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# CANADIAN TAX FOUNDATION

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*Fifteenth Annual Report*

FOR THE YEAR ENDING  
DECEMBER 31st, 1960

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# CANADIAN TAX FOUNDATION

## BOARD OF GOVERNORS

Elected March 28th, 1961

*Marcel Belanger, C.A.	- - - - -	Quebec
Julien Chouinard	- - - - -	Quebec
E. A. Christenson, C.A.	- - - - -	Edmonton
Eric Cook, Q.C.	- - - - -	St. John's
Gordon S. Cowan, Q.C.	- - - - -	Halifax
C. Roberts Davidson, Q.C.	- - - - -	Regina
R. St. J. Freeze, Q.C.	- - - - -	Fredericton
Neil V. German	- - - - -	Calgary
D. A. Gilman, C.A.	- - - - -	Winnipeg
*Edwin A. Goodman, Q.C.	- - - - -	Toronto
*L. F. Heyding, C.A.	- - - - -	Toronto
John Hyslop, C.A.	- - - - -	St. John's
*W. R. Kay, C.A.	- - - - -	Toronto
*John P. Kinghorn, C.A.	- - - - -	Montreal
K. T. N. Lapp, C.A.	- - - - -	Summerside
*A. J. Little, F.C.A.	- - - - -	Toronto
*John deM. Marler, Q.C.	- - - - -	Montreal
J. A. Marven, C.A.	- - - - -	Moncton
S. O. McMillan, F.C.A.	- - - - -	Saskatoon
*Harold S. Moffet, F.C.A.	- - - - -	Montreal
Walter C. Newman, Q.C.	- - - - -	Winnipeg
*Arthur S. Pattillo, Q.C.	- - - - -	Toronto
A. D. Russell, C.A.	- - - - -	Vancouver
J. C. Scott-Harston	- - - - -	Victoria
G. Meredith Smith, C.A.	- - - - -	Montreal
*Lancelot J. Smith, F.C.A.	- - - - -	Toronto
Hugh E. Spencer, C.A.	- - - - -	Halifax
*R. Bredin Stapells	- - - - -	Toronto
*Jacques Tetrault	- - - - -	Montreal
*Stuart D. Thom, Q.C.	- - - - -	Toronto
Reginald H. Tupper, Q.C.	- - - - -	Vancouver
*Philip F. Vineberg, Q.C.	- - - - -	Montreal

*\*Executive Committee of the Board of Governors*

## OFFICERS

Chairman	- - - - -	A. J. Little, F.C.A.
Vice-Chairmen and Co-Chairmen	{ - - - - -	John DeM. Marler, Q.C.
of the Executive Committee	{ - - - - -	Lancelot J. Smith, F.C.A.
Past Chairman	- - - - -	Stuart D. Thom, Q.C.
Director	- - - - -	Ronald Robertson
Secretary	- - - - -	Jacques Barbeau
Treasurer	- - - - -	James A. Reid

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31st DECEMBER, 1960**  
**(With comparative figures for 1959)**

	1960	1959
<b>ASSETS</b>		
<b>CURRENT:</b>		
Cash on hand and on deposit - - - - -	\$ 18,195.63	\$ 11,797.88
Guaranteed investment receipts—		
due 1961 to 1965 inclusive - - - - -	65,000.00	50,000.00
Deposit with Trans-Canada Air Lines - - - - -	425.00	425.00
Account receivable - - - - -	172.50	284.00
	<hr/> \$ 83,793.13	<hr/> \$ 62,506.88
<b>FURNITURE AND OFFICE EQUIPMENT—at cost</b> - -		
Less accumulated depreciation - - - - -	\$ 14,315.05	\$ 13,553.70
	8,967.28	7,824.27
	<hr/> \$ 5,347.77	<hr/> \$ 5,729.43
	<hr/> \$ 89,140.90	<hr/> \$ 68,236.31

#### LIABILITIES AND RESERVE

RESERVE

Retained for continuation of the Foundation's activities - - - - -	82,340.90	68,236.31
	\$ 89,140.90	\$ 68,236.31

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS  
Stuart D. Thom A. J. Little  
*Chairman* Vice-Chairman

