

Chapter 24

BUDGET MEASURES IMPLEMENTATION ACT

(Assented to December 3, 2002)

The Commissioner of Nunavut, by and with the advice and consent of the Legislative Assembly, enacts as follows:

1. **The *Income Tax Act* is amended by this Act.**
2. **(1) The definition of "appropriate percentage" in section 2.1 is amended by striking out "for the year" and substituting "for the specified taxation year".**
(2) The definition of "highest percentage" in section 2.1 is amended by striking out "for the year" and substituting "for the specified taxation year".
3. **(1) Section 2.11 is repealed and the following substituted:**

Amount of tax payable for 2001 taxation year

2.11. (1) The tax payable under this Part for the 2001 taxation year by an individual on his or her taxable income or taxable income earned in Canada, as the case may be, referred to in this Division as the "amount taxable", is:

- (a) if the amount taxable does not exceed \$30,754, 7.2% of the amount taxable;
- (b) if the amount taxable exceeds \$30,754 and does not exceed \$61,509, \$2,214 plus 9.9% of the amount by which the amount taxable exceeds \$30,754;
- (c) if the amount taxable exceeds \$61,509 and does not exceed \$100,000, \$5,259 plus 11.7% of the amount by which the amount taxable exceeds \$61,509; or
- (d) if the amount taxable exceeds \$100,000, \$9,762 plus 13.05% of the amount by which the amount taxable exceeds \$100,000.

Amount of tax payable for 2002 and subsequent taxation years

(2) The tax payable under this part for the 2002 and subsequent taxation years by an individual on his or her taxable income or taxable income earned in Canada, as the case may be, referred to in this Division as the "amount taxable", is:

- (a) if the amount taxable does not exceed \$31,677, 4.0% of the amount taxable;
- (b) if the amount taxable exceeds \$31,677 and does not exceed \$63,354, \$1,267 plus 7.0% of the amount by which the amount taxable exceeds \$31,677;
- (c) if the amount taxable exceeds \$63,354 and does not exceed \$103,000, \$3,484 plus 9.0% of the amount by which the amount taxable exceeds \$63,354; or

- (d) if the amount taxable exceeds \$103,000, \$7,053 plus 11.5% of the amount by which the amount taxable exceeds \$103,000.

4. (1) Subsection 2.13(1) is repealed and the following substituted:

Definition of "relevant provision"

2.13. (1) In this section, "relevant provision" means subsection 2.11(2), sections 2.14 to 2.2, 2.23 or 2.24.

(2) Subsection 2.13(5) is repealed and the following substituted:

Calculation for 2001 taxation year

(5) For the purposes of paragraph (2)(a), the amount to be used under the relevant provision for the 2001 taxation year is deemed to be \$1,677.5109 with respect to the description of C in section 2.23.

(3) Section 2.13 is further amended by adding the following after 2.13(5):

Calculation for 2002 taxation year

(6) For the purposes of paragraph (2)(a), the amount to be used under the relevant provision for the 2002 taxation year is deemed to be

- (a) \$27,749.22109 with respect to the threshold amount in the description of B in subsection 2.2(2); and
- (b) \$2,111.50 with respect to clause 2.24(2)(a)(ii)(B).

5. Section 2.14 is repealed and the following substituted:

Married or common-law status credit

2.14. (1) This section applies to an individual who, at any time in the taxation year,

- (a) is married, supporting his or her spouse and not living separate and apart from the spouse because of a breakdown of their marriage; or
- (b) is in a common-law partnership, supporting his or her common-law partner and not living separate and apart from the common-law partner because of a breakdown of their common-law partnership.

Amount deductible for 2001 taxation year

(2) For the purpose of computing the tax payable under this Part for the 2001 taxation year by an individual referred to in subsection (1), there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the total of

- (a) \$7,412, and
- (b) the amount determined by the formula
 $\$6,293 - (C - \$630)$

where

C is the greater of \$630, and the income of the individual's spouse or common-law partner for the year or, where the individual and his or her spouse or common-law partner are living separate and apart at the end of the year because of a breakdown of their marriage or common-law partnership, the income of the spouse or common-law partner for the year while married or in the common-law partnership and not so separated.

