

**KEVIN O'REILLY—MLA FRAME LAKE**  
**Main Estimates 2021-2022**

**Comments to the Bill: Poor Resource Revenue Returns**

**March 29, 2021**

**MR. O'REILLY:** Thanks, Mr. Chair. Now that I got all that nice stuff off my chest, I have a few tougher questions for the Minister of Finance. I'm looking at page 135, it's the revenue summary. When I look down at taxation, there is the listing for corporate income tax for 2021-2022 seems to be a negative \$8.4 million. Does that mean we are shelling out \$8.4 million, we're giving it back to corporations? What does this figure really mean? Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you, Member. Minister.

**HON. CAROLINE WAWZONEK:** Thank you, Mr. Chair. These numbers, all of the numbers with respect to taxes, are generated by the Canada Revenue Agency, so this is a reflection of the fact that as corporate income taxpayers would be paying incrementally over the course of the year based on estimates that are generated often from the year before and not necessarily on what their final actuals for the year might be. When the final numbers come in, the CRA then will, perhaps after the fact, determine what they have been remitting to the GNWT maybe beyond or above what, in fact, will be paid in by the corporations. That's what this is a reflection of. It's money that we will now be owing back to the Department of Finance Canada for overpayment in light of the estimates that were given being above what the actuals turned out to be. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you. Member.

**MR. O'REILLY:** Thanks, Mr. Chair. If I wasn't confused before. Are we getting any corporate taxes then in 2021-2022, or are we giving a whole bunch of money back to corporations? Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you. Minister.

**HON. CAROLINE WAWZONEK:** Thank you, Mr. Chair. If I might turn this one over to the deputy minister, please.

**CHAIRPERSON (Mr. Rocky Simpson):** Deputy Minister.

**MR. KALGUTKAR:** [Microphone turned off] ...Mr. Chair. We are, in fact, getting corporate income tax revenues as we always do from Finance Canada. The 2021 estimate that just happens to be less than the amount the Finance Cabinet is clawing back due to overpayments from previous fiscal years. That's what is showing up as negative. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you. Member.

**MR. O'REILLY:** Thanks, Mr. Chair. What I'm trying to reconcile is: clearly corporate income tax is not a great way to try to finance a government, especially when it's bouncing up and down. Look at what was predicted main estimates in the current year,

\$25 million, and then we're only going to get \$1.9 million in the current year? I know the pandemic and so on is going on, but this just doesn't seem to be a very reliable way to, or a completely unpredictable way to get revenues for the government. What is the Minister doing to try to stabilize the revenue side of the equation in some kind of predictable way? I want to give the Minister credit for the Government Renewal Initiative as a way to try to better manage our expenditures moving forward, but what are we doing to try to stabilize the revenues? Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you, Member. Minister.

**HON. CAROLINE WAWZONEK:** Thank you, Mr. Chair. Certainly, given on the corporate side, there are three large pairs that make up a high proportion of the total corporate income taxes that are coming in to the GNWT. When that particular industry, when the diamond industry suffers a significant loss, that is going to have a significant impact on this line item, even though it is only, as I say, a handful of businesses and all in one sector. Arguably, one solution to that would be to have greater diversity in the economy so that we're not so reliant on one particular sector and even a sector within that sector, and secondarily would be to expand the number of those companies that are paying. Again, having growth not only in diversity but simply a growth in a number of companies and corporations that are, in fact, paying the corporate income tax now.

All that said, it's much more easily said than done to actually expand an economy. It's not necessarily something that the Government of the Northwest Territories or any government itself it can do on its own. It depends very much on factors outside, but what we can try to do is create conditions and create an environment that supports and contributes and inspires diversification of the economy and supports the establishment of more small businesses that can hopefully grow into medium-sized businesses and also encourage investment so that, by doing those things, we then get diversification that will help stabilize overall revenues. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you. Member.

**MR. O'REILLY:** Thanks, Mr. Chair, and thanks for that. There're a few options there. I think I've got a few other options that the Minister should consider, as well, like a resource tax or a production-based royalty. If we turn over to ITI, of course, further into the budget, and I'm not going to ask questions on that one because I've already exhausted those before, but we do know that this year, we're going to get zero royalties from diamond mining. Next year, I think it's predicted at \$1.5 million. We've got to find a way to stabilize these revenues and make them more based on production rather than when they decide to sell them and so on because two of the three diamond mines remained opened during the pandemic and so on. In any event, my suggestion to the Minister is that we find ways to stabilize these revenues in ways that are based more on production than on profit and sales. That's what I would do if I was the Finance Minister.

I have one last question for the Minister which is: are these sorts of issues going to be part of the discussion for the next budget in the revenue options paper that the Minister has committed to make public and the kind of discussions she intends to have as part of the preparation of the next budget. Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you. Minister.

**HON. CAROLINE WAWZONEK:** Thank you, Mr. Chair. Just today, started having conversations with communications around the setup for this spring and summer's budget dialogues or budget engagements. Yes, there will be more. Again, revenue options will form part of that. It was tremendous to me the benefit that we had last summer of doing the budget dialogues and hearing directly from different industries and those who are experts in their own industries about what they were hoping to see, and what would work or not work.

The simple answer is to say, yes. We will have the revenue options portion to add to the dialogues, to the engagement, and we'll need to hear back from those who are both in the industry but also in the non-for-profit sector in the city, in municipal governments, different spectrums across the Northwest Territories, and can hear more at that point where the people of the Northwest Territories would like to see themselves falling in terms of possibilities for revenue options and revenue generation. Certainly, Mr. Chair, the committee will see that presentation before it becomes finalized. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you. Member.

**MR. O'REILLY:** Thanks, Mr. Chair, and thanks to the Minister for that. I appreciate it, and I look forward to hearing what the public has to say in terms of the revenue side of the equation because I just don't think we've paid enough attention to it. I did neglect to mention one other thing. We need a new arrangement with the federal government where we get to keep more of our source revenues. We've got to start to cut those apron strings from Ottawa and find ways to become more self-sufficient, and that, as I said, means a new fiscal arrangement with Ottawa where we get to keep all or a greater portion of our own source revenue. I think that needs to be something that I would want my Cabinet colleagues to focus on, as well, moving forward. I will certainly be pushing in that direction. That's all I've got. Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Rocky Simpson):** Thank you, Member. Minister.

**HON. CAROLINE WAWZONEK:** Thank you, Mr. Chair. A note of caution that, of course, 85 percent of our budget comes from the federal government, so while I'm certainly always going to look for ways to better streamline what money we get and how we can spend it so that we have the flexibility to do things according to our priorities, that, at the same time, the deal that we have, just to be cautious that we aren't looking for greener grass that might not actually be so green. That said, we can't figure out these ideas without having the conversations, and so point taken that those conversations continue to be had. Thank you, Mr. Chair.