

CANADIAN
TAX FOUNDATION

Eighth Annual Report

FOR THE YEAR ENDING
DECEMBER 31st, 1953

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MCGILL UNIVERSITY

CANADIAN TAX FOUNDATION

BOARD OF GOVERNORS

Elected March 18th, 1954

F. L. Bastedo, Q.C.	- - - - -	Regina
Ernest B. Bull	- - - - -	Vancouver
E. J. Chambers, Q.C.	- - - - -	Calgary
Donald M. Clark	- - - - -	Vancouver
*Frank A. Coffey, C.A.	- - - - -	Montreal
Paul-Emile Courtois, C.A.	- - - - -	Montreal
E. M. Davison, C.A.	- - - - -	Halifax
*John G. Edison	- - - - -	Toronto
Frank A. Griffiths, C.A.	- - - - -	Vancouver
A. J. Hamilton, C.A.	- - - - -	Edmonton
A. Willard Hamilton, C.A.	- - - - -	Montreal
T. Earle Hickey, C.A.	- - - - -	Summerside
*T. A. M. Hutchison, F.C.A.	- - - - -	Toronto
William H. Jost, Q.C.	- - - - -	Halifax
Robert Leith, C.A.	- - - - -	St. John's
J. A. MacAulay, Q.C.	- - - - -	Winnipeg
*R. deWolfe MacKay, Q.C.	- - - - -	Montreal
*Rodolphe Maheu, C.A.	- - - - -	Outremont
*Kris A. Mapp, F.C.A.	- - - - -	Toronto
Harold S. Moffet, C.A.	- - - - -	Regina
*B. B. Osler, Q.C.	- - - - -	Toronto
*Lazarus Phillips, Q.C.	- - - - -	Montreal
David Reevey, C.A.	- - - - -	Saint John
C. S. Richardson, Q.C.	- - - - -	Montreal
*G. G. Richardson, C.A.	- - - - -	Toronto
L. McC. Ritchie, Q.C.	- - - - -	Saint John
Daniel Sprague, C.A.	- - - - -	Winnipeg
Andre Taschereau, Q.C.	- - - - -	Quebec
*Stuart D. Thom	- - - - -	Toronto
J. Ross Tolmie	- - - - -	Ottawa
*Henry F. White	- - - - -	Toronto
*J. A. Wilson, F.C.A.	- - - - -	Toronto

**Executive Committee of the Board of Governors*

OFFICERS

Chairman	- - - - -	R. deWolfe MacKay, Q.C.
Vice-Chairman and Chairman of Executive Committee	- - - - -	J. A. Wilson, F.C.A.
Director	- - - - -	J. Harvey Perry
Secretary	- - - - -	R. M. Sedgewick, Jr.
Treasurer	- - - - -	James A. Reid

INCOME AND EXPENSE FOR THE YEARS ENDED 31ST DECEMBER, 1953 and 1952

	31 December 1953	31 December 1952
INCOME:		
Subscriptions received - - - - -	\$ 89,650.00	\$ 79,715.00
Interest received - - - - -	454.00	782.34
	<hr/> 90,104.00	<hr/> 80,497.34
EXPENSE:		
Salaries - - - - -	61,289.61	49,016.22
Publications (net) - - - - -	18,357.06	11,569.25
Special studies - - - - -	372.95	4,961.26
Office rent - - - - -	3,600.00	2,857.20
General office expense - - - - -	1,665.50	2,771.67
Travelling expense and entertainment - - -	4,793.82	2,523.20
Conference expense (net) - - - - -	1,517.72	1,773.96
Printing, stationery and office supplies - - -	2,026.60	1,623.46
Books and periodicals - - - - -	1,670.52	1,229.70
Postage and excise - - - - -	1,766.16	1,195.68
Telephone and telegraph - - - - -	1,137.31	1,026.77
	<hr/> \$ 98,197.25	<hr/> \$ 80,548.37
Provision for Depreciation - - - - -	652.08	555.16
	<hr/> \$ 98,849.33	<hr/> \$ 81,103.53
EXCESS OF EXPENSE OVER INCOME FOR THE YEAR	<hr/> <u>\$ 8,745.33</u>	<hr/> <u>\$ 606.19</u>

NOTE:

The Foundation has made commitments, as at the 31st December, 1953, amounting to \$3,000.00 in connection with the publication of books on taxation matters.

AUDITOR'S REPORT TO THE MEMBERS

We have made an examination of the books and accounts of the Canadian Tax Foundation for the year ended 31st December, 1953, and have obtained all the information and explanations which we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We report that, in

TORONTO, 29th January, 1954.

