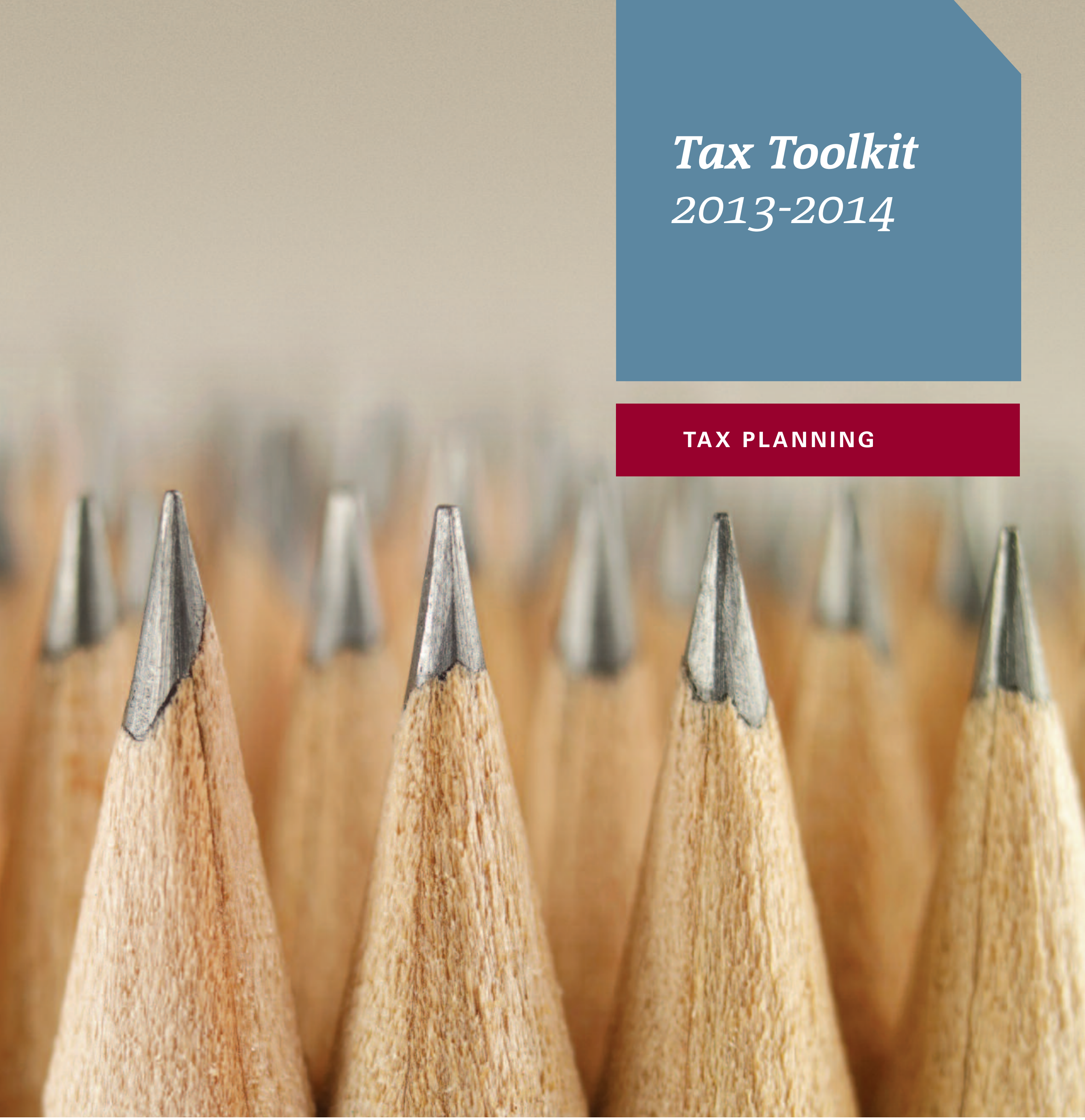

Tax Toolkit
2013-2014

TAX PLANNING

RENAISSANCE INVESTMENTS®

More opportunities for tax savings

Contents

Taxation greatly affects the amount of income that investors ultimately keep in their own pockets. The good news is that, armed with the appropriate knowledge, the incidence of taxation can be greatly reduced by the investment choices selected.

One of the main factors in investment taxation is asset allocation. When fixed income and foreign investments are chosen, any interest or foreign dividends received are fully taxable at investors' marginal rates. After-tax returns can be improved by choosing investments that are more favourably taxed. For example, only half of the capital gains from equity funds are taxable, and Canadian dividend funds can distribute tax-favourable dividends received to investors, who can take advantage of the dividend tax credit to reduce their federal and provincial taxes.

Even greater tax benefits can be gained by choosing to save in an RRSP or TFSA. While some may believe that an RRSP is always preferable to a TFSA, since a tax refund is generated, my report "*Just do it: The case for tax-free investing*" shows that both RRSP and TFSA income is completely tax-free (not just tax-deferred) when tax rates are constant. And TFSAs can offer a significant advantage if tax rates are higher in retirement, or if benefits such as Old Age Security would otherwise be clawed back when RRIF funds are withdrawn.

Small business owners may also want to consider using excess profits to build investment portfolios within their companies, rather than withdrawing the profits. There continues to be a significant tax deferral advantage, as well as absolute tax savings, in some provinces from incorporation of business income in 2013, particularly for active small business income.

The tables in the following pages provide tax information that you can use to help your clients understand how income is taxed personally and in their corporations to allow them to keep more of that income in their own pockets in 2013.

Jamie Golombek
Managing Director, Tax & Estate Planning,
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Jamie Golombek's tax tips

It is important for clients to review their overall tax-planning strategy with a tax professional to make the most of any opportunities available, especially as a result of new savings and investment vehicles, credits and policy changes that come into effect each year. Here is a list of tax-saving opportunities of which your clients should be aware:

1 **Tax-loss selling** – Tax-loss selling is the practice of selling investments that are in an accrued loss position at year-end in order to offset capital gains realized either in the current year or in the previous three years. In order to realize losses on public securities, trades must generally be made on or before December 24th.

