



Appendix A

Combined Treatment of Passive Incomes Based on Government's Consultation Paper

	Capital Gain (Per Table 8)			Interest Income (Per Table 7)			Total		
	Individual	Corporation		Individual	Corporation		Individual	Corporation	
		Current System	Proposed System		Current System	Proposed System		Current System	Proposed System
Source capital									
a. Income	100,000	100,000	100,000	100,000	100,000	100,000	200,000	200,000	200,000
b. Federal personal or corporate tax	33,000	10,500	10,500	33,000	10,500	10,500	66,000	21,000	21,000
c. Provincial personal or corporate tax	17,367	3,900	3,900	17,367	3,900	3,900	34,734	7,800	7,800
d. Starting portfolio (a - b - c)	49,633	85,600	85,600	49,633	85,600	85,600	99,266	171,200	171,200
Return on investment, realized in Year 10									
e. Capital gains (6 per cent/year) (using gov't info)	39,252	67,697	67,697				39,252	67,697	67,697
f. Taxable portion of capital gains (e x 50%)	19,626	33,848	33,848				19,626	33,848	33,848
g. Non-refundable personal or corporate tax (using gov't info)	9,885	6,668					9,885	6,668	
<i>h. Federal (using gov't info)</i>	6,477	2,708					6,477	2,708	
<i>i. Provincial (using gov't info)</i>	3,408	3,960					3,408	3,960	
j. Non-refundable taxes (new system) (f x 50.37%)			17,048						17,048
k. Refundable Taxes (RDTOH) (f x 30.67%)		10,380						10,380	
l. After-tax investment income (e - g - j - k)	29,367	50,649	50,649				29,367	50,649	50,649
Return on investment after year 10*									
m. Interest (3 per cent per year) (per schedule)				15,928	27,471	27,471	15,928	27,471	27,471
n. Non-refundable personal or corporate tax (o + p)				8,022	5,412		8,022	5,412	
<i>o. Federal (f x 33% ; f x 8%)</i>				5,256	2,198		5,256	2,198	
<i>p. Provincial (f x 17.36%; f x 11.7%)</i>				2,766	3,213		2,766	3,213	
q. Non-refundable taxes (new system) (m x 50.37%)						13,836			13,836
r. Refundable taxes (RDTOH) (m x 30.67%)					8,424			8,424	
s. After-tax investment income (re-invested passively) (m - n - q - r)				7,906	13,635	13,635	7,906	13,635	13,635
t. Portfolio value after 10 years (d + l + s)	79,001	136,249	136,249	57,539	99,235	99,235	136,539	235,483	235,484
u. Refund of pre-paid tax (RDTOH) (same as k)		10,380			8,424			18,804	
v. Distribution of capital dividends (e x 50%)		33,848						33,848	
x. Distribution of taxable dividends (d + f - g + m - n)		112,780	136,249		107,659	99,235		220,439	235,484
y. Personal income tax on dividends (x * 42.02%)		47,387	57,248		45,235	41,696		92,622	98,944
z. Net worth (t + u - y)	79,001	99,242	79,001	57,539	62,423	57,539	136,539	161,666	136,540
aa. Total Income earned from both ordinary income and investment income (a + e + m)	139,252	167,697	167,697	115,928	127,471	127,471	255,180	295,168	295,168
ab. Total Taxes Paid (b + c + g + j + n + q + y)	60,252	68,455	88,696	58,389	65,047	69,932	118,641	133,502	158,628
ac. Tax percentage (aa / ab)	43.27%	40.82%	52.89%	50.37%	51.03%	54.86%	46.49%	45.23%	53.74%
Difference: Personal Tax Rates vs. Business Owner Tax Rates			9.62%			4.49%			7.25%
Net Assets / Net Worth (same as z)	79,001	99,242	79,001	57,539	62,423	57,539	136,539	161,666	136,540
Capital Gain (same as z)		99,242	79,001		62,423	57,539		161,666	136,540
Lifetime Capital Gain Exemption		-99,242			-62,423			-161,666	
ad. S. 84.1 Dividend (same as z)			79,001			57,539			136,540
ae. Personal Tax Rate on Dividend			42.02%			42.02%			42.02%
af. Tax Payable (ad x ae)		0	33,196		0	24,178		0	57,374
ag. Total Income Earned (same as aa)	139,252	167,697	167,697	115,928	127,471	127,471	255,180	295,168	295,168
ah. Taxes Paid (ab + af)	60,252	68,455	121,892	58,389	65,047	94,110	118,641	133,502	216,002
ai. Effective Tax Rate (ah / ag)	43.27%	40.82%	72.69%	50.37%	51.03%	73.83%	46.49%	45.23%	73.18%
Difference: Personal Tax Rates vs. Business Owner Tax Rates			29.42%			23.46%			26.69%

* Please see Supplement to Table 7 - Interest Income Calculation For 10 Years for calculation



Supplement to Table 7 - Interest Income Calculation For 10 Years

Individual

Principal	Interest	Tax Deducted	Federal	Provincial	Net Interest	Balance
49,633	1,489	750	491	259	739	50,372
50,372	1,511	762	499	263	750	51,121
51,121	1,534	773	506	267	761	51,882
51,882	1,556	784	514	271	772	52,654
52,654	1,580	796	521	275	784	53,438
53,438	1,603	808	529	279	795	54,233
54,233	1,627	820	537	283	807	55,040
55,040	1,651	832	545	287	819	55,859
55,859	1,676	844	553	291	831	56,690
56,690	1,701	852	559	293	849	57,539
	15,928	8,022	5,254	2,767	7,906	

Current Corporate Tax System

Principal	Interest	Tax Deducted	Federal	Provincial	RDTOH	Net Interest	Balance
85,600	2,568	506	205	301	788	1,274	86,874
86,874	2,606	514	208	305	799	1,293	88,168
88,168	2,645	521	212	310	811	1,313	89,481
89,481	2,684	529	215	314	823	1,332	90,813
90,813	2,724	537	218	319	835	1,352	92,165
92,165	2,765	545	221	324	848	1,372	93,537
93,537	2,806	553	224	328	861	1,393	94,930
94,930	2,848	561	228	333	873	1,413	96,343
96,343	2,890	570	231	338	886	1,434	97,778
97,778	2,933	577	234	343	900	1,457	99,235
	27,471	5,412	2,197	3,215	8,424	13,635	

Proposed Corporate Tax System

Principal	Interest	Tax Deducted	Net Interest	Balance
85,600	2,568	1,293	1,275	86,875
86,875	2,606	1,312	1,294	88,169
88,169	2,645	1,332	1,313	89,482
89,482	2,684	1,352	1,333	90,815
90,815	2,724	1,372	1,353	92,168
92,168	2,765	1,392	1,373	93,541
93,541	2,806	1,413	1,393	94,934
94,934	2,848	1,434	1,414	96,348
96,348	2,890	1,455	1,435	97,783
97,783	2,933	1,481	1,452	99,235
	27,471	13,836	13,635	