CIBC
Asset Management

TAX PLANNING

2017-2018 Tax Toolkit

More opportunities for tax savings

Contents

When clients think about investment income, they don't always consider the impact of taxes. One of the most valuable things you can do is to help clients understand the taxes that may apply and how their investment choices may affect the after-tax income that they retain.

Non-registered investments

One of the main factors that determines how much tax is paid on non-registered investments is asset allocation. When fixed income and foreign investments are chosen, any interest or foreign dividends received are fully taxable at investors' marginal tax rates. After-tax returns can be improved by choosing investments that are more favourably taxed. For example, only half of the capital gains from equity funds are taxable, and Canadian dividend funds can distribute tax-favourable Canadian dividends to their investors. Individual investors can then take advantage of the dividend tax credit to reduce their federal and provincial taxes.

Registered investments

Even greater tax benefits can be gained by choosing to save in an RRSP or TFSA. While some may believe that an RRSP is always preferable to a TFSA, since a tax refund is generated, my report *"Just do it: The case for tax-free investing"* shows that both RRSP and TFSA income is completely tax-free (not just tax-deferred) when tax rates are constant. And TFSAs can offer a significant advantage if tax rates are higher in retirement, or if benefits such as Old Age Security would otherwise be clawed back when RRIF withdrawals are made. There are also two other tax-deferred plans for specialized needs: RESPs can be a valuable tool to help save for children's post-secondary education and RDSPs can help families accumulate savings for individuals with a severe and prolonged disability. Both RESPs and RDSPs can attract government grants and bonds that can help savings grow even faster.

Investing inside a corporation

Small business owners may also want to consider using excess profits to build investment portfolios within their companies or holding companies, rather than withdrawing the profits currently. There continues to be a significant tax deferral advantage, and only nominal tax cost in most provinces, from incorporation of business income in 2017. The government introduced proposals in July 2017 to apply higher tax rates to passive corporate investment income that exceeds $50,000 annually. Business owners should discuss these proposals with a tax advisor to determine how they may affect the decision to build an investment portfolio in a corporation. As an alternative, it generally makes sense to withdraw sufficient after-tax business income from a corporation to maximize TFSA and RRSP contributions and then invest the excess in a corporation. See my reports, TFSAs for Business Owners and RRSPs for Business Owners.

There is also information about the "investment advantage" within the Tax Toolkit, which may guide business owners' decisions for choosing to retain after-tax investment income within their corporations or distributing the funds immediately and investing them personally. Additional information on investing inside a corporation is available in my report *"In Good Company"*.

The tables in the following pages provide tax information that you can use to help your clients understand how income is taxed personally and in their corporations to allow them to keep more of that income in their own pockets in 2018.

Jamie Golombek
Managing Director, Tax & Estate Planning,
CIBC Financial Planning & Advice

Jamie Golombek's tax tips

It's important for clients to review their overall tax planning strategy with a tax professional to make the most of any opportunities available, especially as a result of new savings and investment vehicles, credits and tax policy changes that come into effect each year. Here is a list of tax-saving opportunities of which your clients should be aware:

1. **Tax-loss selling** – Tax-loss selling is the practice of selling investments that are in an accrued loss position in order to offset capital gains realized either in the current year or in the previous three years. For securities denominated in a foreign currency, be aware that currency fluctuations can affect the capital gain or loss that is reported.

2. **RRSP annuitants who turn 71** – Seniors turning 71 during the year only have until December 31 rather than the normal 60 days following the calendar year to make their final Registered Retirement Savings Plan (RRSP) contribution before converting the plan into a Registered Retirement Income Fund (RRIF) or purchasing an annuity.

3. **Contribute to an RESP** – Registered Education Savings Plans (RESPs) offer an opportunity for tax-deferred (or, in many cases, potentially tax-free) education savings and the prospect of supplementing savings with a number of government grants, most significantly, the Canada Education Savings Grants of $500 annually, up to a maximum of $7,200 per child.

4. **Maximize TFSA contributions** – The TFSA dollar limit for 2017 is $5,500 but there is no deadline for making a TFSA contribution. Clients who haven't previously contributed to a TFSA and have been at least 18 years old and resident in Canada since 2009 may contribute up to $52,000 to a TFSA in 2017.

5. **Make a donation** – When clients make a donation to a registered charity or foundation, they will be entitled to a donation tax credit for the amount given. By gifting publicly-traded securities, including mutual funds, donors not only receive a tax receipt for the fair market value of the securities being donated but any capital gains taxes are eliminated. Pooling donations with a spouse or partner such that the total is over the $200 threshold can also help to receive a higher donation credit. 2017 is also the last time to claim the additional 25% First-time Donor's Super Credit for couples who have not made any donations after 2007.

6. **Contribute to an RDSP** – Canadians eligible for the Disability Tax Credit, their parents and other eligible contributors can contribute to a Registered Disability Savings Plan (RDSP) and apply for up to $70,000 in matching Canada Disability Savings Grants (CDSGs) and up to $20,000 of income-tested Canada Disability Savings Bonds (CDSBs).

7. **Income splitting** – For clients who are in a high tax bracket, it might be beneficial to have some investment income taxed in the hands of family members (such as a spouse, common-law partner or children) who are in a lower tax bracket. To avoid attribution, clients can lend funds to family members, provided the rate of interest on the loan is at least equal to the government's "prescribed rate," which is 1% until at least March 31, 2018.

8. **Split that pension** – Canadians may split up to half of their pension income with their spouse or common-law partner. Aside from the benefit of reducing taxes, one may also be able to preserve some or all of the age credit and avoid or minimize the Old Age Security benefits "clawback."

9. **Deduct investment expenses** – Interest paid on money borrowed for investment purposes, as well as investment counseling fees for non-registered accounts, are tax deductible as a carrying charge on Schedule 4 of the federal personal tax return.

10. **Apply now to pay less tax all year** – Clients may reduce tax deductions at source by completing CRA Form T1213 (Quebec taxpayers must also complete Form TP-1016-V) to receive a refund throughout the entire year.

