



Where Every Federal Dollar Goes

Illuminating Canada's Federal Economic Landscape

Prepared by ten Have Advisory Group

Making Canada Easier to Understand

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Every figure is drawn from public sources — Statistics Canada, the federal Annual Financial Report, the Library of Parliament, and University of Calgary / Finances of the Nation analysis.

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The Simple Truth

Canadians pay federal tax at the same rates wherever they live. Because the income-tax system is progressive, higher earners — and higher-earning provinces — pay more. So the regions that send Ottawa the most are simply the ones with the highest incomes, while lower-income regions pay less and receive more. It runs both ways: when a region's economy weakens it pays less and draws more support. In 2020, for the first time since 1965, every province drew more from Ottawa than it paid in.¹ That is the whole point of a federation: when you are strong, you help carry it; when you are not, it carries you.

1. Who Pays In vs. Who Receives

Across Canada, only three provinces are net contributors — they send Ottawa more than they get back: Alberta, Ontario, and British Columbia. Every other province is a net recipient. On a per-person basis the spread is wide: Alberta, with the highest average income in the country, contributes the most (about \$3,720 per person on a long-run average), while smaller, lower-income provinces receive the most.²

Who Pays In vs. Who Receives (per person)

Only Alberta, Ontario & B.C. are net contributors; all other provinces are net recipients (range: Quebec to P.E.I. shown). Source: StatCan / FON.

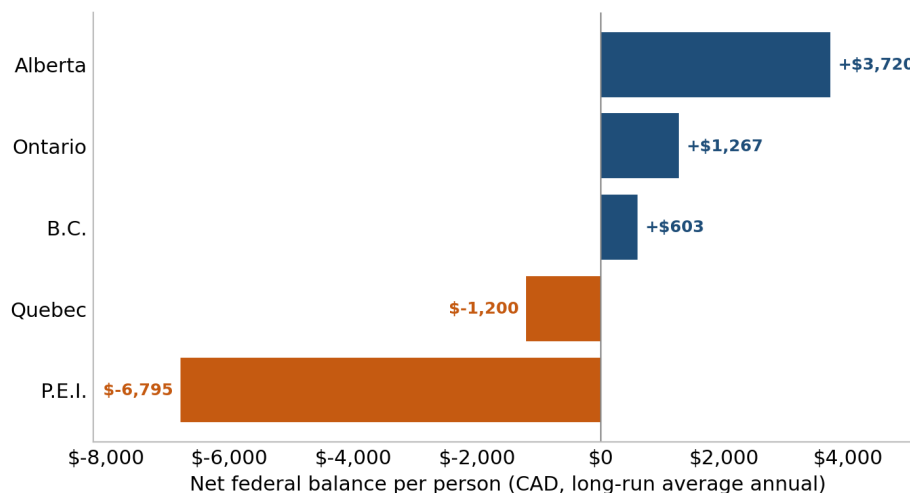


Figure 1. Net federal balance per person by province (long-run average). Only Alberta, Ontario and B.C. are net contributors. Source: StatCan / Finances of the Nation.

¹Library of Parliament, Distribution of Federal Revenues and Expenditures by Province (2011–2020): the Canada Health and Social Transfers are paid on an equal per-capita basis; equalization is based on fiscal capacity; in 2020 federal spending exceeded revenue in every province for the first time since 1965.

https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/202303E

²Fraser Institute: among provinces, only Alberta, Ontario and British Columbia are net contributors to federal finances; Alberta is the largest, at roughly \$20B per year (cumulative net contribution 2007–2022 of ~\$244.6B).

<https://www.fraserinstitute.org/commentary/alberta-remains-largest-net-contributor-ottawas-coffers-despite-damaging-federal>

2. How It Is Determined: Transfers and Equalization

How can a province that contributes a large total still end up a net recipient? The answer is the difference between *gross* and *net*. Quebec is the clearest example: by total dollars it funds roughly a fifth of all federal revenue — second only to Ontario — because it is populous. But federal money flows back to provinces three main ways, and for a populous province they can add up to more than it pays in.

