CANADA EDITION · DOCTRINE AND CASE LAW GUIDE




BRITISH COLUMBIA


ALBERTA


SASKATCHEWAN


MANITOBA


ONTARIO


QUÉBEC


NEW BRUNSWICK


NOVA SCOTIA


PRINCE EDWARD ISLAND


NEWFOUNDLAND AND LABRADOR


YUKON


NORTHWEST TERRITORIES


NUNAVUT

Canada's Small Businesses: Better Managed, or Better Framed?

What the law, the case law and the buyer reveal behind the Zenbooks Financial Clarity Index 2026, from coast to coast, province by province

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Canada Edition
Current to November 4, 2026

CANADA EDITION

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PREAMBLE

Foreword: purpose, method and scope

In the spring of 2026, Zenbooks surveyed 565 owners and decision-makers of Canadian small and medium-sized businesses to build an index of « financial clarity » scored out of 100.[1] The national result is 56.7. A number like that is a starting point, not a verdict. It earns its meaning when it is tested against the law, in the courtroom and at the negotiating table.

This guide does not comment on the index line by line. For each theme the index touches, it gathers the statute, the case law and the administrative doctrine that govern the reality the index tries to measure: what a buyer or a valuator retains from a small business, what the lifetime capital gains exemption demands of its balance sheet, how the law treats the owner's pay, what the tax authorities can do with deficient books, and what is actually known about the financial literacy of Canadian business owners. Readers who want the data itself will find the full report, the methodology and an interactive dashboard on the index page cited above.

A Canadian edition, province by province. Part I deals with Canada as a whole: the national results, the federal law that applies everywhere, and the evidence on financial literacy. Part II then travels from west to east, one province at a time, and closes with the three territories. Each provincial chapter sets out what the index can and cannot say about that province, the tax parameters that shape how owners pay themselves and plan a sale, and the regional evidence available. The Québec chapter summarizes, in English, the French-language edition published on November 3, 2026.[2]

English-language authorities only. This edition cites only decisions issued in English and administrative documents published in English. Decisions written in French and later translated, which the Québec edition relied on in places, have been replaced by English-language authorities to the same effect, or left out.

Origin and disclosure. This review was requested by Eric Saumure, CPA, CA, principal of Zenbooks and principal author of the index. Zenbooks supplied the report, the methodology, the data workbook and the scoring grid, and left the author complete editorial freedom. The author signs alone; Zenbooks provided only the data, and no compensation or other consideration was exchanged. Zenbooks, an advisory-led fractional finance team based in Ottawa, discloses in its own methodology the commercial interest it has in the index.[3] On November 3, 2026, Zenbooks published a pub-

1. Eric Saumure, *Zenbooks Financial Clarity Index 2026: Annual Report*, Ottawa, Zenbooks, 2026, online: zenbooks.ca/resources/zenbooks-financial-clarity-index/2026/.
2. Luc Dubé, *Les PME québécoises : mieux gérées ou mieux encadrées ?*, Édition Québec, November 2026, online: lucdube.com/2026/11/03/pme-quebecoises-mieux-gerees-ou-mieux-encadrees/.
3. Zenbooks, « Methodology: Zenbooks Financial Clarity Index 2026 » (2026), under « Sponsorship and Disclosure », online: zenbooks.ca/resources/zenbooks-financial-clarity-index-methodology/2026/.

lic response to the Québec edition, discussed in chapter 2. Index data remain the property of Zenbooks and are reproduced under its citation rules: source, sample size (n = 565 nationally; n = 79 for Québec) and robustness label.

Hierarchy of sources. The statute comes first, then the case law, starting with the Supreme Court of Canada, then the administrative positions of the Canada Revenue Agency (CRA) and of provincial administrations, and finally commentary and studies. Administrative positions do not bind the courts and are presented as such. Where a decision could only be read as quoted in another English-language decision, Annex A says so.

Currency. The law is stated as of November 4, 2026. Rates announced but not yet enacted are flagged as such. Provincial figures are 2026 figures unless otherwise stated.

PART I

Canada

The national picture, the federal law that applies in every province, and what the evidence says about the financial literacy of Canadian owners.



THE STARTING POINT

1 Canada in the index: what the numbers measure, and what they leave out

1.1 An index of practices, not of results

The index rests on a non-probability online panel (Cint), fielded from April 20 to May 19, 2026 in two phases, then raking-weighted to Statistics Canada totals for region, employee size and sector. The analytic sample counts 565 respondents after quality exclusions, for an effective sample of about 513 (design effect 1.10). Eligible businesses had revenue of up to $10 million, from zero to 499 employees, and at least twelve months of operations.[4] Twenty-five questions, grouped in five dimensions of 20 points each (financial awareness, forecasting and planning, decision-making quality, financial systems, risk management), produce a score from 0 to 100.

The authors set out the limits themselves: the results are associations and not causes; the index measures reported practices, not profitability, growth or survival; it is not a credit score nor an audit-risk score; and, as a non-probability panel, it carries no classic margin of error.[5] Those limits matter in every chapter that follows.

1.2 The national results

56.7
National score out of 100 (employers 58.9; no employees 48.3)

27.8 pts
Gap between fully integrated systems (71.9) and mostly manual ones (44.1)

77.2 %
Owners who rate their finances good or excellent; 43.5 % score there

35.2 %
Blind-spot group: good or excellent self-rating, score below 60

27.6 %
Delayed their own pay in the last 90 days (19.7 % above $1 million)

18.1 %
Zero or unknown cash runway

Source: Zenbooks Financial Clarity Index 2026 (n = 565; weighted to Statistics Canada totals). 35.2 %: « Robust » predictor; 27.8 points: « Robust »; other figures: « Descriptive ».

Three findings deserve a practitioner's attention. The first is the gap between feeling and fact: more than three owners in four think they manage well, fewer than one in two actually score in that range. The second is the systems divide, one of the widest gaps in the data, and one an owner controls entirely. The third is the owner's pay, which the report calls the economy's « invisible

4. Zenbooks, « Methodology », supra, « Sample », « Fielding » and « Weighting ».
5. Saumure, supra, « Notes and limitations ».

shock absorber »: when cash is tight, owners cut their own pay before they delay a supplier or the tax authority.[6] Equally telling are the findings the authors report as null: a decade in business buys no measurable clarity, and in-house and outsourced bookkeeping perform the same.

1.3 What the index can say about each region

The index is weighted by region, but it was not built to rank provinces. Zenbooks publishes a regional figure only where the unweighted cell reaches roughly 30 to 40 respondents. The population targets used for weighting were Ontario 37.5 %, Québec 20.5 %, the Prairies 19.5 %, British Columbia 16.0 %, Atlantic Canada 6.3 % and the territories 0.3 % (rounded figures; Zenbooks, « Methodology », « Weighting », and Annual Report, « Publishing thresholds »). In practice:

Region	What the index publishes	Reliability
Québec	59.8, the highest regional score; controlled advantage of 5.3 points (p = 0.003), concentrated in forecasting and decision-making	Controlled; Québec sub-sample n = 79
British Columbia	54.5, within a couple of points of Ontario and the Prairies	Reported in the annual report; sub-sample n = 95
Ontario	No score published; Zenbooks' November 2026 response calls it « the next region » after Québec	Reportable cell; sub-sample n = 243
Prairies (Alberta, Saskatchewan, Manitoba)	Reportable as one region; no score published in the report	Reportable cell
Atlantic Canada	No score published	Thin cell (n = 29), directional only
Territories	Not reported	n = 3, kept in the weighting only

A few provincial proportions were also communicated to the author by Zenbooks: the share of overconfident owners (good or excellent self-rating, score below 60) stands at 40.0 % in British Columbia (n = 95), 39.4 % in Québec (n = 79) and 38.6 % in Alberta (n = 77), against 35.2 % nationally, three figures Zenbooks reads as essentially tied; 75.4 % of Ontario owners (n = 243) rate their finances good or excellent, and 32.8 % of them delayed their own pay, against 16.8 % in Québec (emails from Eric Saumure, CPA, CA, to the author, October 26 and November 2, 2026; not in the public workbook). The provincial chapters of Part II use these figures with that caution, and say plainly where the index is silent.

6. Saumure, supra, « Cash fragility ». Among vendor or CRA delayers, 60.3 % also delayed their own pay; among own-pay delayers, only 31.9 % escalated to vendors or the CRA.

1.4 Four questions that cross the law

The scoring grid, supplied by Zenbooks, reveals four measurement choices that directly cross tax law or valuation practice. The authors had flagged several themselves and announced that the questionnaire will be revised for 2027.

