

JULIE GREEN—MLA YELLOWKNIFE CENTRE
Personal Income Taxes and Revenue Loss
Committee of the Whole—2018-2019 Operating Budget Review
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MS. GREEN: Thank you, Mr. Chair. Mr. Chair, I am going to have another run at that question that I tried in the wrong place. So what I see on page 140 under taxation, personal income tax, is that the estimate of income tax to be collected in this fiscal year, about \$82.5 million; in the next fiscal year, about \$103 million? I am wondering why the Department of Finance thinks there will be a rebound of over \$20 million in this area. Thank you.

CHAIRPERSON (Mr. Simpson): Thank you, Ms. Green. Mr. Stewart.

MR. STEWART: Thanks, Mr. Chair. So, when we forecast the take from personal income tax as well as corporate tax, we work with Finance Canada. I think the Member can appreciate that you do not have the full benefit of all of the tax filing when you are doing those estimates.

In the case of the 2017-2018 revised estimates, where the personal income tax went down quite significantly, the reality is that Finance Canada had overestimated the amount. What they discovered is that there were some, what they described as, “tax behaviours” that they did not account for, that were a result of some of the changes at the federal level in the income tax, and people were taking steps to avoid any increases that may take place.

Most of those impacts are expected to be just a single-year impact, and that is why they forecast for the following year, that we would be back up to \$103 million, because of the one-time nature of some of the impacts that they saw.

We work closely with Finance Canada as they get those tax returns in to see if there are any other patterns. You could well imagine with all of the tax filers, sometimes those patterns are hard to discern, but that is the reason why it goes down and then is coming back up. Thanks, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you. Ms. Green.

MS. GREEN: Thank you, Mr. Chair. I appreciate Mr. Stewart's response. Does he have any example of tax avoidance as he referenced in his answer? Is he talking about, for example, investments in RRSPs or something other? Thank you.

CHAIRPERSON (Mr. Simpson): Thank you, Ms. Green. Mr. Stewart.

MR. STEWART: Thanks, Mr. Chair. I do not have anything too specific, but I am sure the Member was aware of all of the various proposals that the federal government put forward. I think there were things around income-splitting and being able to have some of the expenses from your business written off for family members and those sorts of things.

Not all of those changes came through, but, when they were announced as possible

changes, I think what happened was that people were noting that those were coming and did some steps to structure themselves a little bit differently.

We can see if the federal government has a paper on some of those specifics that they could share with us, that we could maybe give to the Members to be able to explain some of those differences that took place. Thanks, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you. Ms. Green.

MS. GREEN: Thank you to Mr. Stewart for that answer and to the offer of the additional information. I will leave that category.

Still under the category of taxation on page 140, the fuel tax and the payroll tax, does the GNWT audit these taxes for compliance? Thank you.

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

HON. ROBERT MCLEOD: Yes, we do, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you. Ms. Green.

MS. GREEN: Thank you to the Minister for that response. When did the GNWT last audit each of these taxes? Thank you.

CHAIRPERSON (Mr. Simpson): Thank you. Mr. Stewart.

MR. STEWART: Thanks, Mr. Chair. In our taxation division, there are tax auditors in that group, and they are pretty much constantly auditing various filers to look at their records and making sure that we are getting the level of tax.

It's not so much an audit of the entirety. It's a rotating audit of all of the various tax collectors that we would have on those, as well as some of the big payroll tax payers and those sorts of things. We have a unit where that is their business, to do those audits with businesses and with tobacco tax folks. Thank you, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you. Ms. Green.

MS. GREEN: Thank you, Mr. Chair, and thanks again to Mr. Stewart for that response. Can he give a very high-level view of what the audits show? How much leakage is there in these areas in non-compliance paying? Thank you.

CHAIRPERSON (Mr. Simpson): Thank you. Mr. Stewart.

MR. STEWART: Thanks, Mr. Chair. I think, typically, what the audits end up finding is there are some record-keeping issues sometimes with folks or that they misclassified. In the case of the fuel type, they may have misclassified some fuel types, but, generally speaking, I think, with the reality of the audits, people know that we are coming, and they tend to keep pretty good records for us.

You always find a little something that they can improve on administratively and those sorts of things, but I do not think that it would be fair to say that there is a pattern of an area where people are being non-compliant. It's really just to make sure the record keeping is done in a way that makes sure that we can feel comfortable that we are

getting what we should be getting under the tax system. Thanks, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you. Ms. Green.

MS. GREEN: Thank you, Mr. Chair. Thank you to Mr. Stewart for that response. What I hear is that he has a lot of confidence that all of the tax owing is in fact tax paid in these two taxes. Can he please confirm that? Thank you.