

LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
7<sup>TH</sup> COUNCIL, 51<sup>ST</sup> SESSION  
RECOMMENDATION TO COUNCIL  
NO. 1-51



Not for release before  
tabling during the  
51st Session of Council

COUNCIL OF THE NORTHWEST TERRITORIES  
CANADA

RECOMMENDATION TO COUNCIL 1-51

TOBACCO AND ACCOMMODATION TAXES

DISPOSITION

Tabled	To Committee	Accepted as Read	Accepted as Amended	Deferred (to Session)	Rejected	Noted not Considered

## BACKGROUND

It has become apparent that the Territorial Government must have additional sources of revenue. From a long-term point of view, the development of a broad revenue base is an important step toward self-government. In the short term, additional funds are required now, and there appears little likelihood that the Federal Government will permit a continuing increase in the deficit grant without more money being raised internally.

The methods by which the Territorial Government can generate revenue are limited. Some, particularly those based on mineral resources, are not available to us at the present time. Others which are available, and are found acceptable in the provinces, cannot reasonably be applied in the Northwest Territories. They would impose an excessive financial burden on those unable to carry such a burden, accentuate the discrepancies arising from the extremely high costs in the more remote parts of the Territories, or penalize and discourage initiative and independence.

Annex A lists the more common provincial taxes on items other than real estate. It indicates, in simplified form, the rates of tax in each of the ten provinces.

There are two very common provincial taxes which should not have significantly more impact on the people of the Territories than on residents of the provinces. All provinces tax all forms of tobacco, and all provinces except Alberta have a sales tax on hotel and motel accommodation. The Standing Committee on Finance recommended to Council two years ago that a tobacco tax be considered if more revenue was needed.

## PROPOSAL

It is proposed that a tax be placed on cigarettes and cigars at the same rates as in Alberta. Exempting packaged tobacco will avoid placing a burden on those who are willing to practice the economy of "rolling their own". It is also proposed that a 5% tax be placed on accommodation.

### Tobacco Tax

The rates of tax applied to tobacco products by the ten provinces are given in Annex B. The commissions allowed by the provinces to the tax collectors are shown in Annex C; it is proposed that the wholesalers would act as the tax collectors. Federal Government tax rates on tobacco products are also given in Annex C for information. The Federal and provincial taxes are of course additive.

At the rates proposed, the Territorial tax would be 8/25 of one cent per cigarette, or 8¢ per package of 25. The tax on cigars would be 1 to 9¢ depending on the price.

The annual revenue from this tax and the cost of collecting it are estimated to be as follows:

Revenue

Cigarettes	\$ 260,000	
Cigars	<u>11,000</u>	\$271,000

Costs

Commission	\$ 8,000	
Revenue Section Staff	6,000	
Audit	<u>32,000</u>	46,000
Net Revenue		\$225,000

The loss in revenue by not taxing packaged tobacco would be only \$11,000 per year.

Accommodation Tax

Hotel and motel room charges in the provinces are taxed at the rates used for the retail sales tax. These rates are given in the top line of Annex A. Collectors' commissions are shown in the second line. There being no sales or accommodation taxes in Alberta, it is suggested that the British Columbia rates be used in the Northwest Territories.

The tax would thus be five per cent of accommodation charges. The rate of commission for most operators would be three per cent of the tax collected. Where the tax collected by an operator exceeds \$2,500 per month, the commission in the amount over \$2,500 would reduce to one per cent.

Where accommodation is provided along with meals, transportation, or other services at a package rate, as is commonly done by lodges and outfitters, it will be necessary to establish the part of the total charge that applies to accommodation. Campgrounds would not be taxed since the revenue would be too small to justify the cost of collecting it.

