

# A Sales Tax for Alberta- Why and How

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A presentation to the Board of the Edmonton  
Chamber of Commerce

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# OUTLINE

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Some history charts

Fiscal Dilemma

Factors Alberta Government controls- doesn't control

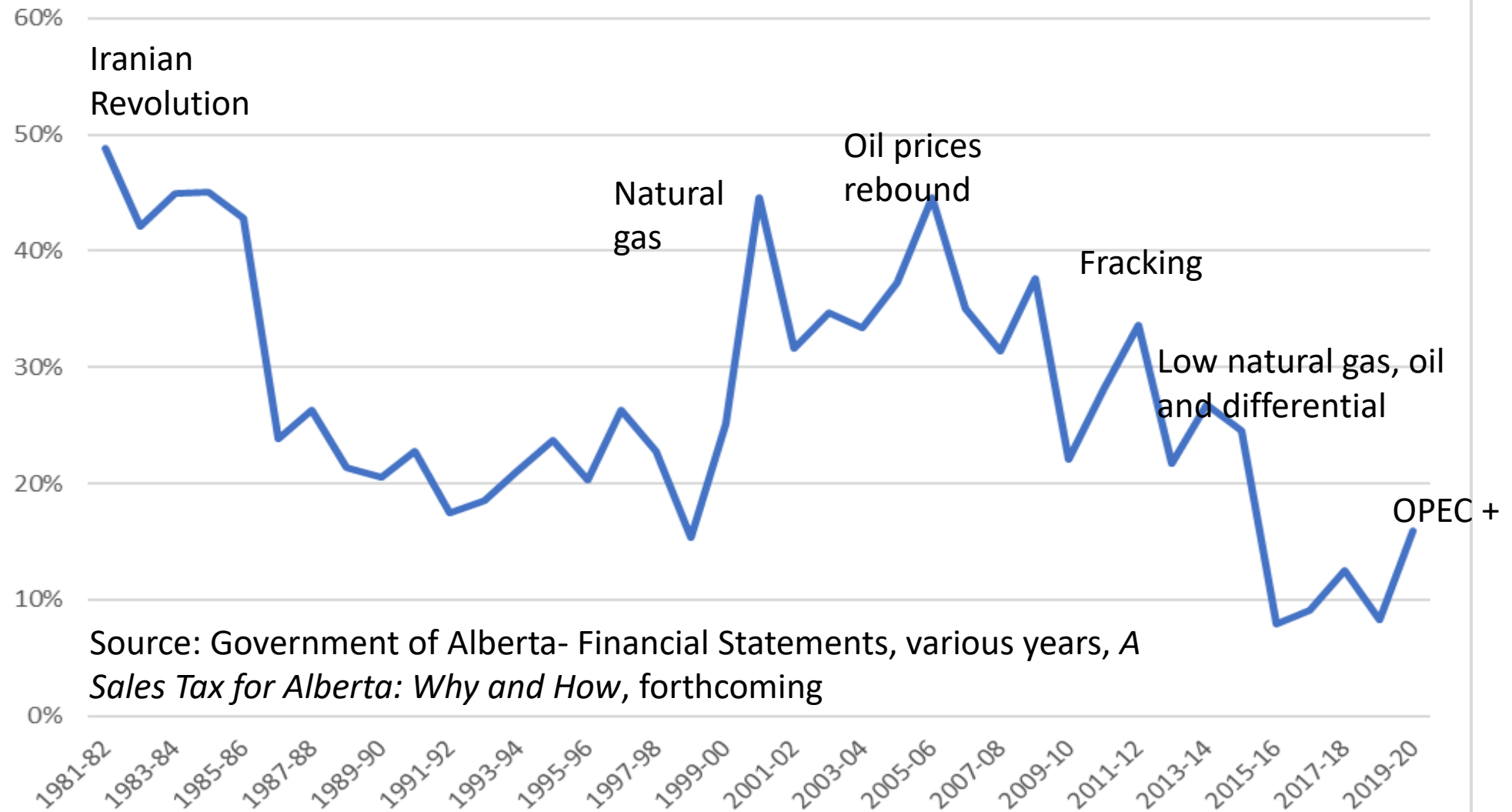
Pros

Cons

How?

