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YUKON MATCHES FEDERAL INCOME TAX MEASURES

WHITEHORSE – Yukoners can look forward to reductions in income tax for the 2006 taxation year, Premier and Minister of Finance Dennis Fentie announced today.

“Amendments to Yukon’s *Income Tax Act* demonstrate our belief that recently announced federal tax measures should be matched in the Yukon to maximize benefits to the individual tax payer,” Fentie said.

For the most part, the benefits will result from increases to several of the non-refundable tax credits:

- The basic personal amount an individual can earn, without paying Yukon personal income tax, will increase to \$8,839 from \$8,328, increasing the credit to \$622 from \$586.
- The eligible dependant amount will now be \$7,505, up from \$7,071, increasing the credit to \$528 from \$498.
- The maximum pension income deduction amount will double to \$2,000, from \$1,000, increasing the credit to \$140, up from \$70.

There will also be additional tax credits for adoption expenses, public transit passes and a Canada Employment amount, which are all new initiatives. Other amendments will be introduced to ensure the Universal Child Care Benefit does not reduce the Yukon Low Income Family Tax Credit. The Yukon Dividend Tax Credit will also be amended to accommodate federal changes to the dividend gross-up.

“These tax amendments will put approximately \$4.3 million back in the pockets of Yukoners over the next two years, and will simplify the process for everyone,” Fentie said. “Wherever possible, the rules will be the same as the federal rules. Most importantly, our goal is to leave more money where it belongs - in the pockets of Yukoners.”

“I want all Yukoners to know that they will find relief from income tax, effective for 2006, with these amendments being tabled today,” Fentie added.

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Attachment: Backgrounder on Changes to Non-refundable Tax Credit Block

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Backgrounder on Changes to “Non-refundable Tax Credit Block”

Simplified Example (taxation year 2006)		Old	New
<ul style="list-style-type: none"> ▪ Yukon matches the federal non-refundable tax credits to lower Yukon taxes effective for the 2006 taxation year. <p><u>Example</u></p> <ul style="list-style-type: none"> ▪ Couple earning \$45,000 each ▪ Adopted a child ▪ Basic personal amount for each parent Old \$8,328 New \$8,839 ▪ New: adoption expenses (finalized adoption during 2006). Eligible expense were \$12,000, maximum allowed is \$10,220 	Taxable income of both parents	\$90,000	\$90,000
	Yukon tax		
	-7.04% on \$36,378 for two	\$ 5,122	\$ 5,122
	-9.68% on \$8,622 for two	1,669	1,669
		6,791	6,791
	less non-refundable credits		
	basic personal amount for two	1,173	1,245
	adoption expenses	-	719
	Net Yukon taxes owing	\$ 5,618	\$ 4,827
	Over all tax savings	\$791	

For ease of comparison, only two of the non-refundable credits are presented. I.e. basic personal amount and the new credit for adoption expenses. Non-refundable tax credits are calculated using the lowest tax bracket rate of 7.04%. Application of Canada Pension Plan contributions and Employment Insurance premiums are not included.