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# CANADIAN TAX FOUNDATION

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*Eleventh Annual Report*

FOR THE YEAR ENDING  
DECEMBER 31st, 1956

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# CANADIAN TAX FOUNDATION

## BOARD OF GOVERNORS

Elected March 28th, 1957

Ralph L. Bamford, F.C.A.	- - - - -	Moose Jaw
*Henri L. Belanger, C.A.	- - - - -	Montreal
Paul Bruneau, C.A.	- - - - -	Quebec
William M. Carlyle	- - - - -	Vancouver
*Harold E. Crate, F.C.A.	- - - - -	Toronto
H. Weir Davis, Q.C.	- - - - -	Montreal
Walter W. B. Dick, C.A.	- - - - -	Moncton
G. Fitzpatrick Dunn, C.A.	- - - - -	Victoria
*A. Willard Hamilton, C.A.	- - - - -	Montreal
T. Earle Hickey, C.A.	- - - - -	Summerside
G. Richard Hunter	- - - - -	Winnipeg
Donald J. Lawson	- - - - -	Victoria
*Campbell W. Leach, C.A.	- - - - -	Montreal
Roger Letourneau, Q.C.	- - - - -	Quebec
*A. J. Little, F.C.A.	- - - - -	Toronto
*John deM. Marler, Q.C.	- - - - -	Montreal
Gerald E. Martin, C.A.	- - - - -	Halifax
*C. G. McConnell, F.C.A.	- - - - -	Toronto
Donald A. McGregor, C.A.	- - - - -	Calgary
Donald McInnes, Q.C.	- - - - -	Halifax
*Hugh J. McLaughlin, Q.C.	- - - - -	Toronto
*D. Ross McMaster, Q.C.	- - - - -	Montreal
John C. Newland, C.A.	- - - - -	St. John's
*James A. Renwick	- - - - -	Toronto
Douglas G. Scott, C.A.	- - - - -	Winnipeg
*Robert M. Sedgewick	- - - - -	Toronto
*Lancelot J. Smith, F.C.A.	- - - - -	Toronto
S. Bruce Smith, Q.C.	- - - - -	Edmonton
Gordon M. Stirling, Q.C.	- - - - -	St. John's
*M. Gerald Teed, Q.C.	- - - - -	Saint John
David M. Tyerman, Q.C.	- - - - -	Edmonton
*Henry F. White, Q.C.	- - - - -	Toronto

*\*Executive Committee of the Board of Governors*

## OFFICERS

Chairman	- - - - -	A. Willard Hamilton, C.A.
Vice-Chairmen and Co-Chairmen	{	Henry F. White, Q.C.
of the Executive Committee		Campbell W. Leach, C.A.
Past Chairman	- - - - -	M. Gerald Teed, Q.C.
Director	- - - - -	J. Harvey Perry
Secretary	- - - - -	William H. Zimmerman
Treasurer	- - - - -	James A. Reid

STATEMENT OF FINANCIAL POSITION  
AS AT 31st DECEMBER, 1956  
(With comparative figures for 1955)

	<u>1956</u>	<u>1955</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash on hand and on deposit - - - - -	\$ 26,590.09	\$ 24,627.26
Investment—Crown Trust Company		
Guaranteed Investment Receipts - - - - -	30,000.00	30,000.00
Deposit with Trans-Canada Airlines - - - - -	425.00	425.00
	\$ 57,015.09	\$ 55,052.26
<b>FURNITURE AND OFFICE EQUIPMENT</b> - - - - -	\$ 11,219.67	\$ 6,932.04
Less accumulated depreciation - - - - -	4,738.09	3,675.81
	6,481.58	3,256.23
<b>M. L. GORDON FELLOWSHIP FUND:</b>		
Cash in bank - - - - -	—	1,013.04
	\$ 63,496.67	\$ 59,321.53
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE</b> - - - - -	\$ 105.54	\$ 1,408.91
<b>M. L. GORDON FELLOWSHIP FUND:</b>		
Balance at 1st January - - - - -	\$ 1,013.04	
Deduct: Fellowship payments - -	1,000.00	
	13.04	
Transferred to Income and Expense—see contra - - - - -	13.04	
	—	1,013.04
<b>INCOME AND EXPENSE ACCOUNT BALANCE</b> - - - - -	\$ 63,391.13	\$ 56,899.58
	\$ 63,496.67	\$ 59,321.53

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS  
M. Gerald Teed A. Willard Hamilton  
*Chairman* *Joint Vice-Chairman*

