

HOW THE FEDERAL GOVERNMENT SPENDS YOUR MONEY

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As residents head to the polls Sept. 20 for the 44th general election, campaign promises from the major parties come down to nickels and dimes — but in the billion-dollar range.

While party leaders are busy making promises to either save or spend money, let's take a look at the pocket change that keeps the country moving forward — from benefits paid to our seniors to revenue collected from corporate taxes.

WHERE DOES THE MONEY COME FROM?

The simple answer: taxes.

Tax revenue in 2019-2020 went up about 0.6 per cent compared to the year prior, mainly due to the introduction of the fuel charge as part of the new federal carbon polluting tax that came into effect April 2019.

In 2019-20, personal income taxes made up about 50 per cent of all federal revenue. The other

half is collected from other forms of taxes: corporate, duty, energy and sales taxes.

Corporate taxes are the second largest form of federal revenues — constituting about 15 per cent.

Revenue from both personal income and corporate income taxes increased by about 1.5 per cent between 2014 and 2020.

WHERE DOES THE MONEY GO?

Federal expenses roughly fall into three categories: people, provinces and federal programs.

Transfers to persons make up less than 30 per cent of the total expenses and consist of senior, EI and children's benefits as well as the new Canada Emergency Response Benefit (CERB).

Meanwhile, transfers to provinces make up about 37 per cent of federal expenses. Transfer payments include equalization

payments; health, home care and mental health transfers; and gas tax transfers.

Other payments include transfers to Indigenous communities; assistance to farmers, students and businesses; research and development; and international assistance.

Direct federal programs include crown corporations and national defence.

Public debt charges — the amount required to pay interest charges — is shown as a budgetary expense, since those funds are not available for programs.

Public debt charges have decreased from a peak of about 38 per cent of the budget in 1990 to about seven per cent in 2019-20. That means the government spent about seven cents for every revenue dollar on interest charges.

EXPENSES VS REVENUE

In 2019-20, federal expenses increased by about eight per cent or about \$27.34 billion compared to the year prior.

Of that, about \$3.2 billion can



Susie Kockerscheidt/Metroland
Benefits amount to about 29 per cent of federal expenses.

be chalked up to new transfer payments to Newfoundland and Labrador and an increase in transfers to Quebec.

Another large portion — \$7.2 billion — was doled out as an immediate response to the COVID-19 pandemic. A relatively small portion of COVID-19-related expenses is reflected 2019-20

expenses.

About \$0.7 billion was earmarked for provincial and national public-health pandemic operations, personal protective equipment, medical research and vaccine developments. And about \$6.5 billion was granted through CERB.

Revenues were up in 2019-20 by about 0.6 per cent due in part to the new carbon tax.

BENEFITS: SENIORS, CHILDREN'S, EI AND NOW CERB

Benefits — or transfers to persons — amount to about 29 per cent of federal expenses. Senior benefits increased in 2019-20 by about 5.4 per cent.

As Canada's population ages, senior benefits will continue to increase.

Seniors aged 65 and older have outnumbered children aged 14 and younger since 2015. Seniors made up about 18 per cent of the population in 2020, compared to about 16 per cent of children.

Employment insurance also increased by about 15.2 per cent, as the pandemic quickly had a stranglehold on the labour market between mandated closures and lockdowns.

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