

AOC Chair's Comments on the Review of the Income Tax Act

MR. DENT: Thank you, Mr. Chairman. The Standing Committee on Accountability and Oversight conducted a public review of Bill 13, An Act to Amend the Income Tax Act, No. 2, on June 17, 2002. The committee would like to thank the Minister of Finance and his officials for presenting the bill. Effective July 1, 2002 the bill would reduce the current general corporate income tax rate from the existing 14 percent to 12 percent, representing a 14 percent savings, and reduce the existing small business income tax rate from the current 5 percent to 4 percent, a savings of 20 percent.

During discussions on the bill, the committee had three major issues: the bill's impact on our formula funding, territorial corporate tax revenues, and small northern businesses. Mr. Chairman, the committee was concerned that reductions to our corporate income tax rates may indicate that our formula funding is more than sufficient. The Minister assured the committee that he had discussed this issue with the federal government. The federal government is aware that a number of provinces and territories have already reduced, or announced reductions in, their personal and corporate income tax rates and that the Northwest Territories has proposed its own reduced rates to remain competitive.

Further, committee members were concerned that a reduction in the territorial corporate tax rates may result in a decline in our corporate tax revenues. The committee recognized that if the territorial government did not remain competitive with other jurisdictions, corporations that are able to do so would file taxes or like to do business where the tax climate is more favourable. Finally, some committee members suggested to the Minister that the small business threshold should be increased from \$200,000 to at least \$300,000 similar to Alberta, Ontario, Manitoba, Saskatchewan and New Brunswick. This would allow small businesses to retain more of their earnings so they can reinvest in the territorial economy through new ventures, jobs and lower prices, thus creating a stronger, more sustainable and diversified northern economy.

The committee added that the tax rate is just part of the overall picture. The Minister replied that the government would consider the committee members' suggestion in future tax policy.

Mr. Chairman, following the committee's review, a motion was carried to report Bill 13, An Act to Amend the Income Tax Act, No. 2, to the Assembly as ready for committee of the whole. Additional comments or questions by Members may be posed as we proceed. Thank you, Mr. Chairman.