



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Warren McCall, Deputy Chair
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Mr. David Forbes
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Ms. Nancy Heppner
Martensville-Warman

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

Mr. Hugh Nerlien
Kelvington-Wadena

[The committee met at 15:00.]

The Chair: — Well welcome, everybody, to Crown and Central Agencies. I'm Fred Bradshaw, the Chair. With us today we have Steven Bonk and Nancy Heppner, and chitting in for Warren McCall is Trent Wotherspoon.

Today we'll be considering Bill No. 210, *The Income Tax Amendment Act, 2020*; and Bill 211, *The Provincial Sales Tax Amendment Act, 2020*; and the ninth report of the Standing Committee on Crown and Central Agencies.

Bill No. 210 — *The Income Tax Amendment Act, 2020*

Clause 1

The Chair: — We will now consider Bill 210, *The Income Tax Amendment Act, 2020*, clause 1, short title. Minister Harpauer, could you introduce your officials and make your opening comments please.

Hon. Ms. Harpauer: — Thank you, Mr. Chair. Mr. Chair, I am here today to discuss *The Income Tax Amendment Act, 2020*. With me is Rupen Pandya, the deputy minister of Finance; and Arun Srinivas, the assistant deputy minister of taxation and intergovernmental affairs branch.

This legislation implements the income tax initiatives announced on June 15th, 2020, as part of the 2020-21 provincial budget. It also updates the provincial income tax legislation by repealing provisions which are no longer applicable, streamlining and clarifying other provisions, and amending provisions that have been requested by the Canada Revenue Agency, or CRA, to ensure consistent and effective administration of taxes.

Mr. Chair, this bill includes an enhancement of Saskatchewan's personal income tax system by reintroducing annual indexation. Indexation was temporarily suspended with the 2018 tax year in response to the fiscal challenges at that time.

Beginning with the '20-21 taxation year, the provincial PIT [personal income tax] system will once again be indexed to changes in the national consumer price index. Indexation shields taxpayers from bracket creep or automatic increases in tax caused by inflation. Indexation preserves the real value of personal tax credits and income tax brackets since these will increase with inflation. On a full-year basis, this change will reduce taxes for Saskatchewan taxpayers by an estimated 10 million each year.

The second revenue initiative I want to address is one that will encourage business investments in the province and support the continued diversification of the economy. The 2020-21 budget announced the introduction of the Saskatchewan chemical fertilizer incentive. This incentive will provide a non-refundable corporate income tax credit equal to 15 per cent of qualifying new capital expenditures relating to new or existing chemical fertilizer production facilities. Eligible activities are defined in the new Saskatchewan chemical fertilizer incentive Act as the "processing of mineral or chemical feedstock to create single or multi-nutrient synthetic fertilizer products." Qualifying projects include new or existing chemical fertilizer production facilities

making capital expenditures of at least 10 million related to new or expanded productive capacity.

Mr. Chair, continuing with the theme of improving competitiveness and diversification of the economy, the 2020-21 budget also announced a three-year extension of the manufacturing and processing exporter tax incentive. The manufacturing and processing exporter tax incentive was introduced in the 2015-16 budget to provide a non-refundable tax credit to eligible corporations that expand the number of their M & P [manufacturing and processing]-related full-time employees. Eligible businesses are those that export to the rest of Canada or internationally at least 25 per cent of their manufactured goods each year. The incentive offers an eligible business non-refundable tax credits equal to \$3,000 in respect to each incremental full-time employee for each of the 2015 through the 2022 calendar years.

The M & P exporter tax incentive also provides non-refundable tax credits to eligible corporations that expand the number of their full-time employees who primarily conduct activities that are typically considered to be head-office functions. This portion of the incentive offers an eligible business non-refundable tax credits equal to \$10,000 in respect of each incremental full-time head-office employee for each of the 2015 through 2022 calendar years. Originally it was scheduled to end in 2019. The program will be extended by three years to the end of 2022. This legislation supports these three important income tax incentives.

In addition, Mr. Chair, we are taking this opportunity to repeal various provisions of the Act which are no longer applicable and to streamline other provisions.

Finally, three technical changes are required. The first relates to the Saskatchewan technology start-up incentive, which is a program that offers a non-refundable 45 per cent tax credit to Saskatchewan-based investors who invest in eligible technology start-up businesses. A change is needed to clarify the year in which a tax credit can be claimed.

