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# Tax Alert – Canada

## Northwest Territories budget 2023-24

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.

“This Budget comes as we maintain stability across the Northwest Territories economy during ongoing times of volatility and uncertainty. We successfully managed to avoid reductions to the public service or to the programs and services that public servants provide.”

“In this Budget, we show both responsiveness to the needs of the Northwest Territories and responsible fiscal management through a right-sized approach that recognizes needs and opportunities as well as our capacity to attain them.”

*Northwest Territories Finance Minister Caroline Wawzonek  
2023-24 budget speech*

On 8 February 2023, Northwest Territories Finance Minister Caroline Wawzonek tabled the territory’s fiscal 2023-24 budget. The budget contains no new taxes and no income tax increases.

The minister anticipates an operating surplus of \$40 million for 2022-23 and projects an operating surplus of \$178 million for 2023-24.

Following is a brief summary of the key tax measures.

## Business tax measures

### Corporate income tax rates

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

The Northwest Territories 2023 corporate income tax rates are summarized in Table A.

**Table A - 2023 Northwest Territories corporate income tax rates<sup>1</sup>**

	NWT	Federal and NWT combined
Small-business tax rate <sup>2</sup>	2.00%	11.00%
General corporate tax rate <sup>2, 3</sup>	11.50%	26.50%

<sup>1</sup> The rates represent calendar-year-end rates unless otherwise indicated.

<sup>2</sup> The corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% small-business corporate income tax rate.

<sup>3</sup> An additional tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members), effective for taxation years ending after 7 April 2022 (prorated for taxation years straddling this effective date).

## Personal tax

### Personal income tax rates

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

The 2023 Northwest Territories personal income tax rates are summarized in Table B.

**Table B - 2023 Northwest Territories personal income tax rates**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$48,326	\$48,327 to \$96,655	\$96,656 to \$157,139	Above \$157,139
5.90%	8.60%	12.20%	14.05%

For taxable income in excess of \$157,139, the 2023 combined federal-Northwest Territories personal income tax rates are outlined in Table C.

**Table C - Combined 2023 federal and Northwest Territories personal income tax rates**

Bracket	Ordinary income <sup>1</sup>	Eligible dividends	Non-eligible dividends
\$157,140 to \$165,430	40.05%	18.67%	28.77%
\$165,431 to \$235,675 <sup>2</sup>	43.37%	23.25%	32.59%
Above \$235,675	47.05%	28.33%	36.82%

<sup>1</sup> The rate on capital gains is one-half the ordinary income tax rate.

<sup>2</sup> The federal basic personal amount comprises two elements: the base amount (\$13,521 for 2023) and an additional amount (\$1,479 for 2023). The additional amount is reduced for individuals with net income in excess of \$165,430 and is fully eliminated for individuals with net income in excess of \$235,675. Consequently, the additional amount is clawed back on net income in excess of \$165,430 until the additional tax credit of \$222 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$165,431 and \$235,675.

## Other tax measures

### Property tax

In keeping with the existing indexation policy, property mill rates will be adjusted for inflation.

### Carbon pricing

The Northwest Territories will be debating increasing its carbon tax in line with the upcoming federally mandated carbon tax rate increase to \$65 (from \$50) per carbon-equivalent tonne of greenhouse gas emissions. If, on 1 April 2023, the Northwest Territories raises its carbon tax, it will also increase the Northwest Territories cost of living offset amounts.

On the other hand, if the Northwest Territories decides not to raise its carbon tax, the federal backstop system will apply and carbon tax revenues generated in the territory will be distributed through federal programs.

### Learn more

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