2 **RRSP annuitants who turn 71** – Seniors turning 71 during the year only have until December 31st to make their final Registered Retirement Savings Plan (RRSP) contribution before converting the plan into a Registered Retirement Income Fund (RRIF) or an annuity.

3 **Contribute to an RESP** – Registered Education Savings Plans (RESPs) offer an opportunity for tax-deferred (or potentially tax-free) education savings and the potential to supplement savings with a number of government grants.

4 **Write off kids** – While one can't actually "deduct" kids for tax purposes, parents may be eligible to claim the "child amount" – $2,234 for each child under 18 – entitling them to a 15% federal credit against taxes payable.

5 **Make a donation** – December 31st is the last day to make a donation and receive a tax credit for the year. By gifting publicly traded securities, including mutual funds, to a registered charity or foundation, donors receive a tax receipt for the fair market value of the security being donated and capital gains taxes are eliminated. Pooling donations with a spouse or partner over the $200 threshold can also help to receive a higher donation credit.

6 **Contribute to an RDSP** – Canadians eligible for the Disability Tax Credit, their parents and other eligible contributors can contribute to a Registered Disability Savings Plan (RDSP) and apply for the matching Canada Disability Savings Grant (CDSG) and income-tested Canada Disability Savings Bond (CDSB).

7 **Income splitting** – Couples should consider the potential benefits of income-splitting – the practice of shifting income from the higher income spouse to the lower income spouse to reduce taxes.

8 **Split that pension** – Pension splitting allows Canadians to split up to half of their pension income with their spouse or common-law partner. Aside from the benefit of reducing taxes, one may also be able to preserve some or all of the age credit and avoid or minimize the Old Age Security benefits clawback.

9 **Pay any investment expenses by year-end** – Interest paid on money borrowed for investment purposes as well as investment counseling fees for non-registered accounts can be deducted on one's tax return for the year but the amounts must be actually paid by December 31st.

10 **Apply now to pay less tax all year** – Reduce tax deductions at source by completing CRA Form T1213 (Quebec Form TP-1016-V) to receive your refund throughout the entire year.

Not all fund distributions are created equal

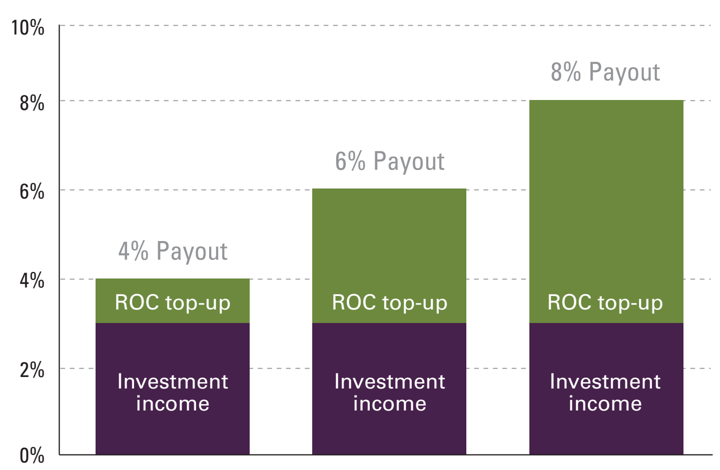
When it comes to tax-efficient, non-registered investing, it's not what you earn but what you keep that matters. Here's a look at how $10,000 of investment cash flow is taxed depending on whether it is in the form of income, capital gains, dividends or return of capital.*

INCOME	$10,000 = **$5,047** after tax	Income – whether from employment income, interest-bearing investments or withdrawals from an RRSP or RRIF – is taxed at an investor's full marginal rate.
CAPITAL GAINS	$10,000 = **$7,524** after tax	Only half of a capital gain – realized when an investment is sold at a profit – is taxed at an investor's full marginal rate, making capital gains much more tax efficient than income.
ELIGIBLE CANADIAN DIVIDENDS	$10,000 = **$6,615** after tax	Eligible Canadian dividends from a Canadian corporation are subject to a gross-up and dividend tax credit that make them nearly as tax-efficient as capital gains.
RETURN OF CAPITAL	$10,000 = **$10,000** after tax	Return of capital (ROC) allows taxes to be deferred. No tax is due when the return of capital is received, but the adjusted cost base (ACB) of the investment is reduced by the amount of the ROC. Taxable capital gains will be realized when the investment is sold or if the ACB goes below zero. Keep in mind that not all ROC is created equal. Some ROC is a return "on your capital," essentially a distribution of unrealized gains accrued in the investment's net asset value, while other ROC is a return "of your own capital," which can occur if the investment's net asset value is rising over time.

* Based on an investor in the top marginal tax rate in Ontario for 2013.

Understanding T-Class and return of capital (ROC)

A solution for investors seeking steady cash flow



Key benefits:

> **Steady cash flow:** Investors with a T-Class investment can choose a fixed monthly payout based on an annual percentage of their assets.

> **Growth potential:** The T-Class investment can continue to grow as the investor draws income.

> **Tax-efficiency:** A portion of the cash flow from a T-Class investment is in the form of return of capital, which generally does not trigger immediate tax consequences.

Investment income from underlying securities assuming a 3% return

ROC portion of cash flow

T-Class investments allow an investor to choose a monthly distribution amount comprised of regular investment income and a "top-up" in the form of ROC. The ROC portion is generally not taxable when it is received. Instead, the adjusted cost base (ACB) of the units held by an investor is reduced by the amount of the ROC. If the ACB reaches zero, any further distributions will trigger taxable capital gains.

Registered Education Savings Plan (RESP) overview

RESP contributions No annual contribution limit, but $50,000 lifetime limit for each child. The deadline to make annual contributions is the last business day of each year. Generally, RESP contributions can be made for 31 years and plans can remain open for 35 years.

RESP grants

Canada Education Savings Grant (CESG)
20% on the first $2,500 contributed every year, which amounts to an extra $500 per year, up to a maximum lifetime grant of $7,200 per child.

