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# Tax Alert – Canada

## Yukon 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.

“True to our commitment to Yukoners, we have balanced the budget - and have done so a full year ahead of schedule. Returning to a surplus reflects our commitment to sound fiscal management and making responsible financial decisions for the benefit of all Yukoners.”

Yukon Premier and Finance Minister Sandy Silver  
2020-21 budget speech

On 5 March 2020, Yukon Premier and Finance Minister Sandy Silver tabled Yukon's fiscal 2020-21 budget. The budget contains no new taxes but contains an increase in the existing insurance premium tax rate as well as a reduction in the small-business corporate income tax rates.

The minister projects a surplus of \$4.1m for 2020-21.

Following is a brief summary of the key tax measures.

## Business tax measures

### Corporate tax rates

Effective 1 January 2021, the Yukon small-business corporate income tax rates will be lowered from 2% (or 1.5% on manufacturing and processing profits) to 0%. No changes are proposed to the \$500,000 small-business limit.

Yukon's current and proposed future corporate tax rates are summarized in Table A.

**Table A - Corporate tax rates**

	2020		2021	
	Yukon	Federal and Yukon combined	Yukon	Federal and Yukon combined
Small-business manufacturing and processing tax rate*	1.50%	10.50%	0.00%	9.00%
Small-business tax rate*	2.00%	11.00%	0.00%	9.00%
General manufacturing and processing tax rate	2.50%	17.50%	2.50%	17.50%
General corporate tax rate	12.00%	27.00%	12.00%	27.00%

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

### Other business tax measures

The minister also proposed the following business tax measure:

- ▶ Small-business investment tax credit - Starting in 2020, the small-business investment tax credit will be expanded to medium-sized businesses and will accordingly be renamed "business investment tax credit". The amount of money a business will be able to raise under the program in a particular year will also be raised. No further details were provided.

## Personal tax

### Personal income tax rates

The budget does not include any changes to personal income tax rates. However, Yukon will be increasing over four years the basic personal amount to mirror the changes announced at the federal level on 9 December 2019.

The 2020 Yukon personal tax rates are summarized in Table B.

**Table B - 2020 Yukon personal tax rates**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$48,535	\$48,536 to \$97,069	\$97,070 to \$150,473	\$150,474 to \$500,000	Above \$500,000
6.40%	9.00%	10.90%	12.80%	15.00%

For taxable income in excess of \$150,473, the 2020 combined federal-Yukon personal income tax rates are outlined in Table C.

**Table C - Combined 2020 federal and Yukon personal tax rates\***

Bracket	Ordinary income**	Eligible dividends	Non-eligible dividends
\$150,474 to \$214,368***	42.02%	20.67%	35.30%
\$214,369 to \$500,000	45.80%	25.89%	39.64%
Above \$500,000	48.00%	28.92%	42.17%

\* The rates exclude the impact, if any, of the proposed increase to the Yukon's basic personal amount.

\*\*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

### Insurance premium tax

Effective 1 January 2021, the insurance premium tax rate will increase to 4%.

### Learn more

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

And for up-to-date information on the federal, provincial and territorial budgets, visit [ey.com/ca/Budget](https://www.ey.com/ca/Budget).

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