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Tax Alert – Canada

Nunavut 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.

“Mr. Speaker, running back-to-back fiscal deficits is manageable, but not something we plan to sustain.

“To continue adding necessary new programs and initiatives, we must question which programs we can eliminate, which costs we can reduce, and how we can raise new revenues.

“Departments and territorial corporations are developing the initiatives that will enable us to achieve our mandate. Some of the early actions will be supported by this budget. Others will be included in the business plans and budget for next fiscal year and within the term of this Assembly.”

*Nunavut Finance Minister David Akeeagok
2018-19 budget speech*

On 28 May 2018, Nunavut Finance Minister David Akeeagok tabled the territory’s fiscal 2018-19 budget. The budget contains no new taxes and no tax increases.

The minister anticipates a fiscal deficit of \$39 million for 2017-18, and projects a fiscal deficit for \$28 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.

Nunavut's 2018 and 2019 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2018		2019	
	Nunavut	Federal and Nunavut combined	Nunavut	Federal and Nunavut combined
Small-business tax rate*, **	4%	14%	4%	13%
General corporate tax rate	12%	27%	12%	27%

* 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 Nunavut personal tax rates are summarized in Table B.

Table B: 2018 Nunavut personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$44,437	\$44,438 to \$88,874	\$88,875 to \$144,488	Above \$144,488
4.00%	7.00%	9.00%	11.50%

For taxable income in excess of \$93,208, the 2018 combined federal-Nunavut personal income tax rates are outlined in Table C.

Table C: Combined 2018 federal and Nunavut personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$93,209 to \$144,489	35.00%	19.97%	25.76%
\$144,490 to \$205,842	40.50%	27.56%	32.14%
Above \$205,842	44.50%	33.08%	36.78%

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

Fuel tax

The minister announced the end of the fuel tax rebate for mining exploration. The rebate will be replaced by a program administered by the Department of Economic Development and

Transportation to assist companies involved in mining exploration to engage more effectively with communities. The department will receive \$3.3 million over three years.

Other tax measures

Carbon tax

The minister announced that Nunavut does not intend to administer a territorial carbon tax. The federal backstop carbon pricing system will therefore be applicable in Nunavut.

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