Not all fund distributions are created equal

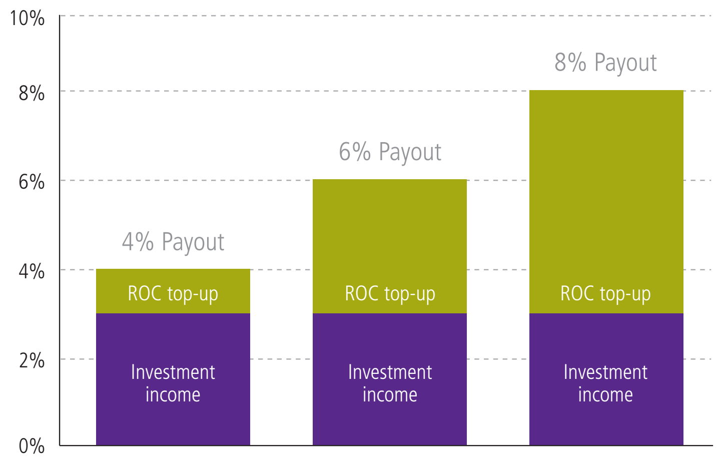
When it comes to tax-efficient, non-registered investing, it's not what you earn but what you keep that matters. Here's a look at how $10,000 of investment cash flow is taxed depending on whether it is in the form of income, capital gains, dividends or return of capital.*

INCOME	$10,000 = **$4,647** after tax	Income – whether from employment income, interest-bearing investments or withdrawals from an RRSP or RRIF – is taxed at an investor's full marginal rate.
CAPITAL GAINS	$10,000 = **$7,324** after tax	Only half of a capital gain – realized when an investment is sold at a profit – is taxed at an investor's full marginal rate, making capital gains much more tax efficient than income.
ELIGIBLE CANADIAN DIVIDENDS	$10,000 = **$6,066** after tax	Eligible Canadian dividends from a Canadian corporation are subject to a gross-up and dividend tax credit that make them nearly as tax-efficient as capital gains.
RETURN OF CAPITAL	$10,000 = **$10,000** after tax	Return of capital (ROC) allows taxes to be deferred. No tax is due when the return of capital is received, but the adjusted cost base (ACB) of the investment is reduced by the amount of the ROC. Taxable capital gains will be realized when the investment is sold or if the ACB goes below zero. Keep in mind that not all ROC is created equal. Some ROC is a return "on your capital," essentially a distribution of unrealized gains accrued in the investment's net asset value, while other ROC is a return "of your own capital," which can occur if the investment's net asset value is rising over time.

*Based on an investor in the top marginal tax rate in Ontario for 2017.

Understanding T-Class and return of capital (ROC)

A solution for investors seeking steady cash flow



Key benefits:

> **Steady cash flow:** Investors with a T-Class investment can choose a fixed monthly payout based on an annual percentage of their assets.

> **Growth potential:** The T-Class investment can continue to grow as the investor draws income.

> **Tax-efficiency:** A portion of the cash flow from a T-Class investment is in the form of return of capital, which generally does not trigger immediate tax consequences.

Investment income from underlying securities assuming a 3% return

ROC portion of cash flow

T-Class investments allow an investor to choose a monthly distribution amount comprised of regular investment income and a "top-up" in the form of ROC. The ROC portion is generally not taxable when it is received. Instead, the adjusted cost base (ACB) of the units held by an investor is reduced by the amount of the ROC. If the ACB reaches zero, any further distributions will trigger taxable capital gains.

Marginal Tax Rates (%) As at June 30, 2017

Alberta

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$18,690	15.00	7.50	5.24	0.00
$18,691	$45,916	25.00	12.50	14.38	0.00
$45,917	$91,831	30.50	15.25	20.81	7.56
$91,832	$126,625	36.00	18.00	27.25	15.15
$126,626	$142,353	38.00	19.00	29.59	17.91
$142,354	$151,950	41.00	20.50	33.10	22.05
$151,951	$202,600	42.00	21.00	34.27	23.43
$202,601	$202,800	43.00	21.50	35.44	24.81
$202,801	$303,900	47.00	23.50	40.12	30.33
$303,901	and over	48.00	24.00	41.29	31.71

British Columbia

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$38,898	20.06	10.03	8.61	0.00
$38,899	$45,916	22.70	11.35	11.70	0.00
$45,917	$77,798	28.20	14.10	18.13	7.56
$77,799	$89,320	31.00	15.50	21.41	8.25
$89,321	$91,831	32.79	16.40	23.50	10.72
$91,832	$108,460	38.29	19.15	29.94	18.31
$108,461	$142,353	40.70	20.35	32.76	21.64
$142,354	$202,800	43.70	21.85	36.27	25.78
$202,801	and over	47.70	23.85	40.95	31.30

Manitoba

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$31,465	25.80	12.90	16.96	3.86
$31,466	$45,916	27.75	13.88	19.24	6.56
$45,917	$68,005	33.25	16.63	25.68	14.12
$68,006	$91,831	37.90	18.95	31.12	20.53
$91,832	$142,353	43.40	21.70	37.55	28.12
$142,354	$202,800	46.40	23.20	41.06	32.26
$202,801	and over	50.40	25.20	45.74	37.78

New Brunswick

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$41,059	24.68	12.34	12.77	0.00
$41,060	$45,916	29.82	14.91	18.78	1.13
$45,917	$82,119	35.32	17.66	25.22	8.69
$82,120	$91,831	37.02	18.51	27.21	11.04
$91,832	$133,507	42.52	21.26	33.64	18.63
$133,508	$142,353	43.84	21.92	35.19	20.45
$142,354	$152,100	46.84	23.42	38.70	24.59
$152,101	$202,800	49.30	24.65	41.57	27.99
$202,801	and over	53.30	26.65	46.25	33.51

Newfoundland and Labrador

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$35,851	23.70	11.85	11.32	4.55
$35,852	$45,916	29.50	14.75	18.11	12.56
$45,917	$71,701	35.00	17.50	24.54	20.12
$71,702	$91,831	36.30	18.15	26.07	21.91
$91,832	$128,010	41.80	20.90	32.50	29.50
$128,011	$142,353	43.30	21.65	34.26	31.57
$142,354	$179,214	46.30	23.15	37.77	35.71
$179,215	$202,800	47.30	23.65	38.94	37.09
$202,801	and over	51.30	25.65	43.62	42.61

