

CANADIAN  
TAX FOUNDATION

Seventeenth Annual Report

FOR THE YEAR ENDING  
DECEMBER 31st, 1962

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*Seventeenth Annual Report*

FOR THE YEAR ENDING  
DECEMBER 31st, 1962

## CANADIAN TAX FOUNDATION

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### BOARD OF GOVERNORS

Elected March 26, 1963

*W. J. Ayers, F.C.A.	- - - - -	Toronto
E. A. Christenson, C.A.	- - - - -	Edmonton
Eric Cook, Q.C.	- - - - -	St. John's
William B. Draper, C.A.	- - - - -	St. John's
L. St. M. DuMoulin, Q.C.	- - - - -	Vancouver
Albert Garneau, C.A.	- - - - -	Quebec
*C. Antoine Geoffrion, Q.C.	- - - - -	Montreal
David A. Gilman, C.A.	- - - - -	Winnipeg
*John M. Godfrey, Q.C.	- - - - -	Toronto
Jacob M. Goldenberg, Q.C.	- - - - -	Saskatoon
*John W. Graham, Q.C.	- - - - -	Toronto
*John D. Harrison, Q.C.	- - - - -	London
Gordon H. Johnson, C.A.	- - - - -	Halifax
Denham J. Kelsey, C.A.	- - - - -	Vancouver
Jean Leahy, Q.C.	- - - - -	Quebec
G. A. MacDougall, F.C.A.	- - - - -	London
I. M. MacKeigan, Q.C.	- - - - -	Halifax
*John de M. Marler, Q.C.	- - - - -	Montreal
J. A. Marven, C.A.	- - - - -	Moncton
Neil D. McDermid, Q.C.	- - - - -	Calgary
S. O. McMillan, F.C.A.	- - - - -	Saskatoon
*Harold S. Moffet, F.C.A.	- - - - -	Montreal
Walter C. Newman, Q.C.	- - - - -	Winnipeg
John P. Palmer	- - - - -	Saint John
*Arthur S. Pattillo, Q.C.	- - - - -	Toronto
*Archibald D. Russell, C.A.	- - - - -	Vancouver
J. C. Scott-Harston	- - - - -	Victoria
*William A. Simonton, F.C.A.	- - - - -	Toronto
*G. Meredith Smith, C.A.	- - - - -	Montreal
*Lancelot J. Smith, F.C.A.	- - - - -	Toronto
*Herbert O. Spindler, C.A.	- - - - -	Montreal
*Philip F. Vineberg, Q.C.	- - - - -	Montreal

*\*Executive Committee of the Board of Governors*

## OFFICERS

Archibald D. Russell, C.A., *Chairman*

Arthur S. Pattillo, Q.C.

Lancelot J. Smith, F.C.A.

*Vice-Chairmen and Co-Chairmen of the  
Executive Committee*

John de M. Marler, Q.C., *Past Chairman*

Ronald Robertson, *Director*

James A. Reid, *Secretary and Treasurer*

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## ADVISORY COMMITTEE OF PAST CHAIRMEN

J. Grant Glassco, F.C.A	- - - - -	Toronto
*W. G. H. Jephcott, F.C.A.	- - - - -	Toronto
Claude S. Richardson, Q.C.	- - - - -	Montreal
Kenneth LeM. Carter, F.C.A.	- - - - -	Toronto
Lazarus Phillips, Q.C.	- - - - -	Montreal
Thomas A. M. Hutchison, F.C.A.	- - - - -	Toronto
R. deWolfe MacKay, Q.C.	- - - - -	Montreal
John A. Wilson, F.C.A.	- - - - -	Toronto
*M. Gerald Teed, Q.C.	- - - - -	Saint John
A. Willard Hamilton, C.A.	- - - - -	Montreal
*Henry F. White, Q.C.	- - - - -	Toronto
Campbell W. Leach, C.A.	- - - - -	Montreal
Stuart D. Thom, Q.C.	- - - - -	Toronto
A. J. Little, F.C.A.	- - - - -	Toronto
John de M. Marler, Q.C.	- - - - -	Montreal

\*Deceased

STATEMENT OF FINANCIAL POSITION  
AS AT 31st DECEMBER, 1962  
(With comparative figures for 1961)