Enhanced Canada Education Savings Grant (E-CESG)
Families with income equal to or less than $43,561 are entitled to an additional 20% grant on the first $500 of RESP contributions. Families earning more than $43,561 but not more than $87,123 are entitled to an additional 10% grant on the first $500 of RESP contributions.

Canada Learning Bond (CLB)
Available to children born on or after December 31, 2003 and enables eligible RESP beneficiaries to be entitled to a lifetime maximum of $2,000.

The CLB provides an initial $500 once the RESP is opened and up to 15 annual CLB payments of $100 for each subsequent year that the child's family is entitled to the National Child Benefit supplement.

Alberta Centennial Education Savings (ACES)
$500 grant to beneficiaries born or adopted in 2005 or later, to Alberta residents. Subsequent grants of $100 are available to children enrolled in school in Alberta at ages 8, 11 and 14, whose parents are residents of Alberta.

Subsequent grants require a minimum matching deposit to the RESP of $100 per beneficiary, per request, within one year prior to the application date.

Quebec Education Savings Incentive (QESI)
The Quebec government will pay 10% on the net contributions during a year, for up to $250 per year and up to a maximum lifetime of $3,600 per child, subject to eligibility.

Income amounts shown are for 2013.

Registered Disability Savings Plan (RDSP) overview

RDSP contributions Lifetime contribution limit per beneficiary is $200,000 with no annual limit on contributions. Depending on the beneficiary's circumstances, contributions may be permitted by parents or legal guardians. Canadian residents eligible for the Disability Tax Credit* can open a RDSP.

Canada Disability Savings Grant

The Canada Disability Savings Grant (CDSG) will provide a Government of Canada contribution paid directly into the RDSP and is dependent on family income.

The CDSG can be received up to a maximum of $3,500 per year until the year the beneficiary turns 49, to a lifetime maximum limit of $70,000.

Annual Family Net Income	Annual Grant Amount	Max. Annual Grant Amount
Less than or equal to $87,123	$3 for every $1 contributed (300%) on the first $500 of annual contribution	$1,500
	$2 for every $1 contributed (200%) on the next $1,000 of annual contribution	$2,000
Greater than $87,123 or no information available	$1 for every $1 contributed (100%) on the first $1,000 of annual contribution	$1,000

Canada Disability Savings Bond

The Canada Disability Savings Bond (CDSB) was introduced to make the RDSP accessible to those who do not have the resources to make contributions. The CDSB will provide a Government of Canada contribution paid directly into the RDSP and is independent of any private contributions.

The CDSB can be received up to a maximum of $1,000 per year until the year the beneficiary turns 49, to a lifetime maximum limit of $20,000.

Annual Family Net Income	Annual Bond Amount	Max. Annual Bond Amount
Less than or equal to $25,356	$1,000 without any contribution	$1,000
Between $25,356 and $43,561	Pro-rated to receive a portion of the $1,000	$1,000

Income amounts shown are for 2013. Annual family net income levels will be indexed annually by the Canada Revenue Agency.
* The Disability Tax Credit is available to an individual with a severe and prolonged physical or mental disability. To qualify, a medical doctor or other medical specialist must certify Form T2201, "Disability Tax Credit Certificate," which must then be approved by the Canada Revenue Agency. For more information, please visit www.cra-arc.gc.ca.

Registered Retirement Savings Plan (RRSP) and Registered Retirement Income Fund (RRIF) overview

RRSP Contribution Limits

Year	18% of Earned Income from the Prior Year to a Maximum of:
2012	$22,970
2013	$23,820
2014	$24,270
2015 and later	Indexed to inflation

Withholding Tax on RRSP Withdrawals

The withholding tax may not always be enough to account for the taxes owed based on an individual's tax bracket. Additional taxes may be payable once the withdrawal is included as income in an individual's tax return for that year.

Withdrawal Amount	All Provinces (Excl. Quebec)	Quebec
Up to $5000	10%	21%
From $5001 - $15,000	20%	26%
Over $15,000	30%	31%

Minimum RRIF Withdrawals

The minimum withdrawal from a RRIF is based on the value of the assets in the plan on January 1 of each year. Starting in the year after your RRIF is established, you have to be paid a yearly minimum amount. RRIFs established prior to 1993 are generally "qualifying RRIFs" and withdrawals may be slightly lower than the percentages below for ages 71 through 77 inclusive. The percentages shown are for post 1992 RRIFs.

Age‡	%	Age‡	%	Age‡	%
65	4.00	75	7.85	85	10.33
66	4.17	76	7.99	86	10.79
67	4.35	77	8.15	87	11.33
68	4.55	78	8.33	88	11.96
69	4.76	79	8.53	89	12.71
70	5.00	80	8.75	90	13.62
71	7.38	81	8.99	91	14.73
72	7.48	82	9.27	92	16.12
73	7.59	83	9.58	93	17.92
74	7.71	84	9.93	Over 94	20.00

The above is provided for information purposes only and should not be relied upon as tax advice. Always consult the relevant legislation and/or your tax advisor for the most accurate and up-to-date information.

‡ Age as of January 1.

Tax-Free Savings Account (TFSA) overview

TFSA contributions

The TFSA came into effect in 2009 and is available to all Canadian residents age 18 or older. From 2009-2012; it allows a $5,000 maximum annual contribution limit and starting in 2013, a maximum of $5,500 with the ability to carry unused contributions forward indefinitely.

TFSA vs. RRSP

The assets of both TFSAs and RRSPs grow on a tax-free basis. TFSAs are one more tool investors can use in meeting their long-term savings goals. The following table is a comparison of the features of a TFSA and RRSP.