Per-capita transfers. The Canada Health Transfer and Canada Social Transfer are paid on an equal per-person basis — every province receives the same amount per resident, so a populous province receives a large total.³

Equalization. This program tops up provinces whose “fiscal capacity” — their ability to raise revenue at average tax rates — falls below a national standard; provinces above the standard receive none. Because the formula is driven by capacity and population, Quebec receives the largest total equalization (about 53% of the national pool), although per person its payment is smaller than that of the Atlantic provinces.^{4 5}

Federal program spending. Old Age Security, Employment Insurance, and the cost of running federal departments flow to people and places by need and population.

The key distinction is gross versus net. A populous province can pay a large total into Ottawa and still receive an even larger total back, leaving it a net recipient per person. A smaller, high-income province pays less in total but far more per person than it receives, making it a net contributor. In short: totals follow population; net position follows income.

A concrete example makes it clear. In 2024-25 Quebec received roughly \$13.6 billion in equalization — the largest single share of the national pool — on top of its per-capita share of the Canada Health and Social Transfers, which are paid equally to every province per resident. Because Quebec is populous, those equal-per-person transfers add up to a large total; combined with equalization and federal program spending, they exceed what Quebec sends Ottawa. Ontario is also populous, but its higher average incomes mean it pays in more than it gets back, so it remains a net contributor.⁶

³Library of Parliament, Distribution of Federal Revenues and Expenditures by Province (2011–2020): the Canada Health and Social Transfers are paid on an equal per-capita basis; equalization is based on fiscal capacity; in 2020 federal spending exceeded revenue in every province for the first time since 1965.

https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/202303E

⁴Department of Finance Canada, Equalization Program: payments are calculated by a formula that measures each province's ability to raise revenue (fiscal capacity) relative to a national standard, topping up provinces below the standard.

<https://www.canada.ca/en/department-finance/programs/federal-transfers/equalization.html>

⁵Equalization is funded from federal general revenue, not direct provincial transfers; Quebec received ~52.7% of total equalization in 2024–25 (the largest total, owing to its population).

https://en.wikipedia.org/wiki/Equalization_payments_in_Canada

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3. Why Higher-Income Provinces Pay More

The reason is arithmetic, not unequal treatment. Federal tax rates are the same everywhere; higher incomes simply generate more tax. **Alberta — the country's highest-income province — is the clearest worked example.** Albertans pay more personal, corporate, and sales tax because incomes and spending are higher; they contribute more to the Canada Pension Plan and draw less Old Age Security because the population is younger; and they receive no equalization. The chart breaks the gap down by part of the federal budget.⁷

The Alberta example, in one number: the average Albertan contributes about **\$4,400 more per person, every year**, than the typical Canadian — the sum of the categories shown below.

