

I hope that, when you receive this letter on your return, you will have had a pleasant and restful vacation and that we will then be able to resume consideration of a temporary and acceptable solution of the matter which is a problem for all of us.

With kind regards,

Yours sincerely,

(Sgd.) LOUIS S. ST. LAURENT

Copy
Translation

Office of the Premier
Province of Quebec

Quebec, November 1, 1954.

The Right Honourable Louis S. St-Laurent, P.C., Q.C.,
Prime Minister of Canada,
Ottawa, Ontario.

Dear Mr. Prime Minister:

Pursuant to our interview in Montreal on October 5th last and to the letter I sent you on the 11th of the same month, I am writing you on the subject of the provincial income tax in and for the province of Quebec.

We believe that we clearly defined the opinion and the attitude of the Government of the province of Quebec, in matters of the powers of taxation during the Canadian intergovernmental conferences which were held in Ottawa since 1945 and came to a close at Quebec in 1950, as well as in the correspondence we have had with federal authorities, particularly since 1949.

The agreement concluded between the preceding provincial government and the federal authorities, concerning important provincial powers of taxation, expired in 1947. Since then, the province of Quebec has not availed itself of its right to collect a provincial income tax in the province. This shows the earnest desire of the Quebec government to come to an agreement with Ottawa and, after all, the federal government has profited financially, to a large extent, by this situation which lasted approximately seven years.

The great progress and the tremendous developments, from which our immense province benefits, particularly large and numerous districts which were formerly less-favoured, necessitate numerous public services and many improvements in several important fields of provincial administration, especially in the vital fields of education and hospitalization.

Such tremendous progress and the brilliant prospects before the province require a more complete utilization of the sources of provincial revenue. It is unnecessary to emphasize that the progress and prosperity of the province of Quebec make a truly worthy contribution to the progress and prosperity of the country in general.

Therefore, the Quebec legislature decided to levy, within the province, a provincial tax on personal income. Unquestionably, as agreed by all, it is a tax that the Canadian constitution authorizes Quebec to impose. Actually, this tax represents only approximately 10 per cent of the federal tax on personal income collected in the province of Quebec, because, even though our provincial tax is apparently calculated to be 15 per cent of the federal tax, the exemptions provided by the provincial law materially reduce this proportion.