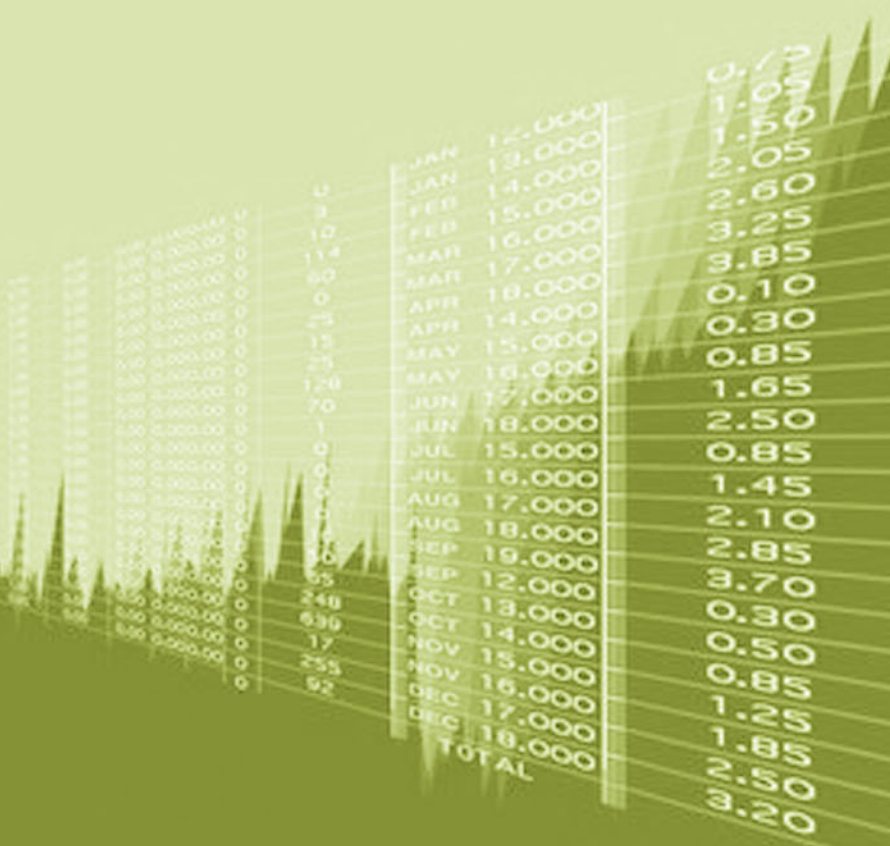


Corporate Income Tax Rate Database:

Canada and the Provinces, 1960-2005



Corporate Income Tax Rate Database:

Canada and the Provinces, 1960-2005

by

Sean A. Cahill

Agriculture and Agri-Food Canada

March 2007

CORPORATE INCOME TAX RATE DATABASE: CANADA AND THE PROVINCES, 1960-2005

March 2007

Research and Analysis Directorate
Strategic Research
Agriculture and Agri-Food Canada

Sean A. Cahill

© Her Majesty the Queen in Right of Canada, 2006

Any policy views, whether explicitly stated, inferred or interpreted from the contents of this publication, should not be represented as reflecting the views of Agriculture and Agri-Food Canada (AAFC).

AAFC does not control the availability of Internet web sites featured in this report. Therefore, it does not take responsibility for severed hyperlinks or discontinued web pages mentioned herein. Links to these web sites are provided solely for the convenience of users. AAFC does not endorse these sites, nor is it responsible for the accuracy, the currency or the reliability of the content. Users should be aware that information offered by sites other than those of the Government of Canada are not subject to the Official Languages Act.

Electronic versions of Research and Analysis Directorate publications are available on the Internet at www.agr.gc.ca/pol/index_e.php

Publication 10217E
ISBN 978-0-662-44912-6
Catalogue A38-4/9-2007E-PDF
Project 06-085-r

Aussi disponible en français sous le titre :

Base de données sur le taux d'imposition des sociétés: Canada et les provinces, de 1960 à 2005

TABLE OF CONTENTS

Executive summary	i
Introduction	1
Description of the Main Elements of the Federal and Provincial Corporate Tax Rate	2
Corporate Tax Rate Data and Derived Combined Federal and Provincial Rates	3
Conclusion	4
Appendix A: Database Tables	A-1
Table A1: Federal Corporate Income Tax Rates, 1960-2005	A-2
Table A2: Provincial Corporate Income Tax Rates, 1960-2005	A-3
Table A3: Combined Federal and Provincial Corporate Income Tax Rates for Manufacturers and Processors, 1960-2005	A-6
Data Sources	A-8

LIST OF FIGURES

<i>Figure 1:</i>	Corporate Income Tax Rates - Federal, Ontario and Quebec 1960-2005	5
<i>Figure 2:</i>	Combined Federal/Provincial Corporate Income Tax Rate, Ontario and Quebec, 1960-2005	5

EXECUTIVE SUMMARY

This document provides a description of a corporate income tax rate database for Canada and the provinces covering the years 1960-2005. The database includes rates for several elements of the corporate income tax set by the federal government (the basic rate, the corporate surtax, federal tax abatement and the manufacturing and processing profits tax credit) as well as corporate income tax rates by province. The data apply to corporations primarily involved in manufacturing and processing and do not generally apply to other types incorporated and unincorporated businesses.

It is shown how combined federal and provincial income tax rates can be calculated for each province, using the various components. Combined rates for Ontario and Quebec are illustrated as examples of the trends that have occurred since 1960.

Data tables are provided at the end of the document. These correspond to the tables available electronically.

Introduction

This document provides a description of the components of the “Corporate Income Tax Rate Database, Canada and the Provinces, 1960-2005”. The database is comprised of rates that can be used to derive the combined federal and provincial income tax rate for corporations primarily involved in manufacturing and processing. The rate data are available both in the text tables presented in this document and in electronic form.¹

The time series of corporate income tax rates provided in this database is unique in collecting this information together in one format and with the use of consistent definitions of the information over time.² Other corporate income tax rate series do exist, but these do not cover such a long period of time, nor do they have the comprehensive detail available here. It is expected that these data will be useful to a variety of individuals and organizations, and will add value to economic analysis that is concerned with tax incidence, after-tax income and other economic issues.

