

Increasing the Northern Residents Deduction



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Bill C-401 (44th Parliament, 1st Session)¹ proposes to increase the Northern Residents Deduction.

The Northern Residents Deduction consists of a residency deduction and a travel deduction.

Within the residency deduction, a basic residency amount of \$11.00/day is available for residents in northern zones and a basic residency amount of \$5.50/day is available for residents in intermediate zones. Bill C-401 would increase the basic residency amount to \$13.00/day for residents in both zones starting in 2025. Bill C-401 would also index this amount to inflation for subsequent years.

The residency deduction also includes an additional residency amount which doubles the basic residency amount for tax filers who are the only claimant in their dwelling. Bill C-401 would also increase the additional residency amount to match the changes in the basic residency amount.

Currently, residents in both northern zones and intermediate zones are able to claim travel amounts. However, travel amounts are reduced by 50% for residents in intermediate zones when calculating their travel deduction. Bill C-401 would eliminate this discounting of travel amounts for residents in intermediate zones.

Deductions are subtracted from a tax filers' net income to determine their taxable income, prior to the application of federal tax rates and non-refundable tax credits. As a result, the change in tax filers' federal tax obligations depends on tax filers' marginal tax rate and whether they have unused non-refundable tax credits.

The Parliamentary Budget Officer (PBO) estimates that Bill C-401 would reduce federal personal income tax revenues by \$935 million from 2024-25 to 2028-29.

¹ Parliament was prorogued on January 6, 2025, which ended all parliamentary business. The majority of the work required for this estimate report was completed at the time of prorogation. Therefore, this note is presented in accordance with the Parliamentary Budget Officer's mandate to promote budget transparency and accountability.

5-Year Cost

\$ millions

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Total cost	51	205	215	226	238	935

Detailed 5-Year Cost

\$ millions

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Northern Zone Residency	5	20	22	25	28	100
Intermediate Zone Residency	38	152	159	167	175	690
Northern Zone Travel	0	0	0	0	0	0
Intermediate Zone Travel	8	33	34	34	35	145
Total cost	51	205	215	226	238	935

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

Estimation and Projection Method

Our model is based on tabulations from tax data for 2018 to 2023.

We constructed a baseline projection of residency amounts for each zone under the assumption that the number of claimants would grow at the 2009 to 2021 compound annual growth rate from 2022 levels. For tax filers for whom the 20% of net income cap is not already binding, the change in residency amounts for each zone under Bill C-401 was calculated by scaling residency amounts claimed to reflect the change in amounts allowed, then re-deducting non-taxable benefits for board and lodging at special work sites. For

2026 onwards, this scaling included the expected impact of inflation adjustments based on the consumer price index projection set out in the PBO's latest Economic and Fiscal Outlook.

We constructed a baseline projection of travel amounts for each zone under the assumption that the share of individuals with a residency amount who have a travel amount remains at 2022 levels, and the average value of travel amounts remains at 2022 levels. Despite trends in general inflation, travel amounts are subject to a cap of \$1,200 per individual per year (unless the individual is receiving taxable travel benefits from employment exceeding that amount). Travel amounts for intermediate zones under Bill C-401 were assumed to increase by 100%.

We estimated the resulting change in federal tax obligations by applying each tax filers' marginal tax rate to the change in the above amounts. However, no change in federal tax obligations is imputed for individuals with incomes below the basic personal amount.

Sources of Uncertainty

Sources of uncertainty include the future number of northern residents deduction claimants in each zone, the share of claimants with travel amounts, and the average value of those travel amounts. This projection does not account for unused non-refundable tax credits other than the basic personal amount. This projection also does not account for potential behavioral responses by residents in intermediate zones, such as residents choosing to travel more because a greater share of the costs of that travel is tax deductible.