**STATEMENT OF INCOME AND EXPENSE**  
**FOR THE YEAR ENDED 31st DECEMBER, 1956**  
 (With comparative figures for 1955)

	<u>1956</u>	<u>1955</u>
<b>INCOME:</b>		
Subscriptions—Corporate - - - - -	\$109,535.00	\$101,800.00
—Individual - - - - -	17,530.00	15,340.00
Interest - - - - -	1,348.64	910.44
	<hr/>	<hr/>
	\$128,413.64	\$118,050.44
<b>EXPENSE:</b>		
Salaries - - - - -	\$ 63,332.46	\$ 55,894.93
Publications (net) - - - - -	18,684.85	23,829.76
Expenditures on new premises - - - - -	8,933.98	—
Rent - - - - -	6,670.80	3,600.00
M. L. Gordon Fellowship payments - - - - -	\$ 2,650.00	
Less transfer from Fund— see contra - - - - -	13.04	2,636.96
	<hr/>	<hr/>
Travelling - - - - -	3,587.50	8,743.28
Printing, stationery and office supplies - - - - -	3,466.58	2,191.73
Pension Plan - - - - -	3,237.00	3,109.60
Postage - - - - -	2,731.72	2,951.92
Conference expense (net) - - - - -	2,021.90	7.88
General office expense - - - - -	1,516.76	1,377.67
Books and periodicals—library - - - - -	1,417.22	1,557.52
Special studies - - - - -	1,327.66	1,024.16
Telephone and telegraph - - - - -	1,234.73	948.85
	<hr/>	<hr/>
Provision for depreciation of furniture and office equipment - - - - -	\$120,800.12	\$105,237.30
	<hr/>	<hr/>
	1,121.97	693.20
	<hr/>	<hr/>
	\$121,922.09	\$105,930.50
	<hr/>	<hr/>
<b>EXCESS OF INCOME OVER EXPENSE FOR THE YEAR</b>	<b>6,491.55</b>	<b>12,119.94</b>
<b>AMOUNT RESERVED FOR RESEARCH STUDIES AND PROJECTS IN 1954—REVERSED IN 1955 - - - - -</b>		<b>9,500.00</b>
<b>BALANCE CARRIED FORWARD FROM PREVIOUS YEAR - - - - -</b>	<b>\$ 56,899.58</b>	<b>\$ 35,279.64</b>
<b>BALANCE OF INCOME AND EXPENSE - - - - -</b>	<b>\$ 63,391.13</b>	<b>\$ 56,899.58</b>
	<b><hr/></b>	<b><hr/></b>

**ORMSBY & ORMSBY**

CHARTERED ACCOUNTANTS

15 TORONTO STREET

TORONTO 1, CANADA

GERALD Y. ORMSBY, F.C.A.  
ANTHONY J. ORMSBY, C.A.

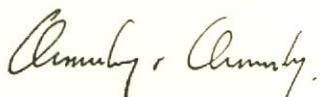
TELEPHONE · EMPIRE 3-5405

AUDITORS' REPORT

To:  
The Board of Governors and the  
Members of  
Canadian Tax Foundation,  
154 University Avenue,  
Toronto, Ontario.

We have examined the Statement of Financial Position of the Canadian Tax Foundation at 31st December, 1956, and the Statement of Income and Expense for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we 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, 1956, and the results of its operations for the year ended on that date.



Chartered Accountants.

Toronto, Canada.  
February 27th, 1957.

*Report of the Chairman*  
*to the Eleventh Annual Meeting of the*  
*Canadian Tax Foundation*  
*March 28, 1957*

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In presenting this eleventh annual report of the Chairman it is my happy privilege to be able to record another year of accomplishment and progress in the affairs of the Foundation. Our range of activities has broadened, our membership has increased, our revenues have risen and we have acquired vastly improved quarters for our office. With all this we have managed to run our affairs with a modest surplus.

I propose to discuss the various main events of the year under the headings established by custom in past annual reports.

### Conferences

First of all I should speak of our annual tax conference. For many of our members this is our principal function of the year, and we are particularly anxious to have it turn out successfully. I believe the conference last November in Montreal was in every respect up to the high standard we have tried to maintain. Again the attendance increased over previous years, with a further broadening of representation from the various interests among our membership and with a distinguished group of government officials and visitors from abroad present, several taking part in the programme. A wide selection of subjects was arranged by the programme committee, the members of which were Mr. Willard Hamilton, as chairman, Mr. John Marler, Mr. Lancelot Smith and Mr. James Renwick and the Director. A special highlight of the conference was the mock trial presented by the staff — with certain additions — in which I was allowed to participate in a modest — or perhaps some would say an immodest — capacity.

A printed report of the conference was mailed to all members early this month. Since the complete transcript of the dictaphone

discussion had to be typed and edited — in some cases so heavily edited as to require a second typing — the production of a volume running to 350 pages in a little over three months is a remarkable accomplishment on which the office staff is to be complimented.

