

CANADIAN
TAX FOUNDATION

•

Ninth Annual Report

FOR THE YEAR ENDING
DECEMBER 31st, 1954

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MCGILL UNIVERSITY

CANADIAN TAX FOUNDATION

BOARD OF GOVERNORS

Elected March 24th, 1955

Ernest B. Bull	- - - - -	Vancouver
E. J. Chambers, Q.C.	- - - - -	- Calgary
Donald M. Clark	- - - - -	Vancouver
Paul-Emile Courtois, C.A.	- - - - -	Montreal
*Harold E. Crate, F.C.A.	- - - - -	- Toronto
Harvey E. Crowell, C.A.	- - - - -	Halifax
Walter W. B. Dick, C.A.	- - - - -	Moncton
*John G. Edison, Q.C.	- - - - -	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
G. Richard Hunter	- - - - -	Winnipeg
William H. Jost, Q.C.	- - - - -	- Halifax
*George P. Keeping, F.C.A.	- - - - -	Montreal
Robert Leith, C.A.	- - - - -	St. John's
Roger Letourneau, Q.C.	- - - - -	- Quebec
*R. deWolfe MacKay, Q.C.	- - - - -	Montreal
*Rodolphe Maheu, C.A.	- - - - -	Montreal
*Kris. A. Mapp, F.C.A.	- - - - -	Toronto
*John deM. Marler, Q.C.	- - - - -	Montreal
D. Ross McMaster, Q.C.	- - - - -	Montreal
Harold S. Moffet, C.A.	- - - - -	Regina
*B. B. Osler, Q.C.	- - - - -	Toronto
*G. G. Richardson, F.C.A.	- - - - -	Toronto
Daniel Sprague, C.A.	- - - - -	Winnipeg
Gordon M. Stirling	- - - - -	St. John's
*M. Gerald Teed, Q.C.	- - - - -	Saint John
*Stuart D. Thom	- - - - -	Toronto
David M. Tyerman	- - - - -	- Regina
*Henry F. White, Q.C.	- - - - -	Toronto
*John A. Wilson, F.C.A.	- - - - -	Toronto

**Executive Committee of the Board of Governors*

OFFICERS

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

**STATEMENT OF INCOME AND EXPENSE
FOR THE YEAR ENDED 31st DECEMBER, 1954**

	<u>1954</u>	<u>1953</u>
INCOME:		
Subscriptions - - - - -	\$105,032.50	\$ 89,650.00
Interest - - - - -	415.38	454.00
	<hr/>	<hr/>
	105,447.88	90,104.00
EXPENSE:		
Salaries - - - - -	52,679.75	61,289.61
Publications (net) - - - - -	11,967.14	18,357.06
Special studies - - - - -	3,340.73	372.95
Office rent - - - - -	3,600.00	3,600.00
General office expense - - - - -	955.80	1,665.50
Travelling - - - - -	4,637.70	4,793.82
Conference expense (net) - - - - -	2,730.52	1,517.72
Printing, stationery and office supplies - - - - -	2,414.73	2,026.60
Books and periodicals — library - - - - -	1,873.92	1,670.52
Postage - - - - -	2,018.97	1,766.16
Telephone and telegraph - - - - -	985.20	1,137.31
	<hr/>	<hr/>
Provision for depreciation of furniture and office equipment - - - - -	87,204.46	98,197.25
	<hr/>	<hr/>
	697.65	652.08
	<hr/>	<hr/>
	87,902.11	98,849.33
	<hr/>	<hr/>
EXCESS OF INCOME OVER EXPENSE FOR THE YEAR	17,545.77	(8,745.33)
<i>Deduct:</i>		
PROVISION FOR RESEARCH STUDIES AND PROJECTS COMMENCED IN 1954 - - - - -	9,500.00	—
	<hr/>	<hr/>
	8,045.77	(8,745.33)
	<hr/>	<hr/>
BALANCE CARRIED FORWARD FROM PREVIOUS YEAR - - - - -	27,233.87	35,979.20
	<hr/>	<hr/>
BALANCE OF INCOME AND EXPENSE ACCOUNT		
31st DECEMBER, 1954 - - - - -	<u>\$ 35,279.64</u>	<u>\$ 27,233.87</u>

() Brackets denote red figures.