	1962	1961
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash - - - - -	\$ 21,240.48	\$ 23,103.40
Guaranteed investment receipts—		
due at varying dates—1963 to 1968 - - - - -	70,000.00	65,000.00
Deposit with Trans-Canada Air Lines - - - - -	425.00	425.00
Accounts receivable - - - - -	—	925.00
	<u>\$ 91,665.48</u>	<u>\$ 89,453.40</u>
<b>FIXED</b>		
Furniture and office equipment—at cost - - - - -	\$ 15,251.52	\$ 15,251.52
Less: Accumulated depreciation - - - - -	10,907.16	9,851.92
	<u>\$ 4,344.36</u>	<u>\$ 5,399.60</u>
<b>TRUST FUND</b>		
Taxation and economic growth study fund, cash	<u>\$ 31,939.97</u>	<u>\$ 33,312.34</u>
	<u><u>\$127,949.81</u></u>	<u><u>\$128,165.34</u></u>
<b>LIABILITIES AND RESERVE</b>		
<b>CURRENT</b>		
Accounts payable - - - - -	\$ 4,760.00	—
<b>RESERVE</b>		
Retained for continuation of the		
Foundation's activities - - - - -	\$ 91,249.84	\$ 94,853.00
<b>TRUST FUND LIABILITY</b>		
Taxation and economic growth study fund		
Subscriptions and interest received	\$ 41,939.97	
Less: Advances to Queen's		
University - - - - -	10,000.00	31,939.97
	<u>10,000.00</u>	<u>31,939.97</u>
	<u><u>\$127,949.81</u></u>	<u><u>\$128,165.34</u></u>

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS:

John de M. Marler  
*Chairman*

Lancelot J. Smith  
*Vice-Chairman*

STATEMENT OF INCOME AND EXPENSE  
FOR THE YEAR ENDED 31st DECEMBER, 1962  
(With comparative figures for 1961)

	1962	1961
<b>INCOME</b>		
Subscriptions—Corporate	\$129,800.00	\$126,310.00
—Individual	40,630.00	39,450.00
Interest	3,662.28	3,577.54
	<u>\$174,092.28</u>	<u>\$169,337.54</u>
 <b>EXPENSE</b>		
Salaries	\$ 88,714.53	\$ 88,277.17
Publications (net)	47,978.30	29,425.41
Rent	11,690.00	11,690.00
Postage	7,747.12	7,335.70
Travelling	6,883.19	6,601.05
Office printing, stationery and supplies	5,020.56	2,579.57
General office expense	3,458.37	3,178.75
Books and periodicals—library	2,233.74	2,308.76
Telephone and telegraph	2,138.87	1,798.62
Special studies	2,130.86	3,157.29
Pension plan (net)	1,976.53	2,486.63
Conferences expense (net)	(3,331.87)	(3,181.95)
	<u>\$176,640.20</u>	<u>\$155,657.00</u>
Provision for depreciation of furniture and office equipment	1,055.24	1,168.44
	<u>\$177,695.44</u>	<u>\$156,825.44</u>
 <b>EXCESS OF EXPENSE OVER INCOME FOR 1962</b>		
Deducted from reserve	<u>\$ 3,603.16</u>	—
 <b>EXCESS OF INCOME OVER EXPENSE FOR 1961</b>		
Transferred to reserve	—	<u>\$ 12,512.10</u>

## AUDITORS' REPORT

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, 1962, 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 statement of income and expense present fairly the financial position of the Canadian Tax Foundation as at 31st December, 1962, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Ormsby & Ormsby*

CHARTERED ACCOUNTANTS  
*Auditors*

Toronto, Canada  
27th February, 1963.

*Report of the Chairman  
to the Seventeenth Annual Meeting of the  
Canadian Tax Foundation,  
March 26, 1963*

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It is as Chairman my privilege to preside at this Seventeenth Annual Meeting of the Canadian Tax Foundation and my pleasure to present the Report for the year ended December 31, 1962.

Before presenting the financial statements, I should like to tell you something of the operations of the Foundation itself. It is a body politic and corporate, incorporated under legislation of the Province of Ontario. It is composed of its members but the management of its affairs is in the hands of a Board of Governors composed of 16 practising accountants and 16 practising lawyers. This body meets at least twice a year, once immediately after its election at the Annual Meeting and once during the Annual Tax Conference. The Board, drawn as it is from all provinces of Canada, can neither hope nor be expected to attend to the daily affairs of the Foundation and instead delegates its authority to the Executive Committee. This is composed of 14 Governors, this year, as in the past, drawn as a matter of convenience from Governors residing in the cities of Montreal and Toronto and environs. This Executive Committee is under the chairmanship of the first Vice-Chairman, this year our able friend Lancelot J. Smith, F.C.A. Under his presidency, the Executive Committee has this year met on seven occasions. As an innovation this year all Governors are now invited to attend all Executive Committee Meetings, and we have had the pleasure at an earlier meeting today of the company of several of them. In retrospect, it would seem that the management of the Foundation has this year been faced with an extraordinary number of problems with which the Executive Committee or the executive officers have had to deal but it is nevertheless safe to say that whether there are pressing problems or not a monthly meeting of the Executive Committee is most desirable. With deference, I dare to recommend to the incoming Board that the practice be continued so far as practicable.

