



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Ms. Colleen Young, Chair
Lloydminster

Mr. Ryan Meili, Deputy Chair
Saskatoon Meewasin

Mr. Fred Bradshaw
Carrot River Valley

Mr. Ken Cheveldayoff
Saskatoon Willowgrove

Mr. Kevin Doherty
Regina Northeast

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Scott Moe
Rosthern-Shellbrook

[The committee met at 19:00.]

The Chair: — Good evening and welcome, members, to the committee. Myself, Colleen Young, sitting in for Chair. Sitting in for Ryan Meili tonight we have Cathy Sproule. Other members of the committee here this evening are Fred Bradshaw and Glen Hart. Sitting in for Ken Cheveldayoff is David Buckingham. Sitting in for Kevin Doherty is Hugh Nerlien. And sitting in for Scott Moe is Terry Dennis. Thank you.

We have the following documents to table: CCA 43-28, Crown Investments Corporation of Saskatchewan: Report of public losses, April 1, 2017 to June 30, 2017; CCA 44-28, Crown Investments Corporation of Saskatchewan: 2016-17 payee disclosure report; CCA 45-28, Crown Investments Corporation of Saskatchewan: Report of public losses, July 1, 2017 to September 30, 2017.

I would also like to advise the committee that pursuant to rule 145(3), chapters 13, 26, 27, 28, 30, and 31 of the Provincial Auditor of Saskatchewan 2017 report volume 1 were committed to the committee.

I would like to advise the committee that pursuant to rule 145(1), the following documents were permanently committed to the committee, and bear with me, there's a list here: SaskEnergy 2016-17 annual report; SaskEnergy Incorporated, TransGas Limited, and Bayhurst Gas Limited financial statements for the year ended March 31, 2017; SaskWater 2016-17 annual report; Saskatchewan Transportation Company 2016-17 annual report.

SaskTel 2016-17 annual report; Saskatchewan Telecommunications financial statements for the year ended March 31, 2017; Saskatchewan Telecommunications International Inc. financial statements for the year ended March 31, 2017; DirectWest Corporation financial statements for the year ended March 31, 2017; SecurTek Monitoring Solutions Inc. financial statements for the year ended March 31, 2017; Saskatchewan Telecommunications Pension Plan annual report for the 15 months ended March 31, 2017.

Saskatchewan Power Corporation 2016-17 annual report; NorthPoint Energy Solutions Inc. 2016-17 financial statements; Power Corporation Superannuation Plan 2016 annual report; Saskatchewan Gaming Corporation 2016-17 annual report; Saskatchewan Gaming Corporation SGC Holdings Inc. financial statements for the year ended March 31, 2017; Saskatchewan Opportunities Corporation 2016-17 annual report; Saskatchewan Auto Fund 2016-17 annual report; SGI Canada 2016-17 annual report; SGI Canada Insurance Services Ltd. 2016 annual report; Coachman Insurance Company 2016 annual report; Saskatchewan Government Insurance Superannuation Plan 2016 annual report.

Crown Investments Corporation of Saskatchewan 2016-17 annual report; Crown Investments Corporation of Saskatchewan, CIC Asset Management Inc. financial statements for the year ended March 31, 2017; Crown Investments Corporation of Saskatchewan, First Nations and Métis Fund Inc. financial statements for the year ended March 31, 2017; Crown Investments Corporation of Saskatchewan,

Gradworks Inc. financial statements for the year ended March 31, 2017; Crown Investments Corporation of Saskatchewan, Saskatchewan Immigrant Investor Fund Inc. financial statements for the year ended March 31, 2017; Crown Investments Corporation of Saskatchewan, Capital Pension Plan financial statements for the year ended March 31, 2016.

Thank you.

Bill No. 84 — *The Income Tax (Business Income) Amendment Act, 2017*

Clause 1

The Chair: — This evening we will be considering Bill No. 84, *The Income Tax (Business Income) Amendment Act, 2017*, and we will begin our consideration of clause 1, short title. Minister Harpauer, please introduce your officials and make your opening comments.

