

NEWS RELEASE

B.C.'s tax on new natural gas investments among highest in North America

March 5, 2019
For Immediate Release

VANCOUVER—British Columbia has one of the highest tax rates on new investments in the natural gas sector among all major energy-producing jurisdictions in North America, which is harming the province's competitiveness, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian policy think-tank.

“Developing B.C.'s natural gas resources has been a priority for successive provincial governments, and yet its tax rate on new natural gas investments is highly uncompetitive with neighbouring and competing jurisdictions,” said Jack Mintz, President's Fellow at the University of Calgary's School of Public Policy and co-author of *Effective Tax and Royalty Rates on New Investment in Oil and Gas after Canadian and American Tax Reform*.

In response to recent tax changes in the U.S., which eroded Canada's previous corporate and investment tax advantage over American states, the federal government last year introduced a series of temporary measures designed to incentivize new investment.

But despite Ottawa's tax changes, the study finds B.C. still has the second-highest effective tax rate on new investments in the natural gas sector.

The study's calculations include everything from corporate income taxes to royalty payments to provincial sales taxes if they apply.

“This is a comprehensive assessment of the tax rate that applies to businesses wishing to invest in the oil or natural gas sectors,” said Philip Bazel, associate at the University of Calgary's School of Public Policy and study co-author.

Crucially, B.C.'s tax rate on new natural gas investments in 2018 was 31.9 per cent—behind only Saskatchewan (36.6) in Canada, and fifth-highest among all major energy-producing jurisdictions in North America.

In fact, B.C.'s tax rate on new natural gas investments is nearly five percentage points higher than the Canadian average (27 per cent).

“If the B.C. government really wants to grow and develop the province's natural gas sector, policymakers should consider tax reforms to incentive new investments in the industry,” Mintz said.

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