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RRSPs: A Smart Choice for Business Owners



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If you're a business owner who operates through a corporation, you have two main options for deferring taxes when investing your business profits. You can leave excess funds in your corporation for investing or you can withdraw funds and invest in a Registered Retirement Savings Plan (RRSP). For many business owners, withdrawing excess funds and investing in an RRSP may be the better choice.

When investing excess business profits, you must first choose whether to invest excess funds in your corporation or withdraw funds and invest personally. If you choose to withdraw funds, you also need to decide whether to invest in a registered or non-registered account. Our previous reports, [Bye-bye Bonus](#)¹ and [The Compensation Conundrum](#),² compared corporate investing to personal investing in non-registered accounts and our report, [TFSA's for Business Owners](#),³ compared corporate investing to personal investing in a Tax Free Savings Account (TFSA), which offers tax-free savings. In this report, we'll compare corporate investing to investing in your RRSP, both of which offer a tax deferral advantage.

Unlike investing in a non-registered account or a TFSA, to invest in an RRSP you must have sufficient RRSP contribution room. Your 2017 RRSP contribution room is calculated as 18% of income earned in 2016 to a maximum of \$26,010.⁴ While salary that you receive from your corporation qualifies as earned income that creates RRSP room, dividends do not. As a result, if you want to invest in an RRSP, then you must pay sufficient salary to generate the earned income necessary to generate RRSP contribution room. Alternatively, if you want to leave the funds in your corporation for investment, then you will take the money out later in the form of dividends.

If you choose to distribute corporate income as salary, you will pay personal tax on the salary income. Alternatively, if dividend compensation is chosen, the company pays corporate tax when income is earned and you pay personal tax when proceeds are distributed to you as a dividend.

In recent years, there have been many changes to the taxation of corporations and their shareholders. For example:

- The highest personal marginal tax rates have increased. In the past five years, the highest federal rate rose by 4% and top provincial tax rates have also increased substantially in several provinces.⁵
- Corporate tax rates for active business income that is eligible for the small business deduction⁶ (“SBD Income”) have decreased federally and in most provinces over the past few years.⁷
- In 2016, the rates for dividend tax credits, as well as federal refundable taxes on corporate investment income, were adjusted, to align with the changes to personal and corporate tax rates.⁸

In an ideal world, corporate and personal tax rates would be perfectly integrated, so that the total tax paid by a corporation and its shareholders would equal the tax paid by an individual, given the same amount of income.⁹ In reality, however, as a result of changes to tax rates, there is a very small “tax rate disadvantage” for business income in most provinces in 2017. This means that the combined tax paid by the corporation and shareholder will generally be marginally higher if business income is distributed as dividends rather than salary.

There is, however, a significant “tax deferral advantage” for business income in all provinces, such that a large amount of tax can be deferred by distributing corporate income from the corporation in a later year.

For SBD Income, Figure 1 shows that in 2017 there is a nominal (less than 1%) tax rate (dis)advantage in all provinces, so that combined corporate and personal taxes would be about the same whether salary or dividends are paid. For example, there is a 0.6% tax rate disadvantage (cost) with dividends in Alberta. If your corporation were to earn \$100,000 of small business income, the combined corporate and personal taxes would be only \$600 (0.6% x \$100,000) higher if the \$100,000 were distributed as dividends, rather than salary.

Figure 1 also shows that there is a sizeable tax deferral advantage (ranging from 34.7% to 40.5%) in all of the provinces. For example, there is a 35.5% tax deferral advantage with dividends in Alberta. If your corporation were to earn \$100,000 of small business income, the taxes payable currently (i.e. the corporate taxes) would be \$35,500 (35.5% x \$100,000) lower if the \$100,000 were distributed as dividends in a future year, rather than distributing salary in the current year. The \$35,500 of deferred tax could be invested in the corporation until the future dividend payment, potentially earning enough investment income to offset the \$600 tax cost.

For active business income that is not eligible for the small business deduction (“ABI”), Figure 2 shows there is a tax rate disadvantage with the payment of dividends in all provinces, ranging from 1.2% to 8.5%. Consequently, paying salary rather than dividends will result in lower overall taxes in all provinces. There is also a tax deferral advantage ranging from 20.4% to 27.0% in all the provinces, which would result in a deferral of personal tax by foregoing salary currently and paying dividends in a later year.

