

DAYARAYAN MANAGEMENT & CONSULTING SERVICES LTD

Canada tax guide 2010



vancouver 2010



This booklet is intended to provide useful information to assist businesses in their transition to the new harmonized sales tax (HST) in British Columbia, and does not replace federal or provincial legislation and accompanying regulations. It is strictly intended for reference purposes. As it may not completely address your particular operation, you may wish to consult the appropriate legislation or contact:

- Canada Revenue Agency at 1-800-959-5525 or www.cra-arc.gc.ca
- B.C. Ministry of Finance at 1-877-388-4440 or www.gov.bc.ca/fin/

Welcome to the City of Vancouver

Bordered by the Coast Mountain Range and the Pacific Ocean, Vancouver is recognized as one of the world's most livable cities. Archaeological evidence shows that the Coast Salish people had settled the Vancouver area by 500 BC. The City of Vancouver is renowned for its innovative programs in the areas of sustainability, accessibility and inclusivity. In 2010, Vancouver will host the world at the 2010 Olympic and Paralympics Winter Games.



Facts about Vancouver

Population/ Climate

Vancouver is the eighth largest city in Canada with a population of 578,000 (2006 census) and has one of the mildest climates in Canada with temperatures averaging around 3 degrees Celsius in January and 18 degrees Celsius in July. It covers 114.7 sq km (44.3 sq miles), and is part of Metro Vancouver, the third largest metropolitan area in Canada, with a population of 2.1 million (2006 census).

Business/ Economy

Vancouver has Canada's largest and most diversified port, trading \$75 billion in goods annually. It is home to a variety of different industries, including the mining, forest, biotech, film and software industries.

History

Archaeological evidence shows that the Coast Salish people had settled the Vancouver area by 500 BC. In the 1870s, Vancouver was founded as a sawmill settlement called Granville. And in 1886, the city was incorporated and renamed Vancouver after Captain George Vancouver, a British naval captain who explored the area in 1792.

Source: <http://vancouver.ca/aboutvan.htm>

Canada Tax Guide

Personal income taxes

Canada levies personal income tax on the worldwide income of individuals' resident in Canada and on certain types of Canadian-source income earned by non-resident individuals.

After the calendar year, Canadian residents file a T1 Tax and Benefit Return for individuals. It is due April 30, or June 15 for self-employed individuals and their spouses, or common-law partners. It is important to note, however, that any balance owing is due on or before April 30. Outstanding balances remitted after April 30 may be subject to interest charges; regardless of whether the taxpayer's filing due date is April 30 or June 15.

The amount of income tax that an individual must pay is based on the amount of their taxable income (income earned less allowed expenses) for the tax year.

Personal income tax may be collected through various means:

1. Deduction at source - where income tax is deducted directly from an individual's pay and sent to the CRA.
2. Instalment payments - where an individual must pay his or her estimated taxes during the year instead of waiting to settle up at the end of the year.
3. payment on filing - payments made with the income tax return
4. arrears payments - payments made after the return is filed

Employers may also deduct Canada Pension Plan/Quebec Pension Plan (CPP/QPP) contributions, Employment Insurance (EI) and Provincial Parental Insurance (PPIP) premiums from their employees' gross pay. Employers then send these deductions to the taxing authority.

Individuals who have overpaid taxes or had excess tax deducted at source will receive a refund from the CRA upon filing their annual tax return.

Generally, personal income tax returns for a particular year must be filed with CRA on or before April 30 of the following year.

Basic calculation

An individual taxpayer must report his or her total income for the year. Certain deductions are allowed in determining net income, such as deductions for contributions to Registered Retirement Savings Plans, union and professional dues, child care expenses, and business investment losses. Net income is used for determining several income-tested social benefits provided by the federal and provincial/territorial governments. Further deductions are allowed in determining taxable income, such as capital losses, half of capital gains included in income, and a special deduction for residents of northern Canada. Deductions permit certain amounts to be excluded from taxation altogether. Tax payable before credits is determined using four tax brackets and tax rates. Non-refundable tax credits are then deducted from tax payable before credits for various items such as a basic personal amount, dependents, Canada/Quebec

Pension Plan contributions, Employment Insurance premiums, disabilities, tuition and education and medical expenses. These credits are calculated by multiplying the credit amount (e.g., the basic personal amount of \$10,100 in 2009) by the lowest tax rate. This mechanism is designed to provide equal benefit to taxpayers regardless of the rate at which they pay tax.

A non-refundable tax credit for charitable donations is calculated at the lowest tax rate for the first \$200 in a year, and at the highest tax rate for the portion in excess of \$200. This tax credit is designed to encourage more generous charitable giving.

Certain other tax credits are provided to recognize tax already paid so that the income is not taxed twice:

- The dividend tax credit provides recognition of tax paid at the corporate level on income distributed from a Canadian corporation to individual shareholders; and
- The foreign tax credit recognizes tax paid to a foreign government on income earned in a foreign country.

Provincial and territorial personal income taxes

Provinces and territories that have entered into tax collection agreements with the federal government for collection of personal income taxes ("agreeing provinces", i.e., all provinces and territories except Quebec) must use the federal definition of "taxable income" as the basis for their taxation. This means that they are not allowed to provide or ignore federal deductions in calculating the income on which provincial tax is based.

Provincial and territorial governments provide both non-refundable tax credits and refundable tax credits to taxpayers for certain expenses. They may also apply surtaxes and offer low-income tax reductions.

Canada Revenue Agency collects personal income taxes for agreeing provinces/territories and remits the revenues to the respective governments. The provincial/territorial tax forms are distributed with the federal tax forms and the taxpayer need make only one payment -- to CRA -- for both types of tax.

Similarly, if a taxpayer is to receive a refund, he or she receives one cheque or bank transfer for the combined federal and provincial/territorial tax refund.

Information on provincial rates can be found on the Canada Revenue Agency's site.

Quebec

Quebec administers its own personal income tax system, and therefore is free to determine its own definition of taxable income. To maintain simplicity for taxpayers, however, Quebec parallels many aspects of and uses many definitions found in the federal tax system.

Personal federal marginal tax rates

The following historical federal marginal tax rates of the Government of Canada come from the website of the Canada Revenue Agency. They do not include applicable provincial income taxes. Data on marginal tax rates from 1998 to 2006 are publicly available.^[3] Data on basic personal amounts (personal exemption taxed at 0%) can be found on a year by year basis is also available.^[4] Their values are contained on line 300 of either the document "Schedule 1 - Federal Tax", or "General Income Tax and Benefit Guide", of each year by year General Income Tax and Benefit Package listed.

Canadian federal marginal tax rates of taxable income

| | | | | | |
|-------------|----------------|---------------------|---------------------|----------------------|----------------|
| 2010 | \$0 - \$10,382 | \$10,382 - \$40,970 | \$40,970 - \$81,941 | \$81,941 - \$127,021 | over \$127,021 |
| | 0% | %15 | %22 | %22 | %29 |
| 2009 | \$0 - \$10,320 | \$10,321 - \$40,726 | \$40,727 - \$81,452 | \$81,453 - \$126,264 | over \$126,264 |
| | 0% | 15% | 22% | 26% | 29% |
| 2008 | \$0 - \$9,600 | \$9,601 - \$37,885 | \$37,886 - \$75,769 | \$75,770 - \$123,184 | over \$123,184 |
| | 0% | 15% | 22% | 26% | 29% |
| 2007 | \$0 - \$9,600 | \$9,600 - \$37,178 | \$37,178 - \$74,357 | \$74,357 - \$120,887 | over \$120,887 |
| | 0% | 15% | 22% | 26% | 29% |
| 2006 | \$0 - \$8,839 | \$8,839 - \$36,378 | \$36,378 - \$72,756 | \$72,756 - \$118,285 | over \$118,285 |
| | 0% | 15.25% | 22% | 26% | 29% |
| 2005 | \$0 - \$8,648 | \$8,648 - \$35,595 | \$35,595 - \$71,190 | \$71,190 - \$115,739 | over \$115,739 |
| | 0% | 15% | 22% | 26% | 29% |
| 2004 | \$0 - \$8,012 | \$8,012 - \$35,000 | \$35,000 - \$70,000 | \$70,000 - \$113,804 | over \$113,804 |
| | 0% | 16% | 22% | 26% | 29% |
| 2003 | \$0 - \$7,756 | \$7,756 - \$32,183 | \$32,183 - \$64,368 | \$64,368 - \$104,648 | over \$104,648 |
| | 0% | 16% | 22% | 26% | 29% |
| 2002 | \$0 - \$7,634 | \$7,634 - \$31,677 | \$31,677 - \$63,354 | \$63,354 - \$103,000 | over \$103,000 |
| | 0% | 16% | 22% | 26% | 29% |
| 2001 | \$0 - \$7,412 | \$7,412 - \$30,754 | \$30,754 - \$61,509 | \$61,509 - \$100,000 | over \$100,000 |
| | 0% | 16% | 22% | 26% | 29% |
| 2000 | \$0 - \$7,231 | \$7,231 - \$30,004 | \$30,004 - \$60,009 | over \$60,009 | |
| | 0% | 17% | 25% | 29% | |
| 1999 | \$0 - \$6,794 | \$6,794 - \$29,590 | \$29,590 - \$59,180 | over \$59,180 | |
| | 0% | 17% | 26% | 29% | |
| 1998 | \$0 - \$6,794 | \$6,794 - \$29,590 | \$29,590 - \$59,180 | over \$59,180 | |
| | 0% | 17% | 26% | 29% | |

Income not taxed

The following types of income are not taxed in Canada (this list is not exhaustive):

- gifts and inheritances;
- lottery winnings;

- winnings from betting or gambling for simple recreation or enjoyment;
- strike pay;
- compensation paid by a province or territory to a victim of a criminal act or a motor vehicle accident*;
- certain civil and military service pensions;
- income from certain international organizations of which Canada is a member, such as the United Nations and its agencies;
- war disability pensions;
- RCMP pensions or compensation paid in respect of injury, disability, or death;
- income of First Nations, if situated on a reserve;
- capital gain on the sale of a taxpayer's principal residence;
- provincial child tax credits or benefits and Québec family allowances;
- Working income tax benefit;
- the Goods and Services Tax or Harmonized Sales Tax credit (GST/HST credit) or Quebec Sales Tax credit; and
- The Canada Child Tax Benefit.

Note that the method by which these forms of income are not taxed can vary significantly, which may have tax and other implications; some forms of income are not declared, while others are declared and then immediately deducted in full. In certain cases, the deduction may require off-setting income, while in other cases; the deduction may be used without corresponding income. Income which is declared and then deducted, for example, may create room for future Registered Retirement Savings Plan deductions. But then the RRSP contribution room may be reduced with a pension adjustment if you are part of another plan, reducing the ability to use RRSP contributions as a deduction.

Deductions which are not directly linked to non-taxable income exist, which reduce overall taxable income. A key example is Registered Retirement Savings Plan (RRSP) contributions, which is a form of tax-deferred savings account (income tax is paid only at withdrawal, and no interim tax is payable on account earnings).

*Quebec has changed its rules in 2004 and, legally, this may be taxed or may not – Courts have yet to rule.

Corporate income taxes

Corporate taxes include taxes on corporate income in Canada and other taxes and levies paid by corporations to the various levels of government in Canada. These include capital and insurance premium taxes; payroll levies (e.g., employment insurance, Canada Pension Plan, Quebec Pension Plan and

Workers' Compensation); property taxes; and indirect taxes, such as goods and services tax (GST), and sales and excise taxes, levied on business inputs.

Corporations are subject to tax in Canada on their worldwide income if they are resident in Canada for Canadian tax purposes. Corporations not resident in Canada are subject to Canadian tax on certain types of Canadian source income (Section 115 of the Canadian Income Tax Act).

The taxes payable by a Canadian resident corporation may be impacted by the type of Corporation that it is:

- A Canadian-controlled private corporation, which is defined as a corporation that is:
 - resident in Canada and either incorporated in Canada or resident in Canada from June 18, 1971, to the end of the taxation year;
 - not controlled directly or indirectly by one or more non-resident persons;
 - not controlled directly or indirectly by one or more public corporations (other than a prescribed venture capital corporation, as defined in Regulation 6700);
 - not controlled by a Canadian resident corporation that lists its shares on a prescribed stock exchange outside of Canada;
 - not controlled directly or indirectly by any combination of persons described in the three preceding conditions; if all of its shares that are owned by a non-resident person, by a public corporation (other than a prescribed venture capital corporation), or by a corporation with a class of shares listed on a prescribed stock exchange, were owned by one person, that person would not own sufficient shares to control the corporation; and
 - No class of its shares of capital stock is listed on a prescribed stock exchange.
- A private corporation, which is defined as a corporation that is:
 - resident in Canada;
 - not a public corporation;
 - not controlled by one or more public corporations (other than a prescribed venture capital corporation, as defined in Regulation 6700);
 - not controlled by one or more prescribed federal Crown corporations (as defined in Regulation 7100); and
 - Not controlled by any combination of corporations described in the two preceding conditions.
- A public corporation, defined as a corporation that is resident in Canada and meets either of the following requirements at the end of the taxation year:

- it has a class of shares listed on a prescribed Canadian stock exchange; or
- It has elected, or the Minister of National Revenue has designated it, to be a public corporation and the corporation has complied with prescribed conditions under Regulation 4800(1) on the number of its shareholders, the dispersing of the ownership of its shares, the public trading of its shares, and the size of the corporation.

If a public corporation has complied with certain prescribed conditions under Regulation 4800(2), it can elect, or the Minister of National Revenue can designate it, not to be a public corporation. Other types of Canadian resident corporations include Canadian subsidiaries of public corporations (which do not qualify as public corporations), general insurers and Crown corporations.

Provincial/territorial corporate income taxes

Corporate income taxes are collected by the CRA for all provinces and territories except Ontario, Quebec and Alberta. Provinces and territories subject to a tax collection agreement must use the federal definition of "taxable income," i.e., they are not allowed to provide deductions in calculating taxable income. These provinces and territories may provide tax credits to companies; often in order to provide incentives for certain activities such as mining exploration, film production, and job creation.

Ontario, Quebec and Alberta collect their own corporate income taxes, and therefore may develop their own definitions of taxable income. In practice, these provinces rarely deviate from the federal tax base in order to maintain simplicity for taxpayers.

Ontario has concluded negotiations with the federal government on a tax collection agreement under which its corporate income taxes would be collected on its behalf by the CRA starting in 2009.

Integration of corporate and personal income taxes

In Canada, corporate income is subject to corporate income tax and, on distribution as dividends to individuals, personal income tax. The personal income tax system, through the gross-up and dividend tax credit (DTC) mechanisms, currently provides recognition for corporate taxes, based on a 20 per cent notional federal-provincial rate, to taxable individuals resident in Canada.

Because of tax policy issues relating to the proliferation of publicly traded income trusts, the federal government has proposed to introduce an enhanced gross-up and DTC for eligible dividends received by eligible shareholders. An eligible dividend will be grossed-up by 45 per cent, meaning that the shareholder includes 145 per cent of the dividend amount in income. The DTC in respect of eligible dividends will be 19 per cent, based on the expected

federal corporate tax rate in 2010. The existing gross-up and tax credit will continue to apply to other dividends. Eligible dividends will generally include dividends paid after 2005 by public corporations (and other corporations that are not Canadian-controlled private corporations) that are resident in Canada and subject to the general corporate income tax rate.

Administration

Federal taxes are collected by the Canada Revenue Agency (CRA), formerly known as "Revenue Canada" or the "Canada Customs and Revenue Agency". Under "Tax Collection Agreements", CRA collects and remits to the provinces:

- Provincial personal income taxes on behalf of all provinces except Quebec, so that individuals outside of Quebec file only one set of tax forms each year for their federal and provincial income taxes.
- Corporate taxes on behalf of all provinces except Quebec and Alberta.

The *Ministère du revenu du Québec* collects the GST in Quebec on behalf of the federal government, and remits it to Ottawa.

The provincial governments of Nova Scotia, New Brunswick and Newfoundland and Labrador no longer impose a provincial sales tax and in those provinces the federal government collects goods and services tax at a rate 8% higher than in the other provinces. The additional revenue from this "harmonized sales tax" is paid by the federal government to the three harmonizing provinces.

Income taxes

Personal income taxes

Both the federal and provincial governments have imposed income taxes on individuals, and these are the most significant sources of revenue for those levels of government accounting for over 40% of tax revenue. The federal government charges the bulk of income taxes with the provinces charging a somewhat lower percentage. Income taxes throughout Canada are progressive with the high income residents paying a higher percentage than the low income residents.

Where income is earned in the form of a capital gain, only half of the gain is included in income for tax purposes; the other half is not taxed.

Federal and provincial income tax rates are shown at Canada Revenue Agency's website.

Personal income tax can be deferred in a Registered Retirement Savings Plan (RRSP) and tax sheltered savings accounts (which may include mutual funds and other financial instruments) that are intended to help individuals save for their retirement.

Corporate taxes

Companies and corporations pay tax on profit income and on capital. These make up a relatively small portion of total tax revenue. Tax is paid on corporate income at the corporate level before it is distributed to individual shareholders as dividends. A tax credit is provided to individuals who receive dividend to reflect the tax paid at the corporate level. This credit does not eliminate double taxation of this income completely, however, resulting in a higher level of tax on dividend income than other types of income. (Where income is earned in the form of a capital gain, only half of the gain is included in income for tax purposes; the other half is not taxed.) Corporations may deduct the cost of capital following capital cost allowance regulations.

Starting in 2002, several large companies converted into "income trusts" in order to reduce or eliminate their income tax payments, making the trust sector the fastest-growing in Canada as of 2005. Conversions were largely halted on October 31, 2006, when Finance Minister Jim Flaherty announced that new income trusts would be subject to a tax system similar to that of corporations, and that these rules would apply to existing income trusts after 2011.

Sales taxes

The federal government levies a multi-stage sales tax of 5% (6% prior to January 1, 2008), that is called the Goods and Services Tax (GST), and, in some provinces, the Harmonized Sales Tax (HST). The GST/HST is similar to a value-added tax.

All provincial governments except Alberta levy sales taxes as well. The provincial sales taxes of Nova Scotia, New Brunswick and Newfoundland and Labrador are harmonized with the GST. That is, a rate of 13% HST is charged instead of separate PST and GST. Both Quebec and Prince Edward Island apply provincial sales tax to the sum of price and GST. The territories of Nunavut, Yukon and Northwest Territories do not charge provincial sales tax.

Provincial and federal sales tax rates at the retail level on goods and some services are as follows:

| Province | HST | GST | PST | Total Tax |
|----------------------------------|------------|------------|------------|------------------|
| Alberta | | 5% | | 5% |
| British Columbia | | 5% | 7% | 12% |
| Manitoba | | 5% | 7% | 12% |
| New Brunswick | 13% | | | 13% |
| Newfoundland and Labrador | 13% | | | 13% |

| | | | | |
|-----------------------------|-----|----|------|----------|
| Nova Scotia | 13% | | | 13% |
| Ontario | | 5% | 8% | 13% |
| Prince Edward Island | | 5% | 10% | 15.5% |
| Quebec | | 5% | 7.5% | 12.875%* |
| Saskatchewan | | 5% | 5% | 10% |

* In Québec and PEI, PST is calculated on the total price including GST

Property taxes

The municipal level of government is funded largely by property taxes on residential, industrial and commercial properties. These account for about ten percent of total taxation in Canada.

Excise taxes

Both the federal and provincial governments impose excise taxes on inelastic goods such as cigarettes, gasoline, alcohol, and for vehicle air conditioners. A great bulk of the retail price of cigarettes and alcohol are excise taxes. The vehicle air conditioner tax is currently set at \$100 per air conditioning unit. Canada has some of the highest rates of taxes on cigarettes and alcohol in the world. These are sometimes referred to as sin taxes.

Payroll taxes

Ontario levies a payroll tax on employers, the "Employer Health Tax", of 1.95% of payroll. Eligible employers are exempt on the first \$400,000 of payroll. This tax was designed to replace revenues lost when health insurance premiums, which were often paid by employers for their employees, were eliminated in 1989.

Quebec levies a similar tax called the "Health Services Fund". For those who are employees, the amount is paid by employers as part of payroll. For those who are not employees such as pensioners and self-employed individuals, the amount is paid by the taxpayer.

Premiums for the Employment Insurance system and the Canada Pension Plan are paid by employees and employers. Premiums for Workers' Compensation are paid by employers. These premiums account for 12% of government revenues. These premiums are not considered to be taxes because they create entitlements for employees to receive payments from the programs, unlike taxes, which are used to fund government activities. The funds collected by the Canada Pension Plan and by the Employment Insurance are in theory separated from the general fund. It should be noted that Unemployment Insurance was

renamed to Employment Insurance to reflect the increased scope of the plan from its original intended purpose.

Employment Insurance is unlike private insurance because the individual's yearly income impacts the received benefit. Unlike private insurance, the benefits are treated as taxable earnings and if the individual had a mid to high income for the year, they could have to repay up to the full benefit received.

Health and Prescription Insurance Tax

Ontario charges a tax on income for the health system. These amounts are collected through the income tax system, and do not determine eligibility for public health care. The Ontario Health Premium is an additional amount charged on an individual's income tax that ranges from \$300 for people with \$20,000 of taxable income to \$900 for high income earners. Individuals with less than \$20,000 in taxable income are exempt.

Quebec also requires residents to obtain prescription insurance. When an individual does not have insurance, they must pay an income-derived premium. As these are income related, they are considered to be a tax on income under the law in Canada.

Other provinces, such as British Columbia, charge premiums collected outside of the tax system for the provincial medicare systems. These are usually reduced or eliminated for low-income people.

Alberta does not levy any taxes or premiums for its provincial medicare.

Estate tax

Since the government of Pierre Trudeau repealed Canada's inheritance tax in 1972, estates have been treated as sales (a "deemed disposition") upon death, except where the estate is inherited by a surviving spouse or common law partner. Tax owing is paid by the estate, and not by the beneficiaries. Registered Retirement Savings Plans and Registered Retirement Income Funds are wound down, and the assets are distributed to beneficiaries are treated as withdrawals, i.e., they are taxed as part of the income of the estate at the normal applicable personal income tax rates with no reduction for capital gains. Non-registered capital assets are treated as having been sold, and are taxed at the applicable capital gains tax rates.^[2] Interest or other income from non-registered non-capital assets that is accrued up to the date of death is taxed on the final tax return of the deceased as the normal tax rates, and is not included on the tax return of the estate.

International taxation

Canadian individuals and corporations pay income taxes based on their world-wide income. They are protected against double taxation through the foreign tax credit, which allows taxpayers to deduct from their Canadian income tax otherwise payable from the income tax paid in other countries. A citizen who is currently not a resident of Canada may petition the CRA to change his status so that income from outside Canada is not taxed.

International comparison (personal income tax)

| Comparison of taxes paid by a household earning the country's average wage (as of 2005) | | | | | |
|--|-------------------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|
| Country | Single no children | Married 2 children | Country | Single no children | Married 2 children |
| Australia | 28.3% | 16.0% | Korea | 17.3% | 16.2% |
| Austria | 47.4% | 35.5% | Luxembourg | 35.3% | 12.2% |
| Belgium | 55.4% | 40.3% | Mexico | 18.2% | 18.2% |
| Canada | 31.6% | 21.5% | Netherlands | 38.6% | 29.1% |
| Czech Republic | 43.8% | 27.1% | New Zealand | 20.5% | 14.5% |
| Denmark | 41.4% | 29.6% | Norway | 37.3% | 29.6% |
| Finland | 44.6% | 38.4% | Poland | 43.6% | 42.1% |
| France | 50.1% | 41.7% | Portugal | 36.2% | 26.6% |
| Germany | 51.8% | 35.7% | Slovak Republic | 38.3% | 23.2% |
| Greece | 38.8% | 39.2% | Spain | 39.0% | 33.4% |
| Hungary | 50.5% | 39.9% | Sweden | 47.9% | 42.4% |
| Iceland | 29.0% | 11.0% | Switzerland | 29.5% | 18.6% |
| Ireland | 25.7% | 8.1% | Turkey | 42.7% | 42.7% |
| Italy | 45.4% | 35.2% | United Kingdom | 33.5% | 27.1% |
| Japan | 27.7% | 24.9% | United States | 29.1% | 11.9% |

Source: OECD, 2005 data

Mercer Cost of Living Survey – Worldwide Rankings, 2009

The indices are based on Mercer's cost of living database and are modified to include rental accommodation costs and to reflect constant weighting and basket items. We do not recommend that expatriates use the figures represented here to compare their own compensation packages.

| Rankings | | City | Country | COL Index | |
|------------|------------|------------------|--------------|------------|------------|
| March 2009 | March 2008 | | | March 2009 | March 2008 |
| 1 | 2 | Tokyo | Japan | 143.7 | 127 |
| 2 | 11 | Osaka | Japan | 119.2 | 110 |
| 3 | 1 | Moscow | Russia | 115.4 | 142.4 |
| 4 | 8 | Geneva | Switzerland | 109.2 | 115.8 |
| 5 | 6 | Hong Kong | Hong Kong | 108.7 | 117.6 |
| 6 | 9 | Zurich | Switzerland | 105.2 | 112.7 |
| 7 | 7 | Copenhagen | Denmark | 105.0 | 117.2 |
| 8 | 22 | New York City | US | 100.0 | 100.0 |
| 9 | 20 | Beijing | China | 99.6 | 101.9 |
| 10 | 13 | Singapore | Singapore | 98.0 | 109.1 |
| 134 | 133 | Tunis | Tunisia | 58.4 | 64.4 |
| 135 | 117 | Chennai (Madras) | India | 57.7 | 69.3 |
| 136 | 142 | Quito | Ecuador | 56.3 | 54.6 |
| 137 | 108 | Mexico City | Mexico | 55.5 | 73.6 |
| 138 | 78 | Auckland | New Zealand | 54.0 | 81 |
| 139 | 93 | Wellington | New Zealand | 52.3 | 77.6 |
| 140 | 141 | Karachi | Pakistan | 50.7 | 54.7 |
| 141 | 143 | Asuncion | Paraguay | 49.9 | 52.5 |
| 142 | 131 | Monterrey | Mexico | 49.8 | 65.8 |
| 143 | 140 | Johannesburg | South Africa | 49.6 | 60.4 |

Source: <http://www.finfacts.ie/costofliving.htm>

Canada Pension Plan

The Canada Pension Plan (CPP) is a contributory, earnings-related social insurance program. It forms one of the two major components of Canada's public retirement income system, the other component being Old Age Security (OAS). Other parts of Canada's retirement system are private pensions, either employer-sponsored or from tax-free individual savings (known in Canada as a Registered Retirement Savings Plan).

The CPP program mandates all employed Canadians who are 18 years of age and over to contribute a prescribed portion of their earnings income to a nationally administered pension plan. The plan is administered by Human Resources and Social Development Canada on behalf of employees in all provinces and territories except Quebec, which operates an equivalent plan, the Quebec Pension Plan. Changes to the CPP require the approval of at least 2/3 of Canadian provinces representing at least 2/3 of the country's population. In addition, under section 94A of the Canadian Constitution, pensions are a provincial responsibility, so any province may establish a plan anytime. Lester Bowles Pearson oversaw the implementation of the CPP as Prime Minister.

The CPP is funded on a "steady-state" basis, with its current contribution rate set so that it will remain constant for the next 75 years, by accumulating a reserve fund sufficient to stabilize the asset/expenditure and funding ratios over time. Such a system is a hybrid between a fully funded one and a "pay-as-you-go" plan. In other words, assets held in the CPP fund are by themselves insufficient to pay for all future benefits accrued to date but sufficient to prevent contributions from rising any further. While a sustainable path for this particular plan, it is not typical of other public or private sector pension plans. A study published in April 2007 by the CPP's chief actuary showed that this type of funding method is "robust and appropriate" given reasonable assumptions about future conditions. The chief actuary submits a report to Parliament every three years on the financial status of the plan.

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History

Initial plans for a public contributory pension plan in Canada were drawn from 1957 to 1963, under the Conservative governments of Prime Minister John G. Diefenbaker, but the final details of the CPP were only settled under the Liberal governments of Lester B. Pearson, between 1963 and 1965. Negotiations with the government of Quebec were also important in shaping the program, because of the need to amend the Canadian Constitution (i) to include disability and survivor benefits in the federal plan, combined with (ii) Quebec's desire to establish its own scheme. After section 94A of the Constitution was amended in 1964 to settle both points, the CPP was launched at the start of 1966 (all of the preceding history is described in "Wrestling With the Poor Cousin: Canada Pension Plan Disability Policy and Practice, 1964 - 2001").

At its inception, the prescribed CPP contribution rate was 1.8% of an employee's gross income up to an annual maximum. Over time, the contribution rate was increased slowly. However, by the 1990s, it was concluded that the "pay-as-you-go" structure would lead to excessively high contribution rates within 20 years or so, due to Canada's changing demographics, increased life expectancy of Canadians, a changing economy, benefit improvements and increased usage of disability benefits (all as referenced in the Chief Actuary's study of April 2007, noted above). The same study reports that the reserve fund was expected to run out by 2015. This impending pension crisis sparked an extensive review by the federal and provincial governments in 1996. As a part of the major review process, the federal government actively conducted consultations with the Canadian public to solicit suggestions, recommendations, and proposals on how the CPP could be restructured to achieve sustainability once again. As a direct result of this public consultation process and internal review of the CPP, the following key changes were proposed and jointly approved by the Federal and provincial governments in 1997:

- Total CPP contribution rates (employer/employee combined) were increased annually from 6% of pensionable earnings in 1997 to 9.9% by 2003.
- Continuously seek out ways to reduce CPP administration and operating costs.
- Move towards a hybrid structure to take advantage of investment earnings on accumulated assets. Instead of a "pay-as-you-go" structure, the CPP is expected to be 20% funded by 2014, such funding ratio to constantly increase thereafter towards 30% by 2075 (that is, the CPP Reserve Fund will equal 30% of the "liabilities" - or accrued pension obligations).
- Creation of the CPP Investment Board (CPPIB).
- Review the CPP and CPPIB every 3 years.

Contributions and Benefits

In 2007, the prescribed contribution rate is 4.95% of a salaried worker's gross employment income between \$3,500 and \$43,700, up to a maximum contribution of \$1,989.90. The employer matches the employee contribution, effectively doubling the contributions of the employee. If a worker is self-employed, he/she must pay both halves of the contribution. The rate of 4.95% has been in effect since 2003.

Historical contribution rates and contributory earnings can be found in Table A of this document.

