



# CANADIAN REVENUE NEWSLETTER

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## Quebec's Tobacco Tax Stamps of 1940

Christopher D. Ryan and John B. Harper

In June of 1940, the Quebec government introduced an Act to impose a 10% tax at the retail level on tobacco products sold in the Province. The tax took effect on July 1<sup>st</sup> of that year and was to be calculated separately on each retail package, except for cigars where the amount of tax was to be based on the retail price of the individual cigars. Any fraction of a cent in the calculated amount of tax was to be counted as a full cent.

While the tobacco tax was officially designated as a retail tax, the government eventually provided for the monthly remission by manufacturers and wholesalers of the tax due on their products. These bulk payments were evidenced by the application of a red cancel to the federal excise duty stamp. The first philatelic report of these distinctive Quebec cancels appears to have been made in the June 1951 Bulletin of the Canadian Revenue Society. The earliest Imperial Tobacco (6-10D) cigarette stamp known to the Authors with such a cancel is coded for May 1951. Given the intense interest at that time in tobacco stamps, it seems very likely that these items mark the introduction of the special Quebec cancels.

However, long before the introduction of the red cancels, Quebec's 1940 Tobacco Tax Act included an optional provision for revenue stamps in the collection of the tax. Presented here are essays, proofs and documents that illustrate the preparation the stamps. These items, from the collection of **John Harper**, range from a handwritten outline of the initial design to plate-proofs and specifications of the final products. From them the chronology of the preparation can be reconstructed as follows:

June 10<sup>th</sup>, 1940

- American Bank Note (ABN) in New York receives an order from Canadian Bank Note (CBN) in Ottawa to prepare a model for Quebec Tobacco Tax stamps. The denominations are set at 1/2, 1, 1 1/2, 2, 2 1/2, 5, 10, 15, 20 and 25 cents. (Figure 1 above, other figures to follow in the next issue of *CRN*)

June 11<sup>th</sup>, 1940

- Instructions are received at ABN that a new form of the Quebec arms is to be used on the stamps in place of the old arms present on the model being sent.
- A model is prepared and a paste-up proof, composed of recess-printed parts, is sent out for approval. (Figure 2 at right, Figure 3 opposite, Figure 4 on page 4)

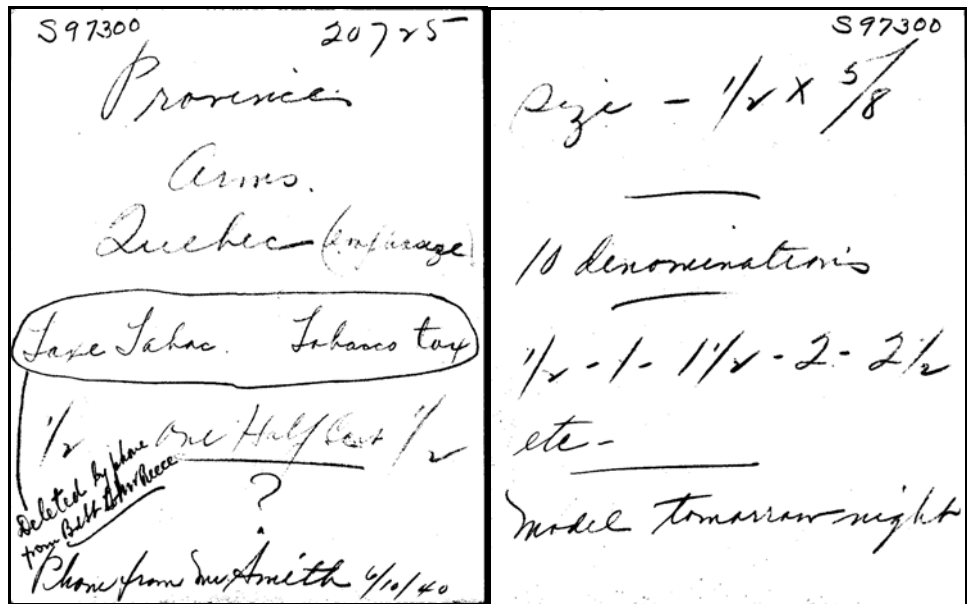


Figure 1: Original ABN notes of the June 10<sup>th</sup>, 1940, order from a Mr. Smith for Quebec tobacco tax stamps. A later notation at lower-left states that the inscription "Taxe Tabac Tobacco Tax" was to be deleted. (58% of actual size)