Hon. Ms. Harpauer: — Thank you, Madam Chair, and with me tonight I have Rupen Pandya to my left, which is the deputy minister of Finance. To my right, I have Arun Srinivas, assistant deputy minister, taxation and intergovernmental affairs. Behind me I have Brent Hebert, the assistant deputy minister, revenue division, and Bob McInnes, the analyst, taxation and intergovernmental affairs.

Chair and committee members, I'm pleased to speak to amendments to *The Income Tax Act 2000* which implement the income tax initiatives announced in the 2017 Throne Speech. Madam Chair, this legislation increases Saskatchewan's corporation income tax rate business taxes by a half point effective January 1, 2018, from 11.5 to 12 per cent, and repeals the legislated general corporate income tax rate reduction from 11.5 to 11 per cent that was scheduled to take effect as of July 1st, 2019. This will return the corporate tax rate to 12 per cent, the same as other western provinces.

Once implemented, Saskatchewan's 12 per cent corporate income tax rate will continue to be competitive and amongst the lowest in the country, maintaining our province's advantages when attracting new investments and jobs.

In addition, the dividend tax credit rate for eligible dividends will be increased for the 2018 taxation year to reflect the change in the general corporate income tax rate. This change will increase the effective dividend tax rate credit rate for eligible dividends from the current 10.75 per cent to 11 per cent beginning January 1, 2018, thereby maintaining the current degree of integration between the provincial, corporate, and personal income tax systems for eligible dividend income.

This bill also introduces an increase in the income threshold to which Canadian-controlled private corporations, known as CCPCs, are able to apply the Saskatchewan small business tax rate of 2 per cent. The threshold would be increased from 500,000 to 600,000 per taxation year beginning January 1, 2018.

Increasing the small business threshold will be beneficial to all Saskatchewan small businesses as it will provide an incentive to

hire more workers and invest new capital right here in Saskatchewan. Thank you very much. And I will now entertain any questions.

The Chair: — Thank you, Minister. I'll open the floor to questions. Ms. Sproule.

Ms. Sproule: — Thank you very much. Thank you, Madam Minister. Welcome officials for a Tuesday night here before Christmas. I guess there's three main areas that you've identified, Mr. Speaker . . . or Madam Minister. I'm in the wrong room. And just want to touch on all of them as we go through this tonight.

So maybe we'll start with the dividend rates. And I don't think there was much said on the second reading speech, and it's honestly a bit of a mystery to me. So I'm just wondering if, for the record, if you or your officials could explain this somewhat in layman's terms to educate us a little bit on why these changes are being brought in.

Hon. Ms. Harpauer: — Okay, so the dividend tax credit ensures that dividend income is not subject to double taxation, so once at the corporate level and again at the personal level, by providing a credit representing the amount of the corporate tax already paid. So since the corporate income tax rate is being increased, the dividend tax credit rate will have to be correspondingly increased.

Ms. Sproule: — So it's basically the second side of the coin, so to speak, if you're going to decrease . . . increase the corporate tax rates, the dividend rates need to be decreased. Is that the simple explanation?

Hon. Ms. Harpauer: — Increased. They'll both be increased.

Ms. Sproule: — They'll both be increased to make it so that there isn't double taxation. Okay.

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — What section of the Act is being amended now to reflect that? Is it 32?

Hon. Ms. Harpauer: — Section 32. Correct.

Ms. Sproule: — Okay, so section 3 of the bill. Okay, there's another section in the bill referring to 120 per cent, and I'm just wondering . . . I guess that is section 56. Well section 5 of the bill is amending section 56.5 of the Act in clause (b), and I'm just wondering if you could explain again in layman's terms what the impact of that change would be.

Hon. Ms. Harpauer: — So subsection 56.5(b) adjusts the federal small-business threshold with a business limit by grossing up the federal amount, which is currently 500,000, to arrive at the provincial amount.

