

HALIFAX CHAMBER OF COMMERCE
Chamber Answers to Provincial Budget Consultation Questions

1. In order to balance the budget, should the province cut programs and services, increase taxes and fees, or a combination of both?

In order to balance their budget the province should focus elusively on cutting program spending. Nova Scotians pay among the highest taxes in Canada and cannot afford an increase in the tax burden.

2. If public programs and services reductions are the way to balance the budget, which services and programs should the province reduce to get the savings?

We would need greater knowledge of the specifics of government programs to provide recommendations for which services are working and which are not. It is important however for any program review to thoroughly examine all areas of government spending, including health and education. All programs should have goals, targets, success measures, and sunset clauses to ensure that they only last as long as they are effective.

3. Are you prepared to accept fewer programs and services from the government in exchange for lower taxes to improve competitiveness?

Reducing the tax burden is one of the Chamber's two main priorities for this year and reducing program spending is the only fiscally responsible way to lower taxes.

4. Should we consider bringing in taxes that other provinces already use that we don't have now in Nova Scotia?

New taxes should only be considered if they are paired with offsetting reductions in the tax burden in other areas.

5. The tax and regulatory review report recommended lowering personal and corporate taxes and increasing sales tax revenues (through reduced exemptions) and energy taxes (bringing in a pollution tax). If the province explored these options, what should they consider?

In the Chamber's submission to the tax and regulatory review, we supported the idea that personal and corporate income taxes should be reduced as economic research has demonstrated that they are particularly damaging. We also acknowledged that economists view sales taxes as an efficient form of taxation and agreed that they do not deserve as high a priority when considering tax cuts.

The Chamber has a long history of supporting environmental objectives in Nova Scotia. For example, we have supported the Environmental Goals and Sustainable Prosperity Act for many years. While we certainly believe that reducing pollution is a laudable objective, there is no denying that a revenue-neutral pollution tax would be very challenging for some of our members. Further information would be needed to evaluate this kind of initiative.

6. Are lower taxes—corporate or personal—essential to economic growth in Nova Scotia? If yes, should the Province reduce spending beyond what is required to balance the budget, in order to pay for tax reductions?

As a Chamber, we believe that Nova Scotia's high tax burden puts us at a competitive disadvantage relative to other provinces.

Arguably, the most important recommendation in the tax and regulatory review's report was its call to freeze program spending for five years. Only by seriously restraining expenditures can the province find enough revenue to substantially reduce Nova Scotia's tax burden. This requires a sober review of all programs to determine if they are providing value for money.

7. Do you favour user fees on non-essential public services? Should fees recover the full cost of the service?

Yes, user fees on non-essential public services are fair and should be calculated on a full cost recovery basis so long as the overall impact on the tax burden is revenue-neutral. User fees must be managed carefully as they are another form of tax. The costs of service should be clear, transparent, and reasonable.

8. Should the province use tax breaks to attract new businesses to the province and foster growth in certain sectors?

Business attraction and expansion involves competing with jurisdictions around the globe for new investment. We support using effective business support programs to attract new businesses to Nova Scotia. That said, it is critical to determine the objectives of the program over the long-term. Should the program be permanent or temporary, does it contribute to economic growth, should it have a sunset clause?

9. Should the province increase the Small Business Tax Rate, as recommended in the tax and regulatory review report, and offset the increased revenue with lower general corporate taxes?

More than 80 per cent of Halifax Chamber of Commerce members are small businesses, and they are reflective of the overall business community. Great care must be taken to ensure small businesses benefit from meaningful tax relief.

10. Should the province be looking to privatize certain programs and services to save money or sell off assets to generate revenue, or a combination of both?

Given the scale of Nova Scotia's fiscal and demographic challenges, we cannot afford to preclude any potential solutions. Examining whether asset sales or privatization can contribute to a more effective provincial government is only prudent. Let us put all options on the table.