Question	What the index rewards	What the law or practice says	Chapter
Q12 Business value	« Pretty confident » earns 4 points; « I have a range » earns 1	The professional valuation standard expressly allows a conclusion expressed as a range	3
Q5 and Q25 Reserves	Six months of reserves and an emergency fund earn the maximum	Surplus cash can compromise the capital gains exemption and, once invested, grind down the small business limit	4
Q6 Delayed pay	Never delaying one's own pay earns 4 points, in the forecasting dimension	How an owner is paid (salary or dividend) is a tax decision; in Québec, the 5,500-hour rule ties salary to the corporate rate	5 and Québec
Q13 CRA contact	Any review, audit request or compliance notice takes points away, whatever the outcome; the question names only the CRA	The law looks at the outcome of an audit; in Québec and, for corporate income tax, in Alberta, another administration is involved	6, Alberta and Québec

DIALOGUE

2 The Zenbooks response and the re-run of the index

An index that publishes its own weaknesses earns credibility. On November 3, 2026, Zenbooks did more than acknowledge the Québec edition: it re-scored its data to see whether the criticisms would change its findings.

The response, signed by Eric Saumure, states its positions plainly. On question 12, Zenbooks agrees: « He is right, and I don't think the original choice can be defended. » A range was in fact the most common answer, given by 44.7 % of businesses. On question 13, it calls the problem « a genuine weakness », since the question cannot tell a late-filing notice from a routine review of a well-run company. On reserves, it partly agrees: capping the reward is worth considering, but « Rewarding a cash cushion isn't itself an error. » On the owner's pay, it sees no scoring error, and its data cut against the 5,500-hour explanation: Québec owners delay their pay less often in every size band, not mainly where the rule would apply.

2.1 The re-run

Finding	Original	Range across single changes	All challenged questions removed	Zenbooks' reading
National score (0 to 100)	56.7	55.6 to 58.0	55.6	Remains stable
Confidence gap (points)	33.7	29.7 to 36.0	36.3	Remains substantial
Overconfident owners	35.2 %	31.6 % to 37.7 %	38.1 %	Remains substantial
Integrated vs mostly manual systems (points)	28.0	26.2 to 30.3	29.1	Remains substantial
Québec advantage, controlled (points)	5.2	4.7 to 5.3	4.0	Sensitive to combined changes

Source: Eric Saumure, « An outside review of the ZFCI: Here is what held up and what didn't », Zenbooks, November 3, 2026, online: zenbooks.ca/blog/zenbooks-financial-clarity-index/independent-review-2026/. Figures as published. The « original » values in this table are Zenbooks' own recalculations: 28.0 points for the systems gap and 5.2 points for Québec, against 27.8 and 5.3 in the annual report. Zenbooks adds that individual scores correlate at 0.96 or higher with the originals under every scenario, and that Québec ranked first in 77 % of resampled draws.

Two conclusions follow. The headline findings hold: the national score barely moves, and the confidence gap and the systems divide survive every change. The Québec lead, on the other hand, is

fragile: with all challenged questions removed it falls to 4.0 points and its interval reaches zero. Zenbooks now writes that Québec's score « should be read as the highest estimate, not a statistically established ranking ». That is the right reading, and it applies with even more force to the smaller provinces.

2.2 What may change in 2027

Zenbooks stresses that nothing has been implemented. The options under study are scoring a valuation range at least as highly as stated confidence, moving question 13 out of the score or scoring it on the outcome of the review, capping the reserve reward, naming Revenu Québec in the Québec version of question 13, asking how owners are paid, recording the survey language, and adding unscored questions on profitability, revenue and financing. The 2027 results are to be published under both the old and the revised rules. The second edition fields in March 2027.

> **THE AUTHOR'S READING**
>
> The exchange is what a first-year index needs: the data were opened, the criticisms were tested, and the results were published whether or not they flattered the index. The remaining disagreement, on the owner's pay, is legitimate. It is a question of what the index should measure, not of how it was computed.

VALUATION

3 Fair market value and the buyer's reading

3.1 The definition the courts use

The *Income Tax Act* uses the expression « fair market value » without defining it. The courts have filled the gap since *Henderson Estate and Bank of New York v. M.N.R.*, where Cattanach J. described fair market value as the highest price an asset might reasonably be expected to bring:

> *« in a market not exposed to any undue stresses and composed of willing buyers and sellers dealing at arm's length and under no compulsion to buy or sell »*
>
> Henderson Estate and Bank of New York v. M.N.R., 73 DTC 5471 (F.C.T.D.), at 5476, as quoted in Canada (Attorney General) v. Nash, 2005 FCA 386, para 8

The CRA's formulation comes from another English-language line, *Minister of Finance v. Mann Estate*, decided by the Supreme Court of British Columbia in 1972 and affirmed up to the Supreme Court of Canada in 1974. Information Circular IC89-3 restates it almost word for word:

> *« Fair market value is the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market ... »*
>
> CRA, IC89-3, Policy Statement on Business Equity Valuations, August 25, 1989, para 3(a)

Value is a matter of evidence. In *Roher*, a case about an art donation program rather than a business valuation, the Federal Court of Appeal put it bluntly: « Determining the market value of the property at issue is a question of fact », or at best of mixed fact and law that is predominantly fact-based (*Roher v. The Queen*, 2019 FCA 313, para 22). A listed company has a market price; a small business does not. Its value has to be rebuilt from its numbers, which turns the quality of its books into a question of proof.

3.2 The notional market and the range

IC89-3 places the exercise in a notional market: at paragraph 18, the question is the price « a willing purchaser would pay for the shares in the notional market ». The valuator does not observe a transaction; the valuator reconstructs one. The thinner the data, the more the reconstruction rests on assumptions, and the wider the gap between experts.

The Canadian professional standard acknowledges this. Practice Standard No. 100 of the CBV Institute, in force since January 1, 2026, provides that a valuation conclusion may be expressed « in the

form of a specific value or range of values of shares, assets, liabilities, or any other business interest ».[7] Question 12 of the index, which gave fewer points to the owner who answers with a range than to the one who claims to be « pretty confident », ran against recognized practice; Zenbooks now agrees (chapter 2). The Tax Court has noted the opposite danger among experts themselves: the temptation to arrive at « as high a value as possible or as low a value as possible », depending on who retained them.[8]

3.3 Normalizing the owner's pay

A buyer pays for normalized earnings: earnings corrected for what will not recur under new ownership. The owner's pay is the first line corrected. IC89-3 makes it an explicit item of evidence: among the documents the CRA valuator may request are « Details of and comments on the adequacy of salaries and/or other benefits paid or credited to the principal shareholders, partners or proprietor and their families. »[9]

The correction cuts both ways. An owner paid above market sees the excess added back to earnings. An owner who takes no pay, or delays it, shows inflated earnings: the valuator deducts a market salary for the work that will have to be paid after the sale. The 27.6 % of owners who delayed their pay therefore show, all else being equal, accounting profitability above their economic profitability.

On the tax side, the courts are deferential to owner-managers' business decisions about their own pay. The leading English-language test comes from the Exchequer Court in *Gabco*: it is not for the Minister or the court to substitute its judgment for what is a reasonable amount to pay, and the question is whether no reasonable business man would have contracted to pay such an amount.[10] In *Safety Boss*, the Tax Court applied that test to a large bonus paid to the controlling shareholder-manager and allowed the appeal; the assessment rested on former subsection 69(2), since repealed, the Court noting that any difference between that provision and section 67 « is not readily apparent ».[11]

3.4 What a buyer does with deficient books

When earnings cannot be verified, the buyer rarely walks away; the buyer shifts the risk to the seller through a holdback, a vendor take-back, an earn-out tied to future results, or a working-capital adjustment clause. The CRA addresses price adjustment clauses in its folio S4-F3-C1. The index measures no transaction outcome, but these mechanisms explain why, in the author's practice, the systems gap shows up in a sale less as a lower price than as less cash at closing.

7. CBV Institute, Practice Standard No. 100, Valuation Conclusions and Valuation Reports (effective January 1, 2026), para 1.
8. Zeller Estate v. The Queen, 2009 TCC 135, para 12 (reasons on costs).
9. IC89-3, supra, para 16(r).
10. Gabco Ltd. v. M.N.R., [1968] 2 Ex. C.R. 511, at 522; 68 DTC 5210 (Cattanach J.). The case was decided under the predecessor of section 67 of the *Income Tax Act*.
11. Safety Boss Ltd. v. The Queen, 2000 DTC 1767 (T.C.C.), paras 26, 28, 52 and 53.

The share sale is not the only exit. Since Bill C-30 received Royal Assent on June 18, 2026, the $10 million capital gains exemption on a sale to an employee ownership trust or a worker co-operative is permanent.[12] That route also turns on a defensible fair market value, and therefore on reliable books.

12. Department of Finance Canada, news release on the passage of Bill C-30 (June 2026); Parliament of Canada, LEGISinfo, Bill C-30 (45th Parliament, 1st session).

RESERVES

4 Cash reserves: the capital gains exemption and the business limit

Questions 5 and 25 reward six months of reserves and an emergency fund. As a management habit, that is sound. Left inside the operating company for too long, the same cash can cost the owner the exemption on sale, and its income can erase the small business rate.

