

## TAX RATES FOR CANADIAN-CONTROLLED PRIVATE CORPORATIONS - 2018<sup>1</sup>

	FEDERAL	QUÉBEC	TOTAL
<b>Active business income</b>			
Eligible for SBD <sup>2</sup>	10%	11.7%	21.7%
Eligible for SBD <sup>2,3</sup> - Compliance with hours worked criterion	10%	7.24%	17.24%
Eligible for SBD <sup>2</sup> - SME manufacturing	10%	4%	14%
Not eligible for SBD	15%	11.7%	26.7%
<b>Inactive business income</b>			
Personal services business	33%	11.7%	44.7%
Investment income <sup>4</sup>	38.67%	11.7%	50.37%
Refundable portion	30.67%	N/A	30.67%
<b>Dividend income</b>			
From an unconnected corporation	38½%	N/A	38½%

- 1 Rates indicated in the table are based on a 12-month taxation year ending December 31, 2018.
- 2 The small business deduction of \$500,000 must be prorated among associated corporations and gradually decreased if the paid-up capital from the previous year is between \$10M and \$15M.
- 3 The applicable rates in Québec were 8% before March 28, 2018, and 7% after March 27, 2018. The 7.24% rate represents the average rate for a tax year beginning January 1, 2018, and ending December 31, 2018.
- 4 Excluding dividend income.

## BUDGET CHANGES - 2018

### FEDERAL - Proposed and adopted (February 27, 2018)

- Gradually reduction of business limit for Canadian-controlled private corporations that earn between \$50,000 and \$150,000 of passive investment income.
- Access to RDTOH refund limited to certain conditions in the case of eligible dividends paid to a corporation.
- As of the 2021 tax year, certain trusts will be required to provide additional information.

### QUÉBEC - Proposed but not adopted (March 27, 2018)

- Change to credit rates for dividends.
- Extension of the RénoVert tax credit.
- Improved change to tax credit for experienced workers.
- Increased annual limits concerning tax credit for childcare expenses.
- Standardization of tax rates for SMBs so the rate applicable to SBD-eligible income reaches 4% for all corporations.
- Gradual reduction of the HSF contribution rate for all small- and medium-sized businesses.
- Replacement of the additional capital cost allowance of 35% by a 60% deduction.
- Improved change to the tax credit for an on-the-job training period.
- Introduction of a refundable tax credit for SMBs to encourage employee training.



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## TAX QUICK REFERENCE

CERTIFICATION

CORPORATE AND PERSONAL TAXATION

BUSINESS SUCCESSION PLANNING

BUSINESS ACQUISITIONS, SALES AND MERGERS

BUSINESS VALUATION

INCORPORATION OF PROFESSIONALS



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## TAX TABLE FOR INDIVIDUALS (QUÉBEC) — 2018

This quick reference is intended to provide general information relevant to the 2018 tax year. Individuals requiring further information in order to make an informed tax-related decision are encouraged to seek the advice of a tax professional.

