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## 2003 FEDERAL BUDGET

### BUDGET HIGHLIGHTS

Finance Minister John Manley delivered his first federal budget (the “Budget”) on February 18, 2003. The government projects another balanced budget with increased spending on the country’s health care system, education, welfare, defense and security. The Budget also announced the government’s adoption of a “full accrual accounting” which spreads the full cost of certain spending over several years.

Although the Budget did not propose any new personal or corporate tax rate reductions, tax incentives to small business will be enhanced, the federal capital tax will be eliminated over five years, and various tax changes are proposed to promote investment and savings by Canadians.

The following summarizes the major tax initiatives which the Budget proposed to introduce:

- Increase the small business deduction limit from \$200,000 to \$300,000 over four years.
- Increase the income threshold of an associated group of corporations from \$200,000 to \$300,000, before the 15% scientific research and experimental development tax credits starts to get clawed back.
- Phase out the federal capital tax over a period of five years, while eliminating it in 2004 for medium-sized corporations with taxable capital less than \$50 million.
- Further enhance the small business capital gains rollover measure introduced in 2000 by removing the original investment and reinvestment limits, and extending the length of time available to make a qualifying reinvestment.
- Harmonize the corporate tax rates applicable to corporations engaged in the mining and oil & gas industries, with those corporations not engaged in such activities.
- Harmonize interest, penalty and related administrative and enforcement provisions of the Excise Tax Act (non-GST), and the Income Tax Act.
- Extend the tax shelter registration requirements to arrangements involving tax credits.
- Increase the annual RRSP contribution limit to \$18,000 by 2006 (with corresponding RPP limit increases).
- Allow money purchase RPPs to pay pension benefits in the form of the same income stream permitted under a RRIF.
- Relax the automobile expense and benefit provisions.

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- Amendments to various personal tax credits, including donations, disability, and medical.

The following sections outline the major tax initiatives.

**Corporate Tax Measures**

**Increase in Small Business Deduction**

*Federal Small Business Limit Enhancement*

The small business deduction reduces the basic federal corporate income tax rate to 12% for the first \$200,000 (the “small business limit”) of active business income (“ABI”) of a Canadian-controlled private corporation (“CCPC”). A CCPC is currently subject to a 21% federal tax rate on the band of income from \$200,000 and \$300,000, a rate that will be fully phased in for larger corporations in 2004.

The Budget proposes to increase the small business limit eligible for the 12% federal tax rate to \$300,000, phased in as follows:

January 1, 2003	\$225,000
January 1, 2004	\$250,000
January 1, 2005	\$275,000
January 1, 2006	\$300,000

These small business limits will be prorated for taxation years straddling the effective dates.

The annual small business limit will continue to be shared among associated corporations, and will continue to be reduced on a straight-line basis for CCPCs having between \$10 million and \$15 million of taxable capital employed in Canada.

*Balance Due Date*

CCPCs having taxable income in the previous year that was less than the small business deduction limit in the previous year are required to pay any balance of corporate income tax owing at the end of the third month after the end of their taxation year, one month later than other corporations. The eligibility for the additional month to pay the balance of tax due will be determined with reference to the new higher small business limit.

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*Previous Ontario Small Business Tax Rates and Small Business Limit Enhancements*

Under previously announced Ontario Budget measures, the Ontario small business tax rate regime was enhanced to provide for reductions in the Ontario small business tax rate and increases in the small business limit eligible for the Ontario small business tax rates as follows:

	<u>Ontario Small Business Tax Rates</u>	<u>Ontario Small Business Limit</u>
January 1, 2002	6%	\$ 280,000
January 1, 2003	5.5%	320,000
January 1, 2004	5%	360,000
January 1, 2005	4%	400,000

The Ontario tax rate reductions are prorated for taxation years straddling the effective dates.

Please see page 14 of this Budget summary for a synopsis of the combined federal and Ontario corporate tax rate for calendar year 2002 to 2006.

**Enhanced Investment Tax Credits for Scientific Research and Experimental Development (“SR&ED”) Expenditures**

CCPCs are eligible to earn investment tax credits at an enhanced rate of 35% on up to \$2 million of SR&ED expenditures annually. This 35% credit is fully refundable for current SR&ED expenditures and 40% refundable for capital SR&ED expenditures. This \$2-million expenditure limit is phased out where the CCPC (together with associated corporations) had taxable income in the previous year of between \$200,000 to \$400,000, and is completely eliminated where such income exceeded \$400,000. The \$2-million expenditure limit is also phased out where the CCPC (together with associated corporations) had taxable capital employed in Canada in the previous year of between \$10 million and \$15 million, and is completely eliminated where such taxable capital exceeded \$15 million.