4.1 The texts

The lifetime capital gains exemption (subsection 110.6(2.1) of the *Income Tax Act*) applies to the disposition of « qualified small business corporation shares », defined in subsection 110.6(1). Three conditions structure the definition: at the time of disposition, the share is a share of a « small business corporation »; throughout the 24 months immediately preceding, it « was not owned by anyone other than » the individual or a person or partnership related to the individual; and throughout that period, « more than 50% of the fair market value of the assets » of the corporation was attributable to assets used principally in an active business carried on primarily in Canada, or to qualifying investments in connected corporations, with a stricter test where corporations are held in tiers.[13] The definition of « small business corporation » in subsection 248(1) sets the test at the time of sale:

> *« small business corporation, at any particular time, means, subject to subsection 110.6(15), a particular corporation that is a Canadian-controlled private corporation all or substantially all of the fair market value of the assets of which at that time is attributable to assets that are (a) used principally in an active business carried on primarily in Canada by the particular corporation or by a corporation related to it »*
>
> Income Tax Act, subs. 248(1), consolidated to March 31, 2026

The amount. The exemption limit was raised to $1,250,000 for dispositions after June 24, 2024, and indexation resumes for years after 2025. According to the CRA, the indexed limit for 2026 is $1,275,000, a deduction of $637,500 at the one-half inclusion rate.[14]

4.2 The 90 % threshold

The statute does not quantify « all or substantially all ». The CRA reads it as at least 90 %:

13. *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), subs. 110.6(1), definition of « qualified small business corporation share », paras (a) to (d), and subs. 110.6(2.1).
14. CRA, « Adjustment of personal income tax and benefit amounts » (2026 indexation, 2.0 %), online at canada.ca.

> *« For income tax purposes, the term all or substantially all is understood to mean at least 90%, and the terms principally and primarily to mean more than 50%. »*
>
> CRA, Income Tax Folio S4-F8-C1, Business Investment Losses, para 1.15

This is an administrative position, but practice follows it.

4.3 Is the cash used in the business?

The reference test comes from the Supreme Court of Canada in *Ensite*, decided in another context but adopted by the CRA to classify cash and investments: the property must be employed and risked in the business, and the question is whether its withdrawal would have a decidedly destabilizing effect on the corporation's operations.[15] In technical interpretation 2001-0091785, the CRA states the requirement in these terms:

> *« The court held that the holding or using of property must be linked to some definite obligation or liability of the business »*
>
> CRA, technical interpretation 2001-0091785, March 7, 2002

The same letter accepts that cash « temporarily surplus to the needs of the business and is invested in short-term income producing investments » may still count as used in the business. Conversely, the CRA has written, in a letter dealing with qualified investments rather than the exemption, that a « permanent balance in excess of the company's reasonable working capital needs » will generally not be considered used in the business.[16]

4.4 The second cost: the business limit grind

Reserves rarely sit idle; they are invested. Once their income passes a threshold, the federal small business limit shrinks. Paragraph 125(5.1)(b) of the *Income Tax Act* reduces the $500,000 business limit by the amount determined by the formula « D/$500,000 × 5(E − $50,000) », where E is the adjusted aggregate investment income of the corporation and its associated corporations for the preceding year.[17] Every dollar of passive income above $50,000 removes five dollars of business limit; at $150,000, the limit is gone. Ontario and New Brunswick do not apply this reduction to their provincial limits; other provinces generally follow the federal limit, which should be checked file by file. The emergency fund that earns points in the index can therefore raise the corporate tax rate on the next dollar of active income, before anyone even talks about a sale.

15. Ensite Ltd. v. The Queen, [1986] 2 S.C.R. 509; as applied by the CRA in its technical interpretations, e.g., 2001-0091785 (March 7, 2002).
16. CRA, technical interpretation 2017-0717561E5 (January 25, 2018). The context is the qualified investment rules for registered plans; the reasoning on surplus cash is nonetheless the same.
17. *Income Tax Act*, para 125(5.1)(b), consolidated to March 31, 2026.

4.5 Purification and its pitfalls

Purification means moving out of the operating company the assets that are not used in the business, usually by an inter-corporate dividend to a holding company, before the sale and early enough to satisfy the 24-month test. Three hazards lie along the way.

Subsection 55(2). An inter-corporate dividend can be recharacterized as a capital gain where one of the purposes in paragraph 55(2.1)(b) is present. At the 2017 Canadian Tax Foundation Round Table, the CRA examined precisely the purification dividend paid to preserve qualified small business corporation status: « Subsection 55(2) could apply where any one of the purposes described in paragraph 55(2.1)(b) is present », and « the correct test to use to determine purpose in respect of subsection 55(2) is the Supreme Court's test in Ludco ».[18]

Subsection 84(2). Where corporate funds are distributed to shareholders on the winding-up, discontinuance or reorganization of a business, the amount can be deemed a dividend. In *MacDonald*, the Federal Court of Appeal held that the trial judge had failed « to give effect to the statutory phrase 'in any manner whatever' », and that « the only reasonable conclusion is that subsection 84(2) applies, as the Crown contends ».[19]

Section 84.1 and the general anti-avoidance rule. The Supreme Court has framed the abuse analysis: the rule applies where a transaction « circumvents the provision in a manner that frustrates or defeats its object, spirit or purpose », in a structured three-step test.[20] In *D'Arcy*, the Tax Court applied it to a plan that used the exemption with section 84.1 to strip surplus: the provision exists « to prevent taxpayers from carrying out non-arm's length transactions resulting in tax-free removal of corporate surplus », and the transactions « frustrated the purpose and rationale of section 84.1 ».[21] The case law is not one-sided: in *Gwartz*, the Court refused to rely on « a general policy against surplus stripping » to find abuse, and in *Wild*, the Federal Court of Appeal found that section 84.1 had not been abused where no surplus had actually been distributed.[22] The lesson for the owner is simple: purification must serve the qualification of shares sold to a third party, never the extraction of surplus for the seller.

4.6 What is at stake, province by province

At the 2026 limit and the top combined marginal rate, the tax avoided by the exemption ranges from about $284,000 in Nunavut to about $349,000 in Newfoundland and Labrador (Annex B). The figure is an upper bound: it ignores the alternative minimum tax and assumes the whole gain would otherwise be taxed at the top rate.

18. CRA, 2017 CTF Annual Conference Round Table, Q. 3, document 2017-0724021C6 (November 21, 2017).
19. The Queen v. MacDonald, 2013 FCA 110, paras 28 and 29 (Near J.A.).
20. Copthorne Holdings Ltd. v. Canada, 2011 SCC 63, para 72; Deans Knight Income Corp. v. Canada, 2023 SCC 16, para 51.
21. D'Arcy v. The King, 2025 TCC 128, paras 32 and 39 (Russell J.).
22. Gwartz v. The Queen, 2013 TCC 86, para 50; Wild v. Canada (Attorney General), 2018 FCA 114, para 32.

REMUNERATION

5 The owner's pay: salary, dividends and the law

According to the index, 27.6 % of owners delayed their own pay in the last 90 days to manage cash flow, including 19.7 % of businesses above $1 million in revenue. Owners who delayed score 46.7, against 60.5 for the others.

5.1 What question 6 measures, and what it does not

Many incorporated owners do not draw a regular paycheque at all. They are paid by dividend, often once a year, after a meeting with their accountant, and they have no payroll date to miss. Question 6 specifies that the delay was made « to manage cash flow », which partly saves it, but it also captures how the owner is paid, not only the strain on cash. Zenbooks does not see a scoring error here: in its view, « Choosing a dividend over a salary is a different decision, and the question doesn't ask about it ». It grants, however, that a question on how owners are paid would help.[23] The author agrees that the question is coherent with its purpose; the point is that its answers vary with a tax decision that differs from one province to the next.

5.2 What the law looks at

The deduction of a salary paid to a shareholder-manager is governed by the general reasonableness rule of section 67 of the *Income Tax Act*, read with the deferential *Gabco* test discussed in chapter 3. A dividend, by contrast, is not a deductible expense of the corporation; it is taxed in the shareholder's hands with the gross-up and dividend tax credit mechanism, which is designed to integrate the corporate and personal tax. In theory, an owner should be close to indifferent between the two. In practice, three things break the symmetry, and all three vary by province:

- the gap between the small business rate and the general corporate rate, which differs widely from one province to another (Part II);
- employer payroll and health taxes, which apply to salaries but not to dividends: the Ontario Employer Health Tax, the British Columbia Employer Health Tax, the Manitoba Health and Post-Secondary Education Tax Levy, the Newfoundland and Labrador Health and Post-Secondary Education Tax, and the Québec Health Services Fund contribution;

23. Saumure, « An outside review », supra.

- in Québec alone, the 5,500-hour rule, which grants the full provincial small business deduction only to a corporation whose employees were paid for at least 5,500 hours in the year. Only paid hours count, so a dividend creates none.

Above the provincial thresholds, those payroll taxes make a salary more expensive than a dividend; in Québec below the hour threshold, the rule pushes the other way. An index question about delayed pay therefore travels differently across the country, and its regional results should be read with that in mind.

5.3 The owner's pay as a valuation item

Whatever the form of payment, a buyer will normalize it (chapter 3). The owner who delays pay to keep the business afloat is not adding profit; he or she is lending labour to the business at no cost. The valuator will deduct a market salary, and the buyer will refuse to pay twice for the same work.