The next section of this document provides a description of the variables included in the database, and gives the formula that can be used to calculate the combined federal and provincial corporate income tax rate for each province. The data tables are provided in the last section,

-
1. *The datafiles will be posted on a web page that can be reached from the Agriculture and Agri-Food website (<http://www.agr.gc.ca>). If problems are encountered accessing these files or there are other questions regarding the database, contact the author. His address is:*

*Sir John Carling Building (6th Floor)
Central Experimental Farm
Ottawa, Ontario
K1A 0C5 .*

He can also be reached by email at the address: cahills@agr.gc.ca

2. *The rate data are drawn almost entirely from a variety of Canadian Tax Foundation publications, and so the information in the database is not new, having been available wherever these publications are held in libraries and other collections. Note that other sources, such as the working papers prepared for the Canadian Department of Finance’s Technical Committee on Business Taxation between 1996 and 1998, have data series for selected years or periods and for certain elements, but none of these papers appear to have reported tax rates in a comprehensive manner.*

along with the notes related to this information. The federal and provincial rates are combined, using the formula from the previous section, to derive a time series of provincial rates. Trends in some of these rates are then discussed.

Description of the Main Elements of the Federal and Provincial Corporate Tax Rate

A variety of income tax rates are set by both the federal and provincial governments for businesses. This database was constructed for a specific purpose, namely to allow the derivation of combined federal and provincial income tax rates for corporations primarily involved in manufacturing and processing.

The main elements of the Canadian federal corporate income tax rate are:

- The basic federal corporate income tax rate.
- The federal corporate surtax rate, which in some years has been applied to the basic rate.
- The federal tax abatement rate, which reduces the basic federal corporate income tax rate so that the provinces can apply their own corporate income tax rates to taxable corporate income.
- The manufacturing and processing profits credit, which is a reduction of the basic federal corporate income tax rate that is available to corporations that derive at least 10% of their gross revenue from manufacturing or processing activities in Canada.

In addition to the tax elements listed above, each province applies its own corporate income tax rate to taxable corporate income reported as being earned in that province. As at the federal level, provinces set a rate specifically for corporations involved in manufacturing and processing (in this case, as a specific rate that is separated from that for other corporations rather than as a credit). Where such a rate exists, it is this rate that is reported here, not that which is applied to other types of corporations. In all cases, the rate for the highest profit category is chosen.

The combined federal and provincial rate that is applied to taxable income earned by manufacturing and processing corporations in province p is derived as:³

$$\Xi_{p,t} = (\kappa_t^{FC} - \psi_t^{FP})(1 + \kappa_t^{FS}) - \psi_t^{FM} + \kappa_{p,t}^{PC}, \quad p = 1, 2, \dots, 10; t = 1960, 1961, \dots, 2005,$$

3. Between 1969 and 1971, the federal corporate surtax was applied to the basic rate, so that in these years the formula is modified to be:

$$\Xi_{p,t} = \kappa_t^{FC}(1 + \kappa_t^{FS}) - \psi_t^{FP} - \psi_t^{FM} + \kappa_{p,t}^{PC}.$$

where: κ_t^{FC} is the basic federal corporate income tax rate in year t , κ_t^{FS} is the federal corporate surtax rate in year t , ψ_t^{FP} is the federal tax abatement rate in year t , ψ_t^{FM} is the federal manufacturing and processing profits tax credit rate in year t , and $\kappa_{p,t}^{PC}$ is the corporate income tax rate (for manufacturing and processing) for province p – ‘1’ denotes British Columbia, ‘2’ denotes Alberta, etc. – in year t .

The rate $\Xi_{p,t}$ is applied to taxable corporate income to arrive at tax payable.⁴

Corporate Tax Rate Data and Derived Combined Federal and Provincial Rates

Federal corporate income tax data – i.e. for the variables κ_t^{FC} , κ_t^{FS} , ψ_t^{FP} and ψ_t^{FM} – are presented in Table A1. Corporate income tax rate data for the ten provinces – i.e. for the variable $\kappa_{p,t}^{PC}$ – are presented in Table A2. Data for the combined federal and provincial corporate income tax rate $\Xi_{p,t}$ – derived using the formula above – are given in Table A3.⁵

Between 1960 and 2005 the basic federal corporate income tax rate decreased from 50% to 38%, after a series of reductions that began in 1971. The largest reductions (in points), were made as the result of legislation passed in December of 1987; these changes decreased the basic rate by eight points between 1986 and 1988.

In various years between 1969 and 2005, the federal government has imposed a surtax. The highest rate of surtax, five per cent, was applied between 1980 and 1982.

The federal tax abatement rate has remained constant since 1967, when it was increased to 10% from the 9% rate applied from 1960-1966. As the notes to Table 1 explain, there was some variability across provinces in the rate of abatement up until 1967, but after that year, the effect of this rate appears to have been the same for all provinces.

The last series in Table 1 is the manufacturing and processing profits credit rate. Introduced in 1973, the rate has varied. The rate was at its highest level – nine percent – in 1973; the rate was at its lowest level – two per cent – in 1988.

The combined effect of the federal corporate income tax components are derived as

$$\Xi_t^F = (\kappa_t^{FC} - \psi_t^{FP})(1 + \kappa_t^{FS}) - \psi_t^{FM}.$$

The data for Ξ_t^F are plotted in Figure 1 – this is the series labelled as ‘federal’. As this figure shows, the series of reductions in the basic federal corporate income tax rate between 1960 and 2005 are also reflected in the rate Ξ_t^F . In 2005, this rate was 22%, which is 46% lower than in 1960. Over the course of the 1960-2005 period, Ξ_t^F was at a maximum of 41.5% in 1970-1971 and at a minimum of 21.8% in 1994.

