

KEVIN O'REILLY—MLA FRAME LAKE
Revenue from Taxation
Committee of the Whole—2016-2017 Operating Budget Review
Dept. of Finance —June 24, 2016

MR. O'REILLY: Thanks, Mr. Chair. Under the taxation list here, there's a bunch of revenue coming in and there's a couple of trends I'm just wondering about here. Personal income tax has been higher back in 2014-15, but the projection here is that it will continue to increase, even though we're in tough economic times, so the personal income tax is increasing, but, payroll taxes, the projection is that there's going to be a decrease. I'm just wondering if someone from the department can explain these two contrasting trends. Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you, Mr. O'Reilly. Minister McLeod.

HON. ROBERT MCLEOD: Thank you, Mr. Chair. I will refer that to Mr. Kalgutkar. Thank you.

CHAIRPERSON (Mr. Blake): Thank you. Mr. Kalgutkar.

MR. KALGUTKAR: Thank you, Mr. Chair. The variance, so is the Member wanting a general increase of explanation of all the taxes or just the payroll tax for now? Thank you.

CHAIRPERSON (Mr. Blake): Thank you, Mr. Kalgutkar. Any further questions, Mr. O'Reilly?

MR. O'REILLY: Thanks, Mr. Chair. I think we should be increasing our revenues, period. But I'm trying to understand why in the personal income tax there's a projection for an increase, but at payroll tax we're actually projecting a decrease. And so I'm just trying to understand why there's those two different trends happening in the projections. Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you, Mr. O'Reilly. Mr. Kalgutkar.

MR. KALGUTKAR: Thank you, Mr. Chair. So the increase in the personal income tax is currently based on the tax projections that are currently estimated by the federal government. So the first estimates that they are receiving right now are showing a slight increase in the personal tax. The increase is partially offset by a change to the northern residents deduction. In terms of the payroll tax, the payroll tax is forecast to go down slightly due to a lower forecast in employment income. Thank you.

CHAIRPERSON (Mr. Blake): Thank you, Mr. Kalgutkar. Any further questions, Mr. O'Reilly?

MR. O'REILLY: Thanks, Mr. Chair. Sorry, I just didn't hear the last few words about why the payroll tax projections show a decrease in revenues. Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you. Mr. Kalgutkar.

MR. KALGUTKAR: Thank you, Mr. Chair. We see a general trend downward of employment income. That's why the payroll tax, there's a decrease. Thank you.

CHAIRPERSON (Mr. Blake): Thank you, Mr. Kalgutkar. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. There's also a decrease, a substantive one, here, \$5 million in property taxes and school levies that's projected. Can the department explain that decrease in revenues? Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you, Mr. O'Reilly. Mr. Kalgutkar.

MR. KALGUTKAR: Thank you, Mr. Chair. So the main reason for that decrease is because of Snap Lake go on care and maintenance, so it no longer pays the property tax. Thank you.

CHAIRPERSON (Mr. Blake): Thank you, Mr. Kalgutkar. Mr. O'Reilly.

MR. O'REILLY: Thank you, Mr. Chair. So, even though the property is not in production, they still have all their assets there, the valuation of the assets have changed because they're not in production? I understood that property taxes were assessed based on your assets on the ground, not whether the facility is operating or not. Could I just ask whether that assumption is correct? Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you, Mr. O'Reilly. Mr. Kalgutkar.

MR. KALGUTKAR: Thank you, Mr. Chair. So the value of the property tax is based on the assessed value of the parcel, so, because the mine is now on care and maintenance, the property tax is accordingly lower than what it was when it is in operation. Thank you.

CHAIRPERSON (Mr. Blake): Thank you, Mr. Kalgutkar. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. It's interesting. I just don't understand why the -- all the same assets are there, some of them may not be used, why they're not valued at the same rate. But I'll accept the information as presented. It just seems rather strange to me.

The other question I have is about corporate income tax. We have wildly fluctuating amounts here. Last year the predicted revenue was \$40 million, but only \$25 million came in. This year the projection is for \$60 million. Can the department tell me why these numbers keep going up and down and what we're doing to try to stabilize revenues from corporate income tax? Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you, Mr. O'Reilly. Mr. Kalgutkar.

MR. KALGUTKAR: Thank you, Mr. Chair. So the Member is right. The corporate income tax is a very hard number to predict. One of the main reasons is we have a few large corporations paying a bulk of our tax and those corporations have options available to them to either carry losses back or move their tax or just pay -- some other avenues that they could take. Now, one of the things that we're doing to try to reduce the amount of variation is try to -- we're, starting in 2014, is we went to a five-year average of our corporate tax, and, hopefully, once we fully implement that, we'll see less variation in the corporate tax revenue projections. Thank you.

CHAIRPERSON (Mr. Blake): Thank you, Mr. Kalgutkar. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. That sounds like a good way of increasing the predictability. I was also hoping, though, that the department might be looking at other forms of taxation, like a capital asset -- or capital investment tax and so on to try to have a more stable source of revenue, but I think that's a debate for another day.

I have one other question about taxation. I was at a meeting recently with the Yellowknife Health and Social Services Authority, and people there raised the issue of a tax on sugary drinks and noted that, in Mexico, when such a tax was brought in, it reduced consumption by 15 per cent. Is this something that the Department of Finance is looking into or prepared to look into? Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you, Mr. O'Reilly. Minister McLeod.

HON. ROBERT MCLEOD: Yes, thank you, Mr. Chair. Mr. Chair, it's not something that we are looking at, at the moment. However, having said that, we are going into business plans in September. We have

three weeks, I believe, with business plans. And there'll be opportunity there for us to have that discussion with members on a way forward. And we look forward to having that discussion because we have seen some of the numbers that the Member references. So we'll have that discussion with Regular Members when we go through our business plans in September, and we'll plan a course of action from there. Thank you, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you, Minister McLeod. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. I look forward to having that discussion, as it is not so much raising the revenues. I think we want to look at trying to promote a healthier lifestyle and providing some incentives for folks to do that. I look forward to that discussion the next business plans. Thanks, Mr. Chair.

CHAIRPERSON (Mr. Blake): Thank you Mr. O'Reilly. Minister McLeod.

HON. ROBERT MCLEOD: The Member made more of a comment. But we, as well, look forward to having that discussion. I can see where he is coming from. Thank you, Mr. Chair.