



# **The Road Ahead**

**2012-13 Saskatchewan Pre-budget Submission  
Canadian Taxpayers Federation**

# Canadian **Tax** payers FEDERATION



## We are:

- **Non-profit**
- **Non-partisan**

## We Stand For:

- **Lower Taxes**
- **Less Waste**
- **More Accountability**

# *Introduction*

The Canadian Taxpayers Federation (CTF) commends the provincial government for:

- *Reducing taxes*
- *Reducing the province's debt*
- *Government reform – health care, justice, etc.*

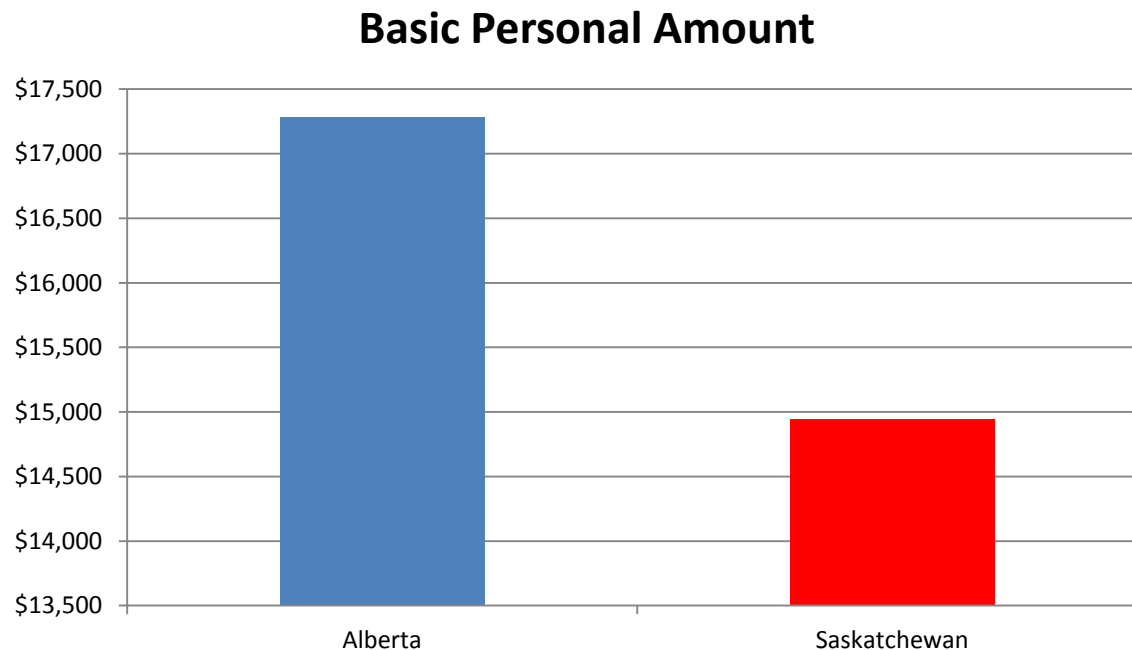
The Saskatchewan government has made great strides in reducing taxes and paying down the debt over the past few years, but clearly, there's more work to do...

# Taxation



## ***Basic Personal Amount***

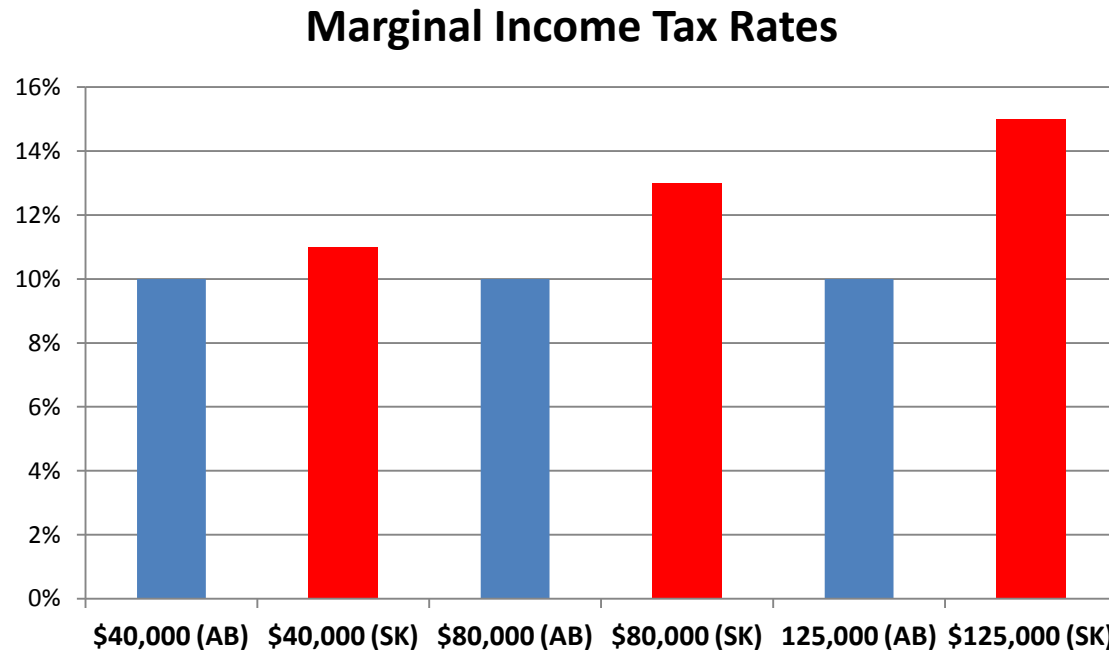
Great progress has been made with the basic personal exemption, but a large gap still exists with Alberta.



