

Ranking Provincial Tax Systems in Canada: Territorial Summary¹

Yukon Territory

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
	Nunavut	6.01	4.9	4.7	6.5	8.7
	Northwest Territories	5.89	5.6	4.7	8.1	5.8

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:

- ▶ No employer, employee-paid payroll taxes.
- ▶ Generally low workers' compensation rates for individual industries relative to other territories.
- ▶ Lowest fuel taxes on gas and diesel among the territories.

Areas for Improvement:

Premiums and Payroll Tax

- ▶ Bring maximum insurable earnings into line with Yukon's average yearly earnings.

Corporate Income Tax

- ▶ Reduce the small business tax rate.
- ▶ Reduce the general corporate income tax rate, which is the highest among the territories.

Sales and Excise Taxes

- ▶ Reduce or eliminate insurance taxes.
- ▶ Examine tobacco tax levels to ensure they are not fueling an increase in black market sales.

Personal Income Tax

- ▶ Reduce bottom bracket tax rate.
- ▶ Reduce top bracket tax rate.
- ▶ Increase the basic personal exemption, which is the lowest among all the territories.

Property and Capital Tax

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