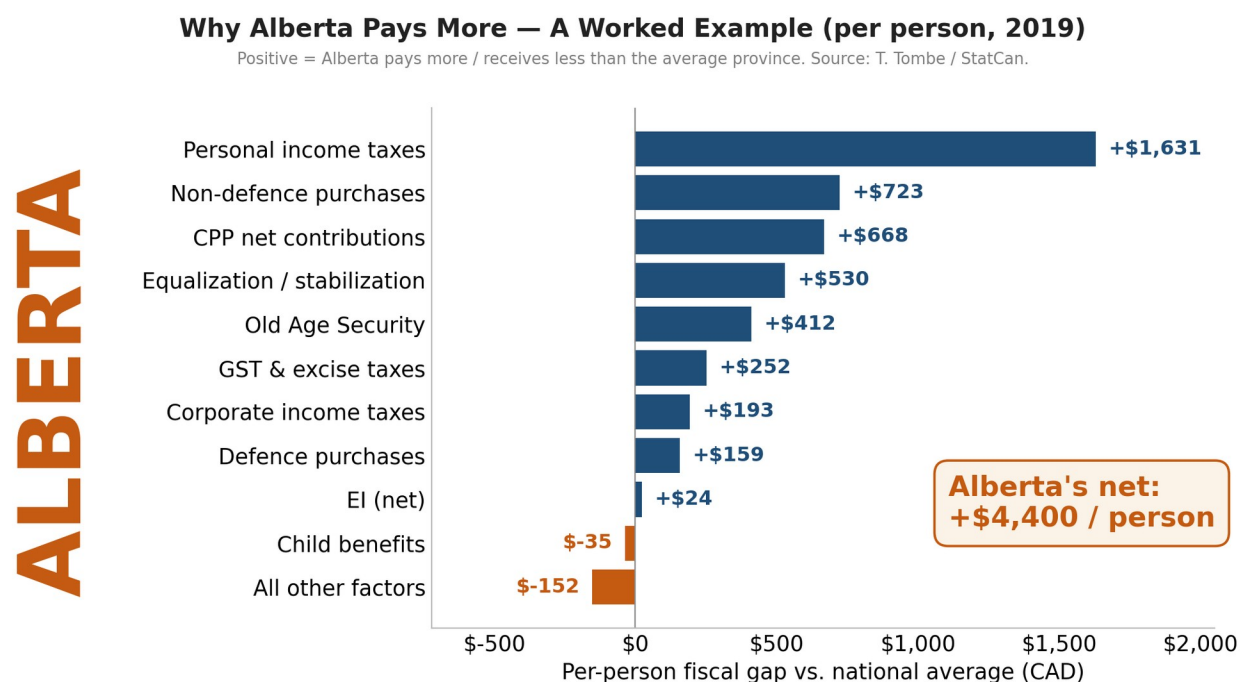


Figure 2. The Alberta example — per-person fiscal gap by federal budget category (2019). Net ≈ +\$4,400 per person. Source: T. Tombe / StatCan.

An honesty point. About 72% of this gap reflects high incomes and a young population rather than any special treatment, with equalization accounting for only about 12%.⁸ The same pattern would apply to whichever province had the highest incomes.

⁷Trevor Tombe, "Who Pays and Who Receives in Confederation?" (Finances of the Nation, using Statistics Canada data): per-capita fiscal gap by federal budget category; ~72% of the highest-contributing province's net contribution reflects high incomes and a young population, with equalization ~12%. <https://financesofthenation.ca/2020/11/17/who-pays-and-who-receives-in-confederation/>

⁸Trevor Tombe, "Who Pays and Who Receives in Confederation?" (Finances of the Nation, using Statistics Canada data): per-capita fiscal gap by federal budget category; ~72% of the highest-contributing province's net contribution reflects high incomes and a young population, with equalization ~12%. <https://financesofthenation.ca/2020/11/17/who-pays-and-who-receives-in-confederation/>

4. Who Funds Ottawa — Share by Province

By total dollars, provinces fund Ottawa roughly in proportion to their incomes. Ontario provides the largest share (~38%), then Quebec (~19%), Alberta (~16%), and British Columbia (~13%); the six smaller provinces together account for under 12%. Higher-income provinces contribute somewhat more than their population share.⁹

Who Funds Ottawa: Share of Federal Revenue by Province

Approximate \$ = share × \$511B total federal revenue (2024-25). Proxied by each province's share of national income/GDP.