Northwest Territories

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$14,278	15.00	7.50	5.24	0.00
$14,279	$41,585	20.90	10.45	5.24	0.00
$41,586	$45,916	23.60	11.80	8.28	0.00
$45,917	$83,172	29.10	14.55	14.72	7.56
$83,173	$91,831	32.70	16.35	18.93	8.53
$91,832	$135,219	38.20	19.10	25.36	16.12
$135,220	$142,353	40.05	20.03	27.53	18.67
$142,354	$202,800	43.05	21.53	31.04	22.81
$202,801	and over	47.05	23.53	35.72	28.33

Nova Scotia

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$29,590	23.79	11.90	11.63	0.00
$29,591	$45,916	29.95	14.98	18.84	8.42
$45,917	$59,180	35.45	17.73	25.27	15.98
$59,181	$91,831	37.17	18.59	27.28	18.35
$91,832	$93,000	42.67	21.34	33.72	25.94
$93,001	$142,353	43.50	21.75	34.69	27.09
$142,354	$150,000	46.50	23.25	38.20	31.23
$150,001	$202,800	50.00	25.00	42.29	36.06
$202,801	and over	54.00	27.00	46.97	41.58

Nunavut

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$13,128	15.00	7.50	5.24	0.00
$13,129	$43,780	19.00	9.50	6.51	0.00
$43,781	$45,916	22.00	11.00	10.02	2.06
$45,917	$87,560	27.50	13.75	16.46	9.62
$87,561	$91,831	29.50	14.75	18.80	12.38
$91,832	$142,353	35.00	17.50	25.23	19.97
$142,354	$202,800	40.50	20.25	31.67	27.56
$202,801	and over	44.50	22.25	36.35	33.08

Ontario

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$42,201	20.05	10.03	6.13	0.00
$42,202	$45,916	24.15	12.08	10.93	0.00
$45,917	$74,316	29.65	14.83	17.37	7.56
$74,317	$84,404	31.48	15.74	19.51	8.92
$84,405	$87,557	33.89	16.95	22.33	12.24
$87,558	$91,831	37.91	18.95	27.03	17.79
$91,832	$142,353	43.41	21.70	33.46	25.38
$142,354	$150,000	46.41	23.20	36.97	29.52
$150,001	$202,800	47.97	23.98	38.80	31.67
$202,801	$220,000	51.97	25.98	43.48	37.19
$220,001	and over	53.53	26.76	45.30	39.34

Prince Edward Island

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$31,984	24.80	12.40	13.14	0.00
$31,985	$45,916	28.80	14.40	17.82	4.55
$45,917	$63,969	34.30	17.15	24.25	12.12
$63,970	$91,831	37.20	18.60	27.65	16.12
$91,832	$98,408	42.70	21.35	34.08	23.71
$98,409	$142,353	44.37	22.19	35.68	24.56
$142,354	$202,800	47.37	23.69	39.19	28.70
$202,801	and over	51.37	25.69	43.87	34.22

Quebec

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$14,890	12.53	6.26	4.38	0.00
$14,891	$42,705	28.53	14.26	14.85	5.66
$42,706	$45,916	32.53	16.26	19.53	11.18
$45,917	$85,405	37.12	18.56	24.90	17.49
$85,406	$91,831	41.12	20.56	29.58	23.01
$91,832	$103,915	45.71	22.86	34.95	29.35
$103,916	$142,353	47.46	23.73	37.00	31.77
$142,354	$202,800	49.97	24.98	39.93	35.22
$202,801	and over	53.31	26.65	43.84	39.83

Saskatchewan

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$16,065	15.00	7.50	5.24	0.00
$16,066	$45,225	25.75	12.88	13.88	0.00
$45,226	$45,916	27.75	13.88	16.22	2.76
$45,917	$91,831	33.25	16.63	22.65	10.32
$91,832	$129,214	38.75	19.38	29.09	17.91
$129,215	$142,353	40.75	20.38	31.43	20.67
$142,354	$202,800	43.75	21.88	34.94	24.81
$202,801	and over	47.75	23.88	39.62	30.33

Yukon

Taxable Income		Ordinary Income & Interest	Capital Gains	Canadian Dividends	
Minimum	Maximum			Non-Eligible	Eligible[1]
$0	$11,635	0.00	0.00	0.00	0.00
$11,636	$45,916	21.40	10.70	9.05	0.00
$45,917	$91,831	29.50	14.75	18.53	7.56
$91,832	$142,353	36.90	18.45	27.19	15.15
$142,354	$202,800	41.80	20.90	32.92	19.29
$202,801	$500,000	45.80	22.90	37.60	24.81
$500,001	and over	48.00	24.00	40.18	24.81

The above is provided for information purposes only and should not be relied upon as tax advice. Always consult the relevant legislation and/or your tax advisor for the most accurate and up to date information. The above rates are the combined federal, provincial and territorial marginal rates, including all surtaxes. It is assumed that the only credits claimed are the basic personal amount and the low income tax reduction (where applicable). These rates are correct as at June 30, 2017 and do not reflect changes resulting from federal, provincial or territorial announcements after that date.

[1] Dividends paid by Canadian publicly-listed corporations are usually eligible dividends and are designated as such on T5 tax slips. However, it is also possible for Canadian private corporations to pay eligible dividends. Eligible dividends are subject to enhanced gross-up and tax credit rates.

Source: EY Tax Calculators and Rates, Canadian Personal Tax Rates, 2017, available online at http://www.ey.com/CA/en/Services/Tax/Tax-Calculators.

Federal Tax Rates and Credits

Federal Tax Brackets 2018

Taxable Income	Federal Tax up to Bottom End of Bracket	Plus this Marginal Rate on the Excess
$0 to $46,605	Nil	15%
$46,605 to $93,208	$6,991	20.5%
$93,208 to $144,489	$16,544	26%
$144,489 to $205,842	$29,877	29%
Over $205,842	$47,670	33%

Federal Personal Tax Credits 2018

	Gross	Credit (15%)
Basic personal	$11,809	$1,771
Married/eligible dependent[1]	$11,809	$1,771
Age 65+[2]	$7,333	$1,100
Basic disability	$8,235	$1,235
Canada Caregiver Credit – infirm spouse/ eligible dependant or child under 18	$2,182	$327
Canada Caregiver Credit – infirm adult dependent relative, spouse or eligible dependant age 18[3]	$6,986	$1,048