The size, pace, arrangement and timing of our future conferences continue to give us serious concern, and we propose to do some experimenting. The conference this coming fall will be at the Royal York in Toronto on Monday and Tuesday, November 11th and 12th, and will probably not show much departure from the established pattern. However for our 1958 meeting in Winnipeg we are proposing to experiment with a conference running on Thursday, Friday and Saturday morning. If this timing turns out to have advantages we shall continue to use it in the future.

On the subject of conferences I should mention the extension of our activities in this sphere. Last year we had public meetings in Toronto and Montreal in June for our members to discuss the income tax amending bill. Both were well attended and proved to be a successful innovation. We shall continue this procedure in later years and shall have meetings this year as and when a bill is available.

This year we are also planning smaller special conferences in Vancouver and Saint John, N.B. to discuss our own report on forestry taxes and tenures in conjunction with reports of Royal Commissions that are expected to be made public in both these provinces. We are holding the dates indeterminate for the present but it is likely that they will be in the early fall.

These later developments, I should point out, are in keeping with our announced intention of a year ago of carrying forward our outside activities for the benefit of our members.

### Publications

Another hallmark of the Foundation is its publications. Throughout the year, not only in Canada but in many lands abroad, our publications are the badge of our organization and the standard of our performance.

In this regard I think we can now take some pride. Our *Tax Journal* and *Tax Memo* are widely read and frequently quoted. Our analysis of the federal revenues and expenditures — *The National Finances* — is now a regular and widely used annual survey. To these regular publications we are adding this year two more — one a periodic release on taxes in other countries, called *Taxes Abroad*; the other a handbook of Canadian statistical data published under the title, *Canadian Fiscal Facts*. The latter represents the final culmination of a project we have had under way for some years.

No other important publication has been released since our last Annual Meeting, but several are now in course of preparation. Some of these will not appear for some years, being larger works requiring extensive writing. Among them is a book dealing with broad issues of economic and financial policy for use in universities. Others will appear in the next year or so, and among these will be the final report on the study of forestry tenures and taxes and a study of the financial aspects of health insurance.

Our correspondence shows that our publications reach almost all parts of the world and most elements of the community, particularly of course the professional and business groups. While we value all these, perhaps that from which we derive most satisfaction is the very extensive use now made of our publications in the schools and universities.

It may be of interest to our members incidentally to know that our total mailing list now exceeds 2,600, and our material is going to 24 countries throughout the world. We make a special distribution of the *National Finances* to universities and similar institutions for teaching purposes, and in 1956 the total circulation of this particular publication reached almost 3,800.

### Tax Legislation

Undoubtedly the most gratifying recent development in tax legislation for the professional members of the Foundation was the announcement in the budget speech of the introduction of a

plan of tax relief for retirement savings made from earned income. In its terms it is sufficiently broad to assist all persons with earned income, an aspect which is particularly to be commended. While the Foundation has not directly taken an active role in pressing for this measure its officers cannot help but view this development with great satisfaction.

The 1956 federal income tax bill on introduction last June was as usual considered in Ottawa by a committee of lawyers and accountants under the sponsorship of the Foundation, and some changes in the bill resulted from subsequent representations to the Minister. During the past winter the staff has as usual co-operated with the Joint Taxation Committee in the preparation of its brief to the Minister of Finance.

Two major areas of federal tax legislation are still moving only slowly towards what we hope will in time be important revisions. These are the sales tax and death duties. Almost nothing has been done as yet to implement the report of the Committee on Sales Tax, nor have we as yet seen any evidence of the long-expected new death tax bill. It is to be hoped that the next year will bring some encouraging developments in these important fields of legislation.

In the provincial realm it now appears that almost the only consequence of the new federal-provincial fiscal arrangements is the re-imposition of a corporation profits tax in Ontario. While no formal representations were made by the Foundation, the Director has been in touch with officials responsible for drafting the new legislation. He has also had some discussion with Quebec officials regarding the rules of allocation of profits under the Quebec law. On the whole it would appear that both our largest provinces are anxious to minimize the disturbances to business from the imposition of taxes on business profits.

### **Membership**

Turning to some of the more practical details about our own affairs I would mention first the growth in our membership during

1956. Briefly stated, we have had a relatively satisfactory increase in both individuals and corporations. At the end of 1956 we had in all some 1,350 individual members, a net increase of 125 over the number at the end of 1955. Of this total I think it is of interest to note that some 200 are teachers, students and young lawyers and accountants enrolled at the special rate of \$5.