Figure 1 – Tax rate (dis)advantage and tax deferral advantage on SBD Income in 2017 (Source: KPMG LLP)

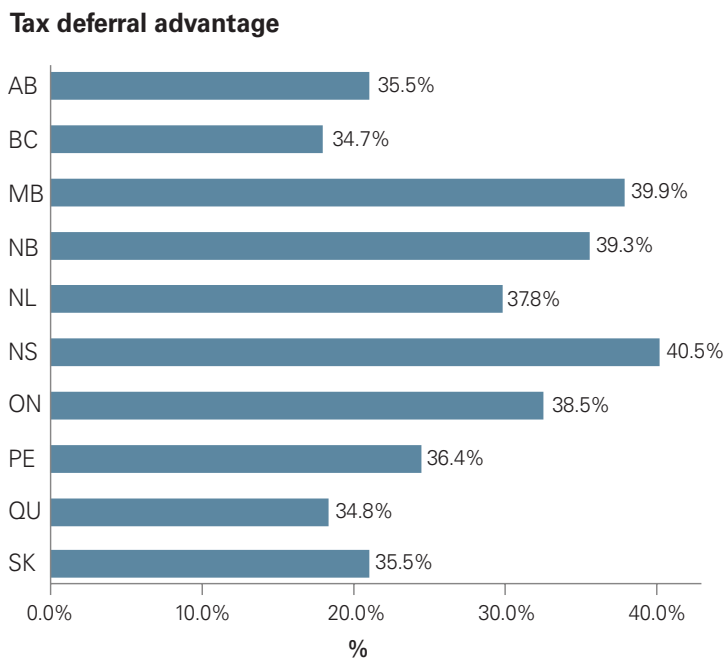
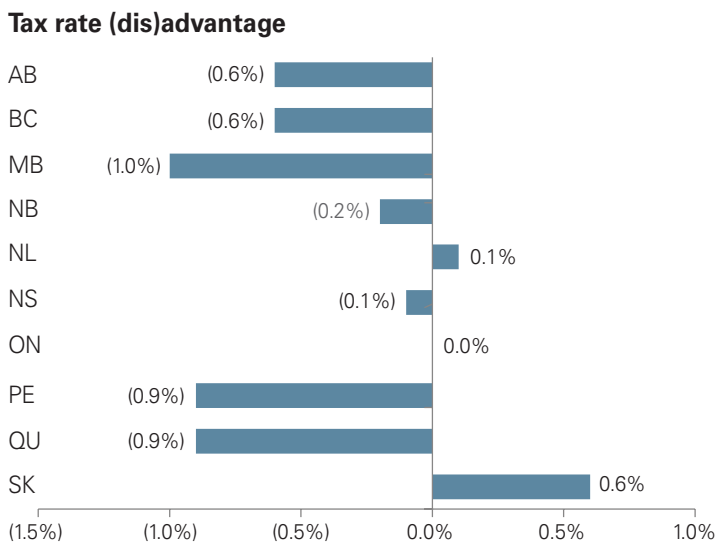
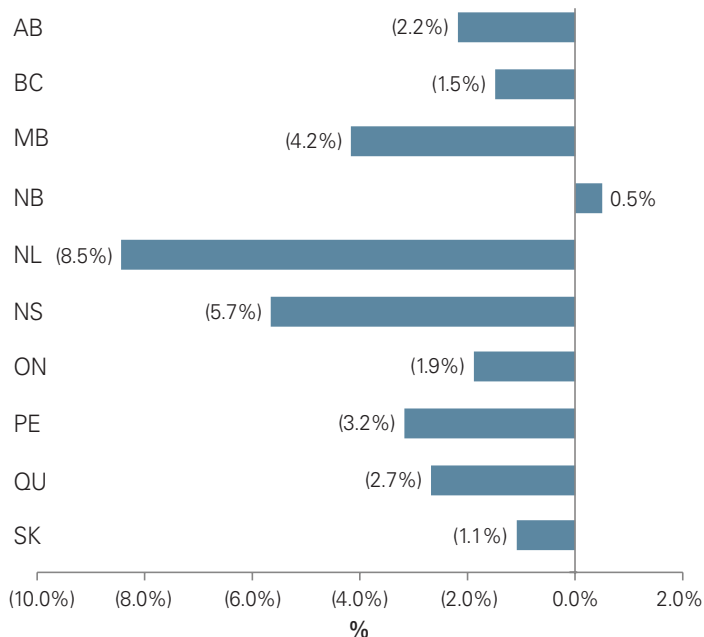
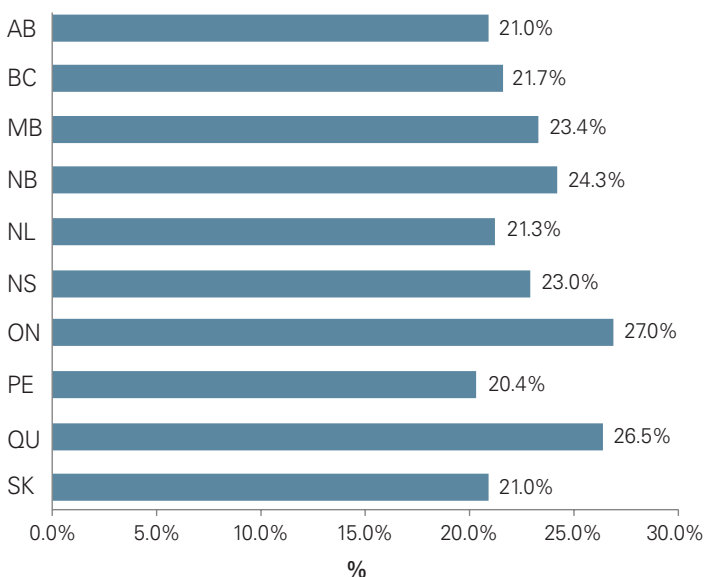


