



***Reasonable Solutions to Newfoundland and Labrador's Fiscal Reality – Taxation and Fees***

**Russell Alan Williams**, Political Science, Memorial

***Province is in crisis but most analysis avoids focus on own source revenue***

***Observers are committing "political science"***

- ***It is both necessary and possible to raise revenues***
- ***Doing this requires more attention to process in public policy***

## Newfoundland and Labrador taxation 'reasonable': report

Premium content

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Published: Dec 12, 2018 at 8:57 p.m.

Updated: Dec 13, 2018 at 7:54 a.m.



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"In what we pay in taxation, we're not out to lunch. We're generally competitive.

"Eighty-five per cent of respondents were surprised at how much government spends. Eighty-five per cent were surprised by the deficit. We've got some work to do."

— Stephen Jerrett



# ***NL's Tax system leaks....***

# ***NL's Tax system leaks....***

## **Per Capita Taxes on Property, by Province - 2016\***

<b>Newfoundland and Labrador</b>	<b>\$920</b>
<b>Nova Scotia</b>	<b>\$1,484</b>
<b>Price Edward Island</b>	<b>\$1,198</b>
<b>New Brunswick</b>	<b>\$1,670</b>
<b>Quebec</b>	<b>\$1,709</b>
<b>Ontario</b>	<b>\$2,198</b>
<b>Manitoba</b>	<b>\$1,691</b>
<b>Saskatchewan</b>	<b>\$1,482</b>
<b>Alberta</b>	<b>\$2,191</b>
<b>British Columbia</b>	<b>\$2,046</b>

**\*Statscan, Table 1, "Revenue per capita, Canadian general government and provincial-territorial and local governments, 2016"**

***Our system for providing municipal services and funding them is "unique"***

# *NL's Tax system leaks....*

Per Capita Provincial Government Revenues, by Province (2017-2018)\*

	Revenues					
	Personal Income Tax	Corporation Income Tax	Retail Sales Tax	Other Own- Source Revenue	Total Revenue Minus Natural Resources and Federal Transfers	Total Provincial Revenue
<b>Newfoundland &amp; Labrador</b>	\$2,647	\$359	\$2,148	\$2,235	\$7,390	\$11,049
<b>Nova Scotia</b>	\$2,902	\$565	\$1,891	\$2,385	\$7,743	\$11,502
<b>Prince Edward Island</b>	\$2,509	\$645	\$1,979	\$2,163	\$7,296	\$11,953
<b>New Brunswick</b>	\$2,117	\$578	\$1,911	\$3,425	\$8,031	\$12,294

\*Source: Data from Provincial Public Accounts, Kneebone and Wilkins, "Canadian Provincial Government Budget Data 1980/81 to 2013/14." Canadian Public Policy. Volume 42 Issue 1. March 2016. Updated data available at: [www.policyschool.ca](http://www.policyschool.ca).

***Non resource royalty own source revenues are low despite broadly comparable tax rates.***

# ***Own Source revenue options***

## ***Car & Driver Return Fare***

***Bell Island = \$10.00***



***Bowen Island = \$47.20***

# *Lessons from political science:*

## **1) Focus on process:**

- *Our approaches to evidence-based policy making are centralized, dated and almost pathologically paranoid...*
- *Independent assessment is "good" for government, even when it is critical*
- *A crisis is a "window", an opportunity, if the right ideas are available to policymakers*

NATIONAL\*POST

**Tax-free utopia:  
Newfoundlanders in  
unincorporated areas pay no  
municipal taxes. How long  
can it last?**

*What everyone in Port de Grave knows is that when something needs to be done you get up and do it yourself and when somebody needs your help you get up and help them*



## 2) Focus on “increasing returns”:

- *We need to make sure taxes and fees aren't encouraging long term problems*
  - E.g. Ferry services, roads
  - E.g. Resettlement payments
  - E.g. Infastructure
- *We need to decide what is important*



### N.L. government holds line on 90% threshold for resettlement

Changes coming to relocation policy in Newfoundland and Labrador

By Garrett Barry, CBC News | Posted: Nov 29, 2016 6:17 PM NT | Last Updated: Nov 29, 2016 6:17 PM NT



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### 3) “Incrementalism” works:

- *Its easier to raise a fee that already exist then to levy new ones*
  - E.g. This is why its crucial to get basic systems in place.

Nfld. & Labrador

#### Liberals feeling heat over unpopular deficit reduction levy



Some caucus members fear this is their Bill 29



David Cochrane · CBC News · Posted: Apr 29, 2016 7:07 AM NT | Last Updated: April 29, 2016



## 4) Focus on Federalism:

- ***NL is not the only province facing this crisis – it is a symptom of problems in the federation***
  - **Lots of responsibilities and a heavy reliance on resource revenues**

1024 ■ CANADIAN TAX JOURNAL / REVUE FISCALE CANADIENNE

(2019) 67:4

In a critical way, New Brunswick's fiscal future and the future of its health-care system are no longer in the province's hands, but in the hands of richer provinces with a younger population. This time around, if other provinces trigger a renewed escalation in health-care compensation, New Brunswick will be in no position to follow suit. Under such a scenario, barring further help from Ottawa, New Brunswick could be faced with the unattractive choice of either heading over the fiscal cliff or providing public services that are inconsistent with the idea of a single, common social citizenship in Canada. In other words, New Brunswick may be about to find out that it is not a self-sufficient island and that its hope for a restored fiscal future will depend on the policy choices of other provinces and Ottawa.

