

# AN OVERVIEW OF CANADA'S TAX BRACKETS:

Source:

[https://turbotax.intuit.ca/tips/an-overview-of-federal-tax-rates-286#:~:text=In%20tax%20year%202020\\*%2C%20Canada's%20Income%20Tax%20Brackets%20are%3A&text=20.5%25%20on%20the%20next%20%2448%2C534,%2497%2C069%20up%20to%20%24150%2C473\)%2C%20plus](https://turbotax.intuit.ca/tips/an-overview-of-federal-tax-rates-286#:~:text=In%20tax%20year%202020*%2C%20Canada's%20Income%20Tax%20Brackets%20are%3A&text=20.5%25%20on%20the%20next%20%2448%2C534,%2497%2C069%20up%20to%20%24150%2C473)%2C%20plus)

## Overview

- Canadian income tax rates vary according to the amount of income you earn, and you pay different rates on different portions of your income.
- Canada's tax brackets reflect a **marginal tax rate system**.
- The Canadian tax system is a progressive (or graduated) system which means **low-income earners are taxed at a lower percentage than high-income earners; the more money you make, the more taxes you pay**.

In tax-year 2020\*, Canada's Income Tax Brackets are:

- **15%** on the first **\$48,535** of **taxable income**, **plus**
- **20.5%** on the next **\$48,534** of **taxable income** (on the portion of taxable income over \$48,535 up to \$97,069), **plus**
- **26%** on the next **\$53,404** of **taxable income** (on the portion of taxable income over \$97,069 up to \$150,473), **plus**
- **29%** on the next **\$63,895** of **taxable income** (on the portion of taxable income over \$150,473 up to \$214,368), **plus**
- **33%** of taxable income **over \$214,368**

The tax rates, also known as **tax brackets**, apply to personal income earned between predetermined minimum and maximum amounts. By understanding where your income falls within the tax brackets can help you make decisions about when and how to claim certain deductions and credits.

By understanding what tax bracket you are currently in, it can also help you understand changes in your income taxes if, for example, you start a side-gig or have other extra income that pushes you into the next bracket.

When you're preparing your income taxes this year, this could explain why your taxes owing or refund amount are different than what they were last year.

The applicable rates are listed below for the current tax year. It is important to note that **these rates apply to taxable income, which is your gross income less any deductions you may be entitled to**.

Remember, all provinces and territories also have their own tax brackets. When using the tax brackets and your annual earnings to make contribution decisions, make sure to also consider the tax rates for the province where you reside.