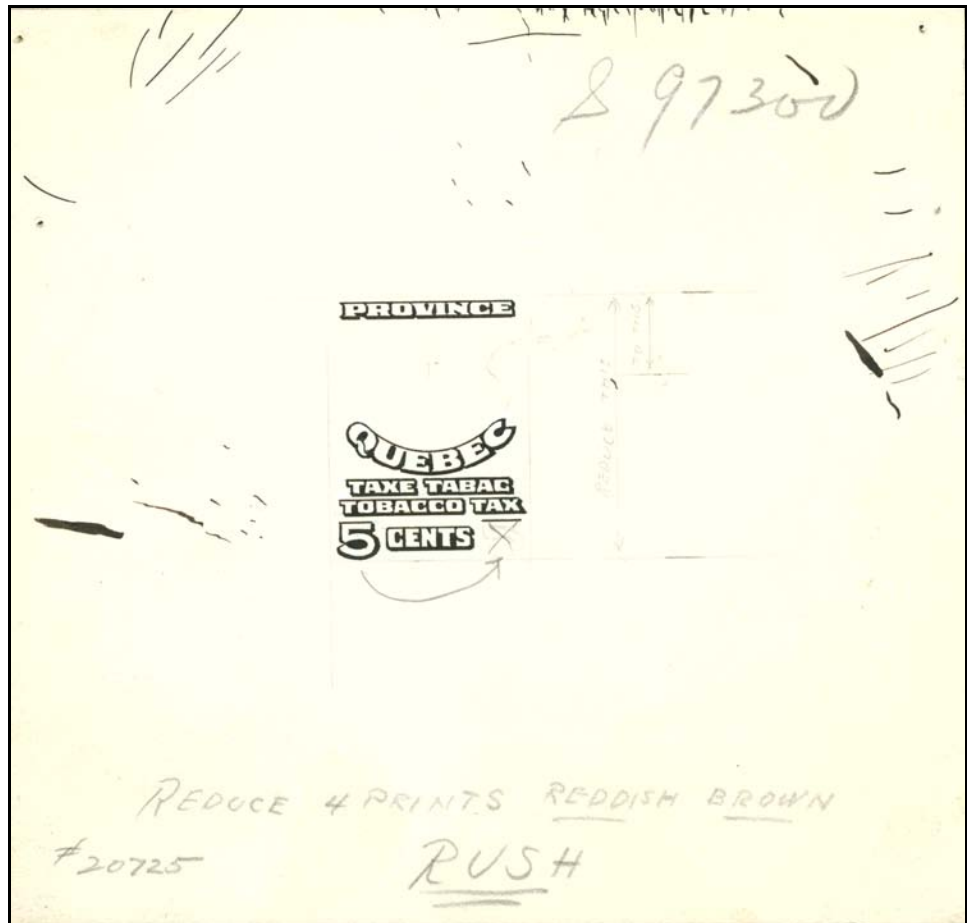
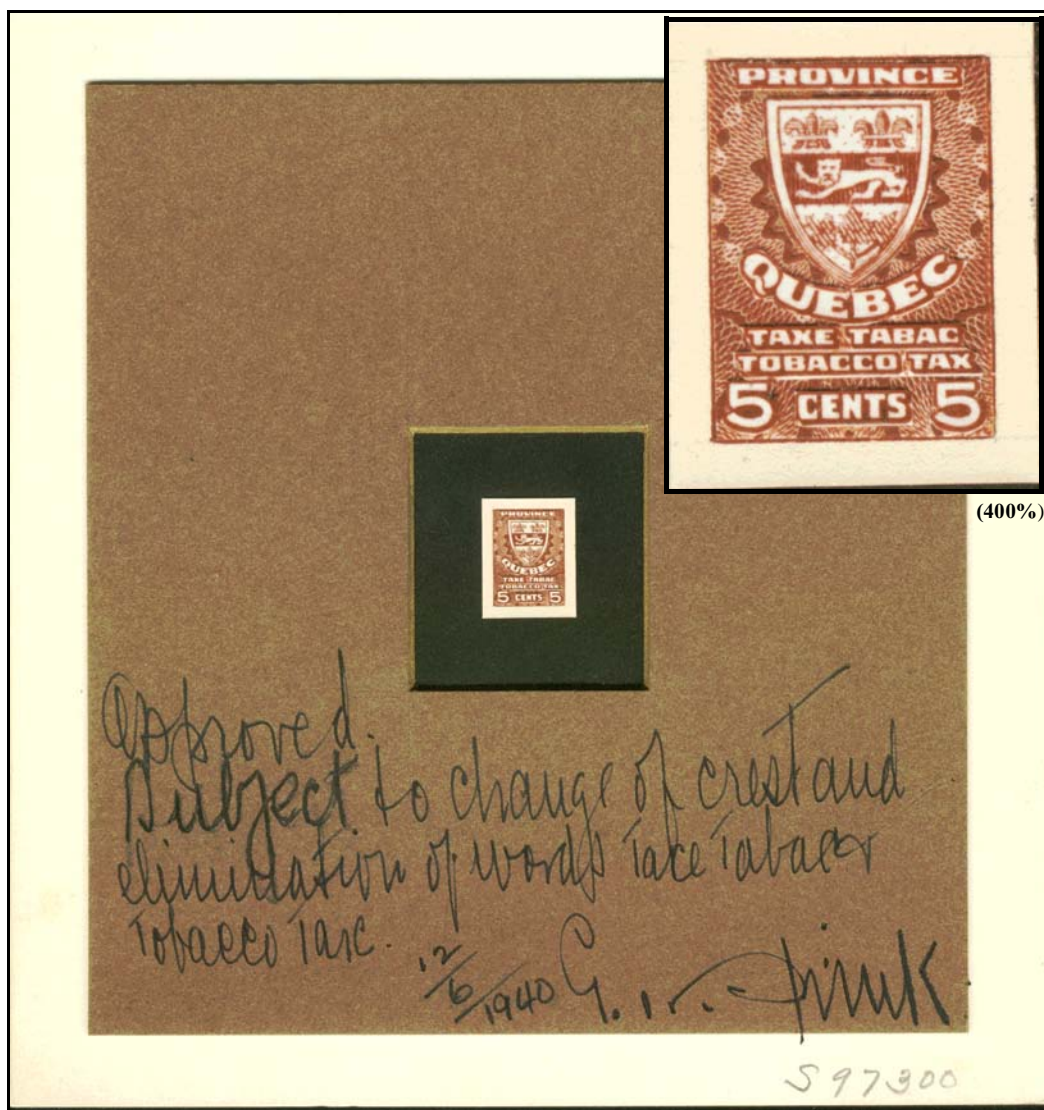