EVIDENCE

6 Books and records: the legal duty behind « clarity »

6.1 The duty to keep records

The clarity the index measures through voluntary practices rests, in law, on an obligation. Subsection 230(1) of the *Income Tax Act* provides that « Every person carrying on business and every person who is required, by or pursuant to this Act, to pay or collect taxes » shall keep records and books of account in such form and containing such information as will enable the taxes payable to be determined. The records must be kept « until the expiration of six years from the end of the last taxation year » to which they relate.[24] The *Excise Tax Act* imposes a parallel duty for GST/HST on « Every person that carries on a business or is engaged in a commercial activity in Canada », with the same six-year period.[25] Provinces that administer their own taxes add their own requirements, discussed in Part II.

6.2 When the books fall short: indirect methods

When the accounting cannot be relied on, the tax authority can establish income by an indirect method, the best known being the net worth method. The CRA's own audit manual is explicit about when it is used:

> *« Auditors are generally expected to use the assessing net worth technique whenever the books and records are inadequate, inaccurate, or unreliable and there are indications of unreported income. »*
>
> CRA, Income Tax Audit Manual (September 2020 edition), section 13.4.1

The Tax Court has described the method's limits in terms that have been repeated ever since:

> *« The net worth method, as observed in Ramey v. The Queen, 93 DTC 791, is a last resort to be used when all else fails. [...] It is a blunt instrument, accurate within a range of indeterminate magnitude. »*
>
> Bigayan v. The Queen, 2000 DTC 1619 (T.C.C.), as quoted in Ohayon v. The Queen, 2010 TCC 25, para 3, and Docherty v. The Queen, 2010 TCC 45, para 15

Blunt does not mean ineffective. For the taxpayer, the practical consequence is that the burden then rests on him or her to explain the gap between reported income and the growth of personal and business net worth, and that explanation is only as good as the records behind it.

24. *Income Tax Act*, subs. 230(1) and para 230(4)(b).
25. *Excise Tax Act*, R.S.C. 1985, c. E-15, subs. 286(1) and (3).

6.3 The burden of proof

The rule goes back to *Johnston*: the taxpayer must disprove the facts the Minister assumed, because « the onus was his to demolish the basic fact on which the taxation rested ».[26] In *Hickman Motors*, the Supreme Court of Canada clarified that a prima facie case that demolishes the Minister's assumptions shifts the burden back to the Minister.[27] Complete and current books are the raw material of that prima facie case; without them, the taxpayer goes to court empty-handed.

6.4 The gross negligence penalty

Subsection 163(2) of the *Income Tax Act* targets every person who, « knowingly, or under circumstances amounting to gross negligence », has made or participated in a false statement or omission in a return, and subsection 163(3) places on the Minister the burden of establishing the facts that justify the penalty. The definition of gross negligence comes from *Venne*:

> *« 'Gross negligence' must be taken to involve greater neglect than simply a failure to use reasonable care. It must involve a high degree of negligence tantamount to intentional acting, an indifference as to whether the law is complied with or not »*
>
> Venne v. The Queen, 84 DTC 6247 (F.C.T.D.), at 6256, as quoted in Khanna v. Canada, 2022 FCA 84, para 7

The Federal Court of Appeal restated the test in *Melman*, and in *Khanna* it insisted that wilful blindness requires evidence of a deliberate choice: « Where is the evidence or finding about the appellant's deliberate choice not to make inquiries or the finding of deliberate ignorance? »[28] Disorderly books are not, in themselves, gross negligence; but they leave the owner unable to show what he or she actually did.

6.5 What this means for the index

Three findings of the index take on a legal colour here. Businesses that never reconcile their accounts, or do not know whether they do (7.6 % according to the data workbook), are the most exposed to an indirect assessment, because they cannot set their books against it. The 27.8-point gap between integrated and mostly manual systems also measures, between the lines, the ability to produce the evidence an audit requires. And question 13 takes points away from any business that was reviewed, while the law looks at the outcome: an audit closed without a reassessment is evidence that the books held up. Zenbooks' data show CRA contact rising with size, from 5.9 % of businesses with no employees to 43.6 % of those with 20 to 99.[29] The question also names only the CRA (Part II, Alberta and Québec).

26. Johnston v. M.N.R., [1948] S.C.R. 486, at 489 (Rand J.), as quoted in Cerny v. M.N.R., Exchequer Court of Canada, 1954.
27. Hickman Motors Ltd. v. Canada, [1997] 2 S.C.R. 336, paras 92 to 94 (L'Heureux-Dubé J.).
28. Canada v. Melman, 2017 FCA 83, para 4; Khanna v. Canada, 2022 FCA 84, para 27 (Monaghan J.A.).
29. Saumure, « An outside review », supra; Saumure, Annual Report, supra, « What the data does not show ».

CONTEXT

7 Financial literacy across Canada: what the surveys show

Does the index's regional ranking reflect real differences in what owners know? The public surveys answer with caution: they measure different people, in different years, with different instruments.

7.1 Three objects that should not be confused

Objective knowledge, measured by questions with a right answer; confidence or self-rated knowledge; and management behaviour. The Zenbooks index belongs mostly to the third category, with one self-rating built into its scoring. The defensible statement is that some owners report better practices according to this index, not that they necessarily know more.

7.2 Small business owners

- **BDC, 2023.** Among 634 owners and decision-makers, 83 % answered at least 7 questions out of 10 correctly, up from 78 % in 2017, while the share who rated themselves knowledgeable fell from 68 % to 63 %. Score and confidence do not move together. No regional results are published.[30]
- **BDC and the Telfer School of Management, 2017.** Among 892 owners surveyed from October 17 to 29, 2017, the share with an « excellent » score (9 or 10 correct answers out of 10) was 48 % in British Columbia and the North, 40 % in Ontario and 27 % in Québec. The report gives no Prairie or Atlantic result.[31]
- **Intuit, 2012 and 2014.** In 2012, 44 % of 501 owners scored 0 to 4 out of 10; in 2014, 39 % of 683 owners failed the same quiz, with Québec and Alberta posting the weakest results and Atlantic Canada the highest share of top scores, according to press reports. Provincial sub-samples were not disclosed.[32]
- **Scotiabank, 2019.** In a 20-item quiz of 1,000 owners, women were 56 % more likely to score below average after controls, and rated themselves less knowledgeable (45 % against 58 %). No regional results.[33]

30. BDC, *Entrepreneurs and Financial Literacy: the Situation in Canada*, January 2024 (fieldwork December 5 to 17, 2023, online panel; margin given « for reference only »).
31. BDC, *Financial literacy among Canadian entrepreneurs and business owners*, December 2017, with the Telfer School of Management, University of Ottawa.
32. Intuit Canada and Angus Reid, release of January 16, 2013; BetaKit, « Intuit: almost 40% of Canadian entrepreneurs lack basic financial management knowledge », January 2015.
33. Scotiabank Women Initiative, *Closing Gender Gaps in Financing Canadian Small Businesses*, 2019 (Research Strategy Group; fieldwork October 18 to 29, 2019).

7.3 The general population

Region	Statistics Canada, 2009 data: average score (%)	CSA Investor Index, 2012: three questions right (%)
British Columbia	69.2 *	41.79 (with the territories)
Alberta	69.5 *	45.06 (Prairies)
Saskatchewan and Manitoba	67.3	
Ontario	67.1 (reference)	44.69
Québec	64.0 *	39.43
Atlantic Canada	64.0 *	36.93

Sources: Statistics Canada, Canadian Social Trends No. 91, « The financial knowledge of Canadians » (2011), Table 1, Canadian Financial Capability Survey 2009, ages 18 to 64, probability sample; * significantly different from Ontario ($p < 0.05$). Boisclair, Lusardi and Michaud, « Financial Literacy and Retirement Planning in Canada », NBER Working Paper 20297 (2014), Table 3, online panel of 6,911 Canadians (May 2012); provinces within each region not significantly different.

Both sources show an east-to-west gradient, but both are old, and the 2012 gaps largely shrink once education is controlled. The 2024 Canadian Financial Capability Survey (n = 7,963) relies on self-reported knowledge and publishes no regional results.[34]

7.4 Conclusions

- No reliable provincial ranking of owners' knowledge exists. The populations, years and instruments differ too much.
- The few objective regional comparisons, all older than 2018, tend to place Québec and Atlantic Canada below Ontario and the West. That is the opposite of the index's regional ranking, which reinforces the view that the index measures practices and context, not knowledge.
- Confidence is not knowledge: BDC, Scotiabank and the index itself all show the value of measuring self-rating, objective results and behaviour separately.
- The next useful step would be a representative test of owners, with objective questions on tax, payroll, sales tax and cash flow, broken down by province, size, sector and language.

34. Financial Consumer Agency of Canada, Canadian Financial Capability Survey 2024, descriptive report (Advanis, February 14 to March 22, 2024).

PART II

Province by Province

From the Pacific to the Atlantic, then the North: what the index can and cannot say about each province, and the tax rules that shape how its owners pay themselves, keep cash and sell.