Estimated annual revenue and collection cost for a Territorial accommodation tax are estimated as:

Revenue

Hotels and motels	\$194,000	
Lodges and outfitters	<u>25,000</u>	\$219,000

Costs

Commission	\$ 6,000	
Revenue Section staff	4,000	
Audit	<u>20,000</u>	<u>30,000</u>

Net revenue \$189,000

RECOMMENDATIONS

A. Tobacco Tax

1. A tax be applied to all cigarettes sold at the rate of 8¢ per package of 25 or 6.4¢ per package of 20 (i.e.: 8/25 of a cent per cigarette).
2. A tax be applied to each cigar sold depending on its retail price as follows:

<u>Tax</u>	<u>Retail Price</u>
1¢	7¢ or less
2¢	over 7¢ but not over 15¢
3¢	over 15¢ but not over 22¢
5¢	over 22¢ but not over 32¢
7¢	over 32¢ but not over 42¢
9¢	over 42¢

3. No tax be applied to packaged tobacco.
4. A commission be allowed to the collecting agency of 3% of the amount collected up to \$10,000 in any one month, and 1% of any amount collected over \$10,000.

B. Accommodation Tax

1. A tax of 5% be applied to accommodation charges made by hotels, motels, lodges, outfitting operations, and similar establishments.
2. No tax be applied to campgrounds.
3. A commission be allowed of 3% of the amount collected up to \$2,500 in any one month, and 1% of any amount collected over \$2,500.

## ANNEX A

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## Simplified Comparison of Provincial Taxes

	British Columbia	Alberta	Sask- atchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	P.E.I.	New- foundland	N.W.T.
<b>Sales Tax</b>											
Rate	5%	Nil	5%	5%	7%	8%	8%	7%	8%	7%	-
<b>Commission</b>											
Initial rate	3%	-	5%	3%	Nil	2%	2%	1½%	3%	2%	-
Applies to first	\$2500	-	\$300	\$200	-	-	\$250	-	-	-	-
Rate on balance	1%	-	1%	2%	Nil	2%	1%	1½%	3%	2%	-
<b>Exemption for Indians</b>											
Sales on reserves	exempt	-	exempt	taxable	exempt	exempt	exempt	exempt	taxable	-	-
Delivery to reserves	taxable	-	exempt	taxable	exempt	exempt	taxable	exempt	taxable	-	-
Sales off reserves	taxable	-	exempt	taxable	taxable	taxable	taxable	exempt	taxable	-	-
<b>Gasoline</b> (¢/gal.)											
Motor vehicles	15	15	19	17	19	19	20	21	21	25	14
Aircraft	3	3	4	2	3	3	3	3	Nil	Nil	2½
Boats (exc. Fishermen)	3	3	19	17	19	19	Nil	21	21	25	14
<b>Diesel oil</b> (¢/gal)											
Motor vehicles	17	17	21	20	25	25	23	27	25	25	15
Domestic heating	½	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	3
Commercial heating	½	Nil	Nil	1	Nil	Nil	Nil	Nil	Nil	Nil	3
<b>Electricity</b> (lighting)	5%	Nil	5%	5%	Nil	8%	Nil	50¢ up	Nil	7%	-
<b>Motor vehicle licence</b> (6 cyl. Ford Galaxie)	\$23.50	\$25.00	\$28.00	\$27.00	\$22.00	\$38.55	\$41.55	\$38.00	\$38.00	\$22.00	\$15.00
<b>Personal income tax</b> (% of Federal tax)	30.5%	36.0%	37.0%	42.5%	29.6%	34.0%	41.5%	38.5%	36.0%	36.0%	29.1%
<b>Amusement tax</b>	Nil	Nil	varies	10.0%	10.0%	10.0%	11.0%	10.0%	10.0%	Nil	-
<b>Mining tax</b> (% of taxable income)	15.0%	Nil	9.0%	15.0%	15.0%	15.0%	12.0%	varies	Nil	5.0%	-

Note: The above figures are intended to provide an approximate although realistic comparison. The rates shown are subject to a wide variety of exemptions and conditions.

Source: Most of the data were obtained from the Government of Manitoba report, "Provincial Tax Comparison", 1973.