So this gross-up accommodates situations where a corporation may not be eligible to claim the maximum amount. So currently the federal amount of course is 500,000 and the provincial amount is 500,000, which is equal to 100 per cent of the federal amount.

As of January 1, 2018 however, the provincial amount will increase to 600,000. So the amount is equal to 120 per cent of the federal amount.

So clause 56.5(b) is amended to end the period to which the 500,000 small-business threshold applies at December 31st, 2017. And then clause (xi) is added to introduce the new 600,000 small-business threshold.

Ms. Sproule: — It's clause (ii). Is that the one?

Hon. Ms. Harpauer: — (xi), yes.

Ms. Sproule: — Oh, (xi). Thank you. Right.

Hon. Ms. Harpauer: — So I mean the provincial small-business threshold definition is based on the federal definition, the value of which is 500,000. So in order to reflect the change provincially, it's 120 per cent of 500,000.

Ms. Sproule: — All right. And then there's changes as well — thank you — there's changes as well to section (a) of that 56.5, where again you're introducing a \$600,000 figure. What is that figure in relation to? It seems to me specified partnership income. Is that different?

[19:15]

Hon. Ms. Harpauer: — So subsection 56.5(a) applies to the small-business threshold to the income of eligible corporation partnerships. So the specified partnership income of a corporation is used in determining the small-business threshold of a corporation; it carries on an active business through a specified partnership. So in the case of these eligible corporate partnerships, the small-business threshold is determined based on the number of days of the partnership's fiscal period that is in the partner corporation's taxation year. So the annual small-business threshold is thereby or therefore converted into a rounded daily threshold as follows: so at 500,000 divided by 365 would \$1,370 per day; at 600,000 divided by 365 would be \$1,644 per day.

Ms. Sproule: — All right. And I guess you're changing also the total amount to 600,000 there. Question: why do you identify 600,000 in the first part of the section, but you're using 120 per cent of the federal amount in the second part? Does it have to be tied to federal Act?

Hon. Ms. Harpauer: — So I'm being told that in different situations it's calculated differently, but our Act follows how the federal Act goes.

Ms. Sproule: — And one final question on the way this is structured. I note that in the existing income tax Act 2000 there are all of the changes since 2000 still being retained in this Act. So why would you not . . . Why are they being retained and not being repealed? Are they still applicable?

Hon. Ms. Harpauer: — So I'm being told that they're being kept for historic reasons. And if someone wants to go back for reassessments, they can go back 10 years and follow the changes to have that reassessment done.

Ms. Sproule: — That is very logical. Thank you. Those are, I guess, the technical questions I had. I just have some general questions now in terms of why these changes are coming forward at this time. I guess first of all, Madam Minister, who asked for these changes?

Hon. Ms. Harpauer: — So the change of the threshold of course is something that is asked for by small businesses, and in particular the most common lobby group or representative group is the Canadian Federation of Independent Business or CFIB.

The changes to reverse the decisions that we had made earlier on the corporate income tax was based on two factors: one was with the change of the government in British Columbia. They are now moving their corporate tax rate up to 12 per cent. So we originally . . . it was considered reducing ours to be competitive in Western Canada, but we find that at 12 per cent we're going to be equal, equally competitive for corporate income tax in Western Canada.

The other was, you know, there's been a lot of highlighted pressures that have been put on businesses of recent due to changes in the federal government taxation laws or what they're at least contemplating. So we felt that it would be appropriate to assist the competitiveness of small businesses here in Saskatchewan.

Ms. Sproule: — I was reviewing the CFIB's press release after the budget was released this spring, and this was not something that they were asking for at that time. So when did they come forward with this request?

Hon. Ms. Harpauer: — Technically I don't have dates on that.

Ms. Sproule: — After the budget?

Hon. Ms. Harpauer: — It's just consistent, and I mean we have conversations and meetings with CFIB on a fairly regular basis.

Ms. Sproule: — Okay. What is our province's definition or your government's definition of small business?