When the contributor reaches the normal retirement age of 65 (a reduced pension is available from age 60), the CPP provides regular pension benefit payments to the contributor, calculated as 25% of the average contributory maximum over the entire working life of a contributor (*not* just the last 5 years). There are provisions that enable the lower-earnings years in a contributor's contributory period to be dropped out due to disability, child rearing, or other reasons. CPP benefit payments are taxable as ordinary income. The CPP also provides disability pensions to eligible workers who become disabled in a severe and prolonged fashion, and survivor benefits to survivors of workers who die before they begin receiving retirement benefits. If an application for disability pension is denied, an appeal can be made for reconsideration, and then to the Canada Pension Plan / Old Age Security Review Tribunals or Pension Appeals Boards (POA).

CPP Investment Board

Under the direction of then Finance Minister Paul Martin, the CPP Investment Board was created in 1997 as an organization independent of the government to monitor and invest the funds held by the CPP. In turn, the CPP Investment Board created the CPP Reserve Fund. The CPP Investment Board is a crown corporation created by an Act of Parliament. It reports quarterly on its performance, has a professional management team to oversee the operation of various aspects of the CPP reserve fund and also to plan changes in direction, and a board of directors that is accountable to but independent from the federal government.

Socially Responsible Investing

The growing issue of socially responsible investing has been raised for the CPPIB, with civil society groups like ACT for the Earth and Interprets expressing concerns about the investment policies of the CPP Investment Board, alleging potential conflicts of interest or asking for the adoption of ethical investment policies. These groups have criticized the CPP's investments in arms manufacturers, tobacco companies, big oil, and companies that engage in criminal activities. The CPP Investment Board (CPPIB) has responded with a

Policy on Responsible Investing. ACT for the Earth countered this with its own report, *Against Common Sense*, which argues that the CPPIB uses its proxy shares in a wide array of companies "to vote against peace, ecology, and human rights at numerous corporate shareholder meetings," in direct violation of its own responsible investing policies.

Future and Direction

David Denison is the current Chief Executive Officer of the Canada Pension Plan Investment Board. An article in the May 18, 2006 *Globe and Mail* reported that the CPPIB plans to increase the fund's foreign investments. According to the 2007 Annual Report, about 45% of the fund's assets are now invested in securities domiciled outside Canada, largely in the United States and Western Europe. In addition, the CPPIB has been broadening the scope its investments to include emerging markets, although Mr. Denison would not pinpoint a specific country or area. "Canada as a single market cannot accommodate the future growth of our organization," said Mr. Denison.

In recent years, the CPPIB has also changed direction in its investment philosophy. It evolved from investing exclusively in non-marketable government bonds to passive index-fund strategies and, more recently, to active investment strategies.

Growth and Strategy

The CPP reserve fund receives its funds from the CPP and invests them like a typical large fund manager would. The CPP reserve fund seeks to achieve at least the projected return (inflation-adjusted) needed to help sustain the CPP, a rate set at 4.1% by 2020 in the CPP actuary's report, grading down from 5.0% in 2005. As indicated in its Financial Highlights for the fiscal year ended March 31, 2007 (document consulted on Aug. 3, 2007), the CPP reserve fund averaged 13.6% return in the past 4 years, well in excess of Canadian inflation rates.

The CPP reserve fund is aiming to achieve the following growth targets (in assets):

- \$147 billion by 2010.
- \$200 billion by 2015.
- \$592 billion by 2030.
- \$1.55 trillion by 2050.

The strategies used to achieve these targets are listed on the CPPIB website, and include the following:

1. **Diversification.** In 1997, the CPP fund was 100% invested in federal government bonds, but it has since diversified not only by asset class, but also internationally.

2. Employing basic asset allocation theories. With diversification of investments as one of their objectives, the current asset mix is now as follows:
 - Public Equity => 51.8%
 - Fixed Income => 25.6%
 - Private equity => 10.9%
 - Inflation Sensitive Assets => 11.7%
3. Using equity firms to assist in achieving targets for each asset class. The CPP reserve fund allocates certain amounts to various pre-qualified equity firms to be managed and used towards reaching the growth targets. For example, the CPP Investment Board hires private equity firms to help it invest in private companies, fund managers to help it invest in public equities, bond managers to assist in investing in bonds (within Canada and foreign bonds), and so forth.

Performance

The total growth of the CPP Reserve Fund is derived from the CPP contributions of working Canadians, and the return on investment of the contributions. The portion of CPP Reserve Fund growth due to CPP contributions varies from year to year, but has shown a slight decrease in the years 2008/2009. The historical growth with the investment performance is tabulated as follows:

| Date | Net Asset Value (CAD)* | Rate of Return (annual)** |
|--------------------|-------------------------------|----------------------------------|
| Mar 2003 | \$55.6 Billion | -1.1% |
| Mar 2004 | \$70.5 Billion | +10.3% |
| Mar 2005 | \$81.3 Billion | +8.5% |
| Mar 2006 | \$98 Billion | +15.5% |
| Mar 2007 | \$116.6 Billion | +12.9% |
| Mar 2008*** | \$122.7 Billion | -0.29% |
| Mar 2009 | \$105.5 Billion | -18.6% |
| Mar 2010 | 116.6 Billion | 7.6% |

*Assets are as at the period end date (March 31).

**Commencing in fiscal 2007, the rate of return reflects the performance of the CPP Fund which excludes the short-term cash required to pay current benefits.

***Increased fund value due to worker and employer CPP contributions not needed to pay current benefits. The negative investment return amounted to \$303 million CAD

Canada Pension Plan (CPP)

You have to deduct CPP contributions from an employee's remuneration if that employee:

- ✓ is 18 years or older, but younger than 70;
- ✓ is in pensionable employment during the year; and
- ✓ Does not receive a CPP or QPP retirement or disability pension.

Use the CPP contributions rates, maximums and exemptions Chart, to determine how much CPP contributions to deduct.

As an employer, you must also contribute the same amount of CPP that you deduct from your employees' remuneration.

Employment not subject to CPP

Do not deduct CPP contributions from payments for these types of employment:

- employment in agriculture, an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging, and lumbering, by an employer:
 - who pays the employee less than \$250 in cash remuneration in a calendar year or
 - employs the employee for a period of less than 25 working days in the same year on terms providing for payment of cash remuneration —the working days don't have to be consecutive;

Note

In a calendar year, when the employee reaches \$250 or more in cash remuneration or works 25 days or more, the employment is pensionable starting from the first day of work.

- ✓ casual employment if it is for a purpose other than your usual trade or business;
- ✓ employment as a teacher on exchange from a foreign country;
- ✓ employment of a spouse or common-law partner if you cannot deduct the remuneration paid as an expense under the Income Tax Act;
- ✓ employment of your child or a person that you maintain if no cash remuneration is paid;
- ✓ employment of a person in a rescue including disaster operation, as long as you do not regularly employ that person for that purpose;
- ✓ employment of a person in connection with a circus, fair, parade, carnival, exposition, exhibition, or other similar activity, except for entertainers, if that person:
 - is not your regular employee; and
 - works for less than seven days in the year;

Note (1)

When the employee works seven days or more, the employment is pensionable from the first day of work.

- employment by a government body as an election worker if the worker:
 - ✓ is not a regular employee of the government body; and
 - ✓ works for less than 35 hours in a calendar year;

Note (2)

- When the employee works 35 hours or more, the employment is pensionable from the first day worked.
- Employment of a member of a religious order who has taken a vow of perpetual poverty. This applies whether the remuneration is paid directly to the order or the member pays it to the order.

For information on situations when CPP contributions are required, see Amounts and benefits subject to CPP contributions.

If you are not sure whether you should deduct CPP after reading these pages, you can request a ruling.

Sales taxes in Canada

In Canada there are three types of sales taxes: provincial sales taxes or PST, the federal Goods and Services Tax or GST, and the Harmonized Sales Tax or HST.

Every province except Alberta implements a Provincial Sales Tax or the Harmonized Sales Tax. The Yukon, Northwest Territories and Nunavut do not have any type of regional sales tax. The federal GST rate is 5% effective January 1, 2008.

- Goods & Services Tax
- Harmonized Sales Tax
- Provincial Sales Taxes

Goods & Services Tax

The federal government's sales tax is a value-added tax.

Harmonized Sales Tax

The Harmonized Sales Tax (HST) is used in certain provinces to combine the federal Goods and Services Tax (GST) and the Provincial Sales Tax (PST) into a single, blended, sales tax. Currently, there is a 13% HST in the provinces of New Brunswick, Newfoundland, and Nova Scotia. The HST is collected by the Canada Revenue Agency, which then remits the appropriate amounts to the participating provinces. Like the GST, the HST is value-added. Effective July 1, 2010 British Columbia and Ontario will adopt HST replacing their current PST at 12% and 13% respectively.

Provincial Sales Taxes

Separate Provincial Sales Taxes (PST) are collected in the provinces of British Columbia, Saskatchewan, Manitoba, Ontario, Quebec (called QST for Quebec

Sales Tax, in French *TVQ, Taxes des Ventes du Québec*), and Prince Edward Island. Goods to which the tax is applied varies by province, as does the rate. Moreover, for those provinces whose provincial sales tax is applied to the combined cost and GST, provincial revenues decline or increase with respective changes in the GST. Of the provincial sales taxes, only the QST (and the HST) are value-added; the rest are cascading taxes.

| Province | Rate (%) | Combined fed./prov. rate (%) | Note |
|---------------------------|----------|------------------------------|--|
| British Columbia | 7 | 12 | <ul style="list-style-type: none"> • food, fuel, children's sized clothes and footwear as well as some other items and service are exempted (see Sales taxes in British Columbia for more detail) • Alcohol is taxed at 10%. • Passenger vehicles are taxed at between 7% to 10% based on purchase price. • Harmonized Sales Tax takes effect on July 1, 2010. |
| Alberta | 0 | 5 | <ul style="list-style-type: none"> • Alberta has no provincial sales tax. There is a 4% tax on lodging. |
| Saskatchewan | 5 | 10 | <ul style="list-style-type: none"> • Reduced from 7% on 28 October 2006 • There is a separate 10% liquor consumption tax. The non-alcoholic portion of a restaurant meal is not taxed. |
| Manitoba | 7 | 12 | <ul style="list-style-type: none"> • |
| Ontario | 8 | 13 | <ul style="list-style-type: none"> • PST is usually 8%, but is 5% on lodging, 10% on entertainment and alcohol at restaurants and 12% on alcohol at retail stores on top of the flat LCBO liquor mark-ups. • Harmonized Sales Tax takes effect on July 1, 2010. |
| Quebec | 7.5 | 12.875 | <ul style="list-style-type: none"> • Provincial rate is nominally 7.5%, but also applied to federal 5% GST. Effectively 7.875% |
| Prince Edward Island | 10 | 15.5 | <ul style="list-style-type: none"> • Provincial rate is nominally 10%, but also applied to federal 5% GST. Effectively 10.5% |
| New Brunswick | 13 | | <ul style="list-style-type: none"> • Harmonized Sales Tax includes provincial tax and GST |
| Nova Scotia | 13 | | |
| Newfoundland and Labrador | 13 | | |

GST/HST rates

Goods and services tax/harmonized sales tax (GST/HST) is a tax that applies on most supplies of goods and services made in Canada. GST/HST also applies to intangible property such as trademarks, rights to use a patent, digitized products downloaded from the Internet and paid for individually, and options to purchase property.

The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the harmonized sales tax (HST). HST applies to the same base of goods and services as GST.

Non-Refundable Tax Credit Blocks BC / 2000-2010

| Credit | Base Amount | | | | | | | | | | | Subject to Indexing | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|------|---------------------------|-----|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | | |
| Personal Credits | | | | | | | | | | | | | |
| Basic Personal Amount | \$7,231 | \$8,000 | \$8,168 | \$8,307 | \$8,523 | \$8,676 | \$8,858 | \$9,027 | \$9,189 | \$9,373 | | \$11,000 | yes |
| Spousal Reduced when spousal income exceeds | \$6,140 (\$614) | \$6,850 (\$685) | \$6,994 (\$699) | \$7,113 (\$711) | \$7,298 (\$730) | \$7,429 (\$743) | \$7,585 (\$759) | \$7,729 (\$773) | \$7,868 (\$787) | \$8,026 (\$803) | | \$9,653 (\$965) | yes |
| Eligible Dependant Reduced when dependant income exceeds | \$6,140 (\$614) | \$6,850 (\$685) | \$6,994 (\$699) | \$7,113 (\$711) | \$7,298 (\$730) | \$7,429 (\$743) | \$7,585 (\$759) | \$7,729 (\$773) | \$7,868 (\$787) | \$8,026 (\$803) | | \$9,653 (\$965) | yes |
| Infirm Dependant Credit Reduced when dependant income exceeds | \$2,386 (\$11,661) | \$2,424 (\$5,576) | \$3,574 (\$5,693) | \$3,635 (\$5,790) | \$3,730 (\$5,940) | \$3,797 (\$6,047) | \$3,876 (\$6,174) | \$3,949 (\$6,292) | \$4,021 (\$6,405) | \$4,101 (\$6,533) | | \$4,118 (\$6,559) | yes |
| In-home care of relative Reduced when relative's income exceeds | \$2,386 (\$4,845) | \$2,424 (\$11,848) | \$3,574 (\$12,096) | \$3,634 (\$12,302) | \$3,730 (\$12,621) | \$3,796 (\$12,849) | \$3,877 (\$13,118) | \$3,949 (\$13,368) | \$4,021 (\$13,608) | \$4,101 (\$13,881) | | \$4,118 (\$13,936) | yes |
| Age (65 or older by end of taxation year) Reduced when income exceeds | \$3,531 (\$26,284) | \$3,587 (\$26,705) | \$3,663 (\$27,265) | \$3,725 (\$27,729) | \$3,822 (\$28,450) | \$3,891 (\$28,962) | \$3,972 (\$29,570) | \$4,048 (\$30,132) | \$4,121 (\$30,674) | \$4,203 (\$31) | | \$4,220 (\$31) | yes |
| Pension Credit | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | | \$1,000 | no |
| Adoption Expense Credit Based on actual adoption expenses to a maximum of '1' (based on federal indexed maximum amount) | - | - | - | - | - | - | - | Actual | Actual | Actual | | Actual | no |
| Charitable and other gifts Lowest tax rate on first \$200; highest tax rate on excess | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | | Actual | no |
| Medical Expense Credit Reduced by lesser of '2' or 3% of net income | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | | Actual | yes |
| Credit for Mental or Physical Impairment | \$4,293 | \$4,362 | \$6,126 | \$6,230 | \$6,392 | \$6,507 | \$6,644 | \$6,770 | \$6,892 | \$7,030 | | \$7,058 | yes |
| Credit for Mental or Physical Impairment for child under 18 Reduced by attendant care and child care expenses in excess of '3' claimed in respect of the impaired child | \$2,941 \$2,000 | \$2,988 \$2,032 | \$3,574 \$2,075 | \$3,635 \$2,110 | \$3,729 \$2,165 | \$3,796 \$2,204 | \$3,876 \$2,250 | \$3,950 \$2,293 | \$4,021 \$2,334 | \$4,101 \$2,381 | | \$4,118 \$2,391 | yes |
| Tuition Credit | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | | Actual | no |
| Education Full-time student Part-time student | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | \$200/month \$60/month | | \$200/month \$60/month | no |
| Student Loan Interest | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | | Actual | no |
| EI and CPP Credit | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | | Actual | no |

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|
| 1 | - | - | - | - | - | - | - | \$10,445 | \$10,643 | \$10,909 | \$10,975 |
| 2 | \$1,637 | \$1,633 | \$1,698 | \$1,727 | \$1,772 | \$1,804 | \$1,842 | \$1,877 | \$1,911 | \$1,949 | \$1,957 |
| 3 | \$2,000 | \$2,032 | \$2,075 | \$2,110 | \$2,165 | \$2,204 | \$2,250 | \$2,293 | \$2,334 | \$2,381 | \$2,391 |

2010 indexation adjustment for personal income tax and benefit amounts

Each year, certain personal income tax and benefit amounts are indexed to inflation using the Consumer Price Index data as reported by Statistics Canada.

Increases to tax bracket thresholds, amounts relating to non-refundable credits, and most other amounts will take effect on January 1, 2010. However, increases to the Canada Child Tax Benefit (including the National Child Benefit Supplement and the Child Disability Benefit) and the goods and services tax credit will take effect on July 1, 2010, to coincide with the beginning of the program year for payment of these benefits.

The following chart compares the indexed amounts for the 2009 and 2010 tax years. It reflects an indexation increase of 0.6% for 2010.

| Year | 2010 (\$) | 2009 (\$) |
|--|---------------|-----------------------|
| Tax bracket thresholds | | |
| Taxable income above which the 22% bracket begins | 40,970 | 40,726 ^[1] |
| Taxable income above which the 26% bracket begins | 81,941 | 81,452 ^[1] |
| Taxable income above which the 29% bracket begins | 127,021 | 126,264 |
| Amounts relating to non-refundable tax credits | | |
| Basic personal amount | 10,382 | 10,320 ^[1] |
| Age amount | 6,446 | 6,408 ^[1] |
| Net income threshold | 32,506 | 32,312 |
| Spouse or common-law partner amount (max.) | 10,382 | 10,320 ^[1] |
| Amount for an eligible dependant (max.) | 10,382 | 10,320 ^[1] |
| Amount for children under age 18 (max. per child) | 2,101 | 2,089 |
| Canada employment amount (max.) | 1,051 | 1,044 |
| Infirm dependant amount (max. per dependant) | 4,223 | 4,198 |
| Net income threshold | 5,992 | 5,956 |
| Caregiver amount (max. per dependant) | 4,223 | 4,198 |
| Net income threshold | 14,422 | 14,336 |
| Disability amount | 7,239 | 7,196 |
| Supplement for children with disabilities (max.) | 4,223 | 4,198 |
| Threshold relating to allowable child care and attendant care expenses | 2,473 | 2,459 |
| Adoption expenses (max. per adoption) | 10,975 | 10,909 |
| Medical expense tax credit—3% of net income ceiling | 2,024 | 2,011 |
| Refundable medical expense supplement | | |
| Maximum supplement | 1,074 | 1,067 |
| Minimum earnings threshold | 3,135 | 3,116 |
| Family net income threshold | 23,775 | 23,633 |
| Old Age Security repayment threshold | 66,733 | 66,335 |

| Certain board and lodging allowances paid to players on sports teams or members of recreation programs | | |
|---|---------------|------------------------------|
| Income exclusion (max. per month) | 315 | 313 |
| Tradesperson's tools deduction | | |
| Threshold amount relating to cost of eligible tools | 1,051 | 1,044 |
| Goods and services tax credit | | |
| Adult maximum | 250 | 248 |
| Child maximum | 131 | 130 |
| Single supplement | 131 | 130 |
| Phase-in threshold for the single supplement | 8,096 | 8,047 |
| Family net income at which credit begins to phase out | 32,506 | 32,312 |
| Canada Child Tax Benefit | | |
| Base benefit | 1,348 | 1,340 |
| Additional benefit for third child | 94 | 93 |
| Family net income at which base benefit begins to phase out | 40,970 | 40,726 ^[1] |
| National Child Benefit (NCB) supplement | | |
| First child | 2,088 | 2,076 |
| Second child | 1,848 | 1,837 |
| Third child | 1,758 | 1,747 |
| Family net income at which NCB supplement begins to phase out | 23,855 | 23,710 ^[2] |
| Family net income at which NCB supplement phase-out is complete | 40,970 | 40,726 ^[1] |
| Canada Disability Benefit (CDB) | | |
| Maximum benefit | 2,470 | 2,455 |
| Family net income at which CDB supplement begins to phase out | 40,970 | 40,726 ^[1] |
| Children's Special Allowances (CSA) | | |
| CSA Base Amount | 3,436 | 3,416 |

Notes:[1] Under changes announced in the January 27, 2009 Federal Budget, certain values changed for 2009 as follows:

- The upper taxable income threshold of the 15% tax bracket was increased to \$40,726.
- The upper taxable income threshold of the 22% tax bracket was increased to \$81,452.
- The basic personal amount, the maximum spouse or common-law partner amount, and the maximum amount for an eligible dependant were increased to \$10,320.
- The maximum age amount was increased to \$6,408.
- The family net income at which the CCTB and CDB begins to be phased out and at which the NCB supplement phase-out is complete for most families, changed to \$40,726.

[2] The 2009 value increased to \$23,710 as a result of changes to the federal tax bracket threshold amounts as noted in Note 1, above.

Indexation adjustment for personal income tax and benefit amounts / 2005-2010

| | 2005 (\$) | 2006 (\$) | 2007 (\$) | 2008 (\$) | 2009 (\$) | 2010 (\$) |
|---|--------------|--------------|--------------|--------------|---------------|--------------|
| Tax bracket thresholds | | | | | | |
| Taxable income above which the 22% bracket begins | 35,595 | 36,378 | 37,178 | 37,885 | <u>40,726</u> | 40,970 |
| Taxable income above which the 26% bracket begins | 71,190 | 72,756 | 74,357 | 75,769 | <u>81,452</u> | 81,941 |
| Taxable income above which the 29% bracket begins | 115,739 | 118,285 | 120,887 | 123,184 | 126,264 | 127,021 |
| Amounts relating to non-refundable tax credits | | | | | | |
| Basic personal amount | 8,648 | 9,039 | 9,600 | 9,600 | <u>10,320</u> | 10,382 |
| Age amount | 3,979 | 4,066 | 5,177 | 5,276 | <u>6,408</u> | 6,446 |
| Net income threshold | 29,619 | 30,270 | 30,936 | 31,524 | 32,312 | 32,506 |
| Spouse or common-law partner amount (max.) | 7,344 | 7,675 | 9,600 | 9,600 | <u>10,320</u> | 10,382 |
| Amount for an eligible dependant (max.) | - | 7,505 | 9,600 | 9,600 | <u>10,320</u> | 10,382 |
| Amount for children under age 18 (max. per child) | - | - | 2,000 | 2,038 | 2,089 | 2,101 |
| Canada employment amount (max.) | - | - | 1,000 | 1,019 | 1,044 | 1,051 |
| Infirm dependant amount (max. per dependant) | 3,848 | 3,933 | 4,019 | 4,095 | 4,198 | 4,223 |
| Net income threshold | 5,460 | 5,580 | 5,702 | 5,811 | 5,956 | 5,992 |
| Caregiver amount (max. per dependant) | 3,848 | 3,933 | 4,019 | 4,095 | 4,198 | 4,223 |
| Net income threshold | 13,141 | 13,430 | 13,726 | 13,986 | 14,336 | 14,422 |
| Disability amount | 6,596 | 6,741 | 6,890 | 7,021 | 7,196 | 7,239 |
| Supplement for children with disabilities (max.) | 3,848 | 3,933 | 4,019 | 4,095 | 4,198 | 4,223 |
| Threshold relating to allowable child care and attendant care expenses | 2,254 | 2,303 | 2,354 | 2,399 | 2,459 | 2,473 |
| Adoption expenses (max. per adoption) | 10,000 | 10,220 | 10,445 | 10,643 | 10,909 | 10,975 |
| Medical expense tax credit—3% of net income ceiling | 1,844 | 1,884 | 1,926 | 1,962 | 2,011 | 2,024 |
| Refundable medical expense supplement | | | | | | |
| Maximum supplement | 750 | 1,000 | 1,022 | 1,041 | 1,067 | 1,074 |
| Minimum earnings threshold | 2,857 | 2,919 | 2,984 | 3,040 | 3,116 | 3,135 |
| Family net income threshold | 21,663 | 22,140 | 22,627 | 23,057 | 23,633 | 23,775 |
| Old Age Security repayment threshold | 60,806 | 62,144 | 63,511 | 64,718 | 66,335 | 66,733 |
| Certain board and lodging allowances paid to players on sports teams or members of recreation programs | | | | | | |
| Income exclusion (max. per month) | - | - | - | - | 313 | 315 |
| Tradesperson's tools deduction | | | | | | |
| Threshold amount relating to cost of eligible tools | - | - | - | - | 1,044 | 1,051 |
| Goods and services tax credit (GSTC) | | | | | | |
| Adult maximum | 227 | 232 | 237 | 242 | 248 | 250 |
| Child maximum | 120 | 122 | 125 | 127 | 130 | 131 |
| Single supplement | 120 | 122 | 125 | 127 | 130 | 131 |
| Phase-in threshold for the single supplement | 7,377 | 7,539 | 7,705 | 7,851 | 8,047 | 8,096 |
| Family net income at which credit begins to phase out | 29,618 | 30,270 | 30,936 | 31,524 | 32,312 | 32,506 |
| Canada Child Tax Benefit | | | | | | |
| Base benefit | 1,228 | 1,255 | 1,283 | 1,307 | 1,340 | 1,348 |
| Additional benefit for third child | 86 | 88 | 90 | 91 | 93 | 94 |
| Additional benefit for children under 7 years | 243 | 249 | - | - | - | - |
| Family net income at which base benefit begins to phase out | 35,595 | 36,378 | 37,178 | 37,885 | <u>40,726</u> | 40,970 |

| National Child Benefit (NCB) supplement | | | | | | |
|---|--------|--------|--------|--------|---------------|--------|
| First child | 1,722 | 1,945 | 1,988 | 2,025 | 2,076 | 2,088 |
| Second child | 1,502 | 1,720 | 1,758 | 1,792 | 1,837 | 1,848 |
| Third child | 1,420 | 1,637 | 1,673 | 1,704 | 1,747 | 1,758 |
| Family net income at which NCB supplement begins to phase out | - | - | 20,883 | 21,287 | <u>23,710</u> | 23,855 |
| Family net income at which NCB supplement phase-out is complete | 35,595 | 36,378 | 37,178 | 37,885 | <u>40,726</u> | 40,970 |
| Canada Disability Benefit (CDB) | | | | | | |
| Maximum benefit | 2,000 | 2,300 | 2,351 | 2,395 | 2,455 | 2,470 |
| Family net income at which CDB supplement begins to phase out | 35,595 | 36,378 | 37,178 | 37,885 | <u>40,726</u> | 40,970 |
| Children's Special Allowances (CSA) | | | | | | |
| CSA Base Amount | - | - | 3,271 | 3,332 | 3,416 | 3,436 |

The GST/HST rates are as follows:

On or after January 1, 2008

GST rate is 5%

HST rate is 13% (5% federal part and 8% provincial part)

Before January 1, 2008 and after June 30, 2006

GST rate was 6%

HST rate was 14% (6% federal part and 8% provincial part)

Before July 1, 2006 and after December 31, 1990

GST rate was 7%

Before July 1, 2006 and after March 31, 1997

HST rate was 15% (7% federal part and 8% provincial part)

EI premium rates and maximums 1996-2010

| Year | Max. Insurable Earnings Weekly | Max. Annual Insurable Earnings | Rate (%) | Max. Annual Employee Premium | Max. Annual Employer Premium |
|------|--------------------------------|--------------------------------|----------|------------------------------|------------------------------|
| 2010 | N/A | \$43,200 | 1.73 | \$747.36 | \$1,046.51 |
| 2009 | N/A | \$42,300 | 1.73 | \$731.79 | \$1,024.51 |
| 2008 | N/A | \$41,100 | 1.73 | \$711.03 | \$995.44 |
| 2007 | N/A | \$40,000 | 1.80 | \$720.00 | \$1,008.00 |
| 2006 | N/A | \$39,000 | 1.87 | \$729.30 | \$1,021.02 |
| 2005 | N/A | \$39,000 | 1.95 | \$760.50 | \$1,064.70 |
| 2004 | N/A | \$39,000 | 1.98 | \$772.20 | \$1,081.08 |
| 2003 | N/A | \$39,000 | 2.10 | \$819.00 | \$1,146.60 |
| 2002 | N/A | \$39,000 | 2.20 | \$858.00 | \$1,201.20 |
| 2001 | N/A | \$39,000 | 2.25 | \$877.50 | \$1,228.50 |
| 2000 | N/A | \$39,000 | 2.40 | \$936.00 | \$1,310.49 |
| 1999 | N/A | \$39,000 | 2.55 | \$994.50 | \$1,392.30 |
| 1998 | N/A | \$39,000 | 2.70 | \$1,053.00 | \$1,474.20 |
| 1997 | N/A | \$39,000 | 2.90 | \$1,131.00 | \$1,583.40 |
| 1996 | \$750 | \$39,000 | 2.95 | \$1,150.50 | \$1,610.70 |

Important Note

For 2009, EI premium rates for Quebec will be 1.38% for employees and 1.93% for employers. Quebec offers its own parental benefits. For more information, visit the Revenue Québec site.

CPP contribution rates, maximums and exemptions

| Year | Max. Annual Pensionable Earnings | Basic Exemption | Maximum Contributory Earnings | Employee Contribution Rate (%) | Max. Annual Employee Contribution | Max. Annual Self-Employed Contribution |
|------|----------------------------------|-----------------|-------------------------------|--------------------------------|-----------------------------------|--|
| 2010 | \$47,200 | \$3,500 | \$43,700 | 4.95 | \$2,163.15 | \$4,326.30 |
| 2009 | \$46,300 | \$3,500 | \$42,800 | 4.95 | \$2,118.60 | \$4,237.20 |
| 2008 | \$44,900 | \$3,500 | \$41,400 | 4.95 | \$2,049.30 | \$4,098.60 |
| 2007 | \$43,700 | \$3,500 | \$40,200 | 4.95 | \$1,989.90 | \$3,979.80 |
| 2006 | \$42,100 | \$3,500 | \$38,600 | 4.95 | \$1,910.70 | \$3,821.40 |
| 2005 | \$41,100 | \$3,500 | \$37,600 | 4.95 | \$1,861.20 | \$3,722.40 |
| 2004 | \$40,500 | \$3,500 | \$37,000 | 4.95 | \$1,831.50 | \$3,663.00 |
| 2003 | \$39,900 | \$3,500 | \$36,400 | 4.95 | \$1,801.80 | \$3,603.60 |
| 2002 | \$39,100 | \$3,500 | \$35,600 | 4.70 | \$1,673.20 | \$3,346.40 |
| 2001 | \$38,300 | \$3,500 | \$34,800 | 4.30 | \$1,496.40 | \$2,992.80 |
| 2000 | \$37,600 | \$3,500 | \$34,100 | 3.90 | \$1,329.90 | \$2,373.00 |
| 1999 | \$37,400 | \$3,500 | \$33,900 | 3.50 | \$1,186.50 | \$2,373.00 |
| 1998 | \$36,900 | \$3,500 | \$33,400 | 3.20 | \$1,068.80 | \$2,137.60 |
| 1997 | \$35,800 | \$3,500 | \$32,300 | 2.925* | \$944.78 | \$1,889.55 |

* For 1997, the CPP rate was adjusted to 3.0% with a payment on filing the T1 tax return (max. \$969).

