

INTEGRATION OF TAX RATES

INTEGRATION- 2023

For illustration purposes only. All rates are based on 2023 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.)	(53.50)	(53.50)	(53.50)	(36.54)
After-Tax Income	\$46.50	\$46.50	\$46.50	\$63.46
Income Earned Corporately and Paid as a Dividend				
Taxable income	\$100.00	\$100.00	\$100.00	\$100.00
Federal tax	(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 2)	-	-	30.67	38.33
Amount available as dividend	89.00	73.00	80.00	100.00
Personal tax on dividend (note 3)	(43.51)	(26.67)	(39.11)	(36.54)
After-Tax Income	\$45.49	\$46.33	\$40.89	63.46
Income Earned Corporately and Paid as a Bonus				
Bonus	\$100.00	\$100.00	\$100.00	
Personal tax on bonus (note 4)	(53.50)	(53.50)	(53.50)	
After-Tax Income	\$46.50	\$46.50	\$46.50	
2023 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	(\$1.01)	(\$0.17)	(\$5.61)	
2023 Integration Results - Dividend				
Personal tax rate advantage (cost) per \$100	\$1.01	\$0.17	\$5.61	\$0.00
Corporate deferral advantage (cost) per \$100	\$42.50	\$26.50	\$2.83	(\$1.79)
2022 Comparatives - Dividend				
Personal tax rate advantage (cost) per \$100	\$1.01	\$0.17	\$5.61	\$0.00
Corporate deferral advantage (cost) per \$100	\$42.50	\$26.50	\$2.83	(\$1.79)

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. Effective for taxation years beginning after 2018, a refund from the non-eligible RDTOH account will only be available when a CCPC pays a non-eligible dividend. Refundable Part IV tax on eligible portfolio dividends (38.33%) will be tracked in the eligible RDTOH account.
3. The dividends paid out of small business income and investment income in this table are assumed to be non-eligible dividends and subject to the higher non-eligible 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 do generate GRIP pool that enables payment of eligible dividends.

4. 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. Additional potential costs, such as CPP and EHT, are not included in the table above but may also need to be considered.

Current as of February 4, 2023

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