Figure 2 – Tax rate disadvantage and tax deferral advantage on ABI in 2017 (Source: KPMG LLP)

Tax rate disadvantage



Tax deferral advantage



The tax deferral advantage for SBD Income and ABI allows the deferred tax amount to be invested until dividends are distributed in a later year. RRSPs also provide the ability to invest funds prior to paying personal tax and, thus, defer tax until withdrawal.

So the question is: would a business owner be better off paying salary and investing in an RRSP, or paying corporate tax and investing the after-tax corporate income inside the company instead?

AN EXAMPLE

Practicing members of most professions, such as law, medicine, engineering, architecture or accounting, can choose to incorporate. Under such an arrangement, the professional is an employee of the professional corporation that, itself, carries on the business of the professional practice. Restrictions on the corporation’s business and its shareholders are imposed by the professional regulatory body.

Sara, who lives and works in Ontario, conducts her medical practice through a professional corporation. The corporation has pre-tax business income of \$170,000. Investments earn a 5% rate of return. Sara has personal expenses of \$100,000 and expects her personal tax rate to remain constant over her lifetime.

Sara is considering two options:

Option 1: Salary/RRSP

- Distribute corporate business income as salary and use after-tax salary to pay her personal living expenses.
- Make an RRSP contribution.
- Use withdrawals from her RRSP, or Registered Retirement Income Fund (RRIF), as a source of retirement funds.

Option 2: Dividends/corporate investing

- Use after-tax corporate business income to pay a current dividend sufficient to cover personal living expenses.
- Invest the remaining funds in the corporation.
- Distribute remaining after-tax business income plus after-tax investment income as dividends in a future year to fund retirement spending.

The top portion of Figure 3 shows that, with Option 1, \$26,000 is available for initial investment in Sara’s RRSP while, with Option 2, \$22,000 is available for initial investment in Sara’s corporation. This is due to the tax deferral advantage in the corporation and tax deduction associated with an RRSP contribution.

