April 10, 2019

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-25-2019]

On March 13, 2019, the Department of Finance received your access to information request for the following:

“I would like to obtain information pertaining to the Temporary Deficit Reduction Levy, Specifically, any reports, notes, or emails over the last 24 months that would include how much revenue the levy brings in.”

The Department of Finance wishes to advise that access to the requested information has been granted in part.

It is important to note that the Department determined the following in the preparation of its response:

- Actual revenues from the levy were about $40M in 2016-17 and $60M in 2017-18.
- Some of the information contained within the responsive records includes advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister. As such, this information has been severed from the response pursuant to sections 29.(1)(a) of the Access to Information and Protection of Privacy Act, 2015 (ATIPPA).
- Some of the information requested was created to support the Provincial Budget, which is a Cabinet decision-making process. As such, pages 1, 5-7, and 15-32 have been removed completely pursuant to sections 27.(1)(h) and 27.(2)(a) of the ATIPPA.

You may review the exemptions applied above in more detail by visiting the following website: https://www.assembly.nl.ca/legislation/sr/statutes/a01-2.htm.
Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John’s, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that responsive records will be published following a 72-hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at bethbartlett@gov.nl.ca.

Sincerely,

Beth Bartlett, CIAPP-C
ATIPP Coordinator

Attachment
Personal Income Tax
2017-18 Forecast vs. 2016-17 Revised

Question:

- Why is personal income tax (PIT) revenue for 2017-18 increasing by $23.2 million from $1,602.6 million in 2016-17 to $1,625.8 million in 2017-18?

Suggested Response:

- Personal income tax revenue is anticipated to increase by $23.2 million primarily due to the full-year or annualized impacts of personal income tax increases announced at Budget 2016.

Background:

- Personal income tax revenue in 2017-18 is projected to increase by $23.2 million primarily due to the annualized or full-year impacts of personal income tax increases announced at Budget 2016. These increases more than offset a decrease in adjustments for prior years from elevated levels realized in 2016-17 resulting from higher than anticipated personal income tax assessments for tax year 2015.

- The ‘Temporary Deficit Reduction Levy’ (‘levy’) was announced at Budget 2016 and came into effect on July 1, 2016. The levy applies to individuals earning $50,000 or more per year and is legislated to be eliminated at the end of the 2019 taxation year (Dec 31, 2019). The estimated full-year revenue impact of the levy in 2017-18 is $61.0 million.

- The budget forecast of personal income tax revenue is primarily based on an initial projection of payments for the current year supplemented with the latest forecast for personal income growth. Budget forecasts of personal income tax are re-estimated during the year as administrative and revised economic data becomes available.

<table>
<thead>
<tr>
<th>Personal Income Tax</th>
<th>2017-18 Budget vs. 2016-17 Revised ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016-17 Revised</td>
</tr>
<tr>
<td>PIT Entitlement</td>
<td>1,470.2</td>
</tr>
<tr>
<td>Temporary Deficit Reduction Levy</td>
<td>41.9</td>
</tr>
<tr>
<td>Prior Year Adjustments (PYAs)</td>
<td>90.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,602.6</strong></td>
</tr>
</tbody>
</table>

Fiscal Policy – March 30th, 2017
Question:

- Why is personal income tax (PIT) revenue for 2016-17 $78.7 million higher than estimated at Budget 2016, increasing from $1,523.9 million to $1,602.6 million?

Suggested Response:

- Personal income tax revenue for 2016-17 has been revised higher by $78.7 million primarily due to higher than anticipated personal income tax assessments for tax year 2015 which positively impacts the personal income tax base and entitlement estimates for future years.

Background:

- Revised personal income tax revenue for 2016-17 includes a $53.4 million positive revision to entitlements for prior years primarily due to higher than anticipated personal income tax assessments for tax year 2015. The positive revision to personal income tax assessments for tax year 2015 also positively impacts the personal income tax base and entitlement estimates for future years resulting in a $58.1 million increase in entitlements for the current period.

- Household income growth for 2015 was revised significantly higher from 1.6% at Budget 2016 to 3.9% at Budget 2017.

- The ‘Temporary Deficit Reduction Levy’ (‘levy’) was announced at Budget 2016 and came into effect on July 1, 2016. The levy applies to individuals earning $50,000 or more per year and is legislated to be eliminated at the end of the 2019 taxation year (Dec 31, 2019). Parameters of the levy were adjusted shortly after Budget 2016 resulting in a $32.9 million downward revision to anticipated levy revenue for 2016-17.

- The budget forecast of personal income tax revenue is primarily based on an initial projection of payments for the current year supplemented with the latest forecast for personal income growth. Budget forecasts of personal income tax are re-estimated during the year as administrative and revised economic data becomes available.

