

TAX FLASH

2010 Year-end Planner

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Looking Back to 2010 & Forward to 2011

Federal

Corporate Income Tax Rates

The federal general and M&P rates dropped from 19% to 18% in 2010 and will decrease to 16.5% in 2011 and 15% in 2012; small business rate remains 11% in 2010 and subsequent years.

Eligible Dividends

Personal taxes increasing in stages from 2010 to 2012.

Employee Stock Options

For stock options disposed of after 4:00 EST on March 4, 2010:

- Only the employer or employee (not both) can claim a tax deduction for cashed-out stock options; and
- Employee elections to defer the payment of tax on stock option benefits until the shares are sold are no longer allowed.

Stock Based Compensation

Beginning calendar 2011, employers will be required to withhold and remit income tax relating to the taxable benefit realized when public company options are exercised. This can pose a real hardship if the employer can not sell a portion of the shares into the market. The regular rules for failure to withhold, which can be aggressive, will apply. Application can be made for undue hardship but the legislation specifically states that it will not be granted simply on the basis that there is no cash being paid from which to withhold.

Partnership Information Returns

For partnerships with fiscal periods ending after December 31, 2010, the Canada Revenue Agency ("CRA") has changed its administrative policy on the filing criteria for partnership returns.

Avoidance Transactions

Must be reported after 2010.

Taxable Canadian Property

Commencing March 5, 2010, excludes shares of corporations, and certain other interests that do not derive their value (over a 60-month look-back period) principally from real or immovable property situated in Canada, Canadian resource property or timber resource property.

Canada Pension Plan

On May 25, 2009, there were various changes to the Canada Pension Plan ("CPP") with respect to new pensioners, which will result in less people opting for the early CPP benefits. Starting in 2012 (and being phased in to 2016), the pension reduction will be 0.6% per month (if CPP is drawn at 60, the gross discount will be 36%) as compared to the current pension reduction of 0.5% per month (gross discount is 30%) if the pension starts before age 65. Further, for those individuals who keep working, in 2012 and beyond, they can draw early retirement benefits but premiums will be owed on pensionable earnings.

Mandatory E-Filing of Corporate Income Tax and Information Returns

To avoid penalties, e-file:

- Corporate income tax returns, commencing 2011 taxation years, if annual gross revenues exceed \$1 million; and
- Information returns – commencing 2011, if more than 50 information returns are submitted annually.

Provincial

Corporate Income Taxes Rates

- **General and M&P rate** – Declining in British Columbia (2011), New Brunswick (2010 to 2012) and Ontario (2010 to 2013; for M&P, 2010 only).
- **Small business rate** – Declining in Newfoundland and Labrador (2011), Nova Scotia (2011), Ontario (2010) and Prince Edward Island (2010); eliminated in British Columbia (April 1, 2012) and Manitoba (December 1, 2010).
- **Ontario small business clawback** – Eliminated on July 1, 2010.

Small business threshold – \$500,000 threshold applies in all jurisdictions except Manitoba, Nova Scotia and until January 1, 2011, the Yukon.

Manufacturing & Processing (“M&P”)

- **Nova Scotia** – M&P property costing over \$50,000 that is acquired after 2009 may qualify for a 10% investment credit.
- **Quebec** – Credit rates revised for investments made in certain regions after December 10, 2009.

Scientific Research and Experimental Development (“SR&ED”)

- **Manitoba** – SR&ED credit: fully refundable after 2009 for work with qualifying research institutes; and partially refundable (25% in 2011 and 50% after 2011) for in-house R&D expenditures.
- **Quebec** – SR&ED Wage Tax Credit enhanced with respect to clinical trial work and arm’s length subcontracting.

General Capital Tax

Eliminated in all jurisdictions by July 1, 2012; eliminated in Ontario on July 1, 2010, in Manitoba and Quebec on January 1, 2011 and in Nova Scotia on July 1, 2012.