AUDITORS' REPORT TO THE MEMBERS

We have examined the Statement of Financial Position of the Canadian Tax Foundation at 31st December, 1954 and the Statement of Income and Expense for the year ended on that date. Our examination included a general review of the accounting procedure and such tests of accounting records and other supporting evidence as we

TORONTO, 18th February, 1955.

STATEMENT OF FINANCIAL POSITION
AT 31st DECEMBER, 1954

	<u>1954</u>	<u>1953</u>
ASSETS		
CURRENT ASSETS:		
Cash on hand and on deposit - - - - -	\$ 20,661.41	\$ 13,771.02
Investment — Crown Trust Company		
Guaranteed investment receipt 3½% - - -	20,000.00	10,000.00
Deposit with Trans-Canada Air Lines - - -	425.00	425.00
	<u>41,086.41</u>	<u>24,196.02</u>
FURNITURE AND OFFICE EQUIPMENT - - - - -		
Less accumulated depreciation - - - - -	6,976.54	6,520.84
	<u>3,203.86</u>	<u>2,506.21</u>
	<u>3,772.68</u>	<u>4,014.63</u>
M. L. GORDON FELLOWSHIP FUND:		
Cash in Bank - - - - -	2,475.89	3,404.38
	<u>47,334.98</u>	<u>31,615.03</u>
LIABILITIES		
ACCOUNTS PAYABLE - - - - -	79.45	976.78
RESERVE FOR RESEARCH STUDIES AND PROJECTS COMMENCED IN 1954 - - - - -	9,500.00	—
M. L. GORDON FELLOWSHIP FUND:		
Balance at 1st January - - - - -	3,404.38	
Add: Interest received - - - - -	71.51	
	<u>3,475.89</u>	
Deduct: Fellowship payments - - -	<u>1,000.00</u>	2,475.89
		3,404.38
INCOME AND EXPENSE ACCOUNT BALANCE - - -	35,279.64	27,233.87
	<u>\$ 47,334.98</u>	<u>\$ 31,615.03</u>

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

R. deWolfe MacKay
Chairman

John A. Wilson
Vice-Chairman

considered necessary in the circumstances. In our opinion, the accompanying Statement of Financial Position and Statement of Income and Expense present fairly the financial position of the Canadian Tax Foundation as at 31st December, 1954, and the results of its operations for the year ended on that date.

ORMSBY & ORMSBY
Chartered Accountants.

Report of the Chairman of the Board of Governors

*to the Ninth Annual Meeting of the
Canadian Tax Foundation
March 24, 1955*

The year 1954 was the eighth in the life of the Foundation, a year of change and consolidation, and I am pleased to be able to report that in many respects it was the most successful one. Our status as a qualified impartial body has been recognized by public and Government alike; the volume of work was greatly increased in quantity and quality; we had one of our best conferences; there was a heartening rise in our membership, both corporate and individual, a satisfactory improvement in our financial position and a well-laid foundation for the coming year.

Before, however, dealing with affairs directly related to the current year, I would like to touch briefly on the broader outlook for the Foundation, both in terms of its past accomplishments and the challenge for the future.

As to the past, there are real grounds for satisfaction with our record. From an idea that was conceived by a handful of men and which by its very nature faced every obstacle in its realization, the Foundation has progressed to the status of an organization having a well recognized position in the affairs of the country. An inventory of the individual tax developments in which it has played an influential role would be a long one. We may take real satisfaction, however, from our part in the revision of the income tax legislation and more particularly in having been influential in the steps taken toward removal of double taxation of income through the dividend tax credit, the introduction of the 15% tax under which the undistributed earned income of corporations may be capitalized, and the repeal of Section 1100 (4) of the Income Tax Regulations which restricted the manner in which business could take its capital cost allowances. These

represent only the record of activities in one segment of the tax field and others could be cited.

Looking to the future, it is clearly evident that the challenge to an organization such as the Foundation will be as great as in the past. All signs are that there is little hope of an early end to the present era of high tax rates. When rates are high, all parts of the tax system are under stress and it becomes doubly important to eliminate anomalies and inequities and to see that taxation is based on sound and logical principles, and the role of an organization such as ours is correspondingly increased in importance. Not only is it desirable in these circumstances that the Government receive the expert and impartial advice on the workings of the tax structure that we can offer but, in my view, it becomes a matter of highest public responsibility that we offer it. I am confident that the Foundation will accept the challenge so presented.