	TFSA	RRSP
Contributions	Contributions are not tax-deductible.	Contributions are tax-deductible.
Withdrawals	Withdrawals are not included in income and, therefore, are tax-free.	Withdrawals are included in income and fully taxable in the year received.
Contribution Limits	2009-2012: $5,000 each year 2013-2014: $5,500 each year The annual contribution limit will be indexed to inflation and rounded to the nearest $500 on a yearly basis.	Contribution limits are based on your previous year's earned income up to a maximum amount, less any applicable pension adjustment.
Minimum Age Requirement	The minimum age to open a TFSA is 18.	There is no minimum age requirement to open an RRSP.
Maximum Age Restriction	There is no maximum age restriction.	RRSP accounts must be closed by December 31 of the year an individual turns 71.

Canada/Quebec Pension Plan (CPP/QPP) and Old Age Security (OAS) overview

Canada/Quebec Pension Plan Contributions		
CPP/QPP maximum pensionable earnings		$51,100
Basic exemption		$3,500
Maximum contributions	**Employees (4.95%)**	$2,356.20
	Self-employed (9.90%)	$4,712.40

OAS Benefits*	
	2013 Monthly
January to March	$546.07
April to June	$546.07
July to September	$549.89
October to December	$549.89

> Amounts shown represent the maximum benefits available under OAS.

Canada Pension Plan (CPP) Benefits		
	Annual Total	**Max. Monthly Benefit 2013**
Death benefit (lump sum)	$2,500.00	–
Retirement benefit	$12,150.00	$1,012.50
Disability benefit	$14,554.80	$1,212.90
Survivor's benefit – under 65	$6,679.68	$556.64
– over 65	$7,290.00	$607.50
Children of disabled person	$2,743.92	$228.66
Children of deceased person	$2,743.92	$228.66

> Amounts under QPP may differ from those under CPP.

The above is provided for information purposes only and should not be relied upon as tax advice. Always consult the relevant legislation and/or your tax advisor for the most accurate and up-to-date information.

* For 2013, individuals with net income exceeding $70,954 must repay part or all of the maximum OAS pension amount. The repayment amounts are normally deducted from their monthly payments before they are issued. The full OAS pension is eliminated when an individual's net income is $114,793 or above. A tax-free Guaranteed Income Supplement (GIS) of up to approximately $745.62 monthly is available for low-income individuals.

Changes to Old Age Security

The 2012 Federal Budget saw a change to the Old Age Security (OAS) program. Measures have been introduced to gradually increase the age of eligibility for the OAS pension between 2023 and 2029, from 65 to 67. These changes will help ensure that the program remains strong for future generations; people currently receiving OAS benefits will not be affected

Voluntary deferral of the Old Age Security pension

The Government of Canada has introduced a voluntary deferral of the OAS pension that will give people the option to defer acceptance of their OAS pension by up to five years past the age of eligibility, and subsequently receive a higher, adjusted pension.

Automatic enrolment for the Old Age Security pension

From 2013 to 2016, the Government of Canada will phase in an automatic enrolment process; meaning that eligible seniors will no longer have to complete an OAS pension application. Individuals who are eligible will be notified by mail and those individuals who cannot be automatically enrolled for the OAS pension will continue to receive an application from Service Canada.

Federal tax rates and credits

As at May 31, 2013

Federal Tax Brackets		
Taxable Income	**Federal Tax at Bottom End of Bracket**	**Plus this Marginal Rate on the Excess**
$0 to $11,038	Nil	Nil
$11,039 to $43,561	Nil	15%
$43,562 to $87,123	$4,878	22%
$87,124 to $135,054	$14,462	26%
$135,055 and over	$26,924	29%

Federal Personal Tax Credits		
	Gross	**Credit (15%)**
Basic personal	$11,038	$1,656
Married/eligible dependent[1]	$11,038	$1,656
Infirm dependent (18 or over)[2]	$6,530	$980
Age 65[3]	$6,854	$1,028
Basic disability	$7,697	$1,155
Caregiver[4]	$4,490	$674

Additional Non-Refundable Federal Tax Credits	
Pension income	15% of up to $2,000 for a maximum credit of $300
Medical expense	15% of amount in excess of: lesser of a) 3% of net income and b) $2,152
Tuition fees	15% of amount paid in respect of attendance at a post-secondary institution
Education amount	15% of $465/month of full-time ($140/month of part-time) attendance at a post-secondary institution
Textbook tax credit amount	15% of $65/month of full-time ($20/month of part-time)
Charitable donations	15% for first $200, 29% of the balance; donations limited to 75% of net income[5]
Canada Pension Plan/QPP	15% of contributions (max. contribution $2,356)
Employment insurance	15% of premiums paid (max. contribution $720 in Quebec; $891 elsewhere in Canada)
Public Transit Pass Tax Credit	15% tax credit for the cost of public transit travel
Children's Fitness Tax Credit	15% of eligible amounts, up to $500 paid by parents to register a child in an eligible program
Child Tax Credit	15% of $2,234 per child under 18 at end of the year

The above is provided for information purposes only and should not be relied upon as tax advice. Always consult the relevant legislation and/or your tax advisor for the most accurate and up-to-date information.

[1] Reduced according to spouse/dependent's net income. [2] In 2013, subject to adjustment, up to $6,530 will be able to be claimed provided that the dependent's net income is less than $13,078. [3] For 2013, will be reduced by an amount equal to 15% of net income exceeding $34,562. [4] For 2013, will be reduced by dependent's net income in excess of $15,334. [5] 100% in the year of death and the year prior to death.

Probate fees (for estates over $50,000)

As at May 31, 2013

Probate is an administrative procedure under which a court validates a deceased's will and confirms the appointment of the executor. This table shows probate fees or administrative charges for probating a will. Other fees may also apply.