Our corporate subscribers also rose in number from 423 at the end of 1955 to 459 at the end of 1956, a net increase of 36. Adding to this number another 300 or so companies which are represented through the subscriptions of associations made on their behalf, we have a total of, say, 760. So far in the current year we have added another 30 individual members and another 8 corporations.

With a total combined membership of over 2,100 we have now achieved a fairly broad base of support and representation. At the same time when one considers the number of tax practitioners, citizens, students and others who would derive real benefit from membership in the Foundation there seems no reason to doubt that in time our active membership will be two or three times what it is now. I will return to this question in a moment in connection with our finances.

### New Premises

Undoubtedly one of the greatest steps forward in the past year was the move to new quarters. From the second floor of a converted residence on College Street in Toronto the offices were moved during the summer to a modern building on lower University Avenue. A whole floor, covering some 4,000 feet, was rented and in it an entirely new office, designed specifically for the needs of the Foundation staff, was laid out. Those of you who have had the opportunity of visiting this new office will agree with me that it is well planned and spacious, and decorated and furnished in a manner befitting the importance of the institution which it houses. We were in no sense extravagant in making our plans for this space, but nevertheless the move has been expensive, both in terms of capital expenditure and in increased outlay for

rent. However it is an essential step in the programme of expansion my predecessor announced in his report of last year, and now that it is taken we can feel great satisfaction with the result. We are now in a good position to go ahead with our long run project of further development as soon as our finances permit.

### Finances

In regard to our finances, I would point out that in the notice of the Annual Meeting a complete statement has already been given to the members. I shall comment therefore only on the main results of the year, which on the whole were quite satisfactory. Our revenues increased by over \$10,000, reaching a total in excess of \$128,000. The main explanation for this, of course, was the increase I mentioned previously in both corporate and individual memberships. On the expenditure side there was an increase of about \$15,000 to a total of nearly \$122,000. A variety of reasons explain this increase, but the greater part of it was due, as I indicated a moment ago, to the increased cost of office premises. There were increases in some items, but these were offset by declines in others. On balance there was a modest excess of income over expense of about \$6,500, compared with about \$12,000 in the previous year. In view of this small balance it was out of the question to add anything to our modest reserve fund, which, apart from our bank balance required for current operations, is only \$30,000.

### M. L. Gordon Fellowship

Last year we broadened the terms and increased the amount — from \$1,500 to \$2,500 — of the Fellowship offered by the Foundation in honour of its first chairman, the late Molyneux L. Gordon. Under these terms the 5th award of the Fellowship was made a year ago to Mr. C. Frank Owen, who had also won the 4th award. I am able to announce to this gathering that the decision as to the winner of the 6th award was made known by the judges yesterday. The holder of the award in 1957-58 will be Mr. Alvin A. Burnett, Macdonald College, Quebec, who will investigate some aspects of municipal finance in Canada. I might mention again in passing

that to our knowledge this award of \$2,500 a year is among the largest — if not the largest — made by any organization in Canada for doctorate work in the social sciences.

### Changes in the Board of Governors

The members of the Board of Governors who will retire this year — twelve in all — are:

Everett J. Chambers, Q.C.	Calgary
Kenneth G. Clark, C.A.	Vancouver
Harvey E. Crowell, C.A.	Halifax
John G. Edison, Q.C.	Toronto
William H. Jost, Q.C.	Halifax
George P. Keeping, F.C.A.	Montreal
James L. Lawrence	Vancouver
Robert Leith, C.A.	St. John's
James L. Lewtas	Toronto
Kris A. Mapp, F.C.A.	Toronto
John A. Wilson, F.C.A.	Toronto
William Young, C.A.	Winnipeg

This is the only occasion for expressing our appreciation of the interest, helpful co-operation and strong support of these men in advancing the affairs of the Foundation during their tenure of office. We are indebted to them all, but I know that you would like me particularly to express our appreciation for the loyal service of Mr. Jack Wilson, who has been a Governor for some six years, and having held the offices of Vice-Chairman, Chairman and Past Chairman now retires from the Board.

This probably is as good a place as any to mention that since our last annual meeting we have established an advisory committee made up of all the past chairmen of the Foundation. The membership of this committee now includes the names of J. Grant Glassco, W. Gerald H. Jephcott, Claude S. Richardson, Kenneth LeM. Carter, Lazarus Phillips, Thomas A. M. Hutchison, R. deWolfe MacKay and John A. Wilson. Through this medium we hope to be able to maintain some contact with men who have played a major role in the development of the Foundation.