Ontario Corporate Minimum Tax

Rate decreased on July 1, 2010, and the threshold is increasing for taxation years ending after June 30, 2010.

Quebec Aggressive Tax Planning

Disclosure required for certain aggressive tax planning transactions, generally carried out after October 14, 2009.

Quebec Sales Tax (“QST”) Rate

Increasing from 7.5% to 8.5% on January 1, 2011 and to 9.5% on January 1, 2012.

Harmonized Sales Tax (“HST”) on July 1, 2010:

- HST replaced the 5% federal Goods and Services Tax (“GST”) and provincial sales tax in British Columbia and Ontario; and
- HST rate in Nova Scotia increased from 13% to 15%.

Financial Statement Reporting

For financial statements, for fiscal years beginning after December 31, 2010:

- “Publicly accountable enterprises” must adopt International Financial Reporting Standards (“IFRS”).
- Private enterprises must adopt either IFRS or Accounting Standards for Private Enterprises.

Owner-Managed Businesses

Financial Statement Reporting

For financial statements, for fiscal years beginning after December 31, 2010:

- Private enterprises must adopt either IFRS or Accounting Standards for Private Enterprises.

Salary/Dividend Mix

An owner-manager must determine the optimal salary-dividend mix that minimizes overall taxes for both family members and themselves. The owner-manager must consider their marginal tax rate, the corporation's tax rate, provincial health and/or payroll taxes, RRSP contribution room, CPP contributions, and other deductions and credits (for example, child care expenses and donations).

Be aware that the receipt of dividends (especially eligible dividends) can increase your alternative minimum tax ("AMT") exposure.

If the individual does not need to extract cash, consider retaining income in the corporation:

- Tax is deferred if the corporation retains income when its tax rate is less than the individual owner-manager's rate;
- In times of economic uncertainty, this will help the corporation's cash flow. It also will allow the corporation to have income and pay corporate tax that may be recovered by possible future business losses.

Remuneration Accruals

For salaries and bonuses to be deductible, they must be accrued before the business year-end and paid within 179 days thereof.

Salaries to Family Members

It may be beneficial to pay a reasonable salary to a spouse or child who provides services to the business and is in a lower tax bracket.

Employee Profit Sharing Plans ("EPSP") and Retirement Compensation Arrangements ("RCA")

Instead of paying a bonus, an owner-manager may set up an EPSP or RCA.

Retirement income

Consider setting up an individual pension plan ("IPP") to enhance retirement income.

Qualifying Small Business Corporation Share Status

Recognize that forgoing bonus and/or dividend payments and stockpiling passive investments could cast doubt on whether substantially all of the assets of a Canadian-controlled private corporation ("CCPC") are used in an active business, in turn jeopardizing the ability to claim the \$750,000 lifetime capital gains exemption.

Dividend Tax Regime

Be aware of how the dividend tax rules will affect dividend distributions:

- Designate dividends that qualify as eligible dividends. Designation procedures differ for public and non-public companies but both require designation at the same time as or before the payment of the eligible dividend.
- Consider election to treat all or part of any excess eligible dividend designation as a separate non-eligible dividend.

SR&ED

Consider not forgoing bonus payments (i.e. lowering income) if that causes a CCPC's SR&ED investment tax credits ("ITCs") to be non-refundable and subject to the lower ITC rate (but retaining some income will allow the company to use the non-refundable ITCs).

Shareholder Loans to your Corporation

Determine whether your corporation would benefit from deductible interest on shareholder loans made to the corporation, to reduce active business income to the \$500,000 threshold. This threshold is lower at the provincial level only, in some provinces. Be aware of the personal tax rate on the other side of the loan.

Shareholder Loans from your Corporation

Repay shareholder loans from your corporation no later than one tax year after the end of the tax year in which the amount was borrowed. Notwithstanding repayment, consider deemed interest rules on such borrowings.

