

Other Federal Corporate Tax Rates for 2016

(Prepared from information available as of January 5, 2016)

The rates shown in the table are in effect for a 12-month taxation year ended December 31, 2016. All rate changes must be pro-rated for taxation years that straddle the effective date, except as noted.

	Rate	Corporations affected	Description	Special rules
Income not earned in a province or territory	25% ¹	All corporations	Income tax for 2016 is calculated as follows: Basic federal rate 38% Less: General rate reduction <u>-13%</u> General federal rate <u>25%</u> Therefore, the federal rate is 25%, instead of 15%.	Corporate income not earned in a province or territory is neither: • eligible for the provincial abatement; nor • subject to provincial or territorial tax (exceptions apply).
Branch tax	25%	Non-resident corporations, except: • transportation, communications and iron-ore mining companies; and • insurers (other than in special circumstances).	Applies to after-tax profits that are not invested in qualifying property in Canada.	The 25% rate may be reduced by the relevant tax treaty (generally to the withholding tax rate on dividends, which is usually 5%, 10% or 15%). Some treaties prohibit the imposition of branch tax or provide that the tax is payable only on earnings exceeding a threshold.
Part III.1 Tax on Excess Eligible Dividend Designations	20% or 30%	Canadian-resident corporations	Applies if: • a CCPC has designated as eligible dividends during the year an amount that exceeds the corporation's general rate income pool (GRIP) at the end of the year; or • a non-CCPC pays an eligible dividend when it has a positive balance in its low rate income pool (LRIP).	A corporation subject to Part III.1 tax at the 20% rate (i.e., the excess designation was inadvertent) can elect, with shareholder concurrence, to treat all or part of the excess designation as a separate non-eligible dividend, in which case Part III.1 tax will not apply to the amount that is the subject of the election.
Refundable Part IV tax	38 $\frac{1}{3}$ % ²	Private corporations and certain public corporations	Payable on taxable dividends received from certain taxable Canadian corporations.	Refundable to the corporation through the refundable dividend tax on hand (RDTOH) mechanism, at a rate of 38 $\frac{1}{3}$ % (33 $\frac{1}{3}$ % for taxation years ending before 2016) of taxable dividends paid.
Refundable Investment Tax	10 $\frac{2}{3}$ % ³	Canadian-Controlled Private Corporations (CCPCs)	Increases the total federal rate that applies to investment income of a CCPC to 38.67% (34.67% for taxation years ending before 2016). Generally, 30 $\frac{2}{3}$ % (26 $\frac{2}{3}$ % for taxation years ending before 2016) of a CCPC's aggregate investment income is added to its RDTOH.	
Part VI Financial Institutions Capital Tax	1.25%	Banks Trust and loan corporations Life insurance companies	Applies if capital employed in Canada is over \$1 billion. The threshold is shared by related corporations.	Reduced by the corporation's federal income tax liability. Any unused federal income tax liability can be applied to reduce Financial Institutions Capital Tax for the previous three years and the next seven.

Notes:

1. Recent changes to the federal rate for income not earned in a province or territory are shown in the following table:

	Changes effective after December 31, 2011		
	From	To	Effective
Income not earned in a province or territory	26.5%	25%	January 1, 2012

2. Recent changes to the refundable Part IV tax are shown in the following table:

	Changes effective after December 31, 2011		
	From	To	Effective
Refundable Part IV tax	33 $\frac{1}{3}$ %	38 $\frac{1}{3}$ %*	January 1, 2016*

* Applies to dividends received after 2015.

3. Recent changes to the refundable investment tax are shown in the following table:

	Changes effective after December 31, 2011		
	From	To	Effective
Refundable investment tax	6 $\frac{2}{3}$ %	10 $\frac{2}{3}$ %	January 1, 2016