Meal and vehicle rates used to calculate travel expenses for 2007

Meal expenses

If you choose the detailed method to calculate meal expenses, you have to keep your receipts. If you choose the simplified method, you may claim a flat rate of \$17 a meal, to a maximum of \$51 per day, per person, without receipts.

Vehicle expenses

If you choose the detailed method to calculate vehicle expenses, you must keep all receipts and records for the vehicle expenses you incurred for moving expenses or for northern residents deductions during the tax year; or during the 12-month period you choose for medical expenses.

Vehicle expenses include:

- Operating expenses such as fuel, oil, tires, license fees, insurance, maintenance, and repairs.
- Ownership expenses such as depreciation, provincial tax, and finance charges.

You also have to keep track of the number of kilometers you drove in that time period, as well as the number of kilometers you drove specifically for the purpose of moving or medical expenses, or for the northern residents' deductions. Your claim for vehicle expenses is the percentage of your total vehicle expenses that relate to the kilometers driven for moving or medical expenses, or for northern residents' deductions.

For example, if you drove 10,000 km during the year, and half of that was related to your move, you can claim half of the total vehicle expenses on your tax return.

If you choose the simplified method of calculating vehicle expenses, you do not need to keep receipts. Instead, you must keep track of the number of kilometers driven during the tax year for your trips relating to northern residents deductions and moving expenses, or the 12-month period you choose for medical expenses. To determine the amount you can claim for vehicle expenses, multiply the number of kilometers by the cents/km rate from the chart below for the province or territory in which the travel begins.

| Province or territory | Cents/kilometer | Province or territory | Cents/kilometer |
|---------------------------|-----------------|-----------------------|-----------------|
| Alberta | 48.0 | Nunavut | 56.5 |
| British Columbia | 48.0 | Ontario | 49.5 |
| Manitoba | 46.5 | Prince Edward Island | 47.0 |
| New Brunswick | 47.0 | Quebec | 52.5 |
| Newfoundland and Labrador | 50.5 | Saskatchewan | 46.0 |
| Northwest Territories | 56.5 | Yukon | 58.0 |
| Nova Scotia | 48.0 | - | - |

Example

In 2009, you provided your employee with an automobile. She drove 30,000 kilometres during the year, with 10,000 kilometres for personal use.

You paid \$3,000 in costs associated with maintenance, licences, and insurance.

Calculate the part of the operating expenses that relates to her personal use of the automobile as follows:

$$10,000 \text{ km} \div 30,000 \text{ km} \times \$3,000 = \$1,000$$

If she reimbursed you for the **total** amount of \$1,000 in the year or no later than 45 days after the end of the year, you do not have to calculate an operating expense benefit for her.

However, if she reimbursed you for **only** \$800 of the expenses you paid in the year or no later than 45 days after the end of the year, the operating expense benefit is \$1,600, calculated as follows:

$$10,000 \text{ km} \times 24\text{¢} = \$2,400$$

$$\$2,400 - \$800 = \$1,600$$

Flat-rate allowance

If you pay your employee an allowance based on a flat rate that is not related to the number of kilometres driven, it is a taxable benefit and has to be included in the employee's income.

Combination of flat-rate and reasonable per-kilometre allowances

If you pay your employee an allowance that is a combination of flat-rate and reasonable per-kilometre allowances that cover the **same use** for the vehicle, the total combined allowance is a taxable benefit and has to be included in the employee's income.

Example 1

You pay an allowance to your employee as follows:

- a flat per-diem rate to offset the employee's fixed expenses for each day the vehicle is required; and

- A reasonable per-kilometre rate for each kilometre driven to offset the operating expenses.

The flat per-diem rate compensates the employee for some of the “same use” on which the reasonable per-kilometre allowance is based, that is, the fixed expenses incurred by the employee to operate the vehicle.

The combined amount is considered one allowance and therefore taxable, since it is not based solely on the number of kilometres the vehicle is used for employment purposes.

Example 2

You pay an allowance to your employee as follows:

- a flat-rate per month for travel inside the employment district; and
- a reasonable per-kilometre rate for employment-related travel outside the employment district.

Since the flat-rate allowance does not cover any of the same use of the vehicle on which the reasonable per-kilometre allowance is based, the allowances are considered separately.

The reasonable per-kilometer allowance paid for travel outside the district is **not included in income**. The amount based on a flat-rate paid for travel inside the district is **taxable**, since it is not based solely on the number of kilometres for which the vehicle is used in connection with the employment.

Only the total of the monthly flat-rate allowance has to be reported in box 14, “Employment income”, and in the “Other information” area under code **40** at the bottom of the employee's T4 slip.

Example of calculating the taxable benefit

Farzaneh is your employee. He borrowed \$150,000 from you at the beginning of the year. The prescribed rate of interest for the loan is 3% for the first quarter, 4% for the second and third quarters, and 5% for the fourth quarter. Farzaneh paid you \$2,000 interest on the loan no later than 30 days after the end of the year. During the year, a company related to you paid \$1,000 interest on the loan for Farzaneh. Before the end of the same year, Farzaneh repaid the \$1,000 to the company.

Calculate the benefit to include in his income as follows:

| | | |
|--|-----------|----------------|
| 1) Prescribed rate × loan amount for the year: | | |
| 3% × \$150,000 × 1/4 = \$1,125 | | |
| 4% × \$150,000 × 2/4 = \$3,000 | | |
| 5% × \$150,000 × 1/4 = \$1,875 | | \$6,000 |
| plus | | |
| 2) Amount paid by a third party | | 1,000 |
| | | \$7,000 |
| minus | | |
| 3) Interest paid (\$2,000 + \$1,000) = | (\$3,000) | |
| 4) Amount Joshua repaid | (1,000) | (4,000) |
| Farzaneh's taxable benefit | | \$3,000 |

Prescribed Interest Rates for Leasing Rules

| Month | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|
| January | 7.12 | 6.63 | 6.66 | 6.55 | 6.24 | 5.87 | 5.20 | 5.03 | 5.22 | 5.00 | 4.84 |
| February | 7.25 | 6.59 | 6.75 | 6.37 | 6.14 | 5.86 | 5.04 | 5.11 | 5.18 | 4.45 | 4.84 |
| March | 7.36 | 6.71 | 6.72 | 6.45 | 6.15 | 5.69 | 5.22 | 5.23 | 5.17 | 4.74 | 4.84 |
| April | 6.98 | 6.63 | 6.68 | 6.39 | 5.98 | 5.71 | 5.17 | 5.10 | 5.14 | 4.70 | |
| May | 6.96 | 6.74 | 7.00 | 6.52 | 5.94 | 5.75 | 5.26 | 5.21 | 4.91 | 4.63 | |
| June | 7.03 | 6.94 | 6.89 | 6.34 | 6.23 | 5.55 | 5.59 | 5.21 | 5.02 | 4.72 | |
| July | 6.94 | 7.08 | 6.76 | 6.01 | 6.23 | 5.41 | 5.51 | 5.43 | 5.07 | 5.11 | |
| August | 6.90 | 6.97 | 6.73 | 5.98 | 6.30 | 5.27 | 5.69 | 5.59 | 5.07 | 4.96 | |
| September | 6.83 | 7.01 | 6.70 | 6.35 | 6.29 | 5.31 | 5.46 | 5.52 | 5.18 | 5.10 | |
| October | 6.79 | 6.72 | 6.55 | 6.40 | 6.14 | 5.11 | 5.22 | 5.44 | 5.02 | 4.96 | |
| November | 6.83 | 6.86 | 6.38 | 6.19 | 6.02 | 5.21 | 5.08 | 5.50 | 5.14 | 4.87 | |
| December | 6.79 | 6.32 | 6.61 | 6.33 | 5.96 | 5.38 | 5.25 | 5.39 | 5.31 | 4.98 | |

Comparison Federal Personal Income Tax Rates

| 2010 Taxable Income | 2010 Marginal Tax Rates | | | | 2009 Taxable Income | 2009 Marginal Tax Rates | | | |
|--|-------------------------|------------------|-----------------------|--------------------------------|----------------------------------|-------------------------|------------------|-----------------------|--------------------------------|
| | Other Income | Capital Gains | Canadian Dividends | | | Other Income | Capital Gains | Canadian Dividends | |
| | | | Eligible Dividends | Small Business Dividends | | | | Eligible Dividends | Small Business Dividends |
| first \$40,970 | 15.00% | 7.50% | -4.28% | 2.08% | first \$40,726 | 15.00% | 7.50% | -5.75% | 2.08% |
| over \$40,970 up to \$81,941 | 22.00% | 11.00% | 5.80% | 10.83% | over \$40,726 up to \$81,452 | 22.00% | 11.00% | 4.40% | 10.83% |
| over \$81,941 up to \$127,021 | 26.00% | 13.00% | 11.56% | 15.83% | over \$81,452 up to \$126,264 | 26.00% | 13.00% | 10.20% | 15.83% |
| over \$127,021 | 29.00% | 14.50% | 15.88% | 19.58% | over \$126,264 | 29.00% | 14.50% | 14.55% | 19.58% |
| Marginal tax rate for dividends is a % of actual dividends received (not grossed-up amount). | | | | | | | | | |
| Federal Basic Personal Amount | | | | | | | | | |
| 2010 | Tax Rate | | | | 2009 | Tax Rate | | | |
| \$10,382 | 15.00% | | | | \$10,320 | 15.00% | | | |

Source: www.taxtip.ca

The tax rate tables show the combined federal plus provincial/territorial marginal tax rate for 4 different types of income - the 2 types of Canadian dividends, capital gains, and all other income. ***The other income column shows the actual tax rates for each tax bracket.*** A person's marginal tax rate is the tax rate that will be applied to the next dollar earned.

The marginal tax rates on capital gains and Canadian dividend income are lower than on other types of income, because:

- only 50% of capital gains are included in taxable income
- Either 125% or 145% of Canadian dividends are included in taxable income, but a dividend tax credit is deducted from taxes payable. See the Dividend Tax Credit page for more information.

Other income includes income from employment, self-employment, interest from Canadian or foreign sources, foreign dividend income, etc.

With some marginal tax rate tables, the marginal tax rate at \$60,000 for dividends is the rate that would apply if there was no income besides dividend income. This is not the way our tax rate tables work.

In our tables, the marginal tax rates for capital gains and dividends at any income level (say \$60,000) are the marginal rates on the next dollar of actual

capital gains or actual dividend income, if the taxpayer has \$60,000 of taxable income *from sources other than dividends*.

Example: the combined federal/BC marginal tax rate for a person earning \$72,000 of employment income in 2009 would be :

- 32.5% for employment income
- 16.25% for capital gains
- 3.68% for eligible Canadian dividends
- 18.71% for Canadian small business dividends

Canada Pension Plan (CPP) and Québec Pension Plan (QPP) contribution rates

| Year | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|
| maximum pensionable earnings | \$47,200 | \$46,300 | \$44,900 | \$43,700 | \$42,100 | \$41,100 | \$40,500 |
| basic exemption | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 | \$3,500 |
| rate | 4.95% | 4.95% | 4.95% | 4.95% | 4.95% | 4.95% | 4.95% |
| employee/employer maximum | \$2,163.15 | \$2,118.60 | \$2,049.30 | \$1,989.90 | \$1,910.70 | \$1,861.20 | \$1,831.50 |
| self-employed maximum | \$4,326.30 | \$4,237.20 | \$4,098.60 | \$3,979.80 | \$3,821.40 | \$3,722.40 | \$3,663.00 |

Source: [www. taxtip.ca](http://www.taxtip.ca)

Canada Revenue Agency (CRA) information:

- T4032 Payroll Deduction Tables - for calculating payroll deductions
- CPP contribution rates, maximums and exemptions for rates from earlier years.
- Online payroll calculator, which employers can use for calculating payroll deductions, and employees can use to check their payroll deductions.

Revenue Québec information:

- Source deductions of Québec income tax - for calculating payroll deductions
- TP-1015.G-V - Guide for Employers: Source Deductions and Contributions

Federal & Provincial/Territorial enhanced dividend tax credit rates

2007 to 2012 Enhanced Dividend Tax Credit Rates as a % of Grossed-up Taxable Dividends

| Year | Gross up | Federal | AB | BC | MB | NB | NL | NS | NT | NU | ON | PE | QC | SK | YT |
|------|----------|---------|------|--------|-----|--------|-------|-------|--------|-------|------|--------|-------|-----|--------|
| 2012 | 38% | 15.02% | 10% | 9.76% | 11% | 10.65% | 8.65% | 7.85% | 10.20% | 5.51% | 6.4% | 9.32% | 11.9% | 11% | 9.76% |
| 2011 | 41% | 16.44% | 10% | 10.31% | 11% | 11.24% | 9.14% | 8.29% | 10.78% | 5.82% | 6.4% | 9.84% | 11.9% | 11% | 10.31% |
| 2010 | 44% | 17.97% | 10% | 10.83% | 11% | 11.82% | 9.60% | 8.71% | 11.32% | 6.11% | 6.4% | 10.34% | 11.9% | 11% | 10.83% |
| 2009 | 45% | 18.97% | 10% | 11% | 11% | 12% | 9.75% | 8.85% | 11.5% | 6.21% | 7.4% | 10.5% | 11.9% | 11% | 11% |
| 2008 | 45% | 18.97% | 9.0% | 12% | 11% | 12% | 6.65% | 8.85% | 11.5% | 6.20% | 7.0% | 10.5% | 11.9% | 11% | 11% |
| 2007 | 45% | 18.97% | 8.0% | 12% | 11% | 12% | 6.65% | 8.85% | 11.5% | 6.20% | 6.7% | 10.5% | 11.9% | 11% | 11% |

2007 to 2012 Enhanced Dividend Tax Credit Rates as a % of Actual Dividends

| Year | Gross up | Federal | AB | BC | MB | NB | NL | NS | NT | NU | ON | PE | QC | SK | YT |
|------|----------|---------|--------|--------|--------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|
| 2012 | 38% | 20.73% | 13.8% | 13.47% | 15.18% | 14.69% | 11.94% | 10.84% | 14.08% | 7.60% | 8.83% | 12.86% | 16.42% | 15.18% | 13.47% |
| 2011 | 41% | 23.17% | 14.1% | 14.53% | 15.51% | 15.85% | 12.88% | 11.69% | 15.19% | 8.20% | 9.02% | 13.87% | 16.78% | 15.51% | 14.53% |
| 2010 | 44% | 25.88% | 14.4% | 15.60% | 15.84% | 17.01% | 13.82% | 12.55% | 16.30% | 8.80% | 9.22% | 14.89% | 17.14% | 15.84% | 15.60% |
| 2009 | 45% | 27.50% | 14.5% | 15.95% | 15.95% | 17.40% | 14.14% | 12.83% | 16.68% | 9.00% | 10.73% | 15.23% | 17.26% | 15.95% | 15.95% |
| 2008 | 45% | 27.50% | 13.05% | 17.40% | 15.95% | 17.40% | 9.64% | 12.83% | 16.68% | 8.99% | 10.15% | 15.23% | 17.26% | 15.95% | 15.95% |
| 2007 | 45% | 27.50% | 11.60% | 17.40% | 15.95% | 17.40% | 9.64% | 12.83% | 16.68% | 8.99% | 9.72% | 15.23% | 17.26% | 15.95% | 15.95% |

Rates are as known at December 22, 2009. (Source: taxtip.ca)

Rates for Money Purchase limits, RRSP limits, YMPE, DPSP limits and Defined Benefits limits

Outlined in the following tables are data on Rates for Money Purchase limits, RRSP limits, YMPE, DPSP limits and Defined Benefits limits used to calculate PA, PSPA and PAR.

| Year | MP limit | RRSP \$ limit | YMPE | DPSP limit (1/2 MP limit) |
|------|--------------|----------------|----------|------------------------------|
| 1990 | \$11,500 | (Old limits) | \$28,900 | \$5,750 |
| 1991 | \$12,500 | \$11,500 | \$30,500 | \$6,250 |
| 1992 | \$12,500 | \$12,500 | \$32,200 | \$6,250 |
| 1993 | \$13,500 | \$12,500 | \$33,400 | \$6,750 |
| 1994 | \$14,500 | \$13,500 | \$34,400 | \$7,250 |
| 1995 | \$15,500 | \$14,500 | \$34,900 | \$7,750 |
| 1996 | \$13,500 | \$13,500 | \$35,400 | \$6,750 |
| 1997 | \$13,500 | \$13,500 | \$35,800 | \$6,750 |
| 1998 | \$13,500 | \$13,500 | \$36,900 | \$6,750 |
| 1999 | \$13,500 | \$13,500 | \$37,400 | \$6,750 |
| 2000 | \$13,500 | \$13,500 | \$37,600 | \$6,750 |
| 2001 | \$13,500 | \$13,500 | \$38,300 | \$6,750 |
| 2002 | \$13,500 | \$13,500 | \$39,100 | \$6,750 |
| 2003 | \$15,500 | \$14,500 | \$39,900 | \$7,750 |
| 2004 | \$16,500 | \$15,500 | \$40,500 | \$8,250 |
| 2005 | \$18,000 | \$16,500 | \$41,100 | \$9,000 |
| 2006 | \$19,000 | \$18,000 | \$42,100 | \$9,500 |
| 2007 | \$20,000 | \$19,000 | \$43,700 | \$10,000 |
| 2008 | \$21,000 | \$20,000 | \$44,900 | \$10,500 |
| 2009 | \$22,000 | \$21,000 | \$46,300 | \$11,000 |
| 2010 | \$22,450 | \$22,000 | \$47,200 | \$11,225 |
| 2011 | \$22,450 (*) | \$22,450 | | |
| 2012 | | \$22,450 (***) | | |

* increased by increases in the Average Wage

Please note that the MP limit and DPSP limit above for PA purposes are also restricted to 18% of compensation.

Defined Benefit limits

| | |
|--------------|------------------------------|
| 1990 to 2003 | \$1,722.22 |
| 2004 | \$1,833.33 |
| 2005 | \$2,000.00 |
| 2006 | \$2,111.11 |
| 2007 | \$2,222.22 |
| 2008 | \$2,333.33 |
| 2009 | \$2,444.44 |
| 2010 | \$2,494.44 |
| 2011 | 1/9 the money purchase limit |

What are the income tax rates in Canada for 2010?

These are the rates that an individual will use when completing their 2010 income tax and benefit return. The information may change during the year to reflect updates to the law.

Federal tax rates for 2010 are:

- 15% on the first \$40,970 of taxable income, +
- 22% on the next \$40,971 of taxable income (on the portion of taxable income between \$40,970 and \$81,941), +
- 26% on the next \$45,080 of taxable income (on the portion of taxable income between \$81,941 and \$127,021), +
- 29% of taxable income over \$127,021.
-

The chart below reproduces the first calculation that has to be made on *Page 2 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2010 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$40,970 or less | Use this column if your taxable income is more than \$40,970, but not more than \$81,941 | Use this column if your taxable income is more than \$81,941, but not more than \$127,021 | Use this column if your taxable income is more than \$127,021 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 40,971 | – 86,051 | – 127,021 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 15% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 6,109 | + 15,069 | + 26,720 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

Provincial/Territorial tax rates for 2010

Under the current tax on income method, tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial or Territorial information and forms* in your 2009 tax package.

| Provincial / Territorial tax rates (combined chart) 2010 | |
|--|--|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 7.7% on the first \$31,061 of taxable income, + 12.8% on the next \$31,060, + 15.5% on the amount over \$62,121 |
| Prince Edward Island | 9.8% on the first \$31,984 of taxable income, + 13.8% on the next \$31,985, + 16.7% on the amount over \$63,969 |
| Nova Scotia | 8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820 + 17.5% on the amount over \$93,000 |
| New Brunswick | 10.12% on the first \$35,707 of taxable income, + 15.48% on the next \$35,708, + 16.8% on the next \$44,690, + 17.95% on the amount over \$116,105 |
| Quebec | Contact Revenue Québec |
| Ontario | 6.05% on the first \$36,848 of taxable income, + 9.15% on the next \$36,850, + 11.16% on the amount over \$73,698 |
| Manitoba | 10.8% on the first \$31,000 of taxable income, + 12.75% on the next \$36,000, + 17.4% on the amount over \$67,000 |
| Saskatchewan | 11% on the first \$40,113 of taxable income, + 13% on the next \$74,497, + 15% on the amount over \$114,610 |
| Alberta | 10% of taxable income |
| British Columbia | 5.06% on the first \$35,716 of taxable income, + 7.7% on the next \$35,717, + 10.5% on the next \$10,581, + 12.29% on the next \$17,574, + 14.7% on the amount over \$99,588 |
| Yukon | 7.04% on the first \$38,832 of taxable income, + 9.68% on the next \$38,832, + 11.44% on the next \$48,600, + 12.76% on the amount over \$126,264 |
| Northwest Territories | 5.9% on the first \$36,885 of taxable income, + 8.6% on the next \$36,887, + 12.2% on the next \$46,164, + 14.05% on the amount over \$119,936 |
| Nunavut | 4% on the first \$38,832 of taxable income, + 7% on the next \$38,832, + 9% on the next \$48,600, + 11.5% on the amount over \$126,264 |

What are the income tax rates in Canada for 2009?

These are the rates that an individual will use when completing their 2009 income tax and benefit return. The information may change during the year to reflect updates to the law.

Federal tax rates for 2009 are:

- 15% on the first \$40,726 of taxable income, +
- 22% on the next \$40,726 of taxable income (on the portion of taxable income between \$40,726 and \$81,452), +
- 26% on the next \$44,812 of taxable income (on the portion of taxable income between \$81,452 and \$126,264), +
- 29% of taxable income over \$126,264.

The chart below reproduces the first calculation that has to be made on *Page 2 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2009 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$40,726 or less | Use this column if your taxable income is more than \$40,726, but not more than \$81,452 | Use this column if your taxable income is more than \$81,452, but not more than \$126,264 | Use this column if your taxable income is more than \$126,264 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 40,726 | – 81,452 | – 126,264 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 15% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 6,109 | + 15,069 | + 26,720 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

Provincial/Territorial tax rates for 2009

Under the current tax on income method, tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial or Territorial information and forms* in your 2009 tax package.

| Provincial / Territorial tax rates (combined chart) 2009 | |
|---|---|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 7.7% on the first \$31,061 of taxable income, + 12.8% on the next \$31,060, + 15.5% on the amount over \$62,121 |
| Prince Edward Island | 9.8% on the first \$31,984 of taxable income, + 13.8% on the next \$31,985, + 16.7% on the amount over \$63,969 |
| Nova Scotia | 8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820 + 17.5% on the amount over \$93,000 |
| New Brunswick | 10.12% on the first \$35,707 of taxable income, + 15.48% on the next \$35,708, + 16.8% on the next \$44,690, + 17.95% on the amount over \$116,105 |
| Quebec | Contact Revenu Québec |
| Ontario | 6.05% on the first \$36,848 of taxable income, + 9.15% on the next \$36,850, + 11.16% on the amount over \$73,698 |
| Manitoba | 10.8% on the first \$31,000 of taxable income, + 12.75% on the next \$36,000, + 17.4% on the amount over \$67,000 |
| Saskatchewan | 11% on the first \$40,113 of taxable income, + 13% on the next \$74,497, + 15% on the amount over \$114,610 |
| Alberta | 10% of taxable income |
| British Columbia | 5.06% on the first \$35,716 of taxable income, + 7.7% on the next \$35,717, + 10.5% on the next \$10,581, + 12.29% on the next \$17,574, + 14.7% on the amount over \$99,588 |
| Yukon | 7.04% on the first \$38,832 of taxable income, + 9.68% on the next \$38,832, + 11.44% on the next \$48,600, + 12.76% on the amount over \$126,264 |
| Northwest Territories | 5.9% on the first \$36,885 of taxable income, + 8.6% on the next \$36,887, + 12.2% on the next \$46,164, + 14.05% on the amount over \$119,936 |
| Nunavut | 4% on the first \$38,832 of taxable income, + 7% on the next \$38,832, + 9% on the next \$48,600, + 11.5% on the amount over \$126,264 |

What are the income tax rates in Canada for 2008?

These are the rates that an individual will use when completing their 2008 income tax and benefit return. The information may change during the year to reflect updates to the law.

Federal tax rates for 2008 are:

- 15% on the first \$37,885 of taxable income, +
- 22% on the next \$37,884 of taxable income (on the portion of taxable income between \$37,885 and \$75,769), +
- 26% on the next \$47,415 of taxable income (on the portion of taxable income between \$75,769 and \$123,184), +
- 29% of taxable income over \$123,184.

The chart below reproduces the first calculation that has to be made on *Page 2 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2008 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$37,885 or less | Use this column if your taxable income is more than \$37,885, but not more than \$75,769 | Use this column if your taxable income is more than \$75,769, but not more than \$123,184 | Use this column if your taxable income is more than \$123,184 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 37,885 | – 75,769 | – 123,184 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 15% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 5,683 | + 14,017 | + 26,345 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

Provincial/Territorial tax rates for 2008

Under the current tax on income method, tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial or Territorial information and forms* in your 2008 tax package.

| Provincial / Territorial tax rates (combined chart) 2008 | |
|--|--|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 8.2% on the first \$30,215 of taxable income, + 13.3% on the next \$30,214, + 16% on the amount over \$60,429 |
| Prince Edward Island | 9.8% on the first \$31,984 of taxable income, + 13.8% on the next \$31,985, + 16.7% on the amount over \$63,969 |
| Nova Scotia | 8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820 + 17.5% on the amount over \$93,000 |
| New Brunswick | 10.12% on the first \$34,836 of taxable income, + 15.48% on the next \$34,837, + 16.8% on the next \$43,600, + 17.95% on the amount over \$113,273 |
| Ontario | 6.05% on the first \$36,020 of taxable income, + 9.15% on the next \$36,021, + 11.16% on the amount over \$72,041 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 12.75% on the next \$35,456, + 17.4% on the amount over \$66,000 |
| Saskatchewan | 11% on the first \$39,135 of taxable income, + 13% on the next \$72,679, + 15% on the amount over \$111,814 |
| Alberta | 10% of taxable income |
| British Columbia | 5.06% on the first \$35,016 of taxable income, + 7.7% on the next \$35,017, + 10.5% on the next \$10,373, + 12.29% on the next \$17,230, + 14.7% on the amount over \$97,636 |
| Yukon | 7.04% on the first \$37,885 of taxable income, + 9.68% on the next \$37,884, + 11.44% on the next \$47,415, + 12.76% on the amount over \$123,184 |
| Northwest Territories | 5.9% on the first \$35,986 of taxable income, + 8.6% on the next \$35,987, + 12.2% on the next \$45,038, + 14.05% on the amount over \$117,011 |
| Nunavut | 4% on the first \$37,885 of taxable income, + 7% on the next \$37,884, + 9% on the next \$47,415, + 11.5% on the amount over \$123,184 |

What are the income tax rates in Canada for 2007?

Federal tax rates for 2007 are:

- 15% on the first \$37,178 of taxable income, +
- 22% on the next \$37,179 of taxable income (on the portion of taxable income between \$37,178 and \$74,357), +
- 26% on the next \$46,530 of taxable income (on the portion of taxable income between \$74,357 and \$120,887), +
- 29% of taxable income over \$120,887.

The chart below reproduces the first calculation that has to be made on *Page 2 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2007 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$37,178 or less | Use this column if your taxable income is more than \$37,178, but not more than \$74,357 | Use this column if your taxable income is more than \$74,357, but not more than \$120,887 | Use this column if your taxable income is more than \$120,887 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 37,178 | – 74,357 | – 120,887 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 15% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 5,577 | + 13,756 | + 25,854 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

Provincial/Territorial tax rates for 2007

Under the current tax on income method, tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428. For complete details, see the *Provincial or Territorial information and forms* in your 2007 tax package.

Provincial / Territorial tax rates (combined chart) 2007

| Provinces / Territories | Rate(s) |
|--------------------------------|---|
| Newfoundland and Labrador | 9.64% on the first \$29,886 of taxable income, + 14.98% on the next \$29,886, + 17.26% on the amount over \$59,772 |
| Prince Edward Island | 9.8% on the first \$31,369 of taxable income, + 13.8% on the next \$31,370, + 16.7% on the amount over \$62,739 |
| Nova Scotia | 8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820 + 17.5% on the amount over \$93,000 |
| New Brunswick | 10.12% on the first \$34,186 of taxable income, + 15.48% on the next \$34,188, + 16.8% on the next \$42,787, + 17.95% on the amount over \$111,161 |
| Ontario | 6.05% on the first \$35,488 of taxable income, + 9.15% on the next \$35,488, + 11.16% on the amount over \$70,976 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 13% on the next \$34,456, + 17.4% on the amount over \$65,000 |
| Saskatchewan | 11% on the first \$38,405 of taxable income, + 13% on the next \$71,324, + 15% on the amount over \$109,729 |
| Alberta | 10% of taxable income |
| British Columbia | 5.7% on the first \$34,397 of taxable income, + 8.65% on the next \$34,397, + 11.1% on the next \$10,190, + 13% on the next \$16,925, + 14.7% on the amount over \$95,909 |
| Yukon | 7.04% on the first \$37,178 of taxable income, + 9.68% on the next \$37,179, + 11.44% on the next \$46,530, + 12.76% on the amount over \$120,887 |
| Northwest Territories | 5.9% on the first \$35,315 of taxable income, + 8.6% on the next \$35,316, + 12.2% on the next \$44,199, + 14.05% on the amount over \$114,830 |
| Nunavut | 4% on the first \$37,178 of taxable income, + 7% on the next \$37,179, + 9% on the next \$46,530, + 11.5% on the amount over \$120,887 |

What are the income tax rates in Canada for 2006?

Federal tax rates for 2006 are:

- 15.25% on the first \$36,378 of taxable income, plus
- 22% on the next \$36,378 of taxable income (on the portion of taxable income between \$36,378 and \$72,756), plus
- 26% on the next \$45,529 of taxable income (on the portion of taxable income between \$72,756 and \$118,285), plus
- 29% of taxable income over \$118,285.

The chart below reproduces the first calculation that has to be made on *Page 1 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is also used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2006 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$36,378 or less | Use this column if your taxable income is more than \$36,378, but not more than \$72,756 | Use this column if your taxable income is more than \$72,756, but not more than \$118,285 | Use this column if your taxable income is more than \$118,285 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 36,378 | – 72,756 | – 118,285 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 15.25% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 5,548 | + 13,551 | + 25,388 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

Provincial/Territorial tax rates for 2006

Under the current tax on income method, tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial or Territorial information and forms* in your 2006 tax package.