Conference

Turning now to some of the activities of the past year, I will mention first the one with which we are most often identified and in which the greatest number of our members participate — that is, the annual conference. This unique occasion brings together on common ground lawyers, accountants, businessmen, Government officials and others interested in taxation for a two-day discussion of common problems. Our conference last November in Montreal was the largest and, in some terms, the most successful, we have yet held. The number in attendance exceeded 400, as compared with less than 300 at the largest previous conference. Particularly gratifying was the large attendance of representatives of business who accounted for about one-half the total. We were honoured with the presence for various parts of the conference of the Minister of Finance, the Financial Critic of the Opposition, the Treasurers of two Provinces, various Federal and Provincial officials and distinguished visitors from abroad. Our discussions of income tax, sales tax

and death taxes contributed to a better understanding of the issues involved in important areas of these fields and will in time produce good results. The speech of the Minister of Finance at our closing banquet, his first since assuming the portfolio, was a highlight of the conference and, as you well know, the text of this address has become one of the historic documents of 1954.

While on the subject of the conference, I would remind you that the 1955 meeting will be held in Toronto at the Royal York on November 7th and 8th. I know the staff will welcome any suggestions that may be put forward by the members, either on subjects for discussion or on conference arrangements. In view of the increasing attendance, which will have its inevitable effect on the character of the conference, I am sure that suggestions regarding arrangements will be particularly appreciated.

Publications

Despite the fact that our publication programme for 1954 included no new books or other major works, it was a very full one. During 1954 there was issued one of the most popular publications the Foundation has ever prepared — the analysis of the revenues and expenditures of the Federal Government which appeared under the title "The National Finances". To meet the demand there were three printings of this booklet and about 4,000 copies were distributed in all. As a simplified and condensed source of a mass of information about our Federal Government it has proven to be immensely popular with business organizations, teachers, students and, of course, with our own membership.

Our Tax Journal is now in its third year and is well established with an international reputation as an organ of sound writing on taxation. The scope of the Journal has been extended by the acquisition of an American correspondent, Walter W. Heller, one of the best known writers in the United States on tax problems, who will contribute articles of the same general character as those now received from Mr. Ilersic in England. Several of the

existing features of the Journal have been favourably commented upon and an article by its editor enjoyed the distinction of being mentioned recently in a Tax Appeal Board Judgment.

Supplementary to the Journal we have the Tax Memo, which was introduced last year as a means of giving more flexibility to our series of publications. There have now been five such Memos, and two of them, No. 2 "The Basic Issue in Death Taxes" and the latest, No. 5 "Report on Federal Sales Tax", have been the product of weeks or months of work by members of the staff. This has been a most successful innovation and the series will be continued.

It is often overlooked that the Conference Data Papers over the last five or six years have in themselves represented a considerable addition of a very valuable kind to Canadian tax literature. That prepared on death taxes for the last conference, for example, involved several weeks of research by the staff and is among the few comparative studies of the law and practice in Canada, the United Kingdom and the United States now available.

Tax Legislation

In view of the place it has occupied in our programme in the last two or three years, I want to speak first about the Federal sales tax. Looking back, it would appear that the last twelve-month period has brought a turning point in our studies of this tax. During that time the staff conducted several meetings with corporate subscribers on their problems and obtained further information through questionnaires, and all this research confirmed the results of previous studies. However, in order to test the matter further, the discussion of the sales tax at the conference was left entirely in the hands of businessmen and others who had considered the questions independently. The results of the conference discussion verified the conclusions of the staff, and with this assurance it seemed clear that further study and discussion would only serve to contribute new evidence of deficiencies already well confirmed. On these grounds, therefore, it

was decided to issue a statement prepared by the staff in which the results of four years' study and investigation were summarized. This report was issued as Tax Memo No. 5 and its main recommendation was that the Excise Tax Act be subjected to the same process of overhauling as was the Income Tax Act.

The report was submitted to the Minister of Finance and the Minister of National Revenue by the Director and myself in January and we have observed that many important business organizations have since urged that a general revision be undertaken.

The announcement in the 1954 budget that the Federal Succession Duty Act would be overhauled prompted the preparation and release of a summary of the basic issues in death taxes by the Foundation. The subject also featured prominently in our conference programme and the Data Papers and addresses covered several aspects of the issues involved in the revision. However, this is a subject of the most extreme complexity and it is evident that the last word has not been said as yet by any means. I imagine that some further study will be on the Foundation's programme for the coming year.