Additional Non-Refundable Federal Tax Credits

Pension income	15% of up to $2,000 for a maximum credit of $300 ($2,805 in Quebec)
Medical expense	15% of amount in excess of: lesser of a) 3% of net income and b) $2,302
Tuition fees	15% of amount paid in respect of attendance at a post-secondary institution
Education amount	These credits were eliminated December 31, 2016, unused credits can be carried forward for use after 2016
Textbook amount	These credits were eliminated December 31, 2016, unused credits can be carried forward for use after 2016
Canada Pension Plan/QPP	15% of contributions [max. contribution $2,593 (CPP) and $2,829 (QPP)]
Public Transit Pass Tax Credit	These credits were eliminated July 1, 2017
Children's Fitness and Arts Tax Credit	These credits were eliminated December 31, 2016

RRSP Contribution Limits

Year	18% of Earned Income from the Prior Year to a Maximum of:
2017	$26,010
2018	$26,230
2019	$26,500

Employment Insurance Premiums 2018
(Excludes Quebec)

Maximum insurable earnings	$51,700
Employee maximum premium:	1.66% x $51,700 = $858.22
Employer maximum premium:	2.324% x $51,700 = $1,201.51

Note: Employer EI contribution equals 1.4 x the employee rate.

Canada/Quebec Pension Plan Contributions 2018

CPP/QPP maximum pensionable earnings		$55,900
Basic exemption		$3,500.00
Maximum contributions (QPP)	Employees (5.40%)	$2,829.60
	Self-employed (10.80%)	$5,659.20
Maximum contributions (CPP)	Employees (4.95%)	$2,593.80
	Self-employed (9.90%)	$5,187.60

Retirement Income and Withdrawal Rates

Canada Pension Plan (CPP) Benefits

	Annual Total	Max. Monthly Benefit 2018
Death benefit (lump sum)	$2,500.00	–
Retirement benefit	$13,610.04	$1,134.17
Disability benefit	$16,029.96	$1,335.83
Survivor's benefit – under 65	$7,375.44	$614.62
– over 65	$8,166.00	$680.50
Children of disabled person	$2,935.68	$244.64
Children of deceased person	$2,935.68	$244.64

Amounts shown represent the maximum benefits available under CPP. Amounts under QPP may differ from those under CPP.

Minimum RRIF Withdrawals

The minimum withdrawal from a RRIF is based on the value of the assets in the plan on January 1 of each year. Starting in the year after your RRIF is established, you have to be paid a yearly minimum amount. In 2015, changes were made to the RRIF Minimum Annual Withdrawal Amounts for those who are 71 years of age and older. The new RRIF withdrawal rates apply for 2015 and subsequent taxation years.

Age‡‡	%	Age‡‡	%	Age‡‡	%
65	4.00	76	5.98	87	9.55
66	4.17	77	6.17	88	10.21
67	4.35	78	6.36	89	10.99
68	4.55	79	6.58	90	11.92
69	4.76	80	6.82	91	13.06
70	5.00	81	7.08	92	14.49
71	5.28	82	7.38	93	16.34
72	5.40	83	7.71	94	18.79
73	5.53	84	8.08	Over 95	20.00
74	5.67	85	8.51		
75	5.82	86	8.99		

Old Age Security (OAS) Benefits*

	2018 Monthly
January to March	$586.66
April to June	TBA**
July to September	TBA**
October to December	TBA**

Amounts shown represent the maximum benefits available under the OAS.

Withholding Tax on RRSP Withdrawals

The withholding tax may not always be enough to account for the taxes owed based on an individual's tax bracket. Additional taxes may be payable once the withdrawal is included as income in an individual's tax return for that year.

Withdrawal Amount	All Provinces (Excl. Quebec)	Quebec
Up to $5,000	10%	21%
From $5,001 - $15,000	20%	26%
Over $15,000	30%	31%

The above is provided for information purposes only and should not be relied upon as tax advice. Always consult the relevant legislation and/or your tax advisor for the most accurate and up to date information. [1] Reduced according to spouse/dependent's net income. [2] For 2018, will be reduced by an amount equal to 15% of net income exceeding $36,976. [3] For 2018, will be reduced when relative's income exceeds $16,405. *For 2018, individuals with net income exceeding $75,910 must repay part or all of the maximum OAS pension amount. The repayment amounts are normally deducted from their monthly payments before they are issued. The full OAS pension is eliminated when a individual's net income is $122,843 or above. A tax-free Guaranteed Income Supplement (GIS) of up to approximately $876.23 monthly is available for low-income individuals. ‡‡ Age as of January 1. **To be assigned (TBA).

Source: Ernst & Young

Registered Education Savings Plan (RESP) overview

RESP contributions No annual contribution limit, but $50,000 lifetime limit for each child. The deadline to make annual contributions is the last business day of each year. Generally, RESP contributions can be made for 31 years and plans can remain open for 35 years.

RESP grants

Canada Education Savings Grant (CESG)

20% on the first $2,500 contributed every year, which amounts to an extra $500 per year, up to a maximum lifetime grant of $7,200 per child.

Enhanced Canada Education Savings Grant (E-CESG)

Families with income equal to or less than $45,916 are entitled to an additional 20% grant on the first $500 of RESP contributions. Families earning more than $45,916 but not more than $91,831 are entitled to an additional 10% grant on the first $500 of RESP contributions.

Canada Learning Bond (CLB)

Available to children born on or after December 31, 2004 and enables eligible RESP beneficiaries to be entitled to a lifetime maximum of $2,000.

The CLB provides an initial $500 once the RESP is opened and up to 15 annual CLB payments of $100 for each subsequent year that the child's family is entitled to the National Child Benefit (NCB) supplement. Note for 2017, the Canada Child Benefit eliminates the NCB.

Quebec Education Savings Incentive (QESI)

The Quebec government will pay 10% on the net contributions during a year, for up to $250 per year and up to a maximum lifetime of $3,600 per child, subject to eligibility.

Income amounts shown are for 2017.

Registered Disability Savings Plan (RDSP) overview

RDSP contributions Lifetime contribution limit per beneficiary is $200,000 with no annual limit on contributions. Depending on the beneficiary's circumstances, contributions may be permitted by parents or legal guardians. Canadian residents eligible for the Disability Tax Credit* can open a RDSP.

Canada Disability Savings Grant

The Canada Disability Savings Grant (CDSG) will provide a Government of Canada contribution paid directly into the RDSP and is dependent on family income.

The CDSG can be received up to a maximum of $3,500 per year until the year the beneficiary turns 49, to a lifetime maximum limit of $70,000.