UNEXPENDED INCOME
FOR THE YEARS ENDED 31ST DECEMBER, 1953 and 1952

	31 December 1953	31 December 1952
UNEXPENDED INCOME AT BEGINNING OF PERIOD	\$ 35,979.20	\$ 36,585.39
Excess Expense over Income for the year - - -	8,745.33	606.19
UNEXPENDED INCOME AT END OF PERIOD		
For continuation and extension of the Founda- tion's activities - - - - -	<u>27,233.87</u>	<u>35,979.20</u>
REPRESENTED BY:		
Cash on hand and in banks - - - - -	13,771.02	19,566.07
Investment—Crown Trust Company		
Guaranteed Investment Receipt 3½% - - -	10,000.00	15,000.00
Furniture and Office equipment - \$ 6,520.84		
Less: Accumulated allowance for depreciation - - - - -	2,506.21	4,014.63
	<u>425.00</u>	<u>3,697.51</u>
Deposit with Trans Canada Airlines - - - - -	28,210.65	38,263.58
	976.78	2,284.38
Less: Accounts payable - - - - -	<u>\$ 27,233.87</u>	<u>\$ 35,979.20</u>

M. L. GORDON FELLOWSHIP FUND
FOR THE YEARS ENDED 31ST DECEMBER, 1953 and 1952

FELLOWSHIP FUND REPRESENTED BY CASH IN		
BANK AT BEGINNING OF PERIOD - - - - -	\$ 4,581.15	\$ 5,000.00
Interest received on bank deposit - - - - -	73.23	81.15
	<u>\$ 4,654.38</u>	<u>\$ 5,081.15</u>
Fellowship payments - - - - -	1,250.00	500.00
FELLOWSHIP FUND REPRESENTED BY CASH IN		
BANK AT END OF PERIOD - - - - -	<u>\$ 3,404.38</u>	<u>\$ 4,581.15</u>

our opinion, the above comparative financial statement is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Foundation as at the 31st December, 1953, and the results of its operations for the year ended on that date, according to the best of our information, the explanations given to us, and as shown by the books of the Foundation.

ORMSBY & ORMSBY
Chartered Accountants.

Report of the Chairman of the Board of Governors

to the Eighth Annual General Meeting of the

Canadian Tax Foundation

March 18, 1954

The Canadian Tax Foundation's seventh year shows a big increase in volume of work, a larger output of material resulting from it, continued and encouraging growth of membership, and regrettably a deficit of \$8,700. This is the substance of my report today. The programme for the coming year, so far as plans have already been approved, will be presented separately by Mr. Perry.

Last year's deficit reflects a transitional condition. I shall comment on the financial statement later. Here, at the beginning of this report, it should be made clear that the Foundation's present financial position arises from no weakness of support but follows the deliberate policy of expansion that was set in motion two years ago.

You will recall that in 1952, after the Foundation's work had been conducted for five years on an experimental basis, the Board of Governors decided that the organization should be reconstituted on a permanent and more ambitious scale in the light of that experience. This decision meant a moderately larger staff, a much larger programme, and an indicated budget when operating at full strength of \$120,000 a year, compared with the provisional budget of \$60,000 on which the Foundation first started. As this objective was presented and explained in detail in last year's Annual Report, and we have heard nothing but approval of these plans from our subscribers and members, no further explanation is called for now. I recall this decision in order to point out that when it was taken we then had to make up our minds whether to push forward with these plans or let them develop gradually. The first course was adopted, in the knowledge that the required income might have to be built up more slowly, but in the firm belief that demonstration of the Foundation's increased capacity and accomplishments would enable us to secure it.

It was in accordance with this policy that the Annual General Meeting last year received and approved a programme for 1953 that contemplated a 25 per cent increase in the annual budget, from \$80,000 to \$100,000, providing for additional staff already engaged and for a more ambitious plan of work already initiated. It was understood, further, that last year's programme would be entirely carried by the Foundation's permanent staff, fresh commitments for research projects by outside workers being postponed for the time being. These plans have been faithfully adhered to. The staff have carried out their assignment in full measure, while expenditure has been kept on the right side of the amount that we anticipated.

To complete these introductory remarks, and to illustrate my statement that the Foundation's present financial position reflects no weakness of support, I might point out that we have had the encouragement of enrolling over two hundred new corporate subscribers during the past two years.

Before proceeding now to review the Foundation's affairs and activities in customary detail, I would like to express our pleasure and congratulations on the recent award of the Coronation Medal to Mr. J. Grant Glassco in recognition of the part he played in establishing the Foundation after the second world war. As a leading member of the original group of founding Governors Mr. Glassco was closely associated with the late Mr. M. L. Gordon, whom he succeeded as Chairman. He presided at the first Tax Conference, and in many other ways helped to shape and guide the organization in the formative period. Mr. Glassco's decisive contribution to the Foundation's subsequent course of development makes this award a matter of gratification to all of us.

Principal Activities in 1953

New Legislation

Following our regular procedure, the 1953 Income Tax Bill was taken up the day after it came out by a group convened to

meet in Ottawa, composed of members of the Foundation and of the Joint Taxation Committee. Government officers again very kindly explained the Bill's provisions, after which the group studied it with a view to possible difficulties and submitted its views to the Minister of Finance before second reading. Apart from one or two technical matters, recommendations were made regarding the new legislation on employee stock options. These were followed later by other independent submissions, leading to revision before enactment.