Our principal activity in the case of the income tax was the examination last year again of the Income Tax Bill in Ottawa immediately after its introduction by the Minister of Finance. This procedure, under which a small group of our member lawyers and accountants give the legislation intensive examination for such defects as can be discovered in the relatively short space of time available, has resulted every year in the introduction of ameliorating amendments before final passage of the legislation.

At the annual conference the discussions on income tax included the lively issue of tax treatment of provisions for retirement by the self-employed, and your Director and myself subsequently took the opportunity to discuss this problem with the Assistant Deputy Minister of Finance at Ottawa.

While major issues in the field of income tax are not as common as they were a few years ago, certainly there are several aspects of income tax involving anomalies and inequities which must be given further study. Some of these questions were also discussed at the Annual Conference.

Membership

Continued satisfactory progress can be reported in our membership. During the last three years our corporate membership has tripled, and at the present time there are about 400 corporate subscribers, of which 76 were added in 1954. If to this total we add the Companies who are supporting the Foundation indirectly through contributions made by their associations, our direct and indirect corporate membership is now more than 700. An aspect of the past year which I find also encouraging is that, whereas a year ago we were represented in only eight of the provinces, today we have corporate members in all ten.

Our individual membership now totals 1150 as compared with 1050 a year ago, much of which is accountable to enrolment by students, teachers and recent graduates under the special membership established a year ago, a development which I personally hope to see continue in the future.

Finances

A statement of the financial position for 1954 was furnished with the Notice of the Annual Meeting and I need not comment on it in detail. In general terms, our revenues increased from \$90,000 to \$105,000 and our expenditures declined from \$98,000 to \$88,000. This gave a net betterment of position of \$26,000, and an operating surplus for 1954 of \$17,500. The increase in revenues is the outcome of a continuing concerted effort to expand our corporate membership, the results of which I have just indicated, and as well an effort to bring the contributions of our existing corporate members into better balance. The decrease on the expenditure side is the result of a temporary drop in salary payments because of a reduction in staff and a temporary

reduction in our expenditure on publications from \$18,000 to \$12,000 resulting from the readjustment inevitable in the change-over in the directorate of the Foundation.

I wish particularly at this point to state my own convictions as to the way in which an organization of the character of the Tax Foundation should be financed. In my view, the purpose of the Foundation is of such vital importance in Canada that it must not be handicapped for lack of funds in carrying it out. It must be in a position to pay its staff adequately; to house it in suitable premises; to employ whatever additional staff is necessary from time to time; to requisition the services of expert help where needed from outside the Foundation; to prepare and publish its periodicals and studies in a form that will continue to attract notice in the flood of material now pouring from the presses; to enable its staff to do whatever travelling is required in carrying on the work of the Foundation and to deal with those they meet on an equal footing.

It was in order to realize some of these objectives that several projects were launched in 1954 as a means of building up our programme, in anticipation of adequate financial support. However, in view of the long-term character of the research involved, it is anticipated that the greater part of the cash outlay for fees, publishing and related costs will occur in 1955 and will probably be in excess of \$30,000. To show this whole cost in 1955 would not give a proper distribution of the financing of the programme and we decided, therefore, this year, to charge an appropriate part against the accounts of 1954. This adjustment will enable us to give a more accurate accounting for 1955. This charge is in the amount of \$9,500 and is in addition to the expenditure of \$88,000 mentioned above. The adjusted surplus for 1954, after providing for such appropriations, is thus \$8,045.

While I view with satisfaction the progress of the past year, I do not regard it as being more than a step towards fulfillment of what I visualize as the ultimate goal. I had hoped to be able

to reach the objective set two years ago of a minimum annual revenue of \$120,000 and, although not achieved at the end of the year, steps taken during the past year have assured us that additional revenues of \$7,500 will be received from existing sources. With the normal annual increase in income from new memberships, our objective should be reached and probably exceeded.

There are two avenues open to us which offer promise of meeting our objective.

The first avenue, of course, is the enlistment of new corporate members. There are many Companies in Canada whose knowledge of the Foundation has not gone beyond a vague notion that it is some sort of organization carrying on do-good works of a theoretical kind having no possible concern to them or the public at large. This attitude we must overcome, and it can easily be overcome by steady effort.

Second, the effort must be continued to have certain of our existing corporate members pay a subscription more in keeping with their size. This is only fair to the majority of our subscribers who in fact do make a reasonable contribution, and my personal experience has been that Companies normally are receptive to the suggestion when it is presented in a proper light.

