Information for Return to Written Question 46-19(2)
Post-Devolution Mining Revenues to the Northwest Territories

1. An itemized listing of all the sources of revenues included in the annual average retained revenues (e.g. mining royalties, corporate taxes, property taxes, payroll tax, fuel tax and any other revenues).

   The sample size is too small to provide corporate income tax revenues even when providing only an annual average. The corporate income tax from corporations that own the diamond mines represents the majority of Northwest Territories (NWT) corporate income tax revenues. The other total revenues collected from the mines are summarized below. However, mining royalties are shared with Canada and the Indigenous governments that are signatories to the Devolution agreement. On average since Devolution the Government of the Northwest Territories (GNWT) has retained $13.4 million annually in mining royalties.

Aggregate Diamond Mine Revenue (thousands of dollars)

	Average
Mining Royalties	35,832
Property tax	21,898
Fuel tax	9,168
Payroll tax	1,520
Net carbon tax	2,151
Total annual average	70,568

Note: Carbon tax is net of large emitter rebates and large emitter individual accounts and is an average since carbon tax implementation (September 1, 2019 to March 31, 2022).

Royalties and Other Non-renewable Resource Revenues (Thousands of dollars)

		Mineral and Oil and Gas Royalties	Other (Licences, fees, work bids)	Total Resource Revenues
Actual	2014/15	62,831	4,200	67,031
Actual	2015/16	55,759	2,587	58,346
Actual	2016/17	43,060	20,224	63,284
Actual	2017/18	39,862	26,306	66,168
Actual	2018/19	18,930	4,328	23,258
Actual	2019/20	19,183	4,611	23,794
Actual	2020/21	19,153	47,317	66,470
Revised	2021/22	24,176	3,114	27,290
Mains	2022/23	18,686	2,929	21,615

Note: Accrual basis

2. The average annual value of diamonds and any other minerals produced and exported from the NWT over this period of time.

   Production statistics are reported by Natural Resources Canada (NRCan) from 2014 to 2019. From 2020 onwards the reporting of mineral production is from Statistics Canada.

Diamonds	Carats (000)	Canadian $
2014	11,343	1,791,342,000
2015	11,033	1,745,290,000
2016	12,348	1,486,090,000
2017	20,826	2,091,310,000
2018	20,541	2,042,103,000
2019	16,095	1,809,355,267
2020	13,507	1,236,242,231
2021(p)	15,410	1,505,436,917

Tungsten	Tonnes	Canadian $
2014	2,708	84,331,000
2015	2,289	62,339,000
2016	0	0
2017	0	0
2018	0	0
2019	0	0
2020	0	0
2021(p)	0	0

Copper	Tonnes	Canadian $
2014	234	1,549,000
2015	220	1,780,000
2016	0	0
2017	0	0
2018	0	0
2019	0	0
2020	0	0
2021(p)	0	0

Note: Production is shipments from the mine. The value is as reported by the producer.
(p) are preliminary results.

3. The average annual values of any mining revenues shared with Indigenous governments over this period of time.

Payments Made under Resource Revenue Sharing on a Cash Basis, by Signatory, for each Calendar Year (Dollars)

	2015	2016	2017	2018	2019	2020	2021 [3]	2022 [2]
Acho Dene Koe First Nation[1]	180,677	145,382	194,452	199,695	49,222	67,305	203,404	133,227
Deninu Kue First Nation	228,883	195,112	261,652	278,452	68,968	94,305	285,003	186,673
Gwich'in Tribal Council	1,136,494	1,007,753	1,353,735	1,428,327	353,324	483,126	1,460,077	956,328
Inuvialuit Regional Corporation	1,744,857	1,542,471	2,071,765	2,239,396	555,795	759,980	2,296,767	1,504,347
Kátł'odeeche Fırst Natıon	126,733	134,198	181,510	190,696	47,128	64,442	194,752	127,560
Northwest Territory Metis Nation	603,151	532,355	714,984	737,041	181,729	248,491	750,975	491,877
Sahtu Secretariat Inc.	1,283,497	1,141,356	1,533,393	1,645,749	408,061	557,972	1,686,270	1,104,481
Salt River First Nation	240,719	205,460	275,545	283,297	69,830	95,484	288,566	189,006
Tłįcho Government	1,166,445	1,028,766	1,381,649	1,446,649	357,479	488,807	1,477,245	967,573
Total	**6,711,455**	**5,932,852**	**7,968,685**	**8,449,302**	**2,091,536**	**2,859,910**	**8,643,060**	**5,661,072**