Figure 2: A progressive essay in black India-ink for the first design of the stamps. The collection of John Harper also contains one of the reduced-size photographic essays in brown that were ordered by the penciled inscription at the bottom of the illustrated item. (92% of actual size)



**Figure 3: Proof in brown on card of the first design of the Quebec tobacco stamps. (100%, inset at 400%) This item was made by the paste-up of several recess-printed parts. The ink notation at bottom reads as follows: "Approved. Subject to change of crest and elimination of words *Taxe Tabac & Tobacco Tax.* 12/6/1940"**

June 12<sup>th</sup>, 1940

- The first design is approved subject to the replacement of the Arms and the elimination of the words "Taxe Tabac / Tobacco Tax." (Figure 3 above)

June 13<sup>th</sup>, 1940

- A second design is prepared, dies are made, and proofs in four colours are sent the next day (June 14<sup>th</sup>) to the Quebec government for approval. Photographic paste-ups are made for most denominations. (Figures 6 to 10 on pages 5 and 6)

June 14<sup>th</sup>, 1940

- Just before noon, CBN sends ABN a notice that adds a 3-cent stamp to the set and deletes the ½, 1½ and 2½-cent denominations. Priority is to be given to the 1, 2 and 3-cent stamps. (Figure 5 on next page)

June 15<sup>th</sup>, 1940

- Work on the stamps is halted pending modifications to the design made at the request of the Quebec government to produce a third and final design. (Figures 10 and 12 on page 6)

June 16<sup>th</sup>, 1940

- A die for a third design without a denomination is prepared. (Figure 13 on page 7)

June 17<sup>th</sup>, 1940

- Die-proofs of each denomination in one of four colours (1 and 2-cent in rose, 3 and 5-cent in green, 10 and 15 in blue, 20 and 25-cent brown) are sent to CBN for approval. (Figures 14 to 16 on pages 7 and 8)

June 18<sup>th</sup>, 1940

- ABN notified of the approval of the 15-cent stamp in the third and final design. (Figure 11 on page 6)
- Plate-proofs for 1 and 3-cent stamps approved by ABN manager. (Figure 19 on page 10)

June 19<sup>th</sup>, 1940

- Plate-proofs in green for 2, 5, 10, 15, 20 and 25-cent stamps approved by ABN manager. (Figure 19 on page 10)
- The Quebec government introduces its tobacco tax bill in the Legislative Assembly.

June 21<sup>st</sup>, 1940

- The tobacco tax bill is passed by the Assembly.

June 22<sup>nd</sup>, 1940

- The Tobacco Tax Act is granted Royal Assent by the Lieutenant-Governor.

It can be speculated from the ½, 1½ and 2½-cent stamps in the initial (June 10<sup>th</sup>) values, that the Quebec government might have originally envisioned a tax that would have been collected at the manufacturer's level. The industry practice at the time was to have retail prices in multiples of five cents, with the common, pocket-size packages selling at 10 through 25 cents. The proposed half-cent increments in the stamps would reflect this practice and a 10% tax rate. However, this application of a provincial tobacco tax would make it an indirect tax since it would be passed on to dealers and consumers as an increase in the price of the goods. In 1940 and for many years thereafter, the taxing authority of the provinces was officially limited to direct taxes. Thus, the Quebec authorities would not have been able to collect a tax on tobacco at the manufacturers' level without the agreement of those manufacturers or without constructing some other legal device to force their compliance. An example of the latter occurred in 1934 in Ontario when the licensing of all gasoline vendors was introduced as a means of enforcing the collection of the provincial tax on that commodity.

In the proposed Quebec scenario, manufacturers declined to be a party to the new tobacco tax. As a result, the legislation imposed the tax on tobacco consumers and designated retailers as agents of the government for its collection. With the adoption of a retail tax that was payable in whole cents, the fractional denominations of the stamps were deleted and a 3-cent value was added to cover the common 25-cent packages.

ABN records held by **John Harper** provide the following information regarding the final versions of the stamps:

- Self-adhesive ("Decalomania").
- 100 subjects per sheet with a ⅜-inch stub at left.
- Sheets scored horizontally and vertically between stamps (including the stub), as well as rouletted vertically.
- Plate sizes and colour of stamps were as follows:
  - 1-cent – 1200 on plate, colour N<sup>o</sup> 42 Green
  - 2-cent – 800 on plate, colour N<sup>o</sup> 15 Brown
  - 3-cent – 1200 on plate, colour N<sup>o</sup> 9 Blue
  - 5-cent – 400 on plate, colour N<sup>o</sup> 17 Orange
  - 10-cent – 400 on plate, colour N<sup>o</sup> P3 Purple
  - 15-cent – 400 on plate, colour N<sup>o</sup> 80A Rose
  - 20-cent – 400 on plate, colour N<sup>o</sup> 8¼ Grey
  - 25-cent – 400 on plate, colour N<sup>o</sup> 5 Olive
- First delivery requested by Quebec for June 27/28<sup>th</sup>, 1940.

The use of different plate sizes seems odd given that the stamps are all of the same size. However, it may be that the very limited time (June 19<sup>th</sup> to 27<sup>th</sup>) allowed for the printing of the stamps required ABN to simultaneously use several printing-presses of different capacities in order to meet the deadline.

According to Quebec's *Public Accounts* for the fiscal year ending March 31<sup>st</sup>, 1941, the province paid ABN \$12 686.27 for tobacco tax stamps. This is a considerable sum for 1940. Unfortunately, without knowledge of the rates charged by ABN for engraving, plate preparation and printing, no precise determination can as yet be made of the quantities of stamps delivered to the Quebec government.