The Budget proposes that the \$2-million expenditure limit be phased out where taxable income in the previous year is between \$300,000 and \$500,000. This change will apply where the previous taxation year ends after 2002. The phase-out based upon taxable capital will not be changed.

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**Elimination of Federal Capital Tax (Large Corporation Tax)**

Currently, the federal capital tax does not apply to the first \$10-million of the capital of a corporation (together with associated or, in some cases, related corporations). A corporation’s taxable capital is generally calculated as the total of its shareholders’ equity, loans payable and advances payable, less certain eligible investments. A corporation’s federal income surtax is deductible against the corporation’s capital tax liability.

The Budget proposes to eliminate the federal capital tax over a five-year period. The capital tax rates will be reduced as follows:

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
0.225%	0.200%	0.175%	0.125%	0.0625%	0%

These rates will be prorated for non-calendar taxation years.

Corporations with less than \$50 million of capital (together with associated or, in some cases, related corporations) will be exempt from the capital tax commencing for taxation years ending after 2003, with no proration required for taxation years straddling the 2002 calendar year.

Currently, federal corporate surtax in excess of a corporation’s federal capital tax liability for a taxation year may be carried back three years and forward seven years against the corporation’s capital tax liability. After 2003, the carry back and carry forward of the excess corporate surtax will continue to be calculated as if the federal capital tax rate had remained at 0.225%, and the capital deduction had remained at \$10 million. This means that excess corporate surtax payable after 2003 cannot be recovered solely because of the elimination of the federal capital tax.

The definition of a “large corporation” for the purpose of various other provisions of the Income Tax Act will be unaffected by the elimination of the federal capital tax. For example, the small business deduction limit will continue to be reduced or eliminated for CCPCs with capital in excess of \$ 10 million regardless of whether such CCPC is exempt from the federal capital tax.

**Capital Gains Rollover for Small Business Investors**

The Budget proposes changes to enhance the small business capital gains rollover rules which were introduced in 2000, in order to allow an individual to defer the taxation of capital gains realized on the disposition of certain common shares issued by an eligible small business corporation. The capital gain can be deferred where the proceeds are used to acquire treasury shares of other eligible small business corporations and certain other conditions are met.

While there is no limit on the total amount of the proceeds that can be reinvested, under current rules, the maximum amount that can be reinvested in the shares of a particular corporation or a related group of corporations and be eligible for the deferral is \$2,000,000. The capital gain eligible for deferral is further

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limited under current rules to the portion of the capital gain from the disposition that can be attributed to up to \$2,000,000 of the cost of the shares sold. Current rules require that the acquisition of the replacement eligible investment(s) must be made after the beginning of the year in which the disposition of the old shares is made and before the earlier of (i) the 120th day after the qualifying disposition and (ii) the 60th day after the end of the year in which the disposition occurred.

Effective for dispositions which occur after February 18, 2003, the Budget proposes to expand the capital gains rollover measure by (i) eliminating the \$2,000,000 original investment limit for each eligible small business corporation or related group; (ii) eliminating the \$2,000,000 limit on the amount of the original investment on which the deferral is allowed; and (iii) allowing a reinvestment to be made at any time in the year of disposition or within 120 days after the end of that year.

**Improvements to Resource Taxation**

The general federal corporate income tax rate reduction from 28% in 2000 to 21% in 2004, announced in 2000, did not apply to resource income. The Budget proposes to reduce the tax rate on resource income from 28 per cent to 21 per cent phased in over five years. In addition, the Budget proposes to allow a deduction for provincial and other Crown royalties and mining taxes paid and to eliminate the existing 25% resource allowance. A new tax credit for qualifying mineral exploration expenditures will be introduced.

**Mineral Exploration Tax Credit**

The Budget proposes to extend, until December 31, 2004, the temporary 15% tax credit for certain Canadian mineral exploration expenses incurred by a corporation in 2005 or before, which have been renounced to an individual who owns eligible flow-through shares.