-
4. There are many tax provisions that are not covered by these data, including tax credits that are available under some federal and provincial programs. Therefore actual tax payable may be lower than the product of the variable and taxable corporate income in that year. Note also that the derivation of taxable income is a separate issue that is not treated in any way here.
 5. Each table is available in electronic form as a ‘wks’ file, i.e. as a Lotus 1-2-3 v.1 spreadsheet file.

Generally speaking, provincial corporate income tax rates for manufacturers and processors ($\kappa_{p,t}^{PC}$) have not followed the pattern seen for Ξ_t^F . All provinces but Quebec and Newfoundland had rates in 2005 that were at least as high as in 1960. Since the early 1990's Newfoundland has made substantial reductions to its corporate income tax rates. Although PEI followed much the same course, it eliminated the preferential rate for manufacturing and processing.

To illustrate the relative trends and magnitudes of the rates Ξ_t^F and $\Xi_{p,t}^{PC}$, provincial corporate income tax rate data for Ontario and Quebec are also plotted in Figure 1.⁶ As shown in the figure, the income tax rate set by Ontario for corporations primarily engaged in manufacturing and processing remained more-or-less constant between 1960 and 2005. The equivalent rate set by Quebec, on the other hand, was reduced significantly in 1982 and then again in 1983 so that in relation to the rate in Ontario, Quebec's was much lower. Since 1985, the rate in Quebec has been increased several times, but remains below Ontario's.

The data for the combined federal/provincial income tax rate for corporations primarily engaged in manufacturing and processing in Ontario and Quebec – i.e. for the rate $\Xi_{p,t}$ – are illustrated in Figure 2. For both provinces, this rate has trended downwards over time, so that in Ontario, the rate in 2005 was 34% lower than that in 1960; in Quebec, the reduction over the same period was 38%.

Conclusion

Together, the description of the corporate income tax rate components, derivation of combined corporate income tax rates and the charts should help users of the database in understanding the nature of these data. Figures 1 and 2, while focussing on Ontario and Quebec, illustrate the degree to which corporate income tax rates have varied both within provinces and between provinces over time.

Users should keep in mind that these data only apply to corporations involved primarily in manufacturing and processing. Income tax rates for other types of corporations, unincorporated businesses and small businesses will usually differ from the rates presented here.

6. *Ontario and Quebec together represent about three quarters of manufacturing shipments/sales in Canada and so movements in the corporate income tax rates for these provinces are important determinants of the 'average' provincial corporate income tax rate for Canada.*

Figure 1. Corporate Income Tax Rates - Federal, Ontario and Quebec: 1960-2005*

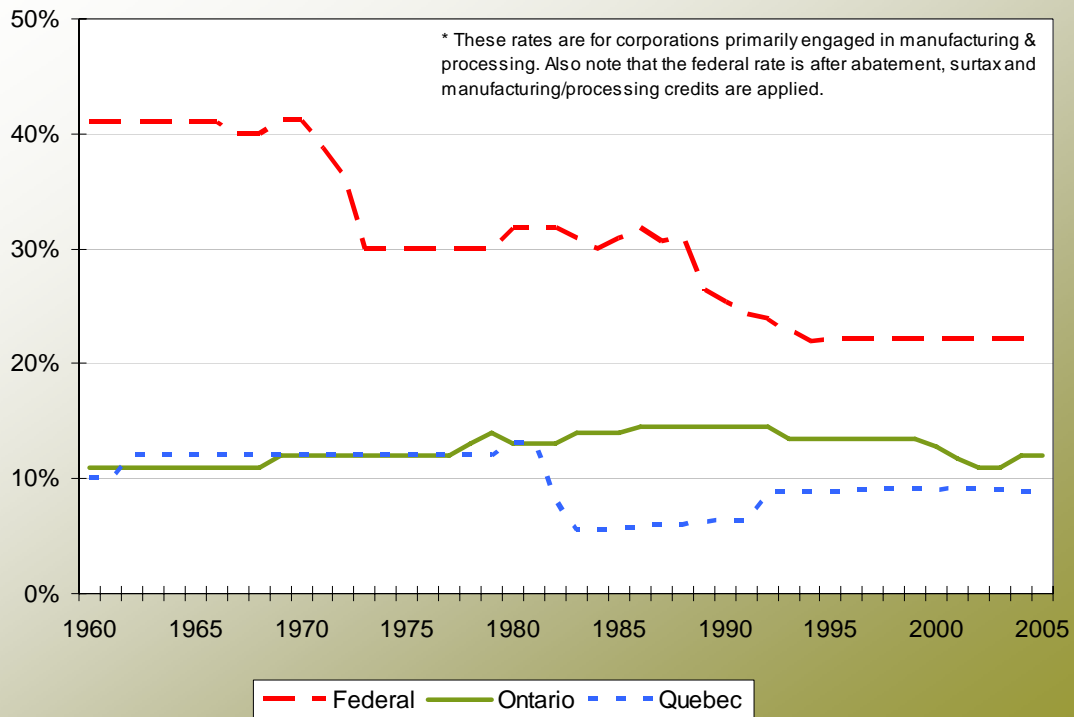
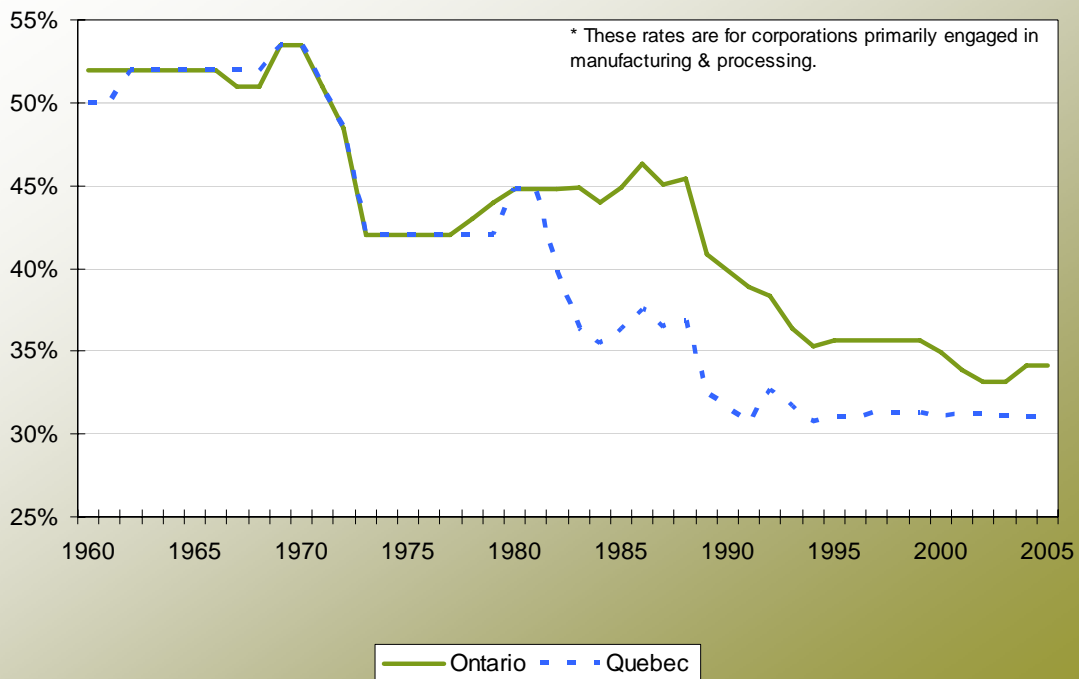


