Sharp increases in rates and heavy new taxes were also introduced in the field of indirect taxation. Gasoline, hitherto taxed only by the provinces, was made subject to a levy of 3 cents per gallon. A new levy was imposed on admissions to motion-picture and other entertainments and on pari-mutuel bets on horse races, a tax of 10 p.c. on travel tickets was introduced, and the previous moderate tax on carbonic gas was replaced by a 25 p.c. tax on all bottled soft drinks. No increase in the sales-tax rate was made, but building materials, a large and important group, were removed from the exempt list. Existing tax rates on a considerable list of items—sugar, automobiles and buses, beer, malt and wine, cosmetics, playing cards, cigarette lighters and long-distance telephone calls—were subject to heavy increases. Certain changes of a minor character were also made under the War Exchange Conservation Act and the Customs tariff. Under the latter further substantial concessions were made under the British Preferential Tariff to encourage imports from the Empire.

An important feature of this Budget was the offer made by the Dominion Government that if the provinces would agree to vacate the personal income and corporation tax fields for the duration of the War, the Dominion would in return reimburse each province either by guaranteeing payment of (a) an amount equal to the collections made by each province and its municipalities during the fiscal year ended nearest to Dec. 31, 1940, from the above taxes, or (b) an amount equal to the net debt service actually paid by the province during the fiscal year ended nearest to Dec. 31, 1940, less the revenue obtained from the provincial succession duties during that period. It was also provided that fiscal-need subsidies would be paid to any province if it could be shown that such subsidies were required to enable the province to stand on its own feet financially.

On Jan. 15, 1942, the Minister of Finance announced that annual payments would be made to British Columbia, Alberta, Manitoba, Ontario and Quebec on the basis of option (a) above, while Saskatchewan, New Brunswick, Nova Scotia and Prince Edward Island had chosen payments based on option (b). Fiscal-need subsidies would be paid to Saskatchewan, Manitoba, New Brunswick and Prince Edward Island, and Nova Scotia would be given an annual payment equivalent to the loss of revenue arising out of suspension of the annual subsidy formerly paid upon the recommendation of the Duncan and White Commissions. The cost of these fiscal-need subsidies and the annual payment to Nova Scotia will be $3,232,789 per annum, as compared with special annual grants formerly paid to certain provinces amounting to $5,475,000. The cost of the payments to be made under options (a) and (b) in compensation for vacating the tax fields as indicated above will be in excess of $81,288,677 per annum.

In addition, the Dominion has agreed to compensate the provinces for losses in their revenues from gasoline taxes to the extent that they fall below 1940 revenues. Such revenues amounted in 1940 to $56,738,519.

Subsection 1.—The Current Balance Sheet of the Dominion

The basic pattern of the present Dominion Balance Sheet was adopted in 1920. On the asset side it shows accounts that have been classified as *active* assets; these represent cash or investments that are interest producing or have a readily realizable cash value. On the liability side it shows such liabilities as have been ascertained and brought into the accounts. No liability is shown for interest