

Revenues from personal income taxes rose by \$1,793 million (6.1%) in 1984-85 compared to \$1,914 million (7.0%) a year earlier. This smaller rate of increase occurred despite the lowering of the federal tax reduction to \$100 from \$200, and the capping of the 1984 indexation factor at 5%.

Receipts from general sales taxes increased by \$1,069 million (16.1%). This growth was largely due to the one percentage point increase in sales tax rates levied in the fall of 1984 and increases in consumer and business spending during the year.

Receipts from custom import duties rose by \$416 million (12.3%), reflecting the strong increase in imports in 1984. The growth rate was slowed, however, by the implementation of further tariff reductions as scheduled under the multilateral trade negotiations.

Revenues from the unemployment insurance contributions rose by \$298 million (4.1%). This increase was mostly due to rises in the value of premiums levied. Weekly employee premiums at \$8.86 in 1983 rose to \$9.78 in January 1984 and again by \$1.03 to \$10.81 in January 1985.

Revenues from the natural gas and gas liquids tax fell by \$541 million because the rate of this tax was set to zero effective February 1, 1984.

22.1.2 Gross general expenditure

Gross general expenditures (Table 22.3), for the fiscal year 1984-85, increased by \$12,006 million (11.8%) compared to \$9,519 million (10.3%) in 1983-84.

Functions which contributed most significantly to the increase were: debt charges, resource conservation and industrial development, social security, protection of persons and property, and health.

Debt charges rose by 27.9%. The rise of \$3,656 million was mainly due to an increase in unmatured debt during the year and higher interest rates.

Expenditures on the function resource conservation and industrial development increased by \$2,178 million (25.9%). The main factors contributing to this sharp increase were: outlays under the Western Grain Stabilization Act; larger payments to provinces for the oil export charge; and increased petroleum compensation payments.

Expenditures on the social service function increased by \$1,983 million. Increased numbers of recipients and higher benefit levels, due to inflation indexing, caused expenditures under the Canada Pension Plan to rise by \$571 million (15.5%) and the Old Age Security Program by \$1,012 million (9.7%). In addition, social welfare payments to the provinces under the

Canada Assistance Plan increased by over 9%, mainly because of the effects of continued high unemployment levels through 1984-85.

The growth in the protection of persons and property function expenditures resulted from a \$839 million increase in national defence spending, reflecting the government's North Atlantic Treaty Organization commitment to increase defence expenditures by at least 3% in real terms each year.

Health function expenditures increased by \$863 million (13.9%) in the fiscal year due to higher payments to the provinces under the Federal Provincial Fiscal Arrangements Act and the Established Programs Financing Act. The growth in these transfers reflected a substantial retroactive payment in 1984-85 and the increase in the Gross National Product over the period to which these programs are indexed.

22.1.3 Consolidated government finance

Data on each level of government — federal, provincial and local — constitute the basis of the intergovernment consolidation which is presented for the years 1980 to 1982 in Table 22.1. The consolidation process integrates the separate levels of government to reveal the fiscal framework of the public sector viewed as an economic unit. As a result, the numerous inter-governmental transactions either as revenue or as expenditure are eliminated in order to obtain a measure of the collective impact of all government transactions upon the rest of the economy, in terms of services provided and taxes collected.

22.1.4 General accounts

Tables 22.2 to 22.6 and 22.19 present financial statistics of the federal government prepared in accordance with the concepts published in *The Canadian system of government financial management statistics* (Statistics Canada 68-507). Financial statistics in Tables 22.7 and 22.14 are extracted directly from the *Public accounts of Canada*.

Table 22.4 provides details of the assets and liabilities of the federal government as at March 31, 1982 to 1985. Table 22.5 analyzes gross bonded debt according to average interest rate, average term of issue and place of payment as at March 31, 1982 to 1985.

In addition to direct gross bonded debt, the federal government has assumed certain contingent liabilities. The major categories of this indirect or contingent debt are the guarantee of insured loans under the National Housing Act and the guaranteed bonds and debentures of Canadian National Railways. The remainder