Annual Family Net Income	Annual Grant Amount	Max. Annual Grant Amount
Less than or equal to $91,831	$3 for every $1 contributed (300%) on the first $500 of annual contribution	$1,500
	$2 for every $1 contributed (200%) on the first $1,000 of annual contribution	$2,000
Greater than $91,831 or no information available	$1 for every $1 contributed (100%) on the first $1,000 of annual contribution	$1,000

Canada Disability Savings Bond

The Canada Disability Savings Bond (CDSB) was introduced to make the RDSP accessible to those who do not have the resources to make contributions. The CDSB will provide a Government of Canada contribution paid directly into the RDSP and is independent of any private contributions.

The CDSB can be received up to a maximum of $1,000 per year until the year the beneficiary turns 49, to a lifetime maximum limit of $20,000.

Annual Family Net Income	Annual Grant Amount	Max. Annual Grant Amount
Less than or equal to $30,000	$1,000 without any contribution	$1,000
Between $30,000 and $45,916	Pro-rated to receive a portion of the $1,000	$1,000

Income amounts shown are for 2017. Annual family net income levels will be indexed annually by the Canada Revenue Agency.
* The Disability Tax Credit is available to an individual with a severe and prolonged physical or mental disability. To qualify, a medical doctor or other medical specialist must certify Form T2201, "Disability Tax Credit Certificate," which must then be approved by the Canada Revenue Agency. For more information, please visit www.cra-arc.gc.ca.

LIF Minimum and Maximum Payment Table

Use this table to support conversations with clients who want to know what their estimated minimum and maximum payments would be. Note that the payment will be included in the client's taxable income for the year. Withholding tax will apply on any payment amounts that exceed the minimum payment for the calendar year.

Age at start of year	Mimimum withdrawal percent. (%)	Maximum withdrawal percentage (%) for AB, SK,[1] BC and NL[2]	QC, MB and NS	ON, NB‡‡	Federal
50	2.50	6.27	6.10	6.23	4.39
51	2.56	6.31	6.10	6.27	4.42
52	2.63	6.35	6.10	6.31	4.46
53	2.70	6.40	6.10	6.35	4.50
54	2.78	6.45	6.10	6.40	4.54
55	2.86	6.51	6.40	6.45	4.59
56	2.94	6.57	6.50	6.51	4.64
57	3.03	6.63	6.50	6.57	4.69
58	3.13	6.70	6.60	6.63	4.75
59	3.23	6.77	6.70	6.70	4.82
60	3.33	6.85	6.70	6.77	4.89
61	3.45	6.94	6.80	6.85	4.97
62	3.57	7.04	6.90	6.94	5.06
63	3.70	7.14	7.00	7.04	5.15
64	3.85	7.26	7.10	7.14	5.25
65	4.00	7.38	7.20	7.26	5.37
66	4.17	7.52	7.30	7.38	5.49
67	4.35	7.67	7.40	7.52	5.63
68	4.55	7.83	7.60	7.67	5.79
69	4.76	8.02	7.70	7.83	5.97
70	5.00	8.22	7.90	8.02	6.17
71	5.28	8.45	8.10	8.22	6.40
72	5.40	8.71	8.30	8.45	6.65

Age at start of year	Mimimum withdrawal percent. (%)	Maximum withdrawal percentage (%) for AB, SK,[1] BC and NL[2]	QC, MB and NS	ON, NB‡‡	Federal
73	5.53	9.00	8.50	8.71	6.95
74	5.67	9.34	8.80	9.00	7.30
75	5.82	9.71	9.10	9.34	7.71
76	5.98	10.15	9.40	9.71	8.18
77	6.17	10.66	9.80	10.15	8.72
78	6.36	11.25	10.30	10.66	9.35
79	6.58	11.96	10.80	11.25	10.09
80	6.82	12.82	11.50	11.96	10.99
81	7.08	13.87	12.10	12.82	12.08
82	7.38	15.19	12.90	13.87	13.45
83	7.71	16.90	13.80	15.19	15.22
84	8.08	19.19	14.80	16.90	17.57
85	8.51	22.40	16.00	19.19	20.86
86	8.99	27.23	17.30	22.40	25.81
87	9.55	35.29	18.90	27.22	34.05
88	10.21	51.46	20.00	35.29	50.53
89	10.99	100.00	20.00	51.46	100.00
90	11.92	100.00	20.00	100.00	100.00
91	13.06	100.00	20.00	100.00	100.00
92	14.49	100.00	20.00	100.00	100.00
93	16.34	100.00	20.00	100.00	100.00
94	18.79	100.00	20.00	100.00	100.00
95+	20.00	100.00	20.00	100.00	100.00

LIF Minimum and Maximum amounts shown are for 2018. Some provinces have a minimum age requirement before payments from a LIF can be received. The minimum payment percentages are the same for all legislations and are determined by the Income Tax Act of Canada. British Columbia, Alberta, Manitoba and Ontario have an additional component to their calculation which takes into consideration the investment earnings of the LIF from the previous year. The maximum payments for each jurisdiction are subject to change on an annual basis. LIFs are no longer available for purchase in Saskatchewan (they were replaced by Prescribed RRIFs in 2002) although some Saskatchewan LIFs may still exist. No maximum limit for withdrawals from Saskatchewan PRIFs. In January 2008, Ontario introduced "New LIFs"and no original LIFs ("Old LIFs") can be opened although some Old LIFs may still exist. [1] LIFs must be converted to a life annuity at age 80. [2] Effective January 1, 2018, there is no maximum age for the owner of a LIF. The previous requirement for the LIF annuitant to purchase an annuity by the end of the calendar year in which they reach age 80 has been removed. ‡‡ Ontario and New Brunswick LIFs use the age attained during the calendar year for the maximum withdrawal percentage.

Tax-Free Savings Account (TFSA) overview

TFSA contributions

The TFSA came into effect in 2009 and is available to all Canadian residents age 18 or older. The maximum annual TFSA dollar limit was $5,000 for 2009-2012 inclusive; $5,500 for 2013 and 2014; $10,000 for 2015; and $5,500 for 2016-2018 inclusive.
Unused contribution amounts may be carried forward indefinitely.

TFSA vs. RRSP

The assets of both TFSAs and RRSPs grow on a tax-free basis. TFSAs are one more tool investors can use in meeting their long-term savings goals. The following table is a comparison of the features of a TFSA and RRSP.