PART II · PROVINCE BY PROVINCE

British Columbia

What the index can say

54.5
BC score, within a couple of points of Ontario and the Prairies (sub-sample n = 95)

40.0 %
Overconfident owners, essentially tied with Québec and Alberta (national 35.2 %)

16.0 %
BC's weight in the national population target

British Columbia is the one province besides Québec whose score the annual report publishes. At 54.5, it sits within a couple of points of Ontario and the Prairies. Its share of owners who rate themselves good or excellent while scoring below 60, 40.0 %, is essentially tied with Québec (39.4 %) and Alberta (38.6 %). As with every provincial figure, the gaps between regions are small relative to the uncertainty of a sub-sample, and Zenbooks itself warns against reading them as an established ranking.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	2 % on the first $500,000 of active business income
General corporate rate	12 %
Provincial tax at stake on income at the limit	$50,000 a year (10 % × $500,000)
Top combined personal rate	53.5 % (provincial top bracket from $265,545)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $341,063
Employer payroll tax	Employer Health Tax: exempt up to $1 million of BC payroll; 5.85 % on the amount between $1 million and $1.5 million; 1.95 % of total payroll above $1.5 million
Tax administration	Corporate income tax: CRA, under a collection agreement. GST 5 % (CRA) and PST 7 % (BC Ministry of Finance)

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Employer Health Tax: Government of British Columbia, « Employer health tax overview » (updated June 17, 2026). Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

The paradox. On the objective tests available, British Columbia does well: in the 2009 Statistics Canada data, its average score (69.2) was significantly higher than Ontario's, and in the 2017 BDC survey, owners in British Columbia and the North did best on the quiz (48 %, against 40 % in Ontario and 27 % in Québec). Yet its index score is no better than that of the other large provinces, and its overconfidence is in line with Québec and Alberta. Read with the same caution as Québec's lead, that contrast fits a central theme of this guide: the index measures practices and routines, not knowledge, and the two do not travel together.

Owner's pay. The Employer Health Tax applies to remuneration such as salaries and bonuses, and only above $1 million of payroll. For most owner-managed businesses in the index's range, it does not change the salary-or-dividend decision; the large gap between the 2 % and 12 % corporate rates matters more, because it rewards keeping income inside the corporation, which in turn feeds the reserves discussed in chapter 4.

Reserves. With a top personal rate of 53.5 %, the stakes of the capital gains exemption are among the highest in the country. A BC owner who keeps surplus cash in the operating company for years should review the 90 % and 50 % asset tests well before any sale.



PART II · PROVINCE BY PROVINCE

Alberta

What the index can say

38.6 %
Overconfident owners, as communicated to the author (sub-sample n = 77; national 35.2 %)

Prairies
Alberta is reported within the Prairie region, which carries 19.5 % of the population target

TRA
Alberta collects its own corporate income tax

The annual report does not publish a separate score for Alberta, which is part of the Prairie region. The one Alberta figure communicated to the author is the share of overconfident owners, 38.6 % (Alberta sub-sample n = 77), close to Québec (39.4 %) and British Columbia (40.0 %). Zenbooks reads these three figures as essentially tied.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	2 % on the first $500,000
General corporate rate	8 %, the lowest in Canada
Provincial tax at stake on income at the limit	$30,000 a year (6 % × $500,000)
Top combined personal rate	48.0 % (provincial top bracket from $370,220)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $306,000
Employer payroll tax	None
Tax administration	Corporate income tax: Alberta Tax and Revenue Administration (separate provincial return). GST 5 % (CRA); no provincial sales tax

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Alberta rates: Government of Alberta, « Taxes and levies overview »; the $500,000 limit is taken from TaxTips.ca, 2026. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

Question 13 in Alberta. Alberta is the only province other than Québec that does not have the CRA collect its corporate income tax. An Alberta corporation files a provincial return with Alberta's Tax and Revenue Administration, which can review and reassess it. The CRA still administers the feder-

al corporate tax, the GST and payroll deductions, so the effect is far smaller than in Québec, where Revenu Québec also administers the GST. But a question that names only the CRA will miss part of an Alberta corporation's dealings with the tax authorities. That is a testable hypothesis for the 2027 wave, if Alberta's cell is large enough.

Owner's pay. With no employer health tax and a narrow gap between the small business rate (2 %) and the general rate (8 %), Alberta offers the least tax pressure in favour of either salary or dividend. Whatever an Alberta owner's answer to question 6 means, it is less likely to reflect a provincial tax choice than elsewhere.

Knowledge and practice. In the 2009 Statistics Canada data, Alberta posted the highest average score in the country (69.5), significantly above Ontario. In the 2014 Intuit quiz, by contrast, Alberta owners were among the weakest, according to press reports. The evidence is too thin and too old to rank Alberta's owners either way.



PART II · PROVINCE BY PROVINCE

Saskatchewan

What the index can say

The index publishes no Saskatchewan figure. The province is part of the Prairie region, which is reportable as a whole; at the national sample size, a Saskatchewan cell would be too small to publish. Any statement about Saskatchewan owners drawn from the 2026 index would be speculation.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	1 % on the first $600,000, a limit above the federal $500,000
General corporate rate	12 %
Provincial tax at stake on income at the limit	$66,000 a year (11 % × $600,000)
Top combined personal rate	47.5 % (provincial top bracket from $155,805)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $302,813
Employer payroll tax	None
Tax administration	Corporate income tax: CRA. GST 5 % (CRA) and PST 6 % (Saskatchewan Ministry of Finance)

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

A higher provincial limit. Saskatchewan's small business limit of $600,000 exceeds the federal $500,000. Between the two limits, the corporation pays the federal general rate but still the provincial small business rate. The federal passive income grind (chapter 4) applies to the federal limit; whether the provincial limit is also reduced depends on provincial legislation and should be checked file by file.

Owner's pay. With no payroll tax, the salary-or-dividend choice turns mainly on personal planning: contributions to the Canada Pension Plan, RRSP room, and the integration of corporate and personal tax. The index cannot tell which of these drove an owner's answer.



PART II · PROVINCE BY PROVINCE

Manitoba

What the index can say

Like Saskatchewan, Manitoba has no separate result in the index; it is counted in the Prairie region. Its small business rate of 0 % makes it, on paper, the most generous province for income kept inside the corporation.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	0 % on the first $500,000
General corporate rate	12 %
Provincial tax at stake on income at the limit	$60,000 a year (12 % × $500,000)
Top combined personal rate	50.4 % (provincial top bracket from $100,000; Manitoba has paused bracket indexation since 2025)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $321,300
Employer payroll tax	Health and Post-Secondary Education Tax Levy: exempt up to $2.5 million of payroll; 4.3 % on the amount between $2.5 million and $5 million; 2.15 % of total payroll above $5 million
Tax administration	Corporate income tax: CRA. GST 5 % (CRA) and RST 7 % (Manitoba Finance)

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Levy rates: Manitoba Finance, Taxation Division; 2026 thresholds per the *Budget Implementation and Tax Statutes Amendment Act, 2025*, as reported by Bloomberg Tax. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

A strong incentive to retain income. A 0 % provincial rate on the first $500,000 makes retaining earnings in the corporation very attractive, and Manitoba's top personal bracket starts low, at $100,000. Both push owners to leave cash in the company. Those are precisely the conditions in which the reserves rewarded by questions 5 and 25 can grow beyond working-capital needs and threaten the capital gains exemption on a sale. The payroll levy, which only begins at $2.5 million of payroll, does not tilt the salary-or-dividend decision for most of the index's businesses.



PART II · PROVINCE BY PROVINCE

Ontario

What the index can say

32.8 %
Ontario owners who delayed their own pay (Québec 16.8 %; national 27.6 %)

75.4 %
Ontario owners who rate their finances good or excellent (Québec 86.2 %)

22.0 %
Ontario businesses reporting CRA contact in three years (national 18.0 %; Québec 9.8 %)

Ontario carries the largest weight in the index (37.5 % of the population target). Zenbooks publishes no Ontario score; its November 2026 response describes Ontario as « the next region » after Québec. The Ontario proportions above (Ontario sub-sample n = 243) were communicated to the author by Zenbooks (emails) or come from the data workbook Zenbooks supplied on October 27, 2026. Zenbooks notes that Québec's lead over Ontario is small relative to the uncertainty of the Québec sub-sample.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	3.2 % until June 30, 2026; 2.2 % from July 1, 2026 (enacted, prorated by days); limit $500,000. Ontario does not apply the federal passive income reduction to its limit
General corporate rate	11.5 %
Provincial tax at stake on income at the limit	About $44,000 for a 2026 calendar year (blended rate of about 2.70 %); $46,500 a year once the 2.2 % rate applies for a full year (9.3 % × $500,000)
Top combined personal rate	53.53 % (provincial top bracket from $220,000, with the Ontario surtax)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $341,254
Employer payroll tax	Employer Health Tax: $1 million exemption for employers with Ontario payroll of $5 million or less (shared among associated employers); rates from 0.98 % to 1.95 %
Tax administration	Corporate income tax: CRA. HST 13 % (CRA)

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Small business rate: *Plan to Protect Ontario Act (Budget Measures), 2026* (Bill 97), Sch. 15; Ontario 2026 Budget, Annex. Employer Health Tax: Government of Ontario,

« Employer Health Tax (EHT) » (updated September 18, 2026). Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

The delayed-pay gap. One Ontario owner in three delayed his or her own pay in the last 90 days, twice the Québec rate. The Québec edition offered a tax explanation for the gap: the 5,500-hour rule, which exists only in Québec. Zenbooks tested it and found that Québec owners delay less often in every size band, not mainly where the rule would apply. The tax explanation therefore does not, on its own, account for the Ontario-Québec gap. What remains plausible is that a larger share of Québec owners are on the payroll, for several reasons at once, and that an owner on the payroll has less room to skip a paycheque than an owner paid by annual dividend. A question on how owners are paid, which Zenbooks is considering for 2027, would settle it.