Corporate Income

Consider deferring income to 2011 and later years by maximizing discretionary deductions (i.e., CCA) in 2010 to benefit from the following corporate rate reductions:

- Small business rate – decreases in Newfoundland and Labrador and Nova Scotia in 2011, Manitoba on December 1, 2010, Ontario on July 1, 2010 and Prince Edward Island on April 1, 2010.
- General rate – the federal general income tax rate will decline from 18% to 16.5% in 2011 and to 15% in 2012. General rates will also decline in British Columbia, New Brunswick and Ontario.

Private Health Services Plan (“PHSP”) Premiums

If you are self-employed, determine whether PHSP premiums you paid can be deducted from your self-employment income. Premiums that are not deductible may be claimed as a medical credit.

Debts owing from Related Non-Residents

Deemed dividend – If a non-resident person who is a shareholder (or connected with a shareholder) of a Canadian corporation becomes indebted to, or receives a loan from, that Canadian corporation, and the debt is not repaid within one year from the end of the taxation year in which it arose, the amount of the debt is deemed to be a dividend paid by the Canadian corporation to the non-resident. Indebtedness may include trade receivables that remain outstanding beyond normal trade terms.

Withholding tax – The Canadian lender must remit the non-resident withholding tax corresponding to the deemed dividend. The Canadian rate of withholding tax on dividends paid to non-residents is 25%, unless otherwise reduced by a tax treaty.

The withholding tax is due on the 15th day of the first month after the taxation year in which the deemed dividend arises (i.e. January 15 for a December year-end).

Personal Tax Matters

Employees

Income Deferral

Defer the receipts of certain employment income if your marginal personal tax rate will be lower in 2011 than in 2010.

Job-Related Courses

Ask your employer to pay for job-related courses directly rather than paying you additional remuneration.

Employee Gifts and Awards

Ask your employer to provide you with non-cash gifts and/or awards. These will not be taxable to you if you receive non-cash gifts and non-cash awards with a total value of \$500 or less annually. Gift certificates are not considered non-cash gifts or awards.

Employee Loans

Ensure that any 2010 interest you intend to pay relating to employee loans is paid on or before January 30, 2011.

Public Transit Pass Tax Credit

Claim this federal non-refundable tax credit for the cost of public transit (monthly or longer) and certain weekly and electronic payment cards.

Company Car

Try to reduce or eliminate your operating cost benefit and/or standby charge benefit if you have a company car.

To reduce the operating cost benefit:

- Reimburse your employer for some or all of the personal use portion of the actual operating costs; and
- Reduce your personal driving (to < 50% of the total driving, if possible).

To reduce or eliminate your standby charge benefit:

- Reduce the number of days the car is available to you (i.e. leave the car at the office on weekends);
- Have your employer sell the automobile and repurchase it back or lease it back;
- Do not use the automobile for personal driving; and
- Choose a less expensive vehicle

RRSPs, Money Purchase RPPs and DPSPs

If you contributed less than the maximum allowable amount to your RRSP in a previous year, use the unused contribution room for 2010 in addition to your normal contribution. If you decide not to contribute your entitlement for 2010, your ability to do so carries forward indefinitely. However, even if you do not need the deduction in 2010, you should still make the contribution if you have excess funds, so the funds can start to grow on a tax deferred basis. You can claim the deduction in any future year.

	Registered retirement savings plan ("RRSP")	Money purchase registered pension plan ("RPP")	Deferred profit sharing plan ("DPSP")
Basis for deduction	18% of earned income for the previous year	18% of pensionable earnings for the year	
Dollar limits 2010	\$22,000 – maximum contribution	\$22,450 – maximum contribution	\$11,225 – maximum contribution
Dollar limits 2011	\$22,450	Indexed	Indexed

Investors

Interest Deductibility

If you are incurring non-deductible interest and at the same time have cash or investments on hand, consider using some of your cash or investments to pay down non-deductible debt and then borrow to replace those investments (careful on triggering gains though if you liquidate investments).

