Canadian PLANT

INSIGHTS AND STRATEGIES FOR INDUSTRY LEADERS

HOW PROVINCES HANDLE YOUR TAXES

PWC report looks at tax advantages for businesses across Canada

By PLANT STAFF | August 23, 2010

HALIFAX: There’s no escaping taxation, no matter where your business is located, but how much you pay varies by province, according the PricewaterhouseCoopers (PWC). The consultancy has released its annual Tax Facts and Figures report. Here are some highlights of interest to manufacturers:

• **Ontario.** Tax incentives for research and development are generous. Manufacturers will also benefit from scheduled corporate tax reductions. The combined federal/Ontario general corporate tax rate will fall by almost 6%, dropping to 25% by July 1, 2013. There are also incentives for businesses that commercialize intellectual property developed by Canadian universities, colleges or research institutions. A 25% production services tax credit can be applied to all qualifying production costs.

• **Alberta.** The general corporate tax rate is the lowest among the provinces with a combined provincial-federal tax rate of 28 per cent.

• **New Brunswick.** The combined federal-provincial corporate income tax rate is 29.5% for 2010. This combined rate will be decreasing to 23% by 2013. Similar to the other Atlantic Provinces, New Brunswick also offers a fully refundable 15% research and development tax credit to corporations that incur qualified SR&ED expenditures.

• **Nova Scotia.** To advance manufacturing’s competitiveness, the province is encouraging investment in modernization and productivity improvement with a 10% Manufacturing and Processing Investment Credit on the cost (maximum $1 million) of qualified property in addition to the 10% Atlantic Investment Tax Credit offered by the federal government. Nova Scotia also offers generous tax credit programs to encourage scientific research & experimental development (SR&ED).

• **Newfoundland & Labrador.** Its Economic Diversification and Growth Enterprises (EDGE) Program provides incentives to encourage significant new business investment in the province to help diversify the economy and stimulate new private sector job creation, particularly in rural areas. Companies approved for EDGE status are eligible for various incentives and benefits, including a 100% rebate on provincial corporate income tax and the provincial health and post-secondary education (payroll) tax for a period of 10 to 15 years, a 50% rebate on federal corporate income tax for the same period and a further five-year period of partial rebates on those taxes, declining by 20% in each year of the five-year phase-out period. In participating municipalities, there is also a 100% rebate on municipal property and/or municipal business taxes for 10 to 15 years, followed by a five-year phase-out period. The province also offers a fully refundable 15% research and development tax credit to corporations that incur qualified SR&ED expenditures.

• **Quebec.** It’s below the Canadian average in general corporate income taxes with a combined federal-provincial rate of 29.9% for year-end as of Dec. 31. The average across the country is 30.7 per cent. Quebec also provides special tax “holidays” for business that undertake major investments and locate manufacturing or processing in remote regions. The province also provides incentives to those commercializing intellectual property developed in Quebec universities or public research centres, and a 25% production services tax credit on all qualifying production costs.

Click **here** for a copy of the report.