Provincial / Territorial tax rates (combined chart) 2006

| Provinces / Territories | Rate(s) |
|--------------------------------|--|
| Newfoundland and Labrador | 10.57% on the first \$29,590 of taxable income, + 16.16% on the next \$29,590, + 18.02% on the amount over \$59,180 |
| Prince Edward Island | 9.8% on the first \$30,754 of taxable income, + 13.8% on the next \$30,755, + 16.7% on the amount over \$61,509 |
| Nova Scotia | 8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820 + 17.5% on the amount over \$93,000 |
| New Brunswick | 9.68% on the first \$33,450 of taxable income, + 14.82% on the next \$33,452, + 16.52% on the next \$41,866, + 17.84% on the amount over \$108,768 |
| Ontario | 6.05% on the first \$34,758 of taxable income, + 9.15% on the next \$34,759, + 11.16% on the amount over \$69,517 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 13.5% on the next \$34,456, + 17.4% on the amount over \$65,000 |
| Saskatchewan | 11% on the first \$37,579 of taxable income, + 13% on the next \$69,788, + 15% on the amount over \$107,367 |
| Alberta | 10% of taxable income |
| British Columbia | 6.05% on the first \$33,755 of taxable income, + 9.15% on the next \$33,756, + 11.7% on the next \$10,000, + 13.7% on the next \$16,610, + 14.7% on the amount over \$94,121 |
| Yukon | 7.04% on the first \$36,378 of taxable income, + 9.68% on the next \$36,378, + 11.44% on the next \$45,529, + 12.76% on the amount over \$118,285 |
| Northwest Territories | 5.9% on the first \$34,555 of taxable income, + 8.6% on the next \$34,555, + 12.2% on the next \$43,248, + 14.05% on the amount over \$112,358 |
| Nunavut | 4% on the first \$36,378 of taxable income, + 7% on the next \$36,378, + 9% on the next \$45,529, + 11.5% on the amount over \$118,285 |

What are the income tax rates in Canada for 2005?

Federal tax rates for 2005 are:

- 15% on the first \$35,595 of taxable income;
- 22% on the next \$35,595 of taxable income;
- 26% on the next \$44,549 of taxable income; and
- 29% of taxable income over \$115,739.

The chart below reproduces the first calculation that has to be made on *Page 1 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is also used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2005 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$35,595 or less | Use this column if your taxable income is more than \$35,595, but not more than \$71,190 | Use this column if your taxable income is more than \$71,190, but not more than \$115,739 | Use this column if your taxable income is more than \$115,739 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 35,595 | – 71,190 | – 115,739 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 15% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 5,339 | + 13,170 | + 24,753 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

Provincial/Territorial tax rates for 2005

Under the current tax on income method, provincial tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial or Territorial information and forms* in your 2005 tax package.

| Provincial / Territorial tax rates (combined chart)2005 | |
|---|---|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 10.57% on the first \$29,590 of taxable income, + 16.16% on the next \$29,590, + 18.02% on the amount over \$59,180 |
| Prince Edward Island | 9.8% on the first \$30,754 of taxable income, + 13.8% on the next \$30,755, + 16.7% on the amount over \$61,509 |
| Nova Scotia | 8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820, + 17.5% on the amount over \$93,000 |
| New Brunswick | 9.68% on the first \$32,730 of taxable income, + 14.82% on the next \$32,732, + 16.52% on the next \$40,965, + 17.84% on the amount over \$106,427 |
| Ontario | 6.05% on the first \$34,010 of taxable income, + 9.15% on the next \$34,010, + 11.16% on the amount over \$68,020 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 14% on the next \$34,456, + 17.4% on the amount over \$65,000 |
| Saskatchewan | 11% on the first \$36,770 of taxable income, + 13% on the next \$68,286, + 15% on the amount over \$105,056 |
| Alberta | 10% of taxable income |
| British Columbia | 6.05% on the first \$33,061 of taxable income, + 9.15% on the next \$33,062, + 11.7% on the next \$9,794, + 13.7% on the next \$16,268, + 14.7% on the amount over \$92,185 |
| Yukon | 7.04% on the first \$35,595 of taxable income, + 9.68% on the next \$35,595, + 11.44% on the next \$44,549, + 12.76% on the amount over \$115,739 |
| Northwest Territories | 5.9% on the first \$33,811 of taxable income, + 8.6% on the next \$33,811, + 12.2% on the next \$42,317, + 14.05% on the amount over \$109,939 |
| Nunavut | 4% on the first \$35,595 of taxable income, + 7% on the next \$35,595, + 9% on the next \$44,549, + 11.5% on the amount over \$115,739 |

What are the income tax rates in Canada for 2004?

Federal tax rates for 2004 are:

- 16% on the first \$35,000 of taxable income;
- 22% on the next \$35,000 of taxable income;
- 26% on the next \$43,804 of taxable income; and
- 29% of taxable income over \$113,804.

The chart below reproduces the first calculation that has to be made on *Page 1 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is also used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2004 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$35,000 or less | Use this column if your taxable income is more than \$35,000, but not more than \$70,000 | Use this column if your taxable income is more than \$70,000, but not more than \$113,804 | Use this column if your taxable income is more than \$113,804 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 35,000 | – 70,000 | – 113,804 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 16% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 5,600 | + 13,300 | + 24,689 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

Provincial/Territorial tax rates for 2004

Under the current tax on income method, provincial tax for all provinces (except Quebec) and territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial information and forms* in your 2004 tax package.

| Provincial / Territorial tax rates (combined chart) 2004 | |
|--|---|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 10.57% on the first \$29,590 of taxable income, + 16.16% on the next \$29,590, + 18.02% on the amount over \$59,180 |
| Prince Edward Island | 9.8% on the first \$30,754 of taxable income, + 13.8% on the next \$30,755, + 16.7% on the amount over \$61,509 |
| Nova Scotia | 8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820, + 17.5% on the amount over \$93,000 |
| New Brunswick | 9.68% on the first \$32,183 of taxable income, + 14.82% on the next \$32,185, + 16.52% on the next \$40,280, + 17.84% on the amount over \$104,648 |
| Ontario | 6.05% on the first \$33,375 of taxable income, + 9.15% on the next \$33,377, + 11.16% on the amount over \$66,752 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 14% on the next \$34,456, + 17.4% on the amount over \$65,000 |
| Saskatchewan | 11% on the first \$36,155 of taxable income, + 13% on the next \$67,145, + 15% on the amount over \$103,300 |
| Alberta | 10% of taxable income |
| British Columbia | 6.05% on the first \$32,476 of taxable income, + 9.15% on the next \$32,478, + 11.7% on the next \$9,621, + 13.7% on the next \$15,980, + 14.7% on the amount over \$90,555 |
| Yukon | 7.04% on the first \$35,000 of taxable income, + 9.68% on the next \$35,000, + 11.44% on the next \$43,804, + 12.76% on the amount over \$113,804 |
| Northwest Territories | 7.2% on the first \$33,245 of taxable income, + 9.9% on the next \$33,247, + 11.95% on the next \$41,609, + 13.55% on the amount over \$108,101 |
| Nunavut | 4% on the first \$35,000 of taxable income, + 7% on the next \$35,000, + 9% on the next \$43,804, + 11.5% on the amount over \$113,804 |

What are the income tax rates in Canada for 2003?

Federal tax rates for 2003 are:

- 16% on the first \$32,183 of taxable income;
- 22% on the next \$32,185 of taxable income;
- 26% on the next \$40,280 of taxable income; and
- 29% of taxable income over \$104,648.

The chart below reproduces the first calculation that has to be made on *Page 1 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is also used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2003 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$32,183 or less | Use this column if your taxable income is more than \$32,183, but not more than \$64,368 | Use this column if your taxable income is more than \$64,368, but not more than \$104,648 | Use this column if your taxable income is more than \$104,648 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 32,183 | – 64,368 | – 104,648 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 16% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 5,149 | + 12,230 | + 22,703 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

The calculation continues on *Page 2 of Schedule 1* to determine net federal tax.

Provincial/territorial tax rates for 2003

Under the current Tax On Income (TONI) method, provincial tax for all provinces (except Quebec) and the three territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428. For complete details, see the *Provincial information and forms* in your 2003 tax package.

| Provincial / Territorial tax rates (combined chart) 2003 | |
|---|--|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 10.57% on the first \$29,590 of taxable income, + 16.16% on the next \$29,590, + 18.02% on the amount over \$59,180 |
| Prince Edward Island | 9.8% on the first \$30,754 of taxable income, + 13.8% on the next \$30,755, + 16.7% on the amount over \$61,509 |
| Nova Scotia | 9.77% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the amount over \$59,180 |
| New Brunswick | 9.68% on the first \$32,183 of taxable income, + 14.82% on the next \$32,185, + 16.52% on the next \$40,280, + 17.84% on the amount over \$104,648 |
| Ontario | 6.05% on the first \$32,435 of taxable income, + 9.15% on the next \$32,436, + 11.16% on the amount over \$64,871 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 14.9% on the next \$34,456, + 17.4% on the amount over \$65,000 |
| Saskatchewan | 11% on the first \$35,000 of taxable income, + 13% on the next \$65,000, + 15% on the amount over \$100,000 |
| Alberta | 10% of taxable income |
| British Columbia | 6.05% on the first \$31,653 of taxable income, + 9.15% on the next \$31,655, + 11.7% on the next \$9,377, + 13.7% on the next \$15,575, + 14.7% on the amount over \$88,260 |
| Yukon | 7.04% on the first \$32,183 of taxable income, + 9.68% on the next \$32,185, + 11.44% on the next \$40,280, + 12.76% on the amount over \$104,648 |
| Northwest Territories | 7.2% on the first \$32,183 of taxable income, + 9.9% on the next \$32,185, + 11.7% on the next \$40,280, + 13.05% on the amount over \$104,648 |
| Nunavut | 4% on the first \$32,183 of taxable income, + 7% on the next \$32,185, + 9% on the next \$40,280, + 11.5% on the amount over \$104,648 |

What are the income tax rates in Canada for 2002?

Federal tax rates for 2002 are:

- 16% on the first \$31,677 of taxable income;
- 22% on the next \$31,677 of taxable income;
- 26% on the next \$39,646 of taxable income; and
- 29% of taxable income over \$103,000.

The chart below reproduces the first calculation that has to be made on *Page 1 of Schedule 1* of the tax package to calculate net federal tax. Page 1 is also used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2002 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$31,677 or less | Use this column if your taxable income is more than \$31,677, but not more than \$63,354 | Use this column if your taxable income is more than \$63,354, but not more than \$103,000 | Use this column if your taxable income is more than \$103,000 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 31,677 | – 63,354 | – 103,000 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 16% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 5,068 | + 12,037 | + 22,345 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

The calculation continues on *Page below of Schedule above* to determine net federal tax.

Provincial/Territorial tax rates for 2002

Under the current Tax On Income (TONI) method, provincial tax for all provinces (except Quebec) and the three territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial information and forms* in your 2003 tax package.

| Provincial / Territorial tax rates (combined chart) 2002 | |
|---|--|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 10.57% on the first \$29,590 of taxable income, + 16.16% on the next \$29,590, + 18.02% on the amount over \$59,180 |
| Prince Edward Island | 9.8% on the first \$30,754 of taxable income, + 13.8% on the next \$30,755, + 16.7% on the amount over \$61,509 |
| Nova Scotia | 9.77% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the amount over \$59,180 |
| New Brunswick | 9.68% on the first \$31,677 of taxable income, + 14.82% on the next \$31,677, + 16.52% on the next \$39,646, + 17.84% on the amount over \$103,000 |
| Ontario | 6.05% on the first \$31,893 of taxable income, + 9.15% on the next \$31,893, + 11.16% on the amount over \$63,786 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 15.4% on the next \$34,456, + 17.4% on the amount over \$65,000 |
| Saskatchewan | 11.25% on the first \$30,000 of taxable income, + 13.25% on the next \$30,000, + 15.5% on the amount over \$60,000 |
| Alberta | 10% of taxable income |
| British Columbia | 6.05% on the first \$31,124 of taxable income, + 9.15% on the next \$31,125, + 11.7% on the next \$9,221, + 13.7% on the next \$15,315, + 14.7% on the amount over \$86,785 |
| Yukon | 7.04% on the first \$31,677 of taxable income, + 9.68% on the next \$31,677, + 11.44% on the next \$39,646, + 12.76% on the amount over \$103,000 |
| Northwest Territories | 7.2% on the first \$31,677 of taxable income, + 9.9% on the next \$31,677, + 11.7% on the next \$39,646, + 13.05% on the amount over \$103,000 |
| Nunavut | 4% on the first \$31,677 of taxable income, + 7% on the next \$31,677, + 9% on the next \$39,646, + 11.5% on the amount over \$103,000 |

What are the income tax rates in Canada for 2001?

Federal tax rates for 2001 are:

- 16% on the first \$30,754 of taxable income;
- 22% on the next \$30,755 of taxable income;
- 26% on the next \$38,491 of taxable income; and
- 29% of taxable income over \$100,000.

The chart below reproduces the first calculation that has to be made on Page 1 of Schedule 1 of the tax package to calculate net federal tax. Page 1 is also used to calculate federal non-refundable tax credits.

| Federal tax on taxable income manual calculation chart 2001 | | | | | |
|---|--|--|---|---|---|
| | Use this column if your taxable income is \$30,754 or less | Use this column if your taxable income is more than \$30,754, but not more than \$61,509 | Use this column if your taxable income is more than \$61,509, but not more than \$100,000 | Use this column if your taxable income is more than \$100,000 | |
| Enter your taxable income from line 260 of your return | | | | | 1 |
| Base amount | – 0 | – 30,754.00 | – 61,509.00 | –100,000.00 | 2 |
| Line 1 minus line 2 (this amount cannot be negative) | = | = | = | = | 3 |
| Federal tax rate | × 16% | × 22% | × 26% | × 29% | 4 |
| Multiply the amount on line 3 by the tax rate on line 4 | = | = | = | = | 5 |
| Tax on the amount from line 2 | + 0 | + 4,921.00 | + 11,687.00 | + 21,694.00 | 6 |
| Add lines 5 and 6 | = | = | = | = | 7 |

The calculation continues on Page 2 of Schedule 1 to determine net federal tax.

Provincial/Territorial tax rates for 2001

Under the new Tax On Income (TONI) method, provincial tax for all provinces (except Quebec) and the three territories is calculated the same way as federal tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428. For complete details, see the Provincial information and forms in your 2001 tax package.

| Provincial/Territorial tax rates (combined chart) 2001 | |
|---|---|
| Provinces / Territories | Rate(s) |
| Newfoundland and Labrador | 10.57% on the first \$29,590 of taxable income, + 16.16% on the next \$29,590, + 18.02% on the amount over \$59,180 |
| Prince Edward Island | 9.8% on the first \$30,754 of taxable income, + 13.8% on the next \$30,755, + 16.7% on the amount over \$61,509 |
| Nova Scotia | 9.77% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the amount over \$59,180 |
| New Brunswick | 9.68% on the first \$30,754 of taxable income, + 14.82% on the next \$30,755, + 16.52% on the next \$38,491, + 17.84% on the amount over \$100,000 |
| Ontario | 6.16% on the first \$30,814 of taxable income, + 9.22% on the next \$30,815, + 11.16% on the amount over \$61,629 |
| Manitoba | 10.9% on the first \$30,544 of taxable income, + 16.2% on the next \$30,545, + 17.4% on the amount over \$61,089 |
| Saskatchewan | 11.5% on the first \$30,000 of taxable income, + 13.5% on the next \$30,000, + 16% on the amount over \$60,000 |
| Alberta | 10% of taxable income |
| British Columbia | 7.3% on the first \$30,484 of taxable income, + 10.5% on the next \$30,485, + 13.7% on the next \$9,031, + 15.7% on the next \$15,000, + 16.7% on the amount over \$85,000 |
| Yukon | 7.36% on the first \$30,754 of taxable income, + 10.12% on the next \$30,755, + 11.96% on the next \$38,491, + 13.34% on the amount over \$100,000 |
| Northwest Territories | 7.2% on the first \$30,754 of taxable income, + 9.9% on the next \$30,755, + 11.7% on the next \$38,491, + 13.05% on the amount over \$100,000 |
| Nunavut | 7.2% on the first \$30,754 of taxable income, + 9.9% on the next \$30,755, + 11.7% on the next \$38,491, + 13.05% on the amount over \$100,000 |

What are the income tax rates in Canada for 2000?

What are the federal tax rates for 2000?

Federal tax is calculated, on Schedule 1 of the return, by applying a basic rate of 17% on the first \$30,004.00 of taxable income. The next portion of \$30,005.00 of taxable income is subjected to a rate of 25%. The maximum rate of 29% is applied to any excess over \$60,009.00 of taxable income (see calculation chart in Table 1). Basic federal tax is then calculated by subtracting non-refundable tax credits and, if applicable, certain other credits or adjustments.

What are the provincial/territorial tax rates for 2000?

Provincial tax for Nova Scotia, New Brunswick, Ontario, Manitoba and British Columbia is calculated in the same way as the federal tax, under the new Tax On Income (TONI) method. For the other provinces and territories (except for Quebec), tax is based on a *percentage of basic federal tax* (see Table 2).

Some provincial or territorial surtaxes and reductions might also apply (see Table 3).

Available provincial or territorial tax credits are listed in Table 4.

| Taxable income | | Rate | Total tax |
|--|---|-----------------|--|
| \$30,004.00 or less | Taxable income \$ _____ | $\times 17\%$ | = \$ _____ |
| more than \$30,004.00 but less than or equal to \$60,009.00 | Taxable income \$ _____ - \$ 30,004.00 = \$ _____ | $\times 25\% =$ | \$ 5,101.00 + \$ _____ = \$ _____ |
| more than \$60,009.00 | Taxable income \$ _____ - \$ 60,009.00 = \$ _____ | $\times 29\% =$ | \$ 12,602.00 + \$ _____ = \$ _____ |

| Provinces / Territories | Rate(s) |
|--------------------------------|--|
| Newfoundland | 62% of basic federal tax |
| Prince Edward Island | 57.5% of basic federal tax |
| Nova Scotia | 9.77% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the amount over \$59,180 |

| | |
|-----------------------|--|
| New Brunswick | 9.94% on the first \$29,590 of taxable income, + 15.21% on the next \$29,590, + 16.96% on the amount over \$59,180 |
| Ontario | 6.37% on the first \$30,004 of taxable income, + 9.62% on the next \$30,005, + 11.16% on the amount over \$60,009 |
| Manitoba | 8% on the first \$29,590 of taxable income, + 12.22% on the next \$29,590, + 13.63% on the amount over \$59,180 |
| Saskatchewan | 48% of basic federal tax |
| Alberta | 44% of basic federal tax |
| British Columbia | 8.4% on the first \$30,004 of taxable income, + 12.4% of the next \$30,005, + 14.35% on the amount over \$60,009 |
| Yukon | 49% of basic federal tax |
| Northwest Territories | 45% of basic federal tax |
| Nunavut | 45% of basic federal tax |

Table 3: Provincial/territorial surtaxes & reductions 2000

| Provinces / Territories | Calculation |
|---|---|
| Newfoundland (High income surtax) | (Basic NFLD income tax – \$250) × 6% PLUS (Basic NFLD income tax – \$7,900) × 10% |
| Prince Edward Island (Surtax) (Low income reduction) | (Basic PEI income tax – \$5,200) × 10% (Certain amounts) – 5% (Family net income – \$15,000) |
| Nova Scotia (Surtax) (Low income reduction) | (Basic NS income tax – \$10,000) × 10% (Certain amounts) – 5% (Family net income – \$15,000) |
| New Brunswick (Surtax) | (Basic NB income tax – \$13,500) × 8% |
| Ontario (Surtax) (Reduction) | (Basic ON income tax – \$3,561) × 20% PLUS (Basic ON income tax – \$4,468) × 36% (Certain amounts) – (Adjusted basic ON income tax + Surtax) |
| Manitoba (Net income tax) (Surtax on high income) (Reduction) | Adjusted net income × 2% (Net income tax) – (Certain amounts) (Certain amounts) – (Net income tax) |
| Saskatchewan (Flat tax) | Adjusted net income × 1.5% SK tax + SK flat tax |

| | |
|--|--|
| (Basic SK tax) (Debt reduction surtax) (High income surtax) (Reduction for middle and low income) | (Basic SK tax \times 10%) – \$150 (Basic SK tax – \$4,000) \times 15% (Certain amounts) – 5% (Adjusted net income – \$10,000) |
| Alberta (Flat tax) (Selective reduction) | Taxable income \times 0.5% \$430 – 50% (Basic AB tax + Flat tax) |
| British Columbia (Surtax) | (Adjusted basic BC income tax – \$5,300) \times 30% PLUS (Adjusted basic BC income tax – \$8,660) \times 15% MINUS (Certain amounts) |
| Yukon (Surtax) (Low income family tax credit/reduction) | (Basic Yukon tax - \$6,000) \times 5% \$300 – 3% (Net income – \$15,000) to a maximum of 80% (Basic Yukon tax + surtax) |
| Northwest Territories | No surtax, no reduction |
| Nunavut | No surtax, no reduction |

Table 4: Available provincial/territorial credits 2000

| Provinces / Territories | Credits (see applicable provincial forms) |
|---|---|
| Common to all provinces and territories | Provincial foreign tax credit Political contribution tax credit (except Saskatchewan) |
| Newfoundland | Equity tax credit |
| Prince Edward Island | No additional credits |
| Nova Scotia | Labour-sponsored venture-capital tax credit Equity tax credit Home ownership savings plan tax credit |
| New Brunswick | Labour-sponsored venture capital fund tax credit Stock savings plan tax credit |
| Ontario | Property tax credit Sales tax credit Labour-sponsored investment fund tax credit Employee ownership tax credit Home ownership savings plan tax credit |

Table 4: Available provincial/territorial credits 2000

| Provinces / Territories | Credits (see applicable provincial forms) |
|-------------------------|---|
| | Tax Credits for Self-Employed Individuals: - co-operative education tax credit - graduate transitions tax credit - workplace child care tax credit - workplace accessibility tax credit - educational technology tax credit |
| Manitoba | Property tax credit Personal tax credit Labour-sponsored funds tax credit Equity tax credit Learning tax credit |
| Saskatchewan | Labour-sponsored venture capital tax credit Post-secondary graduate tax credit |
| Alberta | Royalty tax rebate |
| British Columbia | Sales tax credit Employee share ownership plan tax credit Employee venture capital tax credit Venture capital tax credit Mining exploration tax credit Logging tax credit |
| Yukon | Small business investment tax credit Labour-sponsored venture capital tax credit Mineral exploration tax credit Yukon First Nations income tax credit |
| Northwest Territories | Cost-of-living tax credit Risk capital investment tax credits |
| Nunavut | Cost-of-living tax credit Risk capital investment tax credits |

What are the income tax rates in Canada for 1999?

A: Federal tax is calculated, on Schedule 1 of the return, by applying a basic rate of 17% on the first \$29,590.00 of taxable income. The next portion of \$29,590.00 of taxable income is subjected to a rate of 26%. The maximum rate of 29% is applied to any excess over \$59,180.00 of taxable income (see calculation chart in Table 1). Basic federal tax is then calculated by subtracting non-refundable tax credits and, if applicable, certain other credits or adjustments.

Provincial or territorial tax (except for Québec residents) is based on a percentage of basic federal tax (see Table 2).

Some provincial or territorial surtaxes and reductions might also apply (see Table 3).

Available provincial or territorial tax credits are listed in Table 4. Refer to applicable Provincial/Territorial T1C forms for details on those credits.

| Taxable income | | Rate | Total tax |
|---|--|---------|--|
| \$29,590.00 or less | Taxable income \$ _____ | × 17% | = \$ _____ |
| more than \$29,590.00 but less than or equal to \$59,180.00 | Taxable income \$ _____ – \$ 29,590.00 = \$ _____ | × 26% = | \$ 5,030.00 + \$ _____ = \$ _____ |
| more than \$59,180.00 | Taxable income \$ _____ – \$ 59,180.00 = \$ _____ | × 29% = | \$ 12,724.00 + \$ _____ = \$ _____ |

| Provinces / Territories | of Basic federal tax |
|-------------------------|----------------------|
| Newfoundland | 69% |
| Prince Edward Island | 58.5% |
| Nova Scotia | 57.5% |
| New Brunswick | 60% |
| Ontario | 39.5% |
| Manitoba | 48.5% |
| Saskatchewan | 48% |
| Alberta | 44% |
| British Columbia | 49.5% |
| Yukon | 50% |
| Northwest Territories | 45% |
| Nunavut | 45% |

| Provinces / Territories | Calculation |
|---|--|
| Newfoundland (High income surtax) | (Basic NFLD income tax – \$7,900) × 10% |
| Prince Edward Island (Surtax) | (Basic PEI income tax – \$5,200) × 10% |
| Nova Scotia (Surtax) (Low income reduction) | (Basic NS income tax – \$10,000) × 10% (Certain amounts) – 5% (Family net income – \$15,000) |
| New Brunswick (Surtax) | (Basic NB income tax – \$13,500) × 8% |
| Ontario (Fair Share Health Care Levy) (Reduction) | (Basic ON income tax – \$3,750) × 20% PLUS (Basic ON income tax – \$4,681) × 36% (Certain amounts) – (Basic ON income tax + Fair Share) |
| Manitoba (Net income tax) (Surtax on high income) (Reduction) | Adjusted net income × 2% (Net income tax) – (Certain amounts) (Certain amounts) – (Net income tax) |
| Saskatchewan (Flat tax) (Basic SK tax) (Debt reduction surtax) | Adjusted net income × 2% SK tax + SK flat tax (Basic SK tax × 10%) – \$150 (Basic SK tax – \$4,000) × 15% |

| | |
|---|--|
| (High income surtax) (Reduction for middle and low income) | (Certain amounts) – 5% (Adjusted net income – \$10,000) |
| Alberta (Surtax) (Flat tax) (Selective reduction) | (Basic AB tax – \$3,500) × 8% Taxable income × 0.5% \$430 – 50% (Basic AB tax + Surtax + Flat tax) |
| British Columbia (Surtax) | (Adjusted BC income tax – \$5,300) × 30% PLUS (Adjusted BC income tax – \$8,660) × 19% MINUS (Certain amounts) |
| Yukon (Surtax) (Low income family tax credit/reduction) | (Basic Yukon tax - \$6,000) × 5% \$300 – 3 % (Net income – \$15,000) to a maximum of 80% (Basic Yukon tax + surtax) |
| Northwest Territories | No surtax, no reduction |
| Nunavut | No surtax, no reduction |

Table 4 : Available provincial/territorial credits 1999

| Provinces / Territories | Credits (see applicable TIC forms) |
|---|---|
| Common to all provinces and territories | Provincial foreign tax credit Political contribution tax credit (except Saskatchewan) |
| Newfoundland | No additional credits |
| Prince Edward Island | No additional credits |
| Nova Scotia | Labour-sponsored venture-capital tax credit Equity tax credit Home ownership savings plan tax credit |
| New Brunswick | Labour-sponsored venture capital fund tax credit Stock savings plan tax credit |
| Ontario | Property tax credit Sales tax credit Labour-sponsored investment fund tax credit Employee ownership tax credit Home ownership savings plan tax credit |

Table 4 : Available provincial/territorial credits 1999

| Provinces / Territories | Credits (see applicable TIC forms) |
|-------------------------|--|
| | Tax Credits for Self-Employed Individuals: - co-operative education tax credit - graduate transitions tax credit - workplace child care tax credit - workplace accessibility tax credit |
| Manitoba | Property tax credit Cost-of-living tax credit Labour-sponsored funds tax credit Equity tax credit Learning tax credit |
| Saskatchewan | Labour-sponsored venture capital tax credit |
| Alberta | Royalty tax rebate |
| British Columbia | Sales tax credit Employee share ownership plan tax credit Employee venture capital tax credit Venture capital tax credit Mining exploration tax credit Logging tax credit |
| Yukon | Small business investment tax credit Mineral exploration tax credit Yukon First Nations income tax credit |
| Northwest Territories | Cost-of-living tax credit Risk capital investment tax credits |
| Nunavut | Cost-of-living tax credit Risk capital investment tax credits |

Corporation tax rates

Federal rates

The basic rate of Part I tax is 38% of your taxable income, 28% after federal tax abatement.

For Canadian-controlled private corporations claiming the small business deduction, the net tax rate before surtax* is:

- 12% before January 1, 2008
- 11% effective January 1, 2008

For the other corporations, the net tax rate before surtax* will decrease as follows:

- 21% before January 1, 2008
- 19.5% effective January 1, 2008
- 19% effective January 1, 2009
- 18% effective January 1, 2010
- 16.5% effective January 1, 2011
- 15% effective January 1, 2012

*The corporate surtax is zero, effective January 1, 2008.

Provincial or territorial rates

Generally, provinces and territories have two rates of income tax - a lower rate and a higher rate.

Lower rate

The lower rate applies to either:

- The income eligible for the federal small business deduction; or
- The income based on limits established by the particular province or territory.

Higher rate

The higher rate applies to all other taxable income.

Provincial and territorial tax rates (except Quebec and Alberta)

The following table shows the income tax rates for provinces and territories (except Quebec and Alberta, which do not have corporation tax collection agreements with the CRA).

These rates are in effect on January 1, 2009, and some might change during 2009

| Province or territory | Lower rate | Higher rate |
|----------------------------------|-------------------|--------------------|
| Newfoundland and Labrador | 5% | 14% |
| Nova Scotia | 5% | 16% |
| Prince Edward Island | 3.2%* | 16% |
| New Brunswick | 5% | 13%** |
| Ontario | 5.5% | 14% |
| Manitoba | 1% | 13% |
| Saskatchewan | 4.5% | 12% |
| British Columbia | 2.5% | 11% |
| Yukon | 4% | 15% |
| Northwest Territories | 4% | 11.5% |
| Nunavut | 4% | 12% |

* 2.1% effective April 1, 2009

** 12% effective July 1, 2009

Canada Tax treaties

Double Taxation Treaties are conventions between two countries that aim to

Eliminate the double taxation of income or gains arising in one territory and

Paid to residents of another territory. They work by dividing the tax rights each

Country claims by its domestic laws over the same income and gains.