	TFSA	RRSP
Contributions	Contributions are not tax-deductible.	Contributions are tax-deductible.
Withdrawals	Withdrawals are not included in income and, therefore, are tax-free.	Withdrawals are included in income and fully taxable in the year received.
Contribution Limits	2009-2012: $5,000 each year 2013-2014: $5,500 each year 2015: $10,000 2016-2018: $5,500 each year The annual contribution limit will be indexed toinflation and rounded to the nearest $500 on a yearly basis.	Contribution limits are based on your previous year's earned income up to a maximum amount, less any applicable pension adjustment.
Minimum Age Requirement	The minimum age to open a TFSA is 18.	There is no minimum age requirement to open an RRSP.
Maximum Age Restriction	There is no maximum age restriction.	RRSP accounts must be closed by December 31 of the year an individual turns 71.

Tax owing by individuals

As at June 26, 2017

This table shows the combined federal and provincial (or territorial) income taxes payable, assuming all income is interest or ordinary income (such as salary) and only the basic personal tax credit is claimed (except for non-residents). Certain types of income and deductions may make alternative minimum tax (AMT) apply, affecting the results in this table.

Combined 2017 Federal and Provincial/Territorial Income Tax

Taxable Income	Alberta	B.C.	Manitoba	N.B.	NFLD. and LAB.	N.W.T.	N.S.	Nunavut	Ontario	P.E.I.	Quebec	Sask.	Yukon
$1,000,000	$447,310	$447,362	$477,519	$501,328	$483,791	$441,335	$508,688	$416,148	$498,663	$486,419	$505,602	$450,580	$440,908
$500,000	$207,310	$208,862	$225,519	$234,828	$227,291	$206,085	$238,688	$193,648	$231,015	$229,569	$239,077	$211,830	$200,908
$400,000	$159,310	$161,162	$175,119	$181,528	$175,991	$159,035	$184,688	$149,148	$177,485	$178,199	$185,772	$164,080	$155,108
$300,000	$111,349	$113,462	$124,719	$128,228	$124,691	$111,985	$130,688	$104,648	$123,955	$126,829	$132,467	$116,330	$109,308
$250,000	$87,849	$89,612	$99,519	$101,578	$99,041	$88,460	$103,688	$82,398	$97,191	$101,144	$105,814	$92,455	$86,408
$200,000	$64,487	$65,874	$74,431	$75,040	$73,503	$65,047	$76,800	$60,260	$70,850	$75,571	$79,255	$68,692	$63,620
$150,000	$43,507	$44,024	$51,231	$50,441	$50,145	$43,522	$51,800	$40,010	$46,865	$51,886	$54,273	$46,817	$42,720
$100,000	$24,810	$23,648	$29,302	$28,734	$28,686	$23,919	$29,821	$22,089	$24,931	$29,471	$30,420	$26,797	$23,895
$90,000	$21,310	$19,920	$25,062	$24,583	$24,607	$20,200	$25,596	$18,690	$20,691	$25,275	$25,933	$23,023	$20,341
$80,000	$18,260	$16,808	$21,272	$20,917	$20,977	$17,044	$21,879	$15,891	$17,310	$21,555	$22,037	$19,698	$17,391
$70,000	$15,210	$13,926	$17,482	$17,385	$17,369	$14,134	$18,162	$13,141	$14,240	$17,835	$18,326	$16,373	$14,441
$60,000	$12,160	$11,106	$14,065	$13,853	$13,869	$11,224	$14,445	$10,391	$11,275	$14,230	$14,614	$13,048	$11,491
$50,000	$9,110	$8,286	$10,740	$10,321	$10,369	$8,314	$10,886	$7,641	$8,310	$10,800	$10,902	$9,723	$8,541
$40,000	$6,386	$5,791	$7,740	$7,169	$7,194	$5,772	$7,667	$5,330	$5,761	$7,696	$7,570	$6,828	$6,070
$30,000	$3,886	$3,756	$4,993	$4,701	$4,584	$3,682	$4,672	$3,430	$3,756	$4,895	$4,718	$4,253	$3,930
$20,000	$1,386	$1,750	$2,413	$2,233	$2,214	$1,592	$2,267	$1,530	$1,751	$2,415	$1,865	$1,678	$1,790

This information is provided for informational purposes only and should not be relied upon as tax advice. Remind clients that before they implement any strategy involving tax considerations, they should seek the advice of a qualified tax advisor and, if required, a qualified legal advisor, who can provide advice based on the client's personal circumstances.

Source: PricewaterhouseCoopers Tax Facts and Figures 2017, page 6. Please see disclaimer on page 13.

Probate fees (for estates over $50,000)

As at June 26, 2017

Probate is an administrative procedure under which a court validates a deceased's will and confirms the appointment of the executor. This table shows probate fees or administrative charges for probating a will. Other fees may also apply.

Province or Territory	Fee schedule (Estates over $50,000)[1]	Example Fees		
		$500,000 value	$2,000,000 value	$5,000,000 value
Alberta	$275 to $525	$525	$525	$525
British Columbia	$350 + 1.4% of portion > $50,000	$6,650	$27,650	$69,650
Manitoba	$70 + 0.7% of portion > $10,000	$3,500	$14,000	$35,000
New Brunswick	0.5% of estate	$2,500	$10,000	$25,000
Newfoundland and Labrador	$60 + 0.6% of portion > $1,000	$3,054	$12,054	$30,054
Northwest Territories	$200 to $400	$400	$400	$400
Nova Scotia	$1,003 + 1.695% of portion > $100,000	$7,783	$33,208	$84,058
Nunavut	$215 to $435	$400	$400	$400
Ontario	$250 + 1.5% of portion > $50,000	$7,000	$29,500	$74,500
Prince Edward Island	$400 + 0.4% of portion > $100,000	$2,000	$8,000	$20,000
Quebec[2]	Nominal fee	Nominal fee	Nominal fee	Nominal fee
Saskatchewan	0.7% of estate	$3,500	$14,000	$35,000
Yukon	$140	$140	$140	$140

[1] For some provinces and territories, different rates may apply to smaller estates (less than $50,000). [2] Although Quebec does not levy probate fees, wills (other than notarial wills) must be authenticated by the Superior Court of Quebec. A nominal fee applies.