Province or Territory	Fee schedule (Estates over $50,000)[1]	Example Fees		
		$500,000 value	$2,000,000 value	$5,000,000 value
Alberta	$200 to $400	$400	$400	$400
British Columbia	$350 + 1.4% of portion > $50,000	$6,650	$27,650	$69,650
Manitoba	$70 + 0.7% of portion > $10,000	$3,500	$14,000	$35,000
New Brunswick	0.5% of estate	$2,500	$10,000	$25,000
Newfoundland and Labrador	$90 + 0.5% of portion > $1,000	$2,585	$10,085	$25,085
Northwest Territories	$200 to $400	$400	$400	$400
Nova Scotia[2]	$973 + 1.645% of portion > $100,000	$7,553	$32,228	$81,578
Nunavut	$200 to $400	$400	$400	$400
Ontario	$250 + 1.5% of portion > $50,000	$7,000	$29,500	$74,500
Prince Edward Island	$400 + 0.4% of portion > $100,000	$2,000	$8,000	$20,000
Quebec[3]	Nominal fee	Nominal fee	Nominal fee	Nominal fee
Saskatchewan	0.7% of estate	$3,500	$14,000	$35,000
Yukon	$140	$140	$140	$140

[1] For some provinces and territories, different rates may apply to smaller estates (less than $50,000). [2] Before April 1, 2013, Nova Scotia's fee was $920 + 1.553% of portion > $100,000. [3] Although Quebec does not levy probate fees, wills (other than notarial wills) must be authenticated by the Superior Court of Quebec. A nominal fee applies. Source: PricewaterhouseCoopers *Tax Facts and Figures 2013*, page 7. Please see disclaimer on page 15.

Combined federal and provincial/territorial personal income tax rates

As at May 31, 2013

Alberta

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $11,038	–	–	–	–
$11,039 - $17,593	15.00	7.50	2.08	0.00*
$17,594 - $43,561	25.00	12.50	10.21	0.00*
$43,562 - $87,123	32.00	16.00	18.96	9.63
$87,124 - $135,054	36.00	18.00	23.96	15.15
$135,055 and over	39.00	19.50	27.71	19.29

British Columbia

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $10,276	–	–	–	–
$10,277 - $11,038	5.06	2.53	2.08	0.00*
$11,039 - $37,568	20.06	10.03	4.16	0.00*
$37,569 - $43,561	22.70	11.35	7.46	0.00*
$43,562 - $75,138	29.70	14.85	16.21	9.63*
$75,139 - $86,268	32.50	16.25	19.71	10.32
$86,269 - $87,123	34.29	17.15	21.95	12.79
$87,124 - $104,754	38.29	19.15	26.95	18.31
$104,755 - $135,054	40.70	20.35	29.96	21.64
$135,055 and over	43.70	21.85	33.71	25.78

Manitoba

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $8,884	–	–	–	–
$8,885 - $11,038	10.80	5.40	11.31	3.86
$11,039 - $31,000	25.80	12.90	13.40	3.86*
$31,001 - $43,561	27.75	13.88	15.83	6.56*
$43,562 - $67,000	34.75	17.38	24.58	16.19
$67,001 - $87,123	39.40	19.70	30.40	22.60
$87,124 - $135,054	43.40	21.70	35.40	28.12
$135,055 and over	46.40	23.20	39.15	32.26

New Brunswick

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $9,388	–	–	–	–
$9,389 - $11,038	9.39	4.70	5.11	0.00*
$11,039 - $38,954	24.39	12.20	7.20	0.00*
$38,955 - $43,561	28.46	14.23	12.28	2.01*
$43,562 - $77,908	35.46	17.73	21.03	11.65
$77,909 - $87,123	36.46	18.23	22.28	13.03
$87,124 - $126,662	40.46	20.23	27.28	18.55
$126,663 - $135,054	42.07	21.04	29.30	20.77
$135,055 and over	45.07	22.54	33.05	24.91

Newfoundland & Labrador

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $8,451	–	–	–	–
$8,452 - $11,038	7.70	3.85	3.38	0.00*
$11,039 - $33,748	22.70	11.35	5.46	0.00*
$33,749 - $43,561	27.50	13.75	11.46	2.07*
$43,562 - $67,496	34.50	17.25	20.21	11.70
$67,497 - $87,123	35.30	17.65	21.21	12.81
$87,124 - $135,054	39.30	19.65	26.21	18.33
$135,055 and over	42.30	21.15	29.96	22.47

Northwest Territories

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $11,038	–	–	–	–
$11,039 - $13,546	15.00	7.50	2.08	0.00*
$13,547 - $39,453	20.90	10.45	2.08*	0.00*
$39,454 - $43,561	23.60	11.80	5.33	0.00*
$43,562 - $78,908	30.60	15.30	14.08	9.63*
$78,909 - $87,123	34.20	17.10	18.58	10.60
$87,124 - $128,286	38.20	19.10	23.58	16.12
$128,287 - $135,054	40.05	20.03	25.90	18.67
$135,055 and over	43.05	21.53	29.65	22.81

Nova Scotia

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $8,481	–	–	–	–
$8,482 - $11,038	8.79	4.40	1.36	0.00*
$11,039 - $29,590	23.79	11.90	3.45	0.00*
$29,591 - $43,561	29.95	14.98	11.15	8.42*
$43,562 - $59,180	36.95	18.48	19.90	18.05
$59,181 - $87,123	38.67	19.34	22.05	20.42
$87,124 - $93,000	42.67	21.34	27.05	25.94
$93,001 - $135,054	43.50	21.75	28.08	27.09
$135,055 - $150,000	46.50	23.25	31.83	31.23
$150,001 and over	50.00	25.00	36.21	36.06

Nunavut

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $11,038	–	–	–	–
$11,039 - $12,455	15.00	7.50	2.08	0.00*
$12,456 - $41,535	19.00	9.50	2.08	0.00*
$41,536 - $43,561	22.00	11.00	5.83	2.06*
$43,562 - $83,071	29.00	14.50	14.58	11.69
$83,072 - $87,123	31.00	15.50	17.08	14.45
$87,124 - $135,054	35.00	17.50	22.08	19.97
$135,055 and over	40.50	20.25	28.96	27.56