Hon. Ms. Harpauer: — Okay. So the *Federal Income Tax Act* defines a business that is eligible to claim the small-business tax rate as a Canadian-controlled private corporation or a CCPC. And these businesses are able to apply the small-business tax rate on the first 500,000 of their active business income. So we apply the same definitions for the purposes of provincial income tax.

Ms. Sproule: — So I know Industry Canada — I'll have to look for it — has a different kind of definition of small business based on the number of employees. But you're just strictly looking at the income levels from the *Federal Income Tax Act*? Okay.

In terms of the threshold then or the ceiling, how many businesses are currently within the 500,000 range?

Hon. Ms. Harpauer: — So 70 per cent of Saskatchewan CCPCs earn less than 100,000 per year, but increasing the

income threshold will provide the largest benefit to about 5,000 Saskatchewan CCPCs that are currently reporting taxable incomes greater than 500,000 per year. And around 1,000 Saskatchewan CCPCs currently report taxable income near the 500,000 threshold. So they should be in the position to benefit from the income threshold increase if they even grew their business a small amount.

Ms. Sproule: — Do you have the total number of businesses that are currently under the 500,000 threshold? I think you said 70 per cent, but what's the number of businesses?

Hon. Ms. Harpauer: — Arun is going to give these numbers to you.

Mr. Srinivas: — Okay. We've got about 69,000 CCPCs filing tax returns in Saskatchewan, and about . . . Sorry, we have 69,000 corporations filing tax returns to Saskatchewan. About 65,000 of them are CCPCs. About 38,000 of them, of those CCPCs, paid Saskatchewan income tax.

Ms. Sproule: — Great. I just want to drill down if we can a little bit more into that. So 69,000 corporations are filing. Of those, 38,000 are paying tax. 65,000 of them are these CCPCs, private corporations. How many of those are earning more than 500,000?

Mr. Srinivas: — There are about 5,000 CCPCs that report taxable incomes greater than \$500,000.

Ms. Sproule: — 5,000 report greater than 500,000. And when we say \$500,000 — I want to be sure I understand this — that is after expenses? That's taxable income?

Mr. Srinivas: — Taxable income.

Ms. Sproule: — Okay. So that's 5,000 companies. And of these 5,000 companies that are currently earning more than 500,000 in taxable income, how many of them are earning more than 600,000?

Mr. Srinivas: — Okay. So of those 5,000 that are reporting taxable incomes above \$500,000, about 2,000 of them report taxable incomes between 500,000 and \$600,000. And the remaining 3,000 are reporting taxable incomes above 600,000.

Ms. Sproule: — Thank you. I just want to drill in now on these 2,000 businesses. That's who will benefit from these changes evidently, and perhaps some of the ones that the minister identified as close to the limit. Can you give us a breakdown of the types of businesses this reflects. Are they, you know, doctors and dentists or manufacturers or farmers?

Hon. Ms. Harpauer: — Well . . . [inaudible] . . . all 5,000 of them will benefit from these changes because they will have an additional \$100,000 at the lower income or the lower tax rate.

Ms. Sproule: — Thank you for pointing that out. Very good.

Mr. Srinivas: — So I don't have specific counts for the specific types of businesses but a number of them will be manufacturers, businesses in the retail service and hospitality industries. They're kind of scattered through all sorts of sectors,

so I don't have specifics as to proportions of businesses in each sector.

Ms. Sproule: — Is that something you could calculate and provide to the committee?

Mr. Srinivas: — I don't think we could get that specific, no.

Ms. Sproule: — So of those 5,000 businesses, would you be able to provide that information?

Mr. Srinivas: — No, that's what I was referring to.

Ms. Sproule: — Oh, generally. Okay. So we don't really know who's going to benefit the most from this in terms of sector.

Hon. Ms. Harpauer: — That's correct.

Ms. Sproule: — I guess that leads into the next questions then in terms of the analysis that was done. How much of a tax expenditure will this represent for the government?

