

Briefing Note – Provincial Chamber Advocacy Pursuant to Current Tax Structure in Saskatchewan

August 2008

Saskatchewan Chamber of Commerce

Briefing

The Saskatchewan Chamber of Commerce membership passed four policy resolutions on taxation issues at the 2008 Conference on Business that called for changes to the tax structure in Saskatchewan.

The first called for the Government of Saskatchewan to roll back property taxes in Saskatchewan by transferring the cost of K-12 schools to the provincial level over an eight year phase-in, and immediately enacting a genuine revenue sharing plan for municipal government. At this time the Government has instituted rebate programs on property tax but has not moved to restructure the entire property tax system, although MLA Jim Reiter is studying the education portion of property tax in 2008.

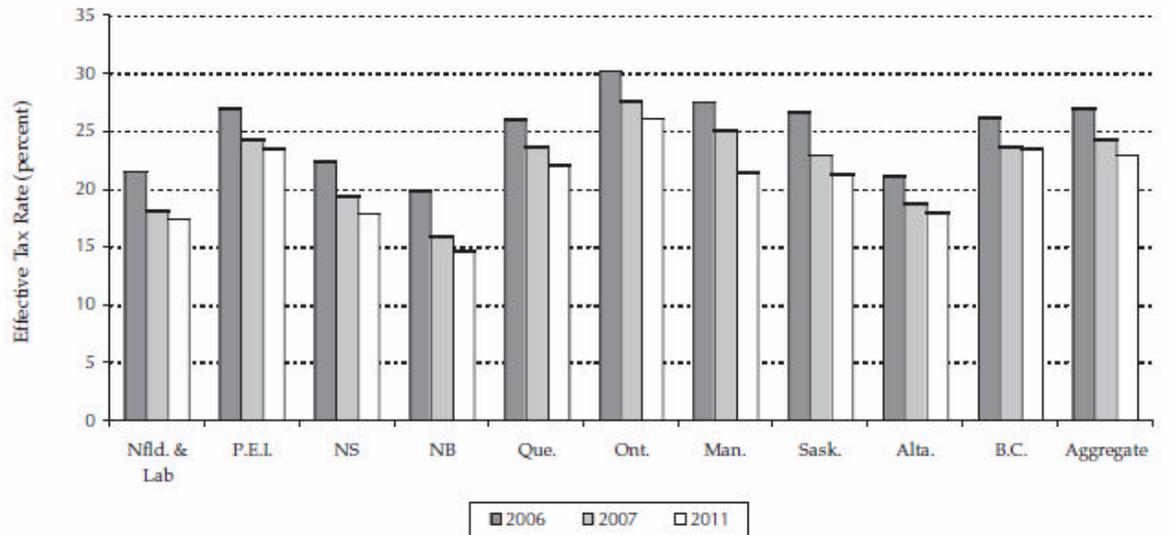
A second similar policy position taken by the Provincial Chamber called for amendments to all legislation, regulations and policies to bring all property taxable assessed value in line with commercial/Industrial properties' value of 100% of value. This measure would greatly assist in providing transparency for the assessment system. It also called for amendments to all legislation, regulations and policies to allow for the taxation of properties based on the assessed value in accordance with generally accepted assessment practice. Any mill rate factors applied to non residential/industrial property or any other tax tools are limited to a maximum of a 175% premium to residential effective property tax rates.

The third policy recommended that the Government of Saskatchewan expand the business input sales tax credit to include all business inputs, and implement this change through a phased in period of five years. The Government responded to this policy resolution on June 11 by stating that although it has rejected harmonization of the sales taxes at this time, it "appreciates" the alternative presented, but noted that as over 50% "of all sales taxes currently paid to the Province are from business purchases, the fiscal effects of such a change would have to be carefully examined".

The third policy resolution called for the Government of Saskatchewan to reduce and simplify the resource based capital tax and royalty rate regime, and called for royalty and tax levels to be equal to or lower than competing jurisdictions, in order to send a clear message to the rest to the country, and the rest of the world, that Saskatchewan is resource tax competitive and open for business.

While the Government replied in another letter from June 11 that the “Province’s recent business tax reform...has contributed to increased competitiveness in our resource sector and other business sectors in the province”, the below chart from the C.D. Howe Institute indicates that while our relative position is improving, other jurisdictions are not standing still.