Perhaps I might observe here that this instance well illustrates the point of these annual arrangements that the Foundation started five years ago for reviewing the income tax amendments. A situation had developed requiring a new set of tax rules. Under our budgetary system the government could not disclose its intentions in advance. On the other hand, until the new rules were disclosed there was no means of ensuring that they would fit the situation. As the proposal was complex and technical, Parliament itself was not in a position to review it without hearing from the interested parties, for which there is no organized procedure. In these circumstances, scrutiny by the Foundation's group served to check and point out features of the legislation requiring fresh consideration and more information from the affected taxpayers.

The working arrangements between the Foundation and the Joint Taxation Committee, which represents the two sponsoring professions directly, are now doubtless well understood by all our members. The Foundation's staff took their usual part in the preparation of this year's brief two months ago. During the past year there was less evidence of taxpayers' problems under the Income Tax Act, as indicated by communications received by the Foundation, than in any year since the war. This would seem to be a tribute to the continued improvements that have been introduced since the new Act appeared, to which the Joint Taxation Committee's annual briefs have made a notable contribution.

On the other hand, the Foundation heard more last year than in any previous year concerning new questions in other quarters,

particularly under the Sales Tax and various Provincial Tax Acts. The progress of our work on the Sales Tax comes in the next section of my report, and no new legislation has required our attention. Regarding the provincial field, two matters deserve mention here.

First, I wish to state the Foundation's position regarding recent developments in the Province of Quebec, from the appointment of the Royal Commission on Constitutional Problems a year ago to the recent enactment of the new provincial income tax.

The Foundation was invited last spring to appear before the Royal Commission and give evidence under the terms of reference, which include the broad question of conflicting federal and provincial tax powers with other questions of government relating exclusively to provincial jurisdiction. The latter questions did not directly concern us. On the former, which concerns us very much, it so happened that our publication of Tax Paper Number 6, *Financing Canadian Federation*, which is an examination of the Federal-Provincial Tax Agreements by Mr. Milton Moore and Mr. Harvey Perry, had just put on record the results of eighteen months' consideration of the whole question. While this study had been undertaken without anticipation of the Quebec enquiry, it contained everything that the Foundation's experts would have wished to say on the federal-provincial question had they been given this much notice of it. At the Commission's request, the Foundation had already been pleased to supply copies of this study to its members and staff, with other relevant material previously published. Many copies were also supplied on request to people who were preparing to submit briefs to the Commission. In these circumstances we concluded that a formal submission could add nothing to the thorough presentation that was already in the Commission's hands. We therefore advised the Chairman that the Foundation did not request to be heard further, but was prepared to assist the enquiry if its facilities as an independent research organization should be required.

I should make it clear that if a submission had been made to the Quebec Royal Commission it would have repeated the views

of the Foundation's experts, as such, following their own study. It was never felt that the Foundation as a corporate body should take a position in this political problem of inter-government relations in the sense of advocating a policy in the name of its members across Canada.

The recent introduction of the Quebec Income Tax has not changed our position. While the merits of this legislation may be debatable, there are certainly no grounds on which the Foundation would question its legitimacy. On the other hand, we believe that the Foundation's responsibility may require us to study possible amendments if there should prove to be serious defects in the provisions of the Act after sufficient experience of its operation, and that it will also allow expression of views by our staff, or in our publications, regarding its significance from the national standpoint.

My second comment on provincial tax legislation concerns developments in other parts of the country which point to increasing pressure on provincial and local revenue sources and emphasize the problem of a satisfactory sharing of existing revenues between all three levels of government. As I mentioned above, the Foundation's research staff has already studied this question broadly from the national point of view and has published its findings in Tax Paper Number 6. The next step is to study particular situations where the pressure is becoming most apparent from the provincial standpoint. Following the publication last year of Mr. John Due's survey of Provincial Sales Taxes, we have approved new projects to be undertaken or begun this year on provincial-municipal affairs, provincial taxation of natural resources, and highway financing. These projects will be discussed further in Mr. Perry's report.

If this section of my report, dealing with new legislation, seems to have moved rather far afield I would remind you that the Foundation's responsibilities go beyond the main federal tax laws. Consistently with a balanced view of our function, we believe that our work should be deliberately directed to questions that may

otherwise be neglected for the very reason that the professions and the business community as a whole are less actively occupied with them. Where the Income Tax Act is concerned, the legislation and the cases receive the constant attention of many people who are always prepared to express well informed views. Compared with the bulk of our tax laws, this is an exceptional state of affairs. In most other cases informed views cannot be expected without the preparatory work and published findings for which the Foundation is making itself responsible. We have to remember that a dollar of taxpayers' money has the same value under any statute or jurisdiction, and that over a half of the country's taxes are paid outside the federal income tax.

