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Tax Alert – Canada

Northwest Territories budget 2024-25

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.

“This is a practical and realistic budget aimed at reducing our overall expenditures in 2024-25 to help meet the benchmarks we set to both restore balance and increase our fiscal capacity to deal with unexpected events.”

“This budget is about value and efficiency, not just reductions, and always mindful of the responsibility to achieve the priorities set by the Assembly. We have reduced funding for some programs and in many cases added the savings elsewhere so that we are delivering on these priorities faster and smarter.”

*Northwest Territories Finance Minister Caroline Wawzonek
2024-25 budget speech*

On 24 May 2024, Northwest Territories Finance Minister Caroline Wawzonek tabled the territory’s fiscal 2024-25 budget. The budget contains no new taxes (other than the previously announced vaping products tax) and no income tax increases.

The minister anticipates an operating deficit of \$150 million for 2023-24 and projects an operating surplus of \$294 million for 2024-25 as well as operating surpluses for each of the next three years.

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.

The Northwest Territories 2024 corporate income tax rates are summarized in Table A.

Table A - 2024 Northwest Territories corporate income tax rates¹

	2024	
	NWT	Federal and NWT combined
Small-business tax rate ²	2.00%	11.00%
General corporate tax rate ^{2, 3}	11.50%	26.50%

¹ The rates represent calendar-year-end rates unless otherwise indicated.
² The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Northwest Territories rates above.
³ An additional federal 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).

Personal tax

Personal income tax rates

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

The 2024 Northwest Territories personal income tax rates are summarized in Table B.

Table B - 2024 Northwest Territories personal income tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$50,597	\$50,598 to \$101,198	\$101,199 to \$164,525	Above \$164,525
5.90%	8.60%	12.20%	14.05%

For taxable income in excess of \$164,525, the 2024 combined federal-Northwest Territories personal income tax rates are outlined in Table C.

Table C - Combined 2024 federal and Northwest Territories personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$164,526 to \$173,205	40.05%	18.67%	28.77%
\$173,206 to \$246,752 ²	43.37%	23.25%	32.59%
Above \$246,752	47.05%	28.33%	36.82%

¹ The rate on capital gains is one-half the ordinary income tax rate. However, as proposed in the 2024 federal budget, the rate on capital gains will increase from one-half to two-thirds the ordinary income tax rate on the portion of capital gains realized in the year exceeding \$250,000, for capital gains realized on or after 25 June 2024. The annual \$250,000 threshold will not be prorated for 2024 and will apply only in respect of net capital gains realized on or after 25 June 2024.

² The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$232 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$173,206 and \$246,752.

Other tax measures

Property tax

In keeping with the existing indexing policy, property mill rates will be adjusted for inflation.

Carbon pricing

In line with the federal benchmark, the Northwest Territories carbon tax rate increased \$15 per carbon-equivalent tonne of greenhouse gas emissions to \$80 as of 1 April 2024 (with corresponding adjustments to the cost of living offset). However, as previously announced and effective 1 April 2024 to 31 March 2027, the Northwest Territories carbon tax on diesel heating fuel deliveries for all but large emitters will be rebated at source. This rebate follows the federal government's October 2023 announcement to suspend the carbon tax on diesel heating fuel under its backstop carbon pricing system for three years.

Tax on vaping products

In accordance with the Northwest Territories' agreement with the federal government to participate in the coordinated vaping product taxation framework, the Canada Revenue Agency will begin, on 1 July 2024, collecting Northwest Territories tax on vaping products sold in the territories. The rates to be levied will be in addition to, and the same as, the federal rates.

Learn more

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