Interest Income

Since 1990 investors have been required to report (and pay tax on) interest income annually, on the anniversary date of the investment, even if the interest has not actually been received yet. Consider waiting until January 2011, to purchase certain interest-bearing investments.

Capital Gains and Losses

If you have capital gains this year (or in 2009, 2008 or 2007), consider selling an investment at a loss, which can then be offset against those capital gains this year and then from prior years (i.e. to recover tax). In this regard, see discussion below with respect to special superficial loss rules.

If you have little or no other income, or have capital losses to use up, consider triggering capital gains before year-end by selling an investment that has appreciated in value, then reinvesting the proceeds (even in the same investment).

Tax-Free Savings Account (TFSA)

If you are a Canadian resident age 18 or older, contribute to a TFSA. Contributions will not be deductible but withdrawals and income earned in the TFSA will not be taxed. Further, if you are planning a withdrawal from your TFSA consider doing so before December 31, 2010 instead of early 2011 – amounts withdrawn are not added to your TFSA contribution room until the beginning of the following year after the withdrawal. Note that draft legislation penalizes taxpayers who use TFSAs in tax planning schemes.

Mutual Funds

If you are thinking of investing in a particular mutual fund before year-end, inquire as to whether there is going to be a significant taxable distribution reported in 2010. If so, consider waiting until January to make the investment to avoid paying tax on the distribution.

Superficial Loss Rules

The superficial loss rules prevent a taxpayer from claiming a capital loss on an asset that the taxpayer clearly intended to continue to hold. If you are holding an asset with an accrued loss and wish to sell the asset to offset against any capital gains realized and you purchase the identical asset within thirty days either before or after selling the original asset, the superficial loss rules will apply to deny the capital loss, provided that the asset is held at the end of thirty days after the sale. The superficial loss would also apply if your spouse (or a company controlled by you or your spouse) buys the asset within the same timeframe.

Foreign Reporting Requirements

Review your foreign holdings to determine if you have a reporting obligation. Individuals, corporations, trusts and partnerships that own specified foreign property with a total cost exceeding C\$100,000 at any time in the year are required to file form T1135. Taxpayers resident in Canada that owns shares of a non-resident corporation that is a foreign affiliate must file an information return (T1134).

Parents and Spouses

Estate Planning

Annually review your estate to ensure that any arrangements meet your current and future objectives.

Income Splitting

If you have cash to invest and a spouse or children in a lower tax bracket, consider an income-splitting plan. Income-splitting arrangements requiring a loan to a family member should be set-up before January 1, 2011 to take advantage of the current prescribed rate (1% for Q4 2010).

Interest on intra-family loans must be paid on or before January 30, 2011, to avoid attribution of income.

Income earned by discretionary *inter vivos* family trusts must be paid or made payable to beneficiaries by December 31, 2010, to be included in the beneficiary's income and deducted from the trust's income.

Further, CRA has raised concerns about the absence of proper accounting and trustee minutes with respect to *inter vivos* trusts. Therefore taxpayers should be following best practices with respect to maintaining their *inter vivos* trusts.

Registered Education Savings Plan ("RESP")

Contribute to an RESP for your child or grandchild. You should plan for the RESP to receive the maximum lifetime Canada Education Savings Grant ("CESG") of \$7,200, which depends on annual RESP contributions and the beneficiary's age.

If you reside in the province of Alberta, ensure that the RESP receives funds from the Alberta Centennial Education Savings Plan, which has a lifetime maximum of \$800/child.

If you reside in the province of Québec, ensure that the RESP receives the Québec Education Savings Incentive, which has a lifetime maximum of \$3,600.

Child Care Expenses

Pay child care expenses for 2010 by December 31 and get a receipt. Remember that boarding school and camp fees qualify for the child care deduction (limits may apply), as does the cost to advertise or use a replacement agency to find a child care provider.