Figure 2. Combined Federal/Provincial Corporate Income Tax Rate, Ontario and Quebec: 1960-2005*



APPENDIX A

Database Tables

Table A1: Federal Corporate Income Tax Rates, 1960-2005

Year	Basic rate (a,b,c,d)	Corporate surtax (e)	Federal tax abatement (f,g,h)	Manufacturing and processing profits credit (i,j)
1960	50.0%	0.0%	9.0%	0.0%
1961	50.0%	0.0%	9.0%	0.0%
1962	50.0%	0.0%	9.0%	0.0%
1963	50.0%	0.0%	9.0%	0.0%
1964	50.0%	0.0%	9.0%	0.0%
1965	50.0%	0.0%	9.0%	0.0%
1966	50.0%	0.0%	9.0%	0.0%
1967	50.0%	0.0%	10.0%	0.0%
1968	50.0%	0.0%	10.0%	0.0%
1969	50.0%	3.0%	10.0%	0.0%
1970	50.0%	3.0%	10.0%	0.0%
1971	48.3%	1.5%	10.0%	0.0%
1972	46.5%	0.0%	10.0%	0.0%
1973	49.0%	0.0%	10.0%	9.0%
1974	48.0%	0.0%	10.0%	8.0%
1975	47.0%	0.0%	10.0%	7.0%
1976	46.0%	0.0%	10.0%	6.0%
1977	46.0%	0.0%	10.0%	6.0%
1978	46.0%	0.0%	10.0%	6.0%
1979	46.0%	0.0%	10.0%	6.0%
1980	46.0%	5.0%	10.0%	6.0%
1981	46.0%	5.0%	10.0%	6.0%
1982	46.0%	5.0%	10.0%	6.0%
1983	46.0%	2.5%	10.0%	6.0%
1984	46.0%	0.0%	10.0%	6.0%
1985	46.0%	2.5%	10.0%	6.0%
1986	46.0%	5.0%	10.0%	6.0%
1987	45.5%	3.0%	10.0%	6.0%
1988	42.0%	3.0%	10.0%	2.0%
1989	38.0%	3.0%	10.0%	2.5%
1990	38.0%	3.0%	10.0%	3.5%
1991	38.0%	3.0%	10.0%	4.5%
1992	38.0%	3.0%	10.0%	5.0%
1993	38.0%	3.0%	10.0%	6.0%
1994	38.0%	3.0%	10.0%	7.0%
1995	38.0%	4.0%	10.0%	7.0%

Table A1: Federal Corporate Income Tax Rates, 1960-2005

Year	Basic rate (a,b,c,d)	Corporate surtax (e)	Federal tax abatement (f,g,h)	Manufacturing and processing profits credit (i,j)
1996	38.0%	4.0%	10.0%	7.0%
1997	38.0%	4.0%	10.0%	7.0%
1998	38.0%	4.0%	10.0%	7.0%
1999	38.0%	4.0%	10.0%	7.0%
2000	38.0%	4.0%	10.0%	7.0%
2001	38.0%	4.0%	10.0%	7.0%
2002	38.0%	4.0%	10.0%	7.0%
2003	38.0%	4.0%	10.0%	7.0%
2004	38.0%	4.0%	10.0%	7.0%
2005	38.0%	4.0%	10.0%	7.0%

