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# CANADIAN TAX FOUNDATION

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## *Eighteenth Annual Report*

FOR THE YEAR ENDING  
DECEMBER 31st, 1963

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*Eighteenth Annual Report*

FOR THE YEAR ENDING  
DECEMBER 31st, 1963



# CANADIAN TAX FOUNDATION

## BOARD OF GOVERNORS

Elected March 24, 1964

|                             |           |               |
|-----------------------------|-----------|---------------|
| Ross P. Alger, F.C.A.       | - - - - - | Calgary       |
| *Edward H. Ambrose, F.C.A.  | - - - - - | Hamilton      |
| *W. J. Ayers, F.C.A.        | - - - - - | Toronto       |
| John W. Beech, F.C.A.       | - - - - - | Winnipeg      |
| Pearley R. Brissenden, Q.C. | - - - - - | Vancouver     |
| J. Nevin Burnham, C.A.      | - - - - - | Saint John    |
| Richard J. Burns, Q.C.      | - - - - - | Calgary       |
| *R. J. P. Dawson, C.A.      | - - - - - | Montreal      |
| William B. Draper, C.A.     | - - - - - | St. John's    |
| L. St. M. DuMoulin, Q.C.    | - - - - - | Vancouver     |
| Albert Garneau, C.A.        | - - - - - | Quebec        |
| *Charles Gavsie, Q.C.       | - - - - - | Montreal      |
| *C. Antoine Geoffrion, Q.C. | - - - - - | Montreal      |
| *John M. Godfrey, Q.C.      | - - - - - | Toronto       |
| Jacob M. Goldenberg, Q.C.   | - - - - - | Saskatoon     |
| *John W. Graham, Q.C.       | - - - - - | Toronto       |
| Maurice V. Jeffery, F.C.A.  | - - - - - | Swift Current |
| Gordon H. Johnson, C.A.     | - - - - - | Halifax       |
| Denham J. Kelsey, C.A.      | - - - - - | Vancouver     |
| Jean Leahy, Q.C.            | - - - - - | Quebec        |
| G. A. MacDougall, F.C.A.    | - - - - - | London        |
| *Aurelien Noël, C.A.        | - - - - - | Montreal      |
| John P. Palmer, Q.C.        | - - - - - | Saint John    |
| *Arthur S. Pattillo, Q.C.   | - - - - - | Toronto       |
| Henry B. Rhude              | - - - - - | Halifax       |
| *Archibald D. Russell, C.A. | - - - - - | Vancouver     |
| Francis J. Ryan, Q.C.       | - - - - - | St. John's    |
| *Lancelot J. Smith, F.C.A.  | - - - - - | Toronto       |
| *Herbert O. Spindler, C.A.  | - - - - - | Montreal      |
| *John L. Stewart, Q.C.      | - - - - - | Toronto       |
| Alan Sweatman, Q.C.         | - - - - - | Winnipeg      |
| *Philip F. Vineberg, Q.C.   | - - - - - | Montreal      |

*\*Executive Committee of the Board of Governors*

## OFFICERS

Arthur S. Pattillo, Q.C., *Chairman*

Lancelot J. Smith, F.C.A.

Philip F. Vineberg, Q.C.

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

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

Ronald Robertson, *Director*

James A. Reid, *Secretary and Treasurer*

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## ADVISORY COMMITTEE OF PAST CHAIRMEN

Molyneux L. Gordon, K.C. (*deceased*)

Gordon K. Munnoch, K.C. (*deceased*)

\*J. Grant Glassco, F.C.A., Toronto

W. G. H. Jephcott, F.C.A. (*deceased*)

\*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., (*deceased*)

\*A. Willard Hamilton, C.A., Montreal

Henry F. White, Q.C. (*deceased*)

