

LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
8<sup>TH</sup> ASSEMBLY, 59<sup>TH</sup> SESSION

TABLED DOCUMENT NO. 9-59

TABLED ON May 17, 1976

RECOMMENDATION TO COUNCIL 2-59  
TERRITORIAL INCOME TAX

Background

At the 56th Session held in June of 1975, the following Motion was passed:

"NOW THEREFORE, I move that this Council indicate to the Commissioner of the Northwest Territories its willingness and approval that negotiations be carried out between the Council of the Northwest Territories, acting through the Executive Committee or such other persons as it might duly authorize in that behalf, and the Government of Canada in respect to a territorial income tax and resource revenue sharing."

Discussions have been held with officers of the Department of Indian and Northern Affairs on the subject of resource revenue sharing and a meeting held with a Sub-Committee of this Council. A separate report on that subject will be made to Council at this Session. Discussions were held at a recent meeting of the Interdepartmental Committee on Federal-Territorial Financial Relations on the subject of a territorial income tax, and the approval of that body to proceed towards the establishment of such a tax was received.

At the present time, the various provinces of Canada establish income tax rates which vary from 26% of the federal tax collected, in the case of Alberta, to 42.5% in the case of Manitoba.

With the exception of the Province of Quebec, which collects its own income tax, the income tax for each of the other provinces is actually collected by the federal government.

The tax rate for the Northwest Territories and the Yukon is currently set federally at the base rate of 30% of the federal tax. In our Financial Agreement with the Government of Canada, the amount of income tax collected in the Northwest Territories is noted as a revenue item and reduces the amount of the Operations & Maintenance Deficit Grant.

Action has been taken by the Yukon Council to establish a territorial income tax for the year 1977, provided that the federal Income Tax Act is amended. It appears most likely that action to amend the Act will be taken at the current session of Parliament. It is, therefore, appropriate that the Northwest Territories proceed with similar action at this time.

Recommendation

In order to achieve one of the objectives set out in Council Motion 27-56, it is recommended that the Administration prepare legislation for presentation to the next Session of Council to permit the establishment of a territorial income tax; and further that the federal government be asked to make appropriate enabling amendments to the Income Tax Act in order that a territorial income tax could be collected for the year 1977.

In making this recommendation it is accepted that the rate of income tax to be set by Council will not be less than the base rate of 30% of the federal tax.