

17.—Subsidy Allowances to Provincial Governments, July 1, 1867 to March 31, 1943

Province	Allowances for Government	Allowances on Basis of Population	Special Grants ¹	Interest on Debt Allowances ²	Total ³
	\$	\$	\$	\$	\$
Prince Edward Island.....	4,620,000	6,010,803	6,067,224	2,913,162	19,611,189
Nova Scotia.....	9,240,000	27,108,686	826,980	3,657,648	40,833,314
New Brunswick.....	8,600,000	20,795,944	11,130,000	1,635,820	42,161,764
Quebec.....	11,440,000	103,001,662	—	6,343,938	120,785,600
Ontario.....	11,840,000	125,537,242	—	6,167,835	143,545,077
Manitoba.....	8,445,000	21,951,408	24,956,733	16,784,877	72,138,018
Saskatchewan.....	7,476,667	22,030,186	23,781,250	15,404,250	68,692,353
Alberta.....	6,866,666	17,566,277	20,156,250	15,404,250	59,993,443
British Columbia.....	7,900,000	17,373,818	8,200,000	2,108,660	35,582,478
Totals.....	76,428,333	361,376,026	95,118,437	70,420,440	603,343,236

¹ See text at p. 827.² Allowances in lieu of debt.³ Does not include "Additional Special Grants" (see text following).

*Additional Special Grants.**—In addition to the above, there were other special grants paid to the Maritime Provinces, Manitoba, Saskatchewan and British Columbia up to 1941 that were voted annually, aggregating, in the fiscal year 1941, \$5,475,000 as follows:—

Prince Edward Island.....	275,000
Nova Scotia.....	1,300,000
New Brunswick.....	900,000
Manitoba.....	750,000
Saskatchewan.....	1,500,000
British Columbia.....	750,000

Under the agreements negotiated between the Dominion Government and the provinces following the offer made in the Budget of April, 1941, these temporary special grants were replaced by fiscal-need subsidies to certain provinces and by special payments in the following amounts: Prince Edward Island, \$437,174; New Brunswick, \$371,493; Manitoba, \$600,000; Saskatchewan, \$1,500,000; Nova Scotia, \$324,122; a total of \$3,232,789.

The Dominion-Provincial Taxation Agreement Act, 1942, was the result of agreements between the Dominion and the individual provinces whereby the latter agreed to vacate the income and corporation tax fields in favour of the Dominion for the duration of the War and a limited period thereafter and the Dominion agreed to compensate the provinces therefor. Two alternative methods of compensation were proposed and these are outlined at p. 748 of the 1942 Year Book.

Under the agreements the provinces have undertaken generally, subject to certain minor exceptions, that they and their municipalities will not tax personal or corporation incomes earned after Dec. 31, 1940, or collect any other corporation taxes (with certain exceptions) becoming due and payable after Sept. 1, 1941. The agreements will continue in force for a limited period after the cessation of hostilities when the Dominion agrees to reduce its tax rates so as to permit the provinces to re-enter the tax fields that they have vacated temporarily. Any province upon thirty days' prior written notice may terminate its agreement with the Dominion on the last day of the province's fiscal year.

Annual payments to British Columbia, Alberta, Manitoba, Ontario and Quebec are based upon the revenues which the provinces and their municipalities obtained from the personal income tax and corporation tax fields during the fiscal year ended nearest to Dec. 31, 1940. Annual payments to Nova Scotia, New Brunswick, Prince Edward Island and Saskatchewan are based on the net cost of servicing the

* In line with the Dominion-Provincial Agreements on taxation, these special grants have been disallowed since 1941 (see also p. 828).