Studies and Publications

The two studies already mentioned were added last year to the Canadian Tax Papers series — Number 6 entitled *Financing Canadian Federation*, and Number 7, on *Provincial Sales Taxes*. As a result of our decision to make no commitments in 1953 for outside projects, which ordinarily lead to publication in this form, no similar studies are approaching completion at this time. This policy was justified as a measure of economy last year, but it has the effect of excluding the type of work that may need several months of someone's undivided attention to carry it out, and of interrupting this side of our programme. Consequently our plans for the current year provide for resumption of such projects, as Mr. Perry's report will show, although they will be handled mainly by the regular staff and outside participation will be limited. Much preparatory work has already been done.

Last year's programme was therefore entirely in the hands of our staff. The principal matters occupying their attention were the federal Sales Tax and the tax rules respecting "business income".

Our work on the Sales Tax is making good progress. Started over a year ago following publication of the study by Mr. Due and discussion at the next two tax conferences, it has now reached

the stage of draft proposals for amendment of the legislation. These suggestions were submitted to the last tax conference, when they could only receive a limited amount of consideration, and they are now in process of discussion with advisory groups of experienced business men who have met with the Foundation's staff in Toronto and Hamilton and will hold similar meetings in Montreal. The purpose of these meetings is to check our findings and views against the experience of taxpayers, and to submit them to practical tests from every angle. The main points are the statutory definition of "sales price", provision for appeals, and the system of exemptions. The chief difficulty has been the lack of clear views on these questions on the part of taxpayers themselves, and the first task has been to develop such views as dependable evidence. Our objective is to reach, if possible, a set of constructive recommendations which the Foundation can present to the tax authorities with assurance that they are right.

The study of "business income" was undertaken and published for purposes of the seventh tax conference, where it was the main topic. Our purpose was to give the Foundation's members an opportunity to take stock of the Income Tax Act in this respect, following the post-war revision and the continued amending legislation of recent years. In preparing the conference data paper the staff consulted many of our own members and had the benefit of a questionnaire on capital cost allowances in which the Canadian members of the Controllars Institute of America very kindly co-operated.

The results of this investigation were promptly published in the conference report, where members who could not attend the conference have had an opportunity of looking them over. They were also available in this form to the members of the Joint Taxation Committee. In deciding whether any feature of the subject deserves further study or special action by the Foundation we shall be guided by the views that we hear from our members.

A third study deserving special mention was the detailed review of last year's federal budget that the Foundation published within

a fortnight of its appearance, while debate in Parliament was still going on. This strictly factual analysis had a wide circulation. Complimentary copies were sent to all Members of Parliament, and the demand outside our membership required a second printing. The excellent reception that greeted this piece of work decided us to make it a regular annual feature, so that a similar review in improved form will follow the 1954 budget next month.

The Canadian Tax Journal is now so well recognized that the fact of its first appearance last year might be overlooked. No change is to be made at this time in its basis of circulation. That is to say, anyone who wishes to receive it is expected to become a member of the Foundation, with other privileges of membership, unless the case falls within our rules of complimentary distribution. On the other hand, our terms of membership are now to be revised, as I shall report presently.

The *Journal* has had an encouraging welcome in many quarters, including newspapermen, readers abroad, government departments and universities. We are also gratified by the response of all who have been invited to contribute articles for publication or who have submitted them without waiting to be asked. This reception is good evidence of the place that the *Journal* now fills and of the weight that it has already added to the Foundation's influence and good standing. While it has the usual character of a specialized publication of its class it is also a normal vehicle of work done by the Foundation's staff. Apart from signed articles so published, all its regular features are produced in the Foundation's office. If my report were expected to present full particulars of all the matters that have received the staff's attention during the year, it would include about fifty items that are on record in the *Journal* for 1953.

While the *Journal* meets the need for a Canadian publication specializing in fiscal affairs, and carries more material than the average individual reader is likely to digest, it is not suited to topical comment for quick reading on current developments. We are therefore introducing a new publication in the form of a four-

page printed memorandum, which will appear irregularly as subject matter dictates and can be thrown away afterwards. It is called the *Tax Memo*, which well describes it. The first number appeared recently, giving a summary of the federal budget outlook. If advisable, we shall be prepared to give the *Tax Memo* wider circulation beyond our regular mailing list.

While this report must be confined to our principal products, I believe it shows clearly enough how far the range of the Foundation's work has broadened during the past year. If these highlights should suggest that the staff enjoys undisturbed tranquillity in the exclusive pursuit of major studies this impression would be quite false. More than half their time collectively is now occupied with current business through the mail, by telephone, or with visitors, discussing problems or answering questions that lie outside the relations of taxpayers with their tax advisers. This experience reflects the public's increasing awareness of the Foundation's work and the services it can render. While the Foundation does not prepare briefs for other people, and has had occasion to confirm this policy in reference to proposals which would have been unexceptionable on their own merits, members of the staff are being called on more and more frequently for consultation by such organizations as boards of trade, industry committees, educational bodies and other responsible people who look for competent and disinterested advice of a non-professional character. Added to this are the increasing requests for addresses to audiences all over the country on topics within the Foundation's field. These requests are accepted whenever possible as a significant part of the Foundation's function.

