

# 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 million<sup>1</sup> 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.

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### Endnote

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

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EYG no. 000988-21Gbl

1508-1600216 NY  
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