Universal Child Care Benefit (“UCCB”) and Canada Child Tax Benefit (“CCTB”)

If you receive these benefits, invest the funds in a separate bank account in trust for your children. Investment income on these funds will not be taxable to you. Further, if you are a single parent and receive the UCCB, commencing in 2010, you can include the UCCB in the income of a dependant for whom an eligible dependant credit is claimed or, if the credit can not be claimed, for a child for whom the UCCB was paid.

Children’s Fitness Tax Credit

Claim this federal non-refundable tax credit on up to \$500 of fees paid per child under the age of 16 for enrolment in a physical activity program. These expenses have to be paid by December 31, 2010, and you must retain the receipts. Different rules apply for children with disabilities. Manitoba and Yukon have parallel credits, Nova Scotia has a similar credit and Saskatchewan provides a refundable tax credit for children aged 6 to 14 for cultural, recreational and sports activities. Recent enhancements include:

- Ontario, commencing in 2010, proposes a similar credit to the federal credit except that it will be refundable and applies to a wide range of activities including sports, arts and other cultural activities; and
- Manitoba, commencing in 2011, will expand its credit to individuals aged 16 to 24.

Students

Education and Textbook Tax Credits

Claim these credits if you attend post-secondary school.

Unused and Unclaimed Tax Credits

If you are unable to use your education, tuition or textbook tax credits, you may transfer them to your spouse, parent or grandparent (subject to limitations). Further, remember that the carryforward period is generally indefinite for unclaimed education, tuition and textbook credits and 5-years for unclaimed student loan interest.

Moving Expenses

If you moved to attend school or moved from school to work or home, your moving expenses may be deductible.

Lifetime Learning Plan (“LLP”)

Make a tax-free withdrawal from your RRSP to finance the full-time training (part-time for students who meet one of the disability conditions) for yourself, your spouse or your common-law partner. You may withdraw up to \$10,000 in a calendar year and up to \$20,000 in total.

Seniors

***Inter vivos* trust**

If you are 64 or older and live in a province with a high probate fee, consider establishing an *inter vivos* trust as part of your estate plan.

Old Age Security (“OAS”)

If you no longer receive OAS benefits because your income is too high, consider ways to average or reduce your income so that you can continue to receive this government pension.

CPP/Quebec (“QPP”)

If you receive CPP or QPP payments, consider splitting that income with your spouse by requesting to share the CPP or QPP payments.

RRSP

If you turn 71 in 2010, you must wind-up your RRSP by the end of the year. This means that you can:

- Contribute to your RRSP only until December 31, 2010, if you have unused RRSP contribution room or earned income in the previous year;
- Contribute to your spouse’s RRSP until the end of the year that your spouse reaches age 71, if you have unused RRSP contribution room or earned income in the previous year;
- Defer taxes on all or a portion of the amount in your RRSP by transferring the funds to a registered retirement income fund (“RRIF”) or a life income fund (“LIF”); and
- Make a contribution for 2011 by December 31, 2010, and pay any applicable penalty

Pension Income

If you receive pension income (i.e., from a registered pension plan, RRSP or RRIF), consider allocating up to half of this income to your spouse or common-law partner.

LIFs

If you own a LIF, be aware that:

- In most jurisdictions the options for you to make withdrawals from a LIF have increased (i.e. if you face financial hardship, are age 55 or older, or have been a non-resident of Canada for 24 months); and
- In Alberta, Manitoba, New Brunswick and Ontario, special unlocking rules give you access to a portion of your LIF in certain circumstances

RRIFs

If your RRSP investment declined in value and you think that the investments will rebound, consider an “in-kind” withdrawal (i.e. transfer to another investment account at your financial institution) to satisfy the RRIF’s minimum withdrawal requirements. Income tax must still be paid on the fair value of the withdrawal.