**Renewable and Alternative Energy Tax Incentives**

The Budget proposes to extend the eligibility for Class 43.1 treatment (30% capital cost allowance rate) to certain new renewable and alternative energy technologies such as fixed-location fuel cells and ancillary equipment, certain equipment used for converting biomass into bio-oil, and certain equipment used to generate heat energy in greenhouse operations.

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**Film or Video Production Services Tax Credit**

The Budget proposes to increase the existing 11% credit rate to 16% of qualified Canadian labour expenditures, applicable to expenditures incurred after February 18, 2003.

The Budget also announces the government's intention to consult with the Canadian film industry to develop criteria for a streamlined mechanism for delivering the Canadian Film or Video Production Tax Credit, being a refundable tax credit of 25% of labor costs.

**Cross-Border Share-For-Share Exchanges**

In the October 2000 *Economic Statement and Budget Update*, the Government undertook to consult with interested parties on a tax deferral provision that specifically addresses tax-deferred cross-border share-for-share exchanges. At the same time, the Government noted that a basic requirement for such a mechanism is that it protect Canada's tax base. The Budget announces that a draft of legislative proposals, designed to balance these objectives, will be released in the near future for public review and comment.

**Balance Due Date**

The Budget proposes to harmonize the payment of all taxes imposed on corporations under the Income Tax Act to become due on the corporation's balance-due day, as opposed to the different due days that currently exist for taxes under various parts of the Act. This measure will apply to taxation years that begin after June 2003.

**Personal Tax Measures**

**Registered Pension Plan ("RPP"), Deferred Profit Sharing Plan ("DPSP") and RRSP Limits**

In 1996, the contribution limits for money purchase RPPs and RRSPs were frozen at \$13,500, and the \$1,722 maximum pension limit for defined benefit RPPs has been effectively frozen since 1976. The Budget proposes the following increases in limits:

- i) The RRSP limit will be increased to \$14,500 for 2003, \$15,500 for 2004, \$16,500 for 2005 and \$18,000 for 2006.
- ii) The money purchase RPP limit will be increased to \$15,500 for 2003, \$16,500 for 2004 and \$18,000 for 2005.
- iii) The maximum pension limit for defined benefit RPPs will be increased to \$1,833 for 2004 and \$2,000 for 2005.

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- iv) The DPSP limit will remain at one-half of the money purchase RPP limit.

The RPP and DPSP limits will be indexed to average wage growth starting in 2006, and the RRSP limit will be indexed starting in 2007. The rules for calculating past service pension adjustments for defined benefit RPPs will be modified, in order to provide an exclusion for benefit increases arising directly as a result of increases to the maximum pension limit.

**RRIF-Type Payouts From Money Purchase RPPs**

On retirement, members of money purchase RPPs either can purchase a life annuity with their money purchase account, or they can transfer the account to an RRSP or a RRIF.

To provide increased flexibility on retirement, the Budget proposes to allow money purchase RPPs to pay pension benefits in the form of the same income stream currently permitted under a RRIF. This measure will allow money purchase plan members to choose to benefit from the flexibility that a RRIF offers, without having to assume greater responsibility for investment decisions or to pay the higher investment fees typically charged by individual plans.

A member will be required to withdraw a minimum amount each year from their money purchase account, beginning no later than the year in which they attain age 70. The minimum amount will be determined in accordance with the existing rules that apply to RRIFs. This measure will also permit the transfer of funds back into a money purchase pension plan by former members who had previously transferred their money purchase account to an RRSP or RRIF, subject to the new RRIF-type payout requirement.

**Taxable Benefit for the Personal Use of a Corporately Owned Automobile**

The automobile standby charge reflects the benefit of having an employer-provided automobile available for personal use. The regular standby charge is set at 2% per month of the original cost of the automobile or two-thirds of the annual lease payments. This charge can be reduced to the extent that personal driving is less than 12,000 kilometres per year, but only if the automobile is used all or substantially all (i.e. generally, 90% or more) for business purposes.

Effective for 2003 and subsequent taxation years, the Budget proposes to extend the reduced standby charge to individuals whose employer-provided automobile is used primarily (i.e. more than 50%) for business purposes to the extent that the personal driving does not exceed 20,000 kilometres per annum. For example, where an automobile is driven 25,000 kilometres a year for business, and 15,000 kilometres a year for commuting and other personal driving, the standby charge will be 75% (15,000 divided by 20,000) of the regular standby charge.