Amount deductible for 2002 and subsequent taxation years

(3) For the purpose of computing the tax payable under this Part for the 2002 and subsequent taxation years by an individual referred to in subsection (1), there may be deducted an amount determined by the formula:

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the total of

- (a) \$10,000, and
- (b) the amount determined by the formula
$$\$10,000 - C$$

where

C is the income of the individual's spouse or common-law partner for the year or, if the individual and his or her spouse or common-law partner are living separate and apart at the end of the year because of a breakdown of their marriage or common-law partnership, the income of the spouse or common-law partner for the year while married or in the common-law partnership and not so separated.

Application of federal Act

(4) Subsections 118(4) and (5) of the federal Act apply for the purposes of this section.

6. Section 2.15 is repealed and the following substituted:

Amount for eligible dependent

2.15. (1) This section applies to an individual who is not entitled to claim a deduction for the taxation year under section 2.14 and who at any time in the taxation year

- (a) is
 - (i) a person who is unmarried and who does not live in a common-law partnership, or
 - (ii) a person who is married or in a common-law partnership, who neither supported nor lived with his or her spouse or common-law partner and who is not supported by that spouse or common-law partner; and

- (b) whether alone or jointly with one or more other persons, maintains a self contained domestic establishment in which the individual lives and actually supports in that establishment a person who, at that time,
 - (i) except in the case of a child of the individual, is resident in Canada,
 - (ii) is wholly dependent for support on the individual, or the individual and the other person or persons, as the case may be,
 - (iii) is related to the individual, and
 - (iv) except in the case of a parent or grandparent of the individual, is either under 18 years of age or so dependent because of mental or physical infirmity.

Amount deductible for 2001 taxation year

(2) For the purpose of computing the tax payable under this Part for the 2001 taxation year by an individual referred to in subsection (1), there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the total of

- (a) \$7,412, and
- (b) the amount determined by the formula
$$\$6,293 - (C - \$630)$$

where

C is the greater of \$630 and the dependent person's income for the year.

Amount deductible for 2002 and subsequent taxation years

(3) For the purpose of computing the tax payable under this Part for the 2002 and subsequent taxation years by an individual referred to in subsection (1), there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the total of

- (a) \$10,000, and
- (b) the amount determined by the formula
$$\$10,000 - C$$

where

C is the dependent person's income for the year.

Application of federal Act

(4) Subsections 118(4) and (5) of the federal Act apply for the purposes of this section.

7. Section 2.16 is repealed and the following substituted:

Single status credit for 2001 taxation year

2.16. (1) Except in the case of an individual entitled to a deduction under section 2.14 or 2.15, for the purpose of computing the tax payable under this Part for the 2001 taxation year by an individual, there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is \$7,412.

Single status credit for 2002 and subsequent taxation years

(2) Except in the case of an individual entitled to a deduction under section 2.14 or 2.15, for the purpose of computing the tax payable under this Part for the 2002 and subsequent taxation years by an individual, there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is \$10,000.

8. Section 2.2 is repealed and the following substituted:

Age credit for 2001 taxation year

2.2. (1) For the purpose of computing the tax payable under this Part for the 2001 taxation year by an individual who has attained the age of 65 years before the end of the year, there may be deducted an amount determined by the formula

$$A \times (\$3,619 - B)$$

where

A is the appropriate percentage for the year; and

B is 15% of the amount, if any, by which the individual's income for the year would exceed \$26,941 if no amount were included in respect of a gain from a disposition of property to which section 79 of the federal Act applies in computing that income.

Age credit for 2002 and subsequent taxation years

(2) For the purposes of computing the tax payable under this Part for the 2002 and subsequent taxation years by an individual who has attained the age of 65 years before the end of the year, there may be deducted the amount determined by the formula

$$A \times (\$7,500 - B)$$

where

A is the appropriate percentage for the year; and

B is 15% of the amount, if any, by which the individual's income for the year would exceed \$27,749 if no amount were included in respect of a gain from a disposition of property to which section 79 of the federal Act applies in computing that income.

