.00	17.41	46.41	14.55/19.58	5.02/11.76	19.57/31.34	14.50	8.70	23.20

1.12 Old Age Security Benefits

	<u>2009</u>	<u>2008</u>
January – March	516.96	\$502.31
April – June	-	502.31
July – September	-	505.83
October – December	-	516.96

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

For 2009, benefits are repayable if net income exceeds \$66,335. 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 worldwide income to qualify for OAS payments.

1.13 Canada Pension Plan Benefits - Maximums

	<u>Annual Total</u>	<u>2009</u>	<u>2008</u>
Death Benefit	N/A	\$2,500.00	\$2,500.00
Retirement benefit - per month	10,905.00	908.75	884.58
Disability pension - per month	13,271.88	1,105.99	1,077.52
Spouse pension - under 65, per month	6,176.56	506.38	493.28
- 65 and over, per month	6,543.00	545.25	530.75
Orphan pension - per month	2,567.88	213.99	208.77

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

1.14 Employment Insurance Benefits

	<u>2009</u>	<u>2008</u>
Maximum, per week - 55% of insurable earnings	\$447.00	\$435.00

Benefits are repayable when net income exceeds \$48,750.00.

1.15 Working Income Tax Benefit

Since 2007, low income persons with either employment or business income are entitled to a credit equal to 20% of earned income in excess of \$3,000 to a maximum of \$500 (\$1,000 for couples and single parents). For 2009, a reduction equivalent to 15% of net family income in excess of \$9,681 (\$14,776 for couples and single parents) will apply.

For disabled persons, an additional credit equal to 20% of earned income in excess of \$1,750 (maximum - \$255) 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 dependant child.

1.16 Canada Child Tax Benefit

Up to June 2009, the Canada Child Tax Benefit is calculated as follows:

First two children under 18 years old	\$1,307
Each additional child under 18 years old	1,398

The base amount of \$1,307 per child does not apply in Alberta (where it varies with the age of the child) or Quebec (where it varies with the number of children).

There is a supplement for low income persons calculated as follows:

One child family	-	\$2,025 less 12.20% of family net income in excess of \$21,287
Two child family	-	\$3,817 less 23.0% of family net income in excess of \$21,287
Three or more child family	-	\$3,817 for first 2 children plus \$1,704 for each additional child.
The total is reduced by 33.25% of family net income in excess of \$21,287		

There is a reduction of the child tax benefit in the following situations:

—	both spouses net income exceed \$37,885	
	- only one qualified dependant	- 2.0% of excess
	- more than one qualified dependant	- 4% of excess
—	when child care expenses are claimed	
	- 25% of expenses claimed	

Starting July 2009, the Canada Child Tax Benefit will be calculated as follows:

First two children under 18 years old	\$1,340
Each additional child under 18 years old	1,433

The base amount of \$1,340 per child does not apply in Alberta (where it varies with the age of the child) or Quebec (where it varies with the number of children).

There is a supplement for low income persons calculated as follows:

One child family	-	\$2,076 less 12.20% of family net income in excess of \$23,710.
Two child family	-	\$3,913 less 23.0% of family net income in excess of \$23,710.
Three or more child family	-	\$3,913 for first 2 children plus \$1,747 for each additional child.
The total is reduced by 33.25% of family net income in excess of \$23,710.		

There is a reduction of the child tax benefit in the following situations:

- both spouses net income exceed \$40,726
 - only one qualified dependant - 2.0% of excess
 - more than one qualified dependant - 4% of excess
- when child care expenses are claimed
 - 25% of expenses claimed

1.17 Universal Child Care Benefit

The May 2006 Budget introduced a Universal Child Care Benefit (UCCB) of \$100 per month for each child under the age of six years. The UCCB, is taxable to the lower income spouse but will not be included in income for purposes of income-tested benefits under the income tax system or for the clawback of Old Age Security or Employment Benefits.

