

The Navigator



Wealth
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Salary versus dividend income

The remuneration process for the owner-manager

The type of remuneration, whether it be salary or dividends, that an owner-manager decides to draw from their business will have an impact on both the owner-manager and their corporation. This article discusses the tax implications of receiving a salary versus dividends as well as some non-tax considerations that are of importance when deciding which form of remuneration you, as an owner-manager, should take.

This article outlines several strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal or tax advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax advisor before acting on any of the information in this article.

Types of remuneration

As an employee and shareholder of a Canadian-Controlled Private Corporation (CCPC), you have the flexibility of receiving your remuneration in the form of a salary, dividend, or a combination of both. The most tax-efficient type of remuneration for you and your corporation will be a determining factor in which one you choose. The tax treatment of salary and dividend income is different at both the corporate and individual level. The following discusses some of the tax implications and other considerations that you should keep in mind when deciding on the type of remuneration to receive.

Salary remuneration

At the corporate level

- Salary paid by your corporation is considered a tax deductible expense and will lower the corporation's taxable income.
- In order for a salary payment to be deductible by the corporation, the amount paid must be reasonable. For owner-managers, reasonableness is generally not an issue provided you are actively engaged in the operations of the corporation and contribute to the profits earned by the corporation using your special know-how or entrepreneurial skills.

A dividend payment is not subject to the reasonableness test. Instead, corporate solvency tests may need to be used and restrictions on the capital stock itself should be identified when determining whether a dividend can be paid and the amount of the dividend that can be paid.

- The corporation will incur an additional expense in the form of payroll taxes when a salary payment is made. The corporation has to match an employee's contribution to the Canada Pension Plan (CPP)/ Quebec Pension Plan (QPP). The corporation may not have to match an employee's contribution to the Canada's Employment Insurance (EI) program where the employee is also a shareholder. This is because EI premiums are not required for an employee who is also a shareholder controlling more than 40% of the voting stock of the corporation. Voluntary participation is permitted.
- Salary paid by the corporation may attract other payroll expenses such as provincial workers' compensation and health tax payable by the corporation (depending on the province in which the corporation is located and the thresholds in that province).
- Salary paid by the corporation will be subject to tax and payroll withholdings at the source (e.g., income taxes and employee's portion of CPP/QPP).

At the individual level

- The gross amount of salary income (before source deductions) is employment income and is subject to tax at your marginal tax rate in the year it is received.
- You may be eligible for non-refundable tax credits in addition to the basic personal amount. Some of the federal non-refundable tax credits include a credit for CPP/QPP contributions made by you, personally as the employee, and the Canada employment amount.

Dividend remuneration

At the corporate level

- A dividend payment is not a deductible expense for the corporation.
- Since dividends are paid out of the corporation's after-tax retained earnings, they have already been subject to a level of tax within the corporation.
- A dividend payment is not subject to the reasonableness test. Instead, corporate solvency tests may need to be used and restrictions on the capital stock itself should be identified when determining whether a dividend can be paid and the amount of the dividend that can be paid.
- Canadian corporations may pay both "eligible" and "non-eligible" dividends. Eligible dividends generally include dividends paid by Canadian corporations or CCPCs that are subject to the general corporate tax rate. Income of a CCPC that was subject to the small business corporate tax rate will generally be paid out as non-eligible dividends, which are taxed at a higher rate than eligible dividends at the individual level. The dividend may also be designated as a capital dividend if the corporation has a positive balance in its capital dividend account. Capital dividends are generally available where the corporation earns capital gains. Capital dividends may be paid to a Canadian resident shareholder tax-free.

At the individual level

- An individual may be required to pay quarterly tax instalments if their income taxes payable (after deducting taxes withheld at source)



Salary income is considered pensionable earnings for CPP/QPP purposes while dividend income is not. Therefore, if you receive salary income, you may be entitled to CPP/QPP benefits.

is more than \$3,000 (\$1,800 for Québec) for the current year and either of the two preceding years. If you receive primarily dividends or only dividend income, you need to be mindful of a possible quarterly tax instalments requirement since your dividend income will not be subject to withholding tax at source.