Figure 3 – Amount available for investment in 2017 and amount available to shareholder in future with RRSP and corporate investing

	Option 1: Salary / RRSP	Option 2: Dividends/ Corporate Investing
Net amount available for investment in 2017:		
CORPORATION:		
SBD Income	170,000	170,000
Salary	(170,000)	0
Taxable income in corporation	0	170,000
Corporate tax	0	(25,500) ¹⁰
Available to distribute	0	144,500
Current dividend	0	(122,500)
Amount invested in corporation	0	22,000
SHAREHOLDER:		
Dividend / salary received	170,000	122,500
Personal tax	(44,000) ¹¹	(22,500) ¹²
Expenses	(100,000)	(100,000)
Amount invested in RRSP	26,000	0
Net amount available to shareholder in future year:		
Investment amount	26,000	22,000
Tax on RRSP withdrawal	(12,400) ¹³	
Tax on dividend from corporation		(8,400) ¹⁴
Net amount available	13,600	13,600

The bottom portion of Figure 3 shows, however, that when the initial investment amount is ultimately distributed (via RRSP withdrawal or payment of corporate dividends) at some time in the future, \$13,600 would be available to Sara with either option. This is because there is no tax rate (dis) advantage for SBD Income in Ontario in 2017,¹⁵ so it makes no difference to the shareholder's bottom line if small business income is paid out as salary or dividends.¹⁶

Figure 4 – Amount of after-tax investment income to shareholder after 30 years with RRSP vs. Corporate investing

	RRSP	Corporate Investing			
	All types of income	Interest	Eligible dividends	Annual capital gains	Deferred capital gains
(A) Accumulated income in RRSP or corporation prior to personal tax ¹⁹	86,200	38,900	53,100	53,400	66,000
(B) Personal tax on withdrawal from RRSP or dividend from the corporation ²⁰	(40,000)	(14,400)	(15,700)	(8,800)	(10,900)
(C) After-tax amount to shareholder	46,200	24,500	37,400	44,600	55,100

As noted previously, however, payment of salary creates RRSP contribution room for the shareholder, while paying dividends does not. It is important to consider, therefore, whether being able to contribute to an RRSP makes a difference to the total amount the business owner is able to accumulate for retirement, after tax.

Let's look now at how Sara's RRSP fares in comparison to corporate investing when earning interest, dividends, annually-realized capital gains or deferred capital gains.

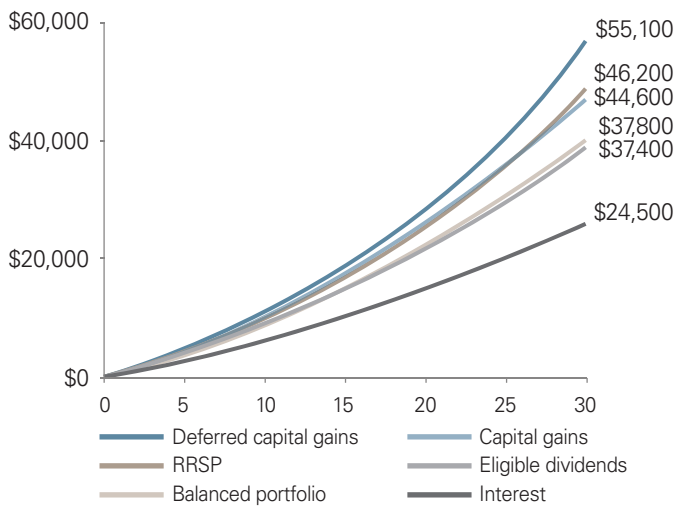
Figure 4 shows that \$86,200 of earnings would accumulate in an RRSP when \$26,000 is invested over 30 years at a 5% rate of return, with \$46,200 remaining at the end of 30 years after personal taxes of \$40,000. It does not matter if the earnings are in the form of interest, dividends or capital gains, since all amounts withdrawn from an RRSP are taxed at rates for ordinary income.