The 1940 regulations governing the use of these stamps have not yet been discovered by the authors. Therefore, no comment can be made at present as to the circumstances during the early days of the tobacco tax that would have required their use in place of cash remittances for sales made. However, 1956 regulations provided that the Quebec Minister of Finance could, at his discretion, require the payment of the tobacco tax by way

*(Text continues on page 6.)*

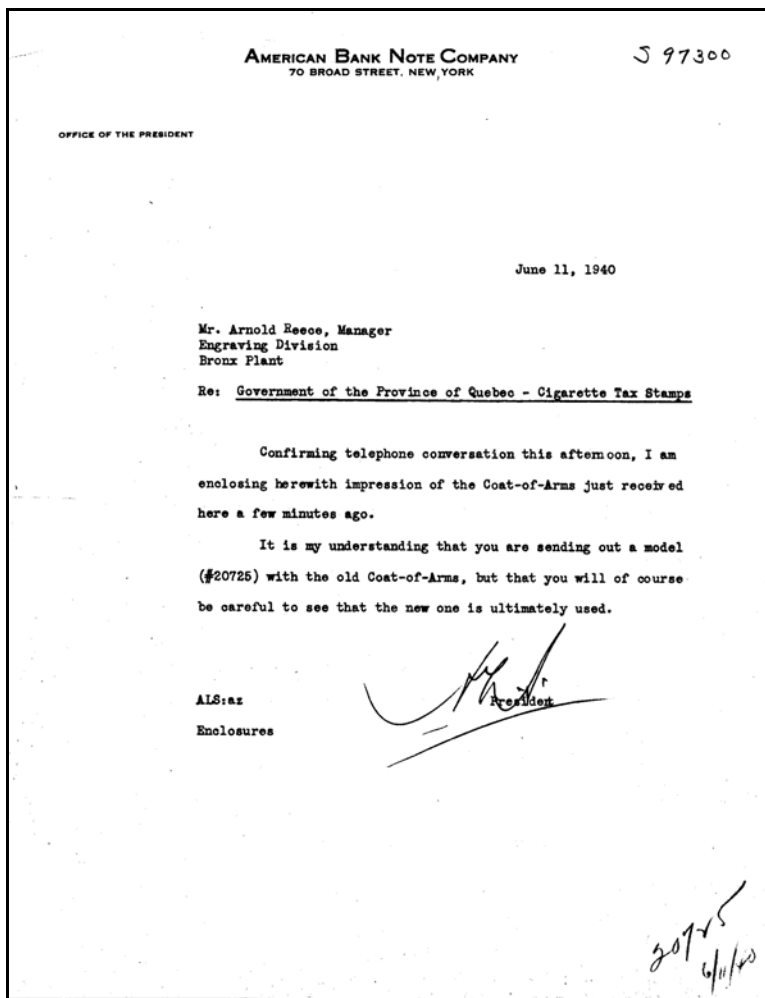


Figure 4: Letter of June 11<sup>th</sup>, 1940, from the President of ABN to the Manager of the Engraving Department commenting upon the sending of the first design for approval and instructing him to incorporate the new Quebec arms into the stamps. (reduced)

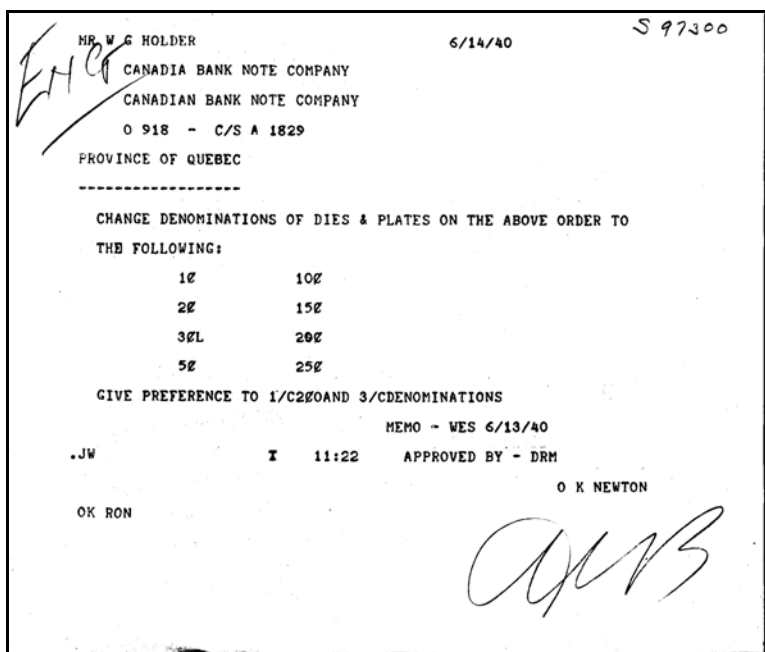


Figure 5: Directive of June 14<sup>th</sup>, 1940, from CBN to ABN to change the denominations of the stamps to 1, 2, 3, 5, 10, 15, 20 and 25-cents, with preference to be given during production to the 1, 2 and 3-cent values. (reduced)

Figure 6 at right illustrates a brown proof on card of the second design as was prepared on June 14<sup>th</sup>. This item was made by the paste-up of recess-printed parts. Figure 7 at lower-right shows an enlargement of the proof.

Figure 8 below illustrates a proof made by ABN of the geometric lathework that was used as the background for both the second and the final designs of the stamps.