***Recommendation 1) Catch up to Alberta by 2016***

# Personal Income Taxes - Rates

Great progress on the basic personal amount helps, but there is still a large rate gap with Alberta:



**Recommendation 2)** Reduce the rates to 11%, 12% & 14% by the end of 2013. Set long term goal of 10% flat tax by 2020.

# Personal Income Taxes – Bracket Creep

As income tax brackets are indexed for the federal inflation rate, Saskatchewan taxpayers still feel a bit of bracket creep.

## Annual Inflation Based on Consumer Price Index

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	2.5%	2.2%	2.8%	1.8%	2.2%	2.0%	2.2%	2.3%	0.3%	1.8%
Saskatchewan	3.0%	2.9%	2.3%	2.2%	2.2%	2.1%	2.8%	3.3%	1.0%	1.4%

Source: [Saskatchewan Bureau of Statistics](#)

**Recommendation 3)** Index the provincial income tax system to the provincial CPI rate for 2012.

## ***Small Business Tax***

Reducing the small business tax from 4.5% to 2.0% has benefitted small businesses tremendously.

Many of our supporters, who are small business owners, have indicated they will use the savings to grow their businesses – leading to more jobs and investment.

As Manitoba has eliminated its business tax, following their lead will help drive growth.

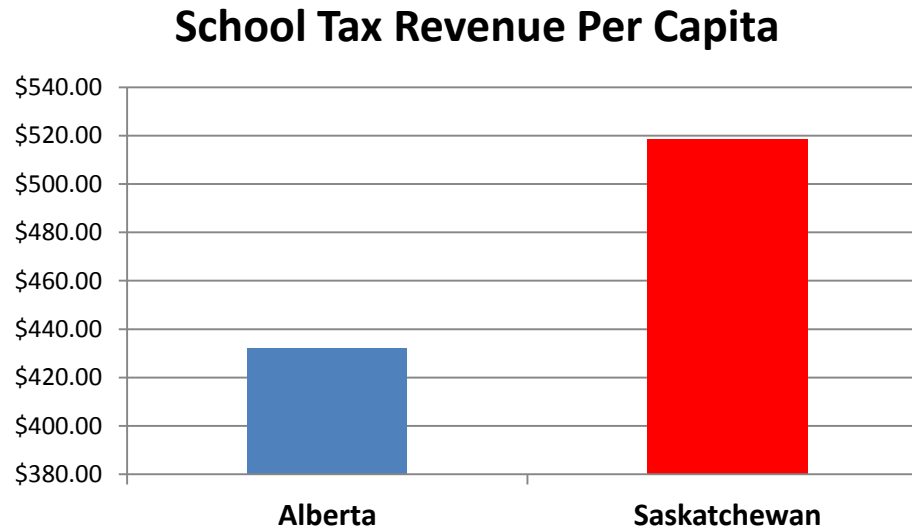


***Recommendation 4) Eliminate small business tax by 2016***



# School Taxes

While good progress has been made on reducing the education property tax burden, a large gap still exists with Alberta:



***Recommendation 5)*** Close the school tax gap with Alberta and work towards phasing out school taxes.



# Spending



# Overall Spending

Over the past 5 years, spending has skyrocketed – well above the combined rate of inflation and population growth.