**Automobile expense deductions**

Currently, the deduction for allowances, depreciation, financing costs, and lease costs may be restricted if a vehicle is classified as an automobile for income tax purposes. Excluded from the automobile restrictions are pick-up trucks and vans having a seating capacity for not more than a

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driver and two passengers, provided that they are used primarily for the transportation of goods or equipment in the course of gaining or producing income. Regardless of seating capacity, such vehicles are also excluded from the automobile restrictions where they are used all or substantially all of the time for the foregoing uses or for the transportation of passengers.

“Extended cab” pick-ups, and similar trucks, having seating for more than the driver and two passengers, are often used at remote work locations to transport workers and to evacuate workers in an emergency. The Budget proposes to exclude from the automobile definition extended cab pick-up trucks used primarily for the transportation of goods, equipment or passengers in the course of earning or producing income at a remote work site, effective for taxation years that begin after 2002.

**National Child Benefit Supplement and the Child Disability Benefit**

The Budget proposes to increase the annual National Child Benefit Supplement (one of two components of the Canada Child Tax Benefit) by \$150 per child in July 2003, \$185 in July 2005 and \$185 in July 2006.

In addition, in recognition of the special needs of low- and modest-income families with a disabled child, the Budget proposes to introduce a \$1,600 Child Disability Benefit (“CDB”), which will be paid for children who meet the eligibility criteria for the disability tax credit. The CDB will be phased out based on certain levels of net family income. The CDB amount and the net family income thresholds will be indexed to inflation. The CDB will be effective in July 2003, but will become payable starting in March 2004. Families will continue to be able to claim the disability tax credit and the disability tax credit supplement for disabled children.

**RRSP/RRIF Distributions Upon Death to an Infirm Child**

When the annuitant under a registered retirement savings plan (“RRSP”) or registered retirement income fund (“RRIF”) dies, the existing income tax rules generally provide that the value of the RRSP or RRIF is included in computing the deceased’s income for the year of death. However, preferential tax treatment is provided on RRSP or RRIF distributions made after death to the deceased’s surviving spouse or common-law partner, or to children or grandchildren who were *financially dependent* on the deceased annuitant.

Currently, a child or grandchild is considered to be *financially dependent*, if the child’s income for the year preceding the year of death was below the basic personal amount for that year (\$7,634 for 2002). In recognition of the need to provide ongoing care for dependent, infirm children, effective for the 2003 and subsequent taxation years, the Budget proposes to increase the level of income used to determine the financial dependence of an infirm child or grandchild from \$7,634 to \$13,814 (indexed after 2003).

**Eligibility Criteria for the Disability Tax Credit (“DTC”)**

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The DTC provides tax relief to individuals who, due to the effects of a severe and prolonged impairment, require extensive therapy to sustain a vital function or are blind or otherwise markedly restricted in their ability to perform a basic activity of daily living. The basic activities of daily living for determining eligibility for the DTC are: perceiving, thinking and remembering; feeding and dressing oneself; speaking; hearing; eliminating bodily waste; and walking.

Effective for the 2003 and subsequent taxation years, the Budget proposes to clarify the eligibility for the DTC in the following respects:

- i) Individuals markedly restricted in *either* feeding *or* dressing will qualify for the DTC, rather than having to be markedly restricted in both areas.
- ii) The activity of “feeding oneself” does not include any of the activities of identifying, finding, shopping for, or otherwise procuring food, or the activity of preparing food to the extent that the time associated with that activity would not have been necessary in the absence of a dietary restriction or regime.
- iii) The activity of “dressing oneself” does not include the activities of identifying, finding, shopping for, or otherwise procuring clothes.

The Budget also indicates that an evaluation will be made whether the DTC is achieving its policy purpose, once certain data becomes available.

**Eligible Expenses for the Medical Expense Tax Credit (“METC”)**

Effective for the 2003 and subsequent taxation years, the Budget proposes to expand the list of eligible medical expenses for purposes of the METC to include:

- i) The cost of real-time captioning services, paid to persons engaged in the business of providing such services, on behalf of individuals with a speech or hearing impairment;
- ii) The cost of note-taking services used by individuals with mental or physical impairments and paid to persons engaged in the business of providing such services, and the cost of voice recognition software used by individuals with a physical impairment. The need for these services or software must be certified by a medical practitioner.
- iii) The incremental cost associated with the purchase of gluten-free food products for individuals with celiac disease, as certified by a medical practitioner.