The new Governors to be elected for the coming year as nominated by the President of the Canadian Bar Association and the President of the Canadian Institute of Chartered Accountants under the provisions of our by-laws are as follows:—

William M. Carlyle	Vancouver
G. Fitzpatrick Dunn, C.A.	Victoria
Campbell W. Leach, C.A.	Montreal
A. J. Little, F.C.A.	Toronto
C. G. McConnell, F.C.A.	Toronto
Donald McInnes, Q.C.	Halifax
Hugh J. McLaughlin, Q.C.	Toronto
John C. Newland, C.A.	St. John's
Douglas G. Scott, C.A.	Winnipeg
Robert M. Sedgewick	Toronto
S. Bruce Smith, Q.C.	Edmonton

In addition to these names it will be necessary for me to move the nomination of one other person under powers given me in the by-laws in place of a Governor who only recently decided not to allow his name to stand for another year. The name I shall nominate will be Gerald E. Martin, C.A. of Halifax. I should also point out that one of the new governors is to be R. M. Sedgewick, who is now Secretary of the Foundation. Mr. Sedgewick's election will vacate this office and will require the appointment of a new incumbent at our organizational meeting, which takes place this evening.

To all our new Governors may I express a warm welcome.

### Staff

There were two changes only in the staff during the year. Mrs. Maxine Chrysler was succeeded as Librarian by Mr. R. A. Rawkins, and because of additional needs in the new offices a receptionist-typist was added to the staff. This latter position was held by Mrs. Doreen Steele until she was forced to resign by illness, and is now occupied by Mrs. Grace Altan. To these two new staff members I extend the welcome of the Board of Governors on this public occasion, one of the few opportunities for doing so.

I need hardly say that in our staff as a whole — which now number ten in all — lies the strength or weakness of our organization. They are responsible for the quality of the day-to-day performance of the Foundation, and are expected by the Board of Governors to act with a considerable degree of independence in carrying out this responsibility. This is probably true of the Foundation in a unique sense among organizations, and is fully justified by the fact that research work of the type carried on by the staff should be conducted with the minimum of interference from any quarter. There is also the consideration that the staff represents the strongest element of permanence and continuity in the organization over the long period. For these reasons we rely to a degree much beyond the average on the calibre of persons to whom we entrust these positions. Under these circumstances I am sure that I speak for all in expressing general satisfaction with the group now in our employment. On the research and editorial side, Mr. Moore, Mr. Carswell, Mr. McGurran and Mrs. McGregor represent a unique combination of talents and an ever-growing wealth of experience for which the high calibre of all their work is the most striking testimony. On the administrative side of the organization, Mr. Reid, Mr. Rawkins, Miss Gurney, Mrs. Wilkinson and Mrs. Altan ably perform all the prosaic tasks without which the organization would come to a standstill. On behalf of the Board I express warmest appreciation to all for their devotion to the interests of the Foundation.

It is difficult to find words to express our appreciation of the work of our Director. He continues in the forefront of the battle which the Foundation wages constantly for enlightenment on the problems of taxation. He is unsparing in his time and effort both here in Toronto and also across Canada, with occasional journeys to foreign fields. Last year the Chairman's annual report stated that the Foundation was making plans to help the Director cover his field of endeavour in a manner less likely to ruin his health and disposition, but as far as I can see all that happened in this respect during the past year is that his labours have increased, if this be possible; and while we all enjoy the fruits, we do urge

him to take matters a little more easily and spend a little more of his time in recreation and possibly further cultivation of his undoubted gifts as a chorister, which were demonstrated to us for the first time at the Montreal meeting this year.

### The Future

A year ago my predecessor concluded his report by outlining a programme of further development in the activities of the Foundation that was to cover three main phases. The first was to move to new offices; the second was to expand the staff by the addition of two or three new people to take on further work; and the third was to increase the activities carried on outside the staff by holding more conferences, meetings, and so on. He estimated that to make this development possible it would be necessary to increase our revenues from the level of \$120,000 of that time to \$150,000. This was set as an objective for realization at the earliest possible time.

Today, a year later, I think we can report steady progress towards this objective. We have taken step one — acquiring new offices — and in some degree, as I indicated earlier, have also increased the scope of our activities. This advance was of course facilitated by the \$10,000 increase in our revenues this past year. But the plain fact of the matter now is that further progress comes to a halt until the funds are available to make it possible. Indeed the executive committee at a recent meeting approved a budget for 1957 which, based only on a projection of programmes and outlays now under way, will show a deficit of about \$7,000 at our present level of revenues. Therefore, with only the modest increase in activities at present planned, and with no allowance whatever for new staff, we shall not do much more than break even if our revenues maintain the annual increase we have experienced in recent years.