Seventh Tax Conference

Last year's conference was held in Winnipeg, being the first occasion in Western Canada. We had the privilege of welcoming the Honourable T. Coleman Andrews, Commissioner of Internal Revenue of the United States, as guest of honour. The full proceedings are on record in the published report, but they do not

show the most memorable feature of this conference which was the keen interest of our members in the Western Provinces and the warm welcome of the Foundation's friends in Winnipeg. The attendance was only slightly below the largest that we have had in the East, and the meetings were the best yet. As already announced, the Eighth Tax Conference will be held on November 15 and 16, 1954, at the Windsor Hotel, Montreal.

Membership

From January 1, 1953, to date the number of our corporate subscribers has increased by 122 and of individual members by 242, to present totals of 337 and 1,050. This corporate figure, by the way, would appear much larger if three associations that contribute on behalf of their members on terms providing for their individual participation were shown accordingly.

We owe this encouraging growth to Governors and members of local committees who have introduced new supporters by interesting them in the Foundation's work. Much as we need to increase revenue in order to match expansion of the work, it has always been considered essential that corporate support should be given upon a proper understanding of the Foundation's function. We believe that this condition precludes the professionally promoted type of financial campaign and obliges us to present our case mainly through the Governors and other responsible members who are qualified to approach people on the Foundation's behalf. The Governors have always recognized their collective responsibility in this matter, and no member has refused his help if he was able to give it. While it would no doubt be possible for us to raise more money much faster and with much less personal effort by more spectacular methods that may be appropriate for other organizations, we would not then enjoy the same relationship with our subscribers and it is probable that some of the results would be both precarious and prejudicial to the Foundation's independence. In expressing our appreciative welcome to those whose names we have enrolled during the past year I therefore particularly wish to thank all those who have introduced them.

The by-laws provide that the amounts of corporate and individual contributions may be determined annually by the Board of Governors. The uniform rate for individual membership has been unchanged since it was set at \$10 in 1947. The Board reviewed the question of increasing this rate at its last meeting and recommended such action to the Executive Committee. It has therefore been decided that the rate for individual members will now be increased to \$15 a year, effective as regards new applications and renewals due on or after April 1 next. At the same time we shall now provide a special rate of \$5 for students, persons holding full-time academic appointments, and lawyers and accountants during the first three years that they are qualified to practise.

This change follows the much higher cost and greater quantity of material received by members since the original rate was fixed, and takes account of the fact that about 90 per cent of the Foundation's income has been derived from corporate subscribers. I wish to assure all our members that this decision was only reached after very deliberate consideration, and I trust that these reasons will commend it.

Financial Statement

The Auditor's Report is submitted for your approval separately from the Chairman's Report. I would therefore make only two short comments here. Last year's deficit of \$8,745. which has been explained already as a consequence of last year's calculated expansion, reduces the Foundation's reserve of unexpended income to \$27,000. In addition to the higher current revenue that we require in order to carry our plans of permanent organization we should therefore aim to strengthen this reserve substantially.

Subject to further decisions of the Board of Governors elected today, our plans for 1954 contemplate expenditure of slightly over \$100,000. We are therefore not yet presuming on our full objectives but it will be necessary to maintain at least the present rate of new subscriptions this year.

The M. L. Gordon Fellowship

The Graduate Fellowship that we established two years ago in memory of the Foundation's first Chairman, the late Mr. M. L. Gordon, was awarded last year to Mr. Paul Haljan who is completing studies for his M.A. degree at the University of Alberta. He was therefore eligible for a Junior Fellowship. His special research topic is the Concept of Income in the Canadian Act. Mr. Haljan is a new Canadian who came to Canada after the war from Czechoslovakia. Offer of the award for this year was posted in all Canadian universities at the beginning of January, and the successful candidate will be announced on May 15.

Changes on the Board of Governors

The following members of the Board will retire this year:

H. A. Dyde, Q.C.	Edmonton
R. W. Manning, C.A.	Charlottetown
J. S. McVicar, C.A.	Vancouver
William Murphy, Q.C.	Vancouver
A. E. Pierce, C.A.	Montreal
Maurice Samson, C.A.	Quebec
Guy W. Smith, F.C.A.	Toronto
Jean Valiquette, C.A.	Montreal
John Willis	Halifax
William Young, C.A.	Winnipeg

Mr. D. R. Michener, Q.C., M.P., Toronto, who was elected to the Board last year, tendered his resignation as a matter of principle on his election to Parliament. On behalf of all the Foundation's members I wish to thank these gentlemen for their valued help and generous participation in our work, and to express the thanks of this meeting to them. We look forward to their continued association with the Foundation's activities.