\*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

\*Archibald D. Russell, C.A., Vancouver

*\*Advisory Committee of Past Chairmen*

STATEMENT OF FINANCIAL POSITION  
AS AT 31st DECEMBER, 1963  
(With comparative figures for 1962)

|   | 1963                | 1962                |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                   |                     |                     |
| <b>CURRENT</b>                                  |                     |                     |
| Cash - - - - -                                  | \$ 22,749.41        | \$ 21,240.48        |
| Guaranteed investment receipts—                 |                     |                     |
| due at varying dates—1964 to 1968 - - - -       | 70,000.00           | 70,000.00           |
| Deposit with Trans-Canada Air Lines - - - -     | 425.00              | 425.00              |
| Account receivable - - - - -                    | 197.50              |                     |
|   | <u>\$ 93,371.91</u> | <u>\$ 91,665.48</u> |
| <b>FIXED</b>                                    |                     |                     |
| Furniture and office equipment—at cost - - -    | \$ 16,714.41        | \$ 15,251.52        |
| Less: Accumulated depreciation - - - - -        | 12,005.44           | 10,907.16           |
|   | <u>\$ 4,708.97</u>  | <u>\$ 4,344.36</u>  |
| <b>TRUST FUND</b>                               |                     |                     |
| Taxation and economic growth study fund, cash   | \$ 23,097.66        | \$ 31,939.97        |
|   | <u>\$121,178.54</u> | <u>\$127,949.81</u> |
| <b>LIABILITIES AND RESERVE</b>                  |                     |                     |
| <b>CURRENT</b>                                  |                     |                     |
| Accounts payable - - - - -                      | \$ 4,231.99         | \$ 4,760.00         |
| <b>RESERVE</b>                                  |                     |                     |
| Retained for continuation of the                |                     |                     |
| Foundation's activities - - - - -               | \$ 93,848.89        | \$ 91,249.84        |
| <b>TRUST FUND LIABILITY</b>                     |                     |                     |
| Taxation and economic growth study fund         |                     |                     |
| Subscriptions and interest received \$43,097.66 |                     |                     |
| Less: Advances to Queen's                       |                     |                     |
| University - - - - - 20,000.00                  | 23,097.66           | 31,939.97           |
|   | <u>\$121,178.54</u> | <u>\$127,949.81</u> |

|   |                      |
|---|----------------------|
| APPROVED ON BEHALF OF THE BOARD OF GOVERNORS: |                      |
| A. D. Russell                                 | Arthur S. Pattillo   |
| <i>Chairman</i>                               | <i>Vice-Chairman</i> |

STATEMENT OF INCOME AND EXPENSE  
FOR THE YEAR ENDED 31st DECEMBER, 1963  
(With comparative figures for 1962)

|   | 1963                | 1962                |
|---|---------------------|---------------------|
| <b>INCOME</b>   |                     |                     |
| Subscriptions—Corporate - - - - -   | \$124,780.00        | \$129,800.00        |
| —Individual - - - - -   | 51,752.50           | 40,630.00           |
| Interest - - - - -  | 3,848.52            | 3,662.28            |
|   | <u>\$180,381.02</u> | <u>\$174,092.28</u> |
| <br><b>EXPENSE</b>  |                     |                     |
| Salaries - - - - -  | \$ 91,138.00        | \$ 88,714.53        |
| Publications (net) - - - - -  | 37,382.30           | 47,978.30           |
| Rent - - - - -  | 11,690.00           | 11,690.00           |
| Postage - - - - -   | 7,699.03            | 7,747.12            |
| Special studies - - - - -   | 6,698.90            | 2,130.86            |
| Pension and insurance plans (net) - - - - -                               | 6,460.00            | 1,976.53            |
| General office expense - - - - -  | 3,894.14            | 3,458.37            |
| Travelling - - - - -  | 3,702.71            | 6,883.19            |
| Office printing, stationery and supplies - - - - -                        | 3,638.64            | 5,020.56            |
| Books and periodicals—library - - - - -                                   | 2,304.02            | 2,233.74            |
| Telephone and telegraph - - - - -   | 1,841.19            | 2,138.87            |
| Conferences expense (net) - - - - -                                       | 234.76              | (3,331.87)          |
|   | <u>\$176,683.69</u> | <u>\$176,640.20</u> |
| Provision for depreciation of furniture<br>and office equipment - - - - - | 1,098.28            | 1,055.24            |
|   | <u>\$177,781.97</u> | <u>\$177,695.44</u> |
| <br><b>EXCESS OF INCOME OVER EXPENSE FOR 1963</b>                         |                     |                     |
| Transferred to reserve - - - - -  | <u>\$ 2,599.05</u>  |                     |
| <br><b>EXCESS OF EXPENSE OVER INCOME FOR 1962</b>                         |                     |                     |
| Deducted from reserve - - - - -   |                     | <u>\$ 3,603.16</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, 1963, 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, 1963 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.

