

What

Assessing the current situation of Taxation in Quebec, if one thing could be changed, I would strongly recommend abolishing Revenue-Quebec and migrating all of the functions it currently carries to Revenue Canada.

Why

There are multiple reasons that would justify such a structure, and very few justifying the need to maintain and finance a separate provincial entity for tax.

First and foremost, it is a well-known fact that government bodies are the least efficient form of organization; not having the pressure to perform in free markets, governments are permanent and need not to worry about being efficient to protect their existence. That being said, public institutions are essential to perform certain delicate functions that are not suited for the private sector, financing governments being one of these functions.

The flaw in the current system is the blunt duplication of functionalities between CRA and RQ. For most if not all other Canadian provinces, CRA is already managing income and provincial tax collection, therefore has a proven its ability to manage regional differences involved with managing the 2 levels of taxation within a single organization.

Since Quebec is a pore province with already excessively high personal and sales tax compared to other Canadian provinces, abolishing RQ could generate significant savings in terms of administrative overheads and contribute to helping balance the provincial budget.

A second advantage would be knowledge sharing between both taxation bodies. Currently, being separated entities, audits and investigations of potential fraud and tax evasion are performed independently and information is not always shared openly between RQ and CRA. Having the both merged into a single entity would enable sharing of information which would lead into more effective investigations and targeted audits for fraud and tax evasion.

How

The mere suggestion of this measure would be extremely challenging considering Quebec's position in the Canadian federation. Such a suggestion would be impossible to propose coming from the federal side; it would spark social outrage, most likely accompanied with massive strikes, protest and significant vandalism, as well as rallying of nationalists which would threaten economic stability.

The best way to approach the issue would be to discretely commission an analysis of all the costs associated with maintaining RQ (which is potentially already available), as well as economic waste from the private sector associated with filing duplicate taxes. The assessment should also contain a gap analysis outlining which functions, if any, would need to be integrated within CRA to be able to support any particularities of QC taxation, and associated costs of implementation.

The analysis could be presented to higher ranking members of the provincial government (assuming the current ruling party is Liberals or the CAQ). The suggestion could be sold to the provincial government by outlining the potential savings that could be accomplished, and sold to the population by outlining both reductions in public administration costs, a reduction of waste in the private sector and less complexity for particulars to file taxes.

If the measure is to go through, in terms of implementation, there should first be a merger of both organizations, followed by ongoing efforts to remove all duplicated functionalities.

Future Impact

Initial impact would obviously be additional costs for the restructuring and merger; which would cover both organizational changes, IT systems migrations, defining new operating processes and training material for the general public. Due to the reality of the QC situation, there should be an anticipation of significant costs in PR/marketing to ensure that the measure is accepted and seen as positive by the majority of the population.

In terms of long term impact, for the private sector, the reduction of complexity would generate saving in most industries in terms of spending on accounting. On the provincial government side there would be a reduction of public administration costs both to manage tax collection, but also in terms of overheads to govern RQ. For the federal side, there would be an increased in costs, but the increase should be less than the savings on the provincial side. Additional benefits would be a likely increase in detection of fraud and tax evasion due to increased information sharing, as well as more targeted fiscal policies due to more easily aggregateable Canada-wide statistics (for example, having a single definition of net income and taxable income).