Figure 9 below illustrates a paste-up photographic-proof of the 1-cent stamp in the second design. Similar paste-ups were prepared for the other values and are currently in the collection of John Harper.

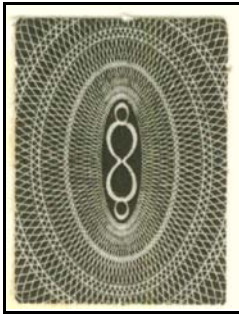


Figure 8. (300%)

Figure 6. (100%)

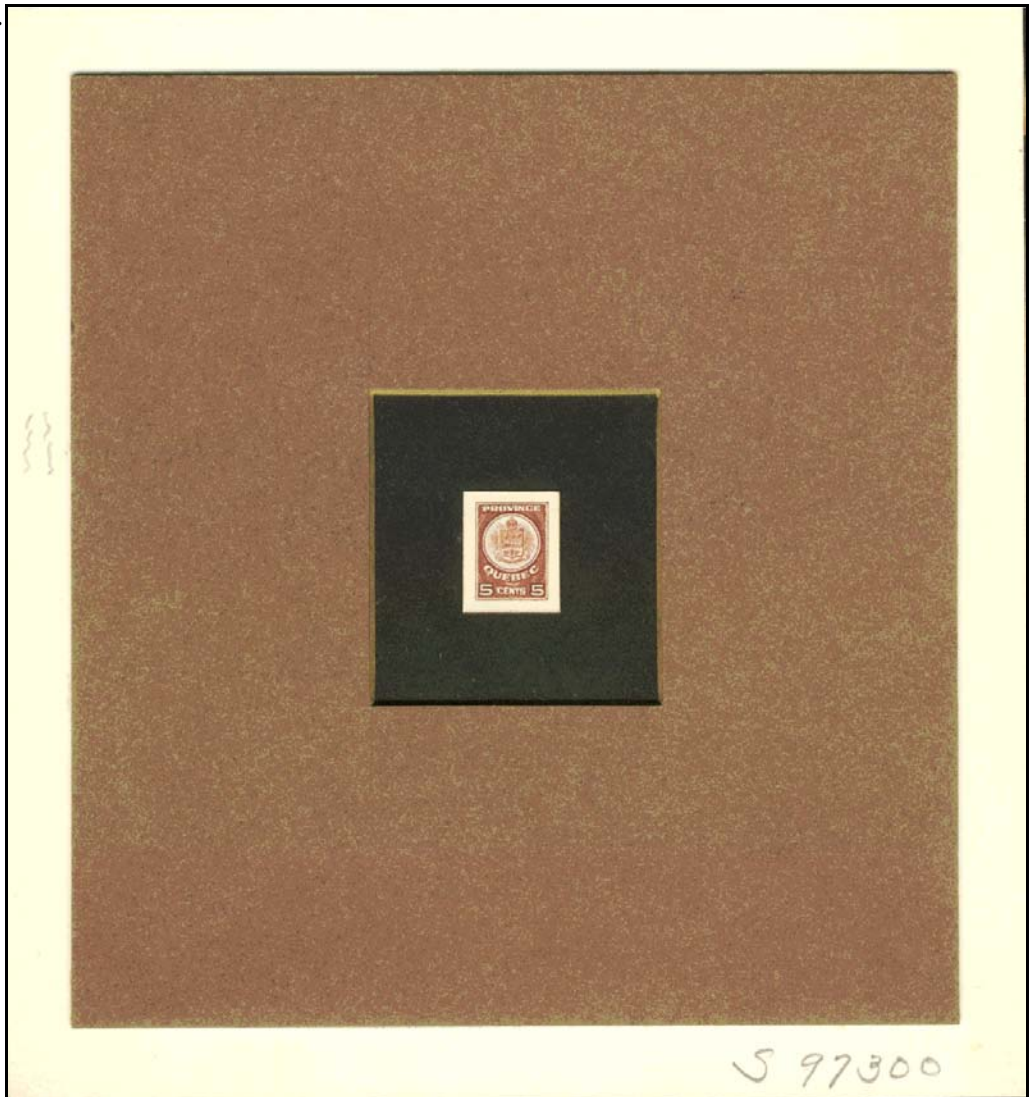


Figure 9. (100%)

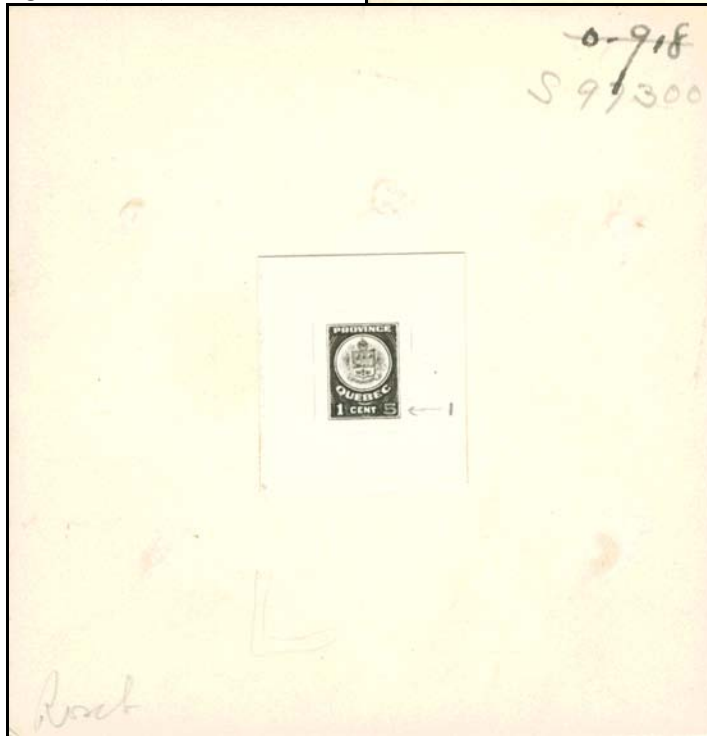


Figure 7: Second design for the stamps. Enlargement of the brown proof in Figure 6. (500%)