I suggest that to all the many friends of the Foundation this position presents a challenge we cannot fail to recognize. Our record of steady progress in the past has not come about simply of its own accord. It has required steady application to the important

task of increasing the membership of the Foundation. And it is now apparent that we face a situation in which effort beyond that of the past is called for if we are to continue to advance. Since our financial support comes mainly from corporations this means that we must double our efforts to interest new corporate subscribers. But we must not forget at the same time that there are hundreds, perhaps thousands, of individuals who would find the Foundation a cause they would gladly support. And we have no cause for the slightest hesitation in advertising our wares. Our organization is performing — and performing extremely well — a public function that is crucial in these times of high taxation. Our requirements for further finances are modest by any standards, and our future plans involve specific and material projects which are neither visionary nor extravagant. Finally we do not simply rest our case on promises for the future; we are very much of a going concern now, and will certainly remain so.

### Conclusion

In conclusion I should express my personal appreciation to my fellow officers and governors and to the many other friends of the Foundation whose help in various ways throughout the tenure of my office has made this past year another notable one in the life of the Foundation.

M. GERALD TEED.

*Report of the Director*

*to the Eleventh Annual Meeting of the  
Canadian Tax Foundation*

*March 28, 1957*

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I propose in my report to discuss in some further detail our present programme and then to mention some desirable future developments.

The main projects now occupying our attention are:—

**First—Forestry Taxes and Tenures.**

Mr. Moore has been carrying the main burden of this study for over two years and has not only given us the first thorough Canadian analysis but has developed proposals for a new approach which should attract wide attention both in this country and abroad. In this project he has been assisted by Mr. Carswell, and to some extent by myself. We are now working on the final draft of the report, and in the next month or so should be sending it to the printer. The Chairman has already mentioned that we propose this year to hold conferences on both coasts to review our study and Royal Commission reports, and for the benefit of those who have not been able to attend either of these we shall probably have a session on the subject at our conference next fall.

**Second—Financing of Health Insurance.**

Some time ago we commissioned Mr. Malcolm Taylor of the University of Toronto, one of Canada's leading authorities on hospital and health insurance, to prepare for us a study of the financial aspects of various types of programmes in this field. Several factors have intervened to delay publication of this study, but we are now reviewing the final draft with Mr. Taylor and it too will soon be ready to send to the printer. As it turns out we will probably have benefited from the postponement, because the whole question is now much more lively than for many years past. I am well pleased with the job Mr. Taylor has done for us,

and am confident that his study will fill a serious gap in our knowledge on a most important question of general public interest.

#### Third — Canadian Fiscal Facts.

I list our new compilation of Canadian fiscal data as a current project because in fact we have only just completed it; and the volume itself, although sufficiently advanced for the printer to be able to give us a few copies for display at our meeting today, will not be available in quantity to mail to the members for a few weeks yet. We take particular satisfaction in having finally brought this into being. The need for a general source reference has been indicated in several of the reports given by my predecessor and in most of my own — and now we finally have it. Mr. Carswell, our Statistician, has laboured lovingly over this job for many months. It will become one of our regular annual publications, and it is our hope that it will be used extensively not only by our own members but in schools, universities, libraries and similar places, as is our study, *The National Finances*.

#### Fourth — Taxes Abroad.

We are attempting to fill a gap in existing Canadian sources of information by introducing a new series of short studies called *Taxes Abroad*. These will be of about the same length as the *Tax Memo*, and will appear at irregular intervals as studies are completed. Mr. McGurran will be in charge of this publication, and I have asked him to specialize in the study of the tax systems of other countries, since our enquiries suggest a growing interest in this field. The complexities of international comparisons and the delays in obtaining reliable information make this a frustrating activity, but in time we hope to be much better equipped than we have been in the past to provide service to our members in this respect.

#### Fifth — Federal Sales Tax.

On the sales tax before the recent federal budget we appeared to have come temporarily to a standstill, with progress apparently blocked by the controversy over the proposal of the Committee on

Sales Tax that the base be raised from the manufacturer's to the wholesaler's level. It seemed to us that the discussion at our conference last fall had indicated pretty firm opposition to this proposal, and we were at the stage of considering what could be done to break the log-jam when the Minister of Finance himself announced that he did not propose to act on the suggestion. This should now make it possible to turn serious attention to the main body of the report, and we have been urging the authorities to do so. After having devoted a great deal of time and money to this subject we do not propose to let it drop now. In our current *Journal* we are publishing an article by John Due giving an objective assessment of the Carter Committee report as a whole, and if there is any aspect of the tax we can usefully discuss further we shall do so again at our next conference. Mainly, however, we are interested in action, rather than words.