1.18 Ontario Child Care Supplement for Working Families

The Ontario Child Care Supplement for Working Families replaced the Ontario Child Care Tax Credit in 1998. Since July 1, 1998, a monthly benefit is paid to eligible families with children under age 7. For families with employment and/or self-employment income, effective July 1, 2001, the benefit will be 21% of earnings over \$5,000 with one child under 7, 42% with two children under 7 and 63% with three or more children under 7, to a maximum of \$1,100 (\$1,310 for single parents) multiplied by the number of qualifying children. Where earnings are below \$5,000, a benefit of 50% of child care expenses incurred in order to attend school or obtain training is available, to a maximum of \$1,100 (\$1,310 for single parents) for each child under age 7. Families qualifying for both benefits will receive the greater of the two. Benefits are to be reduced by 8% of family net income in excess of \$20,750. Families must file income tax returns to receive an application for the supplement.

1.19 Ontario Child Benefit

The March 2007 Ontario budget announced the creation of the Ontario Child Benefit. This benefit was combined with the Ontario Child Care Supplement for Working Families and was phased in starting in July 2007.

In July 2007, the benefit was a lump sum payment of up to \$250 per child under 18 years of age reduced by 3.4% of family net income over \$20,000.

Since July 2008, monthly payments for each child under 18 are issued. The maximum annual payment per child will be as follows:

July 2008	-	June 2009	\$ 600
July 2009	-	June 2010	805
July 2010	-	June 2011	900
July 2011	-	June 2012	1,100

A reduction equal to 8% of family net income over \$20,000 applies after July 1, 2008.

1.20 GST Credit

For the period July 2008 to June 2009, the credit is calculated as follows:

All eligible taxpayers	\$242
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$7,851 to a maximum of	127
Addition for spouse or equivalent	242
Addition for each qualifying child	127

Reduced by 5% of combined net income in excess of \$31,524.

⁽¹⁾ No reduction for single parents.

For the period July 2009 to June 2010, the credit will be calculated as follows:

All eligible taxpayers	\$248
Addition for single taxpayers ⁽¹⁾ - 2% of net income in excess of \$8,047 to a maximum of	130
Addition for spouse or equivalent	248
Addition for each qualifying child	130

Reduced by 5% of combined net income in excess of \$32,312.

1.21 Pension Contribution Limits

	<u>RRSP</u>	<u>RPP</u>	<u>DPSP</u>
1994	\$13,500	\$14,500	\$7,250
1995	14,500	15,500	7,750
1996 - 2002	13,500	13,500	6,750
2003	14,500	15,500	7,750
2004	15,500	16,500	8,250
2005	16,500	18,000	9,000
2006	18,000	19,000	9,500
2007	19,000	20,000	10,000
2008	20,000	21,000	10,500
2009	21,000	22,000	11,000
2010	22,000	indexed	indexed
2011	indexed	indexed	indexed

- 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.

1.22 Exchange rates - per Bank of Canada

	<u>2008</u>	<u>2007</u>
Average rate for year - U.S. \$	1.0660	1.0748
- U.K. £	1.9617	2.1487

1.23 Prescribed Interest Rates - Federal

	<u>2009</u>	<u>2008</u>
January - March	2.0% **	4.0% **
April - June		4.0% **
July - September		3.0% **
October - December		3.0% **
Average annual rates	2005 - 3.00% **	
	2006 - 4.00% **	
	2007 - 5.00% **	
	2008 - 3.50% **	

**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.

1.24 Prescribed Interest Rates - Ontario

	<u>2008</u>		<u>2009</u>	
	<u>Over-due Tax</u>	<u>Refund</u>	<u>Over-due Tax</u>	<u>Refund</u>
January - March	9.0%	3.0%	7.0%	1.0%
April - June	9.0%	3.0%		
July - September	8.0%	2.0%		
October - December	8.0%	2.0%		
Average annual rates	2005 - 7.00%			
	2006 - 8.50%			
	2007 - 9.00%			
	2008 - 8.50%			

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

1.25 Income Tax Instalments

- quarterly tax instalment payments are required if net tax owing was more than \$3,000 in 2009 and in either 2008 or 2007.