**STATEMENT OF INCOME AND EXPENSE**  
**FOR THE YEAR ENDED 31st DECEMBER, 1960**  
 (With comparative figures for 1959)

	<u>1960</u>	<u>1959</u>
<b>INCOME:</b>		
Subscriptions—Corporate - - - - -	\$132,630.00	\$123,135.00
—Individual - - - - -	34,025.00	26,655.00
Interest - - - - -	2,531.52	2,236.74
	<u>\$169,186.52</u>	<u>\$152,026.74</u>
<b>EXPENSE:</b>		
Salaries - - - - -	\$ 88,564.13	\$ 85,200.09
Publications (net) - - - - -	34,236.63	29,133.37
Rent - - - - -	11,090.00	10,490.00
Postage - - - - -	5,572.40	4,834.75
Travelling - - - - -	5,251.29	5,509.45
Office printing, stationery and supplies - - - - -	4,353.66	3,324.94
Special studies - - - - -	3,435.14	4,706.95
Books and periodicals—library - - - - -	2,010.50	1,716.01
General office expense - - - - -	1,806.22	2,013.11
Telephone and telegraph - - - - -	1,554.09	1,731.36
Pension plan (net) - - - - -	1,247.54	2,898.80
Conferences expense (net) - - - - -	(5,182.68)	1,469.04
	<u>\$153,938.92</u>	<u>\$153,027.87</u>
Provision for depreciation of furniture and office equipment - - - - -	1,143.01	1,148.57
	<u>\$155,081.93</u>	<u>\$154,176.44</u>
<b>EXCESS OF INCOME OVER EXPENSE FOR 1960</b>		
Transferred to reserve - - - - -	<u>\$ 14,104.59</u>	<u>—</u>
<b>EXCESS OF EXPENSE OVER INCOME FOR 1959</b>		
Deducted from reserve - - - - -	<u>—</u>	<u>\$ 2,149.70</u>

# ORMSBY & ORMSBY

CHARTERED ACCOUNTANTS

IMPERIAL LIFE TOWER  
VICTORIA & ADELAIDE STREETS  
TORONTO 1, CANADA

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

TELEPHONE: EMPIRE 3-5405

3rd March, 1961.

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 as at 31st December, 1960, and the related 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 related statement of income and expense present fairly the financial position of the Canadian Tax Foundation as at 31st December, 1960, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

*Ormsby & Ormsby*

CHARTERED ACCOUNTANTS  
Auditors.

CANADIAN TAX FOUNDATION  
*— Fifteen Years of Growth —*

Year Ended December 31	Income	Expenditure	Annual Operating Surplus	Accumulated Surplus	MEMBERSHIP Corporate Individual
1946	\$ 27,350	\$ 6,386	\$ 20,964	\$ 20,964	11 23
1947	40,446	27,293	13,153	34,117	41 57
1948	53,592	42,445	11,147	45,264	62 391
1949	47,553	51,997	4,444 Dr	40,820	71 458
1950	58,793	55,340	3,453	44,273	112 756
1951	70,725	73,413	2,688 Dr	36,585*	133 800
1952	80,497	81,103	606 Dr	35,979	226 845
1953	90,104	98,849	8,745 Dr	27,234	328 1041
1954	105,448	87,902	17,546	44,780	390 1125
1955	118,050	105,930	12,120	56,900	423 1225
1956	128,414	121,922	6,492	63,391	459 1350
1957	134,717	133,870	847	64,238	477 1480
1958	137,840	131,692	6,148	70,386	501 1906
1959	152,027	154,177	2,150 Dr	68,236	515 2267
1960	169,187	155,082	14,105	82,341	506** 3255

NOTES: \* \$5000. appropriated to the M. L. Gordon Fellowship Fund, disbursed in awards in next five years.

\*\* Some 300 companies are supporting the Foundation through their Association's subscriptions.



*Report of the Chairman  
to the Fifteenth Annual Meeting of the  
Canadian Tax Foundation,  
March 28, 1961.*

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It is my pleasure to present the 15th Annual Report of the Canadian Tax Foundation. While as a matter of formal record the Chairman's and the Director's reports cover the calendar year 1960, the staff changes which have taken place since the beginning of the current year are of such nature that I am sure you would wish me to comment upon them at the outset.

The major event, as you are no doubt aware, has been the resignation of Harvey Perry, who had been the Foundation's Director from 1954 and its Research Director for two years previous to that. His departure became effective at the end of February and the place just isn't the same. I say that with feeling, not only for myself and the Governors but on behalf of his erstwhile assistant and now successor, Ron Robertson, such stalwarts as Jim Reid who ante-dates all of us in the length of his association with the Foundation, Mrs. Gwyneth McGregor who was on hand to welcome Harvey when he arrived on the Foundation's doorstep eight years ago, and the staff whose common claim to fame is that they were chosen by Harvey. One and all we wish he hadn't done it, or to paraphrase a popular song, "you didn't ought to do it". But what none of us expected has happened.

The Governors and staff wish Harvey the fullest measure of satisfaction and success in his new office as the first Executive Director of The Canadian Bankers' Association. The Foundation is immeasurably indebted to him for the force and clarity he has given to its functions. As individuals, it has been a privilege as well as a pleasure—and the two do not always run together—to have worked with him. We congratulate the Bankers' Association upon their good fortune in winning away our star performer and, as a personal indication of my goodwill, I am thinking of withdrawing my small hoard of dollars from the banking institution where they now repose and putting them in the hands of a trust company.