In addition to meetings of the Executive Committee, there have been frequent meetings of the Finance Committee, also under the able chairmanship of L. J. Smith and composed of himself, L. F. Heyding, F.C.A., Arthur S. Pattillo, Q.C., and G. Meredith Smith, C.A., and there have also been meetings of a new committee

created this year known as the Publications Committee. This has met under the chairmanship of Mr. Heyding and the members have been John W. Graham, Q.C., Stuart D. Thom, Q.C., and James A. Reid, formerly the Treasurer and now the Secretary and Treasurer of the Foundation. This Committee was charged with the study of the allegation made in some quarters that too many publications of the Foundation are arriving on the desks of its members who, being unable to absorb so many, have attempted to absorb none. The Publications Committee also considered distribution of publications from the standpoint of cost to the Foundation. Questionnaires are indicating, however, that better than 95% of our members wish to continue receiving all publications but in cases where the interests of members and supporters are more specific than general, arrangements have been made to permit a choice.

### Membership

There have also been meetings of Governors and others across Canada sponsored by the Membership Committee under the keen and devoted chairmanship of W. R. Kay, F.C.A., assisted by Mr. Pattillo and Messrs. John Godfrey, Q.C., Edwin A. Goodman, Q.C., Harold S. Moffet, F.C.A., William A. Simonton, F.C.A., and Philip F. Vineberg, Q.C. Mr. Kay's objective has been, through an evangelical approach, to kindle enthusiasm among local Governors and other known friends of the Foundation to recruit new members. The thanks of all are due to Mr. Kay and his Committee members, yet it must nevertheless be said that Mr. Kay is somewhat disappointed by the results that his Committee has been able to achieve. Here are the facts and figures:

	1962	1961
Total Subscriptions — Corporate	\$129,800	\$126,310
Individual	<u>40,632</u>	<u>39,450</u>
	<u>\$170,432</u>	<u>\$165,760</u>

an increase of \$4,672 over the year.

In point of numbers, at the end of 1961 there were 503 corporate members, 12 were added during the course of the year but 22 gave up membership, so that at the end of the year there were 493 corporate members, a decrease of 10. At the end of 1961 there were 3,689 individual members, 452 were added but 451 were discontinued, so that there was a net gain of 1 individual member and at

the end of 1962 there were 3,690. During the months of January and February 1963, 150 new individual and 2 new corporate members were added. While these figures are far from unsatisfactory, the absence of a substantial increase in members is an understandable source of disappointment to Mr. Kay after all his devoted and intelligent efforts.

At this point, two questions arise. First, is the state of membership good? Second, if not, what should or can be done about it? The answer to the first question quickly emerges from the Statement of Income and Expense that you have before you. During the year, notwithstanding the above-mentioned increase of \$4,672 there was a loss on operations of \$3,600. This loss would have been very substantially more had publication of current studies taken place as early as the Director wanted and will, it seems safe to say, be considerably more during the current year. The Foundation does not possess the reserves to permit a succession of deficits and, since the expenses of operating inevitably increase, even though modestly, it is obvious that if the scale of research and publication is not to diminish, and this would be retrogressive indeed, additional support from membership is required. The answer to the first question therefore is, the membership is good but not good enough.

The answer to the second question of how to improve matters lies obviously in two broad areas — one, to increase current membership subscriptions; two, to get more members, particularly corporate members. These are not, I assure you, going unstudied and the members of the incoming Board of Governors will doubtless be exhorted to carry on the good work of enlisting members. But I would be foolishly complacent if I did not seize this opportunity of saying to all present members, and particularly to those who are attending this meeting, that they are the best recruiting officers that the Foundation can find. If you think, as would seem to be the case, that the Foundation is doing a good job or even a fairly good job and that tax research is worth while and should not be left to flounder unguided and unorganized, will you not spread the word to others who may not know as much about us as you and try to win their support for an effort which, while it may not go as far or be as aggressive as some would like, nevertheless serves an undeniably excellent purpose. In Quebec, we have heard in certain arenas the question, "What have you got to lose?" In those arenas, answers, not always polite, have been heard but when applied to the potential subscribers to the Foundation it

would seem that the only possible answer is "Nothing to lose but a great deal to gain."

Our plea for new members should not at all, and in fact does not, in any way obscure or diminish our gratitude for the generous support the Foundation continues to receive from its loyal and regular subscribers both corporate and individual. While we think that the work of the Foundation inures to their benefit, as indeed to that of the whole nation, we are quite aware that without their support our endeavours would dwindle to an insignificant level.

