



Canadian tax alert

2018-2019 Yukon budget highlights

March 7, 2018

On March 1, 2018, Yukon Premier and Finance Minister Sandy Silver tabled the territory's 2018-2019 budget in the Legislative Assembly.

The budget presents a fiscal outlook that is modestly improved over the 2017 budget, lifted by stronger growth, a more resilient labour market and increased activity in mining and tourism.

The budget features a five-year capital plan which profiles Yukon's priority infrastructure projects and signals long-term plans for capital investment in the territory. The capital planning process is said to be more transparent in order to reduce barriers to First Nations and local businesses in securing government contracts.

Fiscal/economic outlook

Real GDP growth is estimated at 0.9% in 2017. The medium term outlook is mixed, with 2018 and 2019 showing strong growth at 4.4% and 7.3%, respectively, followed by more modest real GDP growth in 2020, at 2.1%.

The unemployment rate in 2018 is expected to rise slightly to 4.3%.

In his budget speech, the Finance minister projected a deficit of \$4.5 million for 2018-2019 (on an unconsolidated basis). This compares to a surplus of \$6.3 million for 2017-2018, as per the territory's Supplementary Estimates. Another deficit is projected for 2019-2020 in the amount of \$6.9 million.

The government has received the final report from the Financial Advisory Panel, which captured the voices of a cross-section of Yukoners, First Nations and municipal governments. The government has rejected some options, such as introducing a harmonized sales tax, but intends to follow through on three of the panel's recommendations. The first action is to complete a comprehensive review of Health and Social Services. The second action is to increase the efficiency and effectiveness of delivering overall services to Yukoners. The third and final action is to consider opportunities how the Yukon government can stop doing work that elsewhere in Canada is done by the private sector. The government plans to provide more details throughout 2018 on these initiatives.

Personal tax measures

No changes to the personal tax rates in the territory were announced in the budget. As a result, the personal income tax rates remain as follows for 2018:

Personal combined federal and Yukon top marginal rates	
Interest and regular income	45.80/48.00%
Capital gains	22.90/24.00%
Eligible dividends	25.89/28.93%
Ineligible dividends	38.87/41.42%

Note: The lower rate applies on income in excess of \$205,842 up to \$500,000; the higher rate applies on income in excess of \$500,000.

Business tax measures

As well, there are no changes to the corporate tax rates. As a result, the corporate income tax rates remain as follows for 2018:

Yukon corporate income tax rates – calendar 2018		
	Yukon	Combined federal and Yukon
General corporate rate	12.0%	27.0%
M&P rate	2.5%	17.5%
M&P rate (small business)	1.5%	11.5%
Small business rate	2.0%	12.0%

Note: It is assumed that the previously announced federal small business rate reduction will be legislated and the small business rate is to be reduced from 10.50% to 10.00% as of January 1, 2018; this reduction was confirmed in the federal budget tabled on February 27, 2018.

Other measures

As announced in a prior release and confirmed in the budget, the rate of tax on cigarettes and loose tobacco will be increased from 25 cents per cigarette or gram to 30 cents on April 1, 2018.

Further to the legalization of cannabis, the government of Yukon expects to receive 75% of the federal cannabis excise duty revenue generated in the territory, under a two-year agreement which has yet to be formalized. Yukon also expects to receive its proportional share of federal cannabis excise duty revenue generated in Canada above the \$100 million cap on federal revenues from the federal cannabis duty.

For further details, we refer you to the [Department of Finance website](#).

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