CHAPTER 2 – CORPORATE INCOME TAX

2.1 Corporate Tax Rates - Combined Federal and Ontario

	<u>Federal</u> ^{(1) (2)}	<u>2009 Ontario</u>	<u>Total</u>	<u>2008 Total</u>
General rate	19.00%	14.00%	33.00%	33.50%
Manufacturing	19.00%	12.00%	31.00%	31.50%
Small business – below \$400,000	11.00%	5.50%	16.50%	16.50%
– \$400,001 to \$500,000 ^{(3) (4)}	11.00%	5.50%	16.50%	25.00%
– \$500,001 to \$1,500,000 ⁽³⁾	19.00%	18.25%	37.25%	37.75%
– over \$1,500,000	19.00%	14.00%	33.00%	33.50%
Investment Income	34.67% ⁽⁵⁾	14.00%	48.67%	48.67%

Ontario small businesses with taxable income above \$500,000 must pay a surtax of 4.25% on the excess income to a maximum of \$42,500.

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 2007 Federal Economic Statement announced a reduction of the general corporate tax rate from 19.50% to 19.00% effective January 1, 2009. These rates must be prorated for taxation years straddling January 1, 2009.
- (2) The corporate surtax of 4% was eliminated January 1, 2008. The surtax is still applicable on a prorated basis for taxation years straddling January 1, 2008.
- (3) The 2007 Ontario Economic Outlook and Fiscal Review retroactively increased the small business deduction limit for 2007 from \$400,000 to \$500,000 and phased out the deduction once income reaches \$1,500,000, rather than \$1,128,519. These limits are pro-rated for taxation years that straddle January 1, 2007.
- (4) The 2009 Federal Budget increased the small business deduction limit from \$400,000 to \$500,000 effective January 1, 2009. This limit must be prorated for taxation years straddling January 1, 2009.
- (5) This includes the 26.67% refundable portion of Part I Tax. This tax is refundable \$1 for every \$3 of taxable dividends paid.

2.2 Corporate Integration - 2009 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)).

	<u>Small Business Income < 500,000</u>	<u>Active Business Income 500,001 - 1,500,000</u>	<u>Active Business Income > 1,500,000</u>
Income in Corporation	\$1,000	\$1,000	\$1,000
(A) Corporation tax	(165)	(372)	(330)
Available for Dividend	835	628	670
(B) Personal tax (maximum rate)	(262)	(121)	(131)
Net after tax cash	573	507	539
Income earned directly	1,000	1,000	1,000
(C) Personal tax (maximum rate)	(464)	(464)	(464)
Net after tax cash	536	536	536

(C - A)	Deferral of tax	299	92	134
	Deferral of tax as a percentage	29.9%	9.2%	13.4%
<hr/>				
(C - A - B)	Savings (-cost)	37	(29)	3
	Savings (-cost) of tax as a percentage	3.7%	-2.9%	0.3%
<hr/> <hr/>				

2.2 Corporate Integration - 2009 Combined Federal and Ontario Rates - cont'd

		<u>Investment income</u>	<u>Dividend income</u>
	Income in corporation	\$1,000	\$1,000
(A)	Corporation tax	(487)	(333)
(A)	Dividend refund	257	333
	Available for dividend	770	1,000
(B)	Personal tax (maximum rate)	(241)	(200)
	Net after tax cash	529	800
<hr/>			
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	(464)	(200)
	Net after tax cash	536	800
<hr/>			
(C - A)	Deferral of tax	(23)	(133)
	Deferral of tax as a percentage	-2.3%	-13.3%
<hr/>			
(C - A - B)	Savings (-cost)	(7)	0
	Savings (-cost) of tax as a percentage	-0.7%	0%
<hr/> <hr/>			

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 general rate for the Ontario Capital Tax is 0.225% (2008 - 0.285%) of taxable capital.