Question 13. Ontario's 22.0 % rate of CRA contact is above the national 18.0 %. Part of the gap with Québec (9.8 %) is mechanical: in Ontario, the CRA administers the provincial corporate income tax and the HST, so every review is a CRA review. In Québec, many are not.

2026 changes. The cut of the small business rate to 2.2 % from July 1, 2026 widens the gap with the general rate and the incentive to retain earnings. The 2026 Budget also announced a lower dividend tax credit on non-eligible dividends from January 1, 2027, which slightly increases the personal cost of paying an owner by dividend.



PART II · PROVINCE BY PROVINCE

Québec: summary of the French-language edition

The French-language edition, published on November 3, 2026, examined the Québec results in 41 pages through Québec tax law, case law, valuation and financial management. This chapter summarizes it in English and updates it in light of the Zenbooks response.

What the index says

59.8
Québec score, the highest regional estimate (national 56.7)

+5.3
Controlled advantage, concentrated in forecasting and decision-making; 4.0 with every challenged question removed

86.2 %
Owners who rate their finances good or excellent (Ontario 75.4 %)

39.4 %
Overconfident owners, among the highest (BC 40.0 %, Alberta 38.6 %)

16.8 %
Delayed their own pay in the last 90 days (Ontario 32.8 %)

9.8 %
Report CRA contact in three years (Ontario 22.0 %)

Source: Zenbooks Financial Clarity Index 2026, Québec sub-sample (n = 79; effective n of about 76 as computed by Zenbooks for this sub-sample, not by applying the national design effect; non-probability online panel, no margin of error). Proportions of 86.2 % and 39.4 %: confirmed by Eric Saumure, CPA, CA (emails of October 26 and November 2, 2026); not in the public workbook. Québec ranked first in 77 % of resampled draws.

The question the Québec edition asked

Are Québec small businesses better managed, or better framed? The edition's answer: the Québec owner is not necessarily more knowledgeable. He or she is more surrounded, more often checked, more often required to account for the numbers. Part of the score is borrowed from Québec's institutional and tax setting.

Four institutional explanations

- **Two tax administrations.** Québec is the only province with a fully separate tax administration. Its taxpayers file two income tax returns, and Revenu Québec administers the GST along with the QST. For a corporation, that means two returns, two sales tax regimes and more meetings with the accountant, which the index rewards in the forecasting dimension (question 10).

- **The question 13 artifact.** Because the question names only the CRA, only 9.8 % of Québec businesses report contact, against 22.0 % in Ontario, and a « no » earns 6 points more than a « yes ». Mechanically, that gap is worth about 0.7 index point to Québec (Annex B). Zenbooks reports that removing question 13 « barely moves » Québec's advantage, which confirms that the artifact is real but small.
- **The 5,500-hour rule.** Since 2017, a Québec corporation outside the primary and manufacturing sectors has full access to the provincial small business deduction only if its employees were paid for at least 5,500 hours in the year, with a linear reduction between 5,000 and 5,500 hours (*Taxation Act* (Québec), CQLR c. I-3, ss. 771.0.2.4 and 771.2.1.2.1). Only paid hours count, up to 40 hours a week per person; a shareholder holding more than 50 % of the votes is deemed an employee, and unpaid hours recorded in a register are deemed paid, within limits. For non-controlling owners, the rule creates a tax incentive to be paid by salary, which may make skipping a paycheque costlier. Zenbooks tested the explanation and found that Québec owners delay their pay less often in every size band, not mainly where the rule would apply. The rule may contribute; it cannot be the whole story.
- **A regulated advice culture and a stable business fabric.** The title of financial planner has long been regulated in Québec, and business creation and turnover are comparatively low, so firms are older. None of these is shown to cause the result; each can be tested.

The tax parameters

2026 parameter	Value
Small business rate and limit	3.2 %; 2.2 % for taxation years beginning after April 29, 2026 (announced in Bulletin 2026-3, not yet reflected in the statute as consolidated); limit $500,000, subject to the 5,500-hour rule
General corporate rate	11.5 %
Provincial tax at stake on income at the limit	$46,500 a year at 2.2 % (9.3 % × $500,000); $41,500 at 3.2 %
Top combined personal rate	53.31 % (Québec top bracket from about $132,245)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $339,851
Dividend tax credit on non-eligible dividends	3.42 % of the grossed-up amount; 2.69 % for dividends received after December 31, 2026 (Bulletin 2026-3). A dividend paid by December 31, 2026 keeps the current credit; Ontario lowers its credit on January 1, 2027 as well
Employer payroll tax	Health Services Fund contribution: 1.65 % for total payroll of $1 million or less in the service and construction sectors (a lower rate applies in the primary and manufacturing sectors), rising with payroll; other employer contributions (QPP, QPIP, CNT, CNESST)
Tax administration	Provincial income tax, QST 9.975 % and GST 5 %: Revenu Québec. Federal corporate income tax: CRA

Sources: Finances Québec, Bulletin d'information 2026-3 (April 29, 2026); CRA, « Corporation tax rates » (2026); top personal rate and threshold from TaxTips.ca, 2026; Health Services Fund rate from 2026 payroll summaries. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

What the evidence on literacy says

The premise that Québec owners know more does not hold as such. Objective tests tend to place Québec below the national average (Statistics Canada 2009 data: 64.0 against 67.1 in Ontario; CSA Investor Index 2012: 39.43 % against 44.69 %; BDC 2017: 27 % of Québec owners scored « excellent », against 40 % in Ontario), while some recent general-population studies give Québec a slight edge. A 2016 survey by the Québec order of accountants found that most respondents believed they could tell a tax credit from a deduction, but only 18 % answered correctly: the overconfidence the index measures in 2026 has a documented precedent in tax matters.[35]

Conclusions for Québec

- Québec's lead is the highest estimate, not an established ranking. With every challenged question removed, it falls to 4.0 points and its interval reaches zero.
- Part of the lead is mechanical (question 13) and part is institutional; the 5,500-hour rule, tested by Zenbooks, explains less than the Québec edition suggested.
- Confidence is not knowledge: Québec owners are the most confident in the country and among the most overconfident.
- The next useful step is a representative test of Québec owners, with objective questions on the small business deduction, GST and QST, payroll deductions, tax credits, cash flow and financial statements, broken down by size, sector, language and age.

35. CPA Québec and Léger, news release of November 1, 2016, « Quebecers overestimate their financial knowledge » (survey of 1,004 Québec adults, October 3 to 5, 2016).



PART II · PROVINCE BY PROVINCE

New Brunswick

What the index can say

The index publishes no figure for New Brunswick, or for any Atlantic province. The Atlantic region as a whole counts only 29 respondents, a cell Zenbooks labels directional. Nothing in the 2026 index supports a statement about New Brunswick owners specifically.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	2.5 % on the first $500,000
General corporate rate	14 %
Provincial tax at stake on income at the limit	$57,500 a year (11.5 % × $500,000)
Top combined personal rate	52.5 % (provincial top bracket from $193,861)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $334,688
Employer payroll tax	None
Tax administration	Corporate income tax: CRA. HST 15 % (CRA). New Brunswick does not apply the federal passive income reduction to its limit

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

A single administration. In New Brunswick, as in the other Atlantic provinces and Ontario, the CRA administers the provincial corporate income tax and the HST. A question that names only the CRA captures the whole of a business's contact with the tax authorities, which makes question 13 more comparable there than in Québec or Alberta. Its 11.5-point gap between the small business and general rates also strongly rewards retained income, and with it the reserves discussed in chapter 4.

Knowledge. In both regional sources, Atlantic Canada sits at the bottom: 64.0 in the 2009 Statistics Canada data, and 36.93 % answering all three questions correctly in the 2012 CSA data. Small samples make both readings fragile.