- A dividend payment is grossed-up by an additional 17% (if non-eligible) or 38% (if eligible) to arrive at the taxable amount that is included in an individual's income. For example, if you receive an actual dividend of \$1,000, you will need to include \$1,170 or \$1,380 of income on your tax return depending on the type of dividend you receive. Due to this gross-up, the amount of the taxable dividends may have a bigger impact on your eligibility for certain income-tested benefits, such as the Old Age Security.
- In addition to the basic personal amount, you will be eligible for a non-refundable dividend tax credit which is meant to reflect the corporate taxes already paid on this income prior to distribution.

Other considerations

- RRSP contribution room is calculated based on "earned income", which includes salary but not dividend income. If your only source of income is dividend income, you will not be able to build RRSP contribution room.
- The maximum RRSP contribution room is limited to the lesser of 18% of your "earned income" and a maximum threshold. Paying a salary beyond this level does not yield any additional RRSP contribution room. If you live in a province where there is a tax advantage to paying dividends (versus salary), consider still paying sufficient salary to maximize your

RRSP contributions. Then pay dividends to supplement your income needs.

- Contributions to an RRSP are deductible against any type of taxable income including dividend income. If you have other funds available to make an RRSP contribution and have used RRSP contribution room, you may be able to benefit from the tax deduction in the current year resulting in greater after-tax cash flow to you.
- Salary income is considered pensionable earnings for CPP/QPP purposes while dividend income is not. Therefore, if you receive salary income, you may be entitled to CPP/QPP benefits (which may include a retirement pension and survivor, death and disability benefits available to CPP/QPP contributors and their family members).
- An owner-manager who receives pension-eligible income may be a candidate for an Individual Pension Plan (IPP), which is a defined benefit pension plan established by a corporation for an individual. Pension-eligible income includes salary income but does not include dividend income.
- The ability to contribute to an RRSP/IPP allows you to grow your investments on a tax-deferred basis.

Conclusion

The form of compensation you receive from your corporation should depend on your facts and circumstances as well as your corporation's financial position. Both tax and non-tax factors should be considered when selecting the type of remuneration you wish to receive. You should discuss this matter with a qualified tax advisor to help determine which option is best for you.

Appendix 1

– Salary versus dividend examples

The following examples are for illustrative purposes only. The examples are calculated based on federal and provincial legislation and legislative proposals for 2016. You should obtain professional advice from a qualified tax advisor before acting on any of the information in this appendix. This will ensure that your own circumstances have been considered and that action is taken based on the most recent information available.

The following examples illustrate the tax implications to the corporation and to the individual in cases where remuneration is received in the form of salary, dividends and a combination of salary and dividends. The examples use the 2016 combined federal and provincial tax rates. The examples assume that the individual requires \$100,000 of after-tax money to fund their lifestyle needs and that the individual has no other income. Because salary and dividend income are taxed differently, the pre-tax amount of salary and dividends will be different for each scenario. Under the third option, which is a combination of salary and dividends, a pre-tax salary amount of \$54,900 is used because this is the minimum amount of salary an individual has to earn in order to maximize CPP/QPP contributions for 2016.

Ontario

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$148,106	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$123,088	\$79,247
	Total Income	\$148,106	\$123,088	\$134,147
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$45,562)	(\$23,088)	(\$31,603)
		(\$48,106)		(\$34,147)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$148,106)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$29,902)	(\$52,500)	(\$43,883)
After-tax cash flow		\$169,447	\$297,500	\$248,672
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$123,088)	(\$79,247)
Net after-tax cash flow		\$169,447	\$174,412	\$169,425

