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Canadian tax alert

2019-2020 Northwest Territories budget highlights

February 11, 2019

The Minister of Finance, Robert C. McLeod, tabled the 2019-2020 budget of the Northwest Territories on February 6, 2019, the last budget of the 18th Legislative Assembly.

The following is a summary of the economic and tax highlights contained in the budget.

Fiscal/economic outlook and indicators

- The government predicts an operating surplus of $60 million for 2019-2020. Revised estimates project an operating surplus of $40 million for 2018-2019. Operating surpluses are also projected until 2021-2022.
- Real GDP is estimated to be about level with the previous year (0.3% increase in 2018 over 2017). GDP for 2019 is expected to increase by 2.1%, mainly due to the restart of oil extraction, continued diamond production and public investments such as the Tlicho All-Season Road project.

- The unemployment rate in the territory increased from 6.6% in 2017 to 7.5% in 2018.
- Revenue growth is expected to be strong this year, with a projected 8.1% increase in revenue from 2018-19 revised estimates. The revenue increase is largely driven by federal transfers for infrastructure projects and targeted programs and by the introduction of the carbon tax (discussed below). Modest revenue increases are expected in the medium term.
- The government continues to rely on federal funding for a large portion of its revenues (roughly 68%).

Personal, corporate and other taxes

- Budget 2019-20 does not include any new taxes or any tax rate increases on existing taxes, other than the annual adjustment of property and education mill rates for inflation effective April 1, 2019. These increases result from the government's ongoing policy of indexing tobacco and property tax rates, liquor mark-ups and fees.
- On July 11, 2018, the government announced its plans for carbon pricing. The government is a signatory to the Pan-Canadian Framework on Clean Growth and Climate Change that includes carbon pricing as one of its pillars to reduce greenhouse gas emissions. Under the proposed plan, the government will introduce a carbon tax on fuels effective July 1, 2019 at $20 per tonne of greenhouse gas emissions. The tax rate will be increased by $10 per tonne each year until it reaches $50 per tonne in 2022. The revenues from the carbon tax will be recycled through rebates, offsets and initiatives to reduce greenhouse gas emissions. More specifically, Budget 2019-2020 provides for $12.5 million for carbon tax rebates and benefits, including heating fuel tax rebates for all but large emitters, transfers to individuals to offset the impact of carbon pricing, rebates for tax paid on fuel used to generate electricity for non-large emitters, annual rebates to large emitters of 75% of the carbon tax paid on non-motive fuel with the remaining 25% put into individual industrial trusts for large emitters to invest in emission reduction, and administration costs.
- In Budget 2017-2018, the government committed to investigate the possibility of introducing a sugary drinks tax with the objective of discouraging the consumption of sugary drinks that are linked to health issues such as obesity and diabetes and improving oral health. A sugar-sweetened drinks tax is being developed with public engagement, and a report is expected to be released later this year.
- Revenue estimates from cannabis taxes are projected at $747,000 from the Northwest Territories' share of the federal cannabis excise tax in

2019-20, and the government expects some revenue from cannabis sales.

For further details, we refer you to the government website.

Your dedicated team:

National

Fatima Laher
Tax Clients and Industry Leader
Tel: 416-601-6570

Albert Baker
National Tax Policy Leader
Tel: 416-643-8753

Deloitte LLP
Bay Adelaide Centre, East Tower
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Canada