In order to allow better balanced representation of all Provinces the Board of Governors has been increased from thirty to thirty two. A by-law to this effect is submitted for approval by

this meeting, and nominations for election to the Board have been received accordingly. At the same time, another by-law provides for increasing the number of the Executive Committee from ten to twelve. The following have been nominated by the President of the Canadian Bar Association and the President of the Canadian Institute of Chartered Accountants to occupy the resulting vacancies on the Board:

Ernest B. Bull	Vancouver
E. J. Chambers, Q.C.	Calgary
Donald M. Clark	Vancouver
Paul-Emile Courtois, C.A.	Montreal
John G. Edison	Toronto
Frank A. Griffiths, C.A.	Vancouver
A. Willard Hamilton, C.A.	Montreal
T. Earle Hickey, C.A.	Summerside
William H. Jost, Q.C.	Halifax
Rodolphe Maheu, C.A.	Outremont
Kris A. Mapp, F.C.A.	Toronto
Harold S. Moffet, C.A.	Regina
Daniel Sprague, C.A.	Winnipeg

Staff

A month ago I notified all our subscribers and members by letter that Mr. Monteath Douglas would retire from the position of Executive Director at his own request on April 1 when Mr. Harvey Perry would succeed him as the Foundation's chief officer. Mr. Douglas was invited by the National Industrial Conference Board to organize and direct the new Canadian Division that they are establishing with offices in Canada, and after consultation with the Governors and with his associates in the Foundation he agreed to accept this proposal.

Mr. Douglas has been associated with the Foundation from its inception. Indeed it is not too much to say that in the early years he was the Foundation. His firm belief in the conception of the organization and his unsparing efforts to give it reality have left

their indelible imprint. His insistence that complete independence and objectivity could alone provide sound footings for future growth and his refusal to be distracted from fundamental principles are responsible in large measure for the respect which the Foundation enjoys. It is easy now of course to forget what obstacles had to be surmounted to achieve this goal. We indeed owe him a great debt. In a more personal vein those who have worked for him and with him have found him unfailing in his friendly encouragement and courtesy and in his loyalty to his subordinates and associates.

I am sure that I speak for all present and past Governors in expressing the warmest appreciation for the contribution Mr. Douglas has made in guiding the Foundation through its all-important formative years. He leaves with our most sincere wishes for an equal success in his new career and with the expectation on both sides that his new duties will offer opportunities for continued contact with the Foundation's work.

Mr. Perry has been in charge of the Foundation's research programme since his appointment to our staff on July 1, 1952, and the results speak for themselves. To the distinguished abilities that he already possesses he has added a keen appreciation of the Foundation's role and has made its objectives his own. I know that all of you will share our confidence in his new appointment. Mr. Perry will assume the title of Director.

Last September the office of Secretary-Treasurer was discontinued and Mr. James A. Reid was appointed Treasurer of the Foundation, while Mr. R. M. Sedgewick, Jr., continues to serve as Secretary. This arrangement recognizes the Treasurer's continuous responsibilities and the very able manner in which Mr. Reid was in fact already handling them.

No other new staff appointments have been made since the last Annual General Meeting. As the Chairman on that occasion pointed out, the Foundation is singularly fortunate in the combined qualifications of its staff. In their hands its good reputation

and capacity for responsible work are growing all the time. I conclude my term of office with assurance that they deserve our highest confidence, and with warm feelings of personal gratitude for the way they are carrying out their duties.

I also wish to express my personal thanks to my colleagues on the Board and to our Secretary, Mr. Sedgewick, for their active support and generous cooperation. They have not spared themselves in their service to the Foundation. On their behalf, I now express our good wishes to the incoming Board for the ensuing year.

On behalf of the Board,

T. A. M. HUTCHISON,

Chairman.

Report of the Director of Research
to the Eighth Annual General Meeting of the
Canadian Tax Foundation
March 18, 1954

Mr. Hutchison has touched briefly on our projected programme for 1954 and has left it for me to provide further details. It gives me great pleasure in being able to do so.

In dealing with our programme I should like at the outset to make one or two general observations. Any list of research projects such as I will give in a moment represents a compromise between the embarrassing riches of problems to be studied and the limited resources available for studying them. In our staff we now have a small but highly specialized and highly productive corps of workers. We came to full strength only about a year ago, and much of the material that has been issued since has been produced in the office. This will remain the case as well in the coming year. But in a field as broad as the whole of taxation at all three levels of government in Canada there is a limit to what can be done by even as hard working a group as our own staff. Therefore we must rely to some extent on outside experts. As everyone knows the number of well qualified workers who are free to take short assignments in tax research is quite restricted and the help in this direction is therefore limited.

Furthermore as Mr. Hutchison pointed out we operate by no means on an unlimited budget, so that financial considerations play an important part in determining our activities. This has been particularly true during the past year. The investment in our own staff required us to capitalize on their services by concentrating on projects of more immediate and short-term importance, passing over for the meantime some of the longer-term and more expensive aspects of our programme. The result of this decision will be reflected in the fact that no more than one or two major studies will be issued this year. However we are continuing to expand

further our shorter-term activities — the introduction of the *Tax Memo* is an instance in point — and we will gradually restore the balance in the longer-term programme within the year. In order to accomplish this the staff will undertake projects which might otherwise have been farmed out, and at the same time we hope to be able to engage the services of outside help for other assignments. By the next Annual Meeting I hope to be able to report that, with continued improvement in our finances, we have been able to bring the more expensive and more permanent aspect of our flow of output into a more balanced relationship with the rest of the programme.

