

The legislative authority for EPF is the *Canada Health Act*. The provinces must meet the criteria and conditions set out in the legislation in order to receive their full EPF entitlement in respect of health services.

## **B. CASH TRANSFERS AND TAX POINT TRANSFERS**

EPF transfers come in two forms: transfers in the form of personal and corporate income tax rebates and transfers in the form of cash contributions.

### **i) Federal income tax rebates:**

Under EPF, the federal government makes tax room available to each province through a tax transfer equal to one corporate and 13.5 personal income tax points. Quebec receives a special abatement of 8.5 personal income tax points. Provinces with a fiscal capacity below the representative standard receive equalization payments so that the after-equalization transfer meets this standard (Quebec, Ontario, Manitoba, Saskatchewan and British Columbia are the provinces that set the national standard). With respect to health and post-secondary education, tax transfers are allocated as follows: 67.9% for health and 32.1% for post-secondary education.

### **ii) Cash contributions:**

Cash transfers make up the difference between the total EPF entitlement for each province, as calculated on the basis of the escalator, and the value of the tax transfer.

The performance of the Canadian economy affects the amount of the federal contributions to the provinces in two ways: firstly, economic growth is a factor in the calculation of the escalator; and secondly, economic growth has a direct impact on federal revenues, notably revenues from personal and corporate income taxes. An economic slowdown means a lower escalator for computing the total amount of transfers. Moreover, poor economic growth means lower government tax revenues, and hence, smaller tax point transfers.

Federal contributions to provinces according to EPF are presented in the following table.