Mr. Robertson has become well known to Foundation members as Mr. Perry's executive assistant since 1958. The Foundation is particularly fortunate in that Ron was so well qualified by his

background and experience to take over as Director and that he was available when the invitation was made to him. His duties will be onerous, but I am satisfied that he will fill the office with credit to himself and to the Foundation.

The Director will be assisted in carrying on the work of the Foundation by Mr. Jacques Barbeau who comes to us from the Taxation Division of the Department of Finance. Mr. Barbeau is a graduate of McGill and the University of British Columbia in economics and law and of Harvard Law School, where he specialized in international and U.S. taxation. He has lectured on taxation at Harvard and at the University of Ottawa Law School. He is a former member of the Legal Branch, Taxation Division, Department of National Revenue. Mr. Barbeau will be known as Director of Research and with his talents and background we can look forward with confidence to a fruitful association with the Director in maintaining the high standards set by their predecessors.

I am particularly pleased that the disability which prevented our Treasurer, Mr. James Reid, from being present at the Annual Meeting last year has been conquered and that Jim was able to return to his post later in 1960 in time to play his key role in the preparation of our 1960 Annual Conference. Mr. Reid is not only Treasurer and in charge of membership records, but is the man who keeps our conferences running smoothly and a major contributor to their success.

No words of praise from the Chairman are required to bring the qualities of the Foundation's editorial and secretarial staff to your attention, but I am happy to offer them. The standard of excellence displayed by the Foundation's publications and reports is proof of the diligence and capacities which we have come to take for granted.

## Membership

The growth of the Tax Foundation in 1960 is shown in the membership figure which has passed the 4,000 mark. We started 1960 with 515 corporate members and individual membership of 2,267. During the year 1,148 individuals became members and after adjustments for lapses, the total individual membership at December 31, 1960 stood at 3,255, a better than 43 per cent increase in the year. At the same date the corporate membership

figure stood at 506 and in addition some 300 companies contribute through their associations. During the first two months of this year there have been five new corporate contributors to the work of the Foundation.

An encouraging development in the membership picture is taking place in Winnipeg. In February, Foundation members began holding local meetings with Mr. Walter Newman, Q.C., of Winnipeg, as their mentor. The first meeting brought 60 Foundation members together to study the impact of the recent associated companies legislation and we understand that meetings are scheduled to continue on a regular basis in co-operation with the tax sections of the Manitoba Bar and the Manitoba Institute of Chartered Accountants. At such meetings it will be possible to engage in detailed study of tax legislation and on-the-spot interchanges of viewpoints and problems among corporate and professional members of the Foundation.

It is the hope that more local groups will be formed under the aegis of resident Governors and the Foundation staff will do everything possible to assist them. Such a development will undoubtedly add to the strength of the Foundation.

### Finance

The full details of the Foundation's financial position are contained in the audited financial report which accompanied the notice of this meeting. Several comments may be made. The first is that our corporate subscribers responded most generously to the increase in the minimum subscription from \$100 to \$150 approved at a meeting of the Board of Governors in November, 1959, applicable from January 1, 1960. The increase had the desired effect of putting Foundation finances on an even keel to meet the expansion of activities. New individual memberships far exceeded expectations and revenue from this source was up some \$7,400 over 1959 but, because many were special student memberships, there was little or no net gain from this source. Our conferences produced net revenues of some \$5,100, compared with a cost of some \$1,400 the previous year. This desirable situation usually prevails when the November conference is held in Toronto, possibly as a result of playing on the home field.

On the expense side of the ledger several studies which it was anticipated would be completed and printed in 1960 will be

produced in 1961. This lumping up of printing costs has occurred about every second year and is difficult to avoid. Research activity cannot be completely scheduled and there is often a time lag between the anticipated date of readiness and the final production. Fortunately delay is seldom very great but it is sufficient to produce a somewhat uneven financial picture. The result will be that largely because of this lumping up of printing costs a small deficit in the range of \$4,000 is anticipated for 1961 compared to the net operating surplus for 1960 of \$14,105. Deficits are not desirable, but they do serve the salutary purpose of stimulating the Governors and friends of the Foundation to seek new subscribers and maintain the interest of those presently subscribing.

I would also like to note that attention has been given by the Governors over the years to the provision of an adequate reserve to ensure the continuation of Foundation activities. With the addition of the 1960 net operating balance, this reserve is now approaching a reasonably satisfactory figure which is about sufficient to cover six months' operating expenses.

### Tax Legislation

The changes in Canadian tax legislation in recent months have been numerous and in a number of respects bear evidence that consideration has been given to the studies and discussions undertaken by the Foundation and to the recommendations of the Joint Taxation Committee of the Canadian Bar Association and the Canadian Institute of Chartered Accountants, with which the Foundation works closely.