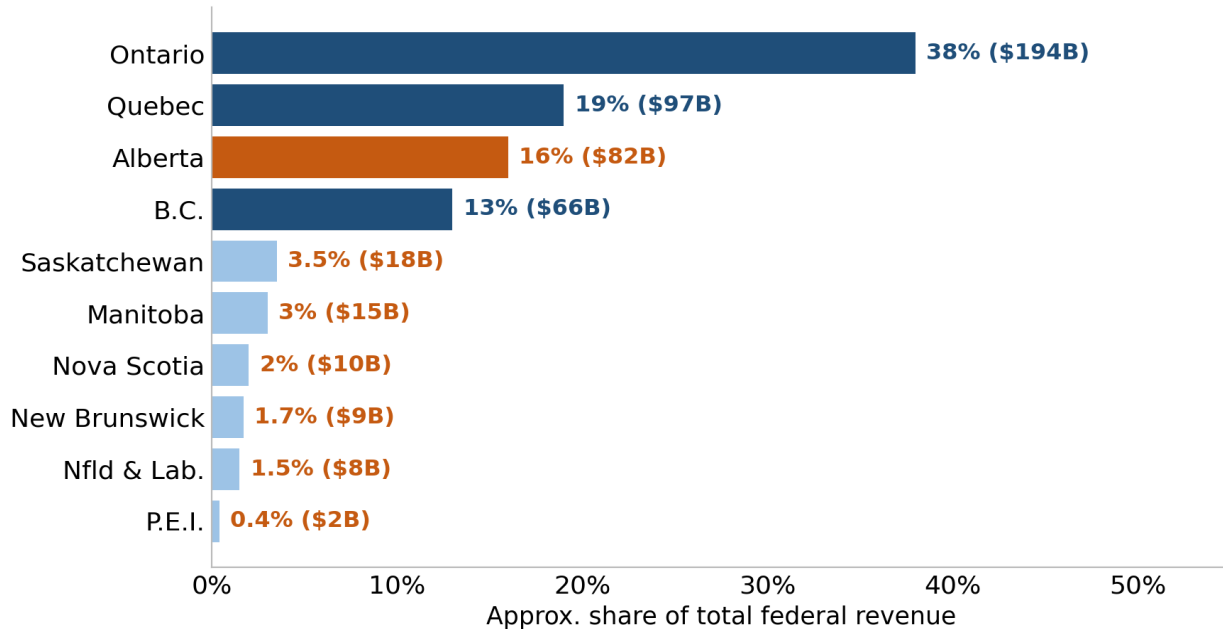


Figure 3. Approximate share of total federal revenue funded by each province (proxied by share of national income/GDP).

Source: Statistics Canada provincial accounts.

Funding share tracks economic size, not population alone. Ontario and Quebec lead because they are the two largest provincial economies; Alberta sits third despite a smaller population because its incomes are the highest in the country, lifting its share above its population weight. The Atlantic provinces and the Prairies outside Alberta together provide a relatively small slice — not because their residents are taxed differently, but because their economies are smaller.

⁹Statistics Canada, Provincial and Territorial Economic Accounts (provincial shares of national GDP/income, used to approximate federal revenue shares). <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610045001>

5. Where the Money Comes From

In 2024-25 the federal government raised \$511.0 billion. Individuals pay the large majority directly: personal income tax alone supplies about 46% (\$234B), and corporate income tax another 19% (\$97B). The GST adds roughly 10% (\$53B); Employment Insurance premiums about 6%; and the remainder comes from other taxes and duties, carbon-pricing proceeds (returned to households), and the government's own investment and Crown-corporation income.¹⁰

A few things stand out. Together, personal and corporate income taxes make up nearly two-thirds of all federal revenue, so Ottawa's finances rise and fall with household incomes and corporate profits. Consumption taxes add roughly another seventh. That is why a downturn that lowers incomes — or a province whose economy weakens — quickly reduces what the federal government collects.

Where Federal Money Comes From (2024-25)