Second, a change is needed to enshrine in legislation the existing and long-standing practice of sharing taxpayer information with the federal Department of Finance, who is our partner, along with CRA in administering the income tax systems.

And lastly, a new subsection of the federal *Income Tax Act* addresses the issue of proof of electronic delivery, and a change to Saskatchewan's legislation is needed to maintain consistency with the federal rules.

Mr. Chair, I'd like to thank you for the opportunity to present these changes today and would be pleased to answer questions.

The Chair: — Well thank you, Minister. Just a couple of things here. Minister, could you move a little closer to your microphone. Hansard is having a hard time hearing you which I find it hard to believe. But anyway, if you wouldn't mind doing that for us please. And officials, I'd like to remind you to please state your name for *Hansard* when you speak. Thank you.

Are there any questions? Seeing none . . . oh, Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks, Mr. Chair. Thanks to the minister and officials who have joined us here today. We covered some of these changes in a bit of detail through the estimates process, so I won't make an effort to go and retrace all of those steps. Just looking for some additional information here today.

With respect to the re-indexation of the tax brackets. I'm not sure if I asked this question. I may have at estimates. I'll see if you have the information, that they were indexed and then they were . . . That was, I guess, ended in 2017 and now we're indexing them this year. I guess I'm just looking at what the lost ground was for workers during that period of time by way of the value of the cost, if you will, of the de-indexation?

Hon. Ms. Harpauer: — The cost, the estimated cost per year of lost revenue, reduced revenue per year is 10 million per year.

Mr. Wotherspoon: — And inflation is a little, like different year to year, but the 10 million is sort of a safe estimate. Is that correct? And history will show that the 10 million is . . .

Hon. Ms. Harpauer: — Correct.

Mr. Wotherspoon: — I won't retrace some of the questions that I had on this front and concerns I identified at committee. Certainly the re-indexation is a positive and important step for workers. And certainly I would urge the continuation of that to ensure a level of peace of mind and security for workers to not lose ground within their economy by way of the rate of inflation and the taxes that they pay.

Moving along a bit to the manufacturing and processing exporter tax incentive, so this offers a three-year extension, is that correct?

Hon. Ms. Harpauer: — Correct.

Mr. Wotherspoon: — And to date, how long has that incentive been in place? And to date, what has it produced by way of jobs and investment?

Hon. Ms. Harpauer: — As of May 2020, the Ministry of Finance has processed 17 of 21 claims and paid a total of 3.8 million to all the companies, and there is a further 6.5 million carried forward.

Mr. Wotherspoon: — So the province has paid the 3.8 million, and then there's 6.5 million that's carried forward. So is that coming out of this fiscal year?

Hon. Ms. Harpauer: — No. It would be over more than just one fiscal year.

Mr. Wotherspoon: — Gotcha. So that's the accumulation of the projects that are moving forward that have been approved, and that's based on when they're placing that investment.

Hon. Ms. Harpauer: — Right. They can carry forward the credit.

Mr. Wotherspoon: — And since that tax incentive's been instituted, what's been the investment based on that incentive? And what are the number of jobs that have been created?

Hon. Ms. Harpauer: — Yes, so all of that information is with Trade and Export because they are actually the oversight body. And it's just the certificate that we receive in Finance that authorizes the credit. But the program is run through Trade and Export.

Mr. Wotherspoon: — We'll have to get that minister down here to get him . . . put some questions. We covered some of this through estimates, but I didn't get all of the information with respect to investment and jobs.

This also makes accommodation for the changes to allow for the Saskatchewan fertilizer incentive, correct?

Hon. Ms. Harpauer: — Correct.

Mr. Wotherspoon: — I canvassed this space with the minister of the Economy. Certainly these are all important areas to invite, encourage, secure investment — there's no question there. So my questions would have been of a similar vein as to the other questions around, you know, what's the projected investment, what's the number of jobs? I've asked those to the minister of the Economy, so I don't feel a need to pursue that line of questioning based on the last response that you offered.

What other initiatives are we dealing with? We're dealing with the start-up, Sask start-up incentive. Can you just describe, you know, for folks what the changes are in this legislation as it relates to the Saskatchewan start-up . . . what's it called, initiative or incentive?

Hon. Ms. Harpauer: — It just clarifies the date.

Mr. Wotherspoon: — And so then what's the change on that then?

Hon. Ms. Harpauer: — Credit can be incurred or can be claimed on the year that it was incurred.

