

## Backgrounder: Summary of Revenue Options

Current taxes	Tax rate increase	tax yield (millions)	Implications
Personal income tax	New 18% top tax rate on taxable income over new \$180,000 top tax bracket.	\$2.1	<p><b>Pro:</b> Easy to implement (requires an amendment to the <i>NWT Income Tax Act</i> and Canada Revenue Agency administers). Is consistent with the progressive nature of the NWT personal income tax system.</p> <p><b>Con:</b> Increasing tax burden on high-income earners may be a disincentive to attract new high-salaried professionals to the territory. Would be a rate increase on top of the new federal top tax bracket.</p>
Payroll tax	1 percentage point rate increase to 3% tax on NWT employment income	\$20.5	<p><b>Pro:</b> Easy to implement as it is a rate change only.</p> <p><b>Con:</b> Increasing tax burden on employment income compared to other forms of personal income. Creates disincentive to attract new labour to the territory. Reduces the</p>

Current taxes	Tax rate increase	tax yield (millions)	Implications
Fuel tax	Increase rate based on Quarterly Retail Price Survey	\$18.2 or \$1.8 for every one cent per litre increase above current rate	<p>progressivity of the tax system.</p> <p><b>Pro:</b> Fuel tax rates have not increased since 1997 and, therefore, have not kept up to inflation.</p> <p><b>Con:</b> Increasing the cost of living and operating costs for businesses.</p>
Corporate income tax (General rate)	Could increase general tax rate above national average	Adding 1 percentage point to the general rate may generate \$5 million but depends on corporate profitability	<p><b>Pro:</b> General tax rate change does not affect small business.</p> <p><b>Con:</b> Revenue will depend on corporations' profitability at time of rate increase and assumptions of corporate behaviour. Will make the NWT less attractive for business investment.</p>
Tobacco tax	Quarterly Retail Price Survey rates	\$2.0	<p><b>Pro:</b> Increased taxes may discourage consumption.</p> <p><b>Con:</b> Potential increase in illegal cigarette activity.</p>

New taxes	Tax rate increase	Yield (millions)	Implications
Sales tax	2% on goods and services taxed under the federal GST	\$20.0	<p><b>Pro:</b> Harmonized sales tax would be easy to implement. Administration would be done by the Canada Revenue Agency. Large and stable revenue generating potential and can take up room vacated by the 2 percentage point reduction in GST (dropped to 6% in 2006 and 5% in 2008).</p> <p><b>Con:</b> The cost of living will increase. The GNWT would have to administer any rebate program for specific goods. Residents in remote communities will be most affected because of higher prices.</p>
Carbon tax	Based on a \$10 per tonne of CO2 equivalent emissions	\$10.0	<p><b>Pro:</b> Provide an incentive to reduce fossil fuel consumption.</p> <p><b>Con:</b> Would increase the cost of living and cost of doing business, including making it more expensive for mineral exploration and mining operating costs.</p>

New taxes	Tax rate increase	Yield (millions)	Implications
Hotel room tax	5% of hotel room price	\$3.3-\$3.5 net of GNWT expenditures	<p><b>Pro:</b> Generates tax revenue with limited tax on NWT residents.</p> <p><b>Con:</b> May discourage cost-conscious tourists and would increase costs for business travel.</p>
Sugary drink tax	Based on sugar content	Consumption data not available	More work required to determine if revenue generated is worth the administrative cost.