Data Notes, Table A1

- (a) These reflect maximum rates, i.e. for those businesses in the highest profit category
- (b) Between July 1, 1971 and December 31 1971, the standard corporate tax rate was reduced by 7 per cent - see CTF(1974, pp. 70-71).
- (c) For 1987 and 1988, the corporate tax rates are calculated for a calendar year, based on different rates for the January 1-June 30 and July 1-December 31 periods - see CTF(1989, p, 10:17, Table 10.6)
- (d) The 2000 Federal Budget introduced a 'Five-Year Tax Reduction Plan' that reduced the federal corporate income tax rate to 21% from 28% (31% and 38% respectively before the federal tax abatement. This was achieved through a 1 point reduction in 2001, and 2 point reductions in 2002, 2003 and 2004) -- see DF(2000). Manufacturers and processors did not have their rates reduced because they were already taxed at a tacit rate of 21% -- DF(2001). Note that under the Reduction Plan the basic rate did not change -- instead the reductions were implemented as a 'General tax reduction', deducted in the same manner as that used for manufacturing and processing -- see p. 7 of 'T2 Corporation Income Tax Return, 2005', for example.
- (e) The federal surtax, imposed for 1969-1971 is applied to the standard rate, i.e. with a standard rate of 50% and a surtax of 3% the rate increases to $0.5 \times (1.03) = 51.5\%$ - see CTF(1971, p. 75). For 1980 and subsequent years, the surtax is applied after the 10% federal tax abatement has been deducted, i.e. for 1980, with a standard rate of 46%, an abatement rate of 10% and a surtax of 3%, the rate is $(0.46 - 0.1) \times (1.05) = 37.08\%$. For 1985, a 5% surtax was imposed from July 1 on. Assuming income equally distributed through the year, this averages to a 2.5% annual rate - see CTF(1985, p. 124). On January 1, 1987, the surtax rate was lowered to 3% -- see CTF(1988, p. 7:42). The 1995 federal budget raised the surtax to 4%. It is calculated on the standard rate after the provincial abatement but before the manufacturing reduction is made - see CTF(1995, p, 4:2)
- (f) Between 1960 and 1966, Quebec took advantage of a provision that increased the abatement rate to 10% in lieu of federal grants to universities in that province - see CTF(1963, p. 34). This is reflected in the combined rate data for Quebec (see Table 3)(g) From 1941 to 1962, a system of 'tax rentals' gave provinces a fixed proportion of federal tax revenues; only Ontario and Quebec collected their own corporate tax over this period. For the 1962-1966 tax years, the 'tax rentals' arrangement was replaced by a tax collection arrangement, where provinces set a tax at least as high as the standard abatement rate of 9%. Over this period, only Ontario, Quebec, Saskatchewan and Manitoba set rates higher than 9%, with Quebec receiving a 10% abatement rate. CTF(1963, p. 34).
- (h) In 1967, the federal government raised the abatement rate to 10% for all provinces and eliminated grants to universities. As a result, all provinces raised their rates to at least 10%, with Newfoundland joining Ontario, Manitoba and Saskatchewan at 11% and Quebec remaining at 12% - see CTF(1967, p. 59). This arrangement was set for the period 1 April 1967 to 31 March 1972 - see CTF(1971, p. 75)
- (i) Since January 1, 1973, the federal Income Tax Act has given a tax credit, deductible from federal taxes otherwise payable for corporations that earn manufacturing or processing profits [Lahey(1984, p.219); CTF(1975b, p. 75)]. The intent of this provision was to create an effective tax rate of 40% ... for the manufacturing component of corporate income" [Arnold et al.(1986, p. 264)]
- (j) The manufacturing and processing profits credit rate was changed to 3% in 1989, 4% in 1990, 5% in 1991, 6% in 1992 and 7% in 1993 - these rates are based on the difference between the 'effective federal rate' and the 'effective manufacturing and processing rate' - see CCH(1995, p. 576, paragraph 9310). Since the rate changes occurred on July 1 of each of these years, if we assume that taxable income is equally distributed through the year, the average rates for 1990-1993 are 3.5%, 4.5%, 5.5% and 6.5% respectively.

Table A2: Provincial Corporate Income Tax Rates, 1960-2005

Year	Corporate Income Tax Rates (a) in:									
	British Columbia	Alberta (b,c,d)	Saskatchewan	Manitoba	Ontario (e)	Quebec (f)	New Brunswick (g)	Nova Scotia	Prince Edward Island (i)	Newfoundland (h)
1960	9.0%	9.0%	10.0%	10.0%	11.0%	10.0%	9.0%	9.0%	9.0%	9.0%
1961	9.0%	9.0%	10.0%	10.0%	11.0%	10.0%	9.0%	9.0%	9.0%	9.0%
1962	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	9.0%	9.0%	9.0%	9.0%
1963	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	9.0%	9.0%	9.0%	9.0%
1964	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	9.0%	9.0%	9.0%	9.0%
1965	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	9.0%	9.0%	9.0%	9.0%
1966	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	9.0%	9.0%	9.0%	9.0%
1967	10.0%	10.0%	10.0%	10.0%	11.0%	12.0%	10.0%	10.0%	10.0%	12.0%
1968	10.0%	10.0%	10.0%	10.0%	11.0%	12.0%	10.0%	10.0%	10.0%	12.0%
1969	10.0%	10.5%	10.0%	13.0%	12.0%	12.0%	10.0%	10.0%	10.0%	13.0%
1970	10.0%	11.0%	10.0%	13.0%	12.0%	12.0%	10.0%	10.0%	10.0%	13.0%
1971	10.0%	11.0%	10.0%	13.0%	12.0%	12.0%	10.0%	10.0%	10.0%	13.0%
1972	10.0%	11.0%	11.0%	13.0%	12.0%	12.0%	10.0%	10.0%	10.0%	13.0%
1973	12.0%	11.0%	12.0%	13.0%	12.0%	12.0%	10.0%	10.0%	10.0%	13.0%
1974	12.0%	11.0%	12.0%	13.0%	12.0%	12.0%	10.0%	10.0%	10.0%	13.0%
1975	13.0%	11.0%	12.0%	13.0%	12.0%	12.0%	10.0%	10.0%	10.0%	13.0%
1976	15.0%	11.0%	12.0%	15.0%	12.0%	12.0%	10.0%	10.0%	10.0%	14.0%
1977	15.0%	11.0%	14.0%	15.0%	12.0%	12.0%	12.0%	10.0%	10.0%	14.0%
1978	15.0%	11.0%	14.0%	15.0%	13.0%	12.0%	12.0%	10.0%	10.0%	14.0%
1979	15.0%	11.0%	14.0%	15.0%	14.0%	12.0%	12.0%	10.0%	10.0%	14.0%
1980	15.0%	11.0%	14.0%	15.0%	13.0%	13.0%	12.0%	10.0%	10.0%	15.0%
1981	16.0%	11.0%	14.0%	15.0%	13.0%	13.0%	14.0%	10.0%	10.0%	15.0%
1982	16.0%	11.0%	14.0%	15.0%	13.0%	8.0%	14.0%	10.0%	10.0%	16.0%