Mr. Wotherspoon: — I see. And so before it had to be the next fiscal year. Is that the case?

Hon. Ms. Harpauer: — It was that way. This is just making it clear.

Mr. Wotherspoon: — And that also relates to the SVAI [Saskatchewan value-added agriculture incentive]. That change has also been enabled in this legislation. Is that correct?

Mr. Srinivas: — Good afternoon. Arun Srinivas, the assistant deputy minister responsible for tax and intergovernmental affairs. Yes you're correct. For both of the credits that you're asking about, the change to the legislation is to ensure that the tax credit can be claimed against taxes payable in the year in which the investment was made.

Previously the legislation was not clear in that it implied that the credit had to be claimed in the year that the credit was issued. So for example, you may have made an investment in 2018. We didn't issue the tax credit certificate until 2019, so the legislation could have been interpreted to imply that you couldn't apply the tax credit until your 2019 taxation year.

So we wanted to make the legislation clear that in fact the credit can be claimed against the taxes in the year in which the investment was made.

[15:15]

Mr. Wotherspoon: — Thank you. Thanks so much for that clarity. With respect to the changes around the head office incentive that was referenced, if the minister could just kind of run through that with a bit of detail as to what these changes mean.

Hon. Ms. Harpauer: — It means that it's extended for three more years.

Mr. Wotherspoon: — Could the minister just . . .

Hon. Ms. Harpauer: — We didn't change the program . . .

Mr. Wotherspoon: — Right.

Hon. Ms. Harpauer: — Which is under Trade and Export Development. It's under that ministry. This just extends companies being able to qualify for another three years.

Mr. Wotherspoon: — And how long is the list of those that are recipients of or that qualify and receive benefit from that program?

Hon. Ms. Harpauer: — I don't have statistics further than what I already gave you, which was 21 applicants. I believe it was 21 applicants.

Mr. Wotherspoon: — Is it the minister's view that Nutrien fulfills the head office obligations that they've undertaken with government, both by way of commitments and pledges but also from a legislative perspective?

Hon. Ms. Harpauer: — I'm not the one that reviews that.

Mr. Wotherspoon: — And what sort of information is being enabled through these changes to legislation by way of information that could be shared with the federal Department of Finance?

Mr. Pandya: — Rupen Pandya, deputy minister of Finance. So the principal changes to allow electronic notification and transfer of information . . . So in the past federal Finance, based on our previous legislation, has required paper copies. And this is just modernizing the approach in terms of use of electronic documents.

Mr. Wotherspoon: — I don't think I have any more questions. I'd want to leave on the record that it, you know, has been a noted concern with respect to the de-indexing of 2017 with respect to the tax brackets. And certainly that's had, you know, an impact, a cost that's been borne by Saskatchewan workers. I'm pleased to see it being recommitted to. We identified in estimates that it doesn't go and address, I guess, the gap over the last couple years. But that's all onto the record. So I don't think I have any further questions at this point.

Hon. Ms. Harpauer: — Fair enough. And I thank the member

for that. I just want to point out that the amount gained for taxpayers in our province from bringing the personal tax exemption from \$8,778 to a little over \$16,000 per individual as well as per spouse, and then the basic tax exemption for children, I think, it just about tripled from \$2,743 to \$6,094 . . . had an impact that far surpassed a pause in indexation in saving taxpayers in our province.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Not to lengthen the debate, but I am aware that sometimes folks . . . This might be the only piece that they're watching of these proceedings, and so I'll just leave this here. I appreciate the minister's comments. I'm glad to see, you know, the indexation of the rates once again.

But certainly in the last couple of years families have taken on a significant increase by way of the PST [provincial sales tax] increases and the expansion of the scope. I think in the most recent numbers I saw that the average family is paying well over \$800 more per year in just over the last few years on that front due to the hike and the expansion on that front. So just leaving that on the public record for those that are observing the proceedings.

Hon. Ms. Harpauer: — And again, fair point. But there is not one individual that would go back to how heavily they were taxed in the days of the NDP [New Democratic Party]. We'll leave that on record as well.

The Chair: — Okay. Are there any more questions from the committee? Seeing none, clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 33 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Income Tax Amendment Act, 2020*.

I would now ask a member to move that we report Bill No. 210, *The Income Tax Amendment Act, 2020* without amendment. Ms. Heppner so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Bill No. 211 — *The Provincial Sales Tax Amendment Act, 2020*

The Chair: — We will now consider Bill No. 211, *The Provincial Sales Tax Amendment Act, 2020*, clause 1, short title. Minister Harpauer, would you please make your opening comments.