### Annual Conference

No dearth of membership or of support was in evidence at the Annual Tax Conference which took place here in Toronto in November 1962 and which was the best attended Conference to date. It is annually said that this year's Conference has been the best ever and no doubt this will continue to be said, with equal truth, in succeeding years. Nevertheless, I think that I can say, with complete impartiality (because I had nothing to do with it) that the last Conference was second to none and perhaps, indeed, best of all — so far. The Director devised provocative topics and succeeded in gathering able advocates (including accountants, economists, government officials, trust officers, and even lawyers) to advance the various sides of the cases that he wished to present. I suggest that his efforts could hardly have been improved upon. (Parenthetically I would like to observe at this juncture that it is often said that our Conferences are now so big that the panel discussions can no longer serve their original purpose of providing a forum for detailed and intimate discussion of tax problems. This is fair and probably justified comment but there is no palatable alternative and in any event it is to be doubted that extemporeaneous discussion from the floor throws much illumination on the dark patches.)

No word of praise for the Conference would be complete without the remark that much of its success is due to the careful administrative work of Mr. James A. Reid, regarded in many quarters, and probably quite rightly, as the Convenor and mainspring of the Conference, and his able assistants. Mr. Reid, the oldest member of the staff of the Foundation (perhaps I should have said the longest employed) came originally as a member of the research staff but by degrees he has become more and more involved in the administrative aspects of its operations to such an extent that in recent years these have occupied almost all of his

time. Nevertheless he continues to be a keen student of taxation, as many members who have been faced with a knotty conundrum involving taxation can testify. At all events, the team of Robertson and Reid deserves an unlimited amount of credit for the success of the 1962 Tax Conference.

It is an appropriate moment to point out that the 1963 Conference will be held in Vancouver where for the last few years there has annually been a Tax Seminar sponsored jointly by the Foundation and the Law Faculty of the University of British Columbia, all of which have been uniformly successful. It may be that at the meeting of the Board of Governors which will take place following the termination of this meeting another departure will be made from Montreal and Toronto and a Governor from Vancouver elected as your Chairman. The order of succession (the laws of which in the province of Quebec involve the inheritance not only of the assets but of the liabilities of a predecessor) has become pretty well defined over the years. As you know, there is not only a Chairman but two Vice-Chairmen. Ordinarily the First Vice-Chairman steps into the shoes of the retiring Chairman, in turn being replaced by the Second Vice-Chairman. Mr. L. J. Smith is, as you know, the First Vice-Chairman and would ordinarily be succeeding to the office of Chairman. However, as a loyal member of the public and as a keen and able student of taxation and fiscal matters, he has been persuaded, to the satisfaction of all, to become the Chairman of the Committee on Taxation recently appointed in the province of Ontario and he felt that this made it impossible for him to accept the office of Chairman of this Foundation — for the time being, I hasten to add. It is appropriate to note that among the prominent members of the Ontario Committee are Mr. R. Bredin Stapells, Q.C., a former Governor, and Professor Craig McIvor, whose frequent and able contributions to the Foundation's studies are well-known. It is a convenient moment to mention that a similar committee has been appointed in the province of Quebec and that it will be under the presidency of Mr. Marcel Belanger, C.A., likewise a former Governor of the Foundation.

### Tax Changes

It is customary during this report for the Chairman to mention the Foundation's activities with respect to tax legislation. The exigencies of the Parliamentary time-table in 1962 apparently did not permit the critical, technical examination, between the first

and second readings of the amending bills, of the proposed federal tax changes. Notwithstanding that, it became possible to examine, *ex post facto*, these changes at the Annual Conference in November; nevertheless I should like to go on record as saying that, in my humble submission, time should always be provided during the passage of an amending tax bill for its critical study by non-government experts. In the past, the time provided for this study has in only exceptional cases been adequate and more should, it would seem, be available. If that is too much to ask, it would not seem too much that the former custom pursuant to which an opportunity, even though brief and fleeting, was provided at an early stage of the bill for its critical comment be restored on the next occasion and invariably followed in the future. In referring above to "experts", I have in mind both the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants with which the Foundation co-operated to full capacity again in 1962, but also a smaller committee convened and selected by the Director and composed of lawyers and accountants of acknowledged expertise in the tax field.

Overshadowing the 1962 amendments to tax legislation was the appointment of the Royal Commission to examine in the most thorough way possible the whole structure of Canadian taxes. It must have been to all the members of the Foundation, as it was to its Chairman, a source of great satisfaction that the person selected to lead the Commission was a former Chairman of the Foundation. Mr. K. LeM. Carter, F.C.A., and that its members include Mr. J. Harvey Perry, our erstwhile Director, and Mr. A. Emile Beauvais, C.A., a former Governor. It is perhaps excessively optimistic to hope that the appointment and final report of this Commission will prove to be a panacea for all tax ills but it is not to be doubted that its work will throw great light on what are believed to be pressing tax problems and the remedies therefor.