For 2009, a \$15 million deduction from taxable capital is available to corporations subject to proration for non-calendar year ends. An associated group of corporations must share the deduction pro-rata based on each corporation's taxable capital.

The March 22, 2007 Ontario Budget confirmed the elimination of the capital tax as of July 1, 2010. The elimination is planned as follows:

	<u>Deduction</u>	<u>Capital Tax Rate</u>
2008	\$15 million	0.285%
2009	\$15 million	0.225%
2010	\$15 million	0.150%
2011	- Eliminated -	

The 2008 Ontario Budget confirmed the elimination of the capital tax for manufacturing and resource activities retroactive to January 1, 2007. The capital tax will be fully eliminated for corporations for which salaries and wages relating to manufacturing and processing, mining, logging, farming or fishing activities, represent at least 50% of their total salaries and wages in Ontario. Where such salaries and wages represent between 20% and 50% of total Ontario salaries and wages, there will be a proportionate reduction of the capital taxes.

2.5 Ontario Corporate Minimum Tax

The Ontario Corporate Minimum Tax (CMT) applies to corporations that either have Total Assets in excess of \$5,000,000 or Total Revenues in excess of \$10,000,000. The CMT rate is 4%.

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 2008 or 2007 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 \$400,000 (\$500,000 after 2009) 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 2008 or 2007 exceeded \$2,000. 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

<u>Type of payment</u>	<u>United Kingdom</u>	<u>United States</u>
Interest	NIL ⁽¹⁾	NIL ⁽¹⁾
Estate or Trust Income	15%	15%
Copyright, etc.	10%	NIL
Immovable Property	25%	25%
Alimony	NIL	NIL
Dividends		
– corporate shareholder owns (U.K. - controls) at least 10% of voting shares of payor	10%	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.

CHAPTER 3 – PAYROLL AND EMPLOYEE BENEFITS

3.1 Canada Pension Plan Contributions

	<u>2009</u>	<u>2008</u>
Contributory earnings	46,300.00	\$44,900.00
Basic exemption	<u>3,500.00</u>	<u>3,500.00</u>
Maximum contributory earnings	42,800.00	41,400.00
Maximum contributions:		
employees - 4.95%	2,118.60	2,049.30
self-employed - 9.9%	4,237.20	4,098.60

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

3.2 Employment Insurance Premiums

	<u>2009</u>	<u>2008</u>
Employee maximum: 1.73% x \$42,300 (2008 - 1.73% x \$41,100)	\$731.79	\$711.03
Employer maximum: 1.4 x \$731.79 (2008 - \$711.03)	1,024.51	995.44

3.3 Ontario Employer Health Tax

The Employer Health Tax (EHT) is remitted by employers based on their Ontario payroll. Employers are exempt from tax on the first \$400,000 of Ontario payroll. The EHT is calculated as 1.950% of Ontario payroll in excess of the \$400,000 exemption.

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

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

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 2009 are as follows:

<u>Taxable Income</u>	<u>Premium</u>
\$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. 2009 frequency is based on average monthly remittances made in 2007). 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:

<u>Average Monthly Remittance</u>	<u>Due Date</u>
Under \$15,000	15th day of month following month when the deduction was made
\$15,000 – \$49,999	10th and 25th of each month
\$50,000 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. Prior to 2008, this amount was \$1,000.00.

3.6 Automobiles Used in Business

1. Restrictions on deductibility of expenses for 2009:

Leasing costs	\$800/month (30-day period) (2008 - \$800)
Interest	\$300/month (2008- \$300)
CCA	Depreciable cost limited to \$30,000 plus PST and GST (2008 - \$30,000) (net of applicable input tax credits or rebates)
Allowance to employees	\$0.52/km for first 5000 km (\$0.52 - 2008) \$0.46/km for additional kms (\$0.46 - 2008) (Yukon and N.W.T. are \$0.56 and \$0.50 respectively) (2008 - \$0.56 and \$0.50)

2. Employee Benefits

Standby Charge:

Company owned car	$2\% \times \text{original cost (including GST/PST)} \times \text{number of months vehicle available for use}$
Company leased car	$\frac{2}{3} \times \text{lease payments (including GST/PST)} \times \text{number of months vehicle available for use}$

Operating Cost Benefit: \$0.24/personal use kms (\$0.24 - 2008)

- 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. The remittance rates for 2009 are 4/104 of the standby charge and 3% of the operating cost benefit.