For corporately-held investments, however, the after-tax amount that remains depends on the type of income that is earned. The income is initially taxed in the corporation, with a portion (or all) of the corporate taxes being refunded upon payment of a dividend to the shareholder. The shareholder is then taxed on the dividend. A detailed description of the taxation of corporate investment income is available in our report, [In Good Company](#).¹⁷

Row A in Figure 4 reflects the amount of after-tax investment income that is available to be distributed from the corporation as a dividend.¹⁸ Row B reflects the amount of personal tax payable on the dividends received by the shareholder when the corporate after-tax income is distributed. Row C shows the amount of after-tax income available to the shareholder after 30 years, which is \$24,500 with interest, \$37,400 with eligible dividends, \$44,600 with annually-realized capital gains and \$55,100 with deferred capital gains.

In our example, the amount earned in an RRSP exceeds the amount available with corporate investments for all types of income, except for deferred capital gains, which yield a higher amount when earned in a corporation.

Figure 5 – Amount of after-tax investment income to shareholder with RRSP vs. Corporate investing



While Figure 4 shows results after 30 years, Figure 5 shows the amount of after-tax investment income available to the shareholder after all taxes have been paid over the entire 30-year period, using 2017 federal/Ontario tax rates. It is assumed that investments earn a 5% rate of return, either from interest, eligible dividends, annual realized capital gains, deferred capital gains or a balanced portfolio of investments.²¹ Some interesting trends are revealed:

- **Interest:** Investing in an RRSP is always a better option than corporate investing over a 30-year time period.
- **Eligible dividends:** Net investment income would initially be slightly higher with corporately-held investments than with an RRSP. In the long run, however, the RRSP would outperform the same corporately-held investments.
- **Annually-realized capital gains:** Net investment income would initially be slightly higher with corporate investments than with an RRSP. In the long run, however, the RRSP would outperform corporate investments.
- **Deferred capital gains:** Corporate investing always outperforms an RRSP.
- **Balanced portfolio:** Net investment income would initially be slightly higher with a balanced portfolio of corporately-held investments than with an RRSP. In the long run, however, the RRSP would outperform the balanced portfolio of corporately-held investments.

These are the same results that were noted when we compared a TFSA to corporate investments in our report, [TFSAs for Business Owners](#).²² This is not surprising since the results from investing in an RRSP are equal to a TFSA when the individual's tax rates remain constant.

In summary, when tax rates remain constant over time, corporate investments will likely leave you with less in your pocket than an RRSP, especially when investment income is highly-taxed. For deferred capital gains, corporate investments always yield a greater amount than an RRSP and, so, are the exception to this rule-of-thumb; however, few investors would be likely to defer 100% of capital gains over a long period of time.

What happens if personal tax rates increase or decrease upon withdrawal?

We have seen that personal taxes are deferred until income earned in a corporation is withdrawn and taxed to the individual shareholder as dividends. Personal taxes are also deferred on contributions to, and earnings in, an RRSP until funds are withdrawn from the plan and taxed to the individual RRSP annuitant.

If the shareholder's personal tax rate was lower at the time funds are withdrawn, then there would be an additional benefit to the individual, who would pay less tax on amounts withdrawn from the corporation or RRSP and be left with a greater amount of after-tax funds. The converse is also true; if the shareholder's personal tax rate was higher, the individual would pay more tax on withdrawn amounts and be left with a lower amount of after-tax funds.

Given sufficient time, RRSP investing would outperform corporate investing when earnings come from interest, eligible dividends, annual capital gains, or our balanced portfolio. Only corporate investments exclusively earning deferred capital gains would outperform RRSPs in all instances. As may be expected, however, a higher amount would be available to the individual when the shareholder's personal tax rate is lower upon withdrawal; conversely, a lower amount would be available when his or her personal tax rate is higher.

OTHER CONSIDERATIONS

Unlike paying dividends, if you pay a salary, there are various payroll taxes associated with T4 income, such as Canada Pension Plan premiums, Employment Insurance premiums and other provincial levies. Being able to claim the Lifetime Capital Gains Exemption and split income with family members may also be considerations when deciding whether to pay salary or dividends.

Canada Pension Plan ("CPP") / Quebec Pension Plan ("QPP")

Business owners who are paid salary must contribute to the CPP (QPP in Quebec), which provides certain benefits to a contributor and his or her family on retirement, disability or death. For example, in 2017, the maximum retirement pension is \$1,114 per month, which is fully indexed to inflation.

