



2016 PERSONAL AND CORPORATE TAX RATES

The personal federal and provincial marginal tax brackets were once again increased for inflation. Federally, the marginal tax rate for the \$45,282 - \$90,563 tax bracket was reduced to 20.5% from 22%, and a new tax bracket of 33% on taxable income in excess of \$200,000 was implemented. BC's temporary top personal income tax bracket of 16.8% on taxable income in excess of \$150,000 was eliminated which helped mitigate the impact of the new top federal tax bracket. For 2016, BC has the fourth lowest top marginal tax rate of the 13 Provinces and Territories with Nunavut, Ontario, and Northwest Territories being lower.

The maximum annual contribution limit is \$25,370 for RRSP's and \$5,500 for TFSA's.

For those with investment income, tax on regular dividends is lower than the tax on capital gains until personal income exceeds \$38,210, after which capital gains become the less expensive option. Eligible dividends are "grossed-up" 38% and are eligible for a 20.73% tax credit and have a negative marginal tax rate until personal income exceeds \$45,282. Small business dividends are subject to a 17% "gross-up" and receive a 12.31% dividend tax credit.

Maximum CPP retirement payments are \$13,110 (\$1,092.50 per month). The maximum CPP post-retirement benefit is \$327.72 (\$27.31 per month) for contributions made after you begin to receive the retirement pension, CPP contributions are mandatory until age 65.

Maximum OAS payments for the year are \$6,846.24 (\$570.52 per month). For 2016, OAS claw back begins at an income threshold of \$73,756, and is completely eliminated once a pensioner's net income exceeds \$119,398.

The small business limit for corporate tax rates remains unchanged at \$500,000.

Table 1 - 2016 Personal Tax Rates

<u>Taxable Income</u>	<u>Salary & Interest</u>	<u>Small Business Dividends¹</u>	<u>Eligible Dividends¹</u>	<u>Capital Gains²</u>
0 - 38,210	20.06%	8.27%	(6.84)%	10.03%
38,211 - 45,282	22.70%	11.36%	(3.20)%	11.35%
45,283 - 76,421	28.20%	17.79%	4.39%	14.10%
76,422 - 87,741	31.00%	21.07%	8.25%	15.50%
87,742 - 90,563	32.79%	23.16%	10.72%	16.40%
90,564 - 106,543	38.29%	29.60%	18.31%	19.15%
106,544 - 140,388	40.70%	32.42%	21.64%	20.35%
140,389 - 200,000	43.70%	35.93%	25.78%	21.85%
200,001 and above	47.70%	40.61%	31.30%	23.85%

1. Marginal tax rate is for actual amount of dividends received (not the "gross-up" taxable amount).

2. Marginal tax rate is for actual amount of gain (not the 50% taxable amount).

Table 2 - 2016 Corporate Tax Rates (Canadian Controlled Private Corporations - CCPC)

	<u>\$0 - \$500,000</u>	<u>General</u>	<u>M & P</u>	<u>Inactive²</u>
Federal	10.50%	15.00%	15.00%	38.67%
Provincial	2.50%	11.00%	11.00%	11.00%
Total	13.00%	26.00%	26.00%	49.67%

3. 30.67% of the 49.67% tax paid on inactive business income is refundable upon payment of dividends, resulting in net tax payable of 19.00%.