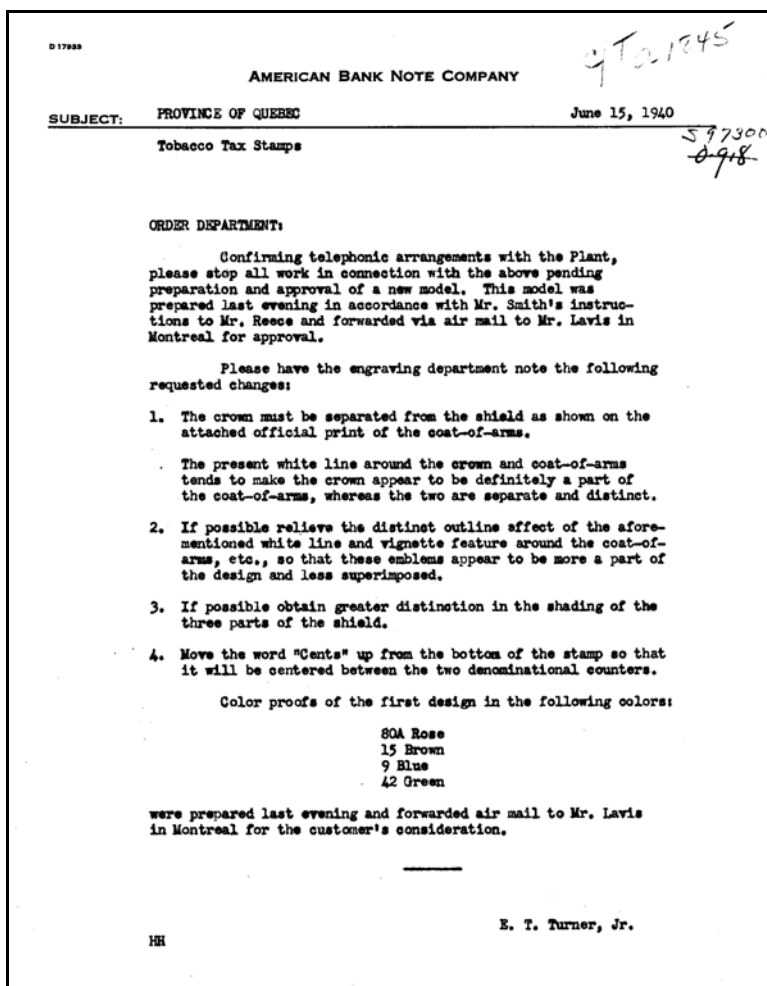


Figure 10: Internal ABN memo of June 15<sup>th</sup>, 1940, halting work on the second design of the tobacco stamps and directing the Order Department to instruct the Engraving Department to make several revisions as per the request of Quebec officials.

(reduced)

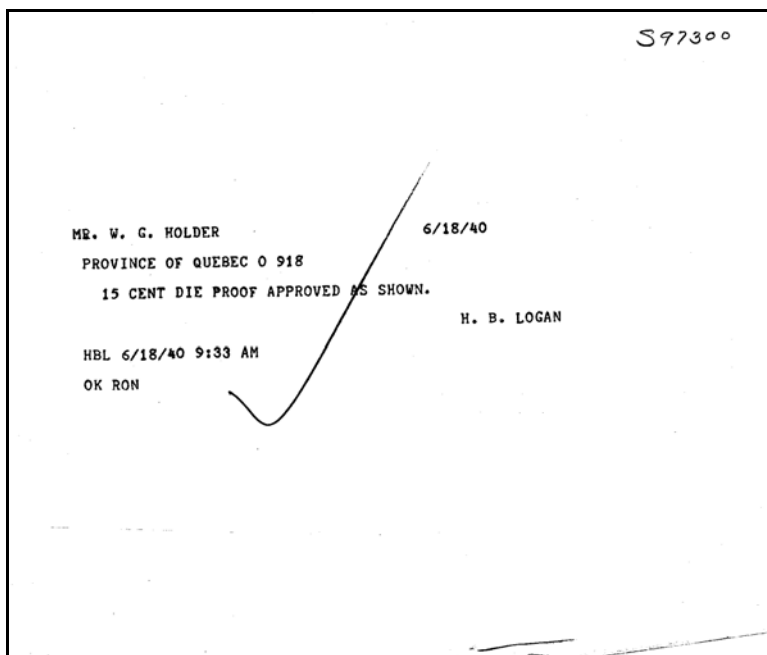


Figure 11: Notice of June 18<sup>th</sup>, 1940, from CBN that the die-proof of the 15-cent stamp in the third and final design had been approved.

