

INTEGRATION OF TAX RATES

For illustration purposes only. All rates are based on 2019 tax rates applicable to B.C. residents who are at the top marginal tax rates. Corporations are assumed to be Canadian-controlled private corporations. Rates will be different for individuals and corporations not resident in B.C. and may change over time.

| | Small Business Income (up to \$500,000) | Regular Active Business Income (over \$500,000) | Investment Income | Portfolio Dividends (Eligible - Note 1) |
|---|---|---|----------------------|--|
| Income Earned Personally | | | | |
| Taxable income | \$100.00 | \$100.00 | \$100.00 | \$100.00 |
| Personal tax (federal and B.C.) | (\$49.80) | (\$49.80) | (\$49.80) | (\$31.43) |
| After-Tax Income | \$50.20 | \$50.20 | \$50.20 | \$68.57 |
| Income Earned Corporately and Paid as a Dividend | | | | |
| Taxable income | \$100.00 | \$100.00 | \$100.00 | \$100.00 |
| Federal tax (note 2) | (\$9.00) | (\$15.00) | (\$38.67) | (\$38.33) |
| B.C. tax | (\$2.00) | (\$12.00) | (\$12.00) | - |
| Total tax | (\$11.00) | (\$27.00) | (\$50.67) | (\$38.33) |
| After-tax corporate income | \$89.00 | \$73.00 | \$49.33 | \$61.67 |
| Add: refundable portion (note 3) | - | - | \$30.67 | \$38.33 |
| Amount available as dividend | \$89.00 | \$73.00 | \$80.00 | \$100.00 |
| Personal tax on dividend (note 4) | (\$39.73) | (\$22.94) | (\$35.71) | (\$31.43) |
| After-Tax Income | \$49.27 | \$50.06 | \$44.29 | \$68.57 |
| Income Earned Corporately and Paid as a Bonus | | | | |
| Bonus | \$100.00 | \$100.00 | \$100.00 | |
| Personal tax on bonus (note 5) | (\$49.80) | (\$49.80) | (\$49.80) | |
| After-Tax Income | \$50.20 | \$50.20 | \$50.20 | |
| 2019 Salary and Dividend Comparatives | | | | |
| Personal salary tax rate advantage (cost) per \$100 | \$0.00 | \$0.00 | \$0.00 | |
| Dividend tax rate advantage (cost) per \$100 | (\$0.93) | (\$0.14) | (\$5.91) | |
| 2019 Integration Results - Dividend | | | | |
| Personal tax rate advantage (cost) per \$100 | \$0.93 | \$0.14 | \$5.91 | \$0.00 |
| Corporate deferral advantage (cost) per \$100 | \$38.80 | \$22.80 | (\$0.87) | (\$6.90) |
| 2018 Comparatives - Dividend | | | | |
| Personal tax rate advantage (cost) per \$100 | \$0.68 | \$2.17 | \$5.18 | \$0.00 |
| Corporate deferral advantage (cost) per \$100 | \$37.80 | \$22.80 | (\$0.87) | (\$4.13) |

NOTES

1. The corporate tax rate for portfolio dividends in this table applies only to eligible dividends based on the assumption that the investments are in public company shares. Dividends from public companies are generally eligible dividends.
2. The federal rate for small business income is reduced from 10% to 9%, effective January 1, 2019.
3. Effective for taxation years beginning after 2018, RDTOH will be bifurcated into an eligible RDTOH (ERDTOH) account and a non-eligible RDTOH (NERDTOH) account. The opening ERDTOH account will be the lesser of the existing RDTOH balance and 38.33% of the CCPC's general rate income pool. Any remaining RDTOH balance will be added to the opening NERDTOH account. Going forward, only Part IV tax paid on eligible dividends received will be added to the ERDTOH account. Part IV tax paid on non-eligible dividends received and refundable portion of Part I tax will be added to the NERDTOH account. Non-eligible dividends paid recoups NERDTOH first before it recoups ERDTOH. Eligible dividends paid recoups ERDTOH.
4. The dividends paid out of small business income and investment income in this table are assumed to be regular dividends and subject to the higher regular dividend tax rate as income of these types do not generate GRIP pool that enables payment of eligible dividends.

The dividends paid out of regular active business income and portfolio dividends in this table are assumed to be eligible dividends and subject to the lower eligible dividend tax rate as income of these types generate GRIP pool that enables payment of eligible dividends.

5. A bonus is paid and deducted at the corporate level instead of paying corporate taxes. Unlike a dividend, a bonus will generate RRSP deduction room.

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