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Ontario

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$148,106	-	\$54,900
	Dividend – eligible	-	\$110,118	\$70,930
	Dividend – non-eligible	-		
	Total Income	\$148,106	\$110,118	\$125,830
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$45,562)	(\$10,118)	(\$23,286)
		(\$48,106)		(\$25,830)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$148,106)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$88,078)	(\$128,000)	(\$112,777)
After-tax cash flow		\$461,272	\$572,000	\$529,778
	Dividend – eligible	-	(\$110,118)	(\$70,930)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$461,272	\$461,882	\$458,848

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is more than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Alberta

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$142,347	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$121,056	\$75,936
	Total Income	\$142,347	\$121,056	\$130,836
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$39,803)	(\$21,056)	(\$28,292)
		(\$42,347)		(\$30,836)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$142,347)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$27,690)	(\$47,250)	(\$39,495)
After-tax cash flow		\$177,419	\$302,750	\$253,061
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$121,056)	(\$75,936)
Net after-tax cash flow		\$177,419	\$181,694	\$177,125

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Alberta

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$142,347	-	\$54,900
	Dividend – eligible	-	\$107,296	\$66,190
	Dividend – non-eligible	-		
	Total Income	\$142,347	\$107,296	\$121,090
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$39,803)	(\$7,296)	(\$18,546)
		(\$42,347)	(\$7,296)	(\$21,090)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$142,347)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$82,379)	(\$121,500)	(\$105,990)
After-tax cash flow		\$472,729	\$578,500	\$536,566
	Dividend – eligible	-	(\$107,296)	(\$66,190)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$472,729	\$471,204	\$470,376

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$500,000, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

British Columbia

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$143,270	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$122,990	\$77,652
	Total Income	\$143,270	\$122,990	\$132,552
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$40,726)	(\$22,990)	(\$30,008)
		(\$43,270)		(\$32,552)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$143,270)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$26,544)	(\$45,500)	(\$38,032)
After-tax cash flow		\$177,642	\$304,500	\$254,523
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$122,990)	(\$77,652)
Net after-tax cash flow		\$177,642	\$181,510	\$176,871

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

British Columbia

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$143,270	-	\$54,900
	Dividend – eligible	-	\$107,296	\$67,033
	Dividend – non-eligible	-		
	Total Income	\$143,270	\$107,296	\$121,933
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$40,726)	(\$7,296)	(\$19,389)
		(\$43,270)		(\$21,933)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$143,270)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$79,088)	(\$117,000)	(\$102,064)
After-tax cash flow		\$475,097	\$583,000	\$540,491
	Dividend – eligible	-	(\$107,296)	(\$67,033)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$475,097	\$475,704	\$473,458

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is more than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Saskatchewan

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$148,430	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$125,695	\$80,866
	Total Income	\$148,430	\$125,695	\$135,766
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$45,886)	(\$25,695)	(\$33,222)
		(\$48,430)		(\$35,766)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$148,430)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$24,878)	(\$43,750)	(\$36,569)
After-tax cash flow		\$174,147	\$306,250	\$255,986
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$125,695)	(\$80,866)
Net after-tax cash flow		\$174,147	\$180,555	\$175,120

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Saskatchewan

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$148,430	-	\$54,900
	Dividend – eligible	-	\$108,279	\$69,662
	Dividend – non-eligible	-		
	Total Income	\$148,430	\$108,279	\$124,562
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$45,886)	(\$8,279)	(\$22,018)
		(\$48,430)		(\$24,562)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$148,430)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$75,737)	(\$116,500)	(\$100,990)
After-tax cash flow		\$473,289	\$583,500	\$541,566
	Dividend – eligible	-	(\$108,279)	(\$69,662)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$473,289	\$475,221	\$471,904

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is more than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Manitoba

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$155,975	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$138,939	\$91,920
	Total Income	\$155,975	\$138,939	\$146,820
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$53,431)	(\$38,939)	(\$44,276)
		(\$55,975)		(\$46,820)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$155,975)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$20,105)	(\$36,750)	(\$30,718)
After-tax cash flow		\$171,375	\$313,250	\$261,837
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$138,939)	(\$91,920)
Net after-tax cash flow		\$171,375	\$174,311	\$169,917