This pension, however, comes at a price since both the employer and the employee must contribute 4.95% (5.4% in Quebec) of salary paid, up to the yearly maximum pensionable earnings of \$55,300, with the first \$3,500 exempted. In 2017, this works out to a maximum premium of \$2,544 (\$2,797 in Quebec) for each of the employee and the employer, or a total contribution of \$5,088 (\$5,594 in Quebec) to fund the pension.

While paying enough salary to maximize CPP or QPP entitlements is often touted as one of the benefits of salary over dividends (which are not considered pensionable earnings for purposes of earning CPP or QPP entitlements), it is conceivable that, over the course of a 40-year career, the premium savings might be independently invested in a diversified portfolio to ultimately produce a larger pension income. For a detailed analysis of this, please see the report [Rates of Return for the Canada Pension Plan](#) from the Fraser Institute.²³

Employment Insurance (“EI”) Premiums

While EI premiums are another payroll tax, this is generally not a concern if the business owner owns more than 40% of the voting shares of the corporation and, thus, is exempt from the payment of EI premiums on salary remuneration. For ownership of 40% or less, however, the 2017 total combined cost of EI premiums for an employee and employer reaches a maximum of \$2,007 (\$2,517 in Quebec)²⁴ once insurable earnings hit \$51,300, adding yet another cost to paying salary instead of dividends.

Other Payroll Taxes

Some provinces levy an additional payroll tax, which can increase the cost of salary remuneration. For example, in Ontario, non-exempt corporations that pay total remuneration to all employees exceeding \$450,000 must pay 1.95% Ontario Employer Health Tax (“EHT”), an additional burden associated with salary that is not payable on dividend remuneration.

Lifetime Capital Gains Exemption (LCGE)

Another consideration when making investments through a small business corporation is to ensure that the investments do not inadvertently disqualify the owner from claiming the LCGE, which is \$835,716 in 2017,²⁵ upon a disposition of qualified small business corporation (QSBC) shares.

Simply stated, QSBC shares are shares of a Canadian controlled private corporation in which “all or substantially all” (interpreted to mean 90% or more) of the value of the corporation’s assets is used in an active business at the date of sale (or death) or consist of debt or shares of other QSBCs. In addition, either you or someone related to you must have owned the shares for at least two years prior to their disposition and during that entire two-year period, more than

50% of the corporation’s assets must have been used in an active business. Investing surplus cash in the corporation may jeopardize its QSBC status because of the accumulation of investments that do not meet the asset tests outlined above.

It should, however, be possible to restore a corporation’s QSBC status by extracting non-active assets through a process known as “purification.” There are a number of ways to “purify” the company — some of them are simple, while others are more complex.

Simple strategies may include: regularly distributing non-active assets (as dividends, capital dividends or return of capital), paying down debts with non-active assets, purchasing additional active business assets, prepaying business expenses, or paying a retiring allowance.

More complex strategies often involve paying tax-free inter-corporate dividends from the operating company (the active business) to a connected company²⁶ or transferring non-active assets or assets with accrued gains to a sister company on a tax-free basis, thus purifying the operating company.

Income Splitting

One of the benefits of contributing to an RRSP is the ability, in the withdrawal phase, to ultimately split income with a spouse or partner, either with spousal RRSPs or by splitting pension income on your tax returns. Pension income doesn’t include RRSP withdrawals but does include RRIF withdrawals, once the annuitant is 65 years of age or older. On the other hand, if funds are left in the company instead of being contributed to an RRSP, additional opportunities for income splitting are available through the payment of dividends to the owner if shares are issued to a spouse and children (over age 18).

With corporate investments, dividends paid on shares held by a spouse or adult child may be taxed at a lower rate than shares held by the owner and, thus, income splitting can be accomplished in this manner.

Corporate life insurance

If you choose to invest within your corporation, you may wish to consider using some (or all) of your business’ excess cash to fund a corporately-owned permanent life insurance policy, to minimize annual taxes by taking advantage of the tax-advantaged growth within an exempt policy.