- *Our approaches to fiscal federalism have been short term, isolationist and ... partisan*
- *Ottawa incentivizes doing the wrong things*



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**MICHAEL SABIA AND MARK WISEMAN**

Special to The Globe and Mail

Published Saturday, Oct. 29, 2016 8:00AM EDT

Last updated Saturday, Oct. 29, 2016 8:00AM EDT



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## 5) Good politics versus good policy?

➤ *Poorly thought out, deep spending cuts to don't accomplish much*

- **Outside of healthcare - size of government has shrunk**
- **We are in the 5<sup>th</sup> year of a gradual austerity program...**

➤ *Cutting at the centre confuses "good policy" with "good politics"*

- **ALL provinces are struggling with capacity to plan**



Newfoundland  
Labrador

# Budget07

Vision. Action.

Finance  
April 26, 2007

**Largest Tax Cut in the History of Newfoundland and Labrador**

Sweeping changes by the Williams Government to the provincial personal income tax regime represent the largest tax cut in the history of the province. These changes will put more money in the pockets of

Nfld. & Labrador

### N.L. budget: \$1.83B deficit, across-the-board tax hikes and layoffs

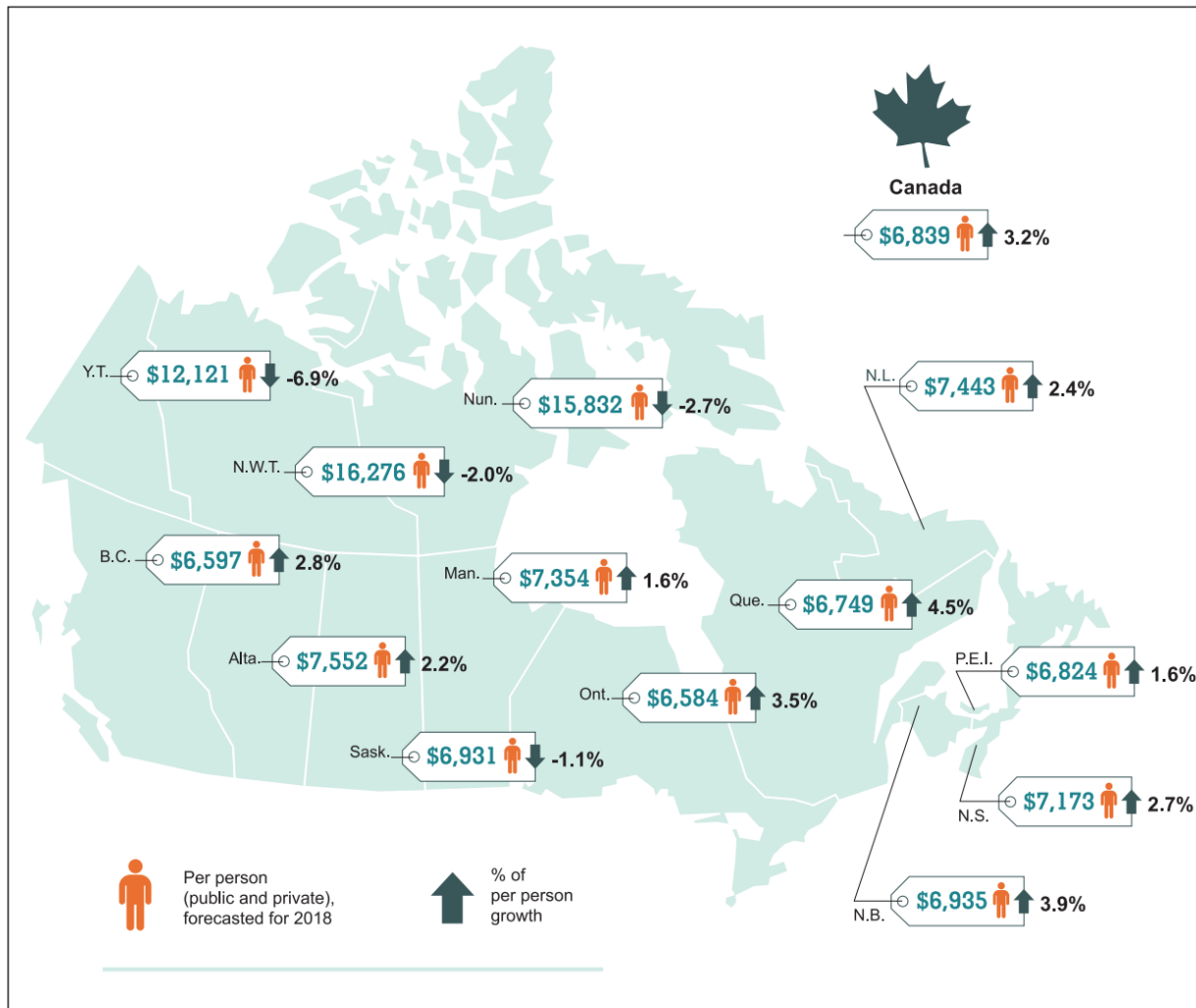
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Province to earn more from fees, fines than oil royalties

Terry Roberts · CBC News · Posted: Apr 14, 2016 2:08 PM NT | Last Updated: April 14, 2016

# Much ado about spending

**Figure 12** How do the provinces and territories compare?



**Source**

National Health Expenditure Database, Canadian Institute for Health Information.