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$450,000 for Manitoba, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Manitoba

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$155,975	-	\$54,900
	Dividend – eligible	-	\$120,896	\$79,983
	Dividend – non-eligible	-		
	Total Income	\$155,975	\$120,896	\$134,883
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$53,431)	(\$20,896)	(\$32,339)
		(\$55,975)		(\$34,883)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$155,975)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$69,700)	(\$112,500)	(\$96,990)
After-tax cash flow		\$471,781	\$587,500	\$545,566
	Dividend – eligible	-	(\$120,896)	(\$79,983)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$471,781	\$466,604	\$465,583

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$450,000 for Manitoba, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

Quebec

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$163,795	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$134,172	\$91,492
	Total Income	\$163,795	\$134,172	\$146,392
Expenses:	CPP/QPP	(\$3,129)	-	(\$3,038)
	Income Taxes	(\$60,667)	(\$34,172)	(\$43,354)
		(\$63,795)		(\$46,392)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$163,795)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$7,515)	-	(\$4,448)
	Corporate Income Taxes	(\$33,058)	(\$64,750)	(\$53,771)
After-tax cash flow		\$145,632	\$285,250	\$236,882
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$134,172)	(\$91,492)
Net after-tax cash flow		\$145,632	\$151,078	\$145,390

* Calculations include all federal and provincial taxes and surtaxes as well as the Quebec Parental Insurance Plan premiums and contribution to the Health Services Fund. The basic personal credit, federal employment credit, dividend tax credit and credit for Quebec Pension Plan contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Quebec

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$163,795	-	\$54,900
	Dividend – eligible	-	\$124,266	\$84,737
	Dividend – non-eligible	-		
	Total Income	\$163,795	\$124,266	\$139,637
Expenses:	CPP/QPP	(\$3,129)	-	(\$3,038)
	Income Taxes	(\$60,667)	(\$24,266)	(\$36,599)
		(\$63,795)		(\$39,637)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$163,795)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$7,515)	-	(\$4,448)
	Corporate Income Taxes	(\$100,218)	(\$146,300)	(\$130,335)
After-tax cash flow		\$428,472	\$553,700	\$510,317
	Dividend – eligible	-	(\$124,266)	(\$84,737)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$428,472	\$429,434	\$425,580

* Calculations include all federal and provincial taxes and surtaxes as well as the Quebec Parental Insurance Plan premiums and contribution to the Health Services Fund. The basic personal credit, federal employment credit, dividend tax credit and credit for Quebec Pension Plan contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is more than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

New Brunswick

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$154,846	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$130,397	\$86,075
	Total Income	\$154,846	\$130,397	\$140,975
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$52,302)	(\$30,397)	(\$38,431)
		(\$54,846)		(\$40,975)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$154,846)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$27,196)	(\$49,420)	(\$41,309)
After-tax cash flow		\$165,413	\$300,580	\$251,247
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$130,397)	(\$86,075)
Net after-tax cash flow		\$165,413	\$170,183	\$165,172

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

New Brunswick

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$154,846	-	\$54,900
	Dividend – eligible	-	\$107,678	\$71,047
	Dividend – non-eligible	-		
	Total Income	\$154,846	\$107,678	\$125,947
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$52,302)	(\$7,678)	(\$23,403)
		(\$54,846)		(\$25,947)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$154,846)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$82,744)	(\$127,600)	(\$111,228)
After-tax cash flow		\$459,866	\$572,400	\$531,327
	Dividend – eligible	-	(\$107,678)	(\$71,047)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$459,866	\$464,722	\$460,280

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is more than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Nova Scotia

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$157,506	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$133,412	\$88,903
	Total Income	\$157,506	\$133,412	\$143,803
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$54,961)	(\$33,412)	(\$41,259)
		(\$57,506)		(\$43,803)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$157,506)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$25,643)	(\$47,250)	(\$39,495)
After-tax cash flow		\$164,306	\$302,750	\$253,061
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$133,412)	(\$88,903)
Net after-tax cash flow		\$164,306	\$169,338	\$164,158