Combined federal and provincial/territorial personal income tax rates

As at May 31, 2013

Ontario

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $9,574	–	–	–	–
$9,575 - $11,038	5.05	2.53	0.69	0.00*
$11,039 - $39,723	20.05	10.03	2.77	0.00*
$39,724 - $43,561	24.15	12.08	7.90	3.80*
$43,562 - $69,958	31.15	15.58	16.65	13.43
$69,959 - $79,448	32.98	16.49	17.81	14.19
$79,449 - $82,420	35.39	17.70	20.82	17.52
$82,421 - $87,123	39.41	19.70	23.82	19.88
$87,124 - $135,054	43.41	21.70	28.82	25.40
$135,055 - $509,000	46.41	23.20	32.57	29.54
$509,001 and over	49.53	24.76	36.47	33.85

Prince Edward Island

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $7,708	–	–	–	–
$7,709 - $11,038	9.80	4.90	8.63	0.00*
$11,039 - $31,984	24.80	12.40	10.71	0.00*
$31,985 - $43,561	28.80	14.40	15.71	4.55*
$43,562 - $63,969	35.80	17.90	24.46	14.19
$63,970 - $87,123	38.70	19.35	28.08	18.19
$87,124 - $98,143	42.70	21.35	33.08	23.71
$98,144 - $135,054	44.37	22.19	34.81	24.56
$135,055 and over	47.37	23.69	38.56	28.70

Quebec

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $11,038	–	–	–	–
$11,039 - $13,994	12.53	6.26	1.74	0.00*
$13,995 - $41,095	28.53	14.26	11.74	5.66*
$41,096 - $43,561	32.53	16.26	16.74	11.18*
$43,562 - $82,190	38.37	19.19	24.05	19.22
$82,191 - $87,123	42.37	21.19	29.05	24.74
$87,124 - $100,000	45.71	22.86	33.22	29.35
$100,001 - $135,054	47.46	23.73	35.41	31.77
$135,055 and over	49.97	24.98	38.54	35.22

Saskatchewan

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $11,038	–	–	–	–
$11,039 - $15,241	15.00	7.50	2.08	0.00*
$15,242 - $42,906	26.00	13.00	10.83	0.00*
$42,907 - $43,561	28.00	14.00	13.33	2.76*
$43,562 - $87,123	35.00	17.50	22.08	12.39
$87,124 - $122,589	39.00	19.50	27.08	17.91
$122,590 - $135,054	41.00	20.50	29.58	20.67
$135,055 and over	44.00	22.00	33.33	24.81

Yukon

Taxable Income	Ordinary Income & Interest	Capital Gains	Non-Eligible Canadian Dividends	Eligible Canadian Dividends[1]
Up to $11,038	–	–	–	–
$11,039 - $43,561	22.04	11.02	5.25	0.00*
$43,562 - $81,891	31.68	15.84	17.30	9.63*
$81,892 - $87,123	32.16	16.08	17.62	9.63*
$87,124 - $135,054	38.01	19.01	24.93	15.15*
$135,055 and over	42.40	21.20	30.41	19.29*

This information is provided for informational purposes only and should not be relied upon as tax advice. Remind clients that before they implement any strategy involving tax considerations, they should seek the advice of a qualified tax advisor and, if required, a qualified legal advisor, who can provide advice based on the client's personal circumstances. The above rates are the combined federal, provincial and territorial marginal rates, including all surtaxes. It is assumed that the only credit claimed is the basic personal amount. These rates are correct as at May 31, 2013, and do not reflect changes resulting from federal, provincial or territorial announcements after that date.

[1] Dividends paid by Canadian publicly listed corporations are usually eligible dividends and are designated as such on T5 tax slips. However, it is also possible for Canadian private corporations to pay eligible dividends. Eligible dividends are subject to enhanced gross-up and tax credit rates.
*Tax rates can be lower if the tax payer has other income.
Source: PricewaterhouseCoopers Tax Facts and Figures 2013, page 4. Please see disclaimer on page 15.

Tax owing by individuals

As at May 31, 2013

This table shows the combined federal and provincial (or territorial) income taxes payable, assuming all income is interest or ordinary income (such as salary) and only the basic personal tax credit is claimed (except for non-residents). Certain types of income and deductions may make alternative minimum tax (AMT) apply, affecting the results in this table.

Combined 2013 Federal and Provincial/Territorial Income Tax

Taxable Income	Federal Income Tax*	Alberta	B.C.	Manitoba	N.B.	NFLD. and LAB.	N.W.T.	N.S.	Nunavut	Ontario	P.E.I.	Quebec	Sask.	Yukon	Non Resident**
$1,000,000	$277,758	$375,999	$417,074	$447,079	$433,173	$407,948	$411,180	$478,150	$385,976	$458,554	$455,930	$480,508	$422,772	$405,933	$413,533
$500,000	$132,758	$180,999	$198,574	$215,079	$207,823	$196,448	$195,930	$228,150	$183,476	$211,187	$219,080	$230,683	$202,772	$193,943	$198,933
$400,000	$103,758	$141,999	$154,874	$168,679	$162,753	$154,148	$152,880	$178,150	$142,976	$164,777	$171,710	$180,718	$158,772	$151,545	$156,013
$300,000	$74,758	$102,999	$111,174	$122,279	$117,683	$111,848	$109,830	$128,150	$102,476	$118,367	$124,340	$130,753	$114,772	$109,147	$113,093
$250,000	$60,258	$83,499	$89,324	$99,079	$95,148	$90,698	$88,305	$103,150	$82,226	$95,163	$100,655	$105,770	$92,772	$87,948	$91,633
$200,000	$45,758	$63,999	$67,474	$75,879	$72,613	$69,548	$66,780	$78,150	$61,976	$71,958	$76,970	$80,788	$70,772	$66,749	$70,173
$150,000	$31,258	$44,499	$45,624	$52,679	$50,078	$48,398	$45,255	$53,150	$41,726	$48,753	$53,285	$55,805	$48,772	$45,550	$48,713
$100,000	$17,810	$26,051	$24,940	$30,531	$29,024	$28,300	$25,305	$30,952	$23,404	$26,600	$30,651	$31,701	$28,275	$25,889	$28,809
$90,000	$15,210	$22,451	$21,111	$26,191	$24,978	$24,370	$21,485	$26,627	$19,904	$22,259	$26,350	$27,130	$24,375	$22,087	$24,961
$80,000	$12,895	$19,136	$17,679	$22,136	$21,217	$20,724	$17,950	$22,645	$16,751	$18,300	$22,365	$22,885	$20,760	$18,712	$21,535
$70,000	$10,695	$15,936	$14,573	$18,196	$17,650	$17,194	$14,851	$18,778	$13,851	$14,989	$18,495	$19,048	$17,260	$15,544	$18,279
$60,000	$8,495	$12,736	$11,603	$14,581	$14,104	$13,724	$11,791	$14,911	$10,951	$11,873	$14,740	$15,211	$13,760	$12,376	$15,023
$50,000	$6,295	$9,536	$8,633	$11,106	$10,558	$10,274	$8,731	$11,202	$8,051	$8,758	$11,160	$11,374	$10,260	$9,208	$11,767
$40,000	$4,344	$6,585	$5,913	$7,880	$7,261	$7,074	$5,920	$7,756	$5,446	$5,892	$7,830	$7,788	$7,068	$6,383	$8,880
$30,000	$2,844	$4,085	$3,842	$5,125	$4,780	$4,504	$3,815	$4,761	$3,546	$3,876	$5,029	$4,936	$4,468	$4,179	$6,660
$20,000	$1,344	$1,585	$1,836	$2,545	$2,341	$2,234	$1,725	$2,357	$1,646	$1,871	$2,549	$2,083	$1,868	$1,975	$4,440