<table>
<thead>
<tr>
<th>Personal Income Tax</th>
<th>2016-17 Revised vs. 2016-17 Budget ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016-17 Budget</td>
</tr>
<tr>
<td>PIT Entitlement</td>
<td>1,412.1</td>
</tr>
<tr>
<td>Temporary Deficit Reduction Levy</td>
<td>74.8</td>
</tr>
<tr>
<td>Prior Year Adjustments (PYAs)</td>
<td>37.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,523.9</td>
</tr>
</tbody>
</table>
Joy,

Estimated Levy Revenue:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/17</td>
<td>$41.9M</td>
</tr>
<tr>
<td>2017/18</td>
<td>$61.0M</td>
</tr>
</tbody>
</table>

Craig

Craig Martin, CPA, CMA
Assistant Deputy Minister of Finance
Fiscal and Economic Policy

(61) 729-0954  (61) 729-2070
cmartin@gov.bc.ca
Personal Income Tax
2018-19 Forecast vs. 2017-18 Revised

Question:

- Why is personal income tax (PIT) revenue for 2018-19 increasing by $108.5 million from $1,473.4 million in 2017-18 to $1,581.9 million in 2018-19?

Suggested Response:

- Personal income tax revenue is anticipated to increase by $108.5 million primarily due to a return to positive prior year adjustments and anticipated positive household income growth.

Background:

- Personal income tax revenue in 2018-19 is projected to increase by $108.5 million primarily due to a return to positive prior year adjustments and the absence of a negative accrual adjustment for 2018-19.

- Entitlements are also forecasted to increase based on anticipated positive household income growth.

- These increases are offset slightly by a decline in the ‘Temporary Deficit Reduction Levy’ (‘levy’) that was announced at Budget 2016 and came into effect on July 1, 2016. The levy applies to individuals earning $50,000 or more per year and is legislated to be eliminated at the end of the 2019 taxation year (Dec 31, 2019). Therefore, the slight decline in the estimated levy is due to the phase-out during fiscal year 2018-19.

- The budget forecast of personal income tax revenue is primarily based on an initial projection of payments for the current year supplemented with the latest forecast for personal income growth. Budget forecasts of personal income tax are re-estimated during the year as administrative and revised economic data becomes available.

<table>
<thead>
<tr>
<th>Personal Income Tax</th>
<th>2018-19 Budget vs. 2017-18 Revised ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017-18 Revised</td>
</tr>
<tr>
<td>PIT Entitlement</td>
<td>1,463.1</td>
</tr>
<tr>
<td>Temporary Deficit Reduction Levy</td>
<td>60.4</td>
</tr>
<tr>
<td>Prior Year Adjustments (PYAs)</td>
<td>0.0</td>
</tr>
<tr>
<td>Accrual Adjustment</td>
<td>(50.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,473.4</strong></td>
</tr>
</tbody>
</table>

EPAD – March 20th, 2018
Personal Income Tax
2017-18 Budget vs. 2017-18 Revised

Question:

- Why is personal income tax (PIT) revenue for 2017-18 $152.4 million lower than estimated at Budget 2017, decreasing from $1,625.8 million to $1,473.4 million?

Suggested Response:

- Personal income tax revenue for 2017-18 has been revised lower by $152.4 million primarily due to lower than anticipated personal income tax assessments for tax year 2016 which negatively impacts the personal income tax base and entitlement estimates for future years.

Background:

- Revised personal income tax revenue for 2017-18 includes a $40.1 million negative revision to entitlements for prior years primarily due to lower than anticipated personal income tax assessments for tax year 2016. Federal Government’s analysis suggests that the temporarily lower federal PIT revenues are driven particularly by tax planning of high-income earners (who had flexibility) to report earners earlier (in 2015) to reduce the impact of the new 2016 top federal rate. The Federal Government has confirmed that other provinces are seeing a decline in PIT data for 2016 as well.

- The negative revision to personal income tax assessments for tax year 2016 also negatively impacts the personal income tax base and entitlement estimates for future years resulting in a $61.6 million decrease in entitlements for the current period.

- As a result of the lower tax base, a $50.1 million negative accrual adjustment has also been added to personal income tax. This is a result of being overpaid throughout the year, but repayment (cash) is not due until fiscal year 2020-21.

- The ‘Temporary Deficit Reduction Levy’ (‘levy’) was announced at Budget 2016 and came into effect on July 1, 2016. The levy applies to individuals earning $50,000 or more per year and is legislated to be eliminated at the end of the 2019 taxation year (Dec 31, 2019). Actuals for the levy were slightly lower than anticipated for 2017-18.

