

TAXATION AND WOMEN'S SERVICES

The financing of public services in Canada is a matter of joint federal and provincial jurisdiction. Most government revenues are raised through taxation and some are redistributed through the taxation system. For this reason it is appropriate for groups concerned with the delivery of services to women to acquire a basic understanding of Canadian tax structure.

The British North America Act (1867) empowered the federal government to raise revenue "by any Mode or System of Taxation" (s. 91 (3)) it should choose, and, in particular, the exclusive right to impose customs duties. Provincial governments were given powers of "direct taxation within the province" (s. 92 (2)), powers which permitted them to tax persons, incomes, and property within their boundaries. Because direct taxes were uncommon in the 19th century, the provinces were also entitled to supplement their tax revenues with grants from the federal government.

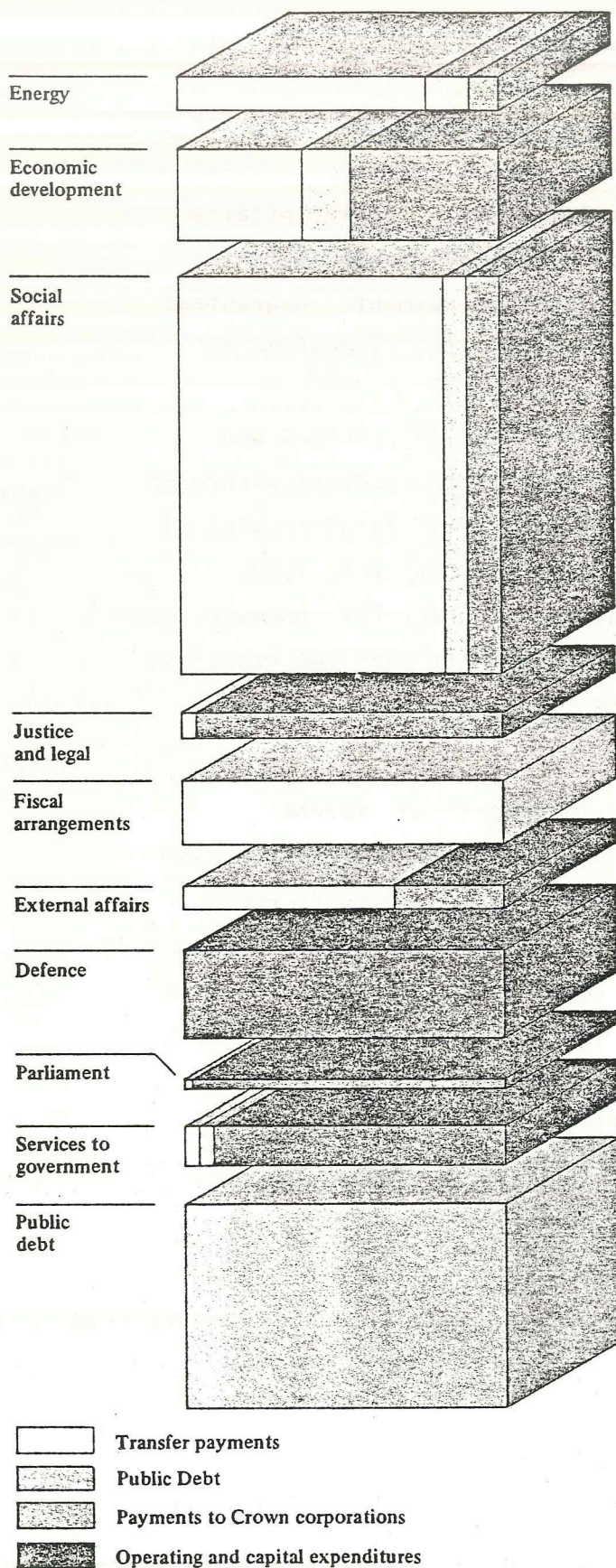
In the early years of Confederation, more than half of provincial government expenditures were financed through federal grants. This reliance on federal money decreased over the years, however, as the provinces began to enter the tax fields, to which they were constitutionally entitled. Personal income tax, corporate income tax and succession duties were introduced provincially towards the end of the 19th century, and in the 20th century the provinces moved to tax government monopolies such as gasoline and alcohol; to acquire revenues from mineral rights; and to impose retail sales taxes.

