



The Navigator



Wealth
Management

RBC Wealth Management Services

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.

Please contact us for more information about the topics discussed in this article.

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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