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Tax Alert – Canada

Northwest Territories budget 2020-21

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.

“Budget 2020 is a first step on a path towards our priorities, one for which we build relationships within our government, with our communities, and between governments.

This Budget proposes to spend almost \$1.9 billion on programs and services in the coming year and sets out further fiscal steps that will support progress on all 22 priorities. This Budget is a foundation upon which we will create and build.”

*Northwest Territories Finance Minister Caroline Wawzonek
2020-21 budget speech*

On 25 February 2020, Northwest Territories Finance Minister Caroline Wawzonek tabled the territory's fiscal 2020-21 budget. The budget contains no new taxes and no tax increases.

The minister anticipates an operating budget deficit of \$70 million for 2019-20 and projects an operating budget surplus of \$203 million for 2020-21 and declining surpluses for each of the next three years.

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' 2020 corporate tax rates are summarized in Table A.

Table A - 2020 Northwest Territories corporate tax rates

	2020	
	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.

Personal tax

Personal income tax rates

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

The 2020 Northwest Territories personal tax rates are summarized in Table B.

Table B - 2020 Northwest Territories personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$43,957	\$43,958 to \$87,916	\$87,917 to \$142,932	Above \$142,932
5.90%	8.60%	12.20%	14.05%

For taxable income in excess of \$142,932, the 2020 combined federal-Northwest Territories personal income tax rates are outlined in Table C.

Table C - Combined 2020 federal and Northwest Territories personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$142,933 to \$150,473	40.05%	18.67%	28.77%
\$150,474 to \$214,368**	43.27%	23.12%	32.48%
Above \$214,368	47.05%	28.33%	36.82%

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

**An additional federal basic personal amount may be available for individuals with taxable income below \$214,368. The additional tax credit is \$140 for individuals with taxable income below \$150,474; this additional amount is gradually phased out for individuals with taxable income between \$150,474 and \$214,368, resulting in an additional 0.22% to 0.30% of federal income tax on taxable income in this bracket.

Other tax measures

Property mill rates

In keeping with the existing indexation policy, property mill rates will be adjusted for inflation, effective 1 April 2020.

Carbon pricing

Given the upcoming federally mandated carbon tax rate increase to \$30 per carbon-equivalent tonne of greenhouse gas emissions effective 1 July 2020, the budget proposes to increase the Northwest Territories' cost of living offset benefit to \$156 per year for an individual and to \$180 per year for a child, effective 1 July 2020.

The budget proposes \$10.6 million in spending for residents and businesses for the cost of living offset, heating fuel rebates, large emitters' rebates and grants, and rebates for electricity producers to mitigate the carbon tax impact.

Learn more

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