CHAPTER 4 – GOODS & SERVICES TAX (GST)

4.1 GST Registration

All persons engaged in a commercial activity in Canada, must register to collect and remit GST 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, Business number GST/HST Account Information is needed

4.2 Small Supplier Threshold

<u>Type of Business</u>	<u>Threshold</u>
Charity or other 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.

4.3 Filing Frequency, Reporting Deadlines, and Payment Due Dates

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

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

<u>Offence</u>	<u>Penalty</u>	<u>Interest</u>
Failure to pay or remit an amount	—	T-Bill rate + 4%
Failure to pay, or late payment of installment	—	T-Bill rate + 4%
Failure to file a return	1% of unpaid balance plus ¼ 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	-

Neither interest nor penalties are deductible for income tax purposes.

4.6 Objection Period

<u>Time frame</u>	<u>Action</u>
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

<u>Eligibility</u>	<u>Retail Businesses</u>	<u>Other Businesses</u>
	<u>Remittance Rates</u>	
Sales of taxable supplies for four consecutive quarters out of five previous quarters cannot exceed \$200,000 (GST included)	0.8% on first \$30,000 1.8% on remainder	2.6% on first \$30,000 3.6% on remainder
	<i>(all amounts are GST included)</i>	

All stated rates apply only to supplies made in non-participating provinces from permanent establishments located in non-participating provinces. 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 exceeds \$200,000 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

<u>Province</u>	<u>PST Rate</u>	<u>GST/HST Rate</u>	<u>GST in Tax Base?¹</u>
British Columbia	7%	5%	No
Alberta	-	5%	No
Saskatchewan	5%	5%	No
Manitoba	7%	5%	No
Ontario	8%	5%	No
Quebec	7.5%	5%	Yes
New Brunswick	-	13%	No
Nova Scotia	-	13%	No
Prince Edward Island	10%	5%	Yes
Newfoundland	-	13%	No

¹ When the PST is calculated the GST is included in the price upon which GST is determined if the answer is “Yes”. (For example a CD costing \$2.00 would have GST of \$0.10. PST would be determined based on a total cost of \$2.10 giving a total PST of \$0.21 in Prince Edward Island.)

4.9 GST Rebates

4.9.1 New Housing Rebate

<u>Price of new home</u>	<u>Rebate</u>
Price < \$350,000	36% of GST (approx 1.8% of purchase price)
\$350,000 < Price < \$450,000	Lesser of \$6,300 and 36% of GST paid multiplied by (\$450,000 - selling price)/\$100,000
Price > \$450,000	No rebate

4.9.2 Employee Rebate

Employees are allowed to claim a rebate equal to 5/105th's of the expenses on which GST 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

<u>Type</u>	<u>Rebate*</u>
Charities and public institutions	50%
Qualifying non-profit organizations	50%
Hospitals	83%
Schools	68%
University or public college	67%
Municipalities	100%

* *eligibility criteria exist.*

4.10 ITC Restrictions

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

<u>Type of expense</u>	<u>Restriction</u>
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.
Automobile purchase	Can claim the GST paid up to a maximum of \$1,500. If purchase price is in excess of \$30,000, only the GST 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 5/105 of the allowance, if it is reasonable to assume that the employee would have paid GST 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 4/104 of the total expense paid. In addition, the employer must be paying the reimbursement in respect of its commercial activities.