Hon. Ms. Harpauer: — Thank you, Mr. Chair. And I'm very pleased to be here today to discuss *The Provincial Sales Tax*

Amendment Act, 2020. And with me is Rupen Pandya, the deputy minister of Finance, and Brent Hebert, the assistant deputy minister of revenue division.

This legislation implements amendments announced in the 2020-21 provincial budget. Mr. Chair, this bill will modernize the PST Act and strengthen the province's ability to ensure online retailers collect and remit provincial sales tax on sales in Saskatchewan.

Taxable goods and services delivered and consumed in Saskatchewan have always been subject to PST, including those purchased online and shipped into the province by out-of-province businesses. As e-commerce advances in new ways to connect buyers and sellers for the purchase and consumption of goods and services, it is important that our legislation continues to change in order to generate the revenue that government needs and expects to fund programs and services and to help maintain a fair and level playing field for resident and non-resident businesses operating in Saskatchewan.

This bill includes technical amendments that will (a) clarify that the sale of taxable goods, services, accommodations, and contracts of insurance delivered, streamed, or accessed through an electronic distribution platform into Saskatchewan are taxable; and (b) clarify that businesses facilitating the purchase of goods and services that are delivered and consumed in Saskatchewan and operators of online accommodation platforms are required to be licensed and to collect PST.

Mr. Chair, I'd like to thank you for the opportunity to present these legislative changes and would be pleased to answer questions.

The Chair: — Well thank you, Minister. Are there any questions on this? Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks, Mr. Chair. Thanks to the minister and officials. As I had identified at this table and in other forums, this is a really important step and I'm really pleased to see it in Saskatchewan. It really hasn't been a level playing field for Saskatchewan businesses — Saskatchewan retailers come to mind — when they've been competing with e-commerce platforms that have not been subjected to PST. And I know those impacts have been dramatic for these local businesses. We want to do everything we can to have those local businesses located in our province and to populate main streets. And e-commerce certainly has created significant headwind for many of those in this industry.

Just to clarify again, Amazon as one big e-commerce platform, obviously, is now subjected to, they're charging the PST. Is that correct?

Hon. Ms. Harpauer: — So yes, Amazon is registered and collecting from their Canadian warehouse. And interesting, Amazon reached out to my chief of staff today when you and I were sitting in the Assembly to say that they understood that we were passing legislation today, and perhaps they may have to collect in other warehouses as well.

Mr. Wotherspoon: — That's good. Get them to get their chequebook out and say, Government of Saskatchewan, people

of Saskatchewan is where you send it. It is important because there's been a massive transformation in retailing, and it really has a dramatic impact on our local retailers. Are you able to break down how much PST Amazon would have paid in the last fiscal year?

Hon. Ms. Harpauer: — We can't release that information on any specific taxpayer. So no, we cannot.

Mr. Wotherspoon: — The member for Moosomin? No, I'm joking, of course. We aren't looking for his remittance information either.

What I am interested in is out of the e-commerce platform, how much PST revenue did we collect last year from those retailers? And how is that going to change this year with the legislation?

Mr. Hebert: — Brent Hebert, assistant deputy minister, revenue division. Thanks for the question. The amount that we collect is in the millions of dollars. Because when PST returns are filed with us, they don't break down the type of source in terms of where the PST is collected, and there's a lot of businesses that do both bricks and mortar and online sales, so we don't have a direct number in terms of what's generated from e-commerce, but I can tell you it's in the millions of dollars in terms of PST remittances.

Mr. Wotherspoon: — Are you able to break that down a bit as far as, like sort of, these big, large, out-of-province companies like Amazon or Facebook, if you will?

Mr. Hebert: — Sure. I would say when you look at the remittances, you know, some of the larger ones are remitting a significant amount of tax each month, you know, anywhere from \$200,000 to \$600,000 a month in tax. You know, so it is substantial.

Mr. Wotherspoon: — And do we know what, I guess, going forward, what's the revenue impact? What's being forecast by way of gained PST dollars on this front?

Mr. Hebert: — So because we can't nail down, of course, what we expect from e-commerce, we know we're going to see increased revenues because it's revenues we wouldn't normally get. But in terms of being able to forecast it out, we just don't have accurate enough data to forecast it.