In 1960 the Director continued the practice of participating in the discussions of the Joint Committee, and the Foundation prepared background studies to assist it in preparing its annual brief to the Minister of Finance. In most instances these background studies were expanded into Tax Papers for distribution to members.

The observation that governments give close attention to Foundation studies extends beyond the federal sphere and into the provincial in some cases. It is not unreasonable to assume, for example, that the Foundation's concern during the past several years over the divergence of the base for tax liability and the allocation of income rules between Ontario and Canada and

Quebec played some part in the recent beneficial changes in Quebec on these points.

In 1960 the Foundation again sponsored a committee to meet with senior officials in Ottawa to discuss the bill amending the Income Tax Act before the second reading. The committee deals with the technical aspects of the bill and searches for ambiguities and situations where difficulties might occur in the application of the legislation. These meetings are indicative of the invaluable degree of co-operation which exists between the Foundation and government at all levels in Ottawa which would not be possible were it not for the record of objectivity achieved by the Foundation. The Foundation will continue to press its suggestions for improvements in the machinery of taxation and in this regard gives high priority to the revision of the manufacturers' sales tax legislation which has been long under study by the federal government. Also in this area is the need for a new approach to the problems of designated surplus and undistributed corporate income generally. The time is at hand when these problems must be tackled by the Government although it is appreciated that a solution will not be easy and probably not simple.

### Board of Governors

If I might speak for a moment about the Board, the following gentlemen will be retiring this year:

W. Fay Anderson, C.A.	Calgary
H. Marcel Caron, C.A.	Montreal
D. W. K. Dawe, Q.C.	St. John's
Jacques de Billy, Q.C.	Quebec
Raymond G. Decary	Montreal
L. E. Fingarson, F.C.A.	Regina
Horace A. Hanson, Q.C.	Fredericton
Campbell W. Leach, C.A.	Montreal
D. C. McGavin, Q.C.	Winnipeg
G. Kenneth McKenzie, C.A.	Saint John
W. A. Simonton, F.C.A.	Toronto

I know I express the sentiments of all members in extending sincere thanks to them for their work on behalf of the Foundation during their terms of office. All of them have contributed in

full measure to the welfare of the Foundation, as its growth in recent years shows so well.

A particular word of thanks is due Campbell W. Leach, C.A., who retires as past chairman. Mr. Leach has served the Foundation for seven years in all, on various committees and as Vice-Chairman and Chairman of the Board of Governors. In addition he has contributed greatly to our conferences as a speaker and in many other ways. Fortunately, the constitution ensures that his experience and wisdom will continue to be available when required as a member of the Advisory Committee of Past Chairmen.

Later in this meeting you will be asked to elect the new Board of Governors. You have received a list of the nominations which in accordance with the By-Laws of the Foundation have been made by the Presidents of the Canadian Bar Association and the Canadian Institute of Chartered Accountants in consultation with the Chairman of the Foundation. Among the nominees are a number who are not at present Governors. Their names will be of interest to you.

E. A. Christenson, C.A.	Edmonton
Julien Chouinard	Quebec
Eric Cook, Q.C.	St. John's
R. St. J. Freeze, Q.C.	Fredericton
J. A. Marven, C.A.	Moncton
H. S. Moffet, C.A.	Montreal
S. O. McMillan, F.C.A.	Saskatoon
Walter C. Newman, Q.C.	Winnipeg
G. Meredith Smith, C.A.	Montreal
L. J. Smith, F.C.A.	Toronto
Philip F. Vineberg, Q.C.	Montreal

## Policy

In the course of my opening remarks at the conference last November I gave some attention to the function of the Foundation. I read in the daily press last week that the gist of this part of my report was that I opposed the Foundation becoming involved in specific causes or fighting the tax battles of any individual group or industry. This report of my efforts to state the

why and how of the Foundation's activities is attributed to an individual well known in Canadian business circles who, for many years past has given, and still does extend, financial support to the Foundation. I am glad to see that he is with us this afternoon and I should not be surprised if he addressed a few remarks to the meeting. May I suggest that it would be timely to do so during the discussion that will follow the motion to adopt the report I am now presenting.

Before adding a few words of my own to the newspaper report, may I disavow any intention of breaking out into angry words, as one newspaper seems to anticipate, nor do I see any reason for a fight to satisfy another editor. What is the proper function of the Foundation and whether or not it is fulfilling that function are matters that should be constantly under review, and the Governors and the Director welcome frank comment from the members. I can assure you that anything you may put forward will be carefully studied and whatever action seems desirable will be taken. Just here I might make two rather obvious comments. The first is that no individual makes policy for the Foundation. It is governed and directed by a board of 32 lawyers and accountants acting in concert with the Director. The second comment is that by the very fact of their being on the Board, the Governors are identified as individuals who are in direct contact with the business community and the problems of taxation. As for the Director, it is his constant preoccupation. In short, the Foundation does not operate in an ivory tower.