U.S. Connections

U.S. Estate Tax

If you are not a U.S. citizen or resident, determine whether your property holdings include shares in U.S. corporations (including stock options to acquire shares), U.S. real estate, debt obligations issued by U.S. residents, interests in U.S. partnerships, or any personal property that is located in the U.S. If so, determine your possible exposure to U.S. estate tax and how it may best be minimized. Be aware that the estate tax was repealed entirely in 2010; without further legislative action, it will be re-established in 2011, using the 2001 tax regime. However, new legislation may be enacted in 2010 that will extend 2009 rates and exemptions or introduce new rates and exemptions for 2010 and subsequent years.

Canadian RRSPs, RRIFs, RPPs, and DPSPs

If you are a U.S. green card holder or U.S. resident alien in 2010 and are the beneficiary of a Canadian RRSP, RRIF, RPP and/or DPSP, determine:

- What information you need to provide to the Internal Revenue Service;
- The format for reporting this information; and
- The reporting deadlines.

U.S. Family Members

If you have a U.S. citizen or U.S. resident family member who is a direct shareholder in your company or a beneficiary under a family trust, determine any exposure or double taxation and how it may best be minimized.

U.S. Federal Income Tax Return/Treaty Based Tax Return

Determine whether you are conducting activities in the United States that require you to file U.S. federal income tax returns, or U.S. treaty based tax information disclosure returns.

State and Municipal Taxes

Ensure that you are complying with all state and municipal laws and taxes. Even if a Canadian business is exempt from U.S. federal income tax under the Canada-U.S. tax convention, it may be subject to state income, franchise, sales and use, property and other taxes.

Key Dates

December 2010 to April 2011

December 15, 2010

- Final quarterly instalment of 2010 tax due for individuals

December 24, 2010

- This is likely the final trading day for Canadian exchanges for those wishing to have trades settled for 2010

December 31, 2010

- RESP contributions
- Charitable donations
- Union dues and professional fees
- Investment counsel fees, interest and other investment expenses (including safety deposit box fees but these are not deductible in Quebec)
- Alimony and maintenance payments
- Child care and child fitness expenses
- Interest (for paid-basis taxpayers)
- Medical expenses
- Moving expenses of individuals
- Political contributions
- Deductible employee legal fees
- Tuition fees and interest on student loans
- Payments to employer to reduce standby charge
- RRSP contributions if you turn 71 by December 31, 2010
- Employees should notify employers if alternative operating costs benefit calculation is advantageous on employer provided automobile (as long as business use >50%)
- Employees' RPP contributions

January 15, 2011

- Stock option benefits: last day for employees to file or revoke designations to defer stock option benefits on options exercised in 2010 but on or before 4:00 pm EST on March 4, 2010

January 30, 2011

- Interest due on intra-family loans
- Non-deductible interest due on loans from your employer, to reduce your taxable benefit

February 14, 2011

- Payment to your employer to reduce your taxable operating benefit from an employer provided automobile

February 28, 2011

- Last day to file T4, T4A and T5 Summary and Supplementary forms

March 1, 2011

- Deductible contributions to your own RRSP or spousal RRSP (for 2010 deduction)
- RRSP Home Buyer's Plan repayment due (to avoid 2010 inclusion)

March 15, 2011

- First quarter (2011) personal tax instalment due

March 31, 2011

- Last day (generally) to file Partnership Information returns
- Last day to file inter vivos trust returns
- Last day to file NR4 Summary and Supplementary forms regarding amounts paid or credited to non-residents of Canada

April 30, 2011

- Last day to file personal tax returns (except for self-employed individuals or spouses of self-employed individuals in which case the deadline is June 15, 2011). No matter your deadline, interest will be charged on any balance due after April 30
- Deadline may be later if individual or spouse died