Over 1,300 Double Taxation Conventions exist world-wide. The tax treaty table

Between Canada and others countries are as follow:

(http://www.fin.gc.ca/treaties-conventions/cndtxtreat_-eng.asp)

TAX CONVENTION DATES AND DEVELOPMENTS

INCOME TAX CONVENTIONS IN FORCE (see Footnotes to Appendices)

(For similar information and citations of where to find the official versions of Canada's Income Tax conventions please visit the Department of Finance's website at the following link: http://www.fin.gc.ca/treaties/cndtxtreat_e.html)

| Country | Date signed | Entry into Force | Effective Date |
|--------------------------|-------------|------------------|----------------|
| Algeria | 28-02-1999 | 26-12-2000 | 01-01-2001 |
| Argentina | 29-04-1993 | 30-12-1994 | 01-01-1995 |
| Armenia | 29-06-2004 | 29-12-2005 | 01-01-2006 |
| Australia | 21-05-1980 | 29-04-1981 | 01-01-1976 |
| Protocol | 23-01-2002 | 18-12-2002 | 01-01-2003 |
| Austria | 09-12-1976 | 17-02-1981 | 01-01-1980 |
| Protocol | 15-06-1999 | 29-01-2001 | 01-03-2001 |
| Azerbaijan | 07-09-2004 | 23-01-2006 | 01-01-2007 |
| Bangladesh | 15-02-1982 | 18-01-1985 | 01-01-1982 |
| Barbados | 22-01-1980 | 22-12-1980 | 01-01-1976 |
| Belgium | 23-05-2002 | 6-10-2004 | 01-01-2004 |
| Brazil | 04-06-1984 | 23-12-1985 | 01-01-1986 |
| Bulgaria | 03-03-1999 | 25-10-2001 | 01-01-2002 |
| Cameroon | 26-05-1982 | 16-06-1988 | 01-01-1988 |
| Chile | 21-01-1998 | 28-10-1999 | 01-01-2000 |
| China | 12-05-1986 | 29-12-1986 | 01-01-1987 |
| Croatia | 09-12-1997 | 23-11-1999 | 01-01-2000 |
| Cyprus | 02-05-1984 | 03-09-1985 | 01-01-1985 |
| Czech Republic | 25-05-2001 | 28-05-2002 | 01-01-2003 |
| Denmark | 17-09-1997 | 02-03-1998 | 01-01-1999 |
| Dominican Rep. | 06-08-1976 | 23-09-1977 | 01-01-1977 |
| Ecuador | 28-06-2001 | 20-12-2001 | 01-01-2002 |
| Egypt | 30-05-1983 | 02-10-1984 | 01-01-1985 |
| Estonia | 02-06-1995 | 28-12-1995 | 01-01-1996 |
| Finland | 28-05-1990 | 20-08-1992 | 01-01-1993 |
| France | 02-05-1975 | 29-07-1976 | 01-01-1976 |
| 1 st Protocol | 16-01-1987 | 01-10-1988 | 01-10-1988 |
| 2 nd Protocol | 30-11-1995 | 01-09-1998 | 01-09-1998 |
| Germany | 19-04-2001 | 28-03-2002 | 01-01-2001 |
| Guyana | 15-10-1985 | 04-05-1987 | 01-01-1987 |
| Hungary | 15-04-1992 | 01-10-1994 | 01-01-1995 |
| Protocol | 03-05-1994 | 26-04-1996 | 01-01-1997 |
| Iceland | 19-06-1997 | 30-01-1998 | 01-01-1998 |
| India | 11-01-1996 | 06-05-1997 | 01-01-1998 |
| Indonesia | 16-01-1079 | 23-12-1980 | 01-01-1980 |
| Protocol | 01-04-1998 | 31-12-1998 | 01-01-1999 |
| Ireland | 08-10-2003 | 12-04-2005 | 01-01-2006 |
| Israel | 21-07-1975 | 27-07-1976 | 01-04-1976 |
| Italy (with protocol.) | 17-11-1977 | 24-12-1980 | 01-01-1980 |
| 2 nd Protocol | 20-03-1989 | 22-02-1994 | 01-01-1988 |
| Ivory Coast | 16-06-1983 | 19-12-1985 | 01-01-1986 |
| Jamaica | 30-03-1978 | 02-04-1981 | 01-01-1977 |
| Japan (with protocol) | 07-05-1986 | 14-11-1987 | 01-01-1988 |
| 2 nd Protocol | 19-02-1999 | 14-12-2000 | 01-01-2001 |
| Jordan | 06-09-1999 | 24-12-2000 | 01-01-2001 |
| Kazakhstan | 25-09-1996 | 30-03-1998 | 01-01-1996 |
| Kenya | 27-04-1983 | 08-01-1987 | 01-01-1987 |
| Korea | 10-02-1978 | 19-12-1980 | 01-01-1980 |
| Kuwait | 28-01-2002 | 26-08-2003 | 01-01-2003 |
| Kyrgyzstan | 04-06-1998 | 04-12-2000 | 01-02-2001 |
| Latvia | 26-04-1995 | 12-12-1995 | 01-01-1996 |
| Lithuania | 29-08-1996 | 12-12-1997 | 01-01-1998 |
| Luxembourg | 10-09-1999 | 17-10-2000 | 01-01-2001 |
| Malaysia | 15-10-1976 | 12-12-1980 | 01-01-1980 |

| Country | Date signed | Entry into Force | Effective Date |
|-----------------------------|-------------|------------------|----------------|
| Malta | 05-08-1986 | 20-05-1987 | 01-01-1987 |
| Mexico | 08-04-1991 | 11-05-1992 | 01-01-1992 |
| Moldova | 04-07-2002 | 13-12-2002 | 01-01-2003 |
| Mongolia | 27-05-2002 | 20-12-2002 | 01-01-2003 |
| Morocco | 22-12-1975 | 09-11-1978 | 01-01-1978 |
| Netherlands (with protocol) | 27-05-1986 | 21-08-1987 | 01-01-1987 |
| 2 nd Protocol | 04-04-1993 | 30-07-1994 | 01-01-1993 |
| 3 rd Protocol | 25-08-1997 | 15-01-1999 | 16-12-1998 |
| New Zealand | 03-05-1980 | 29-05-1981 | 01-01-1976 |
| Nigeria | 04-08-1992 | 16-11-1999 | 01-01-2000 |
| Norway | 12-07-2002 | 19-12-2002 | 01-01-2003 |
| Oman | 30-06-2004 | 27-04-2005 | 01-01-2006 |
| Pakistan | 24-02-1976 | 15-12-1977 | 01-01-1977 |
| Papua New Guinea | 16-10-1987 | 21-12-1989 | 01-01-1990 |
| Peru | 20-07-2001 | 17-02-2003 | 01-01-2004 |
| Philippines | 11-03-1976 | 21-12-1977 | 01-01-1977 |
| Poland | 04-05-1987 | 30-11-1989 | 01-01-1990 |
| Portugal | 14-06-1999 | 24-10-2001 | 01-01-2002 |
| Romania | 08-04-2004 | 31-12-2004 | 01-01-2005 |
| Russia | 05-10-1995 | 05-05-1997 | 01-01-1998 |
| Senegal | 02-08-2001 | 07-10-2003 | 01-01-2004 |
| Singapore | 06-03-1976 | 23-09-1977 | 01-01-1977 |
| Slovak Republic | 22-05-2001 | 20-12-2001 | 01-01-2002 |
| Slovenia | 15-09-2000 | 12-08-2002 | 01-01-2003 |
| South Africa | 27-11-1995 | 30-04-1997 | 01-07-1997 |
| Spain | 23-11-1976 | 06-12-1980 | 01-01-1980 |
| Sri Lanka | 23-06-1982 | 09-06-1986 | 01-01-1986 |
| Sweden | 27-08-1996 | 23-12-1997 | 01-01-1998 |
| Switzerland | 05-05-1997 | 21-04-1998 | 01-01-1998 |
| Tanzania | 15-12-1995 | 29-08-1997 | 01-01-1998 |
| Thailand | 11-04-1984 | 16-07-1985 | 01-01-1985 |
| Trinidad & Tobago | 28-09-1966 | 01-03-1967 | 01-01-1966 |
| | 11-09-1995 | 08-02-1996 | 01-04-1996 |
| Tunisia | 11-02-1982 | 04-12-1984 | 01-01-1985 |
| Ukraine | 04-03-1996 | 29-04-1997 | 01-01-1998 |
| United Arab Emirates | 09-06-2002 | 25-05-2004 | 01-01-2004 |
| United Kingdom | 08-09-1978 | 18-12-1980 | 01-01-1976 |
| 1 st Protocol | 15-04-1980 | 18-12-1980 | 01-01-1981 |
| 2 nd Protocol | 16-10-1985 | 23-12-1985 | 01-02-1986 |
| 3 rd Protocol | 07-05-2003 | 04-05-2004 | 01-01-2005 |
| United States | 26-09-1980 | 16-08-1984 | 01-10-1984 |
| 1 st Protocol | 14-06-1983 | 16-08-1984 | 01-10-1984 |
| 2 nd Protocol | 28-03-1984 | 16-08-1984 | 01-10-1984 |
| 3 rd Protocol | 17-03-1995 | 09-11-1995 | 01-01-1996 |
| 4 th Protocol | 29-07-1997 | 16-12-1997 | 01-01-1996 |
| Uzbekistan | 17-06-1999 | 14-09-2000 | 01-01-2001 |
| Venezuela | 10-07-2001 | 05-05-2004 | 01-01-2005 |
| Vietnam | 14-11-1997 | 16-12-1998 | 01-01-1999 |
| Zambia | 16-02-1984 | 28-12-1989 | 01-01-1989 |
| Zimbabwe | 16-04-1992 | 15-12-1994 | 01-01-1995 |

Please kindly note the tax treaty with Colombia Greece, Italy , Lebanon and Turkey signed but not yet in force till Aug.2009.

In the other hand the tax treaties with Barbados ,Bolivia, Costa Rica ,Cuba, Egypt, Madagascar ,Malaysia, Namibia ,Poland, Serbia, Montenegro, Singapore and Spain are under negotiation/re-negotiation.

Tax treaty rate

WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE

| COUNTRY | PENSION PAYMENTS | | | | CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS | | | ANNUITY PAYMENTS | IAAC PAYMENTS |
|-------------|---|--|--|---|---|---------------------------------------|---------------------------------|------------------|---------------|
| | Periodic pension payments from registered pension plans | Lump sum pension payment from registered pension plans | Periodic pension payments from an RRSP, RRIF, etc. | Lump sum pension payment from an RRSP, RRIF, etc. | Periodic pension payments – CPP or QPP | Lump sum pension payment – CPP or QPP | Periodic pension payments – OAS | | |
| Algeria | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Argentina | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Armenia | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 25 | 25 |
| Australia | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 25 |
| Austria | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Azerbaijan | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 25 | 25 |
| Bangladesh | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Barbados | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Belgium | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Brazil | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Bulgaria | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 10 | 25 |
| Cameroon | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Chile | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 15 | 25 |
| China (PRC) | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Croatia | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 10 | 25 |
| Cyprus | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |

WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE

| COUNTRY | PENSION PAYMENTS | | | | CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS | | | ANNUITY PAYMENTS | IAAC PAYMENTS |
|--------------------|---|--|--|---|---|---------------------------------------|---------------------------------|------------------|---------------|
| | Periodic pension payments from registered pension plans | Lump sum pension payment from registered pension plans | Periodic pension payments from an RRSP, RRIF, etc. | Lump sum pension payment from an RRSP, RRIF, etc. | Periodic pension payments – CPP or QPP | Lump sum pension payment – CPP or QPP | Periodic pension payments – OAS | | |
| Czech Republic | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 15 |
| Denmark | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Dominican Republic | 18 | 25 | 18 | 25 | 18 | 25 | 18 | 18 | 25 |
| Ecuador | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Egypt | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Estonia | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 10 | 25 |
| Finland | 20 | 25 | 20 | 25 | 20 | 25 | 20 | 15 | 25 |
| France | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Germany | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Guyana | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Hungary | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 10 | 25 |
| Iceland | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| India | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Indonesia | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Ireland | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |

WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE

| COUNTRY | PENSION PAYMENTS | | | | CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS | | | ANNUITY PAYMENTS | IAAC PAYMENTS |
|--------------------|---|--|--|---|---|---------------------------------------|---------------------------------|------------------|---------------|
| | Periodic pension payments from registered pension plans | Lump sum pension payment from registered pension plans | Periodic pension payments from an RRSP, RRIF, etc. | Lump sum pension payment from an RRSP, RRIF, etc. | Periodic pension payments – CPP or QPP | Lump sum pension payment – CPP or QPP | Periodic pension payments – OAS | | |
| Israel | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Italy | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 25 | 25 |
| Ivory Coast | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 15 |
| Jamaica | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 15 | 25 |
| Japan | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Jordan | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Kazakhstan | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 25 | 25 |
| Kenya | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Korea, Republic of | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Kuwait | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 15 |
| Kyrgyzstan | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Latvia | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 10 | 25 |
| Lithuania | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 10 | 25 |
| Luxembourg | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Malaysia | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Malta | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |

WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE

| COUNTRY | PENSION PAYMENTS | | | | CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS | | | ANNUITY PAYMENTS | IAAC PAYMENTS |
|---------------------------|---|--|--|---|---|---------------------------------------|---------------------------------|------------------|---------------|
| | Periodic pension payments from registered pension plans | Lump sum pension payment from registered pension plans | Periodic pension payments from an RRSP, RRIF, etc. | Lump sum pension payment from an RRSP, RRIF, etc. | Periodic pension payments – CPP or QPP | Lump sum pension payment – CPP or QPP | Periodic pension payments – OAS | | |
| Mexico | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Moldova | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Mongolia | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Morocco | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Netherlands | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15/25 | 15/25 |
| New Zealand ⁶¹ | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15/25 | 25 |
| Nigeria | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Norway | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Oman | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Pakistan | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Papua New Guinea | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Peru | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Philippines | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Poland | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Portugal | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Romania | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 25 | 25 |

WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE

| COUNTRY | PENSION PAYMENTS | | | | CANADA AND QUEBEC PENSION PLAN AND OLD AGE SECURITY PAYMENTS | | | ANNUITY PAYMENTS | IAAC PAYMENTS |
|---------------------|---|--|--|---|--|---------------------------------------|---------------------------------|------------------|---------------|
| | Periodic pension payments from registered pension plans | Lump sum pension payment from registered pension plans | Periodic pension payments from an RRSP, RRIF, etc. | Lump sum pension payment from an RRSP, RRIF, etc. | Periodic pension payments – CPP or QPP | Lump sum pension payment – CPP or QPP | Periodic pension payments – OAS | | |
| Russia | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Senegal | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15/25 | 15/25 |
| Singapore | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Slovak Republic | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Slovenia | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 10 | 25 |
| South Africa | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Spain | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Sri Lanka | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Sweden | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Switzerland | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 15 | 25 |
| Tanzania | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Thailand | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Trinidad and Tobago | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 25 | 25 |

WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE

| COUNTRY | PENSION PAYMENTS | | | | CANADA AND QUEBEC PENSION PLAN AND OLD AGE SECURITY PAYMENTS | | | ANNUITY PAYMENTS | IAAC PAYMENTS |
|----------------------|---|--|--|---|--|---------------------------------------|---------------------------------|------------------|---------------|
| | Periodic pension payments from registered pension plans | Lump sum pension payment from registered pension plans | Periodic pension payments from an RRSP, RRIF, etc. | Lump sum pension payment from an RRSP, RRIF, etc. | Periodic pension payments – CPP or QPP | Lump sum pension payment – CPP or QPP | Periodic pension payments – OAS | | |
| Tunisia | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Ukraine | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| United Arab Emirates | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| United Kingdom | Nil | 25 | Nil | 25 | Nil | 25 | Nil | 10 | 25 |
| United States | 15 | 25 | 15 | 25 | Nil | Nil | Nil | 15 | 25 |
| Uzbekistan | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Venezuela | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Vietnam | 15 | 25 | 15 | 25 | 25 | 25 | 25 | 25 | 25 |
| Zambia | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |
| Zimbabwe | 15 | 25 | 15 | 25 | 15 | 25 | 15 | 15 | 25 |

British Columbia - Provincial corporation tax

Lower rate

The lower rate of British Columbia income tax is 2.5% effective December 1, 2008. The lower rate was 3.5% effective July 1, 2008 and before this date it was 4.5%.

The income eligible for the lower rate is determined using the British Columbia business limit of \$400,000. The business limit will be increased to \$500,000 effective January 1, 2010.

Higher rate

The higher rate of British Columbia income tax is 11% effective July 1, 2008. Before this date it was 12%. The higher rate will decrease to;

- 10.5% effective January 1, 2010; and to
- 10% effective January 1, 2011.

The higher rate applies to all income not eligible for the lower rate.

When the rate or the business limit changes during the tax year, you have to base your calculation on the number of days in the year that each rate or limit is in effect.

Reporting the tax

You can use Schedule 427, *British Columbia Corporation Tax Calculation*, to help you calculate your British Columbia tax before the application of credits. You do not have to file it with the return. See the schedule for more details.

Generally, provinces and territories have two rates of income tax: the lower rate and the higher rate.

The **lower rate** applies to either:

- the income eligible for the federal small business deduction; or
- the income based on limits established by the particular province or territory.

The **higher rate** applies to all other income

Corporation X earned all of its income for 2009 from its permanent establishment in Newfoundland and Labrador. Corporation X claimed the small business deduction when it calculated its federal tax payable. The income from active business carried on in Canada was \$78,000.

The Newfoundland and Labrador **lower rate** of tax is 5%. The **higher rate** of tax is 14%.

See [example 1](#). Corporation X calculates its Newfoundland and Labrador tax payable as follows:

| | |
|--|-----------------|
| Taxable income | \$90,000 |
| Subtract amount taxed at lower rate: Least of lines 400, 405, 410, or 425 of the return, in the small business deduction calculation | \$78,000 |
| Amount taxed at higher rate | \$12,000 |
| Taxes payable at the lower rate: $\$78,000 \times 5\% =$ | \$ 3,900 |
| Taxes payable at the higher rate: $\$12,000 \times 14\% =$ | \$ 1,680 |
| Newfoundland and Labrador tax payable | \$ 5,580 |

When you allocate taxable income to **more than one province or territory**, you also have to allocate proportionally any income eligible for the small business deduction.

See [example 2](#). Corporation Y has permanent establishments in both Nova Scotia **and** the Yukon. Its tax year runs from September 1, 2008, to August 31, 2009. Corporation Y claimed the small business deduction when it calculated its federal tax payable. The **lower rate** of tax for Nova Scotia is 5%, and the **higher rate** of tax is 16%. To calculate its Nova Scotia income tax, Corporation Y does the following calculations:

| | |
|---|----------|
| Taxable income allocated to Nova Scotia (from Schedule 5) | \$60,000 |
| Taxable income allocated to the Yukon (from Schedule 5) | \$30,000 |
| Total taxable income earned in Canada | \$90,000 |
| Least of lines 400, 405, 410, or 425 of the return, in the small business deduction calculation | \$78,000 |
| Income eligible for the small business deduction attributed to Nova Scotia: $(\$60,000 \div \$90,000) \times \$78,000 =$ | \$52,000 |
| Taxable income earned in Nova Scotia | \$60,000 |
| Subtract: Income eligible for the small business deduction attributed to Nova Scotia | \$52,000 |
| Amount taxed at higher rate | \$ 8,000 |
| Taxes payable at higher rate: $\$8,000 \times 16\% =$ | \$ 1,280 |
| Taxes payable at lower rate: $\$52,000 \times 5\% =$ | \$ 2,600 |
| Nova Scotia tax payable | \$ 3,880 |

To calculate its Yukon income tax payable, Corporation Y would repeat the same steps, using the rates that apply.

Corporation tax rates

Federal rates

The basic rate of Part I tax is 38% of your taxable income, 28% after federal tax abatement.

For Canadian-controlled private corporations claiming the small business deduction, the net tax rate before surtax* is:

- 12% before January 1, 2008
- **11% effective January 1, 2008**

For the other corporations, the net tax rate before surtax* will decrease as follows:

- 21% before January 1, 2008
- 19.5% effective January 1, 2008
- 19% effective January 1, 2009
- **18% effective January 1, 2010**
- 16.5% effective January 1, 2011
- 15% effective January 1, 2012

*The corporate surtax is zero, effective January 1, 2008.

Provincial or territorial rates

Generally, provinces and territories have two rates of income tax - a lower rate and a higher rate.

Lower rate

The lower rate applies to either:

- the income eligible for the federal small business deduction; or
- the income based on limits established by the particular province or territory.

Higher rate

The higher rate applies to all other taxable income.

Provincial and territorial tax rates (except Quebec and Alberta)

The following table shows the income tax rates for provinces and territories (except Quebec and Alberta, which do not have corporation tax collection agreements with the CRA).

These rates are in effect on January 1, 2010, and some might change during 2010.

| Province or territory | Lower rate | Higher rate |
|---------------------------|------------|-------------|
| Newfoundland and Labrador | 5% | 14% |
| Nova Scotia | 5% | 16% |
| Prince Edward Island | 2.1% | 16% |
| New Brunswick | 5% | 12% |
| Ontario | 5.5% | 14% |
| Manitoba | 1% | 12% |
| Saskatchewan | 4.5% | 12% |
| British Columbia | 2.5% | 10.5% |
| Yukon | 4% | 15% |
| Northwest Territories | 4% | 11.5% |
| Nunavut | 4% | 12% |

For a table that shows the income tax rates as of **January 1, 2010**, for the provinces and territories that have corporate tax collection agreements with the federal government.

| Tax Brackets | Rate (%) | Provincial Surtax |
|------------------|-----------------------|-------------------|
| Federal (note) | \$10,382 to \$40,970 | 15.00 |
| | \$40,970 to \$81,941 | 22.00 |
| | \$81,941 to \$127,021 | 26.00 |
| | \$127,021 and higher | 29.00 |
| British Columbia | \$11,000 to \$35,859 | 5.06 |
| | \$35,859 to \$71,719 | 7.70 |
| | \$71,719 to \$82,342 | 10.50 |
| | \$82,342 to \$99,987 | 12.29 |
| | \$99,987 and higher | 14.70 |

British Columbia (BC) combined federal & provincial tax rates / 2004-2010

| Taxable Income | | | | | | | Marginal Tax Rates | | | | | | | | | | | | | | | | | | | |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|--------|--------|-----------|--------------------------|--------|--------|--------|--------|--------|--------------------|----------|----------|----------|----------|----------|--------------|--------|--------|-----------|
| | | | | | | | Capital Gains | | | | Canadian Dividends | | | | | | | | | | | | Other Income | | | |
| | | | | | | | | | | | Small Business Dividends | | | | | | Eligible Dividends | | | | | | | | | |
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2004-2005 | 2006 | 2007 | 2008-2010 | 2004-2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2004-2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2004-2005 | 2006 | 2007 | 2008-2010 |
| first \$32,476 | first \$33,061 | first \$33,755 | first \$34,397 | first \$35,016 | first \$35,716 | first \$35,859 | 11.03% | 10.65% | 10.35% | 10.03% | 4.52% | 3.58% | 2.83% | 2.03% | 3.16% | 4.16% | 4.52% | (14.02%) | (14.89%) | (15.81%) | (14.36%) | (12.59%) | 22.05% | 21.30% | 20.70% | 20.06% |
| over \$32,476 up to \$35,000 | over \$33,061 up to \$35,595 | over \$33,755 up to \$36,378 | over \$34,397 up to \$37,178 | over \$35,016 up to \$37,885 | over \$35,716 up to \$40,726 | over \$35,859 up to \$40,970 | 12.58% | 12.20% | 11.83% | 11.35% | 8.40% | 7.46% | 6.52% | 5.33% | 6.46% | 7.46% | 8.40% | (9.52%) | (10.61%) | (11.99%) | (10.54%) | (8.79%) | 25.15% | 24.40% | 23.65% | 22.70% |
| over \$35,000 up to \$64,954 | over \$35,595 up to \$66,123 | over \$36,378 up to \$67,511 | over \$37,178 up to \$68,794 | over \$37,885 up to \$70,033 | over \$40,726 up to \$71,433 | over \$40,970 up to \$71,719 | 15.58% | 15.58% | 15.33% | 14.85% | 15.90% | 15.90% | 15.27% | 14.08% | 15.21% | 16.21% | 15.90% | 0.27% | (0.46%) | (1.84%) | (0.38%) | 1.29% | 31.15% | 31.15% | 30.65% | 29.70% |
| over \$64,954 up to \$70,000 | over \$66,123 up to \$71,190 | over \$67,511 up to \$72,756 | over \$68,794 up to \$74,357 | over \$70,033 up to \$75,769 | over \$71,433 up to \$81,452 | over \$71,719 up to \$81,941 | 16.85% | 16.85% | 16.55% | 16.25% | 19.08% | 19.08% | 18.33% | 17.58% | 18.71% | 19.71% | 19.08% | 3.96% | 3.10% | 2.23% | 3.68% | 5.32% | 33.70% | 33.70% | 33.10% | 32.50% |
| over \$70,000 up to \$74,575 | over \$71,190 up to \$75,917 | over \$72,756 up to \$77,511 | over \$74,357 up to \$78,984 | over \$75,769 up to \$80,406 | over \$81,452 up to \$82,014 | over \$81,941 up to \$82,342 | 18.85% | 18.85% | 18.55% | 18.25% | 24.08% | 24.08% | 23.33% | 22.58% | 23.71% | 24.71% | 24.08% | 9.76% | 8.90% | 8.03% | 9.48% | 11.08% | 37.70% | 37.70% | 37.10% | 36.50% |
| over \$74,575 up to \$90,555 | over \$75,917 up to \$92,185 | over \$77,511 up to \$94,121 | over \$78,984 up to \$95,909 | over \$80,406 up to \$97,636 | over \$82,014 up to \$99,588 | over \$82,342 up to \$99,987 | 19.85% | 19.85% | 19.50% | 19.15% | 26.58% | 26.58% | 25.71% | 24.82% | 25.95% | 26.95% | 26.58% | 12.67% | 11.65% | 10.62% | 12.07% | 13.66% | 39.70% | 39.70% | 39.00% | 38.29% |
| over \$90,555 up to \$113,804 | over \$92,185 up to \$115,739 | over \$94,121 up to \$118,285 | over \$95,909 up to \$120,887 | over \$97,636 up to \$123,184 | over \$99,588 up to \$126,264 | over \$99,987 up to \$127,021 | 20.35% | 20.35% | 20.35% | 20.35% | 27.83% | 27.83% | 27.83% | 27.83% | 28.96% | 29.96% | 27.83% | 14.11% | 14.11% | 14.11% | 15.56% | 17.13% | 40.70% | 40.70% | 40.70% | 40.70% |
| over \$113,804 | over \$115,739 | over \$118,285 | over \$120,887 | over \$123,184 | over \$126,264 | over \$127,021 | 21.85% | 21.85% | 21.85% | 21.85% | 31.58% | 31.58% | 31.58% | 31.58% | 32.71% | 33.71% | 31.58% | 18.46% | 18.46% | 18.46% | 19.91% | 21.45% | 43.70% | 43.70% | 43.70% | 43.70% |

| Marginal tax rate for dividends is a % of actual dividends received (not grossed-up amount). | | | | | | | | | |
|--|---------|---------|---------|---------|---------|----------|-----------|-------|-----------|
| BC Basic Personal Amount | | | | | | | Tax Rate | | |
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2004-2006 | 2007 | 2008-2010 |
| \$8,523 | \$8,676 | \$8,858 | \$9,027 | \$9,189 | \$9,373 | \$11,000 | 6.05% | 5.70% | 5.06% |

Source: Dayarayan centre of tax research

Ontario (ON) combined federal & provincial tax rates including surtaxes / 2004-2010

| Taxable Income | | | | | | | Marginal Tax Rates | | | | | | | | | | Other Income | | |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|--------|--------------------------|-------|--------------------|--------|---------|---------|---------|---------|--------------|---------|--------|
| | | | | | | | Capital Gains | | Canadian Dividends | | | | | | | | | | |
| | | | | | | | | | Small Business Dividends | | Eligible Dividends | | | | | | | | |
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | | | 2004-2009 | 2010 | 2004-2005 | 2006 | 2007 | 2008 | 2009 | 2010 | | | |
| first \$33,375 | first \$34,010 | first \$34,758 | first \$35,488 | first \$36,020 | first \$36,848 | first \$37,106 | 2004-05 | 11.03% | 2004-05 | 4.48% | 3.16% | 4.48% | (6.04%) | (6.69%) | (7.13%) | (7.71%) | (6.23%) | 2004-05 | 22.05% |
| | | | | | | | 2006 | 10.65% | 2006 | 3.55% | | | | | | | | 2006 | 21.30% |
| | | | | | | | 2007-09 | 10.53% | 2007 | 3.23% | | | | | | | | 2007-09 | 21.05% |
| | | | | | | | 2010 | 10.03% | 2008-09 | 3.88% | | | | | | | | 2010 | 20.05% |
| over \$33,375 up to \$35,000 | over \$34,010 up to \$35,595 | over \$34,758 up to \$36,378 | over \$35,488 up to \$37,178 | over \$36,020 up to \$37,885 | over \$36,848 up to \$40,726 | over \$37,106 up to \$40,970 | 2004-05 | 12.58% | 2004-05 | 8.36% | 7.90% | 8.36% | (1.55%) | (2.2%) | (2.63%) | (3.21%) | (0.32%) | 2004-05 | 25.15% |
| | | | | | | | 2006 | 12.20% | 2006 | 7.42% | | | | | | | | 2006 | 24.40% |
| | | | | | | | 2007-10 | 12.08% | 2007-09 | 7.11% | | | | | | | | 2007-10 | 24.15% |
| over \$35,000 up to \$58,771 | over \$35,595 up to \$59,880 | over \$36,378 up to \$61,206 | over \$37,178 up to \$62,485 | over \$37,885 up to \$63,428 | over \$40,726 up to \$64,882 | over \$40,970 up to \$65,345 | 15.58% | | 15.86% | | 16.65% | 15.86% | 8.24% | 7.95% | 7.52% | 6.94% | 9.76% | 31.15% | |
| over \$58,771 up to \$66,752 | over \$59,880 up to \$68,020 | over \$61,206 up to \$69,517 | over \$62,485 up to \$70,976 | over \$63,428 up to \$72,041 | over \$64,882 up to \$73,698 | over \$65,345 up to \$74,214 | 16.49% | | 16.86% | | 17.81% | 16.86% | 9.01% | 8.66% | 8.14% | 7.44% | 10.55% | 32.98% | |
| over \$66,752 up to \$69,240 | over \$68,020 up to \$70,560 | over \$69,517 up to \$72,102 | over \$70,976 up to \$73,625 | over \$72,041 up to \$74,720 | over \$73,698 up to \$76,440 | over \$74,214 up to \$76,986 | 17.70% | | 19.88% | | 20.82% | 19.88% | 12.51% | 12.16% | 11.64% | 10.94% | 14.02% | 35.39% | |
| over \$69,240 up to \$70,000 | over \$70,560 up to \$71,190 | over \$72,102 up to \$72,756 | over \$73,625 up to \$74,357 | over \$74,720 up to \$75,769 | over \$76,440 up to \$81,452 | over \$76,986 up to \$81,941 | 19.70% | | 22.59% | | 23.82% | 22.59% | 14.94% | 14.49% | 13.81% | 12.91% | 16.49% | 39.41% | |
| over \$70,000 up to \$113,804 | over \$71,190 up to \$115,739 | over \$72,756 up to \$118,285 | over \$74,357 up to \$120,887 | over \$75,769 up to \$123,184 | over \$81,452 up to \$126,264 | over \$81,941 up to \$127,021 | 21.70% | | 27.59% | | 28.82% | 27.59% | 20.74% | 20.29% | 19.61% | 18.71% | 22.25% | 43.41% | |
| over \$113,804 | over \$115,739 | over \$118,285 | over \$120,887 | over \$123,184 | over \$126,264 | over \$127,021 | 23.20% | | 31.34% | | 32.57% | 31.34% | 25.09% | 24.64% | 23.96% | 23.06% | 26.57% | 46.41% | |