Hon. Ms. Harpauer: — So the expansion of the small-business income threshold is expected to cost 3.7 million in 2017-18, and about 11.3 million in 2018 and '19 and onwards. However, because we're also rolling back the reduction to the general corporate income tax rate of 12 per cent, so that's expected to save us 11.2 million in 2017 and '18. So the net improvement to this year's budget is 7.5 million to the fiscal plan of 2017-18. So these changes will actually be an improvement to this year's budget.

[19:30]

Ms. Sproule: — And next year is pretty much netted out.

Hon. Ms. Harpauer: — No.

Ms. Sproule: — 11.2, 11.3.

Hon. Ms. Harpauer: — The general corporate income tax rate would have a net cost of about 62 million going forward, whereas this change we're only anticipating a net cost of 11.5 — so significantly less pressure on next year's budget.

Ms. Sproule: — So the 11.2 in the corporate tax rate is just for this fiscal year.

Hon. Ms. Harpauer: — Correct.

Ms. Sproule: — And then next year is 62 million in terms of savings?

The Chair: — While you're waiting for the answer ... [inaudible].

Ms. Sproule: — I'm sorry. I was waiting for an answer.

The Chair: — Yes.

Hon. Ms. Harpauer: — What was the question?

Ms. Sproule: — About the \$62 million going forward. I'm

sorry. Is that . . . You said you're saving 11.2 in your corporate tax rate in 2017-18. And then you said you're going to save \$62 million going forward in '18-19. I want to make sure I understood that.

Hon. Ms. Harpauer: — So going forward, the one point reduction in the general corporate income tax rate would have a net cost of about 62 million net of saving of the dividend tax credit. So this is now a savings to the fiscal plan which will be offset by 11.5 annualized cost to the expansion of the small-business income threshold.

Ms. Sproule: — Okay. Thank you. I'm sorry. I was looking at the latest information I could find across Canada in terms of the general rate for corporate income tax and the manufacturing and processing rates, and then the small-business rates and the limits. And currently there's no province over \$500,000, which is the federal level. There are two that are below that: Manitoba's at 450,000 and Nova Scotia at 350,000.

And you spoke about wanting to be competitive in Western Canada. What benefit do you see or negative impacts of increasing it to \$600,000 and setting us apart from the rest of the country in that fashion?

Hon. Ms. Harpauer: — You're correct. We'll be the first province to have a threshold this high and we see it as a tax advantage to small businesses within our province. It may attract some investment or encourage some to invest in a small business. And this will allow them more disposable income, obviously.

And beyond a doubt, small business is the number one employer in our province. So if it encourages them each to hire just one more employee, it was a worthwhile investment.

Ms. Sproule: — We have 38,000 paying taxes. Of the 69,000 corporations that are filing income tax returns here . . . Sorry, the 65,000 CCPCs — I guess we should focus on that — you were saying 5,000 of them will be able to, at least will be able to take advantage of this tax break. So what percentage of . . . I'm just trying to figure out what 5,000 is as a percentage of 65,000, and I'm not sure if that's the right calculation. Or is it 5 per cent or 5,000 of 38,000? I guess, what percentage does 5,000 represent of all of the CCPCs in Saskatchewan right now?

Hon. Ms. Harpauer: — 13 per cent.

Ms. Sproule: — 13 per cent. And in terms of employment, do you know what percentage of employees they have?

Hon. Ms. Harpauer: — No.

Ms. Sproule: — Is that something you could provide for the committee generally?

Hon. Ms. Harpauer: — No, we don't have detailed business plans of these businesses.

Ms. Sproule: — But if you say that even one job will be a success, how are you going to measure that?

Hon. Ms. Harpauer: — We're not.

Ms. Sproule: — We're just not going to . . .

Hon. Ms. Harpauer: — We just know that small business is the number one employer. The more they're able to have a strong bottom line, the more likely they are to hire more employees and expand their business even further. It's just the broad statistical evidence of it.

