

Ranking Provincial Tax Systems in Canada: Territorial Summary¹

Northwest Territories

CFIB has produced its 2013 *Small Business Provincial Tax Index* to gauge the competitiveness level of provincial tax systems. The unique aspect of CFIB's research is that it examines elements of the provincial tax system through the lens of the SME owner. It encompasses 53 indicators in five major areas of the tax system—premiums and payroll tax; sales and excise tax; corporate income tax; personal income tax; and property tax.

The Territorial Formula Financing (TFF) was \$3.1 billion in 2012-13. It is an annual unconditional transfer from the federal government to the three territorial governments to enable them to provide their residents a range of public services comparable to those offered by provincial governments, at comparable levels of taxation. As a result, the Territories tend to score quite well on several measures because they are not as reliant on own-source revenues as the provinces. They are therefore treated separately and do not affect the provincial rankings.

2013 Scores, Territorial Tax Systems

| | Overall Index Scores | Premiums and Payroll Tax Subindex | Sales and Excise Tax Subindex | Corporate Income Tax Subindex | Personal Income Tax Subindex | Property Tax Subindex | |
|-----------|------------------------------|-----------------------------------|-------------------------------|-------------------------------|------------------------------|-----------------------|------------|
| Best (10) | | | | | | | |
| ↑ | | | | | | | |
| ↓ | | | | | | | |
| Worst (0) | | | | | | | |
| | Yukon | 6.64 | 7.2 | 10.0 | 4.8 | 3.5 | 6.9 |
| | Nunavut | 6.01 | 4.9 | 4.7 | 6.5 | 8.7 | 6.3 |
| | Northwest Territories | 5.89 | 5.6 | 4.7 | 8.1 | 5.8 | 5.3 |

¹ This is a summary based on the full report *Ranking Provincial Tax Systems in Canada: CFIB's 2013 Small Business Provincial Index*. <http://www.cfib.ca/a5557e>.

Competitive Advantages:

- ▶ Lowest general corporate income tax rate among the territories.
- ▶ Highest Basic Personal Exemption among territories.

Areas for Improvement:

Premiums and Payroll Tax

- ▶ Review maximum workers' compensation rate and individual industry rates relative to other provinces to ensure they are comparable and reasonable.
- ▶ Bring maximum insurable earnings into line with NWT's average yearly earnings.
- ▶ Reduce or eliminate employee payroll tax.

Sales and Excise Taxes

- ▶ Reduce fuel taxes on gasoline.
- ▶ Reduce fuel taxes on diesel; NWT and Nunavut have the highest in the territories.
- ▶ Reduce or eliminate insurance taxes.
- ▶ Examine tobacco tax levels to ensure they are not fueling an increase in black market sale.

Corporate Income Tax

- ▶ Reduce the small business tax rate.
- ▶ Reduce the general corporate income tax rate.

Personal Income Tax

- ▶ Reduce bottom tax rate.
- ▶ Reduce top tax rate, which is the highest in the territories.
- ▶ Increase level of income at which the top rate kicks in.

Property and Capital Tax

- ▶ Reduce reliance on property taxes.
- ▶ Address the commercial to residential property tax ratio.
- ▶ Reduce the territorial real estate transfer tax.
- ▶ Reduce or eliminate probate fees.