

By the Quebec Act of 1774, certain duties on spirits and molasses were imposed, to be expended by the Crown in order to provide a revenue "towards defraying the expenses of the administration of justice and the support of the civil government of the province." A little later, in 1778, the British Government, by the Declaratory Act (18 Geo. III, c. 12), renounced forever the right of taxing the colonies to provide Imperial revenue, but maintained its claim to impose duties considered necessary for the regulation of trade, the proceeds to go towards defraying the expenditures of the colonial administration. After the Constitutional Act of 1791, the customs duties remained under the control of the Imperial Government, their revenue, as well as the territorial revenue above mentioned, coming in to the executive administration independently of the Legislative Assembly and thus making the executive power largely independent of the legislature. In case these revenues proved insufficient, recourse could generally be had to the grant made by the Imperial Government for the support of the army. As time went on, however, the Crown revenues became more and more inadequate to meet the increasing expenditure, while the wave of economy in Great Britain after 1815 made it impossible any longer to supplement these revenues from military sources. On the other hand, the purely provincial revenues collected under the authorization of the provincial legislature showed an increasing surplus. The power of the purse thus began to pass into the hands of the legislatures; in 1831 the British Parliament passed an Act placing the customs duties at the disposal of the legislatures.

Under the Act of Union a consolidated revenue fund was established. All appropriation bills were required to originate in the Legislative Assembly, which was forbidden to pass any vote, resolution or bill involving the expenditure of public money unless the same had been first recommended by a written message of the Governor-General. The British Government surrendered all control of the hereditary or casual revenues, which were thenceforth paid into the treasury of the province to be disposed of as its legislature should direct.

At the interprovincial conferences which took place prior to Confederation it was decided that the new Dominion Government, which was to take over permanently, as its chief source of revenue, the customs and excise duties that had yielded the greater part of the revenues of the separate provinces (direct taxation being as unpopular in British North America as in other new countries), was also to assume the provincial debts and to provide out of Dominion revenues definite cash subsidies for the support of the Provincial Governments. (See Tables 16 and 17.) Until the Great War, which made other taxes necessary, the customs and excise revenue constituted the chief resource of the Dominion Government for general purposes—the post office revenue and railway receipts which, properly speaking, are not taxes at all, being mainly or entirely absorbed by the expense of administering these services. Indeed, for many years preceding the war, customs and excise duties, together with the revenue from the head tax on Chinese immigrants, were the only items of receipts which were classified as taxes by the Department of Finance. In the last fiscal year of peace, these two items aggregated \$126,143,275 out of total receipts on consolidated fund account amounting to \$163,174,395, the post office and government railways furnishing between them \$26,348,847 of the remainder, offset, however, by expenditure on these two services amounting to \$27,757,196. Miscellaneous revenue, largely fees, amounted in that year to \$10,682,273—a comparatively small fraction of the total. As both customs and excise taxes were indirect, the average Canadian felt but little the pressure of taxation for Dominion purposes.