Ms. Sproule: — Yes, I guess the question is, if we don't know what kind of businesses these are, it's hard to measure success because many of them could be . . . I'm thinking of professional corporations like lawyers or physicians or surgeons who don't typically have a lot of employees. So you know, I would . . . We know manufacturing employs a lot of people, but we don't know that, you know, professional offices do. So without having that analysis . . .

Hon. Ms. Harpauer: — So are you suggesting that there should be different categories of small business taxes, that we should carve out categories of small businesses and have different tax rates dependent upon how many employees they have?

Ms. Sproule: — Well I think if you're saying if the goal is to increase employment, it would be good to have that information available to analyze whether the tax benefit that's being accrued is actually creating jobs. If you have no way to measure that, then how do you know?

Hon. Ms. Harpauer: — We have the statistics, the broad statistics that we use. Like I don't . . .

Ms. Sproule: — Fair enough. Fair enough. Okay, I'm going to just continue asking some other questions that I have. I have two sets of questions; I just want to make sure I haven't already asked some of these. I just want to make sure I understand. How many businesses fit into this zero to 500,000 profits? Did I get that number from you?

Hon. Ms. Harpauer: — Yes.

Ms. Sproule: — Could you remind me again? I didn't write it down.

Mr. Srinivas: — As we described before, we had 38,000 Canadian-controlled private corporations that pay Saskatchewan corporate income tax. Five thousand of those had incomes above \$500,000. So the remaining 33,000 would be incomes between zero and 500,000.

Ms. Sproule: — Okay, simple math. Thank you. Thirty-three thousand companies are currently below the \$500,000 threshold. So in terms of advancing us to those extra 5,000 companies, who . . . Okay, I just have a few questions around that. Who else was consulted other than the CFIB?

Hon. Ms. Harpauer: — I mean, governments and government members have a number of conversations in the constituencies. We talk to chambers. We talk to businesses within our own communities. The entire tax structure that you want to have in your province is a broad-based discussion. And as you know, we have significantly decreased personal income tax within our province, taken thousands of people off the tax roll.

When you say, who did we consult for that, well I guess my answer would be people. So in this case, businesses — we all deal with businesses, each and every one of us — and various conversations with representative organizations, with businesses within our constituencies, with chambers.

We look at other provinces. And generally when you look at how you attract businesses to your province, you look at what is in the neighbouring provinces and you do the comparisons of where you compete and where you're not very competitive. So it's a . . . I know you want to find a specific organization or a specific conversation. It's just not there. It's very broad conversations as well as a gathering of data on other jurisdictions.

Ms. Sproule: — I guess my question then is, why wasn't this done as part of the budget process and instead being done as part of the Throne Speech process where you're changing budget projections in midstream essentially?

Hon. Ms. Harpauer: — Well it was explained in the Throne Speech quite frankly and so you could revisit that. Originally there was a decision made in the budget for the corporate income tax rate to be more competitive in Western Canada, but that was looking at British Columbia's rate at that time which was at 11 per cent. And it was the lowest in Western Canada and we were going to match that, and as you identified in questions earlier, there was a cost to that decision.

However when the government changed in British Columbia to a NDP [New Democratic Party] government, then they announced they're going to up that tax rate, and so we were competitive and we no longer needed to reduce ours to be competitive.

Ms. Sproule: — But you describe competitive in terms of corporate tax as being equal with those provinces, but this change is actually putting you at a different rate than every province in Canada. So which one is competitive? Is it being higher, the highest in Canada? Or is it the one where you're equal with? Like those are two different rubrics that you're using and I'm confused by that.

Hon. Ms. Harpauer: — Well both are competitive in certain ways. To be uncompetitive is to be higher; to be able to compete you must at least be the same or lower.

[19:45]

Ms. Sproule: — Okay. I noticed in the historic rates that were set in section 56.5 since 2000 . . . For example, in 2009 it was 100 per cent and it has been that way for six years, seven years, eight years. So why now? Why 2017 when since 2009 it's just been 100 per cent? Now you're going up to 120 per cent.