## Spending Snapshot

	Actual Exp (Billion \$)	<u>Population</u>	Per Capita	<u>CPI</u>	Per Capita Adjusted for Inflation	Expenditures Adjusted for Inflation & Pop. Growth	Savings (Billion \$)
<a href="#">2006-07</a>	\$7.707	991,260	\$7,775	2.1	\$7,775	\$7.707	\$0
<a href="#">2007-08</a>	\$8.583	996,152	\$8,616	2.8	\$7,938	\$7.908	\$0.675
<a href="#">2008-09</a>	\$10.355	1,010,300	\$10,249	3.3	\$8,160	\$8.245	\$2.110
<a href="#">2009-10</a>	\$10.099	1,024,691	\$9,856	1	\$8,430	\$8.638	\$1.461
<a href="#">2010-11</a>	\$10.965	1,040,735	\$10,536	1.4	\$8,514	\$8.861	\$2.104
<a href="#">2011-12</a>	\$10.926	1,063,535	\$10,273	-	\$8,633	\$9.182	\$1.744

**\$8.095 Billion**

# *Overall Spending*

Saskatchewan appears to be following in Alberta's footsteps – rapid resource revenue growth and rapid spending increases.

However, Alberta now appears to have serious trouble turning the spending taps off; over \$8.3 billion in deficits over the last 4 years.

Had the Alberta government limited its growth in program spending to the combined inflation and population growth rate, starting in 2005 (when Alberta became debt free) they'd be running a \$4.1 billion surplus this year, instead of a \$3.1 billion deficit. Further, that cap would have meant they could have increased spending, on average, by 4.6% per year.

# ***Overall Spending***

***Recommendation 6) Balance the budget***

***Recommendation 7) Cap future spending for the combined rate of population and inflation growth***

***Recommendation 8) Discontinue the practice of depending on crown revenues to balance the budget.***

***Recommendation 9) Review crown corporations and examine which could be sold to Sask taxpayers or reformed.***



# *Public Sector Pay*

The wage gap between public sector pay and benefits and private pay and benefits is well known.

For instance, a 2008 CFIB study found that Province of Saskatchewan employees enjoyed a wage and benefit advantage of 26% compared with private sector employees doing similar work.

The latest statistics Canada data shows a huge gap in workplace pensions – virtually all government workers in Saskatchewan have workplace pensions while just 26% of non-government employees have pensions.



# Public Sector Pay

**Recommendation 10)** Limit overall public sector pay increases to no higher than average private sector pay increases.

**Recommendation 11)** Review labour legislation and move to a system of hiring and remuneration based on performance, instead of pay based on years served.

**Recommendation 12)** Advocate for a discussion of out of line public sector pay at the next provincial finance ministers meeting.

# Debt





# Debt

Had spending been capped for inflation and population growth, the province could have set aside enough funds to pay off its GRF debt; free up interest costs as debt is repaid.

For 2011-12, finance charges represent \$420 million annually.

**Recommendation 13)** Establish a goal of becoming debt free by the end of 2017-18.



# Conclusion

The CTF is pleased with the government's track record on debt repayment, raising the basic personal exemption, school tax relief and many other initiatives.

However, there is more to do. By implementing better spending control going forward, the government will be able to avoid Alberta's mistake and continue to improve Saskatchewan's tax competitiveness, reduce debt and create opportunities for Saskatchewan residents.



# Summary of Recommendations



# Appendix: Summary of Recommendations

## Taxation

- 1) Catch up to Alberta's basic personal amount by 2016
- 2) Reduce personal income taxes to 11%, 12% & 14% by the end of 2013. Set long term goal of 10% flat tax by 2020
- 3) Index the provincial income tax system to the provincial CPI rate for 2012
- 4) Eliminate the small business tax by end of 2015
- 5) Close the school tax gap with Alberta and work towards phasing out school taxes

## Spending

- 6) Balance the budget
- 7) Cap future spending for the combined rate of population and inflation growth
- 8) Discontinue the practice of depending on crown revenues to balance the budget
- 9) Review crown corporations and examine which could be sold to Sask taxpayers or reformed
- 10) Limit overall public sector pay increases to no higher than average private sector pay increases
- 11) Review labour legislation and move to a system of hiring and remuneration based on performance, instead of pay based on years served
- 12) Advocate for a discussion of out of line public sector pay at the next provincial finance ministers meeting.

## Debt

- 13) Establish a goal of becoming debt free by the end of 2016-17

# Appendix

## Lower Taxes = Higher Revenue?

	2005	2011
<b>Tax Rate</b>	17	12
<b>Business Income Tax Revenue</b>	\$257,000,000	\$971,000,000

*Source: Provincial Budgets*