I have been intentionally vague up to this point as to who must be responsible for the performance of these obligations — and they are obligations. In the nature of our organization they must be placed squarely on the shoulders of the Board of Governors and any other good friends of the Foundation who are willing to work in its interests. It is only because our Governors and a few actively interested members have worked on finance committees and in other ways to enlist support that the Foundation has reached its present stature. This obligation I am confident will be met in generous measure by the new Board that will be elected today.

The M. L. Gordon Fellowship

There have now been three awards under the scholarship fund established in 1951 in memory of the Foundation's first Chairman, the late Mr. M. L. Gordon. The successful candidate in 1954 was Mr. Maurice J. Boote of Montreal. Mr. Boote is proceeding to a Doctor of Philosophy degree at McGill University and will make a study of certain aspects of corporate taxation, including the extent and significance of corporate saving, the relationship between the regulations and the treatment of depreciation by corporations, and the role of valuation of assets in the determination of taxable profits.

Announcements of the award of a Fellowship in the current year have been posted in the Universities and the name of the successful candidate will be announced in May.

Changes on the Board of Governors

The following members of the Board will retire this year:

Frank L. Bastedo, Q.C.	Regina
Frank A. Coffey, C.A.	Montreal
Errol M. Davison, C.A.	Halifax
T. A. M. Hutchison, F.C.A.	Toronto
John A. MacAulay, Q.C.	Winnipeg
Lazarus Phillips, Q.C.	Montreal
Claude S. Richardson, Q.C.	Montreal
Louis McC. Ritchie, Q.C.	Saint John
David Reevey, C.A.	Saint John
André Taschereau, Q.C.	Quebec
J. Ross Tolmie, Q.C.	Ottawa

I must not let this opportunity pass without giving expression to the appreciation of all associated with the organization for the contribution that has been made by these men during their term of office. Particularly, I should mention the names of certain retiring legal governors, such as Mr. John MacAulay, Mr. Laz

Phillips, Mr. Claude Richardson, Mr. André Taschereau and Mr. Ross Tolmie, none of whom has served for less than six years and some of whom are among the founders and former Chairmen of the Foundation. Among the retiring accounting Governors, Mr. Tom Hutchison has served for six years and was my predecessor as Chairman. It is to be hoped that none of these men will feel that their associations with the Foundation have been terminated on retirement from the Board.

In accordance with the slate that has been nominated by the President of the Canadian Bar Association and the President of the Canadian Institute of Chartered Accountants, the Governors who will replace those now retiring are the following:

Harold E. Crate, F.C.A.	Toronto
Harvey E. Crowell, C.A.	Halifax
Walter W. B. Dick, C.A.	Moncton
G. Richard Hunter	Winnipeg
George P. Keeping, F.C.A.	Montreal
Roger Letourneau, Q.C.	Quebec
John deM. Marler, Q.C.	Montreal
D. Ross McMaster, Q.C.	Montreal
Gordon M. Stirling	St. John's
M. Gerald Teed, Q.C.	Saint John
David M. Tyerman	Regina

Revision of the By-laws

In order to bring them up to date and to introduce one or two changes, a revised set of By-laws has been drafted and passed by the Board of Governors. A feature of the new By-laws is the establishment of the office of Past Chairman, a change which will enable the Foundation to retain in an official capacity the services of Governors who have had the experience of being Chairman of the Board.

Staff

Since April 1st of last year, the direction of the Foundation's activities has been carried on under Mr. Harvey Perry who succeeded Mr. Douglas. Miss Woolfrey, Mr. Douglas' secretary, took other employment during the year and, consequently, the total staff has been temporarily reduced from ten to eight. I use the word "temporarily" because of my previous remarks regarding the convictions which I have that the Foundation's operations should expand and this can only reasonably be done by acquiring additional staff of high calibre when it can be found.

The present small select group of highly-qualified and hard-working people, in cooperation with each other and under the supervision of our Director, are turning out a great volume of material.

Mr. Perry, our Director, is a triple threat man. In addition to supervising the work of the staff and producing some of the finest writing today in Canada on tax issues and matters, he has given speeches and lectures on behalf of the Foundation in nearly all the major Cities of Canada, and in addition has been during the past year the collector extraordinary of subscriptions. From every point he has visited, new and substantial subscriptions have come.