Any discussion of the objects of the Foundation very properly should start with its charter of incorporation. The Letters Patent read as follows:

“These Letters Patent constitute (and here follow the names of the incorporators) . . . the Canadian Tax Foundation for the following purposes and objects, that is to say:

“(a) To encourage study, research and investigation in the field of taxation and economics insofar as the various laws and Statutes of the Dominion of Canada, or any of the Provinces thereof, and regulations passed thereunder may affect the enterprise of its citizens or in any way hinder the expansion of Canadian industry and trade; and

“(b) To make reports and suggestions to Governmental authorities for changes in the various laws and regulations

which in the opinion of the directors of the Corporation may in any way interfere with the growth of Canada."

I am well aware that these words mean no more and no less than those responsible for the Foundation's activities see in them at any particular time. I do suggest, however, that over the years we have stayed pretty close to the text. Not only does the Foundation encourage study, research and investigation, but it actively engages in these pursuits. And no one can deny that there has been an abundance of reports and suggestions to governmental authorities.

If I may be permitted another rather obvious comment, it is that taxation is a tremendously broad field and it is a real problem to give better than superficial attention to all the topics that are crying for consideration. If you would take the trouble to run over the index of articles, reports and publications that has been printed, you would get some idea of how the problem has been met, and I do not think that anyone could fairly be dissatisfied.

Suggestions or, to use the word more frequently heard, "recommendations" have been made on many occasions. The Foundation has consistently refrained, however, from attempting directly to influence government action on matters of taxing policy. Let me give you an example of what the Foundation does not do and then attempt to supply a reason. The example is a matter with which I had close personal contact. For many years prior to 1957 the so-called self-employed business and professional men felt that they were suffering wicked discrimination by not being able to set up retirement plans with tax-exempt contributions. We gazed longingly at the corporation executives who not only had the delight of deducting their own contributions to a pension plan from their incomes before tax but enjoyed the benefit of their employers' tax-exempt contributions. We, the self-employed, organized committees, raised funds and descended on Ottawa, crying and beating our breasts. We also sought to engage the Foundation as an active supporter of our demands. Incidentally, I was not a Governor at this time. The Foundation gave us ample opportunity to air our troubles in conference discussions and in its publications, but it positively and deliberately would not join the parade. At the time I was distressed at the Foundation's refusal to recognize that our cause was just and that the Government was wilfully deaf and blind. The actual facts were that Government policy-makers had a number of quite good reasons for not giving way and subsequent events have indicated that our cries of distress were a little forced. This story had a happy ending, which

is more than some others have enjoyed, although it was not in the final analysis the result of anything that we particularly did for ourselves.

It is always easier to be philosophical when you have gained your end than when you are still struggling, but I have no doubt at all that the Foundation was right in staying out of that hassle and is right in staying out of all similar proposals. The so-called tax system is really a hodge-podge of historical accidents held in uneasy balance between conflicting economic and political interests. Somewhere in the midst of it is the government that administers the system. Not only is the government trying to ease the conflicts and contentions in its own yard without starting any more new ones than it can help, but it is under pressure to raise more money and in so doing is in competition with other governments.

As I conceive the Foundation's purpose, it exists to study and report on the play of forces on the fiscal fronts, to provide a forum for the discussion of tax problems and to make suggestions when it seems desirable to do so for the improvement of the techniques of taxation for the benefit of taxpayers and governments alike.

I particularly emphasize the last-mentioned aspect of the Foundation's work in relation to the recent comment that in some part has given rise to these remarks. May I quote from a letter just received from one of our Governors who unfortunately cannot be here today. He wrote to a valued Foundation subscriber in Western Canada as follows:

"The Foundation's chief strength lies in the fact that it has remained aloof from gladiatorial combat in the arena." It is not a very glamorous role to stand aside and watch, and it is inclined to be upsetting to people who have a cause they are trying to achieve. It is nonetheless a very necessary function in the taxpayers' interests that no one else is performing in Canada today.

It will be of interest, I think, to say a word on what is being done to bring the Foundation's studies and reports to the attention of the public. They are mailed to a list of about 5,000 members and subscribers and others interested. This number includes representatives of nearly all major business concerns in Canada, the leaders in the fields of economic and fiscal studies, the leading professional people across the country, and most of the major newspaper publishers, editors and writers, including members of the Ottawa Press Gallery who have requested our material.

The distribution list also includes the major trade organizations,

many university libraries and many elected representatives of all parties and at all levels as well as officials of government at all levels. We do not attempt a blanket distribution to elected representatives or any other group. A number of the people's choice, including key ministers of the Crown concerned with taxation, are members of the Foundation and the material is sent on request to others who may be interested.

