

2018 Issue No. 5
9 February 2018

Tax Alert – Canada

Northwest Territories budget 2018-19

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“The budget I am presenting today has \$84 million less revenue than what we had at the start of this Assembly. This decline over a three-year period is unprecedented in the history of our government and underscores the need for the steps we have had to take.

“When we set our fiscal objectives we knew that achieving them would require difficult choices. We believe that in the medium term we will start to see modest revenue increases, but we will need to continue to manage our financial resources very carefully so that we do not compromise our ability to deliver quality programs and services and our ability to take steps to address the issues we face as a territory.”

*Northwest Territories Finance Minister Robert C. McLeod
2018-19 budget speech*

On 8 February 2018, Northwest Territories Finance Minister Robert C. McLeod tabled the territory’s fiscal 2018-19 budget. The budget contains no new taxes and no tax increases, although detailed proposals will be developed during 2018-19 to implement a land transfer tax.

The minister proposes operating expenditures of \$1.71 billion and forecasts revenues of \$1.75 billion. After adjusting for infrastructure contributions and supplementary reserve requirements, the budget projects an operating surplus of \$23 million for 2018-19.

Following is a brief summary of the key tax measures.



Business tax measures

Corporate tax rates

No changes are proposed to the corporate tax rates or the \$500,000 small-business limit.

The Northwest Territories' 2018 and 2019 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2018		2019	
	NWT	Federal and NWT combined	NWT	Federal and NWT combined
Small-business tax rate*.**	4.0%	14.0%	4.0%	13.0%
General corporate tax rate	11.5%	26.5%	11.5%	26.5%

* The small-business rate is prorated based on a 31 December year end.

** On 24 October 2017, the federal government tabled a notice of ways and means motion to implement reductions in the small-business corporate income tax rate, which were announced on 16 October 2017. The federal small-business rate is reduced from 10.5% to 10.0% effective 1 January 2018 and will be further reduced to 9.0% effective 1 January 2019.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2018 Northwest Territories' personal tax rates are summarized in Table B.

Table B: 2018 Northwest Territories personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$42,209	\$42,210 to \$84,420	\$84,421 to \$137,248	Above \$137,248
5.90%	8.60%	12.20%	14.05%

For taxable income in excess of \$137,248, the 2018 combined federal-Northwest Territories personal income tax rates are outlined in Table C.

Table C: Combined 2018 federal and Northwest Territories personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$137,249 to \$144,489	40.05%	18.67%	27.86%
\$144,490 to \$205,842	43.05%	22.81%	31.34%
Above \$205,842	47.05%	28.33%	35.98%

*The rate on capital gains is one-half the ordinary income tax rate.

Other tax measures

Property and education mill rates

In keeping with the existing indexation policy, property and education mill rates will be adjusted for inflation, effective 1 April 2018.

Land transfer tax

Detailed proposals to implement a land transfer tax similar to other jurisdictions will be developed during 2018-19. The tax is anticipated to raise \$3.1 million annually. Budget 2018-19 announces that the tax could be structured progressively by levying a smaller percentage on property of lower value.

Sugary drinks tax

The sugary drinks tax first announced in the 2017-18 budget (with the intent to be implemented in 2018-19) will continue to be investigated. Budget 2018-19 states the government's intention to continue to work with stakeholders on a proposed approach and to get feedback from residents.

Carbon pricing

The Northwest Territories' plans for carbon pricing will be announced later this year, as well as appropriate offsets to mitigate the effects of such pricing on the cost of living and doing business in the territory.

Learn more

For more information, please contact your EY or EY Law advisor.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY's Tax Services

EY's tax professionals across Canada provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We offer a range of tax-saving services backed by in-depth industry knowledge. Our talented people, consistent methodologies and unwavering commitment to quality service help you build the strong compliance and reporting foundations and sustainable tax strategies that help your business achieve its potential. It's how we make a difference.

For more information, visit ey.com/ca/tax.

About EY Law LLP

EY Law LLP is a national law firm affiliated with EY in Canada, specializing in tax law services, business immigration services and business law services.

For more information, visit eylaw.ca.

About EY Law's Tax Law Services

EY Law has one of the largest practices dedicated to tax planning and tax controversy in the country. EY Law has experience in all areas of tax, including corporate tax, human capital, international tax, transaction tax, sales tax, customs and excise.

For more information, visit <http://www.eylaw.ca/taxlaw>

© 2018 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact EY or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.