Mr. Milton Moore has done prodigious work over the past four years and particularly in the last year conducting research into and holding conferences amongst businessmen on the problems of Federal sales tax, culminating in Tax Memo No. 5 which I referred to previously, recommending an overhauling of the Excise Tax Act.

Mr. Roger Carswell came to us from the Dominion Bureau of Statistics and his place on the Foundation's staff has been assured by his collaboration with Mr. Perry in the preparation of the publication "The National Finances", which was received with such enthusiasm by the membership and the public.

Mrs. McGregor, in addition to her duties as Editor of the Tax

Journal, to which she contributes a substantial portion of the articles, spent a large part of her time last year in research into and the preparation of the data paper on succession duties which, as above mentioned, is amongst the few comparative studies of law and practice in this field in the three countries of Canada, the United Kingdom and the United States now available.

To these hard-working members of the staff of the Foundation, together with Mr. Reid, our Treasurer, Miss Dean, our librarian, and Mrs. Wilkinson and Miss Gurney of the secretarial staff, I would like to extend on your behalf our sincerest thanks and gratitude for their unselfish and untiring efforts on behalf of the Foundation.

In keeping with an objective that was approved some years ago, at the beginning of the current year the Board of Governors established a contributory pension plan for the staff.

The very successful past year enjoyed by the Foundation has been in no small measure due to the efforts of the Secretary, Mr. Sedgewick, and my colleagues on the Board of Governors, and I wish to take this opportunity of expressing my sincere and grateful appreciation for their support.

I am sure that I speak also for my colleagues on the retiring Board in extending my best wishes and warmest welcome to the incoming Board for the new year.

R. DEWOLFE MACKAY.

Report of the Director

*to the Ninth Annual Meeting of the
Canadian Tax Foundation
March 24, 1955*

Since this is my first occasion for reporting to the annual meeting in the capacity of Director I have reflected seriously on what purpose should be served by my address. Mr. MacKay has already outlined the basic facts of our progress and given an accounting of the general stewardship of the Officers and Governors in the past year. This seems to imply that the Director should concentrate his attention on the affairs of the Foundation which are his daily concern, and that is precisely what I intend to do. I might add that I am going to take a very liberal view of compass of things that come before me daily.

It may not be surprising to hear that one of the duties I perform most frequently, indeed almost daily, is to answer the questions, "What is the Tax Foundation?" and "What does the Tax Foundation do?" These questions are asked me so regularly that I seek every occasion for answering them, and since the annual meeting is above all else an opportunity for discussing our own affairs I want to deal with them again today.

First there is the question:— "What is the Tax Foundation?" This can be answered formally with the statement that it is an organization set up following the war by the accounting and legal professions to carry on tax research. Historically this is a complete answer, but in practice it only leads to another question — "What is tax research?" And this is a tough one. It is characteristic of our age that research in the *physical* sciences is not only accepted but is regarded as essential, even by members of the general public who in fact know nothing of the problems involved, whereas organized investigation of the facts and principles which relate to any aspect of society or government is regarded with either indifference or suspicion. To take a simple

example, research directed towards turning out better automobiles is highly approved, but research directed towards finding the best way to pay for the roads which are essential to the use of automobiles is as yet hardly understood.

The root difficulty of course is that almost any matter touching government stirs up deep-seated discords and antagonisms, and is discussed in terms which reflect this atmosphere. There is nothing particularly sinister about this, since it is the essence of the democratic process and in the end produces good results. It is not surprising however that the idea of objective research involving the most explosive of the material of public discussion — namely, taxation — is a novel one and is hard to put over. But in the cause of all dispassionate analysis of public issues we must persist in our efforts. For my part I explain that there are suitable and unsuitable taxes and ways of imposing taxes and of arranging the fiscal affairs of a country, and that these can be studied and evaluated by trained people in an objective way, and that is precisely what we are trying to do. I explain that we are financed by several hundred companies and over a thousand individuals who have been promised no specific return for their money and to an astonishing extent expect nothing more than that we live up to our own professions, a truth which my first year as Director has confirmed to a degree even beyond my expectations. Every so often of course I have the gratifying experience of finding in some new quarter an appreciation for the value of this intangible and priceless asset, a reputation for objectivity. I find that a growing number of Canadian businessmen have come to the realization that impartiality is the essential distinction between research and propaganda, and therefore understand what we are trying to do at the Foundation. I am reassured too by the attitude of the universities, who accept us and our works at face value. Finally I can say with confidence that governments in Canada are familiar with our name and give full weight to our studies. And this is no small thing. It is much more difficult to impress governments than it is to impress taxpayers, since taxpayers being only human and hopeful are easily

attracted by rebellious tumult. It is too often overlooked that this is the milieu in which government is normally conducted, and in time the authorities become tone-deaf to extravagant statements. The unfamiliar sound of a few hard facts will often penetrate where all else is absorbed in the general uproar.

