

Standing Committee on  
Government Operations



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# Report on Bill 62: *An Act to Amend the Income Tax Act, No. 2*

19<sup>th</sup> Northwest Territories Legislative Assembly

Chair: Mr. Rylund Johnson

**MEMBERS OF THE STANDING COMMITTEE ON  
GOVERNMENT OPERATIONS**

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February 07, 2023

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its *Report on Bill 62: An Act to Amend the Income Tax Act, No. 2*, and commends it to the House.



Mr. Rylund Johnson  
Chair, Standing Committee on Government Operations

**STANDING COMMITTEE ON  
GOVERNMENT OPERATIONS**

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## **STANDING COMMITTEE ON GOVERNMENT OPERATIONS REPORT ON BILL 62: AN ACT TO AMEND THE INCOME TAX ACT, NO. 2**

### **INTRODUCTION**

*Bill 62: An Act to Amend the Income Tax Act, No. 2* (Bill 62) received second reading on November 2, 2022, and was referred to the Standing Committee on Government Operations (Committee) for review.

Bill 62 would amend the *Income Tax Act* to harmonize this legislation with the federal government as required under the *Canada-Northwest Territories Tax Collection Agreement*. Specifically, Bill 62:

- Allows the Canada Revenue Agency to share NWT-specific taxpayer data with Finance Canada, to support better tax policy design and analysis;
- Removes federally repealed provisions used to address various COVID-19 relief measures; and
- Ensures the *Income Tax Act* is consistent with federal provisions and complies with the *Canada-Northwest Territories Tax Collection Agreement*.

### **COMMITTEE ACCEPTS GNWT REQUEST TO AMEND**

On January 16, 2023, the Government informed Committee that it was seeking additional changes to Bill 62. After the Government introduced Bill 62, the Department of Finance discovered the effective dates contained in the Bill did not agree with the various federal measures that had different retroactive effective dates. Without the proper effective dates, the Canada Revenue Agency would be non-compliant with the *Income Tax Act* when administering the territorial income tax regime. Originally, clause 13 of Bill 62 proposed:

13.
  - (1) Subject to subsections (2) to (5), this Act comes into force on assent.
  - (2) Subsection 5(1) is deemed to have come into force January 1, 2018.
  - (3) Subsection 5(2) is deemed to have come into force November 30, 2020.
  - (4) Section 7 is deemed to have come into force March 25, 2020.
  - (5) Section 12 is deemed to have come into force March 25, 2020.

To correct the coming into force dates, the Department drafted a proposed motion that read:

That Bill 62 be amended by deleting clause 13 and substituting the following:

13.

- (1) Subject to subsections (2) to (6), this Act is deemed to have come into force January 1, 2022.
- (2) Section 4 is deemed to have come into force January 1, 2023.
- (3) Subsection 5(1) is deemed to have come into force January 1, 2018.
- (4) Subsection 5(2) is deemed to have come into force July 1, 2021.
- (5) Section 7 is deemed to have come into force March 25, 2020.
- (6) Section 8 is deemed to have come into force March 25, 2020.

In response to questions, the Minister of Finance said there had been no delays in bringing forward these proposed amendments. She further explained that the need for retroactive dates were a result of delays in federal changes, the details of which she would try to find and provide separately to Committee. The Minister also said there were no lost revenues to the GNWT because of these changes.

Committee was satisfied with the rationale for the changes and the wording of the motion. Therefore, Committee agreed to and passed the motion, with the concurrence of the Minister of Finance, during its public hearing and clause by clause review on January 18, 2023.

## **BILL 62 TO ALLOW DISCLOSURE ON COST OF NWT TAX CREDITS**

During the public hearing, the Minister of Finance expressed her understanding that Bill 62 would allow the federal government to disclose the fiscal cost of the territory's tax credits.

At present, neither the Main Estimates nor the Public Accounts report on the revenue lost from most territorial tax credits. Only a few tax credits – the carbon tax offset, the cost-of-living offset, and the NWT child benefit – are reported. More than a dozen others, such as the NWT political contribution tax credit, the disability amount, and the dividend tax credit, appear to be unreported.<sup>1</sup>

At Committee's review of the 2020-21 Public Accounts, the Comptroller General suggested that the federal government does not provide the Department of Finance with disaggregated data on tax credits. She reported that the federal government collects territorial income taxes, distributes territorial credits, and returns the net tax revenues to the Government of the Northwest Territories (GNWT). This situation may imply that the

Department of Finance cannot access information to assess the effectiveness and efficiency of territorial tax credits.

Committee wants to see more public disclosure on the cost of each territorial tax credit. Enhanced disclosure could inform better tax and fiscal policymaking. It would also correct a significant fiscal reporting gap and improve transparency and accountability to taxpayers. Committee welcomes the ways Bill 62 will allow the federal government and the Department of Finance to disclose more information on territorial tax credits.

## **CONCLUSION**

The Committee reports Bill 62, as amended, to the Legislative Assembly as ready for consideration in Committee of the Whole.

## APPENDIX: NOTES

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<sup>1</sup> Committee is unclear on the number of territorial tax credits, or what each of them is. A Department of Finance document on the personal income tax structure ([https://www.fin.gov.nt.ca/sites/fin/files/resources/current\\_combined\\_personal\\_income\\_tax\\_structures\\_english\\_0.pdf](https://www.fin.gov.nt.ca/sites/fin/files/resources/current_combined_personal_income_tax_structures_english_0.pdf)) lists about a dozen distinct territorial tax credits. A Canada Revenue Agency information guide ([https://www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years/general-income-tax-benefit-package/northwest-territories/5012-pc/information-residents-northwest-territories.html#P113\\_12136](https://www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years/general-income-tax-benefit-package/northwest-territories/5012-pc/information-residents-northwest-territories.html#P113_12136)) highlights several other territorial tax credits that do not appear on the Department's document, such as the NWT political contribution tax credit.