If I may be permitted I would like to underline one observation made by Mr. Hutchison. As he stated, our range of interest is extending more and more beyond the federal taxes which have occupied the centre of the stage until recently. In my view this is inevitable. To disregard the problems facing the provinces and municipalities in finding tax revenues for their many pressing demands would be to turn our backs on some of the most disturbing issues in public finance in Canada today. That is not to say of course that our concern with federal taxation will be appreciably lessened. The fact is that we are now deeper into our work of the federal sales tax than ever before, and the whole area of federal gift and death taxation offers a challenge which we will accept at a suitable time.

One further point. As in the past our research will be directed towards finding and presenting, in as objective and unbiassed a way as possible, all the relevant facts concerning any subject we study. In an area as contentious, as practical and as close to the political fabric of government as taxation one must frankly admit that even to profess such an objective exposes one to the accusation of being academic. To this I say that if the unbiassed pursuit of the facts has become the monopoly of academic circles then we will wear the shoe. But I don't think it has. Furthermore in a study as pragmatic as taxation the road between theory and practice is so short and obvious that we seldom find it necessary

to point the way, either to taxpayers or to governments. In any case where it becomes evident that our work is being overlooked because it is not well labelled with instructions for further use we will change our procedure. I have little fear that this will often be necessary, but when we are convinced that a sound proposal is not receiving proper consideration we will not hesitate in saying so.

So much for general observations. The specific projects approved by the Executive Committee as our programme for the next year are as follows:

1. *The 1954 Budget*

As soon as possible after the federal budget has come down we will issue a study similar to that inaugurated a year ago. This was extremely well received, and we hope to be able to expand the expenditure analysis so that it will become a well balanced handy reference to federal finance.

2. *Tax Papers*

We now have seven items in this series of studies. We hope that in the next year or eighteen months it will be possible to add at least five more. Our present plans call for studies of the following subjects:

First — The Financing of Highways in Canada — this is one of the most serious problems facing provincial governments today. A great deal of study has been devoted to the American aspects of this subject but very little to the Canadian. Our Statistician has been compiling data for some months, and we hope to publish a staff-prepared study, with comment and proposals, during the current year.

Second — Forest Taxation in Canada — our general interest in the taxation of natural resources may have just as easily led us to select mineral taxation for immediate study, but certain recent developments have brought forest taxation into somewhat more

prominence. This is an almost uncharted field, but one that is extremely crucial to our national welfare. The staff will also prepare this study, with outside help where necessary.

Third — Provincial-Municipal Financial Relations — the whole subject of local finance and the problems of assisting municipalities either by giving them more tax sources or by giving grants are burning issues of the moment. We hope to be able to have an outside expert do a study for us of what developments are now taking place and what might be done in the future.

Fourth — Financing Health Care in Canada — attention to this subject is now largely limited to the welfare and administrative aspects of health insurance, although some studies have been issued recently on the financial side. Our interest is limited to the fiscal implications of health insurance, and we hope to have an outside study made of its impact on the taxpayer.

Fifth — Influence of Taxation on International Investment — this is an area of taxation in which Canada's present stage of development gives us a particular interest. No thorough study has yet been made of Canadian problems in this area, and we hope to be able to fill this deficiency.

Other Major Publications

In addition to these Tax Papers two other major publications are on our programme. Both were mentioned at last year's Annual Meeting but for the reasons I gave above have been postponed. The first, which we hope to issue this year, will be a handbook of tax and financial information now scattered throughout many publications. The second will be my own History of Canadian Taxes, a book which has turned out to be a considerably larger work than was first contemplated. We hope that about this time next year the printer will be fairly well on with it.

We will be planning further titles in our book series, but at the moment no concrete arrangements have been made.

Other Activities

This outline deals of course almost exclusively with new projects and plans for the future. Even without these our current and now more or less routine flow of work will be quite heavy. I have mentioned our work in the federal sales tax, for example. Mr. Milton Moore, our Research Associate, has been in relentless pursuit of the elusive first principles in this area for many months, and whatever progress we have made towards finding them has been due almost entirely to his efforts. He is doing excellent work, and we are going to keep him at it as long as his other work will allow him the time.

The editing and production of our publications are in the capable hands of Mrs. Gwyneth McGregor, and any reader of the Journal knows that her industry accounts as well for a good many pages of our best writing. I propose in our new office arrangements after April 1st to change her title from Editorial Assistant to Editor.

In the statistical realm we are extremely fortunate in having on our staff an expert in the person of Mr. Roger Carswell having qualifications which for our purposes are unique. We are confident that in his hands we will not come aground on any statistical shoals. Mr. Carswell has until now been known as Research Assistant; I propose that after April 1st he will have the title of Statistician.