TAXABLE INCOME	FEDERAL INCOME TAX	MARGINAL RATE <sup>1</sup>	QUÉBEC INCOME TAX	MARGINAL RATE <sup>1</sup>	COMBINED TAX	COMBINED MARGINAL RATE <sup>1</sup>	MARGINAL RATES <sup>2,3</sup>	MARGINAL RATE <sup>1</sup>	CAPITAL GAINS
\$	\$	%	\$	%	\$	%	%	%	%
11,809	-	12.53	-	-	-	12.53	-	4.82	6.27
15,012	401	12.53	-	15.00	401	27.53	4.33	14.93	13.77
18,000	776	12.53	448	15.00	1,224	27.53	4.33	14.93	13.77
20,000	1,026	12.53	748	15.00	1,774	27.53	4.33	14.93	13.77
25,000	1,652	12.53	1,498	15.00	3,150	27.53	4.33	14.93	13.77
30,000	2,279	12.53	2,248	15.00	4,527	27.53	4.33	14.93	13.77
35,000	2,905	12.53	2,998	15.00	5,903	27.53	4.33	14.93	13.77
<b>43,055</b>	<b>3,914</b>	<b>12.53</b>	<b>4,206</b>	<b>20.00</b>	<b>8,120</b>	<b>32.53</b>	<b>11.23</b>	<b>20.73</b>	<b>16.27</b>
<b>46,605</b>	<b>4,358</b>	<b>17.12</b>	<b>4,916</b>	<b>20.00</b>	<b>9,274</b>	<b>37.12</b>	<b>17.55</b>	<b>26.06</b>	<b>18.56</b>
50,000	4,940	17.12	5,595	20.00	10,535	37.12	17.55	26.06	18.56
60,000	6,651	17.12	7,595	20.00	14,246	37.12	17.55	26.06	18.56
70,000	8,363	17.12	9,595	20.00	17,958	37.12	17.55	26.06	18.56
<b>86,105</b>	<b>11,120</b>	<b>17.12</b>	<b>12,816</b>	<b>24.00</b>	<b>23,936</b>	<b>41.12</b>	<b>23.07</b>	<b>30.70</b>	<b>20.56</b>
<b>93,208</b>	<b>12,336</b>	<b>21.71</b>	<b>14,521</b>	<b>24.00</b>	<b>26,857</b>	<b>45.71</b>	<b>29.41</b>	<b>36.02</b>	<b>22.86</b>
95,000	12,725	21.71	14,951	24.00	27,676	45.71	29.41	36.02	22.86
<b>104,765</b>	<b>14,845</b>	<b>21.71</b>	<b>17,295</b>	<b>25.75</b>	<b>32,140</b>	<b>47.46</b>	<b>31.82</b>	<b>38.05</b>	<b>23.73</b>
<b>144,489</b>	<b>23,469</b>	<b>24.22</b>	<b>27,524</b>	<b>25.75</b>	<b>50,993</b>	<b>49.97</b>	<b>35.28</b>	<b>40.97</b>	<b>24.99</b>
150,000	24,803	24.22	28,943	25.75	53,746	49.97	35.28	40.97	24.99
<b>205,842</b>	<b>38,325</b>	<b>27.56</b>	<b>43,322</b>	<b>25.75</b>	<b>81,647</b>	<b>53.31</b>	<b>39.89</b>	<b>44.84</b>	<b>26.66</b>
225,000	43,604	27.56	48,255	25.75	91,859	53.31	39.89	44.84	26.66

N.B.: Income tax is computed for a single individual with no dependants. This table takes into account both the federal and Québec basic personal exemption. This table should not be used to compute tax if the taxpayer has income from dividends only (unless a separate, distinct computation is made for this type of income). The income tax rate indicated for dividends in the first taxable income brackets only applies fully in cases where there are taxes otherwise payable by the individual.

- The marginal rate corresponds to the income tax rate applicable to each additional dollar of income.
- Eligible dividends:** Dividends paid by a public company and any other corporation from business income that is not eligible for the small business deduction (SBD).  
**Other dividends:** Dividends paid out by a Canadian-controlled private corporation (CCPC) from business income that is eligible for the SBD and dividends paid out from investment income (interest, taxable capital gains, other income from property, but not dividends).
- For received or deemed dividends paid out after March 27, 2018, the credit rate for eligible dividends has been decreased to 11.86% of the grossed-up amount of the dividend and to 6.28% of the grossed-up amount for all other dividends in Québec. This table reflects these rate changes.