#### Sixth—Income Tax.

I mention income tax mainly to say that we are not engaged in any important general studies at the present time. In this respect the position has changed drastically from that of ten years ago, when the entire efforts of the Foundation were engrossed in the big revision then under way. That is not to say of course that we are unaware of the income tax. In practice it accounts for a good many of the day-to-day enquiries by correspondence and telephone. Simply commenting on the court cases on income tax, as Mrs. McGregor, the Editor of the *Journal*, does so ably in "Around the Courts", is an activity of no small dimensions in itself. But by and large the really big issues on income tax have been threshed over. If we are not going after the little issues it is not because of lack of interest, but simply because for the meantime we are employing our resources in other directions.

#### Seventh—Death Taxes.

I know that one should not mention the promised revision of the federal death tax legislation with any degree of certainty, but I can say for sure that if, as and when a bill is introduced we will give it a thorough going-over. We are fairly well equipped on the

staff to review it in a general way, and for some time we have had arrangements made to set up local committees of members to examine it in detail. When a bill is available these arrangements will be reviewed.

#### **Eighth — Federal-Provincial Financial Relations.**

Our activities here have been mainly devoted to keeping abreast of events as they developed over the last year and in keeping in touch with the various governments and officials concerned with this important aspect of the current tax scene. I get the impression that my own so-called *Interim Report* of about a year ago provided a useful factual background of public information and was used extensively. We have continued to gather up the stray ends, and in some form or other have now presented the full story. On the whole the outcome has been about as we expected a year ago, and certainly could have been much worse. Ontario's entrance into the corporation tax field has been effected with a minimum of disturbance, and the prospect is that Quebec will relieve some of the problems that were being encountered under the corporation tax act of that province.

#### **Ninth — Provincial-Municipal Financial Relations.**

To complement our work in the area of federal-provincial relations some time ago we asked Mr. Grant Crawford, of the Institute of Local Government at Queen's University, to undertake for us a study of the various forms of financial arrangements in effect in Canada between the provinces and their municipalities. Professor Crawford's work on this assignment has been interrupted by a leave of absence from the university for work in an important position with the Ontario government, but he has assured me that he has every intention of completing the study as soon as he is able to resume work on it.

#### **General**

I should not conclude this review of current projects without simply mentioning that there is a great deal of routine work that goes on in the office which hardly any longer comes under the

heading of a "project". Much of this relates to our regular publications, because in a sense the Foundation is a small publishing house — and perhaps not so small either. Another aspect of our activity that may not occur to the members is that each new area of study we enter brings with it a whole new realm of interests and associations. For example, many organizations and government departments know the Foundation only by our study of highway finance — *Taxes and Traffic*. In this field we are regarded as one of the leading authorities, and a great deal of correspondence, committee attendance and other public activity has arisen from our interest in it, even though it is only one of many aspects of our work.

Another interesting demonstration of the same sort of thing was that during the winter we were asked to do a confidential study for the Royal Commission on Television and Radio Broadcasting on certain aspects of CBC finances. This assistance is acknowledged in the report of the Royal Commission which was released at noon today.

### The Future

In speaking of the future I should distinguish between firm projects already launched and the more distant objectives which the Foundation should ultimately attempt to achieve. I shall deal first with the former.

#### First — Petroleum Taxation.

We shall begin, in the next few months, or more correctly as soon as possible after our forestry study is completed, a full-scale examination of the application of the federal income tax to the petroleum industry and of any other important aspect of taxation as it affects this industry. We already have much of the basic material in our library but shall supplement this with field studies and extensive discussions with all parties concerned. To support the staff on this study we shall have the assistance of Mr. B. Coutts, of the School of Commerce at the University of Toronto, who until a short time ago was a partner of Clarkson, Gordon & Co.

in Calgary. Mr. Coutts will be able to give us invaluable help with many technical questions. While this study is now still in the prospective stage I hope a year from now to be able to report material progress on it.

**Second — Tax Incentives for Regional Economic Stimulus.**

During this coming summer and fall, as a contribution towards possible solutions of our regional economic problems, we have asked Mr. N. Wolfe, of the Department of Political Economy, University of Toronto, to examine for us the possibility of using special tax devices to stimulate economic development in the Atlantic Provinces.

**Third — Federal-Provincial Financial Relations.**

It now appears that some sort of over-all comprehensive financial arrangements, such as the tax rental agreements system, will continue to be the main vehicle for the payment of very substantial amounts of money from the federal government to the provinces. The basis on which these payments are made has been improved under the arrangements now being concluded, but they are far from being wholly logical or consistent as yet. No attempt has been made so far in Canada to evolve a relatively objective set of measurements which would enable the federal government to take into account both the relative needs of a province and its relative ability to meet those needs. Such a study — though a complex and challenging one — should be made before the new arrangements run out five years from now, and we have asked Mr. Eric Hanson, of the University of Alberta, to undertake it for us. This is a fairly long-range project, but I felt it might be mentioned here because arrangements have already been concluded.