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* For Quebec, the federal income tax amounts shown should be reduced by the 16.5% "Quebec abatement." ** This table assumes the non-resident will not qualify for the basic personal tax credit. A non-resident may claim this credit only if all or substantially all (i.e., 90% or more) of his or her worldwide income is included in taxable income earned in Canada for the year. Instead of provincial or territorial tax, non-residents pay an additional 48% of basic federal tax, on income taxable in Canada that is not earned in a province or territory. Non-residents are subject to provincial or territorial rates on employment income earned, and business income connected with a permanent establishment, in the respective province or territory. Different rates may apply to non-residents in other circumstances. Source: PricewaterhouseCoopers Tax Facts and Figures 2013, page 5. Please see disclaimer on page 15.

Combined federal and provincial/territorial corporate income tax rates

As at May 31, 2013

	Manufacturing & Processing (M&P)	General (Non-M&P)	CCPC†	
			Active Business Income up to $500,000	Investment Income
Federal	15.00%	15.00%	11.00%	34.67%
Alberta	25.00%	25.00%	14.00%	44.67%
British Columbia	25.75%	25.75%	13.50%	45.42%
Manitoba	27.00%	27.00%	11.00%[1] or 23.00%[1]	46.67%
New Brunswick	26.01%	26.01%	15.50%	45.67%
Newfoundland and Labrador	20.00%	29.00%	15.00%	48.67%
Northwest Territories	26.50%	26.50%	15.00%	46.17%
Nova Scotia	31.00%	31.00%	14.50 %[1] or 27.00%[1]	50.67%
Nunavut	27.00%	27.00%	15.00%	46.67%
Ontario	25.00%	26.50%	15.50%	46.17%
Prince Edward Island	31.00%	31.00%	14.64%	50.67%
Quebec	26.90%	26.90%	19.00%	46.57%
Saskatchewan	25.00%	27.00%	13.00%	46.67%
Yukon	17.50%	30.00%	15.00% (M&P: 13.50%)	49.67%

This information is provided for informational purposes only and should not be relied upon as tax advice. Remind clients that before they implement any strategy involving tax considerations, they should seek the advice of a qualified tax advisor and, if required, a qualified legal advisor, who can provide advice based on the client's personal circumstances.

† CCPC = Canadian-Controlled Private Corporation.

[1] In Manitoba and Nova Scotia, the lower rate applies to active business income up to $400,000 and the higher rate to active business income from $400,000 to $500,000.

Source: PricewaterhouseCoopers Tax Facts and Figures 2013, page 17. Please see disclaimer on page 15.

Corporate and individual tax integration

Active Business Income (ABI) eligible for Small Business Deduction 2013

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Income earned through a corporation ($)										
Corporate income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Corporate tax	(135)	(140)	(130)	(110)	(155)	(190)	(155)	(145)	(146)	(150)
Available for distribution (A)	865	860	870	890	845	810	845	855	854	850
Tax payable by the individual[4]	(292)	(238)	(290)	(348)	(308)	(313)	(279)	(310)	(329)	(255)
Net cash to individual (B)	573	622	580	542	537	497	566	545	525	595
Income earned directly by an individual ($)										
Personal income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Personal tax	(437)	(390)	(440)	(464)	(495)	(500)	(451)	(500)	(473)	(423)
Net cash to individual (C)	563	610	560	536	505	500	549	500	527	577
Summary ($)										
Tax savings (cost) of incorporation[1] (B) - (C)	10	12	20	6	32	(3)	17	45	(2)	18
Tax deferral (pre-payment)[2] (A) - (C)	302	250	310	354	340	310	296	355	327	273

This information is current as of September 18, 2013 and is provided for informational purposes only and should not be relied upon as tax advice. Remind clients that before they implement any strategy involving tax considerations, they should seek the advice of a qualified tax advisor and, if required, a qualified legal advisor, who can provide advice based on the client's personal circumstances.

