

Non-Eligible and Eligible Dividends

Non-eligible Dividends

Eligible Dividends



¹Intercompany Dividends (i.e. connected corporations) note: NRDTOH includes Part IV tax on dividends from connected corporations to the extent it relates to a refund of NRDTOH to the payor corporation.

²Intercompany Dividends (i.e. connected corporations) note: ERDTOH includes Part IV tax on dividends from connected corporations to the extent it relates to a refund of ERDTOH to the payor corporation.

*2018 Corporate tax rates

**ERDTOH can be refunded where there is no balance left in the NRDTOH account.

***Range of 2018 top provincial marginal tax rates for Canadian resident taxpayers.



F.A.Q.

- Eligible dividends, generally paid from corporate income subject to a high rate of tax, are taxed in the hands of the shareholder at preferential tax rates which range from 28.33%-42.61% (depending on Province/Territory).
- Non-eligible dividends, generally paid from income subject to lower small business and passive income tax rates, are taxed in the hands of the shareholder ranging from 35.98%-47.34% (depending on Province/Territory).
- RDTOH, a notional tax account balance, is refunded to the corporation when a taxable dividend is paid. The refund amount is the lesser of the balance of the ERDTH/NRDTH, whichever is applicable, or 38.33% of the taxable dividend paid.
- ERDTH can be recovered by paying an Eligible dividend or Non-eligible dividend. However, for Non-eligible dividends, NRDTH balance must be recovered first before recovering ERDTH.
- NRDTH can be recovered only by paying a Non-eligible dividend.

What is the purpose of the RDTH accounts?

Concept of Integration

Income earned by a CCPC and then paid to its Shareholder is **approximately equal to** Income earned directly by shareholder

- Income inside a corporation has generally been subject to tax (sometimes as high as 55%), and to account for the tax already paid, a portion of the tax is refunded back to the corporation when a taxable dividend is paid out to its shareholders.
- Dividends received by shareholders are taxed at preferential rates to account for taxes already paid by the corporation.

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