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Saskatchewan Public Affairs

Saskatchewan Budget 2017-18 – Meeting the Challenge

On Wednesday, March 22, Finance Minister Kevin Doherty delivered the 2017-18 Saskatchewan Budget. The government said that resource revenue has declined over $1.3 billion since 2014-15, tax revenue is down by hundreds of millions of dollars, and the population has grown by 162,000 in 10 years, which puts pressure on vital public services. These challenges will be addressed in five key ways; controlling and reducing government spending, modernizing and expanding the tax system, keeping the economy strong, investing in priority areas, and returning to balance over three years.

As the Premier eluded to in a Facebook video earlier in the week, there was a one per cent increase in the provincial sales tax (PST), bringing it to six per cent. Unexpected announcements were many, including the winding down of STC (Saskatchewan Transportation Company) and the liquor mark-ups of 6.8% for most beer products, 6% per cent for most coolers, 5.3% for most wines, and 4% for most spirits. Pre-budget announcements included a 3.5% wage rollback for MLAs and Ministers, consolidating 12 regional health authorities into one, and winding down Executive Air.

Very few areas of the economy were untouched by the budget, with wide-ranging cuts to numerous sectors. In addition to the areas mentioned above, tax expansion and measures include:

+ PST will now be applied to children's clothing, restaurant meals and snack foods, insurance premiums, construction services and permanently mounted equipment used in the resource sector;
+ Education Property Tax is increasing to provide 40 per cent of funding to K-12 education;
+ the exemption for bulk purchases of gasoline is being eliminated;
+ The exemption for bulk purchases of diesel fuel is being reduced to 80 per cent of purchases to reflect the changing nature of farming and primary production operations and on-road and personal use of this fuel;
+ The exemption for used cars will continue, but the value of a trade-in will no longer be deductible in determining the PST on the purchase of a new vehicle;
+ Tobacco taxes are increasing, as are alcohol markups;
+ Personal income tax credits for education and tuition expenses and the Employee Tool Tax Credit are being eliminated;

+ The indexation of Personal Income Tax is being suspended;
+ The Labour-Sponsored Venture Capital Tax Credit rate is being reduced; and
+ The Corporation Capital Tax on large financial institutions is being increased and the provincial income tax preference for credit unions is being phased out.

A positive announcement in the Budget is that the corporate tax rate will drop by 0.5% (to 11.5%) on July 1, 2017, and another 0.5% (to 11%) on July, 1 2019. As well, the three tiers of personal income tax rates will each drop by 0.5% (to 14.5%, 12.5%, and 10.5%) on July 1, 2017 and another 0.5% (to 14%, 12%, and 10%) on July 1, 2019.

In a fundamental shift away from resource revenues to better position the province in the long term, the Saskatchewan Party government took a hard line approach in facing the current economic situation by moving away from a reliance on fluctuating commodity revenue and focusing on more stable sources of revenue such as consumption taxes. Cumulatively, these substantive changes allow the government to post a deficit of $685 million for this year, a smaller shortfall of $304 million for 2018-19, followed by a $15 million surplus in 2019-20 and a $183 million surplus in 2020-21.

Saskatchewan NDP reaction was that the budget breaks promises, hurts families, and cuts opportunities. Finance critic Cathy Sproule said in summarizing the budget, “Either the Sask. Party doesn’t get it or they just don’t care anymore. Responsible and forward-looking management would have been a welcome change from this party. But this budget, with his skyrocketing debt, massive tax hikes, callous cuts and lack of strategic investment leaves too many behind and does nothing to build hope in the future.”

General reaction to the budget has been mixed. Pre-budget discussions were effective in preparing the province for a very austere budget. Over the past number of months, the government had indicated that everything was on the table, and as a result, most people were not surprised with the budget and were likely expecting worse.

This budget attempted to meet in the middle, providing fiscal restraint while not shocking the Saskatchewan economy. While it will take some time for the province to adjust to the change from a reliance on resource revenues to consumption taxes, there will still be considerable opportunity to assist the government with their transformational change initiative. Projects and policies that will assist the government in reducing costs and streamlining services will be well-received.

The government is focusing on delivering the three social pillars, health, education and social services.

For more information on the 2017-18 Saskatchewan Budget, please click here.

To read the government news releases about the budget, please click here.

For Key Facts and Figures, please click here.