

having a provincial tax, whether or not they have to pay the provincial tax. Thus, the taxpayers of such a province will receive the benefit of the total amount of the reduction in the federal tax and the federal and provincial authorities will be able to determine, independently of one another, in what way and to what extent their taxpayers will be subjected to their respective taxes.

The 5 per cent deduction allowed at present by the federal law was fixed in 1946. Since that time, two changes have occurred. In the first place, the rates of the federal tax have been reduced with the result that there has been a corresponding reduction in the amount represented by the 5 per cent. In addition, the tax rentals paid by the federal government to the provinces under the tax agreements have been rising as a consequence of the increase in the population and in the national product.

Pending the results of a new federal-provincial conference, we proposed therefore to ask parliament to amend the federal income tax law in order to grant a reduction of 10 per cent to all taxpayers of any province where a provincial income tax is levied whether or not all these taxpayers have to pay the provincial tax. We will recommend that this amendment apply to the years 1955 and 1956. At the same time, we will ask parliament to release from its present agreement any province which would prefer this new arrangement and I am immediately so informing the other premiers.

Moreover, we feel it would be reasonable to make the new percentage apply to taxpayers who have been in fact subjected to two taxes on their 1954 income. We intend, therefore, to propose that the taxpayers who will have paid provincial income tax for 1954 be allowed a deduction up to 10 per cent of their federal tax.

We hope that this action on our part will encourage your government to act in the same spirit and that we will have, on both sides, helped to prepare the atmosphere for useful and fruitful work during the next federal-provincial conference.

In any event, we would have had to meet before the end of 1955 to discuss the fiscal relations of the years which will follow the expiry of the present tax rental agreements. We feel that it might be appropriate to begin the new conference at an earlier date, if that is possible. Upon my return from the commonwealth meeting in London, towards the middle of February, I intend to communicate with the premiers of all the provinces with a view to working out arrangements for a conference and fixing a date for it.

Yours sincerely,

(Sgd.) LOUIS S. ST. LAURENT

Copy

Office of the Prime Minister
Canada

Ottawa, January 14, 1955.

The following letter sent to all provincial premiers with the exception of the premier of Quebec.

My dear Premier:

You will no doubt have learned from the press that I have been in communication with the premier of Quebec about the situation created for personal income taxpayers in that province resulting from the imposition of a provincial income tax applicable in the years 1954, 1955 and 1956.