Table A2: Provincial Corporate Income Tax Rates, 1960-2005

Year	Corporate Income Tax Rates (a) in:									
	British Columbia	Alberta (b,c,d)	Saskatchewan	Manitoba	Ontario (e)	Quebec (f)	New Brunswick (g)	Nova Scotia	Prince Edward Island (i)	Newfoundland (h)
1983	16.0%	11.0%	14.0%	16.0%	14.0%	5.5%	14.0%	15.0%	10.0%	16.0%
1984	16.0%	11.0%	16.0%	16.0%	14.0%	5.5%	14.0%	15.0%	10.0%	16.0%
1985	16.0%	6.5%	16.0%	16.0%	14.0%	5.5%	14.0%	15.0%	10.0%	16.0%
1986	16.0%	5.0%	17.0%	17.0%	14.5%	5.8%	14.5%	15.0%	10.0%	16.0%
1987	15.0%	8.0%	17.0%	17.0%	14.5%	5.9%	14.5%	15.0%	15.0%	16.0%
1988	14.0%	9.0%	17.0%	17.0%	14.5%	5.9%	14.5%	15.0%	15.0%	16.0%
1989	14.0%	9.0%	15.0%	17.0%	14.5%	6.2%	16.0%	15.0%	15.0%	16.5%
1990	14.0%	6.8%	15.0%	17.0%	14.5%	6.3%	16.0%	16.0%	15.0%	17.0%
1991	15.0%	6.0%	15.0%	17.0%	14.5%	6.3%	17.0%	16.0%	15.0%	17.0%
1992	16.0%	6.0%	17.0%	17.0%	14.5%	8.9%	17.0%	16.0%	15.0%	17.0%
1993	16.5%	12.4%	17.0%	17.0%	13.5%	8.90%	17.0%	16.0%	7.5%	7.5%
1994	16.5%	14.5%	17.0%	17.0%	13.5%	8.90%	17.0%	16.0%	7.5%	7.5%
1995	16.5%	14.5%	17.0%	17.0%	13.5%	8.90%	17.0%	16.0%	7.5%	5.0%
1996	16.5%	14.5%	17.0%	17.0%	13.5%	8.90%	17.0%	16.0%	7.5%	5.0%
1997	16.5%	14.5%	17.0%	17.0%	13.5%	9.15%	17.0%	16.0%	7.5%	5.0%
1998	16.5%	14.5%	17.0%	17.0%	13.5%	9.15%	17.0%	16.0%	7.5%	5.0%
1999	16.5%	14.5%	17.0%	17.0%	13.5%	9.13%	17.0%	16.0%	7.5%	5.0%
2000	16.5%	14.5%	17.0%	17.0%	12.82%	9.01%	17.0%	16.0%	7.5%	5.0%
2001	16.5%	13.75%	10.0%	17.0%	11.75%	9.04%	16.0%	16.0%	7.5%	5.0%
2002	13.5%	13.1%	10.0%	16.5%	11.0%	9.04%	15.3%	16.0%	7.5%	5.0%
2003	13.5%	12.6%	10.0%	16.0%	11.0%	8.93%	13.0%	16.0%	7.5%	5.0%
2004	13.5%	11.8%	10.0%	15.5%	12.0%	8.90%	13.0%	16.0%	7.5%	5.0%
2005	12.0%	11.5%	10.0%	15.0%	12.0%	8.90%	13.0%	16.0%	16.0%	5.0%

Data Notes, Table A2

- a) All provincial rates are those for manufacturing and processing where these exist; otherwise these are basic rates. In all cases, rates are for businesses in the highest profit category.
- (b) Alberta raised its corporate income tax rate to 11% (from 10%), effective July 1, 1969. The rate for 1969 is derived by assuming that taxable income is equally distributed through the year.
- (c) Beginning April 1, 1985, Alberta introduced a new rate for manufacturing and processing corporations, reflected here for 1985 and subsequent years. The annual rate is derived by assuming that taxable income is equally distributed through the year - see CTF(1985, p. 129).
- (d) From 1987 on, Alberta has made a series of changes to the rate for manufacturing and processing:
- an increase in 1987 to 9%, effective April 1, 1987; see CTF (1987-88, p. 7:45)- a decrease in 1990 to 6%, effective April 1, 1990 ; see CTF (1991, p. 7:31)
 - an increase in 1993 to 14.5%, effective January 1, 1993 ; see CTF(1993, p. 7:38)
 - a decrease in 2001 to 13.75%, effective January 1, 2001? ; see CTF(2001, p. 4:6)
 - a decrease in 2002 to 13%, effective April 1, 2002 ; see CTF (2002, p. 4:4)
 - a decrease in 2003 to 12.5%, effective April 1, 2003 ; see CTF (2003, p. 4:5)
 - a decrease in 2004 to 11.5%, effective April 1, 2004 ; see CTF (2004, pp. 4:6, 4:8)

For the cases where the rate change is effective April 1, the rate reported in the table is a weighted average, computed by assuming that taxable income is equally distributed through the year.

- (e) In 1980 and subsequent years the rate for Ontario is for manufacturing and processing - see CTF(1981, p. 100); CTF(1983, p. 113) ; CTF(1985, p. 129); CTF(1987, pp. 10:22-10:23); CTF(1989, p. 10:23).
- (f) In 1982 and subsequent years, the rate for Quebec is for manufacturing and processing corporations; some years include the effects of surtaxes levied by the Quebec government and all rates are for calendar year when more than one rate applies for a calendar year e.g. one for January to June and another from July to CTF(1987, pp. 10:21-10:22); CTF(1989, p. 10:22) December) - see CTF(1983, pp 113-114); CTF(1985, p 128);
- (g) New Brunswick reduced the rate for manufacturing and processing to CTF (2002, p. 4:4) 14.5%, effective July 1, 2002; see CTF (2002, p. 4:4). A weighted average of the rate to June 30 (16%) and from July 1 on (14.5%) rate.
- (h) In 2005, PEI eliminated the preferential rate for manufacturing and processing -- see BDO(2005).