At this point I would like to take a moment to correct a wrong impression that may inadvertently have been created by a letter quoted in a recently distributed memorandum having to do with Foundation policy. The forestry taxation study was dealt with in the manner outlined above, as was the study of the financial aspects of hospital insurance; and upon completion the study of taxation in the petroleum industry will be dealt with in the same manner. These studies and reports are allowed to speak for themselves and are and will be presented by the Foundation to interested governments with no special recommendations by the Foundation itself. It is our confirmed opinion that studies prepared by competent students who have worked under no pressure or instructions of any sort to make a case for any particular interest receive more attention than would be given to any recommendations that the Foundation might seek to develop on the difficult and sometimes contentious problems that are discussed. It is felt that the Foundation has done its proper part in developing tax policies by providing taxpayers with studies which are accepted by the public and governments alike as being objective and on which taxpayer groups can base their appeals for government action.

I do realize that in many of the large businesses the people receiving and using Foundation reports and studies are not always the same people who are responsible for the company's decision to support the Foundation. As a result the Foundation's position in policy matters may not always reach or be understood by them. I would therefore request corporate representatives who do receive our material to direct it to those others concerned.

In conclusion, may I express my sincere thanks to the officers and governors of the Foundation who have been a tremendous assistance during my period as Chairman.

I now move the adoption of the financial statements and auditor's report together with the report of the Chairman which I have just read.

STUART D. THOM

*Report of the Director*  
*to the Fifteenth Annual Meeting of the*  
*Canadian Tax Foundation*  
*March 28, 1961.*

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I welcome the privilege of appearing at this Annual Meeting of the Foundation to present a report on its affairs during the year 1960, when I was still its Director. I should say that in doing so I run counter to my own feeling that has-beens should be neither seen nor heard. However in the brief month since leaving the Foundation I have by no means as yet achieved an arm's length relationship; on the contrary this is a company with which I am very happy to be associated. Indeed since I have only shifted from one realm of finance to another it may well be that I have simply become a member of a related group and am permanently barred by statute from complete severance. I hope this is the case. If so it will be one of those unique instances when law and personal preference are hand-maidens.

The division of content between the report of the Chairman and the Director on these occasions has always been settled in arbitrary fashion, and the rule holds true today. The Chairman has been kind enough to leave me to report on some of the basic activities of the Foundation in 1960, which I shall do. Having done so I shall then take a few moments to indulge in some personal reflections occasioned by the close of a career in tax work which started just a quarter century ago.

### Publications

First, as to publications. The publication program continued in 1960 to be the main vehicle for the dissemination of research conducted by or under the auspices of the Foundation. With nearly 5000 copies of every publication now being mailed, the Foundation reaches an audience many times greater than that in Canada and abroad. And this is essential. It would be futile and frustrating to allow the results of research to gather dust in the files. Widespread knowledge and understanding is the key to intelligent criticism of government taxes and spending.

The *Canadian Tax Journal* continues as our keystone publication and its pages now attract serious writers on a wide variety

of tax and fiscal matters. In 1960 six issues of the *Journal* were published.

Our more detailed studies appear in the form of Tax Papers, and the twenty-three that have been produced in the life of the Foundation in themselves constitute a unique tax library. In 1960 five new numbers were issued. They were: *The Australian Commonwealth Grants Commission*, a study by Professor Eric J. Hanson of the University of Alberta. This study is of particular interest at this time of change in Canadian federal-provincial tax relations. Another reproduced four papers of importance to our corporate members presented at the Corporate Management Conference in Montreal. The topics covered were: "Deferred Compensation for Executives," "Making the Most of Losses," "Inventory Valuation," and "Federal and Provincial Profits Taxes". Three other numbers dealt with *Personal Corporations, Appeal Procedures, and Employees' Deductions*. All three were written by Gwyneth McGregor of the Foundation staff.

Three issues of the *Tax Memo* series were also published in 1960. The first was the annual Foundation forecast of the federal budget. This is now an annual release, and because of the pains-taking care which goes into its preparation it commands attention and respect. It also serves the very salutary purpose of giving an advance indication of what might or might not be expected in the main fiscal event of the year.

A second *Tax Memo*, by Professor John Due, discussed the question of direct vs. indirect sales taxes. Professor Due is an internationally known expert on sales taxes, and his straightforward statement of the issues involved undoubtedly shaped the course of subsequent events, particularly in the Province of Ontario.

A third *Tax Memo* attempted for the first time to show the relative burdens of local taxation on business in fourteen Canadian cities. The study left little doubt that there is a wide variance in the tax burden on business from city to city. And while this study did not attempt to be the last word on the subject it pointed up a situation which, I am sure, was of considerable interest to business and industry across Canada.

The series *Local Finance* continued to present an orderly analysis of the very confused picture of municipal revenue sources. Five issues were published in 1960 and they set out, in many instances

for the first time, both the practical and theoretical aspects of the main local revenues.