## INDIVIDUALS RECEIVING ONLY DIVIDEND INCOME — 2018

GROSS-UP AND CREDIT RATES	FEDERAL	QUÉBEC (BEFORE MARCH 28, 2018)	QUÉBEC (AFTER MARCH 28, 2018)
<b>Eligible dividends</b>			
Dividend gross-up	38%	38%	38%
Dividend tax credit	15%	11.9%	11.86%
<b>Other dividends</b>			
Dividend gross-up	16%	16%	16%
Dividend tax credit	10.03%	7.05%	6.28%

If this is the taxpayer's only source of income, an individual not eligible for any deduction or credit other than the basic amount may receive a dividend without having to pay any tax if the revenue does not exceed the following thresholds (amount before gross-up):

	FEDERAL	QUÉBEC <sup>1</sup>
Eligible dividends	\$57,310	\$39,212
Other dividends	\$30,719	\$22,264

- Amounts for Québec reflect credit rates effective as of March 28, 2018.

## RRSP, TFSA AND RPP CONTRIBUTION LIMITS

	2018	2018
RPP <sup>1</sup>	\$26,500	Indexed
TFSA (Cumulative 2018 - \$57,500)	\$5,500	TBD
RRSP	\$26,230	\$26,500
Income limit <sup>2</sup>	\$145,722	\$147,222

- Defined benefits.
- This is the maximum earned income from the previous year used for calculating the RRSP limit.

## CAPITAL GAINS EXEMPTION — 2018

- Eligible small business shares \$848,252
- Farm property \$1,000,000

## PERSONAL TAX CREDITS — 2018

	FEDERAL (15%)	QUÉBEC (15%)
Basic	\$11,809	\$15,012
Person living alone	N/A	\$1,721 <sup>1</sup>
Spouse or eligible dependant	\$11,809	N/A
Dependent child <sup>2</sup> :		
▪ 18 years or older at school	N/A	\$10,306 <sup>2</sup>
▪ Canada caregiver credit for children under 18 years of age	\$2,182 <sup>3</sup>	N/A
▪ Additional amount for infirm children under 18 years of age	\$4,804 <sup>4</sup>	N/A
▪ Post-secondary studies (by term, minors)	N/A	\$2,884
▪ Single-parent family	N/A	\$2,124 <sup>5</sup>
▪ Children's activities (refundable credit) (per child under 16 years available to families whose income does not exceed \$136,193)	N/A	\$500
Other dependant aged 18 or older:		
▪ General	N/A	\$4,202 <sup>6</sup>
Age amount	\$7,333	\$3,158
Retirement income amount	\$2,000	\$2,805
Disability amount	\$8,235	\$3,334
Caregiver (refundable provincial credit)	\$6,986	\$1,186 <sup>7</sup>
▪ Net income threshold	\$16,405	\$23,698
Canada Employment Credit/Deduction for Workers	\$1,195 <sup>8</sup>	1,150 <sup>9</sup>
First-Time Home Buyers' Tax Credit	\$5,000	\$5,000

	FEDERAL	QUÉBEC
Professional and union dues	Deduction	10% tax credit
Contribution to the Health Services Fund (applicable income includes net business income, investment income, pension income, taxable capital gains, etc.)	N/A	\$0 to \$14,664 = no contribution required \$14,664 to \$29,664 = 1% of taxable income \$29,665 to \$50,985 = \$150 \$50,986 to \$135,985 = \$150 + 1% of taxable income (max. \$1,000) \$135,986 and more = \$1,000
Medical expenses	15% of expenses in excess of the lesser of \$2,302 or 3% of net income of claimant	20% of excess expenses 3% of net family income
Charitable donations <sup>10</sup> (amount of eligible donations is limited to 75% of net income)	15% on the first \$200 29% on the excess 33% on the portion that is subject to the highest marginal rate	20% on the first \$200 24% on the excess 25.75% on the portion that is subject to the highest marginal rate

- Depending on income, the amounts of certain credits may be reduced.
- Amount includes the recognized parental contribution and two terms of post-secondary studies.
- Replaces the family caregiver credit.
- This credit is reduced by the childcare or attendant care expenses claimed.
- For single-parent families who have lived with an eligible student.
- These amounts are reduced by the dependent's income.
- An amount of \$657 is not reducible on the basis of income.
- The lesser of \$1,195 and the individual's employment income for the year.
- Deduction of the lesser of \$1,150 and 6% of employment income.
- First-time eligible donors will receive an additional federal tax credit of 25% on the first \$1,000 of monetary donation.