Table A3: Combined Federal and Provincial Corporate Income Tax Rates for Manufacturers and Processors, by Province, 1960-2005

Year	Combined Corporate Income Tax Rates for Manufacturers and Processors (a) in:									
	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec (c)	New Brunswick	Nova Scotia	Prince Edward Island (i)	Newfoundland (h)
1960	50.0%	50.0%	51.0%	51.0%	52.0%	50.0%	50.0%	50.0%	50.0%	50.0%
1961	50.0%	50.0%	51.0%	51.0%	52.0%	50.0%	50.0%	50.0%	50.0%	50.0%
1962	50.0%	50.0%	51.0%	51.0%	52.0%	52.0%	50.0%	50.0%	50.0%	50.0%
1963	50.0%	50.0%	51.0%	51.0%	52.0%	52.0%	50.0%	50.0%	50.0%	50.0%
1964	50.0%	50.0%	51.0%	51.0%	52.0%	52.0%	50.0%	50.0%	50.0%	50.0%
1965	50.0%	50.0%	51.0%	51.0%	52.0%	52.0%	50.0%	50.0%	50.0%	50.0%
1966	50.0%	50.0%	51.0%	51.0%	52.0%	52.0%	50.0%	50.0%	50.0%	50.0%
1967	50.0%	50.0%	50.0%	50.0%	51.0%	52.0%	50.0%	50.0%	50.0%	52.0%
1968	50.0%	50.0%	50.0%	50.0%	51.0%	52.0%	50.0%	50.0%	50.0%	52.0%
1969 (b)	51.5%	52.0%	51.5%	54.5%	53.5%	53.5%	51.5%	51.5%	51.5%	54.5%
1970 (b)	51.5%	52.5%	51.5%	54.5%	53.5%	53.5%	51.5%	51.5%	51.5%	54.5%
1971 (b)	49.0%	50.0%	49.0%	52.0%	51.0%	51.0%	49.0%	49.0%	49.0%	52.0%
1972	46.5%	47.5%	47.5%	49.5%	48.5%	48.5%	46.5%	46.5%	46.5%	49.5%
1973	42.0%	41.0%	42.0%	43.0%	42.0%	42.0%	40.0%	40.0%	40.0%	43.0%
1974	42.0%	41.0%	42.0%	43.0%	42.0%	42.0%	40.0%	40.0%	40.0%	43.0%
1975	43.0%	41.0%	42.0%	43.0%	42.0%	42.0%	40.0%	40.0%	40.0%	43.0%
1976	45.0%	41.0%	42.0%	45.0%	42.0%	42.0%	40.0%	40.0%	40.0%	44.0%
1977	45.0%	41.0%	44.0%	45.0%	42.0%	42.0%	42.0%	42.0%	40.0%	44.0%
1978	45.0%	41.0%	44.0%	45.0%	43.0%	42.0%	42.0%	42.0%	40.0%	44.0%
1979	45.0%	41.0%	44.0%	45.0%	44.0%	42.0%	42.0%	42.0%	40.0%	44.0%
1980	46.8%	42.8%	45.8%	46.8%	44.8%	44.8%	43.8%	44.8%	41.8%	46.8%
1981	47.8%	42.8%	45.8%	46.8%	44.8%	44.8%	45.8%	44.8%	41.8%	46.8%
1982	47.8%	42.8%	45.8%	46.8%	44.8%	39.8%	45.8%	46.8%	41.8%	47.8%
1983	46.9%	41.9%	44.9%	46.9%	44.9%	36.4%	44.9%	45.9%	40.9%	46.9%

Table A3: Combined Federal and Provincial Corporate Income Tax Rates for Manufacturers and Processors, by Province, 1960-2005

Year	Combined Corporate Income Tax Rates for Manufacturers and Processors (a) in:									
	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec (c)	New Brunswick	Nova Scotia	Prince Edward Island (i)	Newfoundland (h)
1984	46.0%	41.0%	46.0%	46.0%	44.0%	35.5%	45.0%	45.0%	40.0%	46.0%
1985	46.9%	37.4%	46.9%	46.9%	44.9%	36.4%	45.9%	45.9%	40.9%	46.9%
1986	47.8%	36.8%	48.8%	48.8%	46.3%	37.6%	46.8%	46.8%	41.8%	47.8%
1987	45.6%	38.6%	47.6%	47.6%	45.1%	36.5%	45.6%	45.6%	45.6%	46.6%
1988	45.0%	40.0%	48.0%	48.0%	45.5%	36.9%	47.0%	46.0%	46.0%	47.0%
1989	40.3%	35.3%	41.3%	43.3%	40.8%	32.5%	42.3%	41.3%	41.3%	42.8%
1990	39.3%	32.1%	40.3%	42.3%	39.8%	31.7%	41.3%	41.3%	40.3%	42.3%
1991	39.3%	30.3%	39.3%	41.3%	38.8%	30.7%	41.3%	40.3%	39.3%	41.3%
1992	39.8%	29.8%	40.8%	40.8%	38.3%	32.7%	40.8%	39.8%	38.8%	40.8%
1993	39.3%	35.2%	39.8%	39.8%	36.3%	31.7%	39.8%	38.8%	30.3%	30.3%
1994	38.3%	36.3%	38.8%	38.8%	35.3%	30.7%	38.8%	37.8%	29.3%	29.3%
1995	38.6%	36.6%	39.1%	39.1%	35.6%	31.0%	39.1%	38.1%	29.6%	27.1%
1996	38.6%	36.6%	39.1%	39.1%	35.6%	31.0%	39.1%	38.1%	29.6%	27.1%
1997	38.6%	36.6%	39.1%	39.1%	35.6%	31.3%	39.1%	38.1%	29.6%	27.1%
1998	38.6%	36.6%	39.1%	39.1%	35.6%	31.3%	39.1%	38.1%	29.6%	27.1%
1999	38.6%	36.6%	39.1%	39.1%	35.6%	31.3%	39.1%	38.1%	29.6%	27.1%
2000	38.6%	36.6%	39.1%	39.1%	34.9%	31.1%	39.1%	38.1%	29.6%	27.1%
2001	38.6%	35.9%	32.1%	39.1%	33.9%	31.2%	38.1%	38.1%	29.6%	27.1%
2002	35.6%	35.2%	32.1%	38.6%	33.1%	31.2%	37.4%	38.1%	29.6%	27.1%
2003	35.6%	34.7%	32.1%	38.1%	33.1%	31.1%	35.1%	38.1%	29.6%	27.1%
2004	35.6%	33.9%	32.1%	37.6%	34.1%	31.0%	35.1%	38.1%	29.6%	27.1%
2005	34.1%	33.6%	32.1%	37.1%	34.1%	31.0%	35.1%	38.1%	38.1%	27.1%