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$350,000 for Nova Scotia, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Nova Scotia

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$157,506	-	\$54,900
	Dividend – eligible	-	\$120,406	\$80,235
	Dividend – non-eligible	-		
	Total Income	\$157,506	\$120,406	\$135,135
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$54,961)	(\$20,406)	(\$32,591)
		(\$57,506)		(\$35,135)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$157,506)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$99,384)	(\$149,000)	(\$131,192)
After-tax cash flow		\$440,565	\$551,000	\$511,363
	Dividend – eligible	-	(\$120,406)	(\$80,235)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$440,565	\$430,594	\$431,128

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$350,000 for Nova Scotia, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

Prince Edward Island

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$157,229	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$133,254	\$88,560
	Total Income	\$157,229	\$133,254	\$143,460
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$54,685)	(\$33,254)	(\$40,916)
		(\$57,229)		(\$43,460)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$157,229)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$28,534)	(\$52,500)	(\$43,883)
After-tax cash flow		\$161,693	\$297,500	\$248,672
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$133,254)	(\$88,560)
Net after-tax cash flow		\$161,693	\$164,246	\$160,112

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Prince Edward Island

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$157,229	-	\$54,900
	Dividend – eligible	-	\$114,589	\$75,683
	Dividend – non-eligible	-		
	Total Income	\$157,229	\$114,589	\$130,583
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$54,685)	(\$14,589)	(\$28,038)
		(\$57,229)		(\$30,583)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$157,229)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$87,470)	(\$137,000)	(\$119,192)
After-tax cash flow		\$452,756	\$563,000	\$523,363
	Dividend – eligible	-	(\$114,589)	(\$75,683)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$452,756	\$448,411	\$447,680

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$500,000, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

Newfoundland & Labrador

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$150,670	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$127,228	\$82,598
	Total Income	\$150,670	\$127,228	\$137,498
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$48,125)	(\$27,228)	(\$34,954)
		(\$50,670)		(\$37,498)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$150,670)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$26,566)	(\$47,250)	(\$39,495)
After-tax cash flow		\$170,220	\$302,750	\$253,061
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$127,228)	(\$82,598)
Net after-tax cash flow		\$170,220	\$175,522	\$170,463

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Newfoundland & Labrador

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$150,670	-	\$54,900
	Dividend – eligible	-	\$122,316	\$79,409
	Dividend – non-eligible	-		
	Total Income	\$150,670	\$122,316	\$134,309
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$48,125)	(\$22,316)	(\$31,765)
		(\$50,670)		(\$34,309)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$150,670)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$81,536)	(\$127,500)	(\$110,267)
After-tax cash flow		\$465,250	\$572,500	\$532,289
	Dividend – eligible	-	(\$122,316)	(\$79,409)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$465,250	\$450,184	\$452,880

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$500,000, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

Northwest Territories

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$142,364	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$115,147	\$72,270
	Total Income	\$142,364	\$115,147	\$127,170
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$39,820)	(\$15,147)	(\$24,626)
		(\$42,364)		(\$27,170)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$142,364)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$29,738)	(\$50,750)	(\$42,421)
After-tax cash flow		\$175,353	\$299,250	\$250,135
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$115,147)	(\$72,270)
Net after-tax cash flow		\$175,353	\$184,103	\$177,865

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Northwest Territories

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$142,364	-	\$54,900
	Dividend – eligible	-	\$107,296	\$64,531
	Dividend – non-eligible	-		
	Total Income	\$142,364	\$107,296	\$119,431
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$39,820)	(\$7,296)	(\$16,887)
		(\$42,364)		(\$19,431)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$142,364)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$87,099)	(\$125,500)	(\$110,277)
After-tax cash flow		\$467,992	\$574,500	\$532,278
	Dividend – eligible	-	(\$107,296)	(\$64,531)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$467,992	\$467,204	\$467,747

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$500,000, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