ADDENDUM
Quebec Tax Facts and Figures
FEBRUARY, 2009

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ADDENDUM

Quebec Tax Facts and Figures

FEBRUARY, 2009

1. Quebec Tax Rates – Individuals

The following Quebec tax rates apply for 2009:

<u>Taxable income</u>	<u>Tax</u>			
\$0 - \$38,385			16%	
38,386 - 76,770	\$6,142	+	20%	over \$38,386
Over 76,770	13,819	+	24%	over 76,770

As of 2002, the Quebec tax brackets and non-refundable tax credits are fully indexed.

2. Quebec Personal Tax Credits

The personal credits listed below apply for 2009:

	<u>Gross</u>	<u>Credit (20%)</u>
Basic personal	\$10,455	\$2,091
Person living alone ⁽¹⁾	1,225	245
Married ⁽²⁾	10,455	2,091
Dependent child ^{(3) (4)}	2,805	561
-Post-secondary students (under 18 years old)	1,930	386 per term (max. 2)
Single parent family ⁽³⁾	1,520	304
Other dependents ⁽³⁾	2,805	561
Disability	2,380	476
Age ⁽¹⁾	2,250	450

⁽¹⁾ Reduced by 15% of net family income in excess of \$30,345

⁽²⁾ Reduced by spouse's net income

⁽³⁾ Reduced by dependent's net income

⁽⁴⁾ The claim for dependent children under 18 years old has been replaced by the child assistance payment program.

3. Additional Quebec Tax Credits

The following amounts are additional non-refundable tax credits applicable for 2009:

Pension income ⁽¹⁾	- 20% of amount up to \$2,000 for a maximum credit of \$400
Medical expense	- 20% of amount in excess of 3% of net income ⁽²⁾
Charitable donations	- 20% for first \$200; 24% of balance, limited to 75% of net income ⁽³⁾⁽⁴⁾
Quebec/Canada Pension	- 20% of contributions
Employment Insurance	- 20% of contributions
Quebec Parental Insurance	- 20% of contributions
Health Services Fund	- 20% of contributions
Tuition fees	- 20% of fees
Union dues, professional fees	- 20% of amount paid

⁽¹⁾ Reduced by 15% of net family income in excess of \$30,345

⁽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

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.

<u>Tax Credit</u>	<u>Transferable to</u>
Age	Spouse
Disability	Spouse or supporting person
Pension	Spouse or 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.

	<u>2009</u>		<u>2008</u>	
	<u>Eligible</u>	<u>Non-eligible</u>	<u>Eligible</u>	<u>Non-eligible</u>
i) Single taxpayer	\$30,875	\$20,910	\$30,166	\$20,430
ii) Married taxpayer (with full married credit)	48,680	38,115	47,560	37,240

For Quebec tax purposes the gross-up rate for non-eligible dividends is 25% and the Quebec dividend tax credit is 8% of the grossed up dividend (10% of the cash amount).

For Quebec tax purposes the gross-up for "eligible dividends" is 45% and the Quebec dividend tax credit is 11.9% of the grossed-up dividend (17.255% 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 2009. This assumes: all federal and provincial surtaxes are included, and the taxpayer only qualifies for the basic personal tax credit.

<u>Taxable income</u>		<u>Salary, interest, etc....</u>			<u>Dividends (Eligible/Non-eligible)</u>			<u>Capital Gains</u>		
		<u>Federal</u>	<u>Quebec</u>	<u>Total</u>	<u>Federal</u>	<u>Quebec</u>	<u>Total</u>	<u>Federal</u>	<u>Quebec</u>	<u>Total</u>
		%	%	%	%	%	%	%	%	%
\$10,320	or less	0	0	0	0	0	0	0	0	0
10,321	10,455	12.53	0	12.53	-4.80/1.74	0/0	-4.80/1.74	6.26	0	6.26
10,456	- 38,386	12.53	16.00	28.53	-4.80/1.74	5.94/10.00	1.14/11.74	6.26	8.00	14.26
38,387	- 40,726	12.53	20.00	32.53	-4.80/1.74	11.74/15.00	6.94/16.74	6.26	10.00	16.26
40,727	- 76,770	18.37	20.00	38.37	3.67/9.04	11.74/15.00	15.41/24.04	9.18	10.00	19.18
76,771	- 81,452	18.37	24.00	42.37	3.67/9.04	17.54/20.00	21.21/29.04	9.18	12.00	21.18
81,453	- 126,264	21.71	24.00	45.71	8.52/13.22	17.54/20.00	26.06/33.22	10.85	12.00	22.85
Over	126,264	24.22	24.00	48.22	12.15/16.35	17.54/20.00	29.69/36.35	12.11	12.00	24.11

