

KEVIN O'REILLY—MLA FRAME LAKE
Comments to the Bill

Bill 16, An Act to Amend the Income Tax

March 11, 2021

MR. O'REILLY: Thanks, Madam Chair. I don't have any difficulty with the administrative changes here for the most part. I am concerned about the reduction in the small business tax rate. Can the Minister tell me why we are doing this? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. We are a little bit behind some of the other jurisdictions in terms of our business tax rate for small businesses. This finally is an opportunity to bring us a little bit more in line and make us more competitive with some of our colleagues across the rest of Canada. Up to this point, we were at or near, in fact, the very top of the pile. This is an opportunity to, again, make us more competitive, and it's a good time. I think one of the MLAs has already mentioned that it's an opportunity to give a bit of release at an occasion and during a context where there has been quite a lot of challenges for small businesses, for all businesses, over the last year. Again, this is one where, really, we are getting ourselves to be more aligned with the rates that you see across the rest of Canada. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Member for Frame Lake.

MR. O'REILLY: Thanks, Madam Chair. I take it from what the Minister said that this is really about tax fairness, being competitive, and so on. That's all good. Can the Minister tell me how much revenue the GNWT is going to lose as a result of this reduction? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. I believe the reduction is approximately \$1.4 million.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. Are there any plans, then, to make up this lost revenue somewhere else in the tax system? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. This is not an occasion where there will be a commensurate raising of taxes or introduction of a new tax to directly offset the \$1.4 million revenue loss. What is hoped, however, is that, by helping the sector become more competitive and helping small businesses be more competitive, we will see economic growth, which then can ultimately help create more taxpayers in the form of more small businesses, which can hopefully offset the revenue lost from the tax rate change. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. I take it from what the Minister said that there are not going to be any efforts to look at replacing the revenues in some way. How is the Minister going to apply this concept of tax fairness across the other kinds of taxes that we have to pay? Look, I heard the Minister characterize taxes as "burdens" earlier on. Taxes are actually the price of civilization. Governments don't run without taxes or some source of revenue, so how is the Minister going to apply this concept of fairness across other parts of the tax system? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. At this point in the course of where we're at in our response to the pandemic and recovery from the pandemic, there was certainly a conscious decision that there would not be new taxes introduced in this particular budget, and there are no new taxes introduced in this particular budget. That's sort of a short-term response. I understand that the question really is looking at something much larger and much broader, and I have made inquiries with the department to look into what impacts there would be on individuals if we were to increase the tax burden for certain filers. At this point, the benefits are such that, unless we were to increase rates significantly, we would not be seeing an offset of this tax savings. We would simply be putting a pretty significant burden on a very small number of people, again, without necessarily making up for this particular change. At this moment in time, Madam Chair, again, there is not an increase intended or expected, whether it's to other income tax rates on the personal side or on the corporate side. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. I do appreciate that. Is the Minister willing to share some of that kind of analysis that she talked about? In the past, there have been revenue options papers generated by Finance Ministers. Is the Minister willing to make public perhaps an updated version of a tax options paper, or a revenue options paper, in preparation for the next budget? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. I was pleased to get that suggestion last year, probably around this time, and I am happy to receive it and be reminded again. The process of going through budget dialogues and putting some of the information out was very helpful to me in this role but, I think, also to the department. We will certainly make sure that we engage in this process. I think, having adapted to COVID-19, it will be earlier this year than last year. Thank you.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. Yes. I appreciate it, and I did look at the materials that the Minister had used for her dialogue. I think the tax stuff in it was just a couple of slides, so a fuller version of an options paper would be much more helpful. Is that something the Minister could do? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. Yes, we will certainly make sure that there's a more fulsome discussion around what the tax impacts could be for introducing or otherwise modifying tax rates. Thank you.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. I appreciate the responses from the Minister. I am about tax fairness, and I just want to give the Minister a couple of ways in which she could raise \$1.4 million for the public record. She could actually keep the rental fees that are in the current exploration licence for Husky Energy and carry those over into the significant discovery licence and raise \$1.4 million a year. That's one option; she doesn't really have to do very much on that one.

The other one is, and I've said this before, we're one of the few jurisdictions in Canada that only has three personal income tax brackets. Alberta has five, and they went to that in 2016. British Columbia has five; they went to that in 2014. New Brunswick has six; they went to that in 2015. Newfoundland and Labrador has five; they did that in 2015. Nova Scotia has five; they did that in 2010. Ontario has five; they did that in 2014. Yukon has five; they did that in 2015. The federal government went to five in 2016. I don't understand why we still only have three. That is something I want to encourage the Finance Minister to look at.

I am about tax fairness, and we do need to help the least advantaged people in our society. That means sometimes rich people have to pay more, and that includes me. I am happy to have that public debate and discussion. There are a couple of areas that I would like the Minister to seriously consider to replace the lost revenue from this lowering of the small business tax rate. Thanks, Madam Chair. I think that's all I've got for now. Thanks.

(CHAIRPERSON (Ms. Semmler): Thank you, committee. Bill 16, An Act to Amend the Income Tax Act is now ready for third reading. Does committee agree that this concludes our considerations of Bill 16, An Act to Amend the Income Tax Act?

SOME. HON. MEMBERS: Agreed.)