No listing of publications would be complete without mentioning the report of the annual conference. It has been said on many occasions that this annual compilation of papers constitutes a liberal tax education in itself. By straining all resources in the last couple of years we have achieved the feat of mailing the report within about three months after the conference.

Many of our publications from former years continued on the active list in 1960. The prime example was the *Review of the Estate Tax Act* by Ivan Linton, Director of Estate Tax, Department of National Revenue. More than 2,200 copies have been sold over and above the original mailing. To bring it up to date recently an addendum was prepared at our request by Mr. Linton and the whole was republished and distributed to members. In all, therefore, close to 10,000 copies of this Tax Paper have been distributed across Canada. Another active publication was the compilation of the *Journal* series, "Principles of Income Tax," written by our former Research Associate, David McGurran. More than 900 copies have been distributed over and above those printed in regular issues of the *Journal*.

Our annual publication, *The National Finances*, continues to be widely read and used. As the only publication in Canada which attempts to analyze the entire revenue and expenditure program of the federal government each year in a concise and readable form it has become a standard reference of thousands of interested citizens. It is also made available by the Foundation for use in teaching public finance in the universities of Canada.

Finally I might conclude on publications by reporting that one of my last official acts was to deliver to the publisher a fully revised manuscript of my own book, *Taxation in Canada*. The last version appeared in 1953 and has long since been out of print. It will of course be some time before the new version will appear.

### Conferences

Turning to conferences, it is pleasant to report that 1960 saw the Foundation's program extended from coast to coast. Last May on the west coast the Foundation and the Law School of the University of British Columbia jointly sponsored a Tax

Seminar at the University which was successful in every respect, with more than 125 in attendance. This year a similar seminar will be held on May 12th and it appears likely that it will become an annual event. Our British Columbia governors have worked in close co-operation with Dean Curtis at the Law Faculty to ensure a good program and turn-out for these events.

On the east coast in 1960 the Foundation and St. Mary's University at Halifax jointly sponsored the Atlantic Provinces Tax Conference. This year Dalhousie University will be the joint sponsor and we expect a repetition of past successes.

The Queen's University Tax Seminar for business executives, in which the Foundation has taken a keen interest since the beginning, will move on to a new and even more interesting form in 1961. It will consist of a special program of instruction in the fundamentals of income tax and will be held on May 9, 10, 11 and 12. We are watching this development with great interest, since there is still an apparent need for basic instruction in tax fundamentals for business executives at all levels.

In 1960 the annual Corporate Management Conference was held in Montreal. This series, designed primarily for the representatives of our corporate members, has been very well received by them, and will continue this year. The 1961 Corporate Management Conference will be held in Toronto on May 4th.

Planning is under way for another International Tax Conference in 1961 in co-sponsorship with the International Chamber of Commerce, to take place in Montreal. In this day of widespread interest in international taxation it should be as successful as the previous conference held in 1959.

As indicated previously, our 1960 Annual Conference in Toronto was one of the most successful in the Foundation's history. With some 700 in attendance it out-distanced any previous conference. It has already been announced that the 1961 conference will be held in Montreal on November 20, 21 and 22.

### Staff Changes

There were several staff changes in 1960 and the early months of this year. Last fall, David McGurran, our Research Associate, well known to Foundation members for the excellence of the series *Taxes Abroad* and *Principles of Income Tax*, left the

Foundation staff for a position in industry. Mr. McGurran came to the Foundation in June, 1955, having prior to that been with the Departments of Finance and National Revenue in Ottawa. His broad knowledge of the Canadian and foreign tax systems enabled him to make permanent and valuable contributions to the work of the Foundation.

To succeed Mr. McGurran we appointed Gerald E. Hoy as Research Associate. Prior to his appointment Mr. Hoy was Foundation Librarian and Assistant Editor. In carrying out those duties he had acquired that rather rare attribute, an interest in and knowledge of some of the basic principles of taxation, and the success with which he is carrying out his new duties confirms the wisdom of our choice.

To replace Mr. Hoy, Anatol Bazylewycz was appointed Foundation Librarian last November. Mr. Bazylewycz brings to the Foundation, in addition to his qualifications as a librarian, the mastery of five languages. This ability gives the Foundation access to original tax writings in several foreign countries and has already been put to use.

For some time we have made provisional arrangements for assistance to Mrs. McGregor and Mrs. Bryden with their editorial and statistical work. Increasing activity in both areas made necessary a permanent arrangement, and to fill this need Miss Mary Gurney was appointed editorial and statistical assistant as of March 1st. Miss Gurney, as my secretary for seven years, participated in the preparation of many Foundation studies and the knowledge she acquired as a result is now being put to more direct use on the research side of the Foundation's activities. Mrs. Grace Altan, a valued member of the Foundation's secretarial staff for four years, has become secretary to the new Director.