Note: Cash basis

[1]*ADK was paid a 2020 advance payment of $58,855.97 twice; future payments (excluding retained amounts) will be withheld until the overpayment has been recovered. The balance owing will be $50,407.30.*

[2]*Preliminary calculations for 21/22 RRS distributed amounts*

[3]*Includes retained amount allocation for 17/18 to 19/20, distributed May 2021*

Resource Revenue Sharing (thousands of dollars)

	Average
Acho Dene Koe First Nation	149
Deninu Kue First Nation	202
Gwich'in Tribal Council	1,032
Inuvialuit Regional Corporation	1,602
Kátł'odeeche Fırst Natıon	134
Northwest Territory Métis Nation	538
Sahtu Secretariat Inc.	1,179
Salt River First Nation	208
Tłįcho Government	1,050
Total Annual Average	6,094

Note: Average values are from calendar years 2014 to 2021 (latest available) and are resource revenue sharing from mining only. Other resource revenues (oil and gas, licences, work bid forfeitures, quarry royalties) are not included but are also shared.

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4. An analysis of whether the net retained revenues from mining to the GNWT meets the target of between 40 to 60 percent of pre-tax cash flow generated by a project as the government share, as recommended by the World Bank and the International Monetary Fund.

 The government share of pre-tax cash flow generated by a project recommended by the World Bank and International Monetary Fund (IMF) uses the Fiscal Analysis of Resource Industries (FARI) Methodology to examine revenue over the lifetime of a project to determine the percentage of net retained revenues.

 Natural Resources Canada publishes an international tax comparison using a similar methodology. The Canadian taxation of mineral income is calculated as the Average Effective Tax Rate (AETR) of each province and territory compared to a suite of international jurisdictions. The next release of that study will be published this fall and it will be provided to the Member upon its release.

 The purpose of the original NRCAN study published in 1993 and most recently revised in 2011 was to confirm if Canada's taxes and royalties on mining were competitive internationally, in response to criticisms of Canada's high statutory tax rates. By computing the AETR, the study has previously demonstrated that Canada's mining fiscal regimes were competitive, and that the NWT falls in the middle of Canadian jurisdictions. This mirrors the findings of the recent Pricewaterhouse Coopers report.

 The World Bank and the International Monetary Fund use the FARI Methodology[1], a financial model to determine the target. A summary of their approach is provided below:

 Proper evaluation of fiscal regimes for extractive industries (EI) requires economic and financial analysis at the project level, and FARI is an analytical tool that allows such fiscal regime design and evaluation. The FARI framework has been primarily used in advisory work on fiscal regime design: it supports calibration of fiscal parameters, sensitivity analysis, and international comparisons. In parallel to that, FARI has also evolved into a revenue forecasting tool, allowing IMF economists and government officials to estimate the composition and timing of expected revenue streams from the EI sector, analyze revenue management issues (including quantification of fiscal rules), and better integrate the EI sector in the country macroeconomic frameworks. The model also presents a useful tool for revenue administration practitioners, allowing them to compare actual, realized revenues with model results in tax gap analysis. FARI has also been used for revenue forecasting and management (including quantification of fiscal rules), integrated in the country macroeconomic frameworks, and revenue risk assessments. FARI follows a project-level modeling approach to estimate the government's share of a resource project's total pre-tax net cash flows (in effect, the economic rent when calculated in discounted terms at a rate equal to the minimum return to capital), as well as the effect of the interactions among the different parameters constituting the fiscal regime. FARI is an Excel-based, discounted cash flow model set up to reflect tax accounting rules and specific tax payments to the government. From an investor's perspective, key indicators are the post-tax Net Present Value of the project, the post-tax internal rate of return, the payback period, and the breakeven price. From a government's perspective, key indicators are the AETR, a measure of "government take", the marginal effective tax rate, and the progressivity of the fiscal regime.

. INTERNATIONAL MONETARY FUND Fiscal Affairs Department Fiscal Analysis of Resource Industries (FARI) Methodology Prepared by Oana Luca and Diego Mesa Puyo