**Tax Pre-Paid Savings Plans (“TPSP”) Under Review**

The Budget announces the government’s intention to engage in consultations to consider the introduction of TPSPs to provide additional savings opportunities for Canadians. A TPSP is a savings

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vehicle under which there is no deduction for contributions made to the plan, but both investment income earned in the plan and withdrawals received from the plan are tax free.

**Other Measures**

**Tax Shelter Definition**

The Budget proposes to amend the definition of a tax shelter, to include representations made by a promoter that a potential purchaser will be able to claim, within four years, any combination of deductions in computing income or taxable income and federal tax credits which, in total, are equal to or exceed the purchaser's net cost of the property. Prior to the proposed amendment, the present definition of a tax shelter may not currently apply to those arrangements that are promoted as providing only tax credits.

In addition to the foregoing amendment, the definition of a tax shelter will also be amended to clarify its application to property acquired under an arrangement in respect of which it is represented that a donation or contribution of the property would generate tax credits or deductions (such as charitable donations tax credits or deductions) equal to, or exceeding, the net cost to the donor of the property. Furthermore, the Budget proposes to treat as a tax shelter, any arrangement that involves a transfer of property in respect of which it is represented that a gift or contribution of the property would generate tax credits or deductions, if it may reasonably be considered that, having regard to representations made concerning the arrangement, a person will incur limited-recourse indebtedness in connection with the arrangement.

These measures are proposed to apply after February 18, 2003.

**Donations**

For gifts and contributions made after February 18, 2003, the Budget proposes to reduce the portion of a gift/contribution by the amount of a donor's limited-recourse indebtedness, where the limited-recourse indebtedness was incurred as part of a tax shelter arrangement. Any repayment by the person of the limited recourse indebtedness will be treated as a gift or contribution in the year the repayment is made.

**Deductibility of Interest and Other Expenses Under Review**

In response to recent court decisions which have raised uncertainties as to how taxpayers are to treat expenses, in particular interest expense, in computing income from a business or property for purposes of the Income Tax Act (please refer to the GSP 2002 Ontario Budget Summary, which provided a synopsis of the 2002 Supreme Court of Canada decisions in Ludco Enterprises Ltd. and John Singleton on interest deductibility, as well as the decisions in Jack Walls and Brian Stewart on the doctrine of reasonable expectation of profit), the Department of Finance announced its intention to

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consider legislative amendments to the Income Tax Act, in consultation with the public, in order to restore continuity of “appropriate” tax policies in place before these recent court decisions.

**Administrative Matters**

The Budget proposes changes in the following two areas:

- i) Currently, interest begins to accrue the day an application for a loss carry-back is received. It is proposed that interest accrue starting 30 days after an application is received. This measure will apply to applications received after June 2003.
- ii) Currently, the Minister of National Revenue may extend the time for the filing of a return. If a person files his or her return by this extended filing deadline, no penalty for filing a late-filed return is assessed. The Budget proposes to clarify that, if a person files his or her return later than the extended deadline, the late-filing penalty will apply based upon the normally required deadline.

**Qualified Limited Partnerships (“QLP”)**

Effective for 2003 and subsequent taxation years, the Budget proposes to make various amendments to the definition of a QLP, in order to assist venture capital funds to raise financing using such vehicles. The proposals include relaxing the manner in which the foreign property limit is applied to QLPs to parallel that of mutual fund trusts.

**Employment Insurance (EI) Contribution Rate**

The Budget proposes to reduce the current EI employee contribution rate of \$2.10 per \$100 of insurable earnings to \$1.98 per \$100 for 2004. The Budget also proposes to consult on a new EI rate setting for 2005 and beyond, based on the principles of transparency and of balancing premium revenues with expected program costs.

**Air Travellers Security Charge**

This Budget proposes to continue the Government’s commitment to review the Air Travellers Security Charge, to ensure that revenue from the charge remains in line with planned expenditures for the enhanced air travel security system through 2006 and 2007. As a result of that review, the Government will reduce the charge on flights within Canada from \$12 to \$7 for one-way travel and from \$24 to \$14 for round-trip travel.