Two or three relevant observations should be made. The Queen's University study of the effects of taxation on the economic growth of Canada, which was initiated by the Foundation prior to the appointment of the Commission, is continuing but in such way as to be of maximum possible assistance to the Commission. The recent Corporate News Letter deals with this in some detail and I expect that the Director will make further reference to it in the course of his report.

The second observation is that since the appointment of the Commission the Foundation has made every effort to be of as-

sistance to it and this will be continued throughout the course of the enquiry. The assistance will take several forms, ranging from the supply of an index to the Foundation's library to the answering, whenever possible, of enquiries from bodies, groups and individuals intending to make presentations to the Commission.

The third observation is that the Foundation has been invited, and has agreed, to file a brief with the Commission at the opening of its hearings on April 16. In accordance with now established Foundation policy, this initial brief, at least, will not make positive recommendations for changes in the tax laws but will merely describe questions and issues that should be closely considered by the Commission in the course of its work. (The postponement, for reasons which have not been officially explained, of the opening of the hearings from a date prior to my retirement as Chairman until a subsequent date had a very special appeal for me.)

The appointment of the Royal Commission and of other provincial committees is the best evidence of the growth to probably a new pinnacle of public awareness of fiscal and tax problems in Canada. It is probably not immodest to suggest that the Foundation and its activities and the consequent stirring up of interest in these problems have been highly instrumental in the launching of these various studies. It would even seem likely that in the next two years Canada's investment in tax research will exceed that of the last twenty, including the funds expended for this purpose by this Foundation, and this, it will be admitted, is a very welcome development.

### Board of Governors

Later in this meeting you will be asked to elect a Board of 32 Governors. These, in accordance with the constitution of the Foundation, have been nominated by the Presidents of the Canadian Bar Association and the Canadian Institute of Chartered Accountants. Of the nominations received from those officers, the majority are Governors at present (thus affording welcome continuity) but it is my pleasure to read to you the names of those who are not, notwithstanding that these will already be known to you as leading members of their respective professions. They are: W. J. Ayers, F.C.A., Toronto, L. St. M. DuMoulin, Q.C., Vancouver, Albert Garneau, C.A., Quebec, John M. Godfrey, Q.C., Toronto, Jacob M. Goldenberg, Q.C., Saskatoon, Denham J. Kelsey, C.A., Vancouver, Jean Leahy, Q.C., Quebec, G. A. MacDougall, F.C.A., London, I. M. MacKeigan, Q.C., Halifax, Neil

D. McDermid, Q.C., Calgary, John P. Palmer, Saint John.

There are thus 11 new nominees for the office of Governor and consequently there are 11 present members of the Board who are to retire. As the Director has said to me, it is probably true that the experience of the Tax Foundation with respect to its Governors is not dissimilar to the position of countries which have a system of universal military service. Soldiers in those countries, after the prescribed period of active service, go on to a reserve list from which they may be called up at any time. Our past Governors are in much the same position, though their recall to service does not depend upon the outbreak of hostilities, unless, of course, the ordinary relationship between taxpayer and the Revenue falls into that category.

Those who are retiring from office this year are:— Marcel Belanger, C.A., Basil R. Cheeseman, Julien Chouinard, Gordon S. Cowan, Q.C., C. Roberts Davidson, Q.C., R. St. J. Freeze, Q.C., Edwin A. Goodman, Q.C., L. F. Heyding, F.C.A., K. T. N. Lapp, C.A., A. J. Little, F.C.A., Reginald H. Tupper, Q.C., and I would be falling very short of my duty if I did not extend to them on your behalf very sincere thanks for their service. Of the retiring Governors, I have had more perhaps to do with Mr. Heyding and Mr. Little. Mr. Heyding has, while I have been a Governor and officer, been a member of the Executive Committee and I think that no other member has been as constant in attendance. I do not think that he missed a single meeting that was held in Toronto and he was even apparently prepared to brave the rigours of the trip to and expose himself to the dangers of Montreal on the isolated occasions when I dared to suggest that the meeting be held in that city. As I have mentioned above, he has served as the Chairman of the Publications Committee and has at all times brought wisdom and experience to bear on the problems with which the Foundation has been faced.