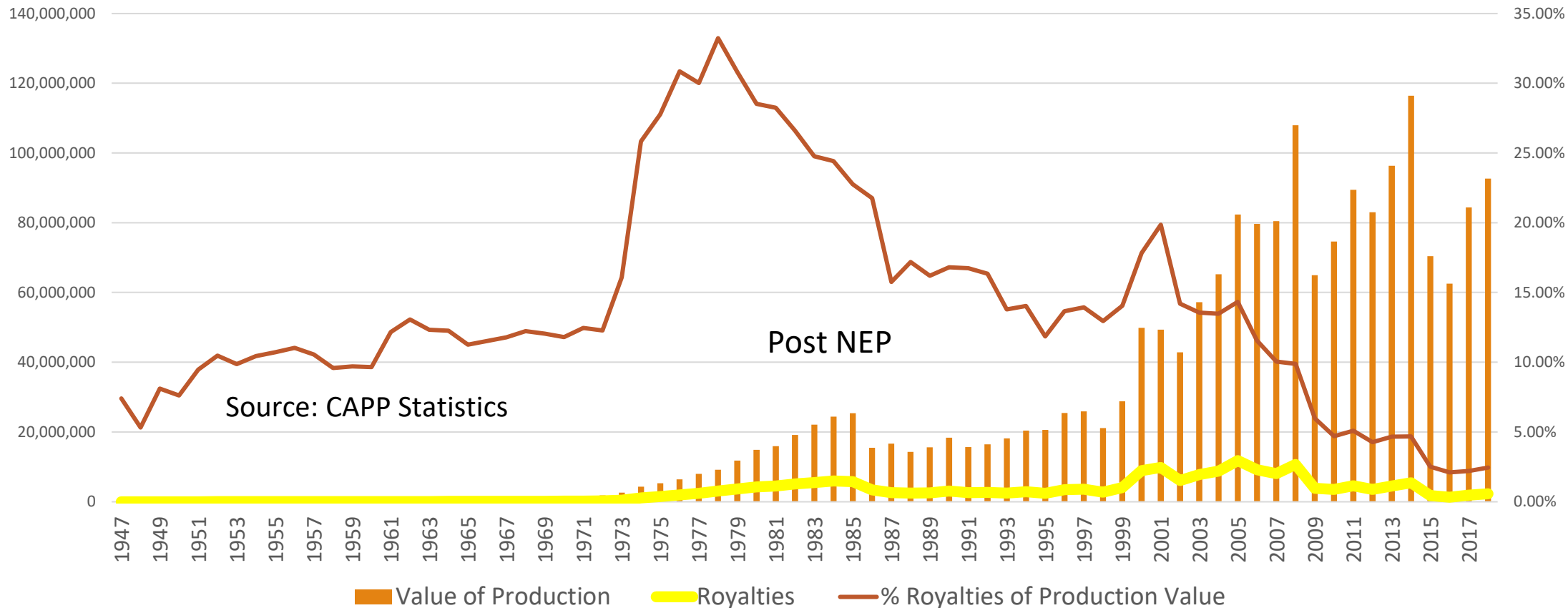
Plug

Figure 3.1 Non-renewable Resource Revenue as Per cent of Own Source Revenue 1981/82-2019/20



Source: Government of Alberta- Financial Statements, various years, A  
*Sales Tax for Alberta: Why and How, forthcoming*

# Total Revenue, Royalties and Percentage Royalties/Total Revenue (\$'000s): 1947-2018



# Alberta's Fiscal dilemma

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- Albertans (seem to) want:
  - Low taxes - necessary for economy to prosper
  - High level (quality and quantity) of public services
- Debt ok?
- What government can and can't control

# Factors Alberta Government controls- doesn't control

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## CAN'T CONTROL

- *Economy- Markets:* Oil/natural gas **prices** - Canadian dollar *exchange rate* **Interest rates** - Financial market **returns**
- *Constitution-* Regulation of: interprovincial **pipelines** - **banks** - bankruptcy and insolvency - **railways** telecommunications - **federal expenditures** , **competition policy**

## CAN CONTROL

- **Revenue** (PIT, CIT, tobacco, alcohol, cannabis, gambling, fuel, carbon; medicare premiums, Royalty rates **Spending** – programs and capital- **Pace and scale of oil sands development** (Public sector **compensation** - **Appointment** of senior officials, agency boards- Debt management policies; Investment policies- **Minimum wage**- Occupational health and safety- Labour relations (except for federally regulated enterprises)- **Municipal Affairs**- Energy and Environmental regulation with some exceptions- **ATB Financial**

# PROS of a SALES TAX

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- **Cost** of raising a dollar of revenue from a sales tax is much lower than with other taxes.
- Far more **stable** source of revenue than corporate and personal income taxes and non-renewable resource revenue. A 5 per cent rate would reliably raise about \$5 billion each year.
- Even with a five per cent sales tax Alberta would still remain the **lowest taxed** jurisdiction in Canada.
- A sales tax **captures consumption** from inherited wealth not currently captured.