a) The combined rates are computed by applying the following formula to data in Table 1 and Table 2:

combined rate = (basic federal rate - federal tax abatement rate) * [1 + (federal surcharge rate)] - (federal manuf/processor credit rate) + (provincial rate for manuf/processors)

(b) In 1969-1971 the federal corporate surtax was applied to the basic rate, so that in these years, the formula is:

combined rate = basic federal rate * [1 + (federal surcharge rate)] - (federal tax abatement rate) - (federal manuf/processor credit rate) + (provincial rate for manuf/processors)

(c) Note that for Quebec, 1960-1966 combined rate reflects a higher (by one percentage point) - federal abatement rate - see note (f) to Table 1.

DATA SOURCES

- Arnold, B.J., D.K. McNair and F.L. Young - eds (1986). *Taxation of Corporations and Shareholders: Cases and Materials*, Toronto: Carswell.
- BDO(2005). "2005 Prince Edward Island Budget Report", BDO Dunwoody LLP, April web page at url: www.bdo.ca)
- CCH(1995). *Canadian Master Tax Guide: A Guide to Canadian Income Tax*, 50th Edition, North York: CCH Canadian Ltd.
- CTF(1963). *Provincial Finances: 1963*, Toronto: Canadian Tax Foundation.
- CTF(1967). *Provincial Finances: 1967*, Toronto: Canadian Tax Foundation.
- CTF(1971). *Provincial and Municipal Finances*, Toronto: Canadian Tax Foundation.
- CTF(1972). *The National Finances: 1972-73*, Toronto: Canadian Tax Foundation.
- CTF(1974). *The National Finances: 1973-74*, Toronto: Canadian Tax Foundation.
- CTF(1975a). *The National Finances: 1974-75*, Toronto: Canadian Tax Foundation.
- CTF(1975b). *Provincial and Municipal Finances: 1975*, Toronto: Canadian Tax Foundation.
- CTF(1977a). *The National Finances: 1976-77*, Toronto: Canadian Tax Foundation.
- CTF(1977b). *Provincial and Municipal Finances: 1977*, Toronto: Canadian Tax Foundation.
- CTF(1979). *Provincial and Municipal Finances: 1979*, Toronto: Canadian Tax Foundation.
- CTF(1981). *Provincial and Municipal Finances: 1981*, Toronto: Canadian Tax Foundation.
- CTF(1983). *Provincial and Municipal Finances: 1983*, Toronto: Canadian Tax Foundation.
- CTF(1985). *Provincial and Municipal Finances: 1985*, Toronto: Canadian Tax Foundation.
- CTF(1988). *The National Finances: 1987-88*, Toronto: Canadian Tax Foundation
- CTF(1989). *Provincial and Municipal Finances: 1989*, Toronto: Canadian Tax Foundation.
- CTF(1990). *The National Finances: 1990*, Toronto: Canadian Tax Foundation.
- CTF(1991). *The National Finances: 1991*, Toronto: Canadian Tax Foundation.
- CTF(1992). *The National Finances: 1992*, Toronto: Canadian Tax Foundation.
- CTF(1993). *The National Finances: 1993*, Toronto: Canadian Tax Foundation.
- CTF(1994). *The National Finances: 1994*, Toronto: Canadian Tax Foundation.
- CTF(1995). *Finances of the Nation: 1995*, Toronto: Canadian Tax Foundation.
- CTF(1996). *Finances of the Nation: 1996*, Toronto: Canadian Tax Foundation.
- CTF(1997). *Finances of the Nation: 1996*, Toronto: Canadian Tax Foundation.
- CTF(1998). *Finances of the Nation: 1998*, Toronto: Canadian Tax Foundation.
- CTF(1999). *Finances of the Nation: 1999*, Toronto: Canadian Tax Foundation.
- CTF(2000). *Finances of the Nation: 2000*, Toronto: Canadian Tax Foundation.
- CTF(2001). *Finances of the Nation: 2001*, Toronto: Canadian Tax Foundation.
- CTF(2002). *Finances of the Nation: 2002*, Toronto: Canadian Tax Foundation.

- CTF(2003). Finances of the Nation: 2003, Toronto: Canadian Tax Foundation.
- CTF(2004). Finances of the Nation: 2004, Toronto: Canadian Tax Foundation.
- CTF(2005). Finances of the Nation: 2005, Toronto: Canadian Tax Foundation.
- DF(2000). "Budget 2000 - Budget Plan, Chapter 4: Five Year Tax Reduction Plan", Department of Finance, Canada
- DF(2001). "Budget 2001 - Budget Plan: Annex 2, Update on Income Tax Relief for Canadians", Department of Finance, Canada
- Lahey, K.A.(1984). Corporate Taxation, Toronto: Emond Montgomery Publications.