**Fourth — A book for University Use on the Role of Government in the Economy.**

I describe this book in a rather vague way mainly to avoid calling it a textbook on public finance, since in discussions recently with its author I find that he is gradually extending the scope of its contents to cover a broader area than is usually encompassed in a book so described. The author is Mr. A. K. Eaton, Assistant Deputy

Minister of Finance. In the midst of a very busy life he has already been able to do a considerable amount of writing, and in the next year or two we should be able to put his finished manuscript in the hands of the printer.

These are the main projects in the immediate future for which commitments have already been made. Looking to the farther horizon the developments which seem logical and desirable — I would almost say inevitable — include the following:—

First, a permanent member of the staff to devote his full time to expanding our existing programmes of research in government functions. What studies we have carried out so far indicate the great need for this type of research. Our annual publication on federal revenue and expenditures — *The National Finances* — our study on highways and our forthcoming publication on health insurance are all in this pattern. However these are just a beginning and we need to cover many more fields in the same way. To do so will require the full time attention of a permanent member of the staff.

Second, a permanent member of the staff to carry out research in the very important area of municipal finance. There appears to be a need for the application in this field of the techniques of research which we have employed so successfully in other realms. This will be a new departure however, and we will have to find someone with the special experience and skills required.

Third, further book-length publications. I am constantly on the look-out for authors or material in our own field that is suitable for publication. The shocking thing on the whole is to discover how few people have either the ability or the inclination to write full length studies of serious subjects. I have one or two new major works under negotiation at the present time, but they will not see the light of day, if they finally mature, for some years.

Fourth, closer association with the schools and universities in order to assist our centres of learning with the dissemination of knowledge in our own field of study. Our student membership has helped in this direction, as the Chairman has said. I make it a

point in my travels to visit the universities and am frequently asked to address classes. Last summer I assisted the School of Commerce at Queen's in organizing an Income Tax Seminar for businessmen and have helped them to arrange a similar course for this coming summer. But there is a great deal more than this that can be done, and, over the years, should be done.

Finally, I am coming more and more to feel that eventually the Foundation, to have its fullest impact, must attempt to reach a much broader audience than at present. Fortunately we are now reaching the audience that counts — the influential businessman, professional man and government official. But beyond the limits of that group it is evident that our influence has not extended very far. Public discussion of major financial issues is frequently carried on in complete disregard of either the basic facts or the underlying principles. It is of course too much to expect that all public debate will ever be carried out with strict adherence to logic and fact, but at least where an organization like the Foundation is aware of the basic elements involved in an issue it should make an attempt to have these understood by as large a segment of the public as possible. What this leads to as a concrete objective I am not prepared to say, but perhaps it means that eventually we shall have to hire a press agent to ensure that our material reaches the broadest possible audience. In the meantime I am doing as much as I can in a personal capacity to spread the word. By next Tuesday night I shall, in a two week period, have given six speeches to various groups in cities from Ottawa to Windsor, made a television appearance and given a radio interview and two or three press interviews; and in the following month I shall give addresses in cities as far apart as Vancouver, B.C. and St. John's, Newfoundland.

### Conclusion

This is about all I wanted to put before you today by way of an annual report. My remarks have been somewhat more prosaic than usual because I felt that this was the occasion for as full a review of our activities and our plans as could be given in a short address, mainly because, as the Chairman has indicated, we need

more funds and more members, and on our concrete programme must rest our case for attracting them. I hardly need emphasize that even a modest programme of research nowadays requires a very heavy outlay for personnel, travel, printing, library facilities, and so on, and that even though by some standards we are moderately well financed, as our Chairman has said our future progress depends entirely on our ability to raise new funds.

I should like to conclude with some brief personal reflections. It will soon be five years since I came to the Foundation and it is now three since I succeeded Monty Douglas as Director. These have been five very full years, in which I have had the privilege of working with many able and amiable men who have been Officers and Governors throughout that time. I have also had the great satisfaction of seeing the Foundation expand in all its activities and realize many of the hopes that had been cherished for it by its fathers. It is in every sense of the word a unique organization and I have personally been proud and happy to be a part of it and will continue to do all in my power to further its work. For my colleagues on the staff — and I use that expression to include *everyone* on the staff — I have nothing but praise for their devotion to the Foundation and for the personal support they give me in meeting my own responsibilities as Director. I know also that I speak for the whole staff in expressing our appreciation for the new office we now call home. It has made the day's work easier and more pleasant in many ways.

Finally, may I express my personal appreciation to our genial chairman, Gerry Teed, for the very satisfactory working arrangements that have existed between us during his term of office.

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.