Source: PricewaterhouseCoopers Tax Facts and Figures 2017, page 9. Please see disclaimer on page 13.

Combined federal and provincial/territorial corporate income tax rates

As at June 26, 2017

	Manufacturing & Processing (M&P)	General (Non-M&P)	CCPC†	
			Income eligible for the Small Business Deduction	Investment Income
Federal	15.00%	15.00%	10.50%	38.67%
Alberta	27.00%	27.00%	12.50%	50.67%
British Columbia	26.00%	26.00%	12.62%	49.67%
Manitoba	27.00%	27.00%	10.50%[1] or 22.50%[1]	50.67%
New Brunswick	29.00%	29.00%	13.62%	52.67%
Newfoundland and Labrador	30.00%	30.00%	13.50%	53.67%
Northwest Territories	26.50%	26.50%	14.50%	50.17%
Nova Scotia	31.00%	31.00%	13.50%	54.67%
Nunavut	27.00%	27.00%	14.50%	50.67%
Ontario	25.00%	26.50%	15.00%	50.17%
Prince Edward Island	31.00%	31.00%	15.00%	54.67%
Quebec	26.80%	26.80%	14.50% (18.50% non-M&P)	50.47%
Saskatchewan	24.75%	26.75%	12.50%	50.54%
Yukon	17.50%	28.49%	12.00% (13.00% non-M&P)	52.15%

This information is provided for informational purposes only and should not be relied upon as tax advice. Remind clients that before they implement any strategy involving tax considerations, they should seek the advice of a qualified tax advisor and, if required, a qualified legal advisor, who can provide advice based on the client's personal circumstances.

† CCPC = Canadian-Controlled Private Corporation.

[1] The lower rate applies to active business income up to $450,000 in Manitoba and the higher rate to active business income from these thresholds to $500,000.

Source: PricewaterhouseCoopers Tax Facts and Figures 2017, page 20. Please see disclaimer on page 13.

Corporate and individual tax integration

Active Business Income (ABI) eligible for Small Business Deductions (SBD) in 2018

		B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Income earned through a corporation ($)											
Corporate income		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Corporate tax		(120)	(120)	(120)	(100)	(135)	(180)	(125)	(130)	(145)	(130)
Available for distribution	(A)	880	880	880	900	865	820	875	870	855	870
Tax payable by the individual		(385)	(366)	(350)	(413)	(405)	(360)	(410)	(412)	(378)	(381)
Net cash to individ ual	(B)	495	514	530	487	460	460	465	458	477	489
Income earned directly by an individual ($)											
Personal income		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Personal tax		(498)	(480)	(475)	(504)	(535)	(533)	(533)	(540)	(514)	(513)
Net cash to individual	(C)	502	520	525	496	465	467	467	460	486	487
Summary ($)											
Tax savings (cost) of incorporation[1]	(B) – (C)	(7)	(6)	5	(9)	(5)	(7)	(2)	(2)	(9)	2
Tax deferral (pre-payment)[2]	(A) – (C)	378	360	355	404	400	353	408	410	369	383

This information is provided for informational purposes only and should not be relied upon as tax advice. Remind clients that before they implement any strategy involving tax considerations, they should seek the advice of a qualified tax advisor and, if required, a qualified legal advisor, who can provide advice based on the client's personal circumstances.

See notes on pages 12-13

Source: KPMG LLP

Corporate and individual tax integration

Cost and benefit of incorporation 2018

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Tax savings (cost) [i.e. the tax deferral (dis)advantage] of incorporation[1] (%)										
Investment income (CCPC), (e.g. interest, rents, royalties)[3]	(5.2)	(5.3)	(4.3)	(6.3)	(3.7)	(1.7)	(5.9)	(7.3)	(7.7)	(6.5)
Capital gains	(2.6)	(2.7)	(2.2)	(3.2)	(1.8)	(0.8)	(3.0)	(3.6)	(3.8)	(3.3)
Canadian dividends – Eligible[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Canadian dividends – Non-Eligible[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign income, 15 withholding tax	(11.9)	(12.3)	(11.5)	(12.8)	(10.0)	(8.4)	(11.6)	(12.2)	(12.9)	(12.1)
ABI eligible for SBD	(0.7)	(0.6)	0.5	(0.9)	(0.5)	(0.7)	(0.2)	(0.2)	(1.0)	0.2
ABI eligible for M&P credit	(2.2)	(2.2)	0.3	(4.2)	(1.0)	(2.6)	0.5	(5.7)	(3.2)	(8.5)
ABI with no SBD or M&P credit	(2.2)	(2.2)	(1.1)	(4.2)	(1.9)	(2.6)	0.5	(5.7)	(3.2)	(8.5)
Tax deferral (pre-payment) [i.e. the tax deferral (dis)advantage] from incorporation[2] (%)										
Investment income (CCPC), (e.g. interest, rents, royalties)[3]	(0.9)	(2.7)	(3.2)	(0.3)	3.4	2.9	0.6	(0.7)	(3.3)	(2.4)
Capital gains	(0.4)	(1.3)	(1.5)	(0.1)	1.7	1.5	0.3	(0.3)	(1.6)	(1.2)
Canadian dividends – Eligible[4]	(4.1)	(6.6)	(8.7)	(0.6)	1.0	1.5	(4.8)	3.3	(4.1)	4.3
Canadian dividends – Non-Eligible[4]	5.4	3.3	1.4	7.6	8.5	5.6	8.6	9.0	5.9	5.5
Foreign income, 15 withholding tax	(0.9)	(2.7)	(3.2)	(0.3)	3.4	2.9	0.6	(0.7)	(3.3)	(2.4)
ABI eligible for SBD	37.8	36.0	35.5	40.4	40.0	35.3	40.8	41.0	36.9	38.3
ABI eligible for M&P credit	22.8	21.0	22.5	23.4	28.5	26.6	24.3	23.0	20.4	21.3
ABI with no SBD or M&P credit	22.8	21.0	20.5	23.4	27.0	26.6	24.3	23.0	20.4	21.3
Investment (dis)advantage when investment income is retained in a corporation[5]										
Investment income (CCPC), (e.g. interest, rents, royalties)[3]	4.3	2.6	1.1	6.0	7.1	4.6	6.5	6.6	4.4	4.1
Capital gains	–	–	–	–	–	–	–	–	–	–
Canadian dividends – Eligible[4]	2.2	1.4	0.7	3.1	3.5	2.3	3.3	3.3	2.2	2.1
Canadian dividends – Non-Eligible[4]	(4.1)	(6.6)	(8.7)	(0.6)	1.0	1.5	(4.8)	3.3	(4.1)	4.3
Foreign income (CCPC) – 15 WHT	5.4	3.3	1.4	7.6	8.5	5.6	8.6	9.0	5.9	5.5

