Non-Eligible and Eligible Dividends

**Non-eligible Dividends**

- **Active Business Income**
  - Taxed at 10% - 17%

- **Interest/Rental Income**
  - Taxed at 50% - 55%

- **Capital Gains**
  - Taxed at 25% - 27.5%

- **NRDTOH**
  - CRA Refund to Corp: Lesser of NRDTOH (and ERDTOH***) or 38.33% of dividend paid

  - Pay taxable non-eligible dividend

  - NRDTOH includes Part IV tax on dividends from connected corporations to the extent it relates to a refund of NRDTOH to the payor corporation.

- **Canadian-Controlled Private Corporation**

  - Pay taxable non-eligible dividend

  - ERDTOH includes Part IV tax on dividends from connected corporations to the extent it relates to a refund of ERDTOH to the payor corporation.

  - **Eligible Dividends**

  - **Eligible Dividends Received From Portfolio Investments**
    - Taxed at 38.33% (Part IV Tax)

  - **CRA Refund to Corp:**
    - Lesser of ERDTOH or 38.33% of dividend paid

  - + Part IV Tax Paid (38.33%) on Eligible Dividends

**Intercompany Dividends**

- **NRDTOH**
  - Intercompany 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.

- **ERDTOH**
  - Intercompany 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.

**Less Taxes Payable**

- **Pay taxable eligible dividend**

  - Taxed in Shareholder’s hands at 29.64% - 42.61%**

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

*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 ERDTOH/NRDTOH, whichever is applicable, or 38.33% of the taxable dividend paid.
- ERDTOH can be recovered by paying an Eligible dividend or Non-eligible dividend. However, for Non-eligible dividends, NRDTOH balance must be recovered first before recovering ERDTOH.
- NRDTOH can be recovered only by paying a Non-eligible dividend.

What is the purpose of the RDTOH 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.

Speak to your TD Wealth Advisor or TD Senior Private Banker.