March 17, 2020

Territorial 2020 Budget Round-Up

All three of Canada’s territories have released their 2020 budgets

Yukon, the Northwest Territories and Nunavut recently tabled their 2020 budgets. Yukon’s budget includes measures to reduce the small business income tax rate to 0% (from 2%) and increase the insurance premium tax to 4%, effective January 1, 2021. Yukon also announced it is expanding the Small Business Investment Tax Credit, which will be renamed the Business Investment Tax Credit.

The Northwest Territories and Nunavut budgets did not include any changes to corporate or personal income tax rates or announce any new tax measures.

Corporate tax rates

Taking into account the Yukon’s reduction of its small business income tax rate to 0% (from 2%) effective January 1, 2021, the corporate income tax rates for the territories effective January 1, 2020 and 2021 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Northwest Territories</th>
<th>Combined Federal and Northwest Territories</th>
<th>Yukon</th>
<th>Combined Federal and Yukon</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>11.5%</td>
<td>26.5%</td>
<td>12.0%</td>
<td>27.0%</td>
</tr>
<tr>
<td>MIP¹</td>
<td>11.5%</td>
<td>26.5%</td>
<td>10.5%</td>
<td>19.5%¹</td>
</tr>
<tr>
<td>Small Business²</td>
<td>4.0%</td>
<td>13%</td>
<td>3% 70%²</td>
<td>11% 9%</td>
</tr>
</tbody>
</table>

¹MIP income within the small business limit earned in Yukon is subject to a tax rate of 1.5% (10.5% combined) before 2021 and 9% (9% combined) after 2021; otherwise, MIP income is subject to a tax rate of 2.5% (17.5% combined).
²On first $100,000 of active business income.
³Yukon’s small business income tax rate drops to 0% (from 2%) effective January 1, 2021.

Personal tax rates
Yukon, the Northwest Territories and Nunavut did not introduce personal income tax rate changes. As such, the territories' personal income tax rates, effective January 1, 2020, remain as follows:

<table>
<thead>
<tr>
<th>Territory</th>
<th>Income Tax Rate</th>
<th>Income Tax Bracket</th>
<th>Combined Federal/Territory Top Marginal Income Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yukon</td>
<td>6.40% 9.00% 10.00% 12.00% 15.00%</td>
<td>Up to $48,535 48,536–97,069 97,070–150,473 150,474–500,000 500,001 and over</td>
<td>48.90%(^1)</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>5.90% 0.00% 12.20% 14.05%</td>
<td>Up to $43,957 43,958–87,916 87,917–142,933 142,934 and over</td>
<td>47.05%(^2)</td>
</tr>
<tr>
<td>Nunavut</td>
<td>4.00% 7.00% 9.00% 11.50%</td>
<td>Up to $48,277 46,278–92,555 92,556–150,573 150,574 and over</td>
<td>44.50%(^3)</td>
</tr>
</tbody>
</table>

\(^1\)15% Yukon + 33% federal.
\(^2\)14.05% NWT + 33% federal.
\(^3\)11.5% Nunavut + 33% federal.

Yukon

Corporate tax measures

Yukon announced in its 2020 budget, released on March 5, 2020, that it will reduce the small business tax rate to 0% (from 2%) effective January 1, 2021. The budget also announced that Yukon's Small Business Investment Tax Credit will be renamed the Business Investment Tax Credit, expanded to cover certain medium sized businesses, and allow for a larger amount of money to be raised under the program for each year, beginning in the 2020 tax year.

These corporate tax measures are included in Bill 8 and are considered substantively enacted for purposes of IFRS and Accounting Standards for Private Enterprise (ASPE) on March 11, 2020, the date the bill received first reading (as Yukon has a majority government). The corporate tax measures are considered enacted for purposes of U.S. GAAP on March 16, 2020, the date the bill received Royal Assent.

Other tax measures

Yukon's 2020 budget also announced that the Yukon will increase the Basic Personal Amount to mirror the federal changes and increase the insurance premium tax to 4% effective January 1, 2021.

Northwest Territories

The Northwest Territories did not announce new tax measures in its budget on February 25, 2020. The Northwest Territories confirmed that, in conjunction with the increase in the federally-mandated carbon tax effective July 1, 2020, the territory will increase the Cost of Living Offset to $156 per year for an individual and to $180 per year per child.
The Northwest Territories also announced that it will review its tax regime, to explore ways to increase its own-source tax revenue.

**Nunavut**

There were no new tax measures announced in Nunavut's budget, which was delivered on February 19, 2020.

For more information, contact your KPMG advisor.