Marginal tax rate for dividends is a % of actual dividends received (not grossed-up amount).

| ON Basic Personal Amount | | | | | | | Tax Rate | |
|--------------------------|---------|---------|---------|---------|---------|---------|-----------|-------|
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2004-2009 | 2010 |
| \$8,044 | \$8,196 | \$8,377 | \$8,553 | \$8,681 | \$8,881 | \$8,943 | 6.05% | 5.05% |

Source: Dayarayan centre of tax research

Federal Income Tax Rates for Income Earned by a Canadian-Controlled Private Corporation (CCPC) 2008-2011

| Description | Small Business Income up to \$400,000 | | | | Active Business Income between \$400,000 and \$500,000 | | | | General Active Business Income | | | | Investment Income | | | |
|--------------------------|---------------------------------------|--------|--------|--------|--|--------|--------|--------|--------------------------------|--------|--------|--------|-------------------|--------|--------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2008 | 2009 | 2010 | 2011 | 2008 | 2009 | 2010 | 2011 | 2008 | 2009 | 2010 | 2011 |
| General corporate rate | 38.0 | 38.0 | 38.0 | 38.0 | - | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 |
| Federal abatement | (10.0) | (10.0) | (10.0) | (10.0) | - | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) |
| Small business deduction | 28.0 | 28.0 | 28.0 | 28.0 | - | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 |
| Rate reduction | (17.0) | (17.0) | (17.0) | (17.0) | - | (17.0) | (17.0) | (17.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Refundable tax | 0.0 | 0.0 | 0.0 | 0.0 | - | 0.0 | 0.0 | 0.0 | (8.5) | (9.0) | (10.0) | (11.5) | 0.0 | 0.0 | 0.0 | 0.0 |
| | 0.0 | 0.0 | 0.0 | 0.0 | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.7 | 6.7 | 6.7 | 6.7 |
| | 28.0 | 28.0 | 28.0 | 28.0 | - | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 34.7 | 34.7 | 34.7 | 34.7 |

Comparison of Canada Corporate income tax rates- Federal and BC –(2003-2012)

| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------|------------------------|-------|-------|-------------|-------|-------|----------------|-------|-------|-------|-------|
| Federal(1) | General/M&P/Investment | 24.12 | 22.12 | 22.12 | 22.12 | 22.12 | 19.50 | 19.00 | 18.00 | 16.50 | 15.00 |
| | Small business | 13.12 | 13.12 | 13.12 | 13.12 | 13.12 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| | Investment - CCPC | 35.79 | 35.79 | 35.79 | 35.79 | 35.79 | 34.67 | 34.67 | 34.67 | 34.67 | 34.67 |
| British Columbia(2) | General/M&P/Investment | 13.50 | 13.50 | 13.50/12.00 | 12.00 | 12.00 | 12.00/11.00 | 11.00 | 10.50 | 10.00 | 10.00 |
| | Small business | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50/3.50/2.50 | 2.50 | 2.50 | 2.50 | 2.50 |

(1) Federal: The income limit for the purposes of the small business deduction (SBD limit) has been \$300,000 since 2005. The May 2, 2006 federal budget provided for a rise in the SBD limit to \$400,000 effective January 1, 2007. The January 27, 2009 federal budget provides for an increase in the SBD limit to \$500,000, effective January 1, 2009. The business limit must be allocated between associated corporations. The SBD is reduced progressively on a straight-line basis for CCPCs when their taxable capital used in Canada varies between \$10 million and \$15 million.

(2) British Columbia: SBD limit: increased to \$400,000 for taxation years ending after December 31, 2004. As announced in the February 19, 2008 budget, the General/M&P/Investment rate was reduced to 11% effective July 1, 2008, to 10.5% effective January 1, 2010 and to 10% effective January 1, 2011. In addition, the rate for small businesses was reduced to 3.5% effective July 1, 2008, to 3% effective January 1, 2010 and to 2.5% effective January 1, 2011. On October 23, 2008, the government brought down its Economic Update which proposed a further decrease in the rate for small businesses, from 3.5% to 2.5% effective December 1, 2008. The February 17, 2009 budget confirmed the previously announced rate

reductions. In a news release dated April 7, 2009, the B. C. government announced that the SBD limit would be increased from \$400,000 to \$500,000 on January 1, 2010.

Standard deduction

| Year | Single | Head of Household | Married Filing Joint | Married Filing Separately | Qualifying Widow/Widower | Dependent | Additional Amount if Blind | Additional Amount if age 65 or older | Personal Exemption |
|------|---------|-------------------|----------------------|---------------------------|--------------------------|-----------------|----------------------------|--------------------------------------|--------------------|
| 2005 | \$5,350 | \$7,850 | \$10,700 | \$5,350 | \$10,700 | \$850 - \$5,350 | \$1,050 | \$1,050 | \$3,400 |
| 2006 | \$5,150 | \$7,550 | \$10,300 | \$5,150 | \$10,300 | \$850 - \$5,150 | \$1,000 | \$1,000 | \$3,300 |
| 2007 | \$5,350 | \$7,850 | \$10,700 | \$5,350 | \$10,700 | \$850 - \$5,350 | \$1,050 | \$1,050 | \$3,400 |
| 2008 | \$5,450 | \$8,000 | \$10,900 | \$5,450 | \$10,900 | \$900 - \$5,450 | \$1,050 / \$1,350 (1) | \$1,050 / \$1,350 (1) | \$3,500 |
| 2009 | \$5,700 | \$8,350 | \$11,400 | \$5,700 | \$11,400 | \$950 - \$5,700 | \$1,100 / \$1,400 (2) | \$1,100 / \$1,400 (2) | \$3,650 |

(1) \$1,050 (for married filing joint, married filing separately, or qualifying widow); \$1,350 (for single and head of household)

(2) \$1,100 (for married filing joint, married filing separately, or qualifying widow); \$1,400 (for single and head of household)

Comparison of Corporate Tax Rates 2003-2009

| year | Federal | | | | British Columbia | | Top marginal rate | | Other Income |
|------|---------|-------|-------|-----------------------|------------------|------|-------------------|-----------|--------------|
| | General | SBD | M&P | Investments (CCPC) | General/M&P | SBD | Capital Gain | Dividends | |
| 2003 | 24.12 | 13.12 | 22.12 | 35.79 | 13.50 | 4.50 | 21.85 | 31.58 | 43.70 |
| 2004 | 22.12 | 13.12 | 22.12 | 35.79 | 13.50 | 4.50 | 21.85 | 31.58 | 43.70 |
| 2005 | 22.12 | 13.12 | 22.12 | 35.79 | 13.50 | 4.50 | 21.85 | 31.58 | 43.70 |
| 2006 | 22.12 | 13.12 | 22.12 | 35.79 | 12.00 | 4.50 | 21.85 | - | 43.70 |
| 2007 | 22.12 | 13.12 | 22.12 | 35.79 | 12.00 | 4.50 | 18.47 | 31.58 | 43.70 |
| 2008 | 20.59 | 11.50 | 20.59 | 34.67 | 12.00 | 4.50 | 21.85 | 31.58 | 43.70 |
| 2009 | 20.00 | 11.00 | 20.00 | 34.67 | 12.00 | 4.50 | 21.85 | 32.71 | 43.70 |

Deferred Income Plans - Maximum Contributions

| Year | RRSP ⁽¹⁾ | RPP ⁽²⁾ |
|-----------|---------------------|--------------------|
| 1995 | \$14,500 | \$15,500 |
| 1996-2002 | \$13,500 | \$13,500 |
| 2003 | \$14,500 | \$15,500 |
| 2004 | \$15,500 | \$16,500 |
| 2005 | \$16,500 | \$18,000 |
| 2006 | \$18,000 | \$19,000 |
| 2007 | \$19,000 | \$20,000 |
| 2008 | \$20,000 | \$21,000 |
| 2009 | \$21,000 | \$22,000 |
| 2010 | \$22,000 | - |

(1) RRSP: Registered Retirement Savings Plan

(2) RPP: Registered Pension Plan

Table of Canadian Federal Tax Rates for the years 2001- 2010

| Portion | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1st portion of taxable income | \$30,754 | \$31,677 | \$32,183 | \$35,000 | \$35,595 | \$36,378 | \$37,178 | \$37,885 | \$40,726 | \$40,970 |
| Applicable Rate | 16.00% | 16.00% | 16.00% | 16.00% | 15.00% | 15.25% | 15.00% | 15.00% | 15.00% | 15.00% |
| Next portion of taxable income | \$30,755 | \$31,677 | \$32,185 | \$35,000 | \$35,595 | \$36,378 | \$37,179 | \$37,884 | \$40,726 | \$40,971 |
| Applicable Rate | 22.00% | 22.00% | 22.00% | 22.00% | 22.00% | 22.00% | 22.00% | 22.00% | 22.00% | 22.00% |
| Next portion of taxable income | \$38,491 | \$39,646 | \$40,280 | \$43,804 | \$44,549 | \$45,529 | \$46,530 | \$47,415 | \$44,812 | \$45,080 |
| Applicable Rate | 26.00% | 26.00% | 26.00% | 26.00% | 26.00% | 26.00% | 26.00% | 26.00% | 26.00% | 26.00% |
| On the amount over | \$100,000 | \$103,000 | \$104,648 | \$113,804 | \$115,739 | \$118,285 | \$120,887 | \$123,184 | \$126,264 | \$127,021 |
| Applicable Rate | 29.00% | 29.00% | 29.00% | 29.00% | 29.00% | 29.00% | 29.00% | 29.00% | 29.00% | 29.00% |

Source: Dayarayan centre of tax research

Table of Individual Income Tax Rates for the Province of British Columbia / 2001- 2010

| Portion | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1 st portion of taxable income | \$30,484 | \$31,124 | \$31,653 | \$32,476 | \$33,061 | \$33,755 | \$34,397 | \$35,016 | \$35,716 | \$35,859 |
| Applicable Rate | 7.30% | 6.05% | 6.05% | 6.05% | 6.05% | 6.05% | 5.70% | 5.06% | 5.06% | 5.06% |
| Next portion of taxable income | \$30,485 | \$31,125 | \$31,655 | \$32,478 | \$33,062 | \$33,756 | \$34,397 | \$35,017 | \$35,717 | \$35,860 |
| Applicable Rate | 10.50% | 9.15% | 9.15% | 9.15% | 9.15% | 9.15% | 8.65% | 7.70% | 7.70% | 7.70% |
| Next portion of taxable income | \$9,031 | \$9,221 | \$9,377 | \$9,621 | \$9,794 | \$10,000 | \$10,190 | \$10,373 | \$10,581 | \$10,623 |
| Applicable Rate | 13.70% | 11.70% | 11.70% | 11.70% | 11.70% | 11.70% | 11.10% | 10.50% | 10.50% | 10.50% |
| Next portion of taxable income | \$15,000 | \$15,315 | \$15,575 | \$15,980 | \$16,268 | \$16,610 | \$16,925 | \$17,230 | \$17,574 | \$17,645 |
| Applicable Rate | 15.70% | 13.70% | 13.70% | 13.70% | 13.70% | 13.70% | 13.00% | 12.29% | 12.29% | 12.29% |
| On the amount over | \$85,000 | \$86,785 | \$88,260 | \$90,555 | \$92,185 | \$94,121 | \$95,909 | \$97,636 | \$99,588 | \$99,987 |
| Applicable Rate | 16.70% | 14.70% | 14.70% | 14.70% | 14.70% | 14.70% | 14.70% | 14.70% | 14.70% | 14.70% |

Source: Dayarayan centre of tax research

BC Combined Federal and Provincial Income Tax Rates for Income Earned by a Canadian-Controlled Private Corporation(CCPC)

| Effective date | Small Business Income up to \$400,000 | Active Business Income between \$400,000 and \$500,000 | General Active Business Income | Investment Income |
|----------------|--|---|-----------------------------------|-------------------|
| 01-Jan-08 | 15.5/14.5/13.5% | - | 31.5/30.5% | 46.7/45.7% |
| 01-Jan-09 | 13.50% | 22.00% | 30.00% | 45.70% |
| 01-Jan-10 | 13.50% | 21.50% | 28.50% | 45.20% |
| 01-Jan-11 | 13.50% | 21.00% | 26.50% | 44.70% |

BC Provincial Income Tax Rates for Income Earned by a Canadian-Controlled Private Corporation(CCPC)

| Effective date | Small Business Income up to \$400,000 | Active Business Income between \$400,000 and \$500,000 | General Active Business Income | Investment Income |
|----------------|--|---|-----------------------------------|-------------------|
| 01-Jan-08 | 4.5/3.5/2.5% | - | 12/11% | 12/11% |
| 01-Jan-09 | 2.50% | 11% | 11% | 11% |
| 01-Jan-10 | 2.50% | 10.50% | 10.50% | 10.50% |
| 01-Jan-11 | 2.50% | 10% | 10% | 10% |

Small Business Income (SBI) Thresholds for Canadian-Controlled Private Corporations (CCPCs) 2008-2011

| Description | 2008 | 2009 | 2010 | 2011 |
|------------------|-----------|-----------|-----------|-----------|
| Federal | \$400,000 | \$500,000 | \$500,000 | \$500,000 |
| British Columbia | \$400,000 | \$400,000 | \$400,000 | \$400,000 |

Federal Personal Income Tax Rates / 2004-2010

| Taxable Income | | | | | | | Marginal Tax Rates | | | | | | | | | |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------|-----------|--------------------|-----------|--------|-----------|--------------|---------|------|-----------|
| | | | | | | | Capital Gains | | Canadian Dividends | | | | Other Income | | | |
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Small Business Dividends | | Eligible Dividends | | | | | | | |
| | | | | | | | 2004 | 2005-2010 | 2004 | 2005-2010 | 2004 | 2005-2006 | 2007-2009 | 2010 | 2004 | 2005-2010 |
| first \$35,000 | first \$35,595 | first \$36,378 | first \$37,178 | first \$37,885 | first \$40,726 | first \$40,970 | 8.00% | 7.50% | 3.33% | 2.08% | 3.33% | 2.08% | (5.75%) | (4.28%) | 16% | 15.00% |
| over \$35,000 up to \$70,000 | over \$35,595 up to \$71,190 | over \$36,378 up to \$72,756 | over \$37,178 up to \$74,357 | over \$37,885 up to \$75,769 | over \$40,726 up to \$81,452 | over \$40,970 up to \$81,941 | 11.00% | 11.00% | 10.83% | 10.83% | 10.83% | 10.83% | 4.40% | 5.80% | 22% | 22.00% |
| over \$70,000 up to \$113,804 | over \$71,190 up to \$115,739 | over \$72,756 up to \$118,285 | over \$74,357 up to \$120,887 | over \$75,769 up to \$123,184 | over \$81,452 up to \$126,264 | over \$81,941 up to \$127,021 | 13.00% | 13.00% | 15.83% | 15.83% | 15.83% | 15.83% | 10.20% | 11.56% | 26% | 26.00% |
| over \$113,804 | over \$115,739 | over \$118,285 | over \$120,887 | over \$123,184 | over \$126,264 | over \$127,021 | 14.50% | 14.50% | 19.58% | 19.58% | 19.58% | 19.58% | 14.55% | 15.88% | 29% | 29.00% |

Marginal tax rate for dividends is a % of actual dividends received (not grossed-up amount).

| Federal Basic Personal Amount | | | | | | | Tax Rate | | |
|-------------------------------|---------|---------|---------|---------|----------|----------|----------|------------------|--------|
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2004 | 2005 & 2007-2010 | 2006 |
| \$8,012 | \$8,648 | \$9,039 | \$9,600 | \$9,600 | \$10,320 | \$10,382 | 16.00% | 15.00% | 15.25% |

Source: Dayarayan centre of tax research

The tax rate tables show the combined federal plus provincial/territorial marginal tax rate for 4 different types of income - the 2 types of Canadian dividends, capital gains, and all other income. *The other income column shows the actual tax rates for each tax bracket.* A person's marginal tax rate is the tax rate that will be applied to the next dollar earned.

The marginal tax rates on capital gains and Canadian dividend income are lower than on other types of income, because:

- only 50% of capital gains are included in taxable income
- Either 125% or 145% of Canadian dividends are included in taxable income, but a dividend tax credit is deducted from taxes payable. See the Dividend Tax Credit page for more information.

Other income includes income from employment, self-employment, interest from Canadian or foreign sources, foreign dividend income, etc.

With some marginal tax rate tables, the marginal tax rate at \$60,000 for dividends is the rate that would apply if there was no income besides dividend income. This is not the way our tax rate tables work.

In our tables, the marginal tax rates for capital gains and dividends at any income level (say \$60,000) are the marginal rates on the next dollar of actual capital gains or actual dividend income, if the taxpayer has \$60,000 of taxable income *from sources other than dividends*.

Example: the combined federal/BC marginal tax rate for a person earning \$72,000 of employment income in 2009 would be

- 32.5% for employment income
- 16.25% for capital gains
- 3.68% for eligible Canadian dividends
- 18.71% for Canadian small business dividends

Employee does not pay GST/HST on taxable benefits

The employee does not pay GST/HST you have to remit on taxable benefits. As explained in previous chapters, an amount for GST/HST has already been added to the taxable benefit reported on the employee's T4 slip.

Example 1: Remitting GST/HST on automobile benefits in a non-participating province

As a corporation registered for GST/HST, you buy a vehicle that is used more than 50% in commercial activities and is made available to your employee during 2009. The last establishment where the employee ordinarily reported in the year for the corporation was located in **Ontario**.

You calculated a taxable benefit (including GST and PST) of \$4,800 on the standby charge and an operating expense benefit of \$600. Your employee reimbursed you \$1,800 for the automobile operating expenses within 45 days following the end of 2009. You did not include this amount as a taxable benefit.

You claimed an ITC for the purchase of the automobile and also on the operating expenses. Since the benefit is taxable under the *Income Tax Act*, and no situations described in the section Situations where we do not consider you to have collected GST/HST apply, you calculate the GST remittance as follows:

Standby charge benefit

| | | | |
|--|---------|-----------|----------|
| Taxable benefit reported on T4 | \$4,800 | | |
| GST considered to have been collected on the benefit | \$4,800 | × 4/104 = | \$184.62 |

Operating expense benefit

| | | | |
|---|----------------|--------|-----------------|
| Taxable benefit reported on T4 | \$600 | | |
| Employee's partial reimbursement of operating expenses | \$1,800 | | |
| Total value of the benefit | \$2,400 | | |
| GST considered to have been collected on the benefit | \$2,400 | × 3% = | \$72.00 |
| Total GST to be remitted on the automobile benefit | | | \$256.62 |

You are considered to have collected GST in the amount of \$256.62 at the end of February 2010. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2010.

Example 2: Remitting GST/HST on automobile benefits in a participating province

Using the same facts as in Example 1, assume that the last establishment to which the employee ordinarily reported in the year for the corporation was located in **Nova Scotia**. In this case, you would calculate the **HST** remittance as follows:

Standby charge benefit

| | | | |
|--|---------|------------|----------|
| Taxable benefit reported on T4 | \$4,800 | | |
| HST considered to have been collected on the benefit | \$4,800 | × 12/112 = | \$514.29 |

Operating expense benefit

| | | | |
|--|----------------|--------|----------|
| Taxable benefit reported on T4 | \$600 | | |
| Employee's partial reimbursement of operating expenses | \$1,800 | | |
| Total value of the benefit | \$2,400 | | |
| HST considered to have been collected on the benefit | \$2,400 | × 9% = | \$216.00 |

Total HST to be remitted on the automobile benefit **\$730.29**

You are considered to have collected HST in the amount of \$730.29 at the end of February 2010. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2010.

Example 3: Long service award

You bought a watch for \$560 (including GST/HST and PST) for your employee to mark the employee's 25 years of service. You reported a taxable benefit of \$560 in box 14 and under code **40** on the employee's T4 slip.

You could not claim an ITC because you bought the watch for the employee's exclusive personal use and enjoyment. Since you cannot claim an ITC, you are not considered to have collected GST/HST and, as a result, you will not have to remit GST/HST on the benefit.

Example 4: Special clothing

You provided your employee with safety footwear designed to protect him or her from particular hazards associated with his or her employment. Since we do not consider the footwear to be a taxable benefit to the employee for income tax purposes, you are not considered to have collected GST/HST on the footwear and you do not have to remit GST/HST. However, you can claim an ITC for any GST/HST you paid on the footwear.

Benefits Chart

This chart indicates whether the **taxable** allowances and benefits discussed in this guide are subject to CPP and EI withholdings, and shows which codes you should use to report them on the employee's T4 slip. The chart also indicates whether GST/HST has to be included in the value of the **taxable** benefit for income tax purposes. Cash reimbursements and non-cash benefits are subject to GST/HST, unless they are for exempt or zero-rated supplies. Cash allowances are not subject to GST/HST.

| Taxable allowance or benefit | CPP | EI | Code | GST/HST |
|--|------------|-----------|-------------|----------------|
| Automobile and motor vehicle allowances | yes | yes | 40 | no |
| Automobile standby charge and operating expense benefits | yes | no | 34 | yes |
| Board and lodging, if cash earnings also paid in the pay period | yes | yes | 30 | [Note 1] |
| Board and lodging, if no cash earnings paid in the pay period | yes | no | 30 | [Note 1] |
| Cellular phone service – in cash | yes | yes | 40 | yes |
| Cellular phone service – non-cash | yes | no | 40 | yes |
| Child care expenses – in cash | yes | yes | 40 | yes |
| Child care expenses – non-cash | yes | no | 40 | yes |

| | | | | |
|--|-----|----------|----|----------|
| Counseling services – in cash | yes | yes | 40 | [Note 2] |
| Counseling services – non-cash | yes | no | 40 | [Note 2] |
| Disability-related employment benefits – in cash | yes | yes | 40 | yes |
| Disability-related employment benefits – non-cash | yes | no | 40 | yes |
| Discounts on merchandise and commissions on sales | yes | no | 40 | yes |
| Educational allowances for children | yes | yes | 40 | no |
| Gifts and awards – in cash | yes | yes | 40 | no |
| Gifts and awards – non-cash/near-cash | yes | no | 40 | yes |
| Group term life insurance policies: Employer-paid premiums | yes | no | 40 | no |
| Housing, rent-free or low-rent – in cash | yes | yes | 30 | [Note 3] |
| Housing, rent-free or low-rent – non-cash | yes | [Note 4] | 30 | [Note 3] |
| Interest-free and low-interest loans [Note 5] | yes | no | 36 | no |
| Internet service (at home) – in cash | yes | yes | 40 | yes |
| Internet service (at home) – non-cash | yes | no | 40 | yes |
| Meals – Overtime allowances | yes | yes | 40 | no |
| Meals – Overtime – in cash | yes | yes | 40 | yes |
| Meals – Overtime – non-cash | yes | no | 40 | yes |
| Meals – Subsidized | yes | no | 30 | yes |
| Medical expenses – in cash | yes | yes | 40 | [Note 6] |
| Medical expenses – non-cash | yes | no | 40 | [Note 6] |
| Moving expenses and relocation benefits – in cash | yes | yes | 40 | yes |
| Moving expenses and relocation benefits – non-cash | yes | no | 40 | yes |

| | | | | |
|--|-----|-----|----|---------------------|
| Moving expenses – non accountable allowance over \$650 | yes | yes | 40 | no |
| Municipal officer's expense allowance ^[Note 7] | yes | no | 40 | no |
| Parking – in cash | yes | yes | 40 | yes |
| Parking – non-cash | yes | no | 40 | yes |
| Power saws and tree trimmers – rental paid by employer for employee-owned tools | yes | yes | 40 | yes |
| Premiums under provincial hospitalization, medical care insurance, and certain federal government plans – in cash | yes | yes | 40 | no |
| Premiums under provincial hospitalization, medical care insurance, and certain federal government plans – non-cash | yes | no | 40 | no |
| Professional membership dues – in cash | yes | yes | 40 | ^[Note 8] |
| Professional membership dues – non-cash | yes | no | 40 | ^[Note 8] |
| Recreational facilities – in cash | yes | yes | 40 | yes |
| Recreational facilities – non-cash | yes | no | 40 | yes |
| Recreational facilities – club membership dues | yes | no | 40 | yes |
| Registered retirement savings plan (RRSP) contributions | yes | yes | 40 | no |
| Registered retirement savings plan (RRSP) administration fees | yes | no | 40 | ^[Note 8] |
| Scholarships and bursaries | yes | yes | 40 | no |
| Security options ^[Note 9] | yes | no | 38 | no |
| Social events – in cash | yes | yes | 40 | no |
| Social events – non-cash | yes | no | 40 | yes |
| Spouse or common-law partner's travelling expenses – cash allowance | yes | yes | 40 | no |
| Spouse or common-law partner's travelling expenses – non-cash | yes | no | 40 | yes |
| Tax-Free Savings Account – contributions | yes | yes | 40 | no |

| | | | | |
|---|-----|-----|----|-----------|
| Tax-Free Savings Account – administration fees | yes | no | 40 | [Note 10] |
| Tool allowance | yes | yes | 40 | no |
| Tool reimbursement | yes | yes | 40 | yes |
| Transit passes – in cash | yes | yes | 40 | yes |
| Transit passes – non-cash | yes | no | 40 | yes |
| Transportation to and from the job – in cash | yes | yes | 40 | yes |
| Transportation to and from the job – non-cash | yes | no | 40 | yes |
| Travel assistance in a prescribed zone ^[Note 11] | yes | yes | 32 | yes |
| Travelling allowances to a part-time employee and other employees | yes | yes | 40 | no |
| Tuition fees – in cash | yes | yes | 40 | [Note 10] |
| Tuition fees – non-cash | yes | no | 40 | [Note 10] |
| Uniforms and special clothing – in cash | yes | yes | 40 | yes |
| Uniforms and special clothing – non-cash | yes | no | 40 | yes |
| Wage-loss replacement or income maintenance non-group plan premiums | yes | no | 40 | no |

Notes

- ¹ The rent portion of the lodging benefit is subject to GST/HST if the dwelling is occupied for **less than** one month; the utility portion is subject to GST/HST unless municipality supplied.
- ² Certain counseling services are subject to GST/HST. If the services you pay are subject to GST/HST, include the GST/HST in the value of the benefit.
- ³ The rent portion of the housing benefit is subject to GST/HST if the dwelling is occupied for **less than** one month; the utility portion is subject to GST/HST unless municipality supplied.
- ⁴ If it is a non cash benefit, it is insurable if it is received by the employee in addition to cash earnings in a pay period. If no cash earnings are paid in the pay period, it is not insurable.
- ⁵ Enter the home relocation loan deduction under code **37**.

⁶ Some medical expenses are subject to GST/HST. For more information,.

⁷ Enter the exempt amount under code **70**.

⁸ Certain fees are subject to GST/HST. If the fees you pay are subject to GST/HST, include it in the value of the benefit.

⁹ Enter the amount of the security options deduction under code **39** or **41**, as applicable.

¹⁰ Certain fees are subject to GST/HST. If the fees you pay are subject to GST/HST, include it in the value of the benefit.

¹¹ Enter the amount of medical travel assistance under code **33**.

(Source: Employers' Guide Taxable Benefits and Allowances 2009)

Total average household expenditure by province

| | 2007 | 2008 | 2007 to 2008 |
|---------------------------|---------------|---------------|--------------|
| | \$ | | % change |
| Canada | 69,950 | 71,360 | 2.0 |
| Newfoundland and Labrador | 55,010 | 57,710 | 4.9 |
| Prince Edward Island | 55,570 | 58,710 | 5.7 |
| Nova Scotia | 59,990 | 60,330 | 0.6 |
| New Brunswick | 58,210 | 58,440 | 0.4 |
| Quebec | 57,310 | 60,480 | 5.5 |
| Ontario | 76,650 | 77,310 | 0.9 |
| Manitoba | 63,300 | 63,510 | 0.3 |
| Saskatchewan | 63,940 | 68,280 | 6.8 |
| Alberta | 85,910 | 86,910 | 1.2 |
| British Columbia | 72,620 | 73,120 | 0.7 |

Average total expenditure and shares of spending of major categories for provinces, 2008

| | Average household spending | Food | Shelter | Clothing | Transportation | Personal taxes ² |
|---------------|----------------------------|-------------------------------------|-------------|------------|----------------|-----------------------------|
| | \$ | Shares of spending ¹ (%) | | | | |
| Canada | 71,360 | 10.4 | 19.9 | 4.0 | 13.6 | 20.5 |

| | | | | | | |
|---------------------------|--------|------|------|-----|------|------|
| Newfoundland and Labrador | 57,710 | 11.7 | 16.5 | 4.7 | 15.6 | 18.0 |
| Prince Edward Island | 58,710 | 11.5 | 19.0 | 3.6 | 15.2 | 16.2 |
| Nova Scotia | 60,330 | 11.3 | 18.6 | 3.7 | 14.7 | 17.9 |
| New Brunswick | 58,440 | 11.2 | 17.2 | 3.5 | 17.0 | 17.8 |
| Quebec | 60,480 | 12.2 | 18.5 | 3.9 | 13.2 | 20.5 |
| Ontario | 77,310 | 9.7 | 21.2 | 4.2 | 13.1 | 21.2 |
| Manitoba | 63,510 | 10.2 | 18.2 | 3.9 | 14.3 | 18.8 |
| Saskatchewan | 68,280 | 9.2 | 17.2 | 3.8 | 16.0 | 19.1 |
| Alberta | 86,910 | 8.9 | 19.0 | 3.8 | 14.0 | 21.9 |
| British Columbia | 73,120 | 10.9 | 20.8 | 4.0 | 13.8 | 18.7 |

1. Shares of spending represent the proportions of total average household spending.

2. Percentage of spending on personal taxes depends on provincial and federal income tax rates as well as household income distribution.