See notes on pages 12-13

Source: KPMG LLP

Notes (for Corporate and individual tax integration charts)

1. Earning income through a corporation involves two layers of taxation: taxation of the income at the corporate level and the subsequent personal taxation upon distribution of the corporation's after-tax income as a dividend to the shareholder. Theoretically, the Canadian income tax system is designed such that the total income tax (corporate and personal) incurred by using a corporation to earn income should be the same as the personal tax that would result if the income were earned directly by an individual who is taxable at the top marginal rate (the principle of integration). However, as the top part of the table on page 11 demonstrates, in practice this is not the case. This part of the table summarizes the 2018 income tax savings or cost (i.e. the tax rate (dis)advantage) of earning the following types of income through a corporation, as opposed to an individual earning the income directly:

> Investment income other than capital gains, dividends and foreign investment income
> Capital gains
> Dividend income from taxable Canadian corporations
> Foreign investment income subject to 15% withholding tax
> Active business income (ABI) eligible for the small business deduction (SBD)
> ABI with no SBD or M&P credit

Eligible dividends are subject to lower rates of personal tax. Such dividends may only be paid by Canadian-controlled private corporations (CCPCs) to the extent that they have earned active business income subject to the general corporate tax rate. Therefore, CCPCs that earn only investment income, capital gains or ABI eligible for the SBD cannot pay eligible dividends to their shareholders.

The calculations used in the tables are based upon the following assumptions:

> The corporation is a CCPC with a taxation year beginning January 1, 2018.
> The individual is in the top marginal tax bracket.
> The CCPC may pay out eligible dividends to its shareholders only in respect of ABI in excess of the SBD. Note, certain provinces have small business thresholds below the federal amount and, as a result, for purposes of this analysis, the table reflects ABI subject to the small business rate at both the federal and provincial levels (i.e., income earned up to the provincial threshold amount). CCPCs may not pay out eligible dividends from investment income, capital gains, or ABI eligible for the SBD.

2. In some circumstances, it is possible to defer the payment of tax at the individual level by using a corporation to earn income that is not immediately paid out to the shareholder. The middle part of the table on page 11 summarizes the 2018 tax deferral or pre-payment potential of earning income through a corporation, based on the same types of income and on the same assumptions outlined in note 1.

3. The amount of after-tax cash available to pay dividends (including the dividend refund received as a result of the payment of the dividend) is not sufficient to obtain a full refund of the RDTOH account in the provinces of New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador in 2018.

For example, if a corporation in Nova Scotia earns interest income and pays out all of its after-tax income (including its dividend refund) as a dividend, an amount equal to 2.5% of its income will remain in its RDTOH account, calculated as follows:

Amount available for distribution	
Corporate income	$ 1,000
Corporate tax	(547)
After-tax amount	453
Dividend refund	282
Available for distribution	$ 735
RDTOH account	
Refundable tax (30⅔% x $1,000)	$ 307
Dividend refund (38⅓% of $735 dividend)	(282)
RDTOH balance	$ 25

4. Dividends (both eligible and non-eligible) received from taxable Canadian corporations are deductible in computing Part I tax and are therefore treated in a different manner from other investment income.

Dividends received by CCPCs from corporations that are not connected are subject to Part IV tax, calculated at a rate of $38\frac{1}{3}\%$ of the dividend amount. Dividends received by CCPCs from connected corporations are subject to Part IV tax equal to the dividend refund received by the connected corporation on the payment of the dividend (generally at a rate of $38\frac{1}{3}\%$ of the dividend amount).

Part IV tax is a refundable tax that is included in the corporation's Refundable Dividend Tax on Hand (RDTOH) account.

When taxable dividends (both eligible and non-eligible) are subsequently paid by the corporation to its shareholders, a dividend refund equal to the lesser of $38\frac{1}{3}\%$ of the dividends paid and the balance in the RDTOH account is refunded to the corporation.

Private corporations that are not CCPCs, and certain closely held public companies, must also pay Part IV tax on dividends they receive from taxable Canadian corporations, and may also receive a dividend refund when they subsequently pay dividends to their shareholders. Other public companies and their subsidiaries are not subject to this tax and therefore do not receive a dividend refund when they subsequently pay dividends to their shareholders.

There is no tax savings or cost when earning Canadian dividend income (both eligible and non-eligible) through a corporation as opposed to earning it directly, as all corporate level tax on such income is refundable. However, there is a potential for a tax deferral or pre-payment based on the difference between the top individual marginal rate applicable to dividend income, and the refundable Part IV tax rate of $38\frac{1}{3}\%$.

5. The tax rate (dis)advantage and the tax deferral (dis)advantage from incorporation help owner-managers to decide whether to earn income within a corporation or personally, and whether income should be paid as salary/bonus or dividends.

Once the decision has been made to retain after-tax income in the corporation for investment purposes (perhaps due to the significant tax deferral on active business income), the owner-manager should also determine whether to retain the after-tax investment income that is earned on the invested funds within the corporation.

The lower part of the table on page 11 shows the investment (dis)advantage when investment income, dividends, capital gains and foreign investment income are retained in a corporation. When there is an investment advantage (positive value), after-tax investment income should be retained in the corporation for re-investment provided that the owner-manager does not need the funds for personal use. The larger the investment advantage, the larger the benefit from leaving after-tax investment income in the corporation for re-investment. When there is an investment disadvantage (negative value), after-tax investment income should be distributed to shareholders in the year it is earned. The larger the investment disadvantage, the larger the benefit from distributing after-tax investment income from the corporation and re-investing personally.

In calculating the tax rate (dis)advantage, tax deferral (dis)advantage and the investment (dis)advantage, it is assumed that the owner-manager pays tax at the highest personal marginal tax rate and resides in the same province as the corporation.

6. The calculations in this publication do not consider the effects of any potential changes to taxation of passive income within a Canadian-controlled Private Corporation (CCPC), which were proposed by the federal government on July 18, 2017

CIBC
Asset Management

180E 02/18