



Government
of
Saskatchewan
Minister of Finance
Legislative Building
Regina, Canada S4S 0B3

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Our File: 2017-72

Dr. Gordon Barnhart, President
Saskatchewan Urban Municipalities Association
200, 2222 – 13th Avenue
REGINA SK S4P 3M7

Dear Dr. Barnhart:

Thank you for your recent letter informing me of the resolutions respecting taxation that were passed at the 2017 Annual Convention of the Saskatchewan Urban Municipalities Association.

With regard to the resolution concerning a Provincial Sales Tax (PST) exemption for firefighting equipment, I note that the PST exemption for fire trucks and attached equipment purchased by municipalities has been in place since 1998. This was done to help mitigate the challenges faced by municipalities for one-time, large ticket items like a new fire truck. Items such as other firefighting equipment were not included in this exemption at that time as they were considered to be recurring capital purchases. The introduction of an expanded exemption at this time would represent a change to the current system of support provided to municipalities through revenue-sharing and other spending programs

As you are aware, I presented our Government's 2017-18 Budget to the Legislative Assembly on March 22, 2017. With this Budget our Government has committed to control spending, modernize and expand the tax base, and invest in priority government programs, services and infrastructure projects for the benefit of all Saskatchewan people. The 2017-18 Budget also outlines a plan to return to a fiscal balance in three years.

The decline in commodity prices that began in 2014 has resulted in the Government's resource revenues falling by \$1.2 billion. This was the revenue challenge underlying the development of the 2017-18 Budget. Significant efforts to control and reduce spending were made during the budget development process, including decisions to reduce funding to municipalities and to reduce the overall cost of compensation across the public sector. However, these efforts were not sufficient to fully address the revenue shortfall. The Government's reliance on resource revenues to fund key public services had to change.

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With this goal in mind, the 2017-18 Budget introduced a number of revenue initiatives to address our fiscal challenge. The Provincial Sales Tax (PST) rate is being raised by one percentage point, from 5 per cent to 6 per cent, a number of PST exemptions are being eliminated and several other tax changes are also introduced. More detail on these tax changes can be found at the following website: www.saskatchewan.ca/budget and clicking on "Supporting Documents".

These budgetary decisions were difficult and I fully understand that they are not painless for Saskatchewan residents, businesses and municipalities. But, we believe that these initiatives focus government spending on provincial priorities and begin to shift the revenue base away from its over-reliance on non-renewable resource revenues, while modernizing and simplifying the tax system and ensuring taxes remain fair and competitive. It is also important to note that to help mitigate the impact of these tax changes on lower income residents, the Budget provides a \$34 million enhancement to the Saskatchewan Low-Income Tax Credit.

The Budget also supports the Government's Growth Agenda by reducing both personal and corporate income tax rates and improving incentives for business investment in the province. Each of these tax rates is being gradually reduced by one percentage point. This information is also available on the website.

The changes to the income tax rates improve Saskatchewan's overall tax competitiveness. Saskatchewan's personal and corporate taxes continue to be among the lowest in the country, giving the Province a significant advantage to attract new business investment and jobs.

The 2017-18 Budget is a plan to meet the current challenge while ensuring valued services are provided today and are sustainable for the long term, ensuring our economy remains strong. Once again, I appreciate receiving your views on these important issues.

Sincerely,



Kevin Doherty
Minister of Finance

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