9. Section 2.24 is repealed and the following substituted:

Credit for mental or physical impairment for 2001 taxation year

2.24. (1) For the purpose of computing an individual's tax payable under this Part for the 2001 taxation year, there may be deducted an amount equal to the specific percentage of the amount that the individual may deduct under section 118.3 of the federal Act for that taxation year.

Credit for mental or physical impairment for 2002 and subsequent taxation years

(2) For the purpose of computing the tax payable under this Part by an individual for the 2002 and subsequent taxation years, or that would be so payable if the individual were liable under section 2 to pay tax for the year, if the individual is entitled to a deduction under subsection 118.3(1) of the federal Act for the year, there may be deducted an amount determined by the formula

$$A \times (\$10,000 + B)$$

where

A is the appropriate percentage for the year; and

B is

- (a) where the individual has not attained the age of 18 before the end of the year, the amount, if any, by which
 - (i) \$3,605 exceeds
 - (ii) the amount, if any, by which
 - (A) the total of all amounts each of which is an amount paid in the year for the care or supervision of the individual and included in computing a deduction under section 63, 64 or 118.2 of the federal Act for a taxation year exceeds
 - (B) \$2,112, and
- (b) in any other case, \$0.

Application of federal Act

(3) Sections 118.3 and 118.4 of the federal Act apply for the purposes of this section.

10. Section 2.27 is repealed and the following substituted:

Application of federal Act

2.27. (1) Subsections 118.61(1) and (2) of the federal Act apply for the purposes of this Act.

Unused tuition and education credits

(2) For the purposes of this section, an individual's unused tuition and education credits at the end of the 2000 taxation year shall be equal to the amount that would be the individual's unused tuition and education credits at the end of that year under subsections 118.61(1) and (2) of the federal Act if the percentage applied under sections 118.5 and 118.6 of that Act in computing the individual's tuition and education

credits had been the appropriate percentage instead of the appropriate percentage as defined in that Act.

Where individual not resident in Nunavut

(3) Where an individual did not reside in Nunavut on the last day of the preceding taxation year, the individual's unused tuition and education credits at the end of that year shall be equal to the amount that would be the individual's unused tuition and education credits at the end of that year under subsections 118.61(1) and (2) of the federal Act if the percentage applied under section 118.5 and 118.6 of that Act in computing the individual's tuition and education credits had been the appropriate percentage instead of the appropriate percentage as defined in that Act.

11. Section 2.3 is repealed and the following substituted:

Transfer of tax credits

2.3. (1) Sections 118.8 and 118.81 of the federal Act apply for the purposes of this Act, except that the reference to "\$800", or to the amount that it is amended to read, in subparagraph (ii) of the description of A in paragraph 118.81(a) of the federal Act shall be read as a reference to "\$360" for the 2001 taxation year, and "\$200" for the 2002 and subsequent taxation years.

Application of federal Act

(2) Section 118.9 of the federal Act applies for the purposes of this Act.

Where spouse, common-law partner or individual not resident in Nunavut

(3) In applying sections 118.8, 118.81 and 118.9 of the federal Act for the purposes of this section, where a spouse, common-law partner or individual did not reside in Nunavut on the last day of the taxation year, any credits transferred by the spouse, common-law partner or individual to another individual for the year under this section are to be computed on the basis that the spouse, common-law partner or individual was liable under section 2 to pay tax for the year.

12. Section 2.32 is repealed and the following substituted:

Deduction for taxable dividends

2.32. Section 121 of the federal Act applies for the purposes of this Act, except that the reference to "2/3" in that section of the federal Act shall be read as a reference to "30%" for the 2001 taxation year and "20%" for the 2002 and subsequent taxation years for the purposes of this Act.