The federal government began to tax income during World War I to finance its military expenditures, creating for the first time a situation where both levels of government shared occupancy of the personal and corporate income tax fields. When Canada entered World War II, the provinces

withdrew entirely from these income tax fields in exchange for financial compensation in the form of rental payments. After the war, these agreements were renewed between the federal government and all provinces except Quebec and Ontario, and they continued, with some modification, until the early 1960's.

In 1962, the first of a series of tax collection agreements were signed between the provinces and the federal government. These agreements stipulated that the federal government would collect provincial taxes free of charge, on the understanding that the provinces would accept the federal definition of the tax base, i.e. what is taxable. The accord recognized the need for adjustment in the distribution of revenues between the two orders of government and included provisions for a reduction of federal tax rates to permit the provinces to level additional taxes from the same tax base. The arrangement was designed to provide tax room for the provinces so they could increase their revenues without raising the overall level of taxation in the country. The reductions, known until 1972 as tax abatements, are measured in tax points. A reduction of one tax point of 'personal' income tax is a reduction of one per cent of the federal basic tax on the income of individuals; a 'corporate' tax point is a single percentage point of the taxable income of corporations.

Composition of Envelopes by Type of Payment



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The revenues raised through federal and provincial taxes are, of course, used to finance government programs and services within the jurisdiction of each level of government. Substantial amounts of federal tax money, however, are also transferred to provincial governments or directly to individuals. For example, the 1983-84 Main Estimates of the federal government provide for transfers to other levels of government and individuals in the amount of \$42,608 million or 49.5% of total federal expenditures.

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The largest single area of federal transfers and the area of greatest importance to women's organizations is to be found in the federal 'Social Affairs' envelope. This envelope is the source of funds for the range of federal departments concerned with social, medical, employment, education, training, housing, and cultural matters. 'Social Affairs' transfers to individuals take the form of Family Allowance payments, Unemployment Insurance benefits, Old Age Security payments, Guaranteed Security payments, Guaranteed Income Supplement, etc. Transfers to provincial governments are mostly spent in areas of provincial jurisdiction, primarily for health, education, social services and welfare assistance. Most of these monies pass to the provinces through CAP (the Canada Assistance Plan Act, 1966) and EPF (Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977). Federal payments through CAP are cash payments. Under EPF, however, the federal contribution takes the form of cash payments and tax transfers (13.5 personal tax points and 1 corporate tax point).

'Social Affairs' transfers represent the largest single federal contribution to provincial governments, but substantial transfers also take place in the form of unconditional equalization payments whose purpose it is to ensure that the provinces are able to "provide reasonably comparable levels of public services at reasonably comparable levels of taxation (Constitution Act, 1981, S. 38 (1))." In addition, sizable portions of federal revenues pass to the provinces through the Energy and Economic Development envelopes; smaller amounts are transferred through the Justice and Legal envelope. In general, these transfers take the form of cash payment rather than tax transfers.

Tax transfers enter the fiscal picture again as a mechanism for facilitating the 'opting out' provisions of federal-provincial agreements. When Quebec

contracted out of CAP and hospital insurance agreements in 1965, for example, the federal government transferred 18 tax points to the province. The province relinquished its right to federal health grants, technical training payments and youth allowances the same year in exchange for 5 additional tax points.

Revenues which finance public services in Canada, therefore, are raised primarily through taxes. Each level of government occupies specific tax fields but both federal and provincial governments occupy personal and corporate income tax fields. The federal government has transferred revenues to the provinces since Confederation and the period since World War I has been marked by an ebb and flow of tax points between the two orders of government. Taxation agreements and fiscal arrangements tend to be revised with some regularity and may represent an area of leverage for groups concerned with the delivery of services to women.