PART II · PROVINCE BY PROVINCE

Nova Scotia

What the index can say

No Nova Scotia figure is published; the province falls within the thin Atlantic cell (n = 29), which can only be read as directional.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	1.5 % on the first $700,000, the highest limit in Canada
General corporate rate	14 %
Provincial tax at stake on income at the limit	$87,500 a year (12.5 % × $700,000)
Top combined personal rate	54.0 % (provincial top bracket from $157,124)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $344,250
Employer payroll tax	None
Tax administration	Corporate income tax: CRA. HST 14 % since April 1, 2025 (CRA)

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

The strongest incentive to retain earnings. With a $700,000 provincial limit and a 12.5-point gap with the general rate, Nova Scotia offers the largest provincial tax advantage on retained active income in the country, and one of the highest top personal rates (54.0 %). That combination pushes owners to leave cash in the corporation and to draw only what they need. It is exactly the profile in which reserves can drift beyond working-capital needs, and in which a sale years later reveals a purification problem.

Owner's pay. Above the federal $500,000, the corporation pays the federal general rate while keeping the provincial small business rate up to $700,000. Paying a salary to bring income down to the federal limit is a classic planning step; it also gives the owner a regular paycheque, which the index rewards.



PART II · PROVINCE BY PROVINCE

Prince Edward Island

What the index can say

Prince Edward Island has no separate result in the index. With the Atlantic region at 29 respondents in total, its owners are, at best, a handful of rows in the data.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	1 % on the first $600,000 (limit raised July 1, 2025)
General corporate rate	15 % (since July 1, 2025)
Provincial tax at stake on income at the limit	$84,000 a year (14 % × $600,000)
Top combined personal rate	53.0 % (new 20 % provincial bracket above $200,000 for 2026, subject to the passage of Bill No. 23)
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $337,875
Employer payroll tax	None
Tax administration	Corporate income tax: CRA. HST 15 % (CRA)

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. The new top bracket appears in the CRA 2026 tables; it follows the province's 2026 budget. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

A wide rate gap. The gap between the 1 % small business rate and the 15 % general rate, 14 points, is the widest in Canada. As in Nova Scotia, it strongly rewards retained earnings, with the same consequences for reserves and the capital gains exemption.

A higher top rate. The new top personal bracket brings the combined rate to 53.0 %, which raises the value of the exemption for an Island owner preparing a sale, and the cost of losing it.



PART II · PROVINCE BY PROVINCE

Newfoundland and Labrador

What the index can say

Newfoundland and Labrador has no separate result in the index; it falls within the directional Atlantic cell.

The tax parameters that matter

2026 parameter	Value
Small business rate and limit	2.0 % from January 1, 2026 (2.5 % before); limit $500,000. Further cuts to 1.5 % in 2027 and 1 % in 2028 have been announced
General corporate rate	15 %
Provincial tax at stake on income at the limit	$65,000 a year (13 % × $500,000)
Top combined personal rate	54.8 %, the highest in Canada, but only above $1,141,275 of income
Tax avoided by the capital gains exemption (2026 limit, upper bound)	about $349,350 at the top rate; less for most owners, whose income stays below the top bracket
Employer payroll tax	Health and Post-Secondary Education Tax: 2 % on payroll above a $2 million exemption
Tax administration	Corporate income tax: CRA. HST 15 % (CRA)

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Payroll tax: Government of Newfoundland and Labrador, Department of Finance. Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

The top rate needs a caveat. The province's top combined rate is the highest in the country, but its top bracket starts above $1.1 million of income. For an owner selling shares, the taxable half of a $1,275,000 gain ($637,500) would be taxed at several rates; the figure in the table is therefore an upper bound, more so here than anywhere else.

Owner's pay. The payroll tax starts at $2 million of payroll, so it does not affect the salary-or-dividend choice of most owner-managed businesses. The falling small business rate, on the other hand, increases the reward for retaining income in the corporation over the next two years.



PART II · THE NORTH

The territories: Yukon, Northwest Territories, Nunavut

What the index can say

Nothing, and the authors say so. The territories counted three respondents; they are kept in the weighting (0.3 % of the target) but are not reported.[36] Any territorial reading of the 2026 index would be invention.

The tax parameters that matter

2026 parameter	Yukon	Northwest Territories	Nunavut
Small business rate (limit $500,000)	0 %	2 %	3 %
General corporate rate	12 %	11.5 %	12 %
Top combined personal rate	48.0 % (from $500,000)	47.05 %	44.5 %, the lowest in Canada
Tax avoided by the exemption (upper bound)	about $306,000	about $299,944	about $283,688
Payroll tax	None	2 % withheld from employees' pay	2 % withheld from employees' pay
Administration	Corporate income tax: CRA. GST 5 % only (CRA)		

Sources: CRA, « Corporation tax rates » and « Canadian income tax rates for individuals, current and previous years » (2026); combined top personal rates from TaxTips.ca, 2026 tables (revised October 5, 2026), cross-checked against KPMG 2026. Payroll tax: Government of Nunavut, payroll tax guide (October 2025). Federal rates: 9 % small business rate and 15 % general rate, CRA « Corporation tax rates » (2026); federal top rate 33 % above $258,482.

Reading the index in light of the law

The payroll taxes of the Northwest Territories and Nunavut are withheld from the employee's pay, so they do not make a salary costlier for the corporation. A territorial reading of the index will remain out of reach unless the sample grows well beyond its planned size.

36. Saumure, Annual Report, supra, « Publishing thresholds ».

PART III

Tools

A reading grid for the practitioner, the table of authorities, the calculations behind the figures, and a directory of Canadian surveys.

SYNTHESIS

8 A reading grid for the practitioner

The table links each index question discussed in this guide to the authority that governs it and to the check a buyer, a valuator or an auditor would actually run.

Index question	What the buyer or the tax authority checks	Main authorities
Q1, Q16 to Q18: bookkeeping, systems	Reliability and evidentiary value of the books; ability to rebuild earnings	ITA s. 230(1); ETA s. 286; CRA Audit Manual 13.4.1; Bigayan; Johnston; Hickman Motors
Q5 and Q25: reserves, emergency fund	Cash tied to a definite obligation, or surplus; qualification for the exemption; passive income and the business limit	ITA ss. 110.6(1), 248(1), 125(5.1)(b); Folio S4-F8-C1; Ensite; CRA 2001-0091785
Q6: owner's delayed pay	Market salary normalized; form of payment; provincial payroll taxes; in Québec, paid hours	IC89-3, para 16(r); ITA s. 67; Gabco; Safety Boss; Taxation Act (Québec), s. 771.2.1.2.1
Q12: business value	Conclusion as a range; notional market; quality of the evidence	Henderson and Nash; Mann Estate; IC89-3; Roher (FCA); CBV Practice Standard No. 100
Q13: tax authority contact	Outcome of the review; which administration (CRA, Revenu Québec, Alberta TRA)	Johnston; Hickman Motors; ITA ss. 163(2) and (3); Venne; Khanna
Sale: purification	Purpose of the dividend; reorganization; surplus stripping	ITA ss. 55(2), 84(2), 84.1, 245; CRA 2017-0724021C6; MacDonald; Copthorne; Deans Knight; D'Arcy; Gwartz; Wild

ANNEX

A Table of authorities

The status column states how each passage was read: in the primary source, or as quoted in another English-language decision or document. Short quotations should be re-read in the full text before they are used in advice to a client.

A.1 Legislation

Text	Subject	Status
Income Tax Act, s. 110.6(1), « qualified small business corporation share »; s. 110.6(2.1)	Exemption criteria and deduction	Primary source (Justice Laws, current to October 2026)
Income Tax Act, s. 248(1), « small business corporation »	All or substantially all test	Primary source (consolidation to March 31, 2026)
Income Tax Act, para. 125(5.1)(b)	Business limit reduction for passive income	Primary source (consolidation to March 31, 2026)
Income Tax Act, s. 230(1) and para. 230(4)(b)	Books and records; retention	Primary source
Income Tax Act, ss. 163(2) and 163(3)	Gross negligence; Minister's burden	Primary source
Excise Tax Act, s. 286	GST/HST records	Primary source
Taxation Act (Québec), ss. 771.0.2.4 and 771.2.1.2.1	5,500-hour rule	Primary source (Québec edition)
Plan to Protect Ontario Act (Budget Measures), 2026, Sch. 15	Ontario small business rate of 2.2 %	Primary source (Legislative Assembly of Ontario)

A.2 Case law (English-language decisions)

Decision	Principle	Status
Johnston v. M.N.R., [1948] S.C.R. 486	Taxpayer's burden to demolish the assumptions	As quoted in Cerny (Ex. Ct., 1954)
Ensite Ltd. v. The Queen, [1986] 2 S.C.R. 509	Property employed and risked in the business	As applied by the CRA
Hickman Motors Ltd. v. Canada, [1997] 2 S.C.R. 336	Prima facie case shifts the burden	Paragraphs 92 to 94 confirmed; cited for the proposition
Copthorne Holdings Ltd. v. Canada, 2011 SCC 63	Abuse under the GAAR	Full-text reproduction, para 72
Deans Knight Income Corp. v. Canada, 2023 SCC 16	Three-step GAAR framework	Primary source, para 51
Minister of Finance v. Mann Estate, [1972] 5 W.W.R. 23 (B.C.S.C.), aff'd (B.C.C.A.) and (S.C.C., 1974)	Definition adopted by IC89-3	Cited for the proposition; wording read in IC89-3
Gabco Ltd. v. M.N.R., [1968] 2 Ex. C.R. 511	Reasonable owner-manager pay	Primary source, p. 522
Henderson Estate and Bank of New York v. M.N.R., 73 DTC 5471 (F.C.T.D.)	Fair market value	As quoted in Nash

