

EXCHANGE OF NOTES (AUGUST 6 AND 9, 1943) BETWEEN CANADA
AND THE UNITED STATES OF AMERICA RECORDING ARRANGE-
MENTS FOR THE EXEMPTION FROM PROVINCIAL AND
MUNICIPAL TAXATION OF UNITED STATES DEFENCE PROJECTS
IN CANADA.

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*The Secretary of State for External Affairs of Canada
to the United States Minister*

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA, August 6th, 1943.

No. 91

SIR,

I have the honour to refer to your note No. 859 of March 23rd and to your subsequent note No. 902 of May 29th, concerning the possibility of exempting from Provincial and municipal taxation the United States Government and United States contractors engaged on the Alaska Highway and other United States defence projects in Canada. The Canadian Government is anxious to reach a settlement of this question which is fair to all parties concerned and which is in keeping with the spirit of mutual helpfulness which has animated both Governments with regard to the defence projects.

2. In the view of the Canadian Government the United States Government itself cannot be effectively taxed by Provincial or municipal authorities. If in any instance an attempt is made by those authorities to tax the United States Government either in respect of real property which it owns or of which it is a lessee, or in respect of licence fees on motor vehicles owned by the United States Government, the Canadian Government will intervene in the legal proceedings and request the Court to accord appropriate immunities. Should the Court hold, contrary to the expectations of the Canadian Government, that the United States Government is legally liable to pay such taxes or licence fees, the Canadian Government will, as a contribution to the general costs of the defence projects, reimburse the United States Government for any Provincial or municipal taxes levied in respect of such projects which the United States Government had been held to pay and had paid.

3. In order to keep the record clear it might be well to point out that the Canadian Government does not consider that any exemption from municipal taxation would be appropriate in the case of owners of property who have leased it to the United States Government. In cases in which improvements have been made on property so leased, assessments will normally be made against the owner who is legally bound to pay the taxes exactly as he would be if the lessee were the Canadian and not the United States Government.

4. United States contractors employed by the United States Government on its military projects in Canada are, of course, legally bound to pay whatever municipal taxes may be assessed against them as owners or lease-holders of property and whatever municipal fees may be charged for building permits in connection with these lands. The Canadian Government will undertake to