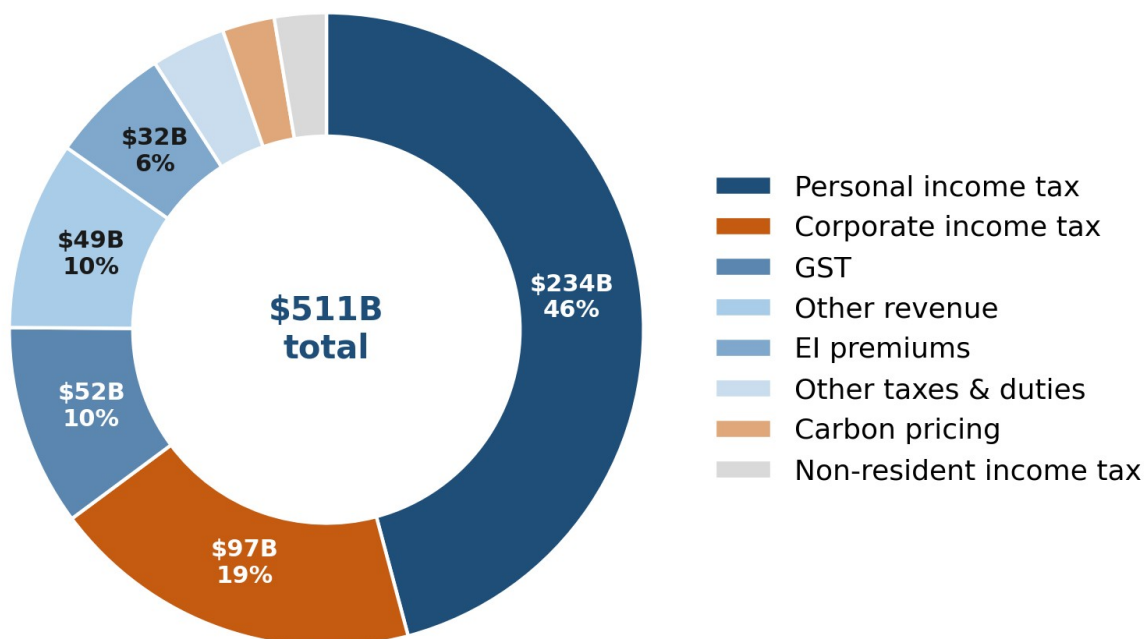


Figure 4. Where federal money comes from, 2024-25 (\$511.0B total). Source: Annual Financial Report of the Government of Canada.

¹⁰Government of Canada, Annual Financial Report 2024-25: total federal revenue \$511.0B and total expenses \$547.3B, by category. <https://www.canada.ca/en/departement-finance/services/publications/annual-financial-report/2025.html>

6. Where Every Federal Dollar Goes

Total federal spending in 2024-25 was \$547.3 billion. The largest single block — roughly a quarter — is transfers straight to people: Old Age Security and the Guaranteed Income Supplement for seniors, Employment Insurance, and the Canada Child Benefit. Another quarter funds the operations of the government's departments and agencies, including national defence. About a fifth goes to other transfers — Indigenous programs, farmers, students, researchers, and international assistance — and roughly another fifth flows to the provinces through the Canada Health Transfer, the Canada Social Transfer, and equalization. The final tenth is interest on the national debt.¹¹

Two things stand out. More than two-thirds of the budget is transfers — money collected and then paid out to people, provinces, or programs rather than spent directly. And debt interest is now a major line in its own right: at \$53 billion it costs more than the entire GST brings in, and it grows with every deficit.

Where Every Federal Dollar Goes (2024-25)

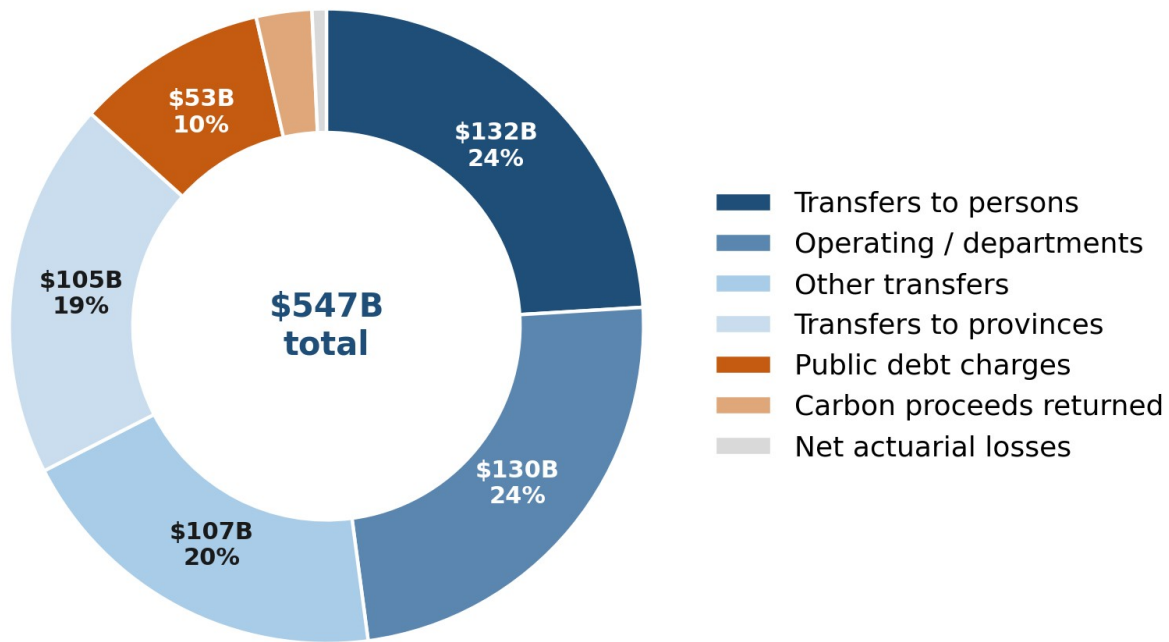


Figure 5. Where every federal dollar goes, 2024-25 (\$547.3B total). Source: Annual Financial Report of the Government of Canada.