Mr. Little, with whom I have on occasion ventured to cross verbal swords (never successfully), also comes to the end of this stage of his formal service to the Foundation. He has served as a Governor for six consecutive years, including two years as a Vice-Chairman, one year as Chairman and during the last year as Past Chairman. While the mere length of service would ordinarily justify an unconditional pardon for the future, I am comforted by the thought that the Foundation's by-laws have been skilfully framed that the officers of the Foundation will be free to call upon him for his advice in his capacity as a member of the Advisory

Committee of Past Chairman. It is my particular hope that we will often see Mr. Little in the role of chairman of one or more of the plenary sessions of the Annual Tax Conferences at which he performs with such efficiency, grace and charm. To me personally since I have been Chairman he has invariably been the source of the utmost comfort and assistance and for this I thank him most warmly.

In conclusion I would like to express my further thanks to Lance Smith and Arthur Pattillo, the two Vice-Chairmen of the Foundation, and indeed to all of the Governors whose help and assistance have been invaluable to me during the past twelve months.

I now move, seconded by L. J. Smith, F.C.A., that the Reports of the Foundation for the fiscal year ended on December 31, 1962, and the Financial Statements of the Foundation as of December 31, 1962, as submitted to the meeting, be and they are hereby approved and adopted.

JOHN DE M. MARLER



*Report of the Director  
to the Seventeenth Annual Meeting of the  
Canadian Tax Foundation,  
March 26, 1963*

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As the Chairman has indicated, Canada last year experienced a great upsurge of interest in taxation. Whether this was the cause or the effect of the appointment of the Royal Commission on Taxation is a moot point. Tax commissions and committees are burgeoning all over the country, and groups and individuals are preparing submissions to them.

In the coming months this explosion of activity should produce for Canada a tax structure second to none. But in the meantime, taxpayers' enthusiasm for change is not enough to assure success; nor is knowing the problems and objectives enough. It is the solution to the problems, the means of achieving the end, that must be found; and to do this the Commission will have to sift hard commonsense and grains of relevant fact from masses of opinions and statistics and persist in the search not merely for logical solutions but for acceptable and practical solutions, to problems.

This means that solutions must meet the demands of the legal, accounting, economic, business and administrative aspects of taxation. This is no easy task, and complete reconciliation may be impossible; nevertheless proposals which fail to take each aspect into account are unlikely to be of much use even though they may seem to be ideal from one viewpoint or another.

The Commission and its research staff are approaching their task with vigour and imagination. Given the practical and straightforward help of taxpayers, they will most certainly produce a report that will have a profound and beneficial effect on the development of our tax structure for many years to come.

Equally important is the work of the various provincial commissions, for it is at the provincial and municipal levels that the greatest pressure for revenue now exists, particularly for financing education.

The studies and reports of the Foundation we expect will make these tasks shorter by thousands of hours and, what is more important, will provide bases from which studies of tax and fiscal questions as yet unexplored in Canada can be launched.

## Publications and Research

Five special studies by prominent authors were completed and published as Tax Papers by the Foundation in 1962. These include a comparative study of personal exemptions and deductions in Canada, the United States, and the United Kingdom, by Gwyneth McGregor; a comparison of assessment practices in the ten provinces entitled *Real Property Assessment in Canada*, by Frederic H. Finnis; a study of the *Burden of Canadian Taxation*, by Irving J. Goffman of the University of Florida; a report by Professor R. Craig McIvor of McMaster University on *Recent Growth in Canadian Co-operatives*; and a comparative study of provincial school grants, by K. Grant Crawford of Queen's University. The sixth Tax Paper was the *Report of the Corporate Management Conference of 1962* which contained valuable papers prepared by tax experts for that occasion.

I am pleased to report that each of these Tax Papers was well received by members and many non-members. Each opened a new window to the understanding of the complexities and effects of our tax structure.

An equally heavy program of special studies is under way for 1963 and several completed studies have already reached members. The first of these is the study of the role of conditional grants in the Canadian federal structure by Donald V. Smiley of the University of British Columbia. Conditional grants play a vital part in intergovernmental fiscal relations and many aspects of taxation are influenced by them.

Members will also have received a report on the Canadian petroleum industry and the taxes that affect it. This study of one of Canada's most important industries was edited by our former Research Director, Jacques Barbeau, and contains contributions by him and by leading experts. Currently being prepared for the printer is a study of taxation and exports by Milton Moore of the University of British Columbia. Two other studies in the Tax Paper series will be available shortly. One of particular interest will be by J. Peter Williamson, of Dartmouth College, New Hampshire, entitled *The Taxation of United States Private Investment in Canada*. This study describes the application of both the Canadian and American taxes in various investment situations.

Work will commence shortly on a study of provincial sales taxes. This study will be under the direction of Professor John Due who is one of the world's foremost authorities on sales taxes

and whose excellent work is well known to Foundation members.