Much of the reputation of the Foundation I inherited as an asset when I took office, for which I can only give profound thanks. However, as Mr. MacKay has said, I have spent a good part of my time in the last year in trying to enhance it. This has involved making twenty-five or more speeches, some before important gatherings, writing a dozen or more articles, appearing on radio and TV, and travelling about the country from coast to coast. I should add of course that while I regard this as my particular responsibility as Director, other members of the staff have also been involved in this process of telling what the Foundation is and what it does. I regard it as indispensable to its effectiveness that the Foundation be known and its purposes understood, and I will continue to make it a major part of my job to achieve this end.

Now as to the other question — "What does the Tax Foundation do?" The obvious answer from the remarks I have just made is that we do tax research. But again this is a statement which conveys no more to most people than Einstein's theory of relativity, even though Einstein has turned our world upside down. Mr. MacKay has mentioned most of the outward evidences of our activity and it is by these things mainly that we must be judged. Behind these specific manifestations there is a small group of trained people who are spending full time in the examination, discussion, and study of tax and other fiscal problems and who are gradually accumulating some experience at the job. And if that sounds like being too humble let me immediately point out that there are few areas of study that are more complex, and that no mean skill is required in threading one's way through the minutiae of the tax system and at the same time keeping one's eye on the whole scheme. There is no magic involved in it at all, but it is a skill that can only be acquired by daily practice year

in and year out, and we are the only people outside government in Canada who are so engaged.

I think the best demonstration of our role is in the work we have done on the sales tax. Here we have acted as the focal point for several forms of study. The first survey was made in the field by Mr. Due, a university trained expert in sales taxes; our conference discussions gave us the benefit of the experience of the legal and accounting professions; our meetings with businessmen and questionnaires addressed to business firms gave us direct evidence from those paying the tax; and our study and discussion in the office brought together all this evidence and enabled us to present a report on needed revisions.

This particular example gives an ideal opportunity too for examining a comment sometimes made that our approach is theoretical. If by this it is meant that we speak frequently in theories and principles then I say it would be strange if it were not so, since if this isn't our business we had better close up shop. On the other hand if it is meant to imply that because we speak in terms of principles we are unaware of the underlying facts then I say the comment is quite without warrant. For example, in the case of the sales tax report, the fact that we speak about the "sale price" does not mean that we are ignorant of the facts as they apply to tires, washing machines, TV sets, soft drinks, candy, jewellery, watches, furniture, drugs, luggage and so on. Indeed, only the person who has grounded himself well in the facts can run the risk of discussing any tax issue in terms of principle; otherwise he is just putting his neck on the block.

I won't pretend that the staff has achieved perfection or anything close to it. But it must be remembered that this is an operation almost unique in any country, and we are therefore breaking new ground most of the time as we go forward. My personal belief is that we are doing a good job of it — certainly if we aren't it isn't for lack of trying.

This brings me to another point. Every so often I hear it said that maybe we are trying too hard, or more specifically,

that we are publishing more material than our members can absorb. Now I sympathize with anyone who is conscientiously trying to keep abreast of the printed matter with which one is deluged. However I am happy to assure any member who finds it a problem to read every word we print that while we are pleased if he does read it all in fact we don't really expect that he will. We now cover an extremely broad range of subjects, and it is too much to hope that everyone will be interested in everything we put out. At the same time each individual study we have issued has been of great value in relation to some specific problem, and my personal conversations with all sorts of people have confirmed my own impression that nothing we have issued has fallen on barren grounds.

I hope that in dealing frankly with these questions I have not given the impression that we are inundated with complaints. Nothing could be farther from the truth, since in my first year as Director I have had expressions of high regard for the Foundation from every quarter. My purpose was only to restate a few basic propositions about our organization for the benefit of those who may not yet have fully appreciated them. Nor have I intended to imply that the staff constitutes the whole Foundation. No one is more conscious than I that there is a good deal more to it than is represented simply by the employees.

