

#### Subsection 4.—Subsidies and Taxation Agreements with the Provinces

**Subsidies.**—By the provisions of the British North America Act and subsequent arrangements entered into from time to time, the Federal Government makes certain annual payments to the provinces.

*Interest on Debt Allowance.*—By the terms of the union of the provinces at Confederation in 1867, the Federal Government assumed all the outstanding debts and liabilities of the provinces and undertook to pay, except in the case of Ontario and Quebec, interest at 5 p.c. per annum on the amounts by which the actual per capita indebtedness of the provinces fell short of a basic debt allowance calculated at approximately \$25 per capita. On the subsequent entry of additional provinces into Confederation, similar arrangements were effected regarding the assumption of their pre-Confederation indebtedness. From time to time, adjustments have been made in the basis of calculating the debt allowances of provinces; moreover, the Federal Government pays interest at 5 p.c. per annum on the amounts by which the actual debts of the provinces, on their entry into Confederation, fell short of the allowed debts as adjusted. The aggregate annual payment by the Federal Government to the provinces in respect of interest on debt allowances is \$1,609,386.

*Allowances for Governments and Legislatures.*—Under the terms of the union, annual specific grants were made to the various provinces toward the support of their governments and legislatures. These amounts vary with the population of the provinces, according to the following scale approved in 1907:—

Where population is—	\$
Under 150,000.....	100,000
150,000, but does not exceed 200,000.....	150,000
200,000, “ “ 400,000.....	180,000
400,000, “ “ 800,000.....	190,000
800,000, “ “ 1,500,000.....	220,000
Over 1,500,000.....	240,000

Aggregate annual allowances presently paid under this head amount to \$1,990,000, including the \$180,000 that became payable to Newfoundland upon union with Canada in 1949.

*Allowances per Capita of Population.*—Under the British North America Act of 1867, a grant of 80 cents per capita of population was allowed to each province. The British North America Act of 1907 provided that the grant would be paid to each province at the rate of 80 cents per capita up to a population of 2,500,000, and at the rate of 60 cents per capita for so much of the population as exceeded that number. These allowances were last adjusted in 1951 following the Census. The allowances paid to the provinces in the year ended Mar. 31, 1953, amounted to \$10,465,338.

The Act to approve the Terms of Union of Newfoundland with Canada in 1949 provided for an annual subsidy equal to 80 cents per capita of the population of the Province (being taken at 325,000 until the first decennial Census after the date of union), subject to increase to conform with the scale of grants authorized by the British North America Act, 1907.