(reduced)

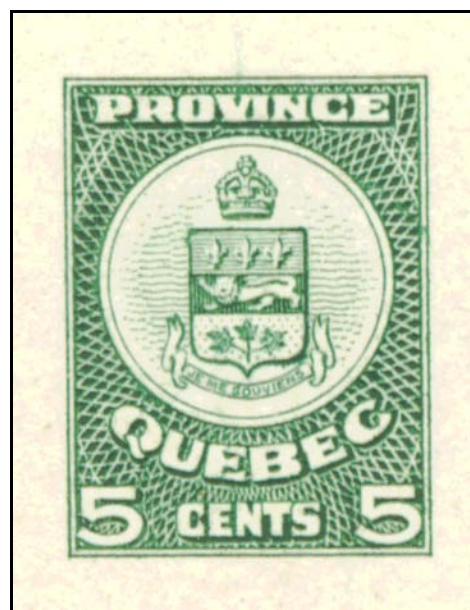


Figure 12. Green die-proof of the 5-cent denomination in the third and final design of the stamps. (500%)

(Text continued from page 4.)

of stamps in situations where stocks were brought into the province from outside or where a manufacturer or wholesaler within the province had not paid the tax in bulk. As discussed earlier in this article, when the Quebec tax had been paid in bulk, that payment was to have been indicated by distinctive red cancels on the federal excise duty stamps.

An important question remains unanswered regarding the Quebec tobacco tax stamps. How many of them were used, if any were ever used at all? The Authors are not aware of any mint or used examples of the finished stamps, nor have they seen any reports of such stamps in philatelic publications.

(Illustrations continue on the following four pages and in the next issue of the Newsletter.)

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- Quebec, *Journals of the Legislative Assembly*, 4 Geo. VI, 1940, pp. 295, 320-321, 329-331, 342-343, 367.
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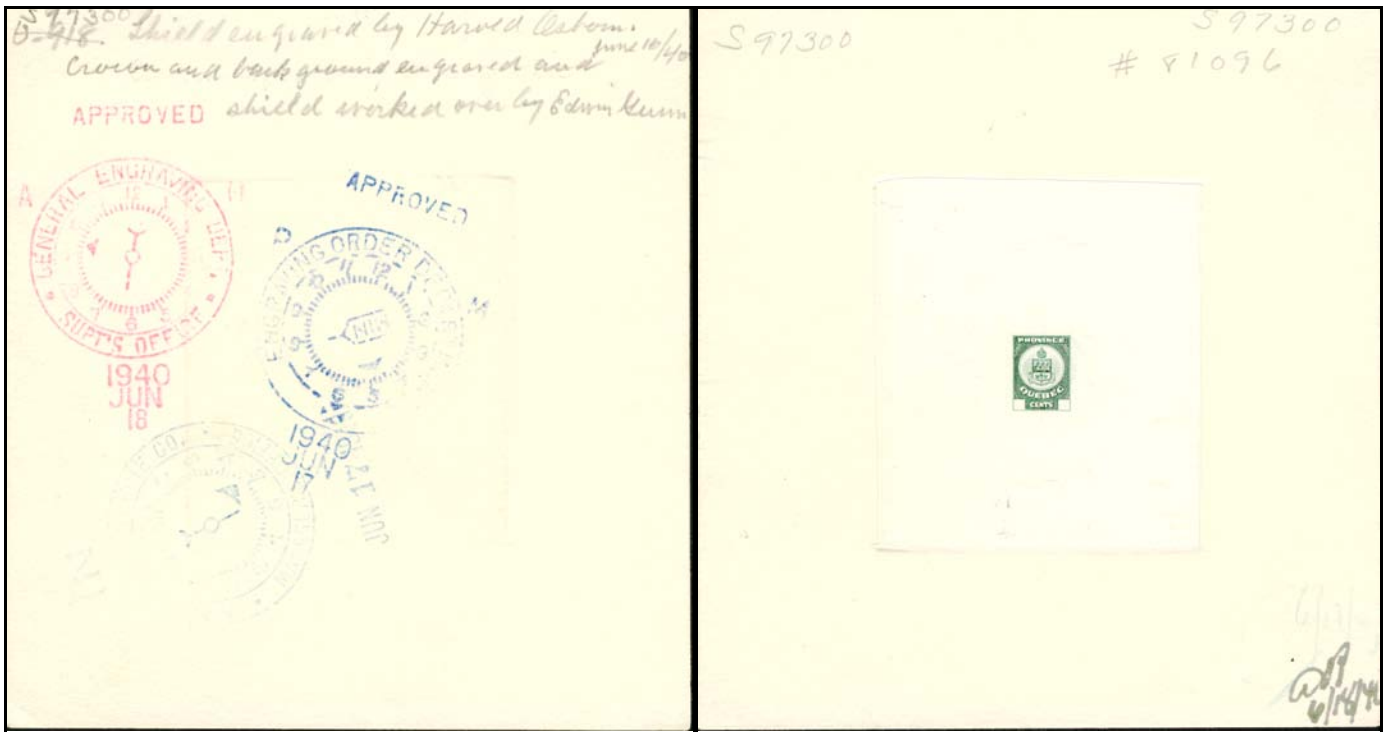


Figure 13: Die-proof on card in green of the blank denomination in the third and final design. A pencil notation on the back reads as follows: "Shield engraved by Harold Osborn - June 16, 1940. Crown and background engraved and shield worked over by Edwin Gunn." Markings on the back show that this proof was approved by ABN's Engraving Order Department on the late-afternoon of June 17<sup>th</sup>, 1940, and by the Engraving Superintendent on the morning of June 18<sup>th</sup>. (Gene Hessler's 1993 encyclopaedia *The Engraver's Line* describes Harold Osborn as "an outstanding etcher" who worked at ABN from 1908 through 1945. Edwin Gunn is listed as having joined ABN in 1891. According to his entry, Gunn became ABN's Engraving Superintendent in 1923 and died October 10<sup>th</sup>, 1940.) (80% of actual size)

