News Release

Tax Changes and Restraint will Reduce Deficit

IQALUIT, Nunavut (November 21, 2006) – Minister of Finance, David Simailak today announced new measures that will reduce deficit spending and help secure government programs and services.

“Just as ordinary households cannot live beyond their means, neither can government,” said Simailak. “To ensure we can continue to meet the territory’s growing needs and to avoid larger deficits down the road, we are taking action now.”

The Finance Minister reported that government revenues for 2006-07 are now forecast to be $5 million higher than estimated in the 2006 Budget, however revised expenditure projections have increased by $6.1 million. As a result, the deficit for this fiscal year is now forecast to be $8.7 million, $1.1 million more than initially planned. Long-term projections suggest that, without corrective measures, deficits will only increase in the years ahead.

Among the changes, all government departments are to identify and freeze all currently vacant positions that do not negatively impact the delivery of necessary programs and services.

Effective midnight on December 15, 2006 taxes on cigarettes and tobacco products will increase. These changes should result in $2.5 to $3 million a year more in government revenue.

“The burden smokers place on the health care system is well documented,” said Simailak. “Given the high rate of smoking among our population, it is not surprising that health care costs in Nunavut keep rising each year and we need to do all we can to discourage tobacco use.”

The Nunavut payroll tax is being raised from one to two percent. This measure is expected to generate $5.3 million in additional revenue. To offset the cost of this tax for permanent Nunavut residents, the Cost of Living Credit is being increased from $750 to $900.

Backgrounder attached.

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