Hon. Ms. Harpauer: — I can't answer for every conversation that happened or every change that happened. I've described to you that, you know, we are — as government, as government members — are constantly meeting with constituents, businesses, chambers, organizations, representatives of organizations that represent business.

We also were very mindful of economic reports. We know that

small business is the number one employer in our province. We hear from small businesses. And when they do better, they tend to (a) spend money within our economy, but (b), most importantly, they hire the most people. They're the number one employer.

So I can't speak to each and every change and why it was made. I've described the process to you. We are constantly mindful of where the rates are in other jurisdictions. We are constantly having those conversations and meeting with the various organizations.

Ms. Sproule: — What does this do to help a small business with tight margins feeling the hit of all the tax increases already — the restaurants with the PST [provincial sales tax], insurance, construction, and also the fact that they're no longer being compensated for the collection of these taxes?

Hon. Ms. Harpauer: — I can't speak for those businesses.

Ms. Sproule: — Then I guess the next question is, why would you give a break to highly profitable businesses instead of finding measures to support small businesses on the margins?

Hon. Ms. Harpauer: — Some of these businesses will be one and the same.

Ms. Sproule: — If you're making \$600,000 in taxable income, I don't think you're on the margins. I don't think they are the same. So I guess the question again is, why would you give a tax break to highly profitable businesses instead of measures to support small businesses that are on the margins?

Hon. Ms. Harpauer: — You make decisions obviously at various times. So there has been tax breaks that we have given by . . . I believe we lowered the small business tax to the 2 per cent in the first place, that it used to be higher than that. Property taxes, which affect these very same businesses, has been reduced significantly in this province, and then frozen — the education portion of property tax — for six years, which I don't think has ever happened in the history of the province, although that did see an increase this year after six years of being frozen.

So there's difficult decisions that needed to be made, to be sure. We are down in resource revenues, \$1.2 billion. So an increase of the PST of 1 per cent no doubt affected businesses. It didn't affect them as much as when it was 9 per cent under the NDP.

Ms. Sproule: — So in terms of small businesses on the margins, that wasn't, you know, part of the discussion. This was more about businesses making between 500,000 and \$600,000 a year in profit. Is there any, I suppose, reassurances for those businesses that are struggling right now because of all the changes that were made? Because this won't help them, right? It's only going to help highly profitable businesses. So I just wonder if you have any sort of reassurances for those that are struggling.

Hon. Ms. Harpauer: — What would you suggest?

Ms. Sproule: — I'm not the minister, so that's why I'm asking you the questions. Okay, this is another technical question I

guess, but for a company that is in the range of 500 to \$600,000, what kind of benefit will they be provided in terms of this new measure? What kind of tax break will they get?

Hon. Ms. Harpauer: — An additional 100,000 will be taxed at 2 per cent.

Ms. Sproule: — And could you give the committee what that will mean in terms of the real tax break for those companies? Two per cent of 100,000 is a \$50,000 tax break? Is that correct? My math is not good enough.

Hon. Ms. Harpauer: — About 10,000 in tax savings.

Ms. Sproule: — So there's 5,000 companies that will now get a \$10,000 tax saving over and above what they currently have. Just hang on one second. I want to read the handwriting here. I already asked that one. All right, getting close to the end here. Just one thing you did say in your opening comments was that this would benefit all the CCPCs. What did you intend by that? How will it benefit those with lower profits?

Hon. Ms. Harpauer: — It encourages them to grow if they are in a jurisdiction that in essence will give them a break as they grow.

Ms. Sproule: — Thank you. I'm looking at . . . I found some analysis on the federal small-business tax reforms. And this is an article by a gentleman named Sean Speer from *Inside Policy* which is the magazine at the Macdonald-Laurier Institute. And he had some concerns about these types of decisions on small-business tax credits. And I just wondered what your reaction to this would be. He talks about transparency and he says:

We don't really know why or how the government decided that reforms to the small business tax regime needed to be prioritized over other distortions, inefficiencies, or bad policies inherent in the tax system.