These studies are being prepared as rapidly as possible in order to have them in the hands of members at an early date for use in connection with the Royal Commission on Taxation.

The 1962 publications included the 1961 *Annual Conference Report*. The 1962 *Report* was mailed to members recently. An effort has been made to make this report more useful for reference purposes. The demand for extra copies of the 1962 *Report* has been quite heavy, and this, I believe, reflects the lasting usefulness and high quality of the papers prepared and presented at the Annual Conference by leading tax experts of Canada and other countries.

*The National Finances* remains an integral part of the Foundation's publication program, and in 1962 it was possible to make further improvements and refinements. The demand for *The National Finances* each year from universities continues at a high level and it now appears to be considered required reading for anyone undertaking to examine the expenditure program of the federal government.

In 1963 *The National Finances* will be joined for the first time by a companion volume entitled *The Provincial Finances*. The staff has been engaged on this project for more than a year, and we expect to have the first edition available before summer. It is planned to publish *The Provincial Finances* every two years. A *Tax Memo* will describe highlights of the provincial financial picture in the intervening years. As with *The National Finances*, there is nothing comparable to this work. It will make available for the first time a summary of the various spending and revenue programs of all provincial governments. Since there is a growing appreciation of the importance of the provincial level of taxation and expenditures, *The Provincial Finances* will be a valuable contribution to the study and understanding of these activities.

In 1962, and again early this year, the *Tax Memo* series was used to present a forecast of the federal budget outlook. Since we shall have to wait for some time yet to see the 1963 budget, interest in the Foundation's forecast has been considerable this year. The *Tax Memo* series for 1962 included a survey of provincial finances which this year will be incorporated in the volume of *The Provincial Finances*. The third *Tax Memo* of 1962 was a summary of federal-provincial tax arrangements. This *Memo* has been in very heavy demand.

To our *Taxes Abroad* series was added a summary on Switzerland, and others are now being prepared.

During 1962 a start was made on an examination of expenditures at the municipal level of government in Canada in the series *Local Finances*. Two issues dealt with the division of responsibilities between municipal governments and the various provinces and the relationship of local expenditures to provincial and federal expenditures. The series on expenditures is continuing into 1963. In January a study of municipal expenditures for education was published. The response to this series has been most encouraging — to the point, in fact, where reprints of some issues have been necessary. This series in particular will be of considerable value to the various provincial tax committees.

I now come to our best known publication, the *Canadian Tax Journal*. Six issues were published in 1962 and there will be the same number for 1963. In the *Journal* are to be found timely comments on tax programs and tax changes both here and abroad. Along with the Annual Conference, the *Journal* remains the main forum for discussions of tax and fiscal matters in Canada. Arrangements have been made to include in the *Journal* during 1963 an occasional study of moderate length. The first of these will appear in the next issue.

The booklet *Principles of Income Tax* has been revised to January 1, 1963. This was originally a series of *Journal* articles by David McGurran, a former Foundation Research Associate, now seconded to the Royal Commission staff from the Department of Finance. Students of law and accounting have found the booklet to be of valuable assistance in their study of the income tax.

### Queen's Study

In addition to the publications mentioned above, we expect to have available in the not too distant future the first of the research papers from the Queen's Study on the effects of taxation on economic growth. As the Chairman, Mr. Marler, has indicated, and as has been reported to corporate members, the work at Queen's is being co-ordinated with the research of the Royal Commission on Taxation. In recent months the Queen's project has been hardened down to take into account the Royal Commission research program, and it is now planned that the series of research papers at Queen's will cover the following topics.

1. The experience and problems of economic growth and economic efficiency in Canada, and the public economy, by Professor David Slater, Director of the project.
2. Growth and change in the structure of the public economy in Canada, by R. W. Thompson.
3. Theories of economic growth and taxation in relation to economic growth, by David C. Smith.
4. The taxation of dividend income in Canada, by John Allen.
5. The effects of taxation on the level, sources and allocation of personal savings.
6. Taxation and corporate financing.
7. Definition of income. A memorandum is being prepared on this subject.
8. Selected studies concerning the provision and use of public goods and services.

### Conference Program

The Conference program of the Foundation is an integral part of both the research and publication activities. The papers prepared for Conferences often provide the sole source of comment on certain aspects of tax practice and policy.

The 1962 Annual Conference in Toronto drew about 850 people — the largest attendance of any in the Foundation's history. Such numbers are encouraging to the Conference Program Committee and are clearly indicative of the amount of interest in taxation.

In addition to the Annual Conference which Mr. Marler has mentioned will be held in Vancouver this year on November 18th to 20th, there will also be a Corporate Management Conference in Montreal on May 28th, and the annual Tax Seminar at the University of British Columbia on May 17th.