## ANNEX B

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Comparison of Provincial Taxes on Tobacco ProductsI. Cigarettes

	British Columbia	Alberta	Sask- atchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	P.E.I.	New- foundland
Per cigarette	8/25 of 1¢	8/25 of 1¢	9/25 of 1¢	3/5 of 1¢	23/50 of 1¢	2/5 of 1¢	2/5 of 1¢	2/5 of 1¢	2/5 of 1¢	1¢
Per pack of 20's	6.4¢	6.4¢	7.2¢	12¢	9.2¢	8¢	8¢	3¢	8¢	20¢
Per pack of 25's	8¢	8¢	9¢	15¢	11.5¢	10¢	10¢	10¢	10¢	25¢
Per 1000 cigarettes	\$3.20	\$3.20	\$3.60	\$6.00	\$4.60	\$4.00	\$4.00	\$4.00	\$4.00	\$10.00

II. Cigars

Retail price	British Columbia	Alberta	Sask- atchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	P.E.I.	New- foundland
1 - 4 cents	1¢	1¢	1¢	1¢	1¢	Nil	1¢	-	1¢	2¢
5	1	1	1	1½	1	Nil	1	1¢	1	3
6 - 8	1 - 2	1 - 2	1	2	1 - 2	1¢	2	1	1	3 - 4
9 - 10	2	2	1	3	2	1	2	1	1 - 2	4
11 - 12	2	2	2	3	3	3	3	1	2	4
13 - 15	2	2	2	4	3	3	3	1 - 2	2	4
16	3	3	2	4	4	4	4	2	3	8
17 - 20	3	3	2	5	4	4	4	2	3	8
21 - 25	3 - 5	3 - 5	4	7	5	5	5	2 - 3	3 - 4	8
26 - 28	5	5	4	7	6	6	6	3	4 - 5	12
29 - 30	5	5	4	9	6	6	6	3	5	12
31 - 35	5 - 7	5 - 7	4	9	7	7	7	3 - 4	5 - 6	12
36	7	7	4	9	8	8	8	4	6	16
37 - 40	7	7	4	11	8	8	8	4	6 - 7	16
41 - 43	7 - 9	7 - 9	4	11	9	9	9	4	7	16
44 - 45	9	9	4	13	9	9	9	4 - 5	7	16
46 - 50	9	9	4	13	10	10	10	5	20% of Retail	20
51 - 52	9	9	4	13	11	11	11	5	Price	20
53 - 55	9	9	4	15	11	11	11	5 - 6		20

Annex B continued:

III. Packaged Tobacco

British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	P.E.I.	Newfoundland
2¢ per ½ oz. or part of ½ oz.	2¢ per ½ oz. or part of ½ oz.	2¢ per ½ oz. or part of ½ oz.	3¢ per ½ oz. or part of ½ oz.	2½¢ per ½ oz. or part of ½ oz.	20% of Selling Price	4¢ per oz. or any part of 1 oz.	10% of Purchase Price if in Excess of 15¢	20% of Retail Price	4¢ per ½ oz. or part of ½ oz.

Source: Government of Manitoba, "Provincial Tax Comparison", 1973.



## ANNEX C

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Comparison of Provincial Rates of Commission

British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	P.E.I.	Newfoundland
3% on 1st \$10,000 per month - 1% on Balance of Tax collected	3% on 1st \$10,000 per month - 1% on Balance of Tax collected	3% on Tax Collected	3% on 1st \$5,000 per month - 2% on Balance of Tax remitted	Nil	3% of Tax Collected.	4%	4%	5% of tax Collected.	1%

Federal Taxes on Tobacco ProductsCigarettes

	Regular	King
Per 1000 cigarettes	\$ 12.01	\$ 13.06
Per carton	2.402	2.612
Per pack of 25's	30.025¢	32.65 ¢
Per pack of 20's	24.02 ¢	26.12 ¢
Per cigarette	1.201¢	1.306¢

Tobacco

Per pound	\$ 1.625
Per 1.5 oz. package	15.225¢
Per 6 oz. tin	60.9 ¢
Per 8 oz. tin	81.25 ¢

Cigars (Based on old port cigarello tips)

Per 1000	\$ 13.37
Per cigar	1.337¢

Source: Government of Manitoba, "Provincial Tax Comparison", 1973.