With this strategy, the corporation purchases an exempt life insurance policy, generally universal life or whole life. You are listed as the life-insured and the corporation is named as the beneficiary. Cash value is created as the corporation deposits amounts into the policy in excess of what is required for the policy’s costs, such as the mortality costs inherent in the policy and other fees. Cash value accumulates on a tax-deferred basis that may increase the death benefit payable under the insurance policy.

At death, the corporation receives the life insurance proceeds tax-free, as well as a credit to its capital dividend account for the amount of the life insurance proceeds less the insurance policy's adjusted cost basis. It may then be possible to pay capital dividends, which are generally tax-free, to the corporation's shareholder(s).

This strategy may be most beneficial if you are 45 years of age or older, are in good health, have surplus capital in your corporation that is not required to operate the business or fund personal expenses during your lifetime, and are seeking tax-advantaged strategies that may enhance the value of your estate.

CONCLUSION

As you can see, many variables may affect your decision to leave excess funds in your corporation for investing or withdraw funds so you can contribute to your RRSP but here is the bottom line: Over time, an RRSP will likely leave you with more in your pocket than corporate investing. For 100% deferred capital gains, however, corporate investments always yield a greater amount than an RRSP and, so, are the exception to this rule-of-thumb; however, few investors would be likely to defer 100% of their capital gains over a long period of time.

If you are a business owner who wants to get the most from your investments over the long run and your portfolio earns a combination of interest, eligible dividends and capital gains, you should probably consider taking sufficient salary from your corporation to maximize your RRSP contributions, rather than leaving the funds inside the corporation for investment.

