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Tax Alert – Canada

Nunavut budget 2025-26

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 budget is not just about numbers; it is about people, communities, and the future we are building together – a future where no one is left behind, and where opportunity and prosperity are within reach for all.”

“[O]ur government’s ...commitment to improving the lives of Nunavummiut and ensuring their wellbeing is clearly reflected in today’s budget.”

*Nunavut Finance Minister Lorne Kusugak
2025-26 budget speech*

On 24 February 2025, Nunavut Finance Minister Lorne Kusugak tabled the territory’s fiscal 2025-26 budget. The budget contains no new taxes and no income tax increases.

The minister anticipates an operating deficit of \$188.0 million for 2024-25 and projects an operating deficit of \$124.1 million for 2025-26.

Following is a brief summary of the key tax measures.



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Business tax measures

Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

Nunavut's 2025 corporate income tax rates are summarized in Table A.

Table A - 2025 Nunavut corporate income tax rates¹

	Nunavut	Federal and Nunavut combined
Small-business tax rate ²	3.00%	12.00%
General corporate tax rate ^{2, 3}	12.00%	27.00%

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 Nunavut rates above.

³ An additional 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 2025 Nunavut personal income tax rates are summarized in Table B.

Table B - 2025 Nunavut personal income tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$54,707	\$54,708 to \$109,413	\$109,414 to \$177,881	Above \$177,881
4.00%	7.00%	9.00%	11.50%

For taxable income in excess of \$114,750, the 2025 combined federal-Nunavut personal income tax rates are outlined in Table C.

Table C - Combined 2025 federal and Nunavut personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$114,751 to \$177,881	35.00%	19.97%	26.87%
\$177,882 to \$253,414 ²	40.82%	28.00%	33.55%
Above \$253,414	44.50%	33.08%	37.79%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,538 for 2025) and an additional amount (\$1,591 for 2025). The additional amount is reduced for individuals with net income in excess of \$177,881 and is fully eliminated for individuals with net income in excess of \$253,414. Consequently, the additional amount is clawed back on net income in excess of \$177,881 until the additional tax credit of \$239 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$177,882 and \$253,414.

Other tax measures

Carbon pricing

The rate of the federal carbon tax, which applies in Nunavut, will increase \$15 per carbon-equivalent tonne of greenhouse gas emissions to \$95 as of 1 April 2025 (with corresponding adjustments to the Nunavut carbon credit). However, until 31 March 2027, the federal carbon tax on heating light fuel oil deliveries will continue to be rebated at source.

Fuel tax

The government indicates in the budget documents that it will continue to review the proposed *Fuel Tax Act* that was introduced in October 2024 to replace the current *Petroleum Products Tax Act*.

Liquor tax

No coming-into-force date was announced in the budget for the liquor tax that was enacted in 2022 on alcohol consumed or imported into the territory. The government indicates in the budget documents that it is finalizing the rates and other administrative matters.

Property tax

Property tax mill rates for the general taxation area (i.e., all properties outside of Iqaluit) will be increased by 10% for the 2025 tax year.

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