Appendix I

2010 & 2011 PERSONAL TAX RATES

	Ordinary income and interest		Capital Gains		Canadian dividends			
	2010	2011	2010	2011	Eligible		Non-eligible	
					2010	2011	2010	2011
Federal	29.00%		14.50%		15.88%	17.72%	19.58%	
Alberta	39.00%		19.50%		15.88%	17.72%	27.71%	
British Columbia	43.70%		21.85%		21.45%	23.91%	33.71%	
Manitoba	46.40%		23.20%		25.09%	26.74%	38.21%	39.15%
New Brunswick	43.30%	41.70%	21.65%	20.85%	19.46%	19.77%	30.83%	28.83%
Newfoundland and Labrador	43.40%	42.30%	21.70%	21.15%	22.79% or 20.77% (1)	20.96%	31.33%	29.96%
Northwest Territories	43.05%		21.53%		19.81%	21.31%	29.65%	
Nova Scotia	50.00%		25.00%		33.58%	35.64%	36.21%	
Nunavut	40.05%		20.25%		23.64%	25.72%	28.96%	
Ontario	46.41%		23.20%		26.57%	28.19%	32.57%	
Prince Edward Island	47.37%		23.69%		25.95%	28.36%	32.57%	41.17%
Quebec	48.22%		24.11%		30.68%	31.85%	36.35%	
Saskatchewan	44.00%		22.00%		21.64%	23.36%	30.83%	
Yukon	42.40%		21.20%		18.80%	14.28% to 17.72% (2)	30.49%	30.41%

(1) In Newfoundland and Labrador, for eligible dividends paid before July 1, 2010, the rate is 22.79%

(2) For the Yukon, the rate that applies depends on the level of the taxpayer's other income with 17.72% applying if the taxpayer has no other income

Appendix II

2010 & 2011 CORPORATE TAX RATES

	General and M&P		Canadian-Controlled Private Corporations ("CCPCs")					
	2010	2011	Active business income			Investment income		
			To \$400,00	\$400,00 to \$500,00		2010	2011	
			2010	2011	2010	2011	2010	2011
Federal	18.00%	16.50%					34.67%	34.67%
Alberta	28.00%	26.50%					44.67%	44.67%
British Columbia	28.50%	26.50%					45.17%	45.67%
Manitoba	30.00%	28.50%	11.92%	11.00%	23.00%		46.67%	46.67%
New Brunswick	29.50%	27.00%					46.16%	45.16%
Newfoundland and Labrador								
General	30.00%	28.50%	16.00%		15.00%		48.67%	48.67%
M&P	23.00%	21.50%						
Northwest Territories	29.50%	28.00%					46.17%	46.17%
Nova Scotia	34.00%	32.50%	16.00%	15.50%	27.00%		50.67%	50.67%
Nunavut	30.00%	28.50%					46.67%	46.67%
Ontario								
General	30.99%	28.25%	16.00% (1)		15.50%		47.66%	46.41%
M&P	28.99%	26.50%					N/A	
Prince Edward Island	34.00%	32.50%	12.27%		12.00%		50.67%	50.67%
Quebec	29.90%	28.40%					46.57%	46.57%
Saskatchewan								
General	30.00%	28.50%					49.67%	49.67%
M&P	28.00%	26.50%						
Yukon								
General	33.00%	31.50%	15.00%	26.00%	15.00%		49.67%	49.67%
M&P	20.50%	19.00%						

(1) See column General and M&P rates that apply on active business income of a CCPC above 500,000 (above \$1,500,000 in Ontario before July 1, 2010). Before July 1, 2010, Ontario clawed back the benefit of its small business deduction when tax able income fell between \$500,000 and \$1,500,000. Rates that apply after taking the clawback into account are shown in the table below

	2010 \$500,000 to \$1,500,000
Non-M and P	33.10%
M and P	30.60%

Collins Barrow periodically publishes a Tax Flash for its clients and associates. It is designed to highlight and summarize the continually changing tax and business scene across Canada. While Tax Flash suggests general planning ideas, we recommend professional advice always be sought before taking specific planning steps.

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