

# REFORM OF PRIVATE CORPORATION TAX PRACTICES

MEASURES ADOPTED	DETAILS CONCERNING THE CHANGES	EFFECTIVE DATE	REPERCUSSIONS ON YOUR CORPORATION												
<b>Small business deduction (SBD)</b> ➔ tax rates revised for business income of \$500,000 <sup>1</sup> or less	Gradual decrease in the tax rate: 2017 ➔ 10.5% 2018 ➔ 10.0% 2019 ➔ 9.0%	Starting in 2017	<b>New combined tax rates</b> (Quebec + federal) <sup>2</sup> <table><tr><th>Year</th><th>5,500 hours or more</th><th>Less than 5,000 hours</th></tr><tr><td>2017</td><td>18.5%</td><td>22.3%</td></tr><tr><td>2018</td><td>18.0%</td><td>21.7%</td></tr><tr><td>2019</td><td>17.0%</td><td>20.6%</td></tr></table>	Year	5,500 hours or more	Less than 5,000 hours	2017	18.5%	22.3%	2018	18.0%	21.7%	2019	17.0%	20.6%
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<b>Income sprinkling</b> ➔ payment of a dividend to a member of your family	Taxation of the dividend at the maximum rate, save for <b>exceptions</b> , where the dividend paid will be taxed at graduated rates.	January 1, 2018	<b>Main exceptions:</b> <b>1.</b> Reasonable dividend for work done. <b>2.</b> About 20 hours of work per week. <b>3.</b> Corporation owner at least 65 years old.												
<b>Taxation of passive income in a corporation</b>	Business limit gradually reduced when a corporation's investment income exceeds <b>\$50,000</b> ➔ maximum investment income of \$150,000.	Fiscal years beginning after December 31, 2018	<b>Reduction of the business limit</b> by \$5 for each dollar of investment income above the \$50,000 threshold.												
<b>Tax deferral when a dividend is paid</b>	Creation of a separate refundable dividend tax on hand account – <b>eligible RDTOH account</b> – for eligible dividends received by a corporation.	Fiscal years beginning after December 31, 2018	<b>Loss of the benefits of paying an eligible dividend</b> (taxable at a lower rate) in certain circumstances.												
<b>Conversion of income to capital gains and multiplication of the capital gains exemption</b>	No measures adopted – proposals dropped.	Proposals dropped in October 2017	No action to take in this regard.												

<sup>1</sup> The business limit of \$500,000 may be different in certain circumstances.

<sup>2</sup> The tax rate may differ according to the total number of hours worked by all the employees during the year.