¹¹Government of Canada, Annual Financial Report 2024-25: total federal revenue \$511.0B and total expenses \$547.3B, by category. <https://www.canada.ca/en/departement-finance/services/publications/annual-financial-report/2025.html>

7. The Bottom Line: Revenue vs. Spending

Put the two sides together and the picture is simple enough for anyone to follow. In 2024-25 Ottawa took in \$511 billion and spent \$547 billion — about \$36 billion more than it collected. That shortfall is the annual deficit, added to the national debt. Interest on past debt alone cost \$53 billion that year — more than the entire GST brought in.¹²

The Bottom Line: What Ottawa Takes In vs. Spends (2024-25)

Ottawa spent \$36B more than it took in. Interest on past debt alone cost \$53B that year.

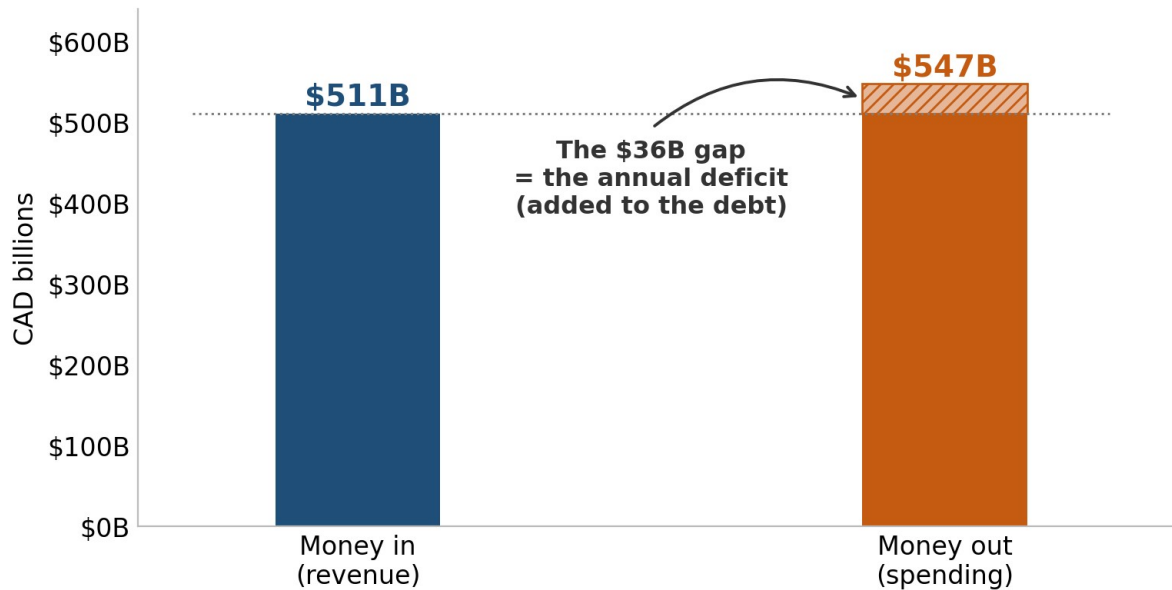


Figure 6. Federal revenue vs. spending, 2024-25: a \$36B deficit. Source: Annual Financial Report of the Government of Canada.

¹²Government of Canada, Annual Financial Report 2024-25: total federal revenue \$511.0B and total expenses \$547.3B, by category. <https://www.canada.ca/en/departement-finance/services/publications/annual-financial-report/2025.html>

Sources

All citations appear as footnotes throughout. Primary sources: Statistics Canada Provincial and Territorial Economic Accounts; the federal Annual Financial Report 2024-25; the Library of Parliament; the Department of Finance Canada; the Fraser Institute; and Trevor Tombe / Finances of the Nation.