The federal government's year-end report card (July 2010)

The financial consequences of the recent recession and of the federal government's efforts to fight that recession were apparent in the figures released in the most recent issue of the Department of Finance's Fiscal Monitor. That publication, which summarized the federal government's revenue and expenditure picture for the fiscal year ended March 31, 2010, indicated that the deficit for the fiscal year stood at $47.0 billion. The deficit reported one year earlier, for the 2008-09 fiscal year which ended March 31, 2009, was $2.2 billion.

Department of Finance figures indicate that just under $19 billion of the $47 billion deficit was attributable to expenditures made as part of the federal government's Economic Action Plan. The other main contributor to the deficit figure was a decline of $12.7 billion in revenue for the year, comprising the following:

- personal income tax revenues were down $6.3 billion, or 5.5 per cent, reflecting lower employment and the impact of tax relief measures. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, an enhancement of the Working Income Tax Benefit, as well as the Home Renovation Tax Credit;

- corporate income tax revenues were down $1.5 billion, or 4.9 per cent, reflecting an increase of roughly 4 per cent in refunds of taxes paid and a decline of about 2 per cent in receipts;

- non-resident income tax revenues were down $0.6 billion, or 9.3 per cent;

- excise taxes and duties were down $0.5 billion, or 1.4 per cent, primarily due to a $0.6-billion, or 14.5 per cent, decline in customs import duties. GST revenues decreased by $42 million, or 0.2 per cent. Energy taxes were up $22 million while other excise taxes and duties were up $0.1 billion; and

- EI premium revenues were virtually unchanged.

In addition to expenditures increases related to the Economic Action Plan, transfer payments to both individuals and other levels of government rose by $23.8 billion for the year. Those spending increases were spread over a number of areas, as follows:

- major transfers to persons were up $7.4 billion, or 12.0 per cent. Elderly benefits increased by $1.3 billion, or 4.0 per cent. EI benefit payments increased by $5.6 billion, or 34.7 per cent, reflecting higher unemployment and benefit enhancements introduced as part of Canada's Economic Action Plan. Children's benefits were up $0.4 billion;

- major transfers to other levels of government were up $4.8 billion, or 10.4 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the

Canada Social Transfer and Equalization, HST transitional assistance to the province of British Columbia and the previously announced doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009; and

- other transfer payments were up $11.6 billion, reflecting increases across most departments, including support for the automotive industry. These increases were partially offset by a decrease in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

The one area in which government expenditures declined significantly was that of public debt charges, which were down by $1.5 billion, as lower interest rates more than offset the increase is the amount of interest-bearing government debt.

The next issue of The Fiscal Monitor, summarizing government financial figures for April and May 2010, the first two months of the 2010-11 fiscal year, will be released during the week of July 19.