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

7. Quebec Pension Plan Contributions

	<u>2009</u>	<u>2008</u>
Contributory earnings	\$46,300.00	\$44,900.00
Basic exemption	<u>3,500.00</u>	<u>3,500.00</u>
Maximum contributory earnings	42,800.00	41,400.00
Maximum contributions		
employees – 4.95%	2,118.60	2,049.30
self-employed – 9.9%	4,237.20	4,098.60

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

8. Employment Insurance Premiums

	<u>2009</u>	<u>2008</u>
Employee maximum: 1.38% x \$42,300 (2008 - 1.39% x \$41,100)	\$583.74	\$571.29
Employer maximum: 1.4 x \$583.74 (2008 - 571.29)	817.24	799.81

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

9. Quebec Parental Insurance Plan Premiums

	<u>2009</u>	<u>2008</u>
Employee maximum: 0.484% x \$62,000 (2008 - 0.45% x \$60,500)	\$300.08	\$272.25
Employer maximum: 1.4 x \$300.08 (2008 - \$272.25)	\$419.74	\$381.15
Self-employed maximum: 0.8% x \$62,000 (2008 – 0.8% x \$60,500)	\$496.00	\$484.00

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

Quebec residents are required to pay a health services fund contribution on total annual income less employment income, Old Age Security payments and the dividend gross-up. A general exemption of \$13,075 will apply. Subject to a maximum of \$1,000, the tax is to be calculated as follows:

<u>Income Subject to Contribution</u>		<u>Contribution</u>
\$0 – \$13,075		Nil
\$13,076 – \$28,075	1 % over	\$13,075
\$28,076 – \$45,460		\$150
\$45,461 – \$130,460	\$150 + 1% over	\$44,410
\$130,460 and over		\$1,000

The tax qualifies for a 20% non-refundable tax credit. Since January 1, 2003, the brackets are fully indexed.

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 2009, the tax credit rate is maintained at 75% as long as net family income does not exceed \$30,425. The rate is decreased by 1% for every \$1,125 in net family income in excess of \$30,425 as long as net family income does not exceed \$84,510. When net family income exceeds \$84,510, the applicable tax credit rate is reduced to 26%.

12. Prescribed Interest Rates - Quebec

	<u>2009</u>		<u>2008</u>	
	<u>Over-due Tax</u>	<u>Refund</u>	<u>Over-due Tax</u>	<u>Refund</u>
January – March	7.00%	2.75%	9.00%	3.75%
April – June			9.00%	3.75%
July – September			8.00%	2.75%
October – December			8.00%	2.75%
Average annual rates:	2005 – 7.00%			

2006 - 8.50%

2007 - 9.00%

2008 - 8.50%

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

	<u>Federal</u> ^{(1) (2)}	<u>2009 Quebec</u>	<u>Total</u>	<u>2008 Total</u>
General rate	19.00%	11.90%	30.90%	30.90%
Manufacturing	19.00%	11.90%	30.90%	30.90%
Small business				
- below \$400,000	11.00%	8.00%	19.00%	19.00%
-\$400,001 - \$500,000 ⁽³⁾	11.00%	11.90%	22.90%	30.90%
- over \$500,000	19.00%	11.90%	30.90%	30.90%
Investment Income	34.67% ⁽⁴⁾	11.90% ⁽⁵⁾	46.57%	46.07%

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 2007 Federal Economic Statement announced a reduction of the general corporate tax rate from 19.50% to 19.00% effective January 1, 2009. This rate must be prorated for taxation years straddling January 1, 2009.