## PRESCRIBED INTEREST RATES — 2018

Trimester	FEDERAL			QUÉBEC		
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
Income tax owing	5%	6%	6%	6%	6%	6%
Tax receivable (corporation/other)	1%/3%	2%/4%	2%/4%	1.4%	1.55%	1.75%
Taxable benefits and loan to a related person	1%	2%	2%	1%	2%	2%

## DEDUCTIONS AT SOURCE — 2018

QUÉBEC		
<b>Québec Pension Plan (QPP)</b>		
Maximum pensionable earnings		\$55,900
Basic exemption		\$3,500
Maximum contributory earnings		\$52,400
Contribution rate		5.4%
Maximum employee contribution		\$2,830
Maximum employer contribution (per employee)		\$2,830
Maximum contribution for a self-employed worker		\$5,659
<b>Québec Parental Insurance Plan (QPIP)</b>		
Maximum insurable earnings		\$74,000
Employee contribution rate		0.548%
Self-employed worker contribution rate		0.973%
Employer contribution rate		0.767%
Maximum employee contribution		\$406
Maximum employer contribution (per employee) (employee contribution multiplied by 1.4)		\$568
Maximum contribution for a self-employed worker		\$720
<b>Health Services Fund (HSF) (after March 27, 2018)</b>		
Employer contribution rate		
<b>Payroll</b>	<b>MEs in primary and manufacturing sectors</b>	<b>Other</b>
≤ \$1,000,000	1.45%	1.95%
> \$1,000,000 and < \$5,000,000	0.7475% + [0.7025% x P]	1.3725% + [0.5775% x P]
> \$5,000,000	4.26%	4.26%
(P = Cumulative total payroll / \$1,000,000)		
The cumulative total payroll represents the total amount of wages paid by any associated employer, regardless of where the employer carries on its business.		
<b>Workforce training (1%)</b>		
Businesses with a payroll of more than \$2M are required to devote a minimum of 1% of their payroll to eligible training expenses.		
<b>FEDERAL</b>		
<b>Employment insurance</b>		
Maximum insurable earnings		\$51,700
Employee contribution rate		1.3%
Maximum employer contribution		\$672
Maximum employer contribution (per employee) (employee contribution multiplied by 1.4)		\$941

## MOTOR VEHICLES — TAXABLE BENEFITS - 2018

Personal use of a company vehicle is considered a twofold taxable benefit that is calculated as follows:

	PURCHASED VEHICLE	LEASED VEHICLE
1. Standby charge <sup>1</sup>	2% x original cost x No. of months	¾ leasing cost x No. of months
2. Operating costs	\$0.26 x No. of km for personal use or 50% of item #1 <sup>1</sup>	\$0.26 x No. of km for personal use or 50% of item #1 <sup>1</sup>

- The standby charge decreases if the automobile is used for business purposes more than 50% of the time and if the number of kilometres travelled for personal reasons is less than 1,667 km for each 30-day period.

The taxable benefit must also take into account GST, QST and deductions at source.

	DEDUCTION LIMIT
For the purposes of CCA	\$30,000 + taxes
Monthly leasing costs	\$800 + taxes <sup>1</sup>
Maximum allowable interest	\$300

- Another limit based on a mathematical formula that factors in the suggested price can definitely bring the deduction limit down below the \$800 threshold.

Employer's maximum deductible allowance for kilometres travelled by an employee and exempt from taxes as it can be considered reasonable.

- \$0.55/km on first 5,000 km
- \$0.49/km for every additional km