Venne v. The Queen, 84 DTC 6247 (F.C.T.D.)	Gross negligence	As quoted in Khanna, para 7
Canada (Attorney General) v. Nash, 2005 FCA 386	Adopts Henderson	Para 8, as quoted in later decisions
The Queen v. MacDonald, 2013 FCA 110	Subsection 84(2)	Primary source, paras 28 and 29
Canada v. Melman, 2017 FCA 83	Gross negligence test	Full-text reproduction, para 4
Wild v. Canada (Attorney General), 2018 FCA 114	No abuse of 84.1 without distribution	Full-text reproduction, para 32
Roher v. The Queen, 2019 FCA 313	Value is a question of fact	Primary source, para 22
Khanna v. Canada, 2022 FCA 84	Wilful blindness and evidence	Full-text reproduction, paras 7 and 27
Safety Boss Ltd. v. The Queen, 2000 DTC 1767 (T.C.C.)	Shareholder-manager bonus; s. 69(2) and s. 67	Full-text reproduction
Bigayan v. The Queen, 2000 DTC 1619 (T.C.C.); Ramey v. The Queen, 93 DTC 791	Net worth method	As quoted in Ohayon, 2010 TCC 25, and Docherty, 2010 TCC 45
Zeller Estate v. The Queen, 2009 TCC 135	Expert bias; normalization	Primary source (reasons on costs)
Gwartz v. The Queen, 2013 TCC 86	Surplus stripping not abusive in itself	Primary source, para 50
D'Arcy v. The King, 2025 TCC 128	GAAR applied to 84.1 and the exemption	Primary source, paras 32 and 39

A.3 Administrative doctrine and professional standards

Document	Subject	Status
CRA, IC89-3, Policy Statement on Business Equity Valuations (August 25, 1989)	Fair market value; documents requested	Primary source, paras 3(a), 16(r), 18
CRA, Income Tax Folio S4-F8-C1, para 1.15	All or substantially all: 90 %	Primary source
CRA, technical interpretation 2001-0091785 (March 7, 2002)	Cash linked to a business obligation	Reproduction of the CRA letter
CRA, technical interpretation 2017-0717561E5 (January 25, 2018)	Cash above working-capital needs (registered plan context)	Reproduction of the CRA letter
CRA, 2017 CTF Round Table, Q. 3, document 2017-0724021C6	Purification dividends and subsection 55(2)	Reproduction of the CRA document
CRA, Income Tax Audit Manual (September 2020), section 13.4	Net worth technique	Primary source (author's library)
CRA, 2026 indexation of personal amounts	Exemption limit of $1,275,000	Primary source
CBV Institute, Practice Standard No. 100 (effective January 1, 2026)	Conclusion as a range	Primary source

ANNEX

B Calculations

B.1 Tax avoided by the capital gains exemption at the 2026 limit

Formula: $1,275,000 × 50 % (inclusion rate) × top combined marginal rate on ordinary income. The figure is an upper bound: it ignores the alternative minimum tax and assumes the whole taxable gain would be taxed at the top rate.

Jurisdiction	Top combined rate	Rate on capital gains	Tax avoided (upper bound)
Newfoundland and Labrador	54.80 %	27.40 %	$349,350
Nova Scotia	54.00 %	27.00 %	$344,250
Ontario	53.53 %	26.77 %	$341,254
British Columbia	53.50 %	26.75 %	$341,063
Québec	53.31 %	26.66 %	$339,851
Prince Edward Island	53.00 %	26.50 %	$337,875
New Brunswick	52.50 %	26.25 %	$334,688
Manitoba	50.40 %	25.20 %	$321,300
Alberta	48.00 %	24.00 %	$306,000
Yukon	48.00 %	24.00 %	$306,000
Saskatchewan	47.50 %	23.75 %	$302,813
Northwest Territories	47.05 %	23.53 %	$299,944
Nunavut	44.50 %	22.25 %	$283,688

B.2 Provincial tax at stake on active income at the provincial limit

Formula: (provincial general rate − provincial small business rate) × provincial business limit. It measures the annual provincial tax saved by the small business rate, not the federal saving, which is (15 % − 9 %) × $500,000 = $30,000 everywhere.

Province	General	Small business	Limit	Annual provincial gap
Nova Scotia	14 %	1.5 %	$700,000	$87,500
Prince Edward Island	15 %	1 %	$600,000	$84,000
Saskatchewan	12 %	1 %	$600,000	$66,000
Newfoundland and Labrador	15 %	2 %	$500,000	$65,000

Manitoba	12 %	0 %	$500,000	$60,000
New Brunswick	14 %	2.5 %	$500,000	$57,500
British Columbia	12 %	2 %	$500,000	$50,000
Ontario (full year at 2.2 %)	11.5 %	2.2 %	$500,000	$46,500
Québec (announced rate; subject to 5,500 hours)	11.5 %	2.2 %	$500,000	$46,500
Alberta	8 %	2 %	$500,000	$30,000

B.3 Other figures

Calculation	Formula	Result
Passive income that eliminates the federal business limit	$500,000 ÷ 5 + $50,000	$150,000
Mechanical effect of question 13, Québec against Ontario	(22.0 % − 9.8 %) × 6 points	≈ 0.73 point
Mechanical effect of question 6, Québec against Ontario	(32.8 % − 16.8 %) × 4 points	≈ 0.64 point

Assumptions: the mechanical effects assume that a gap in proportions between two provinces passes point for point to the index average; they ignore Zenbooks' weighting and controls. Zenbooks' own re-run (chapter 2), which removes the questions rather than estimating them, is the better measure.

ANNEX

C Directory of Canadian surveys

« Objective » means success is measured by questions with a right answer; « self-report » means the respondent reports confidence, knowledge or behaviour. National margins of error must not be applied to provincial sub-samples.

Survey and fieldwork	Population and method	Instrument	Benchmark results	Main limits
Zenbooks Financial Clarity Index, April 20 to May 19, 2026	565 SME owners and decision-makers; Cint online panel, raked	25 scored practice items	National 56.7; Québec 59.8; BC 54.5; Atlantic n = 29; territories n = 3	Non-probability; associations only
BDC, December 5 to 17, 2023	634 owners and decision-makers; online panel	10-question quiz and self-report	83 % at least 7/10; 63 % self-rated knowledgeable	No regional results
BDC and Telfer, October 17 to 29, 2017	892 owners, BDC ViewPoints panel	10-question quiz	Excellent (9 or 10/10): BC and North 48 %, Ontario 40 %, Québec 27 %	No Prairie or Atlantic result
Intuit and Vision Critical, November 20 to 28, 2014	683 owners; online panel with provincial oversamples	10-question quiz	39 % failed; Québec and Alberta weakest, per press reports	Provincial sub-samples not disclosed
Intuit and Angus Reid, 2012	501 owners; online panel	10-question quiz	44 % scored 0 to 4; 2 % scored 9 or 10	No regional results
Scotiabank Women Initiative, October 18 to 29, 2019	1,000 owners; online	20-item quiz and self-report	Women 56 % more likely below average after controls	Gender focus; no regional results
Statistics Canada, CFCS 2009 (published 2011)	15,519 adults; analysis of 8,319 aged 18 to 64; probability sample	14-question quiz	National 67 %; Atlantic 64.0, Québec 64.0, Ontario 67.1, SK/MB 67.3, BC 69.2, Alberta 69.5	General population; old data
CSA Investor Index, May 2012 (NBER WP 20297)	6,911 adults; online panel	3 questions	42.46 % all right; Atlantic 36.93, Québec 39.43, BC and territories 41.79, Ontario 44.69, Prairies 45.06	Three notions only; gaps shrink with education controls
FCAC, CFCS 2024, February 14 to March 22, 2024	7,963 adults; probability-based	Self-report	Self-rated knowledge and skills; 35 % sought advice	No regional results; not a quiz
CPA Québec and Léger, October 3 to 5, 2016	1,004 Québec adults; web	6 applied notions	Credit versus deduction answered correctly by 18 %	Québec only; general population

NOTICES

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Laws, regulations, rates, thresholds, limits and administrative positions change, sometimes retroactively. Some measures described here have been announced but not enacted, and the tax rates and figures are stated as of November 4, 2026. Figures drawn from secondary sources are identified as such. The positions of the Canada Revenue Agency, Revenu Québec and other provincial administrations do not bind the courts. Quotations are short and must be read in the full text of their source before being relied upon.

The data of the Zenbooks Financial Clarity Index 2026 belong to Zenbooks and are reproduced under its citation rules. They are statistical associations drawn from a non-probability online panel, not cause-and-effect relationships, and provincial figures rest on small sub-samples. Calculations in Annex B are illustrations based on stated assumptions; they are not estimates of any person's tax.

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