Nunavut

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$137,160	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$116,722	\$71,516
	Total Income	\$137,160	\$116,722	\$126,416
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$34,616)	(\$16,722)	(\$23,872)
		(\$37,160)		(\$26,416)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$137,160)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$30,493)	(\$50,750)	(\$42,421)
After-tax cash flow		\$179,803	\$299,250	\$250,135
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$116,722)	(\$71,516)
Net after-tax cash flow		\$179,803	\$182,528	\$178,619

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Nunavut

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$137,160	-	\$54,900
	Dividend – eligible	-	\$109,808	\$67,319
	Dividend – non-eligible	-		
	Total Income	\$137,160	\$109,808	\$122,219
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$34,616)	(\$9,808)	(\$19,675)
		(\$37,160)		(\$22,219)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$137,160)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$88,780)	(\$126,500)	(\$110,990)
After-tax cash flow		\$471,516	\$573,500	\$531,566
	Dividend – eligible	-	(\$109,808)	(\$67,319)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$471,516	\$463,692	\$464,247

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$500,000, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

Yukon

Example 1: Corporation's Income \$350,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$140,975	-	\$54,900
	Dividend – eligible	-	-	-
	Dividend – non-eligible	-	\$119,728	\$74,683
	Total Income	\$140,975	\$119,728	\$129,583
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$38,431)	(\$19,728)	(\$27,038)
		(\$40,975)		(\$29,583)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$350,000	\$350,000	\$350,000
	Salary expense	(\$140,975)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$27,875)	(\$47,250)	(\$39,495)
After-tax cash flow		\$178,606	\$302,750	\$253,061
	Dividend – eligible	-	-	-
	Dividend - non-eligible	-	(\$119,728)	(\$74,683)
Net after-tax cash flow		\$178,606	\$183,022	\$178,378

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal and Yukon employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's taxable income is less than the small business limit of \$500,000, the dividend option results in the highest after-tax cash flow.
- Although the receipt of only taxable dividends results in the most after-tax cash flow for the corporation, the receipt of only dividend income would not create RRSP room for the individual and would not allow the individual to be eligible for CPP/QPP benefits upon retirement.

Yukon

Example 2: Corporation's Income \$700,000

		Salary	Dividends	Combination
Owner-Manager's after-tax position				
Income:	Employment	\$140,975	-	\$54,900
	Dividend – eligible	-	\$107,296	\$61,487
	Dividend – non-eligible	-		
	Total Income	\$140,975	\$107,296	\$116,387
Expenses:	CPP/QPP	(\$2,544)	-	(\$2,544)
	Income Taxes	(\$38,431)	(\$7,296)	(\$13,843)
		(\$40,975)		(\$16,387)
Net after-tax cash flow		\$100,000	\$100,000	\$100,000

Corporation's after-tax position				
Income before salary/bonus		\$700,000	\$700,000	\$700,000
	Salary expense	(\$140,975)	-	(\$54,900)
	Payroll expense (CPP/QPP)	(\$2,544)	-	(\$2,544)
	Corporate Income Taxes	(\$84,444)	(\$127,500)	(\$110,267)
After-tax cash flow		\$472,036	\$572,500	\$532,289
	Dividend – eligible	-	(\$107,296)	(\$61,487)
	Dividend - non-eligible	-		
Net after-tax cash flow		\$472,036	\$465,204	\$470,802

* Calculations include all federal and provincial taxes and surtaxes but exclude the provincial Health Premium. The basic personal credit, federal and Yukon employment credit, dividend tax credit and credits for CPP/QPP contributions are included in the calculations.

Observations:

- Where the corporation's income is above the small business limit of \$500,000, the salary option results in the highest after-tax cash flow.
- In this situation, the distribution of salary will come from the corporation's income subject to the general rate (i.e. income that does not benefit from the small business deduction).
- Not only does the payment/receipt of salary result in higher net after-tax cash flow, the individual would also generate RRSP room and would be eligible for CPP/QPP benefits upon retirement.

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