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Data Sources

Northern Residents Deduction Amounts and Claimants by Taxable Income Range
[Custom Tabulation provided by Canada Revenue Agency under PBO IR0806](#)

Consumer Price Index
[PBO Economic and Fiscal Outlook – October 2024](#)

Northern Zone Residency Amounts Cost Projection

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Claimants (#)	98,476	100,238	102,032	103,858	105,716	510,320
Baseline Cost (\$M)	102	104	106	107	109	528
Bill C-401 Cost (\$M)	107	124	128	133	138	628
Incremental Cost (\$M)	5	20	22	25	28	100

Intermediate Zone Residency Amounts Cost Projection

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Claimants (#)	172,306	175,390	178,529	181,724	184,976	892,924
Baseline Cost (\$M)	96	97	99	101	103	496
Bill C-401 Cost (\$M)	133	249	258	268	277	1,186
Incremental Cost (\$M)	38	152	159	167	175	690

Northern Zone Travel Amounts Cost Projection

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Claimants (#)	40,058	40,775	41,505	42,248	43,004	207,590
Baseline Cost (\$M)	30	30	31	31	32	153
Bill C-401 Cost (\$M)	30	30	31	31	32	153
Incremental Cost (\$M)	-	-	-	-	-	-

Intermediate Zone Amounts Cost Projection

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Claimants (#)	72,322	73,616	74,933	76,274	77,639	374,784
Baseline Cost (\$M)	33	33	34	34	35	169
Bill C-401 Cost (\$M)	41	67	68	69	70	314
Incremental Cost (\$M)	8	33	34	34	35	145

Northern Residents Deduction Cost Projection

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Claimants (#)	282,532	287,588	292,735	297,974	303,306	1,464,135
Baseline Cost (\$M)	260	264	269	274	279	1,346
Bill C-401 Cost (\$M)	310	469	484	500	517	2,282
Incremental Cost (\$M)	51	205	215	226	238	935

Cost by Province, Territory or Region

\$ millions

Province/Region	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Alberta	29	118	123	130	136	536
British Columbia	8	34	35	37	39	153
Quebec	4	18	19	20	21	82
Manitoba	3	14	14	15	16	62
Saskatchewan	1	6	6	6	6	25
Yukon	1	4	5	5	5	20
Northwest Territories	1	4	4	4	5	18
Atlantic Canada	1	3	3	3	4	14
Ontario	1	3	3	4	4	14
Nunavut	1	2	2	2	3	10
Total	51	205	215	226	238	935

Tax Savings by Province or Region (2024-2025 to 2028-2029)

Province/Region	Average Claimants (Thous.)	Total Tax Savings (\$M)	Total Savings/Claimant (\$)	Share of Claimants (%)	Share of Tax Savings (%)
Alberta	121	536	4,447	41	57
British Columbia	37	153	4,174	13	16
Quebec	32	82	2,530	11	9
Manitoba	16	62	3,965	5	7
Saskatchewan	8	25	3,216	3	3
Yukon	25	20	794	8	2
Northwest Territories	20	18	895	7	2
Atlantic Canada	15	14	931	5	2
Ontario	7	14	1,942	3	2
Nunavut	12	10	870	4	1
Total or Average	293	935	3,194	100	100

Cost by Marginal Tax Rate

\$ millions

Marginal Tax Rate	Equivalent 2023 Taxable Income Range	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
0%	Under \$15,000	-	-	-	-	-	-
15%	\$15,000 to \$53,359	10	40	42	44	46	182
20.5%	\$53,359 to \$106,717	18	73	77	81	85	334
26%	\$106,717 to \$165,430	12	49	51	54	57	223
29%	\$165,430 to \$235,675	6	25	26	28	29	115
33%	Over \$235,675	4	18	19	20	21	81
Total		51	205	215	226	238	935

Tax Savings by Marginal Tax Rate (2024-2025 to 2028-2029)

Marginal Tax Rate	Equivalent 2023 Taxable Income Range	Average Claimants (Thous.)	Total Tax Savings (\$M)	Total Savings/ Claimant (\$)	Share of Claimants (%)	Share of Tax Savings (%)
0%	Under \$15,000	23	-	-	8	-
15%	\$15,000 to \$53,359	90	182	2,024	31	19
21%	\$53,359 to \$106,717	104	334	3,208	36	36
26%	\$106,717 to \$165,430	48	223	4,654	16	24
29%	\$165,430 to \$235,675	18	115	6,327	6	12
33%	Over \$235,675	10	81	8,319	3	9
Total or Average		293	935	3,194	100	100

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