

Global Tax Alert

News from EY Americas Tax

Canada: Northwest Territories issues budget 2020-21

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Executive summary

On 4 February 2021, Northwest Territories Finance Minister Caroline Wawzonek tabled the territory's fiscal 2021-22 budget. The budget contains no new taxes and no income tax increases.

The Minister anticipates an operating deficit of CA\$31 million¹ for 2020-21 and projects an operating surplus of \$69 million for 2021-22, \$84 million for 2022-23 and declining surpluses for each of the next two years.

The following is a brief summary of the key tax measures.

Detailed discussion

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 2021 corporate tax rates are summarized in Table A.

Table A - 2021 Northwest Territories (NWT) corporate tax rates

	2021	
	NWT	Federal and NWT combined
Small-business tax rate*, **	2.00%	11.00%
General corporate tax rate*	11.50%	26.50%

* The rates represent calendar year-end rates unless otherwise indicated.

** Northwest Territories reduced its small-business income tax rate from 4.00% to 2.00%, effective 1 January 2021.

Personal tax

Personal income tax rates

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

The 2021 Northwest Territories personal tax rates are summarized in Table B.

Table B - 2021 Northwest Territories personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$44,396	\$44,397 to \$88,796	\$88,797 to \$144,362	Above \$144,362
5.90%	8.60%	12.20%	14.05%

For taxable income in excess of \$144,362, the 2021 combined federal-Northwest Territories personal income tax rates are outlined in Table C.

Table C - Combined federal and Northwest Territories 2021 personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$144,363 to \$151,978	40.05%	18.67%	28.77%
\$151,979 to \$216,511**	43.37%	23.25%	32.59%
Above \$216,511	47.05%	28.33%	36.82%

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

** The federal basic personal amount comprises two elements: the base amount (\$12,421 for 2021) and an additional amount (\$1,387 for 2021). The additional amount is reduced for individuals with net income in excess of \$151,978 and is fully eliminated for individuals with net income in excess of \$216,511. Consequently, the additional amount is clawed back on net income in excess of \$151,978 until the additional tax credit of \$208 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$151,979 and \$216,511.

Other tax measures

Property tax

In keeping with the existing indexation policy, property mill rates will be adjusted for inflation, effective 1 April 2021.

Carbon pricing

Given the upcoming federally mandated carbon tax rate increase to \$40 per carbon-equivalent ton of greenhouse gas emissions effective 1 July 2021, the budget proposes to increase the Northwest Territories cost of living offset benefit to \$208 per year for an individual and to \$240 per year for a child, effective 1 July 2021.

Endnote

1. Currency references in this Alert are to the CA\$.

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