

previous levy, was imposed on all crude entering Canadian refineries, based on a blended average price of domestic and foreign conventional oil and the cost of domestic oil qualifying for the new oil reference price (NORP), including synthetic crude, tertiary oil, upgraded heavy oil and oil discovered since 1980. It was designed to subsidize qualified refiners to bring their net cost down to the conventional old oil price plus the petroleum compensation charge.

The natural gas and gas liquids tax was levied under the Excise Tax Act effective November 1, 1980; it was imposed on natural gas acquired by distributors for resale to consumers in Canada and on natural gas liquids (ethane, propane and butane) when first removed from a gas processing plant.

The petroleum and gas revenue tax, effective January 1, 1981, was imposed on production revenue from petroleum and gas operations and on resource royalty payments related to such production.

**Income taxes.** The yield from income taxes represented 47.3% of total gross general revenue in 1981-82, down from 51.9% in 1980-81. The decline of the ratio was due to: a slowdown in the rate of growth of personal income taxes, 18.5% in 1981-82 compared to 18.7% in the previous year, mainly because of a decrease in child tax credit; and a downturn in corporation income taxes which declined from 17% to -0.1% because of falling business profits. This was offset to some extent by an increase of 17.4% in income taxes on payments to non-residents due to increased outflow of investment income and dividends.

**Health and social insurance levies** accounted for 14% of the growth in total revenue in 1981-82, up from 10% in 1980-81, mainly as a result of an increase of nearly \$1.5 billion (43.9%) in unemployment insurance (UI) contributions and a growth of \$588 million (22.5%) in Canada Pension Plan (CPP) contributions. The growth in UI was due to an increase in employer/employee contributions, while that of CPP was the result of an increased number of taxpayers moving to higher income brackets.

**Consumption taxes** contributed 8% of the increase in gross general revenue in 1981-82, down from 14% in 1980-81. The slowdown in the rate of growth was caused mainly by a lower yield from general sales taxes, tobacco and air transportation taxes and a decline in the yield from motive fuel and other taxes, offset to some extent by increased customs duties.

Table 22.2 provides a summary of some of the more significant revenue sources for the fiscal years ended March 31, 1978-82.

### 22.1.2 Gross general expenditure

Total gross general expenditure (Table 22.3) grew by \$10.9 billion (16.1%) in 1981-82. The major portion (87%) of the increase was due to a growth in outlays on the following functions: debt charges, up \$3.4

billion (36.5%); social services, up \$2.7 billion (12.7%); resource conservation and industrial development, up nearly \$1.3 billion (17.4%); protection of persons and property, up \$1.1 billion (17.6%); general purpose transfers to other levels of government, up \$922 million (21.0%).

**Debt charges.** Compared to the previous year's growth the increase in debt charges more than doubled. This was occasioned principally by a rise of \$3.5 billion (50.2%) in interest payments reflecting an expansion of \$9.2 billion in unmatured debt and a significant upward trend in coupon rates on new issues.

**Social services.** The growth in social services can be attributed primarily to a substantial rise in expenditures on social security, up \$1.6 billion (17.2%) and labour force plans, up \$821 million (17.2%). The growth in social security resulted from increases of \$1.2 billion (15.7%) in old age security payments as a result of a larger number of beneficiaries and a higher basic pension and guaranteed income. There was also an increase of \$456 million (22.5%) in Canada Pension Plan payments due largely to indexation and more beneficiaries. The growth in labour force plans was caused principally by a rise of \$816 million (17.2%) in unemployment insurance transfer payments to persons as a result of increases in both the average weekly benefit and the number of weeks of benefit paid.

**Resource conservation and industrial development.** The increase can be attributed to a rise in expenditures on agriculture, trade and industry and oil and gas. The growth in agriculture was the result of increased expenditure on goods and services and a rise in the amount of transfer payments under the agri-food development program. The increase in trade and industry was the consequence of a rise in grants and contributions for industry development by the department of industry, trade and commerce. In oil and gas the growth was in transfer payments to business under the federal energy program with respect to oil import compensation and oil substitution conservation assistance; this was offset to some extent by a decrease in compensation paid by a petroleum compensation revolving fund to first refiners of designated classes of high-cost domestic petroleum, because the gap was closing between its price and international crude price levels.

**Protection of persons and property.** This growth was caused principally by an increase of \$901 million (18.3%) in national defence for increased capital expenditures and salaries and wages (including military pay and allowances). Spending on policing and correction increased by \$137 million (18.7%) and on rehabilitation by \$73 million (18.2%) as a result of increases in the police services under contract in law enforcement and in operating expenditures of correctional services of the department of the solicitor general.