Figure 1 *Effective Tax Rates on Cost of Doing Business by Province – A Comparison between 2006, 2007 and 2011*



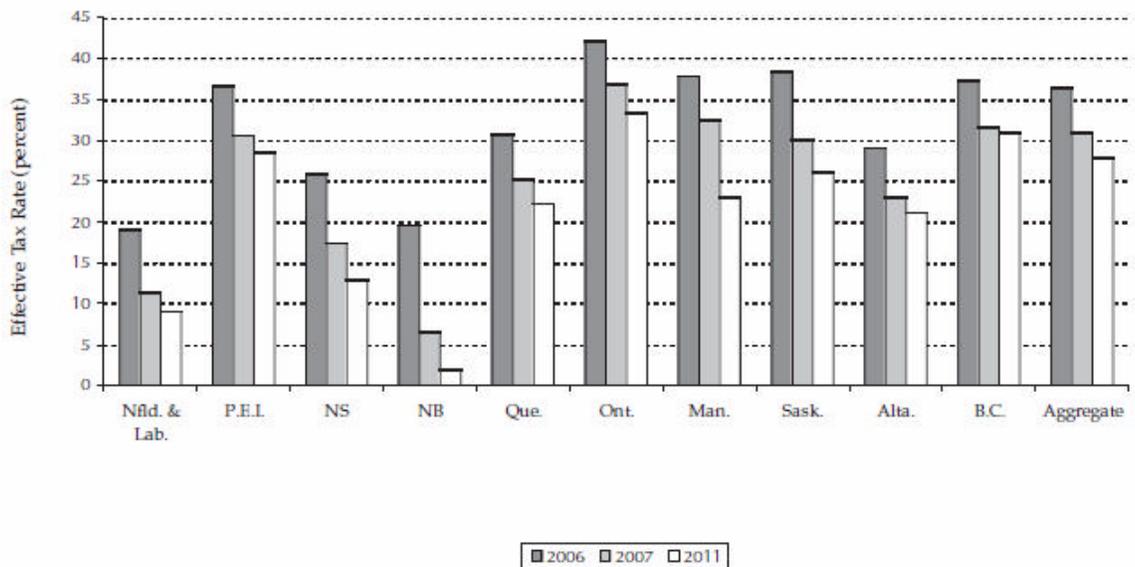
Note: Assuming 30 percent of taxes on labour are borne by employers.

Source: C.D. Howe Institute and International Tax Program, University of Toronto.

The chart indicates the relative positions of the 10 provinces in 2006, 2007, and in 2011, after several provinces will reduce their overall costs of doing business in their jurisdiction, whether through capital, corporate income, payroll and other taxes. As the chart indicates, Manitoba is moving aggressively to reduce its Marginal Effective Tax Rates (METR), and by 2011 will be very comparable to Saskatchewan. Alberta will remain lowest in the Western provinces.

The chart below indicates that the METR on capital investment in Saskatchewan will still be higher in 2011, even after the much-touted business tax reforms recommended by the Business Tax Review Committee in 2005:

Figure 4a *Effective Tax Rates on Capital Investment by Province – A Comparison between 2006, 2007 and 2011*



Source: C.D. Howe Institute and International Tax Program, University of Toronto.

Summary

Despite the business tax reforms instituted in 2006, there remains a host of tax changes to be made in Saskatchewan that would improve the business investment climate and aid in the continued economic momentum currently being experienced. The Provincial Chamber is committed to seeing movement on all policy recommendations put forward by the membership. The Chamber has worked particularly diligently this year on the property tax file, stressing that it wants the best solution to this long-standing issue possible. Through its work with the Coalition for Property Tax Reduction and its own advocacy efforts, the Chamber looks forward to significant changes in 2009. The Provincial Chamber is encouraged by the Finance Ministry being committed to “continuing to review all our taxation and royalty structures on an ongoing basis to ensure that they remain competitive”, but will continue to lobby for much-needed changes to a variety of tax policy in the province as is necessary.

Resources and Related websites

C.D. Howe Institute - Federal and Provincial Tax Reforms: Let's Get Back on Track. Chen, Duanjie, Jack Mintz and Andrey Tarasov (July 2007)

http://www.cdhowe.org/pdf/backgrounder_102.pdf

Saskatchewan Chamber of Commerce – Policy Resolutions 2008

<http://www.saskchamber.com/default.aspx?page=19>

Saskatchewan Chamber of Commerce Action to date

- too many to list, but many actionable items including policy resolutions, news releases, presentations to the Ministry of Finance and meetings with Finance officials.