HST in British Columbia

On October 14, 2009, the British Columbia Ministry of Finance released HST notice. The HST is scheduled to come into effect on July 1, 2010 subject to legislative approval.

Harmonized Sales Tax: Creating Jobs, Lowering Prices

- B.C. will have the lowest provincial personal income taxes in Canada for individuals earning up to \$118,000.
- Since 2001, the B.C. Government has reduced taxes more than 120 times, benefiting both business and the people of British Columbia.
- For the majority of taxpayers, your B.C. Government has reduced provincial income taxes by at least 37 per cent and an additional 325,000 people no longer pay any B.C. income tax.
 - ✓ An individual earning \$15,000 now pays \$420 less in taxes;
 - ✓ An individual earning \$20,000 now pays \$605 less in taxes;
 - ✓ An individual earning \$40,000 now pays \$990 less in taxes;

- ✓ An individual earning \$50,000 now pays \$1,400 less in taxes;
 - ✓ An individual earning \$60,000 now pays \$1,820 less in taxes;
 - ✓ An individual earning \$70,000 now pays \$2,240 less in taxes.
- Your B.C. Government will increase the basic personal income tax credit by 17 per cent to \$11,000 on January 1, 2010.
 - Your B.C. Government increased the Low Income Climate Action tax credit to low-income families by 5 per cent on July 1, 2009. That means low-income families will be eligible for \$105 per adult and \$31.50 per child annually. This new benefit will put an additional \$15 million a year back in the pockets of the families and individuals who need it most.
 - Your B.C. Government will introduce a B.C. HST credit, paid quarterly with the GST and Low Income Climate Action tax credits to offset the impact of the HST on those with low incomes.
 - In 2008, every B.C. resident received a \$100 climate action dividend cheque to help British Columbians make smart choices to reduce their carbon footprint
 - Introduced the Rental Assistance Program in 2006, providing rent payment assistance to more than 8,200 low-income, working families with children whose combined income is less than \$35,000. The average monthly rental assistance provided to these families is about \$350.
 - The Shelter Aid for Elderly Renters (SAFER) program has been improved and expanded, with 15,700 seniors' households – that's 3,700 more households than 2001 – receiving an annual rental subsidy of \$1,800.
 - Your B.C. Government has increased the home owner grant by \$100 and eliminated the threshold for low-income seniors, veterans and persons with disabilities. Your B.C. Government is providing a Northern and Rural Homeowner benefit of up to \$200 for homeowners in the area of the province outside the Capital Regional District, Greater Vancouver Regional District and Fraser Valley Regional District for the 2011 tax year.
 - With the improvements your B.C. Government is making to the MSP Premium Assistance Program, those in the greatest financial need will actually come out ahead.
 - For example, a senior couple with an income of \$35,000 will see their annual premium cost fall by more than \$200. A family of four earning \$30,000 will see their annual costs reduced by more than \$250. In total, approximately 180,000 British Columbians will see their premium costs reduced or eliminated.
 - Healthy Kids Program provides \$700 per child, per year for additional dental and eye care on top of MSP Premium Assistance.
 - After Fair Pharmacy Care was introduced in 2003, 300,000 families received more support than they did in 2001; under this program, the vast majority of British Columbians now pay the same or less for their prescription drugs.
 - Your B.C. Government provides a Child Care Subsidy Program to assist low- and middle-income families earning up to \$38,000 with the costs of child care.

- On average, a family receiving the child care subsidy would receive \$5,400 per child over the course of a year.
- Your B.C. Government created a new, temporary property tax deferral program for those British Columbians experiencing serious financial difficulties due to current economic conditions.
- Your B.C. Government permanently removed the tolls on the Coquihalla Highway saving travelers time and money. A passenger vehicle making a round trip twice a month will save \$480 a year, and a commercial truck making a round trip once a week will save \$4,800 a year.

(Source:http://www.gov.bc.ca/yourbc/tax_families/tf_taxpayers.html?src=/taxpayers/tf_taxpayers.html)

Sales taxes in British Columbia

PST

Currently, the Provincial Government of British Columbia collects a Social Service Tax as known as the Provincial Sales Tax (PST) of 7% on most of the goods and services. The main difference with the GST is its taxable base since the PST taxation is done disregarding if the good or service is for *final use* or not (at the difference of the GST taxing only goods and services for *final use*).

Main tax exemptions

- ✓ unprocessed food
- ✓ restaurant
- ✓ fuel
- ✓ children sized clothes and footwear

Tax revenue

The PST revenue is estimated at 5.087 Billions for the 2009/2010 exercise from which 2 Billions is directly paid by the business sector. It represents ~13% of the BC government budget.

HST

The BC government has announced on July 23rd, 2009, its intention to replace, by July 1st, 2010, the PST by a Harmonized Sales Tax (HST) combining the GST with a provincial tax following the same rule than the GST.

Rationale

The PST being a retail tax, the business sector is subject to a 7% PST on most of its input, so it is put at a competitive disadvantage with business of other jurisdiction not subject to such taxation. Transferring this tax to the consumer favour both the exportation, and investment in productivity and according several study is a more efficient taxation. It could also disfavour the labour intensive service industry (like hairdresser or hospitality services), where inputs are marginal.

PST versus HST revenue

While the PST revenue is estimated \$5.083 billion, for the 2009/2010 exercise, the HST revenue could generate significantly more revenue, \$6 billions according to the projection below,

Several source concurs to estimate the 5% GST revenue for British Columbia of ~\$5 Billions (or a tax base at ~100 billion after the current GST exemption concerning the public sector), this revenue can be multiplied by 7%/5%, taking account the difference rate, between current GST and proposed additional 7%, to estimate the HST provincial revenue, the taxable base being the same.

This is not taking account the additional windfall of \$1.6 Billion provided by the Federal Government, as a consequence of the HST adoption, and collection cost saving estimated at \$30 millions.

Mitigation measure

In order to be revenue neutral, the BC government could explore several avenues: The Memorandum agreed between the provincial and the federal government, gives the former the flexibility to

- Adjust the tax rate (after a 2 years period, and currently fixed at 7%), according to the above projection, the tax base change could provide room for a decrease of the tax rate of more than 1 point, to keep revenue neutral.
- exempt some service and good in the limit it doesn't affect more than 5% of the tax base

The Memorandum seems to prefer the second path by suggesting exemption of Motive fuel, Children's Clothing and footwear, Children car seats, Feminine hygiene and Books.

Beside it, and following the #rationale justifying the introduction of the HST, the BC government, following the example of the Ontario government, could choose to reduce other tax, reputed inefficient in economic term like personal tax.

Critics

Rather than decrease the rate of the HST across the board, the government has chosen to favour some special interest group industries, calling several comments

General remark

One will note that all those discretionary exemption defeat one purpose of the HST, which is tax harmonization, with cost saving achieved by red tape reduction.

The HST shift benefits mostly to the capital intensive industry which is mining and forestry in BC. The government having chosen to exclude most of labor intensive service industry of HST tax relief, the tax shift appear to favor the rural BC interior over the urban area riding, and the exemption on motive fuel could be a consequence of this choice. In other word, the tax shift could favor declining legacy industry representing a declining share of the BC GDP.

However, the government has adopted the following policy on goods taxation:

- tax credit on demand elasticity non directly function of the family income, like heating fuel
- Provincial HST exemption on demand elasticity directly function of the family income, like children garments.

HST and Green agenda

In 2008, BC has introduced a Carbon tax. In the meantime it plane to exempt motive fuel of the 7% HST. However the soft transportation mode like bike, bike part and service, currently exempted of PST will be subject to the 7% under the HST umbrella. This lack of readability in the political agenda pursued by the government in regard of the climate action has been called "pretzel logic" by a Province commentator.

Some could explain the reasoning as a way to avoid too many taxes for the motive fuel, already subject to the carbon tax, but then the reasoning should also apply to heating fuel what the BC government is short to do.

Fuel Demand elasticity

it is known the demand elasticity, as a function of price, for motive fuel is very light, so there was a priori little incentive for a government to renounce to the taxation on such item by means of across the board taxes exemption, restraining his ability to reduce price, by means of tax reduction, on sector more sensible to pricing. Whether final price of motive fuel is an issue for economic competitiveness, the provincial government had a way to mitigate the effect of the HST introduction by reducing the motor fuel tax accordingly. Whether the final price is a social issue, the government can also act by a tax credit, leaving choice to consumer to either use it to offset the tax effect, or eventually to shift to less dependable mode.

HST and Sport Agenda

In 2009/2010, the Government spend \$70 million in the promotion of healthy living and sport, but the introduction of HST will translate by a new taxation of 7% for numerous of sport activities:

- biking

- fitness and gym club
- ski passes

What could largely conceal the effort of the ministry of healthy living and sport?

HST and Social issue

HST will affect the heating fuel (previously exempted by the PST), and government plane to provide a tax credit to mitigate the effect of it.

other items, like children's clothes and footwear, currently exempted of PST will be not affected by the HST either, though that the government could have choose to mitigate the HST effect by a tax credit like in the case of motive fuel, which could have been more favourable to low income families which spend less on garment than rich families.

HST and Housing

Renting

Under the GST rule, rent are exempted, so they will be also under HST rule like it was under PST rule.

Purchasing

Purchase of existing home are exempted of GST (and so will be of HST) while purchase of new home are subject to a GST rate reduced of 36% if the purchase price is below \$350 000 (paying effectively a tax rate of 3.2%). Under PST rule, purchase of new home is exempted of tax. Under BC HST rule, up to \$200000 of the provincial part of the HST could be refunded (making virtually tax free the purchase of new home under \$400 000).

Nevertheless realtors and home appraisals service will be subject to full HST, whereas they were only subject to GST. It could be considered the change could have little effect on the market:

- Realtor fees are traditionally paid by the seller, and tax increase will only affect its potential benefit (that is assuming the cost of home is fixed by market).
- Cost of Appraisal service can be considered as negligible in a traditional home purchase.

HST effect on new home pricing is expected to be mitigated by suppression of the PST on the construction inputs.

Benefits for Home Buyers

New homes in B.C. are subject to the GST, and also carry an estimated two per cent embedded tax as a result of the PST paid on most construction materials. Under the proposed Harmonized Sales Tax, new homes will be subject to the HST but the embedded PST will be eliminated because builders will be able to recover the tax paid on materials through input tax credits. Used homes will

not be subject to the HST. An essential part of the BC HST will be a tax rebate for new homes. A rebate of up to \$20,000 will ensure that purchasers of new homes up to \$400,000 do not pay more tax due to harmonization than is currently embedded in the price of a new home. New homes above \$400,000 will be eligible for a \$20,000 rebate. New home sales will be subject to the HST. Sales of used homes will not be subject to HST.

BC Property Tax

All property owners are taxed annually based on the assessed values as determined by the BC Assessment Authority. The BC Assessment Authority produces annual property assessments based on the market value of the real estate as at July 1st in the previous year. Property assessments are determined using standard real estate valuation approaches; direct comparison, cost and income approaches. The BC Assessment Authority also determines the physical condition, reflecting any changes after the valuation date, and the actual use(s) to apply the correct property tax classification(s) for each property as at October 31st in the previous year. Property owners receive their annual property assessment notices in the first week of January. The property owner has until January 31st to file an appeal with the Property Assessment Review Panel. There is no fee to file an appeal to the Property Assessment Review Panel. A third party may also file an appeal against a property assessment notice.

The BC Harmonized Sales Tax in a Nutshell – A Quick Overview of the B.C. HST 12% Tax and How It Influences New Home Buyers of Real Estate

- 1** The Harmonized Sales Tax (also known as the new BC HST) is 12% tax applicable to most goods and services, including new homes, real estate, and property.
- 2** The new B.C. HST 12% Tax is the combination of the Federal Goods and Services Tax (5% GST) and the Provincial Sales Tax (7% PST).
- 3** Implementation of the BC Harmonized Sales Tax will take place on July 1, 2010.
- 4** The BC HST is NOT a 12% real estate tax, but a provincial harmonized tax on most goods, services and consumer products including new homes.

- 5 Currently, new BC and Vancouver homes are subject to 5% GST (federal tax) in which first time homebuyers or investors can receive GST rebates. This 5% GST will be replaced with the higher 12% B.C. Harmonized Sales Tax (HST), a 7% difference in taxes on the total purchase price of a new British Columbia home or property.
- 6 The B.C. HST program will give partial rebates for new BC homes priced up to \$400,000. The government will give these homebuyers a partial five per cent BC HST rebate on the provincial tax side which makes any new B.C. home or Vancouver property \$400,000 or less no more expensive than it is today.
- 7 Homebuyers looking to buy new Vancouver property over \$400,000 will receive a maximum BC HST rebate of \$20,000, but will see the purchase price above that level subject to the extra five per cent tax rate system.
- 8 The British Columbia Harmonized Sales Tax of 12% HST is also applicable to any costs and fees associated with your property/home purchase including legal/notary fees, commissions and other closing costs.
- 9 The BC HST transition rules are unclear at this time. It is unknown whether new Vancouver home sales contracts written before July 1, 2010 but completed after the harmonized sales tax HST launch date will be subject to the current 5% GST only or the entire 12% HST new tax.
- 10 The cost of new home ownership will increase significantly in British Columbia due to the new BC HST tax of 12%. Not only will your new home or real estate cost more up front, but the 12% HST harmonized sales tax is also applicable to such things like strata fees, residential heating fuel, commercial rents, smoke detectors, fire extinguishers, repairs, cable TV, internet, electricity, gas, renovations, painting and other professional services.

Some BC Real Estate HST Numbers and How It Affects You

Scenario 1: Based on a purchase price of \$600,000 for a new BC or Vancouver home, the homebuyer would pay a total of \$72,000 in BC HST taxes (12% on \$600,000). With the homebuyer HST rebate for purchases above \$600,000, the homebuyer would receive the \$20,000, thus reducing their purchase cost to \$52,000 in taxes for a total of \$652,000. Currently, the 5% GST applicable to the same home would cost only \$30,000 (a difference of \$22,000).

*This does not include the HST applicable to closing fees.

Scenario 2: If a BC homebuyer wanted to purchase a new Vancouver home costing \$800,000, the total 12% HST hit would be \$96,000. The partial HST rebate of \$20,000 (maximum allowed) will reduce this to \$76,000, making the final purchase price at \$876,000 plus property transfer taxes and other closing costs. Before July 1, 2010, a new home would be subject to only 5% GST which is \$40,000 on an \$800,000 property. With the new BC harmonized sales tax, a BC homebuyer would pay \$36,000 more for the same home after implementation of the HST tax. *This also does not include the HST applicable to closing costs. (Source: <http://www.vancouver-real-estate-direct.com/HST/index.html>)

The BC HST Rebate – Partial British Columbia Harmonized Sales Tax Rebate on New B.C. and Vancouver Housing and Real Estate

Although the BC government and Ministry of Finance indicates that there is currently the 5% GST applicable to new construction homes and BC real estate for sale in addition to 2% PST that is embedded within the cost of new homes on construction materials (as Vancouver and BC home builders can get the full PST rebate currently), the 12% HST or BC Harmonized Sales Tax is applicable to any new housing. The BC government has stated that there will be a partial HST rebate available to homebuyers that are equal to 5% of the purchase price up to a maximum BC HST rebate amount of \$20,000 (twenty thousand dollars). As the Ministry of Finance indicates the ‘hidden’ 2% PST tax on construction materials for new homes built in BC right now, they argument is that with the 5% HST rebate on new homes in Vancouver/BC, homebuyers purchasing new property under \$400,000 will be paying the same amount before and after July 1, 2010. Essentially, the current 5% GST + 2% PST embedded into current Vancouver new homes is equal to the 12% HST – 5% HST rebate on homes less than \$400k purchased after July 1st. However, BC homebuyers looking to purchase new Vancouver property over \$400,000 will not be so lucky, as they will be taxed at a rate that is 7% higher than the current GST/PST system because of the flat \$20,000 HST rebate allowable by the government. The B.C. Ministry of Finance has indicated that about half of new BC and Vancouver home construction is sold for more than \$400,000. Therefore, half of new Vancouver homebuyers will not see a difference in their final purchase cost after the 5% HST rebate is applied, while the other half of new home buyers will see a significant 7% increase in their purchase price even with the \$20,000 BC HST harmonized sales tax rebate. There is currently no form or indication of how the BC harmonized sales tax rebate or HST rebate can be claimed at this time, but further information will be released next year.

The new BC HST will apply to new home sales. However, purchasers of new Homes will be able to claim a rebate equal to 5% of the purchase price up to a maximum of \$20,000. The government’s stated intent is that new homes up to \$400,000 will not be subject to any additional tax burden than under the current regime. It is estimated that there is currently PST embedded in the cost of new homes equivalent to a 2% tax rate.

Used or resale homes will not be subject to the BC HST just as they are not subject to GST.

Comparison PST & HST System for new Home

| Current New home Price before GST & PST (PST System) | \$350,000 | | &450,000 | | &600,000 | | &750,000 | | &1,000,000 | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
| | PST System | HST System | PST System | HST System | PST System | HST System | PST System | HST System | PST System | HST System |
| New home price before taxes ¹ | &350,000 | &343,000 | \$450,000 | \$441,000 | \$600,000 | \$588,000 | \$750,000 | \$735,000 | \$1,000,000 | \$980,000 |
| Embedded PST ² | \$7,000 | &0 | \$9,000 | \$0 | \$12,000 | \$0 | \$15,000 | \$0 | \$20,000 | \$0 |
| GST (5%) | &17,500 | &0 | \$22,500 | \$0 | \$30,000 | \$0 | \$37,500 | \$0 | \$50,000 | \$0 |
| Federal HST (5%) | &0 | &17,150 | \$0 | \$22,050 | \$0 | \$29,400 | \$0 | \$36,750 | \$0 | \$49,000 |
| Provincial HST (7%) | &0 | &24,010 | \$0 | \$30,870 | \$0 | \$41,160 | \$0 | \$51,450 | \$0 | \$68,600 |
| BC new housing rebate | &0 | &17,150 | \$0 | \$22,050 | \$0 | \$26,250 | \$0 | \$26,250 | \$0 | \$26,250 |
| Federal new housing rebate | &6,300 | &6,174 | \$0 | \$567 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Property transfer tax | &5,000 | &4,860 | \$7,000 | \$6,820 | \$10,000 | \$9,760 | \$13,000 | \$12,700 | \$18,000 | \$17,600 |
| Total new home cost including taxes ¹ | &366,200 | &365,696 | \$479,500 | \$478,123 | \$640,000 | \$642,070 | \$800,500 | \$809,650 | \$1,068,000 | \$1,088,950 |
| | -01% | | -0.3% | | -0.3% | | 1.1% | | 2.0% | |

¹ Assumes that pre-tax new home price under the HST decreases by the amount of embedded PST, and that after-tax new home price increases by full amount of provincial HST. Market forces will impact the extent to which these occur.

² It is estimated that the embedded PST in new homes in BC is, on average, equal to about 2% of the price. The amount of PST embedded in a specific new home may be more or less than 2%.

Comparison table between important change in HST , GST and RST

Clothing and Footwear

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|-------------------------|--|---|--|
| Adult Clothing | 5% | 8% | No (remains 13%) |
| Children's Clothing | 5% | No RST | No (remains 5%) |
| Shoe Repair Service | 5% | 8% | No (remains 13%) |
| Children's Footwear | 5% | No RST if \$30 or less | No for footwear up to size 6 (remains 5%) |
| Tailoring Services | 5% | 8% | No (remains 13%) |
| Dry Cleaning Service | 5% | No RST | Yes (changes to 13%) |

Electronics

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--|--|---|--|
| TVs | 5% | 8% | No (remains 13%) |
| DVD and Blu-ray Players and Accessories | 5% | 8% | No (remains 13%) |
| MP3 Players | 5% | 8% | No (remains 13%) |
| Cell Phones, Smart Phones | 5% | 8% | No (remains 13%) |
| Cell phone service | 5% | 8% | No (remains 13%) |
| CDs, DVDs and Blu-ray discs | 5% | 8% | No (remains 13%) |

Tobacco

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--|--|---|--|
| Cigarettes and Other Tobacco Purchases | 5% | No RST | Yes (changes to 13%) |
| Nicotine Replacement Products | 5% | No RST | Yes (changes to 13%) |

Food and Beverages

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--|--|---|--|
| Basic Groceries (e.g., Dairy, Meat, Vegetables, Canned goods) | No GST | No RST | No HST |
| Snack Foods (e.g., Chips, Pop) | 5% | 8% | No (remains 13%) |
| Qualifying Prepared Food and Beverages Sold for \$4.00 or Less | 5% | No RST | No (remains 5%) |
| Restaurant Meals for More than \$4.00 | 5% | 8% | No (remains 13%) |
| Alcoholic Beverages | 5% | 10-12% | HST 13% [1] |

Banking and Investments

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|----------------------------|--|---|--|
| Mortgage Interest Costs | No GST | No RST | No HST |
| Most Financial Services | No GST | No RST | No HST |

Around the House

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|---|--|---------------------------------------|--|
| Cleaning Products | 5% | 8% | No (remains 13%) |
| Laundry Detergent, Fabric Softeners | 5% | 8% | No (remains 13%) |
| Household Furniture | 5% | 8% | No (remains 13%) |
| Refrigerators and Freezers | 5% | 8% | No (remains 13%) |
| Pre-packaged Computer Software | 5% | 8% | No (remains 13%) |
| Books (including Audio Books) | 5% | No RST | No (remains 5%) |
| Newspapers | 5% | No RST | No (remains 5%) |
| Magazines Purchased at Retail | 5% | 8% | No (remains 13%) |
| Office Supplies, Stationary | 5% | 8% | No (remains 13%) |
| Landscaping Materials Including Sod, Seeds, Plants | 5% | 8% | No (remains 13%) |
| Linens (e.g., Blankets, Towels, Sheets) | 5% | 8% | No (remains 13%) |

Home Services

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|---|--|---|--|
| Cable Television Services | 5% | 8% | No (remains 13%) |
| Cell Phone Services | 5% | 8% | No (remains 13%) |
| Municipal Water | No GST | No RST | No HST |
| Home Maintenance Equipment | 5% | 8% | No (remains 13%) |
| Home Phone Services | 5% | 8% | No (remains 13%) |
| Home Service Calls to Repair Free-Standing Appliances such as Stoves, Refrigerators, Washers, Dryers, and Televisions | 5% | 8% | No (remains 13%) |
| Home Insurance | No GST | 8% | No (remains 8%) |
| Electricity and Heating (e.g., Natural Gas/Oil for Home) | 5% | No RST | Yes (changes to 13%) |
| Internet Access Services | 5% | No RST | Yes (changes to 13%) |
| Home Service Calls by Electrician/Plumber/Carpenter to Maintain or Repair Furnace, Leaky Faucets, Bathtub, Toilet, Electrical Wiring, etc. | 5% | No RST | Yes (changes to 13%) |
| Landscaping, Lawn-Care and Private Snow Removal | 5% | No RST | Yes (changes to 13%) |

Accommodation and Travel

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--|--|---|--|
| Luggage, Briefcases, Bags, etc. | 5% | 8% | No (remains 13%) |
| Municipal Public Transit | No GST | No RST | No HST |
| GO Transit | No GST | No RST | No HST |
| Air travel originating in Ontario and terminating in the U.S.[2] | 5% | No RST | No (remains 5%) |
| Air travel originating in Ontario and terminating outside of Canada and the U.S.[3] | No GST | No RST | No HST |
| Rail, boat and bus travel originating in Ontario and terminating outside of Canada | No GST | No RST | No HST |
| Hotel Rooms | 5% | 5% | Yes (changes to 13%) |
| Taxis | 5% | No RST | Yes (changes to 13%) |
| Camping Sites | 5% | No RST | Yes (changes to 13%) |
| Domestic Air, Rail and Bus Travel originating in Ontario | 5% | No RST | Yes (changes to 13%) |

Around the House

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|---|--|---|--|
| Cleaning Products | 5% | 8% | No (remains 13%) |
| Laundry Detergent, Fabric Softeners | 5% | 8% | No (remains 13%) |
| Household Furniture | 5% | 8% | No (remains 13%) |
| Refrigerators and Freezers | 5% | 8% | No (remains 13%) |
| Pre-packaged Computer Software | 5% | 8% | No (remains 13%) |
| Books (including Audio Books) | 5% | No RST | No (remains 5%) |
| Newspapers | 5% | No RST | No (remains 5%) |
| Magazines Purchased at Retail | 5% | 8% | No (remains 13%) |
| Office Supplies, Stationary | 5% | 8% | No (remains 13%) |
| Landscaping Materials Including Sod, Seeds, Plants | 5% | 8% | No (remains 13%) |
| Linens (e.g., Blankets, Towels, Sheets) | 5% | 8% | No (remains 13%) |
| Tents, Sleeping Bags, Camping Supplies | 5% | 8% | No (remains 13%) |
| Tools | 5% | 8% | No (remains 13%) |
| Patio Furniture | 5% | 8% | No (remains 13%) |
| Barbeques, Lawnmowers, Snowblowers, Sprinklers | 5% | 8% | No (remains 13%) |
| Toys (e.g., Puzzles, Games, Action Figures, Dolls, Playsets) | 5% | 8% | No (remains 13%) |
| Outdoor Play Equipment (e.g., Swing Set, Sandbox, Slides) | 5% | 8% | No (remains 13%) |
| Crafting Supplies | 5% | 8% | No (remains 13%) |
| Building Materials (e.g., Lumber, Concrete Mix) | 5% | 8% | No (remains 13%) |
| Magazines Purchased by Subscription | 5% | No RST | Yes (changes to 13%) |
| Home Renovations | 5% | No RST | Yes (changes to 13%) |

Motorized Vehicles

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--------------------------------------|------------------------------------|-----------------------------------|--|
| Vehicle Parts | 5% | 8% | No (remains 13%) |
| Short-Term Auto Rentals | 5% | 8% | No (remains 13%) |
| Lease of a Vehicle | 5% | 8% | No (remains 13%) |
| Child Car Seats and Booster Seats | 5% | No RST | No (remains 5%) |
| Auto Insurance | No GST | No RST | No HST |
| Labour Charges to Repair Vehicle | 5% | 8% | No (remains 13%) |
| Oil Change | 5% | 8% | No (remains 13%) |
| Tires | 5% | 8% | No (remains 13%) |
| Window Repair | 5% | 8% | No (remains 13%) |
| Purchase of Vehicle from Dealer | 5% | 8% | No (remains 13%) |
| Boats | 5% | 8% | No (remains 13%) |
| Snowmobiles | 5% | 8% | No (remains 13%) |
| Recreational Vehicles | 5% | 8% | No (remains 13%) |
| Private Resale of Vehicles | No GST | 8% | Yes ^[4] (changes to 13%) |
| Gasoline/Diesel | 5% | No RST | Yes (changes to 13%) |

Health Products and Services

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--|--|---|--|
| Audiologist Services | No GST | No RST | No HST if offered by a practitioner of the service. |
| Chiropractor Services | No GST | No RST | No HST if offered by a practitioner of the service. |
| Physiotherapist Services | No GST | No RST | No HST if offered by a practitioner of the service. |
| Pharmacist Dispensing Fees | No GST | No RST | No HST |
| Over-the-Counter Medications | 5% | 8% | No (remains 13%) |
| Prescription Drugs | No GST | No RST | No HST |
| Some Medical Devices Includes walkers, hearing aids | No GST | No RST | No HST |
| Prescription glasses/contact lenses | No GST | No RST | No HST |
| Feminine Hygiene Products | 5% | No RST | No (remains 5%) |
| Adult Incontinence Products | No GST | No RST | No HST |
| Diapers | 5% | No RST | No (remains 5%) |
| Cosmetics | 5% | 8% | No (remains 13%) |
| Hair Care Products (e.g., Shampoo, Conditioner, Styling Products) | 5% | 8% | No (remains 13%) |
| Dental Hygiene Products (e.g., Toothpaste, Toothbrushes) | 5% | 8% | No (remains 13%) |
| Massage Therapy Services | 5% | No RST | Yes (changes to 13%) |
| Vitamins | 5% | No RST | Yes (changes to 13%) |

Home Purchases

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|---------------------------|---------------------------------|--------------------------------|---|
| New Homes up to \$400,000 | 5% | No RST | No change [5] |
| New Homes over \$400,000 | 5% | No RST | Yes [5A] |
| Resale Homes | No GST | No RST | No HST |
| Real Estate Commissions | 5% | No RST | Yes (changes to 13%) |

Professional and Personal Services

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--|---------------------------------|--------------------------------|---|
| Child Care Services | No GST | No RST | No HST |
| Legal Aid | No GST | No RST | No HST |
| Coffins and Urns Purchased Separately from a Package of Funeral Services | 5% | 8% | No (remains 13%) |
| Fitness Trainer | 5% | No RST | Yes (changes to 13%) |
| Hair Stylist/Barber | 5% | No RST | Yes (changes to 13%) |
| Aesthetician Services (e.g. Manicures, Pedicures, Facials) | 5% | No RST | Yes (changes to 13%) |
| Funeral Services | 5% | No RST | Yes (changes to 13%) |
| Legal Fees | 5% | No RST | Yes (changes to 13%) |

Memberships, Entertainment and Sports Equipment

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|--|--|---|--|
| Admissions to Professional Sporting Events | 5% | 10% | Combined rate going down to 13% from current 15% |
| Movie Tickets | 5% | 10% | Combined rate going down to 13% from current 15% |
| Music Lessons | No GST | No RST | No HST |
| Skis and Snowboards | 5% | 8% | No (remains 13%) |
| Hockey Equipment | 5% | 8% | No (remains 13%) |
| Golf Clubs | 5% | 8% | No (remains 13%) |
| Green Fees for Golf | 5% | No RST | Yes (changes to 13%) |
| Gym and Athletic Membership Fees | 5% | No RST | Yes (changes to 13%) |
| Ballet, Karaté, Trampoline, Hockey, Soccer Lessons, etc. | 5% | No RST | Yes ^[6] (changes to 13%) |
| Tickets for Live Theatre with 3,200 Seats or Less | 5% | No RST | Yes ^[7] (changes to 13%) |

Leases and Rentals

| | GST-taxable before July 1, 2010 | RST-taxable before July 1,2010 | Is there a change to the amount of tax payable under the HST? |
|----------------------------------|--|---|--|
| Condo Fees | No GST ^[8] | No RST ^[8] | No HST ^[8] |
| Residential Rents | No GST | No RST | No HST |
| Hockey Rink and Hall Rental Fees | 5% | No RST | Yes (changes to 13%) |

Footnotes:

- [1] Although sales tax on alcohol is decreasing, other alcohol fees and taxes are changing to continue to support social responsibility.
- [2] Includes air travel terminating in the French islands of St. Pierre and Miquelon but does not include air travel terminating in Hawaii.
- [3] Includes air travel terminating in Hawaii but does not include air travel terminating in the French islands of St. Pierre and Miquelon.
- [4] HST does not apply; however, Ontario will maintain the RST on private transfers of used vehicles at a rate of 13 per cent to help ensure a level-playing field between sales by dealerships and private sales.
- [5] The new housing rebate will be 75 per cent of the Ontario component of the HST, up to a maximum of \$24,000. The rebate will ensure that buyers of homes priced up to \$400,000 will, on average, pay no more tax than under the RST system. However, applicable RST on building supplies is embedded in the price of the home.
- [5A] New homes purchased as primary residences, valued at \$400,000 or more will be eligible for the maximum new housing rebate of \$24,000.
- [6] HST taxable, although some could be HST-exempt if provided by a public service body to children 14 and under and underprivileged individuals with a disability.
- [7] HST taxable, although some could be exempt if maximum admission charged by a public service body is \$1 or less, if the admissions are made in the course of the fundraising events where charitable receipts for income tax purposes may be issued, or admissions are to amateur performances.
- [8] Residential condo fees charged to residents are exempt; however, purchases by condominium corporations will be subject to HST, if applicable.