13. (1) Subsection 4(1) is repealed and the following substituted:

Tax rate for corporations for 2001 and earlier taxation years

4. (1) The tax payable by a corporation under this Act for the 2001 and earlier taxation years is 14% of the corporation's taxable income earned in the year in Nunavut.

(2) Section 4 is amended by adding the following after subsection 4(1):

Tax rate for corporations for 2002 and subsequent taxation years

(1.4) The tax payable by a corporation under this Act for the 2002 and subsequent taxation years is 12% of the corporation's taxable income earned in the year in Nunavut.

(3) Subsection 4(2.1) is amended:

- (a) **by striking out the marginal note "Small business rate" and substituting "Small business rate for 2001 and earlier taxation years"; and**
- (b) **by adding "for the 2001 and earlier taxation years" after "of the federal Act".**

(4) Section 4 is further amended by adding the following after subsection 4(2.1):

Small business rate for 2002 and subsequent taxation years

(2.11) Where a corporation is allowed a deduction under subsection 125(1) of the federal Act for the 2002 and subsequent taxation years, the corporation shall pay tax equal to the aggregate of

- (a) 4% on an amount that is the proportion of the least of the amounts determined under paragraphs 125(1)(a), (b) and (c) of the federal Act in respect of the corporation for the taxation year that the amount of the portion of its taxable income earned in the year in Nunavut bears to the total amount of the portions of its taxable income earned in the year; and
- (b) 12% on an amount calculated by deducting from the taxable income earned in the year in Nunavut the amount on which the 4% rate is applied in paragraph (a).

(5) Section 4 is further amended by adding the following after subsection 4(2.2):

Transitional

(2.3) Where a corporation has a taxation year part of which is in 2001 and part of which is in 2002, tax payable for the taxation year shall be calculated as follows:

- (a) by dividing the taxation year into two notional taxation years, the first ending on December 31, 2001 and the second beginning on January 1, 2002;
- (b) by apportioning the taxable income earned in the year between the two notional taxation years proportionately according to the number of days in each;
- (c) by calculating
 - (i) tax for the first notional taxation year in accordance with this Act as it read on December 31, 2001,

- (ii) tax for the second notional taxation year in accordance with this Act as it is deemed to have read on January 1, 2002;
- (d) by adding together the amounts determined under paragraph (c).

14. (1) Subsection 4.1(2) is amended by striking out "Subject to subsection (3)" and substituting "Subject to subsections (2.1) and (3)".

(2) The following subsection is added after subsection 4.1(2):

Deduction based on net income for 2002 and subsequent taxation years

(2.1) In respect of the 2002 and subsequent taxation years, an individual may deduct from tax otherwise payable under this Act an amount equal to

- (a) 2.00% of the individual's net income, if the individual's net income does not exceed \$12,000;
- (b) \$240 plus 1.50% of the amount by which the individual's net income exceeds \$12,000, if the individual's net income exceeds \$12,000 but does not exceed \$46,000; or
- (c) \$750, where the individual's net income exceeds \$46,000.

15. The following subsections are amended by adding the marginal notes set out beside them:

- (a) 2.13(2), "Annual adjustment";
- (b) 2.13(3), "Rounding";
- (c) 2.13(4), "Calculation of Consumer Price Index";
- (d) 2.17(2), "Calculation of tax payable";
- (e) 2.17(3), "Application of federal Act";
- (f) 2.18(2), "Calculation of credit";
- (g) 2.18(3), "Application of federal Act";
- (h) 2.19(2), "Calculation of additional amount";
- (i) 2.19(3), "Application of federal Act";
- (j) 2.21(2), "Application of federal Act";
- (k) 2.26(2), "Application of federal Act";
- (l) 2.44(2), "Calculation of amount";
- (m) 3(2), "Definitions of "tax payable" and "tax otherwise payable"";
- (n) 3(3), "Non-business-income tax paid outside Canada";
- (o) 3(4), "Application in Nunavut".

16. This Act is deemed to have come into force on January 1, 2002.