

*Revenues of governments*

Government revenues, exclusive of intergovernmental transfers and Canada Pension Plan and Quebec Pension Plan contributions, rose to \$26.8 billion in 1969, an increase of 15.9 per cent over 1968. This increase was the result of a combination of real economic advance, price increases and tax rate increases. During the year federal government transfers to provincial governments and municipal authorities amounted to \$2.7 billion, while net transfers from provincial governments to municipal authorities were \$2.6 billion. These represent increases of about 12.8 per cent and 6 per cent respectively over 1968. The revenues available after transfers between governments were \$11.3 billion for the federal government, \$9.2 billion for the provincial governments and \$6.3 billion for the municipal authorities; these amounts show increases of roughly 20 per cent, 17 per cent and 8.5 per cent respectively over the 1968 levels.

Direct taxes on persons yielded \$8.4 billion, an increase of 26 per cent over the preceding year. This substantial growth is due to a relatively high elasticity with respect to GNP of levies on personal income, to the new federal social development tax, to increases in the provincial personal income tax rates in Newfoundland, New Brunswick and Alberta, and to the introduction of medicare premiums in Ontario and Manitoba. It should be noted that many of these tax increases did not apply for the full year in 1969.

Direct tax liabilities on corporations reached \$2.9 billion in 1969, for an increase of some 11 per cent over their level in 1968. The increase is attributable in part to the gain posted by corporate profits in the first half of 1969, and in part to federal tax changes (taxation of the profits of life insurance companies and to lower excess reserves permitted to other financial institutions), together with increases in the provincial corporation income tax rates of Newfoundland and Alberta. The Alberta change was operative for only half of 1969.

Indirect tax revenues of \$11 billion in 1969 were 10 per cent above the corresponding receipts of 1968. The increase was due to increased consumption of goods as incomes expanded, to particular commodity tax increases in New Brunswick and Ontario, and to real property tax increases in all provinces. Real property taxes in Canada amounted to 5.9 per cent of personal disposable income in 1969. This ratio was 4.6 per cent in 1960, 3.2 per cent in 1950, and 5.1 per cent in 1940.

The investment income of governments rose to \$2.7 billion in 1969, for a gain of 18 per cent over its level of the previous year. This substantial increase is largely attributable to the rise in interest rates of the last two years, since the interest on federal securities held by the Bank of Canada, CMHC mortgages and securities held by governments in employee pension and other accounts form a major part of government sector investment receipts.

Employer and employee contributions (mainly to government employee pension plans, to workmen's compensation and to the Unemployment Insurance Fund) rose by 13 per cent to \$1.5 billion in 1969. This substantial increase reflects the first full-year effect of the higher contributions to the Unemployment Insurance Fund which became effective July 1, 1968.