Now the most important question yet to be answered — making the brave assumption that I have answered any questions so far — is, "What lies ahead?" For the immediate future the schedule is pretty crowded. In the next few months we will issue a 1955 edition of the National Finances; a study of highway financing, running to over 200 pages, which we will probably call "Taxes and Traffic", and which will deal with such academic matters as toll roads and gasoline taxes. Considering that two members of the staff profess to be experts of a sort on Dominion-provincial relations, the job of keeping track of conferences and other developments in this sphere will take up some of the spare time, and if our own suggestion that a revision of the federal

sales tax is put underway further work on that subject will also make a good indent on the rest. So far I have not even mentioned our major staff project for the year — a coast to coast study of forestry taxation — which is already well under way but which will require many months of solid work yet. I might add that we will have our committee in Ottawa to examine the annual income tax bill as in the past, that we may have a revised federal death act to study or, if not, some further preparation to do in anticipation of a revision, that we will get out the Tax Journal regularly every two months and will produce further issues of the Tax Memo, and in between times write some articles for other periodicals, give an occasional speech, answer quite a few letters and telephone calls and do some thinking about our conference programme next fall. At the moment this is the way 1955 is shaping up for the staff. In addition we will publish three studies prepared for us by experts outside the staff on the taxation of international investment, the cost of financing a national health insurance scheme and on provincial-municipal financial relations.

In the nature of our work of course we must make our longer range plans for at least a year in advance, and at an early date I will be submitting to the new executive committee some specific proposals. It would not be proper for me to anticipate their decisions at this time, but I can indicate in a general way the developments that I would like to see take place in the next two or three years. First, we should continue to publish major book-length studies of the principal federal taxes. Second, we should continue to develop our studies of provincial taxation, a field as yet practically neglected and one in which we can do a real service for both the public and governments. I anticipate that within a year, by which time our forestry taxation study should be completed, the staff will be able to start a similar study of provincial mining taxation. Third, we should attempt to extend to the expenditure side of the budget the sort of constructive analysis that we have been able in the past to apply so successfully to the taxation side. Fourth, we should try to supplement our

annual conference, at which issues of importance for all taxpayers are discussed, with regional conferences where matters of only local concern can be considered. Fifth, we should extend our efforts to assist universities in the teaching of public finance and related subjects, which suffers now from the lack of Canadian texts. These are some very general lines of new development that I foresee for the next few years, but of course I take for granted that we will continue to be interested in all phases of existing taxation. It is not possible to forecast exactly when these developments will be realized or what specific form they will take, but they are goals towards which we should try to work. As Mr. MacKay has said, it is axiomatic that our progress in achieving them will depend on the resources at our disposal.

There only remains now my pleasant duty as Director in charge of the staff to echo in the warmest terms Mr. MacKay's words of appreciation for the loyalty, enthusiasm and hard work of its members. Some adjustment has been necessary for everyone on my assumption of broader responsibilities as Director, and this transition has been greatly eased by the willing co-operation of all. Since I also occupy the position of an employee of the Foundation I speak in turn for the whole staff in expressing our appreciation for the unfailing encouragement and consideration we always receive from the Officers and Governors of the Foundation. The establishment of a pension fund this year is but one tangible expression of the excellent "labour relations" which exist in the Foundation. May I also express my personal appreciation for the welcome given me by our Governors in many cities as I visited them in the past year, and finally, for the always friendly and enthusiastic guidance and support of deWolfe MacKay, with whom my associations have been most pleasant and stimulating. I look forward to working with our new Chairman and Board of Governors with every confidence that 1955 will again be a year of progress in the life of the Foundation.

J. HARVEY PERRY

THE Canadian Tax Foundation was established in 1945 as an independent tax research organization. Its Governors are nominated each year by the Canadian Bar Association and the Canadian Institute of Chartered Accountants, and its work is supported by nearly two thousand Canadian individuals and corporations.

The purpose of the Foundation is to provide both the tax-paying public and the governments of Canada with the benefit of expert, impartial research into current problems of taxation and government finance. This work is carried on by a well-qualified, permanent staff and by outside experts commissioned for special studies. The Foundation publishes the Canadian Tax Journal and other books and pamphlets, and its activities include holding conferences, providing speakers, granting university scholarships and making submissions to government.

Membership in the Foundation is open to all who are interested in its work.