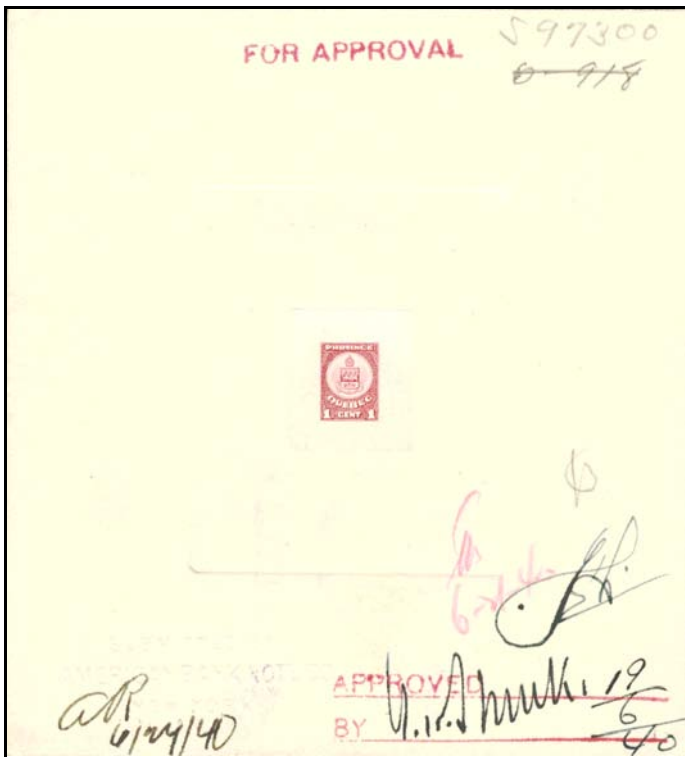


Figure 14: Die-proof in rose of the 1-cent stamp, third and final design. Approved June 19<sup>th</sup>, 1940. Back-stamped by CBN in Ottawa June 20<sup>th</sup>. (82% of actual size)

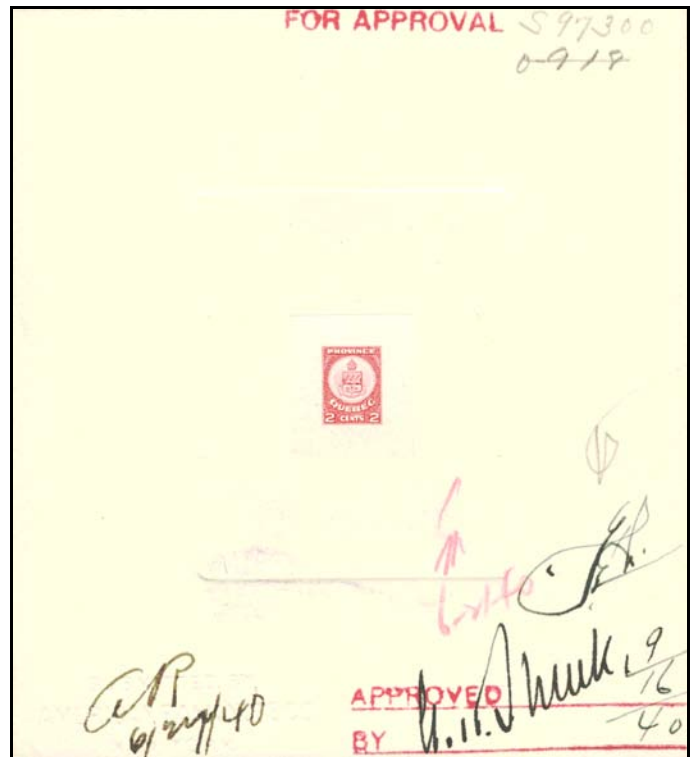


Figure 15: Die-proof in rose of the 2-cent stamp, third and final design. Sent out by Engraving Superintendent's office on June 17<sup>th</sup>, 1940. Approved June 19<sup>th</sup>. Back-stamped by CBN in Ottawa June 20<sup>th</sup>. (82% of actual size)



Figure 16: Die-proofs on card for the 3 through 25-cent stamps. The 3 and 5-cent proofs at top are green. The 10 and 15-cent proofs at centre are blue. The 20 and 25-cent proofs at bottom are brown. Stamped markings on the back of each of these items indicate that they were sent out by ABN's Superintendent of Engraving on June 17<sup>th</sup> for approval. Except for the 15-cent, all are initialled as approved on June 19<sup>th</sup> and were back-stamped by CBN, Ottawa on June 20<sup>th</sup>. The 15-cent proof was initialled and back-stamped by CBN, Montreal on June 22<sup>nd</sup>. (64% to 68% of actual size)





Figure 17: Small die-proofs in green of the stamps, including the blank denomination, with die number at the top of each item.  
(200% of actual size)

Figure 18: Compound die-proofs in green of the 1 through 25 cent stamps, ten subjects per die. The die number at the top of each item is 81117 through 81124, respectively.  
(80% of actual size)





Figure 19: Green plate-proofs in corner blocks of twelve for the 2 through 25-cent stamps with various marking and back-stamps that indicate that they were sent out by the Superintendent's Office of ABN's Engraving Department on June 19<sup>th</sup>, 1940 (except for the 3-cent on the 18<sup>th</sup>), and received by the Manager's Office of that department on the same day. It appears that the approval was given by ABN. A similar plate-proof for the 1-cent stamp has not been seen by the Authors. (85% of actual size)

