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# Tax Alert – Canada

## Nunavut budget 2023-24

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“The investments we are making today move us closer to our Katujjiluta goal of healthy and resilient communities where all Nunavummiut can prosper.”

*Nunavut Finance Minister Lorne Kusugak  
2023-24 budget speech*

On 23 February 2023, Nunavut Finance Minister Lorne Kusugak 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 \$67.6 million for 2022-23 and projects an operating deficit of \$8.2 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.

Nunavut's 2023 corporate income tax rates are summarized in Table A.

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

|  | 2023    |                              |
|--|---------|------------------------------|
|  | Nunavut | Federal and Nunavut combined |
| Small-business tax rate <sup>2</sup>       | 3.00%   | 12.00%                       |
| General corporate tax rate <sup>2, 3</sup> | 12.00%  | 27.00%                       |

<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 Nunavut personal income tax rates are summarized in Table B.

**Table B - 2023 Nunavut personal income tax rates**

| First bracket rate | Second bracket rate   | Third bracket rate     | Fourth bracket rate |
|--------------------|-----------------------|------------------------|---------------------|
| \$0 to \$50,877    | \$50,878 to \$101,754 | \$101,755 to \$165,429 | Above \$165,429     |
| 4.00%              | 7.00%                 | 9.00%                  | 11.50%              |

For taxable income in excess of \$106,717, the 2023 combined federal-Nunavut personal income tax rates are outlined in Table C.

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

| Bracket                             | Ordinary income <sup>1</sup> | Eligible dividends | Non-eligible dividends |
|-------------------------------------|------------------------------|--------------------|------------------------|
| \$106,718 to \$165,429              | 35.00%                       | 19.97%             | 26.87%                 |
| \$165,430 to \$235,675 <sup>2</sup> | 40.82%                       | 28.00%             | 33.55%                 |
| Above \$235,675                     | 44.50%                       | 33.08%             | 37.79%                 |

<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 \$165,430 and \$235,675.

## Personal tax credits

This budget proposes the following personal tax credit:

- ▶ **Nunavut Carbon Credit** - Introduction of a new refundable tax credit to replace the Nunavut Carbon Rebate that was offering a direct 50% at-the-pump discount of the carbon tax. The new income tax credit will offer direct payments every three months starting July 2023 to offset higher fuel costs.

## Other tax measures

### Homeowner fuel subsidy

Budget 2023-24 proposes a one-time subsidy or rebate to offset the higher cost of heating, up to a maximum payment of \$1,000 for each eligible homeowner. Eligible homeowners can apply for the subsidy starting in spring 2023.

### Fuel Tax Act

Following a review of the *Petroleum Products Tax Act*, the government intends to replace it with a new *Fuel Tax Act* (the Act) to keep up with Nunavut's evolving economic reality. The Act is to be introduced into the Nunavut Legislative Assembly in spring 2023. No further details were announced.

### Tobacco Tax Act

The government intends to complete its review of the *Tobacco Tax Act* and recommend possible legislative amendments in 2023-24. No further details were announced.

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