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- ¹ The report *Bye-bye Bonus* is available online at <https://www.cibc.com/ca/pdf/jg-dividends-bonus-en.pdf>.
- ² The report *The Compensation Conundrum* is available online at <https://www.cibc.com/ca/pdf/small-business/compensation-conundrum-nov-13-en.pdf>.
- ³ The report *TFSAs for Business Owners* is available online at <https://www.cibc.com/ca/pdf/small-business/tfsas-for-business-owners-en.pdf>.
- ⁴ Your 2017 RRSP deduction is limited to 18% of income earned in 2016, to a maximum of \$26,010, less any pension adjustment plus any previous unused RRSP contribution room and any pension adjustment reversal.
- ⁵ Since 2012, the highest personal provincial marginal tax rates increased by 5 percentage points in Alberta, 6 percentage points in New Brunswick, 5 percentage points in Newfoundland and Labrador, and 1.6 percentage points in Ontario (including surtaxes).
- ⁶ The small business deduction is available to Canadian-controlled private corporations (CCPCs) that earn active business income subject to the annual small business limit, which in 2017 is \$500,000 federally and in all provinces other than Nova Scotia, where it is \$350,000, and Manitoba, where it is \$450,000.
- ⁷ Further decreases in the federal rate for SBD Income that had been legislated for 2017 to 2019 were cancelled under Bill C-2, which received Royal Assent on December 15, 2016.
- ⁸ A gross-up and tax credit method is used for certain dividends received by individuals from Canadian corporations, to compensate for tax paid at the corporate level.
- Eligible dividends, which are paid from income that was taxed at a high rate in the corporation, are grossed-up at a rate of 38% (federally and provincially) and a federal non-refundable tax credit equal to 6/11 of the gross-up is allowed. Provincial tax credits are also available.
 - Non-eligible dividends, which are paid from income that was taxed at a low rate in the corporation, are grossed-up at a rate of 17% federally and provincially. A federal non-refundable tax credit equal to 21/29 of the gross-up is allowed. Provincial tax credits are also available.
- Refundable taxes on corporate investment income are notionally tracked in the Refundable Dividend Tax on Hand (RDTOH) account and are refunded at a rate of 38.3% for every dollar of taxable dividends distributed to the shareholder. Refundable taxes include:
- A portion of tax on “aggregate investment income”: In 2017, the combined federal/provincial corporate tax rate on aggregate investment income ranges from 49.7% to 54.7% across the provinces and includes a 30.7% refundable tax.
 - Part IV tax on Canadian dividends: Federal tax is levied at a rate of 38.3% on dividends that a Canadian private corporation receives from another non-connected Canadian corporation.
- ⁹ The report *Bye-bye Bonus*, which describes the theory of integration in more detail, is available online at <https://www.cibc.com/ca/pdf/jg-dividends-bonus-en.pdf>.
- ¹⁰ The combined federal/Ontario tax rate on SBD Income is 15% in 2017.
- ¹¹ With salary of \$170,000 and an RRSP deduction of \$26,000, taxable income would be \$144,000 and taxes payable would be about \$44,000 in Ontario in 2017, assuming only the basic personal amount is claimed.
- ¹² With \$122,500 of eligible dividends, the enhanced dividend tax credit would apply and approximately \$22,500 of taxes would be payable in Ontario in 2017, assuming only the basic personal amount is claimed.
- ¹³ In Ontario in 2017, if only the basic personal amount is claimed, tax on \$170,000 of salary would be about \$56,400 and tax on \$144,000 (\$170,000 salary less a \$26,000 RRSP deduction) would be about \$44,000. Assuming that tax rates remain constant, the difference of \$12,400 (\$56,400 - \$44,000) would be payable when the contribution amount of \$26,000 is withdrawn from the RRSP.
- ¹⁴ In Ontario in 2017, if only the basic personal amount and dividend tax credit are claimed, tax on non-eligible dividends of \$144,500 (the full amount available to be distributed) would be about \$30,900 and tax on \$122,500 of non-eligible dividends (the amount needed to cover expenses) would be about \$22,500. Assuming that tax rates remain constant, the difference of \$8,400 (\$30,900 - \$22,500) would be payable when the remaining \$22,000 is withdrawn from the corporation as eligible dividends.
- ¹⁵ It is assumed that Sara’s personal tax rates wouldn’t change, so that there would be no tax advantage or disadvantage upon future withdrawal.
- ¹⁶ There is a tax rate disadvantage ranging from 1.2% to 8.5% (as shown in Figure 2) among the provinces in 2017 for ABI, which is active business income that is not eligible for the small business deduction. Typically this is income exceeding \$500,000 (see endnote 6), although certain business structures, including professional corporations where there is a partnership involved, may not have access to the small business deduction.
- ¹⁷ The report *In Good Company* is available online at <https://www.cibc.com/ca/pdf/small-business/in-good-company-en.pdf>.
- ¹⁸ It is assumed that refundable taxes are recovered and are also distributed as a dividend.
- ¹⁹ With corporate investing, it is assumed that corporate tax is paid on investment income as the income is realized (annually for interest, eligible dividends and capital gains, and after 30 years for deferred capital gains). It is also assumed that refundable taxes that accumulate in the RDTOH account are recovered when a dividend is paid after 30 years and are also distributed as dividends.
- ²⁰ The following marginal tax rates have been used in the calculation of personal tax: Ordinary income: 47.97%; Non-eligible dividends: 38.80%; Eligible dividends: 31.67%; capital gains: 23.98%. These tax rates apply with taxable income between \$150,000 and \$202,800 in Ontario in 2017.
- ²¹ The balanced portfolio assumes an allocation of 40% fixed income investments earning 2% interest, and 60% equities earning 2% eligible dividends and 5% annual capital gains. It is assumed that 80% of capital gains are realized currently and 20% of capital gains are deferred.
- ²² The report *TFSAs for Business Owners* is available online at <https://www.cibc.com/ca/pdf/small-business/tfsas-for-business-owners-en.pdf>.
- ²³ The report *Rates of Return for the Canada Pension Plan*, published by the Fraser Institute in May 2016 is available online at <https://www.fraserinstitute.org/sites/default/files/rates-of-return-for-the-canada-pension-plan.pdf>.
- ²⁴ This is the combined total for Employment Insurance and the Quebec Parental Insurance Plan.
- ²⁵ The exemption amount is \$1 million for shares that are qualified farm or fishing property.
- ²⁶ Under draft legislation released in April 2015 as part of the Federal Budget, effective for dividends received after April 20, 2015, dividends may be recharacterized as a capital gain in certain circumstances. Further information is available in the January 2016 CIBC report titled *Intercorporate Dividends: New Anti-Avoidance Rule* by Debbie Pearl-Weinberg. You should consult with tax advisor before paying intercorporate dividends.

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