He said:

Ottawa was wise to draw on a strong group of external experts last year to advise on its review of the tax system . . . Yet it never released any of the analysis or judgements carried out through this exercise. So we have no idea what metrics or evaluation tools were used to assess individual tax provisions or the advice that the experts provided to the government.

Now, Madam Minister, you gave a long list of the people that you consult with as a general government business. Were there any experts that were engaged to do this analysis?

Hon. Ms. Harpauer: — No. We're talking a minor adjustment to an existing policy. You're reading an article about major tax changes that were proposed by the federal government. So I don't believe that what you're trying to compare here is comparable. And I'm not responding to an article I haven't read on significant tax proposal changes from a jurisdiction that's not provincial.

Ms. Sproule: — Thank you. Another statement by the

International Monetary Fund shows that:

... Canada's small-and-medium-sized enterprises are among the lowest-taxed in the world. Paired with some of the lowest interest rates on record, one might have thought these firms would have rewarded Ottawa's kindness [and provincial kindness] by leading an economic turnaround. Instead, they retreated.

And there's a quote here: "Giving incentives to small firms do not guarantee there will innovation, growth, and employment creation." And the IMF [International Monetary Fund] has said, when it comes to coddling smaller companies just because they're small, the IMF is unequivocal in its conclusion. And this is the quote: "Preferential tax treatment of small companies is too blunt an instrument to foster entrepreneurial activity efficiently."

And the recommendation in this article, and again I know you haven't read it, but they basically go on to say that "Tax preferences should target new firms, not small ones." I just wondered if you had any comment on that.

Hon. Ms. Harpauer: — No.

Ms. Sproule: — Finally, I want to look at some of the comments of the Office of the Parliamentary Budget Officer. And this was a paper, it came out in May of 2016. It's entitled *Fiscal and Economic Impacts of Curtailing the Planned Tax Cut for Small Businesses*.

And I'm just wondering if in Saskatchewan ... And this is a technical question again. Federally the active-business income is also phased out for firms with taxable capital over 10 million and eliminated for firms with taxable capital over 15 million. So do we have taxable capital rates here in Saskatchewan?

Hon. Ms. Harpauer: — This has nothing to do with the bill, Madam Chair.

The Chair: — You're talking ... Sorry. Ms. Sproule, if your questions could be more around the changes within our current provincial bill rather than the federal.

Ms. Sproule: — Thank you. In Saskatchewan, do we have a phase-out of the rate for taxable capital?

Hon. Ms. Harpauer: — We follow the federal government rules.

Ms. Sproule: — Okay. That's been covered already. All right, then I think that is ... I've covered everything that I wanted to ask for tonight, Madam Chair. And, Madam Minister, thank you very much for your time, and to the officials as well, thank you very much. Other committee members may have questions.

The Chair: — Any other questions from committee members? No? Okay, we will move to voting off the clauses of the bill. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 6 inclusive agreed to.]

The Chair: — Carried. Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Income Tax (Business Income) Amendment Act, 2017*.

I would now ask a member to move that we report Bill No. 84, *The Income Tax (Business Income) Amendment Act, 2017* without amendment.

Mr. Bradshaw: — I so move.

The Chair: — Mr. Bradshaw moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Madam Minister, do you have any closing comments you'd like to make?

Hon. Ms. Harpauer: — Thank you, Madam Chair. And I want to thank all the committee members, Ms. Sproule for your thoughtful questions. And of course my officials who have supported me and helped answer the questions, thank them for being here tonight.

The Chair: — Thank you. Ms. Sproule, if you have any closing comments you'd like to make.

Ms. Sproule: — No, I've already provided them. So again, thanks for everyone to be here.

The Chair: — All right. Thank you to all the committee members, and that concludes our business for this evening. And seeing that we have no further business, I will ask a member to move a motion of adjournment.

Mr. Bradshaw: — I will so move.

The Chair: — Mr. Bradshaw has moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee now stands adjourned to the call of the Chair.

[The committee adjourned at 19:58.]