(2) The corporate surtax of 4% was eliminated January 1, 2008. The surtax is still applicable on a prorated basis for taxation years straddling January 1, 2008.

(3) The 2009 Federal Budget increased the small business deduction limit from \$400,000 to \$500,000 effective January 1, 2009. This limit must be prorated for taxation years straddling January 1, 2009.

(4) This includes the 26.67% refundable portion of Part I Tax. This tax is refundable \$1 for every \$3 of taxable dividends paid.

(5) The 2007 Quebec budget increased the tax rate on investment income from 11.40% to 11.90%. This rate is prorated for taxation years straddling January 1, 2009.

14. Corporate Integration – 2009 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)).

	<u>Small Business Income < \$400,000</u>	<u>Active Business Income \$400,001 - \$500,000</u>	<u>Active Business Income > \$500,000</u>
Income in Corporation	\$1,000	\$1,000	\$1,000
(A) Corporation tax	(190)	(229)	(309)
Available for Dividend	810	771	691
(B) Personal tax (maximum rate)	(294)	(281)	(205)
Net after tax cash	516	490	486
Income earned directly	1,000	1,000	1,000
(C) Personal tax (maximum rate)	(482)	(482)	(482)

	Net after tax cash	<u>518</u>	<u>518</u>	<u>518</u>
(C - A)	Deferral of tax	292	253	173
	Deferral of tax as a percentage	<u>29.2%</u>	<u>25.3%</u>	<u>17.3%</u>
(C - A - B)	Savings (- cost)	(2)	(28)	(32)
	Savings (- cost) of tax as a percentage	<u>-0.2%</u>	<u>-2.8%</u>	<u>- 3.2%</u>

14. Corporate Integration — 2009 Combined Federal and Quebec Rates - (cont'd)

		<u>Investment income</u>	<u>Dividend income</u>
	Income in corporation	\$1,000	\$1,000
(A)	Corporation tax	(466)	(333)
(A)	Dividend refund	267	333
	Available for dividend	<u>801</u>	<u>1,000</u>
(B)	Personal tax (maximum rate)	(291)	(297)
	Net after tax cash	<u>510</u>	<u>703</u>
	Income earned directly	1,000	1,000
(C)	Personal tax (maximum rate)	(482)	(297)
	Net after tax cash	<u>518</u>	<u>703</u>
(C - A)	Deferral of tax	16	(36)
	Deferral of tax as a percentage	<u>1.16%</u>	<u>- 3.6%</u>
(C - A - B)	Savings (- cost)	(8)	0
	Savings (- cost) of tax as a percentage	<u>- 0.8%</u>	<u>0%</u>

15. Capital Tax – Quebec

General Rate: - 0.24% of taxable capital (2008 - 0.36%)

The minimum capital tax of \$250 has been eliminated for corporations having taxation years ending after December 31, 2002.

As of January 1, 2005, the first \$1,000,000 of paid up capital is exempt from capital tax. This threshold has increased from \$600,000 as of January 1, 2005. This deduction will be prorated for taxation years straddling January 1, 2005. Members of a group of associated corporations must allocate the deduction among the group.

A partial reduction of the deduction will apply where the paid up capital is between \$1 million and \$4 million (based on the prior year's taxable capital).

The 2007 Quebec budget announced the elimination of the capital tax as of January 1, 2011. The rate will be reduced to 0.36% for 2008, 0.24% for 2009 and 0.12% for 2010. These rates will be prorated for non-calendar year ends.

16. Income Tax Instalments

- Individuals - quarterly instalments required if net tax owing was more than \$1,800 in 2009 and in either 2008 or 2007 (both federal and Quebec).

- Corporations - monthly instalments required if total taxes payable in 2008 or 2007 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 \$400,000 (\$500,000 for 2009) and the taxable capital of the associated group must not exceed \$10 million, all in the current or previous year.