I would like to add that the work of the Governors in British Columbia and of Dean Curtis and his staff of the law faculty has made the U.B.C. Seminars an outstanding success. Their experience will be of the greatest value to us at the Annual Conference this fall.

In Halifax this year it will again be the turn of Dalhousie University under Mr. Guy Henson to conduct the Seminar, a most successful meeting having been held in 1962 at St. Mary's University under the expert guidance of Professor Harold Beazley. In Halifax, as in Vancouver, the Foundation Governors play a major role in the organization and execution of the program.

In May last year Queen's University conducted a week-long tax seminar directed to the corporate tax and its problems, and once again we were happy to be associated with them in this work.

In February 1962 the Foundation, in co-sponsorship with the Canadian Council, International Chamber of Commerce, conducted the second International Tax Conference.

The response to these conferences from coast to coast provides great stimulation to everyone interested in the continuing improvement of Canada's tax system at all levels of government.

### Staff

1962 was an extremely busy year for members of the Foundation staff, and so far 1963 has been the same. In view of the great activity now going on in the study of taxation, we anticipate this will continue throughout the year, and well into 1964.

The publication and research program is, of course, a reflection of the work of the Foundation staff, not only in doing research, but in preparing it for publication.

In many cases Foundation research bears the imprint of several, and sometimes of all staff members, as each contributes from his own particular area of knowledge. As a result, the title borne by staff members bears only a partial connection with the work that they do. While Gwyneth McGregor is best known as the Foundation's editor, each year sees her knowledge of taxation expand, as evidenced by the number of *Tax Papers* that now bear her name as author. Her ability, sometimes uncanny, to get at the heart of a tax matter is perhaps best illustrated by her popular contribution to the *Journal* in the feature "Around the Courts."

Assisting her with editing tasks is Miss Mary Gurney, who also helps with the compilation of statistics. The 1962 *Tax Memo* on the federal-provincial tax agreements represents an example of Miss Gurney's additional work as a research writer, as do a number of the segments of *The National Finances*.

The abilities of Mrs. Marion Bryden, our statistician, are put to full use, from preparing each year the federal budget forecast to being in charge of production of *The National Finances*. Mrs. Bryden's experience is continually being called upon by members for assistance with or comment on work they are doing in public finance statistics.

While Eric Finnis devotes his time primarily to research in

the municipal field, he is broadening the scope of his work to include the provincial governments. Mr. Finnis, in addition to writing *Local Finance*, has prepared a large part of *The Provincial Finances* in collaboration with Mrs. Bryden and Miss Gurney.

During the past year there has been an increase in the use of the Foundation library by members and this, we expect, will continue throughout the coming months. Anatole Bazylewycz, our librarian, has done much in recent months to improve our library facilities and is continuing to make them more useful.

We look forward to the return in a short time of Gerald Hoy who, since last September, has been attending the International Program in Taxation at Harvard University. Mr. Hoy's work in the field of foreign taxes is well known to members and on his return his year of study will add to his contribution in the foreign tax field.

In September 1962 Jacques Barbeau, who served as Director of Research from May 1961, entered private law practice. Jacques' interest in tax research and in the Foundation continues and he can be counted upon to contribute to the *Journal* and to conferences from time to time.

I am pleased to record the arrival in January this year of Alan Short, C.A., as a Research Associate. In the brief time he has been with us his tax experience, gained in both public accounting and industry, has proved to be a valuable asset and has added an important new dimension to the knowledge of the Foundation staff.

It is very difficult for me to report upon the work of our Secretary and Treasurer, Jim Reid. His title does not reflect his fund of tax knowledge which he keeps up to date despite the demands of his main duties which have grown with the work of the Foundation. Mr. Reid is assisted by Mrs. Evelyn Wilkinson who has the important task of keeping our voluminous membership and mailing records in a constant state of good repair.

Most of our members know how essential it is to have an efficient secretarial staff which can keep work flowing speedily and accurately. Most Foundation members will admit, as I do, that without efficient secretaries work would fail to reach its final destination. The large volume of research writing and correspondence is kept moving at a rapid pace in the Foundation by Mrs. Audrey Fullman and Mrs. Louise McEwan.

I would like to take this opportunity to thank my staff colleagues for their support and devotion to duty during the last

year and particularly during the last few months when extensive construction in our building made conditions for doing research work somewhat less than ideal.

In conclusion, may I extend on behalf of myself and my staff colleagues our sincere thanks to our Chairman (who has spent more hours on the Foundation's behalf than he would care to reveal), the Board of Governors, and the many members who have been untiring in their assistance. All of us, I know, look forward to another year of useful work in the Foundation's chosen field of endeavour.

RONALD ROBERTSON



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.