See notes on pages 13-14

Source: KPMG LLP

Corporate and individual tax integration

Cost and benefit of incorporation 2013

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Tax savings (cost) of incorporation[1] (%)										
Investment income	(2.4)	(1.7)	(2.7)	(4.9)	0.7	(0.8)	(0.7)	(2.8)	(7.2)	(3.8)
Capital gains	(1.2)	(0.9)	(1.3)	(2.5)	0.3	(0.4)	(0.4)	(1.3)	(3.5)	(1.8)
Dividends – Eligible[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends – Non-Eligible[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ABI eligible for SBD	1.0	1.2	2.0	0.6	3.2	(0.3)	1.7	4.5	(0.2)	1.8
ABI eligible for M&P credit	(1.2)	(0.5)	0.4	(4.2)	(0.9)	(2.6)	0.7	(5.9)	(3.4)	4.3
ABI with no SBD or M&P credit	(1.2)	(0.5)	(1.1)	(4.2)	(1.9)	(2.7)	0.6	(5.9)	(3.4)	(2.7)
Tax deferral (pre-payment) from incorporation[2] (%)										
Investment income	(1.7)	(5.7)	(2.7)	(0.3)	3.4	3.4	(0.6)	(0.7)	(3.3)	(6.4)
Capital gains	(0.8)	(2.8)	(1.3)	(0.1)	1.7	1.7	(0.3)	(0.3)	(1.6)	(3.1)
Dividends – Eligible[3]	(7.6)	(14.0)	(8.5)	(1.1)	0.5	1.9	(8.4)	2.7	(4.6)	(10.9)
Dividends – Non-Eligible[3]	0.4	(5.6)	0.0	5.8	3.1	5.2	(0.3)	2.9	5.2	(3.4)
ABI eligible for SBD	30.2	25.0	31.0	35.4	34.0	31.0	29.6	35.5	32.7	27.3
ABI eligible for M&P credit	17.9	14.0	19.0	19.4	24.5	23.1	19.1	19.0	16.4	22.3
ABI with no SBD or M&P credit	18.0	14.0	17.0	19.4	23.0	23.1	19.1	19.0	16.4	13.3

See notes on pages 13-14

Source: KPMG LLP

Notes (for page 12)

1. Earning income through a corporation involves two layers of taxation: taxation of the income at the corporate level and the subsequent personal taxation upon distribution of the corporation's after-tax income as a dividend to the shareholder. Theoretically, the Canadian income tax system is designed such that the total income tax (corporate and personal) incurred by using a corporation to earn income should be the same as the personal tax that would result if the income were earned directly by an individual (the principle of integration). However, as the top part of the table on page 12 demonstrates, in practice this is generally not the case. This part of the table summarizes the 2013 income tax savings or cost of earning the following types of income through a corporation, as opposed to an individual who is taxable at the top marginal rate earning the income directly:

> Investment income other than capital gains and dividends

> Capital gains

> Dividend income from taxable Canadian corporations

> Active business income (ABI) eligible for the small business deduction (SBD)

> ABI eligible for Manufacturing and Processing (M&P) credit

> ABI with no SBD or M&P credit

Eligible dividends are subject to lower rates of personal tax. Such dividends may only be paid by Canadian-controlled private corporations (CCPCs) to the extent that they have earned active business income subject to the general corporate tax rate. Therefore, CCPCs that earn only investment income, capital gains or ABI eligible for the SBD cannot pay eligible dividends to their shareholders.

The calculations used in the tables are based upon the following assumptions:

> The corporation is a CCPC with a taxation year beginning January 1, 2013.

> The individual is in the top marginal tax bracket in their corporation's province of residence in 2013.

> The CCPC may pay out eligible dividends to its shareholders only in respect of ABI in excess of the SBD. Note, certain provinces have small business thresholds below the federal amount and, as a result, for purposes of this analysis, the table reflects ABI subject to the small business rate at both the federal and provincial levels (i.e., income earned up to the provincial threshold amount). CCPCs may generally not pay out eligible dividends from investment income, capital gains, or ABI eligible for the SBD.

2. In some circumstances, it is possible to defer the payment of tax at the individual level by using a corporation to earn income that is not immediately paid out to the shareholder. The lower part of the table on page 12 summarizes the 2013 tax deferral or pre-payment potential of earning income through a corporation, based on the same types of income and on the same assumptions outlined in note 1.

3. Dividends (both eligible and non-eligible) received from taxable Canadian corporations are deductible in computing Part I tax for corporations and are therefore treated in a different manner from other investment income.

Dividends received by CCPCs from unconnected corporations, or from connected corporations that receive a dividend refund on the payment of the dividend, are subject to Part IV tax, calculated at a rate of $33\frac{1}{3}\%$ of the dividend amount. Part IV tax is a refundable tax that is included in the corporation's Refundable Dividend Tax on Hand (RDTOH) account. When taxable dividends (both eligible and non-eligible) are subsequently paid by the corporation to its shareholders, a dividend refund equal to the lesser of $33\frac{1}{3}\%$ of the dividends paid and the balance in the RDTOH account is refunded to the corporation.

Private corporations that are not CCPCs, and certain closely held public companies, must also pay Part IV tax on dividends they receive from taxable Canadian corporations, and may also receive a dividend refund when they subsequently pay dividends to their shareholders. Other public companies and their subsidiaries are not subject to this tax and therefore do not receive a dividend refund when they subsequently pay dividends to their shareholders.

There is no tax savings or cost when earning Canadian dividend income (both eligible and non-eligible) through a corporation as opposed to earning it directly, as all corporate level tax on such income is refundable. However, there is a potential for a tax deferral or pre-payment based on the difference between the individual marginal rate applicable to dividend income, and the refundable Part IV tax rate of $33\frac{1}{3}\%$.

4. The amount of after-tax cash available to pay dividends (including the dividend refund received as a result of the payment of the dividend) is not sufficient to obtain a full refund of the RDTOH account in the provinces of Saskatchewan, Manitoba, Nova Scotia, Prince Edward Island, and Newfoundland.

For example, if a corporation in Nova Scotia earns interest income and pays out all of its after-tax income (including its dividend refund) as a dividend, an amount equal to 2.0% of its income will remain in its RDTOH account, calculated as follows:

Amount available for distribution

Corporate income	$ 1,000
Corporate tax	(507)
After-tax amount	493
Dividend refund	247
Available for distribution	$ 740

RDTOH account

Refundable tax ($26\frac{2}{3}\%$ x $1,000)	$ 267
Dividend refund ($33\frac{1}{3}\%$ of $740 dividend)	(247)
RDTOH balance	$ 20

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