What's Taxable under the HST and What's Not in British Columbia?¹

| AROUND THE HOUSE | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|--|---|--|--|
| Cleaning Products | 5% | 7% | <i>No (remains 12%)</i> |
| Laundry Detergent, Fabric Softeners | 5% | 7% | <i>No (remains 12%)</i> |
| Household Furniture | 5% | 7% | <i>No (remains 12%)</i> |
| Household Appliances (Refrigerators, Stoves, Washers, Dryers, Freezers, Dishwashers) | 5% | 7% | <i>No (remains 12%)</i> |
| Pre-packaged Computer Software | 5% | 7% ² | <i>No (remains 12%)</i> |
| Books (Including Audio Books) | 5% | No PST | <i>No (remains 5%)</i> |
| Newspapers | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Certain School Supplies | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Magazines | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Office Supplies and Stationery | 5% | 7% | <i>No (remains 12%)</i> |
| Landscaping Material (Sod, Topsoil, Rockery) | 5% | 7% | <i>No (remains 12%)</i> |
| Linens (e.g., Blankets, Towels, Sheets) | 5% | 7% | <i>No (remains 12%)</i> |
| Tents, Sleeping Bags, Camping Equipment | 5% | 7% | <i>No (remains 12%)</i> |
| Tools | 5% | 7% | <i>No (remains 12%)</i> |
| Patio Furniture | 5% | 7% | <i>No (remains 12%)</i> |
| Rugs and Mats | 5% | 7% | <i>No (remains 12%)</i> |

¹ - Assumes sales by GST/HST registrants that are not non-profit organization or registered charities, unless otherwise specified.

² - The Energy Star exemption for residential refrigerators, freezers and clothes washers ended on March 31, 2010. All major household appliances are now subject to PST.

| | | | |
|--|----|---------------------|-----------------------------|
| Works of Art, Vases, and Carvings | 5% | 7% | <i>No (remains 12%)</i> |
| Sewing Machines | 5% | 7% | <i>No (remains 12%)</i> |
| Vacuum Cleaners | 5% | 7% | <i>No (remains 12%)</i> |
| Barbeques, Lawnmowers, Snow Blowers, Sprinklers | 5% | 7% | <i>No (remains 12%)</i> |
| Toys (e.g., Puzzles, Games, Action Figures, Dolls, Playsets) | 5% | 7% | <i>No (remains 12%)</i> |
| Outdoor Play Equipment (e.g., Swing Sets, Sandboxes, Slides) | 5% | 7% | <i>No (remains 12%)</i> |
| Arts and Craft Supplies (e.g., Glue, Paper, etc) | 5% | 7% | <i>No (remains 12%)</i> |
| Building Materials (e.g., Lumber, Concrete Mix, Nails) | 5% | 7% | <i>No (remains 12%)</i> |
| Energy Star Windows | 5% | No PST ³ | <i>Yes (changes to 12%)</i> |
| Thermal Insulation, Weather Stripping and Caulking | 5% | NoPST | <i>Yes (changes to 12%)</i> |
| Exterior and Interior Paint | 5% | 7% | <i>No (remains 12%)</i> |
| Kitchen Utensils | 5% | 7% | <i>No (remains 12%)</i> |
| Cookware | 5% | 7% | <i>No (remains 12%)</i> |
| First Aid Kits | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Smoke Detectors Valued less Than \$2502 for Residential Use | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Other Smoke Detectors | 5% | 7% | <i>No (remains 12%)</i> |
| Household Pets (Including Pet Food) | 5% | 7% | <i>No (remains 12%)</i> |
| House Plants, Cut Flowers, and Outdoor Ornamental Plants | 5% | 7% | <i>No (remains 12%)</i> |

³ - Exemption was scheduled to expire April 2011.

| | | | |
|--|----|---------------|-----------------------------|
| Food Producing Plants and Trees (e.g., Tomato Plants, Plum Tree) | 5% | No PST | <i>Yes (changes to 12%)</i> |
| <i>Household Moving Services</i> | 5% | <i>No PST</i> | <i>Yes (changes to 12%)</i> |

| CLOTHING, FOOTWEAR AND ACCESSORIES | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|---|--|---|---|
| Adult Clothing and Footwear | 5% | 7% | <i>No (remains 12%)</i> |
| Children Sized Clothing and Footwear | 5% | No PST | <i>No (remains 5%)</i> |
| Adult Sized Clothing for Children | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Children's Cloth Diapers | 5% | No PST | <i>No (remains 5%)⁴</i> |
| Children's Disposable Diapers | 5% | 7% | <i>Yes (drops to 5%)⁵</i> |
| Shoe Repair | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Tailoring Services | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Dry Cleaning | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Formal Wear Rentals | 5% | 7% | <i>No (remains 12%)</i> |
| Used Adult Clothing Purchased for Less Than \$100 | 5% | No PST | <i>Yes (changes to 12%)⁶</i> |

⁴ - For Further detail see <http://www.cra-arc.gc.ca/E/pub/gi/gi-063-e.pdf>.

⁵ - For Further detail see <http://www.cra-arc.gc.ca/E/pub/gi/gi-063-e.pdf>.

⁶ - All sales used or donated goods made by a registered charity are exempt from HST.

| | | | |
|---|---|--|---|
| Watches | 5% | 7% | <i>No (remains 12%)</i> |
| Jeweler | 5% | 7% | <i>No (remains 12%)</i> |
| Handbags and Purses | 5% | 7% | <i>No (remains 12%)</i> |
| Backpacks | 5% | 7% | <i>No (remains 12%)</i> |
| Shoe Insoles and Laces | 5% | 7% | <i>No (remains 12%)</i> |
| Sunglasses (Non-prescription) | 5% | 7% | <i>No (remains 12%)</i> |
| Scarves | 5% | 7% | <i>No (remains 12%)</i> |
| Umbrellas | 5% | 7% | <i>No (remains 12%)</i> |
| <i>Belts</i> | 5% | 7% | <i>No (remains 12%)</i> |
| FOOD AND BEVERAGES | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
| Basic Groceries (e.g., Dairy, Meat, Vegetables, Canned Goods) | No GST | No PST | <i>No HST</i> |
| Snack Foods (e.g., Chips, Pop) | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Restaurant Meals | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Alcoholic Beverages | 5% | 10% | <i>Yes (drops to 12%)⁷</i> |
| <i>Catering and Event Planning Services</i> | 5% | <i>No PST⁸</i> | <i>Yes (changes to 12%)⁹</i> |

⁷ - Although the provincial sales tax rate on liquor is decreasing from 10% to 7% liquor mark-ups are adjusted with the implementation of the HST to generally keep the Liquor Distribution Branch shelf prices constant..

⁸ - PST applies if the caterer provides a taxable service (e.g., setting up and taking down temporary gazebos, tents, and dance floors) or taxable goods that the customer keeps (e.g., flowers or decorations).

⁹ - Catering provided by a registered charity is exempt from HST.

| | | | |
|--|--|--|--|
| <i>(e.g., planning, consulting, coordinating and organizing)</i> | | | |
|--|--|--|--|

| HOME SERVICES | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|---|--------------------------------------|---|--|
| Basic Cable Television | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Additional or Specialty Cable Television or Satellite Television | 5% | 7% | <i>No (remains 12%)</i> |
| Cell Phone | 5% | 7% | <i>No (remains 12%)</i> |
| Municipal Water | No GST | No PST | <i>No HST</i> |
| Home Maintenance Equipment (e.g., Lawn Mowers, Mops) | 5% | 7% | <i>No (remains 12%)</i> |
| Local Residential Phone | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Long Distance Telephone Services | 5% | 7% | <i>No (remains 12%)</i> |
| Repair to Certain Household Appliances (e.g., Stoves, Ovens, Refrigerators, Washers, and Dryers) | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Repair to Household Electronics (e.g., Televisions and Stereo Equipment) | 5% | 7% | <i>No (remains 12%)</i> |
| Home Insurance | No GST | No PST | <i>No HST</i> |
| Residential Electricity and Heating (e.g., Natural Gas/Oil) | 5% | No PST, but subject to 0.4% ICE ¹⁰ Fund levy | <i>Yes (drops to 5%, from 5.4%, after a 7% provincial rebate)¹¹</i> |
| Internet Access | 5% | 7% | <i>No (remains 12%)</i> |
| <i>Repair Maintenance or Renovation Services for Real Property (e.g., Plumbing Electrical Wiring)</i> | 5% | <i>No PST</i> | <i>Yes (changes to 12%)</i> |

¹⁰ - Innovative Clean Energy

¹¹ - Provincial administered Residential Energy Rebate applies to provincial portion of HST and ICE Fund levy is eliminated.

| | | | |
|--|----|--------|----------------------|
| | | | |
| <i>Landscaping Lawn-Care, Private Snow Removal and House Cleaning</i> | 5% | No PST | Yes (changes to 12%) |
| Computer Hardware Repair Services (e.g., adding or repairing circuit boards or other components) | 5% | 7% | No (remains 12%) |
| <i>Computer Software Repair Services (e.g., virus removal or software installation)</i> | 5% | No PST | Yes (changes to 12%) |

| ACCOMMODATION AND TRAVEL | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|--|--|---|---|
| Luggage | 5% | 7% | No (remains 12%) |
| Municipal Public Transit | No GST | No PST | No HST |
| Hotel Rooms | 5% | 8% | Yes (drops to 12%) ¹² |
| Taxis | 5% | No PST | Yes (changes to 12%) |
| Camping Sites | 5% | No PST | Yes (changes to 12%) |
| British Columbia Ferry System | No GST | No PST | No HST |
| Domestic Air, Rail and Bus Travel Originating in British Columbia | 5% | No PST | Yes (changes to 12%) |
| International Air Travel to Continental United States originating in British Columbia (Other Than Day Trips) | 5% | No PST | No (remains 5%) |

¹² - In certain municipalities there is an additional local hotel room tax of up to 2% for tourism marketing

| | | | |
|---|--------|--------|--------|
| International Air Travel Other Than to Continental United States originating British Columbia | No GST | No PST | No HST |
| International Rail, Bus or Ship Travel originating in British Columbia (Other Than Day Trips) | No GST | No PST | No HST |

| MOTORIZED VEHICLES | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | Is there a change to the amount of tax payable the HST? |
|--|--|--|---|
| Short Term Auto Rentals | 5% | 7% Plus \$ 1.50 per day Passenger Vehicle Rental Tax | Yes (rate remains at 12% but \$1.50 per day tax eliminated) |
| Lease of a Vehicle Other Than an Alternative Fuel Vehicle of Fuel Efficient Vehicle | 5% | 7% to 10% | Depends on previous PST treatment (remains 12% or drops to 12%) |
| Lease of Alternative Fuel Vehicle and Fuel Efficient Vehicle | 5% | 7% to 10% (Subject to a PST reduction) ¹³ | Depends on previous PST treatment (remains 12% or drops to 12%) |
| Purchase of Vehicle Other Than an Alternative Fuel Vehicle or Fuel Efficient Vehicle | 5% | 7% to 10% | Depends on previous PST treatment (remains 12% or drops to 12%) |
| Purchase of an Alternative Fuel Vehicle and Fuel Efficient Vehicle | 5% | 7% to 10% (subject to a PST reduction) | Depends on previous PST treatment (remains 12% or drops to 12%) |
| Child Car Seats and Booster Seats | 5% | No PST | No (remains 5%) ¹⁴ |

¹³ - Please note that *purchases and leases* of some new alternative fuel vehicles or new fuel efficient vehicles are subject to a partial reduction in the PST payable. For more information on the *amounts of this* PST reduction and who qualifies, please see Bulletin S8T085 Alternative Fuel Vehicles and Fuel Efficient Vehicles, located on the Ministry of Finance's website at <http://www.cra-arc.gc.ca/E/pub/gi/gi-063/gi-063-e.pdf>.

¹⁴ - For further detail, refer to <http://www.cra-arc.gc.ca/E/pub/gi/gi/063-e.pdf>.

| | | | |
|---|--------|-----------|---|
| Auto Insurance | No GST | No PST | No HST |
| Vehicle Parts | 5% | 7% | No (remains 12%) |
| Vehicle Repair Services | 5% | 7% | No (remains 12%) |
| Gil Changes | 5% | 7% | No (remains 12%) |
| Tires | 5% | 7% | No (remains 12%) |
| Automotive Window Repair | 5% | 7% | No (remains 12%) |
| Purchase of Used Vehicle from a Non-GST Registrant (e.g., car dealer) | 5% | 7% to 10% | Depends on previous PST treatment (remains 12% or drops to 12%) |
| Purchase of Used vehicle from a Non-GST Registrant (e.g., Private seller) | No GST | 7% to 10% | No HST (12% provincial tax applies) ¹⁵ |
| Purchase of Boats and Non-Turbine Aircraft from a Non-GST Registrant (e.g., Private Seller) | No GST | 7% | No HST (12% provincial tax applies) |
| Boats and Non-Turbine Aircraft | 5% | 7% | No (remains 12%) |
| Gasoline/Diesel | 5% | No PST | No (remains 5%) ¹⁶ |
| Vehicle Oil, Grease, Lubricants antifreeze | 5% | 7% | No (remains 12%) |
| Outboard Motors | 5% | 7% | No (remains 12%) |
| Motor Vehicle Parking | 5% | No PST | Yes (changes to 12%) |

¹⁵ - HST does not apply. However, British Columbia's 12% tax on private sales of boats, aircraft and vehicles will apply to provide comparable treatment to sales by dealerships.

¹⁶ - In For further detail, refer to <http://www.cra-arc.gc.ca/E/Pub/gi/gi/061-e.pdf>.

| HOME PURCHASES | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|---------------------------|---|--|---|
| New Homes up to \$525,000 | 5% | No PST | No change ¹⁷ |
| New Homes over \$525,000 | 5% | No PST | Yes ¹⁸ |
| Previously Occupied Homes | No GST | No PST | No HST |
| Legal fees | 5% | 7% | No (remains 12%) |
| Real Estate Commissions | 5% | No PST | Yes (changes to 12%) |

| HEALTH AND BEAUTY | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|---|---|--|---|
| Health Care Services Offered by a Medical Practitioner (e.g., Medical and Dental Services) ¹⁹ | No GST | No PST | <i>No HST</i> |
| Audiologist Services Offered by a practitioner of the Service | No GST | No PST | <i>No HST</i> |
| Chiropractic Services Offered by a practitioner of the Service | No GST | No PST | <i>No HST</i> |
| Physiotherapy Services Offered by a practitioner of the Service | No GST | No PST | <i>No HST</i> |
| Massage Therapy Services | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Pharmacist Dispensing Fees | No GST | No PST | <i>No HST</i> |
| Over-the-Counter Medications | 5% | No PST | <i>Yes (changes to 12%)</i> |

¹⁷ - BC will provide a rebate of 71.43% of the provincial portion of the HST, to a maximum of \$26,250, for new housing purchased as a primary residence. The rebate ensures that, on average, purchasers will pay no more provincial tax due to harmonization—that is, they will pay no more in provincial HST than is currently embedded as PST in the price of a new home. It is estimated that the embedded PST in new homes in BC is, on average, equal to about 2% of the price.

¹⁸ - Purchasers of eligible new homes over \$, are eligible for a rebate of \$26,250

¹⁹ - Other than for cosmetic purposes.

| | | | |
|---|--------|--------|-------------------------------------|
| Prescription Drugs | No GST | No PST | <i>No HST</i> |
| Some Medical Devices Including Walkers, Hearing Aids | No GST | No PST | <i>No HST</i> |
| Prescription Glasses and Contact Lenses | No GST | No PST | <i>No HST</i> |
| Feminine Hygiene Products | 5% | No PST | <i>No (remains 5%)²⁰</i> |
| Adult Incontinence Products | No GST | No PST | <i>No HST</i> |
| Cosmetics | 5% | 7% | <i>No (remains 12%)</i> |
| Hair Care Products (e.g., Shampoo, Conditioner, Styling Products) | 5% | 7% | <i>No (remains 12%)</i> |
| Dental Hygiene Products (e.g., Toothpaste, Toothbrushes, Floss) | 5% | 7% | <i>No (remains 12%)</i> |
| Vitamins | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Pill Boxes | 5% | 7% | <i>No (remains 12%)</i> |
| Sow Dryers | 5% | 7% | <i>No (remains 12%)</i> |
| Curling Irons | 5% | 7% | <i>No (remains 12%)</i> |
| Deodorants and Deodorizers | 5% | 7% | <i>No (remains 12%)</i> |
| Nail Care Products (e.g. Nail Polish, Nail Files) | 5% | 7% | <i>No (remains 12%)</i> |
| Perfume | 5% | 7% | <i>No (remains 12%)</i> |
| Shaving Supplies (e.g., Razors, Shaving Cream) | 5% | 7% | <i>No (remains 12%)</i> |
| <i>Tanning Lotion</i> | 5% | 7% | <i>No (remains 12%)</i> |

²⁰ - For further detail, refer to <http://www.cra-arc.gc.ca/E/Pub/gi/gi/061-e.pdf>.

| MEMBERSHIPS, ENTERTAINMENT AND SPORTS EQUIPMENT | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|--|--|---|---|
| Admission to Professional Sporting Events (e.g. Hockey, Football and Soccer Games) | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Movie Tickets | 5% | NO PST | <i>Yes (changes to 12%)</i> |
| MUSIC Lessons | No GST | No PST | <i>No HST</i> |
| Music Instruments | 5% | 7% | <i>No (remains 12%)</i> |
| Skis and Snowboards | 5% | 7% | <i>No (remains 12%)</i> |
| Hockey Equipment | 5% | 7% | <i>No (remains 12%)</i> |
| Steles (e.g., Hockey, Figure, Inline) | 5% | 7% | <i>No (remains 12%)</i> |
| Safety Helmets for Sports (e.g., Hockey Helmets, Snowboard Helmets, Bike Helmets) | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Golf Clubs | 5% | 7% | <i>No (remains 12%)</i> |
| Golf Memberships | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Driving Range Fees | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Gym and Athletic Memberships | 5% | No PST | <i>Yes (changes to 12%)</i> |

| | | | |
|--|-----------|---------------|--|
| Ballet, Karate, Trampoline. Hockey. Soccer Lessons etc. | 5% | No PST | <i>Yes²¹ (changes to 12%)</i> |
| Tickets for Live Theatre | 5% | No PST | <i>Yes²² (changes to 12%)</i> |
| Swim Fins and Swimming Goggles | 5% | 7% | <i>No (remains 12%)</i> |
| Bicycles | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Bicycle Accessories Purchased Separately | 5% | 7% | <i>No (remains 12%)</i> |
| Admission to Museums and Art Galleries | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Music Concerts | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Sports Equipment (e.g., Footballs, Soccer Ball, Baseball Bats, Free Standing Gymnastics Equipment) | 5% | 7% | <i>No (remains 12%)</i> |
| Ski Lift Passes | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Adult Sized Ski Gloves | 5% | 7% | <i>No (remains 12%)</i> |
| Adult Sized Ski Gloves for Children | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Children's Sized Ski Gloves | 5% | No PST | <i>No (remains 5%)</i> |
| Ski Goggles | 5% | 7% | <i>No (remains 12%)</i> |
| Adult Sized Ski Boots | 5% | 7% | <i>No (remains 12%)</i> |
| Adult Sized Ski Boots for Children | 5% | No PST | <i>Yes (changes to 12%)</i> |
| <i>Children's Sized Ski Boots</i> | <i>5%</i> | <i>No PST</i> | <i>Yes (changes to 12%)</i> |

²¹ - These items are subject to HST, although some could be exempt from HST if provided by a public service body to children 14 and under and underprivileged individuals with a disability.

²² - Subject to HST, although some could be exempt if the maximum admission charged by a public service body to children 14 and under and underprivileged individuals with a disability.

| LEASE AND RENTALS | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|---|--|---|---|
| Condo Fees | No GST | No PST | <i>NO HST²³</i> |
| Long-Term Residential Accommodation | No GST | No PST | <i>No HST</i> |
| Hockey Rink and Hall Rentals | 5% | No PST | <i>Yes (Changes to 12%)</i> |
| <i>Equipment Rentals (e.g., Carpet cleaners, power washers)</i> | 5% | 7% | <i>No (remains 12%)</i> |

| ELECTRONICS | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|---|--|---|---|
| Televisions | 5% | 7% | <i>No (remains 12%)</i> |
| DVD and Blu-ray Players and Accessories | 5% | 7% | <i>No (remains 12%)</i> |
| Digital Cameras and Camcorders | 5% | 7% | <i>No (remains 12%)</i> |
| Cell Phones and Smart Phones | 5% | 7% | <i>No (remains 12%)</i> |
| CDs, DVDs, and Blu-ray Discs | 5% | 7% | <i>No (remains 12%)</i> |
| MP3 Players | 5% | 7% | <i>No (remains 12%)</i> |

²³ - Residential condo association fees to residents are exempt; however, purchase by condominium corporation will be subject to HST, if applicable.

| | | | |
|--|----|--------|-----------------------------|
| Music or Video MP3s Downloaded Electronically | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Video Game Consoles | 5% | 7% | <i>No (remains 12%)</i> |
| Video Games | 5% | 7% | <i>No (remains 12%)</i> |
| GPS Systems | 5% | 7% | <i>No (remains 12%)</i> |
| Laptops | 5% | 7% | <i>No (remains 12%)</i> |
| Desk Top Computers | 5% | 7% | <i>No (remains 12%)</i> |
| Printers and Fax Machines | 5% | 7% | <i>No (remains 12%)</i> |
| Stereos and Speakers | 5% | 7% | <i>No (remains 12%)</i> |
| Cables, Wires, and Connector | 5% | 7% | <i>No (remains 12%)</i> |
| Projector Screens | 5% | 7% | <i>No (remains 12%)</i> |
| Headphones | 5% | 7% | <i>No (remains 12%)</i> |
| <i>Marine Electronics (e.g., Marine Radios, GPS Systems, Speakers)</i> | 5% | 7% | <i>No (remains 12%)</i> |

| PROFESSIONAL AND PERSONAL SERVICES | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|---|--|---|---|
| Child Care Services | No GST | No PST | <i>No HST</i> |
| Legal Aid | No GST | No PST | <i>No HST</i> |
| Funeral Services | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Coffins and Urns Purchased from Funeral Services | 5% | 7% | <i>No (remains 12%)</i> |
| Fitness Trainer | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Hair Stylist/Barber | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Aesthetician Services (e.g., Manicures, Pedicures, Facials) | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Legal Services | 5% | 7% | <i>No (remains 12%)</i> |
| Accounting Services | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Interior Design Services | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Wedding Planning Services | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Veterinarian Services | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Professional Printed Photographs | 5% | 7% | <i>No (remains 12%)</i> |
| <i>Furniture, Automotive and Marine Re-upholstery</i> | 5% | 7% | <i>No (remains 12%)</i> |

| TOBACCO | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|--------------------------------------|--|---|---|
| Cigarettes | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Cigars | 5% | No PST | <i>Yes (changes to 12%)</i> |
| Chewing Tobacco | 5% | No PST | <i>Yes (changes to 12%)</i> |
| <i>Nicotine Replacement Products</i> | 5% | <i>No PST</i> | <i>Yes (changes to 12%)</i> |

| BANKING AND INVESTMENTS | GST-taxable before July, 2010 | PST-taxable before July 1,2010 | <i>Is there a change to the amount of tax payable the HST?</i> |
|--------------------------------|--|---|---|
| Mortgage Interest Costs | No GST | No PST | <i>No HST</i> |
| <i>Most Financial Services</i> | <i>No GST</i> | <i>No PST</i> | <i>No HST</i> |

GOODS subject to BC Harmonized Sales Tax

Energy conservation equipment (e.g., insulation, solar power equipment), bicycles, schools supplies (although books will be exempt), smoke detectors and fire extinguishers, work related safety equipment basic cable TV and residential phones, non-prescription

medication, vitamins and dietary supplements, residential flues (electricity, natural gas) and heating, all food products (only basic groceries will remain exempt from BC HST), safety helmets, life jackets, first aid kits, magazines and newspapers.

Partial British Columbia Harmonized Sales Tax Rebate on New B.C. and Vancouver Housing and Real Estate

| Price of Eligible New Home (not including GST/HST) | GST Portion – New Housing Rebate¹ | BC Portion – New Housing Rebate² | Total Rebates | Purchase Price (not including property transfer tax & other closing fees) | New Home Cost Increase |
|---|---|--|----------------------|--|-------------------------------|
| \$350,000 | \$6,300 | \$17,500 | \$23,800 | \$368,200 | \$0 |
| \$400,000 | \$3,150 | \$20,000 | \$23,150 | \$424,850 | \$0 |
| \$600,000 | \$0 | \$20,000 | \$20,000 | \$652,000 | \$22,000 |
| \$800,000 | \$0 | \$20,000 | \$20,000 | \$876,000 | \$36,000 |
| \$1,000,000 | \$0 | \$20,000 | \$20,000 | \$1,100,000 | \$50,000 |

¹ New British Columbia and Vancouver home buyers may be eligible for the federal GST Rebate (Called the GST new housing rebate), which generally equals 36% of the total GST tax paid on the first \$350,000 of the purchase price of a new home. The amount of the federal GST rebate is phased out on a straight-line basis for new BC and Vancouver homes priced between \$350,000 and less than \$450,000.

² British Columbia proposed Harmonized Sales Tax rebate (or BC HST rebate) for new housing is equal to 5% of the purchase price up to a maximum rebate of \$20,000.

Wondering What Goods and Services are Subject to the New BC HST?

As with any transition between taxes, there is much confusion among the public and consumers as to the new laws and guidelines. Such is the case with the implementation of the B.C. Harmonized Sales Tax or BC HST of 12%, what goods and services are subject to this new tax? And what products that were charged provincial sales tax or PST of 7% will be charged at 12% HST now? Basically speaking, the B.C. Harmonized Sales Tax is the harmonization or combination of the 2 taxes that British Columbians pay currently. However, some goods and services are subject only to PST and some only to GST while others are subject to both taxes. For the new BC HST,

everything will be taxed at 12%. Here is a list of BC goods and services that used to be only charged 7% PST, and will now be subject to the entire harmonized sales tax of twelve per cent.

SERVICES subject to the new B.C. HST

Airline fares within Canada, Funeral services, Real estate fees, Membership fees for health clubs, dry cleaning, personal services such as hair care, Movie and theatre tickets, Professional services such as accounting and home care, Repair services for household appliances, and Household maintenance such as renovations and painting.

GOODS and SERVICES that will actually cost LESS!

Liquor at restaurants will actually end up costing less with the integration of the 12% HST in British Columbia. Currently, there is a 15% tax on liquor in BC restaurants (that's 5% GST and 10% liquor tax). This 15% liquor tax will be replaced with the 12% harmonized sales tax, reducing the taxes by 3%.

GOODS and SERVICES that is exempt from the B.C. Harmonized Sales Tax of 12%

These include fuel including gas, diesel and bio-fuel in addition to low income families who will receive HST refund cheques quarterly to compensate for the 12% HST. The HST refund cheques to low income families is in addition to the federal GST refund cheques as well as the BC carbon tax credit cheques that they currently receive. Also, children's items including books, clothing, footwear, car seats, booster seats, diapers and feminine hygiene products are exempt from the 12% BC HST tax.

Benefits for Small and Medium-Sized Businesses

Lower cost of doing business:

The proposed Harmonized Sales Tax (HST) will reduce costs for B.C.'s small and medium sized businesses by eliminating the PST on business costs, generating about \$2 billion dollars in savings from all businesses that can be passed on to consumers.

Currently, businesses pay PST on most of their "inputs" that go into producing or selling their products and services. For example, tax is paid on office equipment, supplies and furniture, telecommunications equipment and services,

Vehicles and energy to heat and light their buildings and power their equipment

Under the proposed HST, all B.C. businesses will no longer pay tax on these input costs resulting in savings of \$1.9 billion

For example, a restaurant will no longer pay sales tax (PST) on products which are considered business "inputs"

Under HST such as:

- fridges, stoves, freezers, dishwashers and other appliances
- energy for heat, cooking and operating equipment and lighting
- cleaning supplies, such as rags, soaps and cleaning solutions,
- cash registers, computer hardware and software
- equipment repair and maintenance services
- paper towel and toilet paper
- customer food bills and menus
- cloth napkins, table cloths, tray covers and placemats
- pots, pans, kitchen implements and knives
- plates, bowls, glasses, cups, other reusable dishes, and cutlery
- coffee machines, blenders, mixers and other small appliances
- free-standing equipment such as juice dispensers, ice machines and coolers
- office equipment, supplies and furniture
- advertising materials, such as flyers and brochures
- items purchased to give away as free promotions
- These savings will reduce business costs, attract investment, create jobs and according to studies on the implementation of HST in eastern Canada, result in lower prices for consumers.

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