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### **Excise Tax Exemption for Bio-Diesel and E-Diesel Fuel**

The Budget proposes to encourage the production and use of renewable resources, such as ethanol and methanol, for the important environmental benefits to the country. As a result, the Budget proposes to remove the 4-cent-per-litre federal excise tax on diesel fuel from the biomass-produced ethanol or methanol portion of blended diesel fuel. As well, the Budget proposes to remove the 4-cent-per-litre federal excise tax on diesel fuel from bio-diesel fuel and from the bio-diesel portion of blended diesel fuel, where the bio-diesel is of a biological non-fossil fuel origin.

These measures will apply after February 18, 2003.

### **Tobacco Tax**

The Budget proposes to introduce legislation amending the Excise Tax Act, the Customs Tariff, and the Excise Act, 2001, to implement tobacco tax increases proposed on June 17, 2002. These proposals include:

- an increase in the excise tax of \$3.50 per carton of cigarettes,
- \$2.50 per 200 tobacco sticks,
- \$2.50 per 200 grams of other manufactured tobacco and
- increases in the taxes and duties on cigars, exported tobacco products, and tobacco products delivered to duty-free shops, sold as ships' stores or imported by Canadian residents returning to Canada.

These increases in taxes and duties are effective June 18, 2002.

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**Contracted Municipal Services**

The Budget proposes to amend the GST/HST legislation to clarify that purchases by municipalities of contracted services continue to be taxable. The GST/HST treatment of public services, including the supply to municipal residents of basic municipal services, is exempt from the GST/HST, whether or not the services are delivered directly by the municipality or by private companies with which a municipality contracts to provide the services. The charges made by private companies to the municipalities are GST/HST taxable. Municipalities are generally not eligible to recover the taxes paid by claiming input tax credits, but are instead entitled to a public sector body rebate equal to 57.14 per cent of the GST they pay on such purchases.

The amendment is proposed to be effective from the date of introduction of the GST.

**Harmonization of Administrative Provisions (Standardized Accounting)**

To simplify tax compliance for businesses the Government has been working on an initiative referred to as “Standardized Accounting.” This initiative’s objective is to harmonize various accounting, interest and penalty provisions under federal tax laws in order to have an integrated set of rules for payment due dates, interest and penalties.

The Budget proposes to begin the implementation of Standardized Accounting by harmonizing a number of accounting, interest, penalty and related administrative and enforcement provisions of the Excise Tax Act (non-GST) and the Income Tax Act. The non-GST provisions include insurance premiums tax and excise tax on fuel, jewellery, automotive air conditioners and heavy trucks of the Excise Tax Act. These proposals are part of a future initiative that will extend to other Acts, such as the Excise Tax Act (GST), the Customs Act, the Customs Tariff and the Special Import Measures Act.

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To discuss the impact of the Budget on your business, please contact your partner at Goldfarb, Shulman, Patel & Co. LLP.

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**Combined Federal and Ontario Corporate Tax Rates**

The following combined federal and Ontario rates(1) will apply to corporations subject to Ontario tax:

<b><u>Type of Income</u></b>	<b>Calendar Year</b>				
	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Active Small Business Income ("SBI") up to \$ 200,000	19.12%	18.62%	18.12%	17.12%	17.12%
Active SBI \$ 200,001 to \$ 225,000	28.12%	18.62%	18.12%	17.12%	17.12%
Active SBI \$ 225,001 to \$ 250,000	28.12%	27.62%	18.12%	17.12%	17.12%
Active SBI \$ 250,001 to \$ 275,000	28.12%	27.62%	27.12%	17.12%	17.12%
Active SBI \$ 275,001 to \$ 280,000	28.12%	27.62%	27.12%	26.12%	17.12%
Active SBI \$ 280,001 to \$ 300,000	34.62%	27.62%	27.12%	26.12%	17.12%
Active SBI \$ 300,001 to \$ 320,000	38.62%	29.62%	27.12%	26.12%	26.12%
Active SBI \$ 320,001 to \$ 360,000	38.62%	36.62%	27.12%	26.12%	26.12%
Active SBI \$ 360,001 to \$ 400,000	38.62%	36.62%	33.12%	26.12%	26.12%
General Income	38.62%	36.62%	33.12%	31.62%	30.12%
Manufacturing & Processing Income	33.12%	33.12%	32.12%	31.12%	30.12%
CCPC Investment Income	48.29%	48.29%	46.79%	45.29%	43.79%

The rates shown reflect the tax rates on the band of income specified. The rates do not include the impact of the claw back of the small business deduction, where applicable.

All tax rate reductions will be prorated for taxation years straddling the effective dates.