I would say though that over the years, we do have tax collection agreements in place with Canada Border Services Agency, as an example, and so what we don't get through these online retailers who are registered with us, we are capturing some of that tax through the large Canada Post outlets. I think there's one in Vancouver, one in Winnipeg, and one in Montreal. And so Canada Border Services Agency also collects tax from that perspective on parcels coming into Saskatchewan that come from, you know, come from the US [United States] predominantly.

Mr. Wotherspoon: — What kind of controls or measures do we have in place to be able to audit or have some checks and balances with these large, out-of-province, out-of-country operations that are operating such massive, you know, operations and sales?

[15:30]

Mr. Hebert: — Sure. So under *The Revenue and Financial Services Act*, we do have some provisions in that Act to compel them to provide information to us. And so some of the tax collection agreements that we have in place provides us with some information from them to review and get an idea of what types of sales they're making into the province and give us a comfort level around the PST that's being collected and remitted.

Mr. Wotherspoon: — Thanks for all this information. With respect to like an individual company again . . . but these companies are huge, so they play a really large role in commerce in our world right now. With respect to Facebook itself now, I know ads are the big revenue generator there for Facebook. Those ads would now be subject to PST. Is that correct?

Mr. Hebert: — It depends on the type of advertising that it is, but certainly we're in discussions with Facebook and some of those other social media platforms. Part of what we're doing is also establishing, you know, some of the groundwork for that when you talk about marketplace facilitators that facilitate buyers and sellers. And there's transactions that affect goods coming in the province and the advertising. So we're working on that right now, and the legislative changes that we're making is just one step to help us get compliance from that perspective.

Mr. Wotherspoon: — So right now Facebook isn't charging PST for its ads, but there's a potential that they'd be captured in this. That would be the hope of government moving forward?

Mr. Hebert: — Yes, we'll be contacting them just like we contact the other platforms. In fact Facebook now has a marketplace as well. It's fairly new, but they're selling goods for Facebook as well. So our folks are contacting them and working with them to hopefully get them licensed as well and collecting tax on those goods that are being sold.

Mr. Wotherspoon: — I was just checking out a good used canoe on Facebook Marketplace earlier today. Thanks for that information and for the work on this front. It's a really important area for the province to act to make sure that we're receiving the dollars that we're owed and that we should be, and as well making sure there's a level playing field, because certainly the growth in these platforms and how commerce has shifted has created significant challenges for Saskatchewan businesses and retailers. And we want to make sure that we have a fair set of rules for those businesses.

Thanks for the continued work on this front. I suspect we'll be following up sort of next year in these committees to sort of, you know, account for further progress and actions. Maybe we'll have Zuckerberg before us here, give him some questions if they haven't brought their operations into compliance. Thank you very much.

The Chair: — Okay. Are there any more questions from the committee? And seeing none, clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 7 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Provincial Sales Tax Amendment Act, 2020*.

I would now ask a member to move that we report Bill No. 211, *The Provincial Sales Tax Amendment Act, 2020* without amendment. Ms. Heppner has so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business with the Minister of Finance. Minister, do you have any closing comments?

Hon. Ms. Harpauer: — Thank you, Mr. Chair, and thank you for the work that you do and the committee members for the questions that were posed, and to the officials that have been here and worked on this legislation that I feel is very important as we move forward. So thank you to all.

The Chair: — Mr. Wotherspoon, do you have any closing comments?

Mr. Wotherspoon: — Thanks, Mr. Chair. Thanks to committee members. Thanks to the minister, and thank you to the officials for their time here today and all the other officials that are connected to this important work.

The Chair: — Committee members, we now will be considering our ninth report. Minister and officials, you're excused from the committee.

Do committee members want to go into camera to discuss this report? If you don't, we will have: The ninth report focuses on the committee's scrutiny role in its review of the annual reports and the provincial audit reports for the period September the 11th, 2018 to June 29th, 2020. During this time our committee reviewed 44 reports and financial statements released by the Crown corporations or related entities, and reviewed chapters in three Provincial Auditor reports. Do committee members have any questions?

Seeing none, we require a member to move the following motion:

That the ninth report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly.

Ms. Heppner has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Ms. Heppner: — Are you just trying to get my name on record as many times as possible because it's my last go?

The Chair: — Yes I am. Seeing that we have no further business today, I will ask a member to move a motion for adjournment.

Ms. Heppner has so moved. Is that agreed?

Some Hon. Members: — Agreed.

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

[The committee adjourned at 15:37.]