- The budget forecast of personal income tax revenue is primarily based on an initial projection of payments for the current year supplemented with the latest forecast for personal income growth. Budget forecasts of personal income tax are re-estimated during the year as administrative and revised economic data becomes available.
<table>
<thead>
<tr>
<th>Personal Income Tax</th>
<th>2017-18 Revised</th>
<th>2017-18 Budget</th>
<th>Difference R vs. B</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIT Entitlement</td>
<td>1,463.1</td>
<td>1,524.7</td>
<td>(61.6)</td>
</tr>
<tr>
<td>Temporary Deficit Reduction Levy</td>
<td>60.4</td>
<td>61.0</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Prior Year Adjustments (PYAs)</td>
<td>0.0</td>
<td>40.1</td>
<td>(40.1)</td>
</tr>
<tr>
<td>Accrual Adjustment</td>
<td>(50.1)</td>
<td>0.0</td>
<td>(50.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,473.4</strong></td>
<td><strong>1,625.8</strong></td>
<td><strong>(152.4)</strong></td>
</tr>
</tbody>
</table>
Date: 8/15/2018 1:05:13 PM
From: "Martin, Craig"
To: "Osborne, Tom"
Cc: "Griffin, Jay", "Mehran, Denise"
Subject: RE:

Craig

From: Osborne, Tom
Sent: Wednesday, August 15, 2018 12:17 PM
To: Martin, Craig
Subject: Re:

Tom Osborne MLA
Minister of Finance and President of Treasury Board
District of Waterford Valley

From: Martin, Craig
Sent: Wednesday, August 15, 2018 11:57 AM
To: Osborne, Tom
Cc: Griffin, Jay; Mehran, Denise
Subject: RE:

Minister,

Low
Approximately 110,000 taxpayers paying the levy.
Revenue estimates are:
2018/19 = $56M
2019/20 = $55M

Insurance Premiums Tax on Auto Insurance
What is the total tax revenue on auto insurance at 15%? When we fully implement the reduction at 10%

We don't collect tax solely on auto insurance and there is no breakout of the tax on the filings by the taxpayers.

Craig

From: Osborne, Tom
Sent: Wednesday, August 15, 2018 11:23 AM
To: Martin, Craig
Subject: Re:

Also, how many are paying the levy.

Tom Osborne MLA
Minister of Finance and President of Treasury Board
District of Waterford Valley

From: Osborne, Tom <osborne@gov.nl.ca>
Sent: Wednesday, August 15, 2018 11:18 AM
To: Martin, Craig
Subject:

What is the total tax revenue on auto insurance? At 15% when we fully implement the reduction at 10%

Also, what is the revenue from the levy?
Hi,

- the Temporary Deficit Reduction Levy, which collects about $55 million annually.

Specifically, 29.(1)(a)

- the Temporary Deficit Reduction Levy, which collects $61 million annually.

- Corporate tax revenues are much lower ($300 million in 2017) and decreased at an annual rate of 15% over the last 5 years. There were 840 or 4% fewer businesses with paid employees in 2017 than in 2014 – the largest percentage decline in the nation over this period.

Amanda Hannaford, MAS | Fiscal Policy Analyst
Department of Finance, Economic and Project Analysis Division
Government of Newfoundland and Labrador
Telephone: (709) 729-6671
The Independent Tax Review Committee recommends government consider ending the Temporary Deficit Reduction Levy, which collects $61 million annually. Individuals with taxable incomes under $50,000 do not pay the progressive levy on taxable income. When the levy was introduced, the intent was to phase it out over 3 years starting in 2018. However, subsequent amendments to the levy were made and the levy now has a legislated end date of the 2019 taxation year.

The Independent Tax Review Committee recommends the payroll tax exemption threshold be doubled over the next 4-7 years.

Hi Lisa,

So, what they have in the document on both accounts are correct.

Hi Amanda,

Here is the excerpt from the Budget 2016 speech about the levy:

A Deficit Reduction Levy of up to $900 annually, depending on taxable income will be implemented. Individuals with a taxable income of $20,000 or less will be exempted. That levy will come into effect July 1, 2016. Revenue from the temporary tax will be $74.8 million in 2016-17, equalizing to $126 million.

In 2018 we will begin the phase out of this temporary tax.

Yes, the statement is correct however, when the levy was redesignated subsequent to the budget in May 2016 and the legislation introduced in the House of Assembly, there was no phase out. The legislation has the levy in place for the 2016 to 2019 taxation years. It might be useful to provide a comment to that effect, that although the initial intent was for a phase-out, when the legislation for the levy was passed, there was an specific time frame for the levy and an end date specified.

I've copied Wally here as well in case there is anything else he would like to add to my comments.

Lisa
The Independent Tax Review Committee recommends government consider ending the Temporary Deficit Reduction Levy, which collects $61 million annually. Individuals with taxable incomes under $50,000 do not pay the progressive levy on taxable income. When the levy was introduced, the intent was to phase it out over 3 years starting in 2018.

Is this correct?

Thanks,

Amanda Hannaford, MAS | Fiscal Policy Analyst
Department of Finance, Economic and Project Analysis Division
Government of Newfoundland and Labrador
Telephone: (709) 729-6671