There has only been one other staff change that I should mention and I shall deal with that in a moment. I should first like to pay tribute to those members of the staff whose names I have not yet mentioned.

The post of statistician in the Foundation was one I created, and it is a great satisfaction to me that it has been so capably filled, first by Roger Carswell and today by Mrs. Marion Bryden. Mrs. Bryden performs ably and with imagination the rather exacting requirements of this position and is responsible for many of the best studies issued by the Foundation.

Another experiment which has succeeded beyond my fondest expectations is our venture into municipal finance. Full credit for our success goes to Eric Finnis, our municipal expert, who in a short space of time has established the Foundation as an authoritative voice in this area.

Ron Robertson, my Executive Assistant, served me faithfully and well in that capacity and demonstrated those qualities of industry and co-operation which promise a brilliant future for him as your new Director.

Mrs. Evelyn Wilkinson's work in respect to Foundation membership grew at a record rate last year. Her work forms an essential part of the chain that binds the Foundation together as an effective unit.

Finally I come to those two stalwarts of the Foundation staff, Gwyneth McGregor and Jim Reid. Both were at the Foundation when I arrived in 1952 and I hope both will continue to serve it for many years to come. Mrs. McGregor has now, in her own right, become an institution in the Canadian tax world. Her fresh and imaginative comments on Canadian tax jurisprudence alone have earned her this position, but in addition of course she has written some of the best of the Foundation's articles and Tax Papers on a wide variety of subjects, and edited nearly every word the Foundation has published — and this now adds up to a great many million. The Treasury very seldom gets the credit it deserves, because its functions, while essential, are not very glamorous. Jim Reid has not only been the treasurer of the Foundation but also its accountant, membership secretary, conference secretary and general manager of publications as well. In all of these roles his own interests have always been secondary to those of the Foundation. No one could have served me or the Foundation with greater devotion during my term as Director.

I mentioned that there was one staff change to which I would return later; this of course is the one involving myself. Naturally it was only after some considerable soul-searching that I decided to accept another position which not only meant leaving the Foundation but also giving up a preoccupation with tax matters which began twenty-five years ago when I entered the Department of Finance in Ottawa. This preoccupation had been a very satisfying experience from the beginning. In retrospect one forgets the low pay and the frustrations of the civil service, and one remembers only that the sixteen years in Ottawa were lived among

men of fine mind and great devotion to the public good. Men like Clifford Clark, Graham Towers, Donald Gordon, Ken Taylor, Ken Eaton, to whom my debt is irreparable, Bob Bryce, Mitchell Sharp, the Rt. Hon. J. L. Ilsley and Hon. D. C. Abbott wrought a quiet revolution in Canadian fiscal and monetary philosophy and practice, the full implications of which are not yet seen. Having even a small role to play in this drama was a most rewarding experience, particularly since that role meant being at the centre of great developments as they unfolded during the war and postwar periods. This was a dynamic decade and a half, and I saw it all at close range.

Then to discover in oneself a need to stand back from the scene and study it and put one's thoughts on paper, and to have that need answered so completely and so uniquely through the Tax Foundation was almost more good fortune than one person deserves. And I mean that sincerely. It is I who am deeply indebted to the Foundation for an opportunity to round out a career in a way few people are privileged to enjoy. And again I have been blessed with the company of men — and women — whom I have admired and respected and with whom my relations have always been the most cordial. The names of the chairmen alone under whom I have served in nearly nine years at the Foundation makes a long and impressive list. They are: Laz Phillips, Tom Hutchison, deWolfe MacKay, Jack Wilson, Gerry Teed, Willard Hamilton, Henry White, Campbell Leach and Stuart Thom — a goodly company. But there are many more — former Chairmen, Governors, former Governors, corporate executives, government officials and a host of others, with whom I have enjoyed daily the most satisfying relations. To my colleagues on the present staff I have already paid tribute; I would only add that I owe an eternal debt to them and to former members who have retired, among whom particularly I would mention Monty Douglas. Monty had much to do with encouraging me to write for the Foundation even before I left the government and also had a hand in my joining the staff in 1952.

So much then for the past. In the years ahead I see nothing but continued growth and development for the Foundation, with increasing recognition of the unique role it performs in Canada. Indeed my normal regrets in leaving the post of Director were heightened by the fact that my last days were spent in making preliminary arrangements for what will undoubtedly be the largest and most important project ever undertaken by the

Foundation. I have already set down elsewhere a list of many new fields of study as yet almost untouched, and I predict that the Foundation will create for itself a brilliant future in forging ahead into new and uncharted territory. To its officers and staff and all its thousands of loyal supporters go my best wishes for triumphant success in all its endeavours.

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 over four 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 and making submissions to government.

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