

2019 Issue No. 1
7 February 2019

Tax Alert – Canada

Northwest Territories budget 2019-20

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 fiscal plan we have followed over the past three budgets has allowed us to achieve substantial progress on the Assembly’s priorities and make inroads into our long list of infrastructure needs. Our measures to re-allocate resources and find savings have let us build for the future, even with the \$81 million decline in our revenue over the last two years.

“[W]e propose to invest \$70 million for new initiatives and \$17 million to enhance or maintain existing programs. The new spending will be offset through \$20 million in savings and \$30 million in new revenue from federal sources and the new carbon tax.”

*Northwest Territories Finance Minister Robert C. McLeod
2019-20 budget speech*

On 6 February 2019, Northwest Territories Finance Minister Robert C. McLeod tabled the territory’s fiscal 2019-20 budget. The budget contains no new taxes other than the cannabis excise tax and the carbon tax, both of which had already been announced, and contains no increases in the existing taxes.

The minister proposes operating expenditures of \$1.8 billion and forecasts revenues of \$1.9 billion. After adjusting for infrastructure contributions and supplementary reserve requirements, the budget projects an operating surplus of \$60 million for 2019-20.

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 2019 corporate tax rates are summarized in Table A.

Table A - Corporate tax rates

| | 2019 | |
|-----------------------------|--------|--------------------------|
| | NWT | Federal and NWT combined |
| Small-business tax rate* ** | 4.00% | 13.00% |
| General corporate tax rate | 11.50% | 26.50% |

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

** The federal small-business rate was reduced from 10.00% to 9.00% effective 1 January 2019.

Personal tax

Personal income tax rates

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

The 2019 Northwest Territories personal income tax rates are summarized in Table B.

Table B - 2019 Northwest Territories personal tax rates

| First bracket rate | Second bracket rate | Third bracket rate | Fourth bracket rate |
|--------------------|----------------------|-----------------------|---------------------|
| \$0 to \$43,137 | \$43,138 to \$86,277 | \$86,278 to \$140,267 | Above \$140,267 |
| 5.90% | 8.60% | 12.20% | 14.05% |

For taxable income in excess of \$140,267, the 2019 combined federal and Northwest Territories personal income tax rates are outlined in Table C.

Table C - Combined 2019 federal and Northwest Territories personal tax rates

| Bracket | Ordinary income* | Eligible dividends | Non-eligible dividends |
|------------------------|------------------|--------------------|------------------------|
| \$140,268 to \$147,667 | 40.05% | 18.67% | 28.77% |
| \$147,668 to \$210,371 | 43.05% | 22.81% | 32.22% |
| Above \$210,371 | 47.05% | 28.33% | 36.82% |

*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 2019.

Sugary drinks tax

In January 2019, the Department of Finance released for public consultation a discussion paper on the proposed implementation of a tax on all sugar-sweetened beverages, which was first announced in the 2017-18 budget. The 2019-20 budget indicates that a report detailing the findings on these consultations will be released to the public later in the year.

Carbon pricing

On 11 July 2018, the Government of the Northwest Territories released its planned approach to implement carbon pricing including introducing a carbon tax on fuels effective 1 July 2019 as well as various full or partial rebates and benefits to return most of the carbon tax revenue into the economy.

The minister indicated that the legislation to levy this previously announced Northwest Territories carbon tax will be introduced this session.

Out of the \$16.2 million in carbon tax revenue expected in 2019-20, the budget estimates that almost \$7 million will be returned to residents and businesses through the full rebate of the tax paid on heating fuel and fuel used to generate electricity, and the cost of living offset benefit program for individuals. Large emitters are expected to receive about \$5 million in carbon tax partial rebates and through individualized trusts that can be used to make investments that reduce greenhouse gas emissions.

Learn more

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