In any organization there are people whose work is indispensable to its success but who play more routine roles. In an organization as small as ours of course everyone is very much part of the team. Without the capable help of our Librarian, Miss Audrey Dean, and our Secretaries, Miss Lily Woolfrey and Mrs. Evelyn Wilkinson, all our efforts would come to naught. Jim Reid, of course, is a familiar figure to all of you. Miss Woolfrey and Mr. Reid, on Mr. Douglas' departure, will have the distinction of being the employees of longest standing among our staff.

One further transgression in this so-called report on our future research programme will be pardoned I am sure. I would like to take this public opportunity of expressing the great satisfaction I have had in working with Monty Douglas for the past year and a half. It is only with regret that I contemplate the severing of what has been a most happy association. I know that I voice the wholehearted sentiments of the staff in wishing him good luck and every success in his new position.

Respectfully submitted,

J. HARVEY PERRY,

Director of Research

Remarks of Monteath Douglas

*on his retirement as Executive Director
to the Eighth Annual General Meeting of the
Canadian Tax Foundation
March 18, 1954*

I must ask the Chairman's permission to disregard the agenda, as I have no report. He has stated the Foundation's present position; Mr. Perry has presented its immediate programme; a third report by me would fall somewhere between tedious reminiscence and irresponsible prophecy.

My remarks are therefore personal, and obey the advice of a priest who was about to hear the confession of a long-winded sinner: "Be clear, be brief, begone!"

When a man has been riding a train of favourable circumstances he should avoid any delusions that he himself has been driving it. I have been riding in the caboose. Here are some of the things that made the train go and kept it on the rails.

Blocking that metaphor, here are the things, as I see them, that have made the Foundation succeed and have made my term of office a rewarding personal experience.

The first is joint sponsorship by the Canadian Bar Association and the Canadian Institute of Chartered Accountants. Like the celebrity of whom an admirer exclaimed that his fairy godmother had endowed him in his cradle with the priceless gift of youth, the Foundation was endowed at birth with the priceless gift of its sponsors' integrity.

Professional sponsorship has given us other great advantages too: Governors who are widely known and respected; a distinguished constituency of members throughout the country; access to expert knowledge and opinion of the highest calibre — the value of this factor reckoned in terms of professional time freely given has on occasion, I am sure, been not less than the business community's financial contributions; and the recommendation

that all these things convey. But the endowment of integrity, of the right to share the public reputation of the sponsoring Associations, came first; and those who entrusted it to the Foundation have helped us to keep it bright.

Next, the confidence of our corporate subscribers has been a powerful constructive force. This was especially true in the early days before the ground structure was securely laid and before we had much to show. If it had then been otherwise — if there had been pressure for quick results or disregard for objectivity — the Foundation might have been caught between opportunism and bankruptcy. But in fact, as should be well known, our founding subscribers let it be clearly understood that they were making an unconditional investment in the public interest. By this attitude they became partners in the undertaking, confirming the Foundation's character and purpose, and set an example that later contributors have been prepared to follow.

An equal contribution, but very different in kind, has been the attitude of government officers. I recall the personal encouragement that I received from the late Dr. Clifford Clark. I mention his name out of the high regard I felt for him, but only as an example. This encouragement was given, not by gratuitous gestures, but by the kind of respect for the Foundation's position that helped me to appreciate it better myself.

It was the practical test of the Foundation's dealings with senior government officials that set the standards of our own work; and it was perception of their responsibilities that clarified in my own mind a view of the Foundation's task that sees it as an indispensable factor in the conduct of Canada's public business today.

This country is fortunate, by comparison with almost any other, in the open and straightforward relations that generally exist between the people in government service and the rest of us. The Foundation is a beneficiary of this state of affairs, and is itself helping to perpetuate it.

These are the three institutional influences — the professions, our subscribers, and government itself — from which the Foundation has derived its strength, purpose and vitality. As time goes on I hope we shall count two more: the universities and the press. I say this not anticipating that the Foundation will become in any sense dependent upon either of them, but with the meaning that the Foundation has much to offer that both can use. They are indeed using the Foundation's services and material already, as some of our friends in both quarters have generously acknowledged, but we can go much further in both directions.

Last of all comes the most important element, the people with whom I have been working. Institutional influences don't mean a thing apart from the people they concern. The outstanding fact of my experience in the Foundation has been the great circle of personal associations, that have been happier and more rewarding than I expected, when younger, to find in any occupation.

Among our Governors, supporters, opposite numbers in government, and above all in my partners on the Foundation's staff, I have had the rare satisfaction of working with people who claimed my respect and gave me their friendship. I would say more if I were now saying goodbye, but I look forward to becoming the Foundation's 1,051st member in good standing, so I can simply say 'Thank you all'.

THE Canadian Tax Foundation is a non-profit organization, established by the joint action of the Canadian Bar Association and the Canadian Institute of Chartered Accountants to encourage and undertake study in the field of taxation in Canada. Its work is directed towards the improvement and wider public understanding of the Canadian tax system.

The Foundation has no political affiliations and is not an advocate for any class or group of taxpayers. It is supported in the public interest by private donations.