# PROS of a SALES TAX

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- would obtain revenue from **visitors** to the province who use public services and infrastructure.
- regressive nature of a sales tax can be mitigated by a refundable tax credit directed at low income individuals and families. Necessities can be exempted from the tax.
- **Efficient** to collect and difficult to avoid.



# CONS of a SALES TAX

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- Alberta **voters** oppose a sales tax. Is changing -recent CBC polling shows a significant minority of Albertans now support the tax.
- **Elections**- Alberta's main parties believe if they introduced a sales tax would be defeated
- A sales tax is **regressive** and an additional layer of regressive taxation on items as tobacco, fuel, alcohol, and motor vehicle registration fees.



# CONS of a SALES TAX

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- It would give politicians and government officials more revenue to **waste** on various pet projects.
- Imposing a sales tax to justify lower income taxes, as some economists suggest, would increase **regressivity** and income inequality.
- Provincial legislation requires a **referendum** on this issue.

Now is not the time e.g. **COVID**

# HOW? PROCESS IS KEY

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- Mandate – revenue structure of the province- not just sales tax
- Diverse Panel- gender, race, ethnicity, professional backgrounds
- NOT business led
- NOT only EXPERTS e.g. accountants, economists or lawyers
- Buy-in by legislators- critical- participating and listening

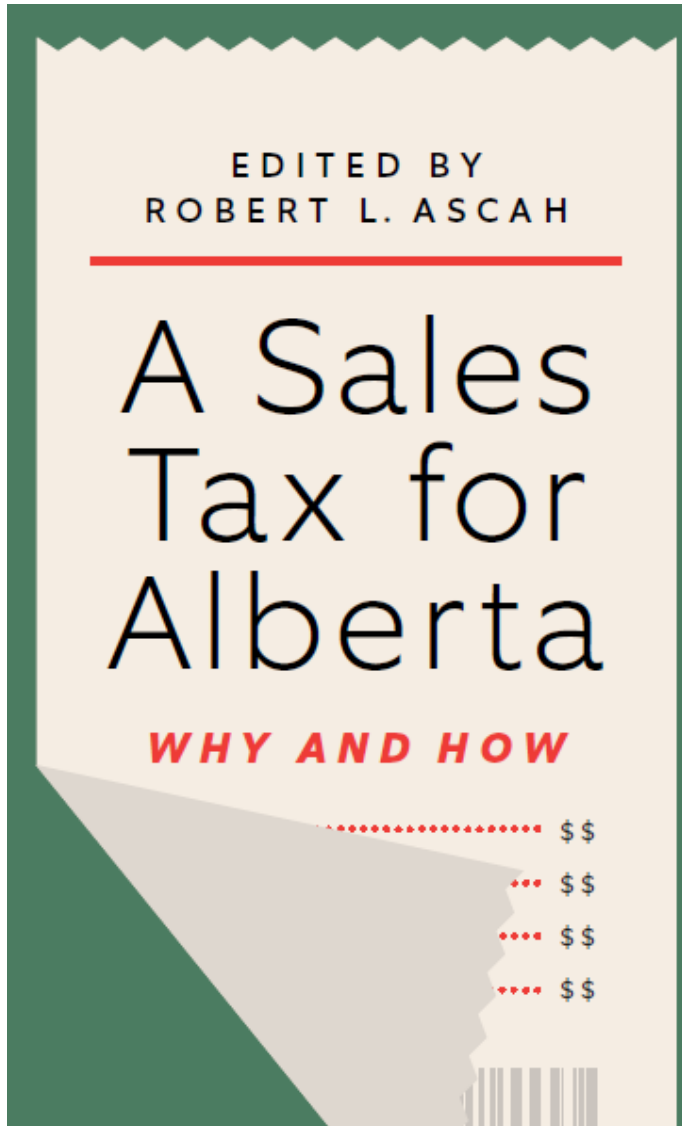
# HOW?

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- Transparency essential- Disclosure of expenses
- Clear transparency of who meets whom
- Research agenda to be published and approved by Government – changes to agenda must be transparent
- Use of talk shows
- Presentation by experts

**BUT**

**AN HST IS NOT A PANACEA**



# Shameless Plug

Athabasca University Press- April ? 2021

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# THANK YOU

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