
*Changes to legislation: There are currently no known outstanding effects
for the British North America Act 1949. (See end of Document for details)*

SCHEDULE **U.K.**

TERMS OF UNION OF NEWFOUNDLAND WITH CANADA

TERMS OF UNION

U.K.

FINANCIAL TERMS

Debt

- 23 Canada will assume and provide for the servicing and retirement of the stock issued or to be issued on the security of Newfoundland pursuant to The Loan Act 1933, of Newfoundland and will take over the Sinking Fund established under that Act.

Financial Surplus

- 24 (1) In this Term the expression “financial surplus” means the balances standing to the credit of the Newfoundland Exchequer at the date of Union (less such sums as may be required to discharge accounts payable at the date of Union in respect of appropriations for the public services) and any public moneys or public revenue (including loans and advances referred to in Term twenty-five) in respect of any matter, thing, or period prior to the date of Union recovered by the Government of the Province of Newfoundland subsequent to the date of Union.
- (2) Newfoundland will retain its financial surplus subject to the following conditions:
- (a) one-third of the surplus shall be set aside during the first eight years from the date of Union, on deposit with the Government of Canada, to be withdrawn by the Government of the Province of Newfoundland only for expenditures on current account to facilitate the maintenance and improvement of Newfoundland public services, and any portion of this one-third of the surplus remaining unspent at the end of the eight-year period shall become available to the Province of Newfoundland without the foregoing restriction;
 - (b) the remaining two-thirds of the surplus shall be available to the Government of the Province of Newfoundland for the development of resources and for the establishment or extension of public services within the Province of Newfoundland; and
 - (c) no part of the surplus shall be used to subsidize the production or sale of products of the Province of Newfoundland in unfair competition with similar products of other provinces of Canada, but nothing in this paragraph shall preclude the Province of Newfoundland from assisting industry by developmental loans on reasonable conditions or by ordinary provincial administrative services.
- (3) The Government of the Province of Newfoundland will have the right within one year from the date of Union to deposit with the Government of Canada all or any part of its financial surplus held in dollars and on the thirty-first day of March and the thirtieth day of September in each year to receive with respect thereto interest at the rate of two and five-eighths per centum per annum during a maximum period of

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ten years from the date of Union on the minimum balance outstanding at any time during the six-month period preceding payment of interest.

Loans

- 25 (1) The Province of Newfoundland will retain its interest in, and any securities arising from or attaching to, any loans or advances of public funds made by the Government of Newfoundland prior to the date of Union.
- (2) Unless otherwise agreed by the Government of Canada, paragraph one of this Term shall not apply to any loans or advances relating to any works, property, or services taken over by Canada pursuant to Term thirty-one or Term thirty-three.

Subsidies

- 26 Canada will pay to the Province of Newfoundland the following subsidies:
- (a) an annual subsidy of \$180,000 and an annual subsidy equal to 80 cents per head of the population of the Province of Newfoundland (being taken at 325,000 until the first decennial census after the date of Union), subject to be increased to conform to the scale of grants authorised by the British North America Act 1907, for the local purposes of the Province and the support of its Government and Legislature, but in no year shall sums payable under this paragraph be less than those payable in the first year after the date of Union; and
 - (b) an additional annual subsidy of \$1,100,000 payable for the like purposes as the various fixed annual allowances and subsidies provided by statutes of the Parliament of Canada from time to time for the Provinces of Nova Scotia, New Brunswick, and Prince Edward Island or any of them and in recognition of the special problems of the Province of Newfoundland by reason of geogaphy and its sparse and scattered population.

Tax Agreement

- 27 (1) The Government of Canada will forthwith after the date of Union make an offer to the Government of the Province of Newfoundland to enter into a tax agreement for the rental to the Government of Canada of the income, corporation income, and corporation tax fields, and the succession duties tax field.
- (2) The offer to be made under this Term will be similar to the offers to enter into tax agreements made to other provinces, necessary changes being made to adapt the offer to circumstances arising out of the Union, except that the offer will provide that the agreement may be entered into either for a number of fiscal years expiring at the end of the fiscal year in 1952, as in the case of other provinces, or for a number of fiscal years expiring at the end of the fiscal year in 1957, at the option of the Government of the Province of Newfoundland, but if the Government of the Province of Newfoundland accepts the latter option the agreement will provide that the subsequent entry into a tax agreement by the Government of Canada with any other province will not entitle the Government of the Province of Newfoundland to any alteration in the terms of its agreement.
- (3) The offer of the Government of Canada to be made under this Term may be accepted by the Government of the Province of Newfoundland within nine months after the date of the offer but if it is not so accepted will thereupon expire.

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- (4) The Government of the Province of Newfoundland shall not by any agreement entered into pursuant to this Term be required to impose on any person or corporation taxation repugnant to the provisions of any contract entered into with such person or corporation before the date of the agreement and subsisting at the date of the agreement.
- (5) If the Province of Newfoundland enters into a tax agreement pursuant to this Term the subsidies payable under Term twenty-six will, as in the case of similar subsidies to other provinces, be included in the computation of tax agreement payments.

Transitional Grants

- 28 (1) In order to facilitate the adjustment of Newfoundland to the status of a province of Canada and the development by the Province of Newfoundland of revenue-producing services, Canada will pay to the Province of Newfoundland each year during the first twelve years after the date of Union a transitional grant as follows, payment in each year to be made in equal quarterly instalments commencing on the first day of April, namely,

	\$
First year	6,500,000
Second year	6,500,000
Third year	6,500,000
Fourth year	5,650,000
Fifth year	4,800,000
Sixth year	3,950,000
Seventh year	3,100,000
Eighth year	2,250,000
Ninth year	1,400,000
Tenth year	1,050,000
Eleventh year	700,000
Twelfth year	350,000

- (2) The Government of the Province of Newfoundland will have the right to leave on deposit with the Government of Canada any portion of the transitional grant for the first eight years with the right to withdraw all or any portion thereof in any subsequent year and on the thirty-first day of March and the thirtieth day of September in each year to receive in respect of any amounts so left on deposit interest at the rate of two and five-eighths per centum per annum up to a maximum period of ten years from the date of Union on the minimum balance outstanding at any time during the six-month period preceding payment of interest.

Review of Financial Position

- 29 In view of the difficulty of predicting with sufficient accuracy the financial consequences to Newfoundland of becoming a province of Canada, The

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Government of Canada will appoint a Royal Commission within eight years from the date of Union to review the financial position of the Province of Newfoundland and to recommend the form and scale of additional financial assistance, if any, that may be required by the Government of the Province of Newfoundland to enable it to continue public services at the levels and standards reached subsequent to the date of Union, without resorting to taxation more burdensome, having regard to capacity to pay, than that obtaining generally in the region comprising the Maritime Provinces of Nova Scotia, New Brunswick, and Prince Edward Island.

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