

Response to “A Discussion Paper on New Brunswick’s Tax System”

Introduction

The Province of New Brunswick has extended an open invitation for residents and stakeholders to consider a suite of options that the Department of Finance has compiled within its release of *A Discussion Paper on New Brunswick’s Tax System*. The province states that it is considering restructuring the tax system with the stated objective to “leave more hard-earned dollars in the pockets of New Brunswickers, attract investment and encourage job creation.” The paper’s guiding principle is that “optimal economic benefits will be achieved by reducing the province’s reliance on income taxes and raising a larger share of revenue through consumption taxes.”

Our Response

The Atlantica Centre for Energy welcomes this debate and the opportunity to comment as the province considers “a careful restructuring of the provincial tax system”.

We share the belief that a restructuring of the tax system has the ability to expand the economy, create investment, and promote population growth by retaining and attracting people to live in the province. In order to accomplish these objectives, the overall tax burden on citizens and businesses must be reduced to enhance our competitive position in the global market place.

Goals of the Restructuring Include

- Enhancing Economic Competitiveness
- Income Growth
- Making new Brunswick a More Attractive Option for Workers and Families
- Promoting Recruitment and Retention of skilled Workers
- Promoting Entrepreneurship
- Promoting Environmentally Sustainable Choices
- Ensuring Fiscally Responsible Budgeting

Our Response:

The Atlantica Centre for Energy supports the need to reduce the overall tax burden on individuals and businesses to enhance economic competitiveness. We would also like to applaud and support the objective of using the tax code as a vital component of the province’s population growth strategy to attract, retain and repatriate people to the province.

Principles for Restructuring the Tax System

- Competitiveness
- Neutrality
- Simplicity

Balance
Sustainable Development
Fairness
Social development
Fiscal responsibility

Our Response:

The Atlantica Centre for Energy is generally supportive of the guiding principles of the Discussion paper for the purposes of restructuring the Tax System. In particular, we support the desire to ensure that our tax system promotes economic growth and development that enhances the province's competitiveness, regionally, nationally and internationally.

However, we do have an element of concern on how the province may define the principle of neutrality. The discussion paper indicates that potential increases in the tax rate on HST and a carbon tax will be offset in decreases in personal income tax and business tax rates. If the end result is not a true reduction in tax collected from the existing taxation base, the province will fail to achieve its goals of enhancing economic competitiveness and fostering a personal tax system that retains and attracts highly skilled labour. The revenue offset should be achieved only through economic and population growth that increases the overall taxation base for the province.

Reducing and Simplifying Personal Income Tax

The key difference from the present system would be a reduction in rates and in the number of tax brackets.

Our Response

We are supportive of both reducing and simplifying the marginal tax rate(s). Moving to one or two marginal tax rates from the current four bracket system and reducing tax rates as proposed will enhance the province's competitiveness in maintaining and attracting a highly skilled workforce. We do caution that to achieve the desired result, the net effect must result in actual reductions in tax, rather than merely shifting the tax to another form of taxation.

A Growth-Oriented Tax Structure for Business

The province understands that a key component to attracting more business and investment is the reduction in provincial business taxes. New Brunswick's current general corporate tax rate does not provide the incentive for the economic growth it desires. The province's current rate is 13%. The Federal government has pledged to reduce its rate from 19.5% to 15% and has challenged the provinces to drop their rates to 10%. To encourage economic expansion and to ensure that the province is competitive at a national and global scale, the province acknowledges that its business tax rate must be reduced below the 10% threshold.

Our Response

We agree that reductions in the business tax rate are vital to ensure the province's competitiveness. The Centre agrees that reductions will need to go below the 10% threshold to achieve the desired

competitiveness on a regional, national and global scale. The Centre also supports the desire expressed in the paper to simplify business tax rates. However, it would be incumbent on the government to communicate in detail should it consider phasing out existing tax credits targeted at specific industries or sectors of the economy so there is clarity that tax reform is not strictly a shifting of the tax burden that does not deliver true tax reductions. Business growth and development requires true reduction in business taxes.

Carbon Tax: Reduced Emissions, Cleaner Environment

The concept of a carbon tax imposed on each unit of carbon-equivalent emissions from fuels such as heating oil, gasoline, diesel, propane, natural gas and coal is being considered as means of reducing greenhouse gas emissions. The concept presented in the discussion paper would mirror the tax currently being implemented in British Columbia. The paper invites New Brunswickers to consider the pros and cons of a similar decision by their government.

Our Response

The Atlantica Centre for Energy understands the need for the province to pursue initiatives to actualize its Climate Change Action Plan. We also recognize that financial incentives are powerful motivators to help us all focus on making more effective and efficient use of all forms of energy.

The issues surrounding the debate on adopting a carbon tax are complex. The Centre is not against approaches to recognize the environmental costs of carbon. That said, given the enormous increase in the cost of oil and other fuels over the past year, it is difficult to understand how an additional carbon surcharge would further significantly affect our behaviour. In essence, geo-political and economic factors have already implemented a carbon tax on our economy. Clearly, timing is an issue and “the devil is in the detail”. The province must study and understand the economic impact of such an initiative on all forms of energy, including electricity, to ensure that there are not unintended consequences that could undermine its objective of enhancing the province’s economic competitiveness and ability to attract investment.

The Atlantica Centre for Energy would encourage the province to consider the full range of options as it pursues carbon emission reductions - including cap and trade systems. The central component could be a cap on emissions and a carbon trading system, similar to one used in Europe that allows emitters to buy carbon credits from more efficient operators to bring down their emissions to the required standard. There is one such program now in effect in our region of common interest in New England, i.e., the Regional Greenhouse Gas Initiative (RGGI).

The Atlantica Centre for Energy would be pleased to work with government and other stakeholders to shape our province’s response to the carbon issue that would achieve real reductions and maintain our economic competitiveness.

Harmonized Sales Tax

As stated earlier one of the central guiding principles of the paper is the desire to reduce the province’s reliance on income taxes and to raise a larger share of revenue through consumption taxes.

Our Response

The Atlantica Centre for Energy does not necessarily have a concern over this approach to taxation. However we would reiterate our concern on how the province may define the principle of neutrality. The discussion paper indicates that potential increases in the HST rate and implementation of a carbon tax will be offset in decreases in personal income tax and business tax rates. If the end result is not a true reduction in tax collected from the existing taxation base, the province will fail to achieve its goals of enhancing economic competitiveness and fostering a personal tax system that retains and attracts highly skilled labour.

About us

The Atlantica Centre for Energy is an industry association promoting the sustainable growth of the region's energy sector. We work collaboratively with energy companies and communities to encourage broad-based community engagement.

The Centre was born out of the True Growth initiative of Saint John and its neighbouring municipalities of Rothesay, Quispamsis, Grand-Bay Westfield, and St. Martins in June 2005. Saint John is situated as the centre of the Atlantic Energy Hub, which boasts a unique and diverse array of energy resources including petroleum refining, nuclear energy, thermal generation, liquefied natural gas, and hydroelectric power.

As the Energy Hub of the Eastern Seaboard, Saint John – and the province of New Brunswick as a whole – is in the enviable position of having the ability to profoundly change its economy, its society, and its future. This presents unprecedented opportunities to renew and rebuild our population, revitalize our community, create better jobs, and create a new hope for the future.

The objective of the Atlantica Centre for Energy is to foster partnerships between key stakeholders and the community to encourage broad-based community engagement in energy-related issues and policy development. It aims to act as a community-based resource for expertise, knowledge, and assistance to help make the opportunities associated with the energy hub a reality.