

Tax Sharing with Self-Governments: An Overview of the GNWT's Position



Financing Self-Governments

Financing self-governments is expected to come from:

- ✓ Government of Canada
- ✓ Government of the Northwest Territories
- ✓ Own source revenues of Self-Governments

Tax-sharing is ONLY a part of the overall fiscal transfer arrangements to be negotiated between the GNWT and Self-Governments.



Tax Facts

Under the *Northwest Territories Act* the GNWT can impose direct taxation on its residents and businesses.

For example:

- ✓ Income (Corporate and personal income taxes)
- ✓ Consumption (fuel tax, tobacco tax)
- ✓ Property (general property tax and school levy)

The GNWT cannot impose:

- ✓ royalties on non-renewable resource products, or
- ✓ a tax on goods exported outside the NWT.



GNWT's Tax Regimes

To raise revenues for government programs and services, the GNWT currently imposes:

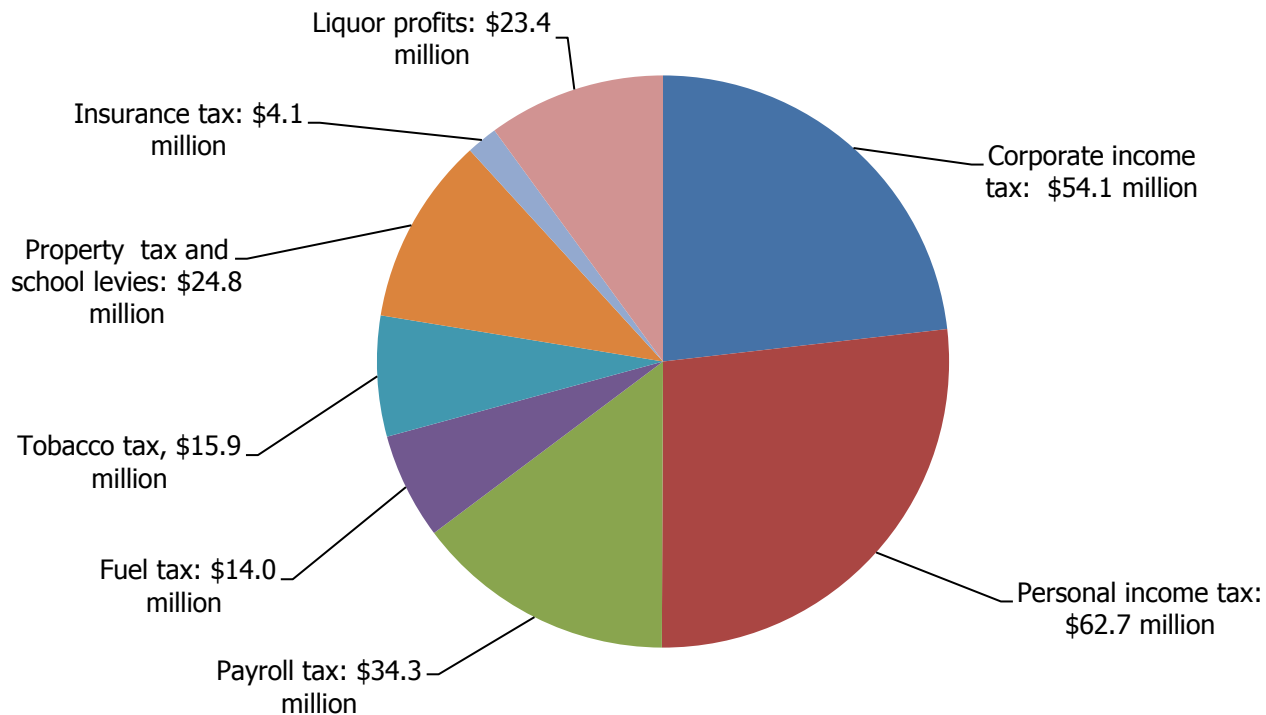
- ✓ Corporate income tax (CIT)
- ✓ Personal income tax (PIT)
- ✓ Payroll tax
- ✓ Tobacco tax
- ✓ Fuel tax
- ✓ Property tax
- ✓ Insurance Tax, and
- ✓ Liquor mark-ups.



Notes about Income Taxes

- ✓ The Canada Revenue Agency (CRA) administers and collects the territorial CIT and PIT on behalf of the GNWT. For this reason, an individual or a business in the NWT only files a single tax return with the CRA.
- ✓ The NWT *Income Tax Act* parallels the federal *Income Tax Act*. As a result, the GNWT usually takes the same position as the federal government on income tax issues.
- ✓ The GNWT sets its own territorial tax rates and tax credits.

GNWT's 2009-10 Tax Revenues (unaudited)





Tax Sharing with Self-Governments

- ✓ The GNWT recognizes a Self-Government's right to taxation of its citizens within its land as a way to raise its own revenues. This right is not extended to non-citizens or corporations.
- ✓ To avoid double taxation, the GNWT is willing to enter into an agreement to share tax room on individuals, including non-citizens, if a Self-Government is willing to take on equivalent expenditure responsibilities (jurisdictional drawdown).



Tax Bases for Sharing

The GNWT is willing to share the following:

- ✓ Personal income tax
- ✓ Tobacco tax

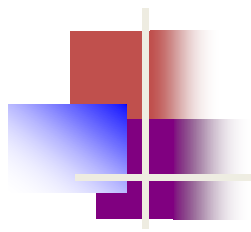
Other bases for possible sharing include:

- ✓ Payroll tax
- ✓ Liquor profits



Tax Bases Excluded from Sharing

- ✓ The GNWT is not willing to share corporate income tax.
- ✓ Property tax will continue to be shared with community governments within a Self-Government's land on the same basis as with other communities.



Questions ?