*Glenn Cunningham Campbell Jarrett + Dever*

CHARTERED ACCOUNTANTS  
*Auditors*

Toronto, Ontario,  
28th February, 1964.



*Report of the Chairman  
To the Eighteenth Annual Meeting of the  
Canadian Tax Foundation  
March 24th, 1964*

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It is my pleasure as Chairman to present the 18th Annual Report of the Foundation for the year ending December 31, 1963.

The year now past was a busy one for the Foundation — members, Governors and staff. Like myself, many members were called upon to appear in their professional capacities before the Royal Commission on Taxation and its provincial counterparts. I had the added pleasure of appearing on behalf of the Foundation at both the opening and closing hearings of the federal Royal Commission. On the first occasion in April, 1963, it was in company with our Director and my predecessor, John de M. Marler, Q.C., during whose term in office the initial presentation was prepared. The final hearings were held in January this year and the Foundation was asked to submit the last brief to the Commission. At this hearing I was accompanied by our Director and by Mrs. McGregor. I know you will agree with me in interpreting the Commission's invitation to open and close the hearings as a tribute to the outstanding work the Foundation has done in the public interest since its inception in 1945.

I think this is evident from the comments of the Chairman of the Commission at the conclusion of the hearings when he said:

"I certainly feel the Foundation has discharged an immense trust extraordinarily well; and if we have a fairly good tax system in Canada — and you and others have suggested that we do — it is in some measure due to the Tax Foundation who have certainly done their best to head off great inroads on the tax base. As far as I can see, Canada has quite a firm tax base. In my view this is due more than anything to the Canadian Tax Foundation."

Those of you who participated in the preparation and presentation of other submissions to the Commission will, I am sure, verify the fact that Foundation Conference Reports and research provided invaluable assistance.

The federal as well as the provincial Commissioners are now engaged in the arduous task of weighing the evidence before them on the effects and defects of our tax structure. It is likely that before our next Annual Meeting their reports will be available and implementation of their recommendations will be under active consideration.

What will the recommendations be? I doubt whether, at this time, even the Commissioners would be able to make predictions. But whatever they may be, the changes recommended will have important consequences for all Canadians.

I know you will join with me in wishing the Commissioners every success in their efforts to produce a blueprint for an improved Canadian tax system. Once that blueprint is prepared, it will be the task of the Foundation, its members and taxpayers across Canada to assist in its analysis and implementation. This is perhaps a long way of saying that the reports will represent a new beginning but that much effort will be required after the work of the Commissioners has been completed.

### Membership

The amount of research work the Foundation is able to carry out each year depends entirely on contributions from corporate subscribers and individual members. These contributions continued at a high level in 1963, both in numbers and amount. Total corporate and individual subscription income was \$176,532, compared with \$170,432 in 1962.

Individual members' subscriptions rose from \$40,630 in 1962 to \$51,752 in 1963. This was in large part due to the increase, as of last June, in the individual subscription rates, and to the enrolment of new members. The rate for regular membership was raised from \$15 to \$20 and that for special membership from \$5 to \$7.50. During the year, 532 new individual members were added to our rolls. Of these, 250 became regular members and the balance, 282, took out the special memberships which are open to students and others.

Each year there is, of course, a turnover in membership, particularly among students. At the year-end, total individual memberships stood at 3,758, compared with 3,690 at the end of 1962. We have been encouraged by the fact that the increased subscription rate has been accepted by our members, many of whom have indicated that the value of Foundation publications and conferences far exceeds that of the subscription fee.

In reporting to you on the Foundation's financial position I should like to express, on behalf of all members and in particular on behalf of the Board of Governors, our sincere thanks for the loyal support which we have had for so many years from our corporate subscribers.

Corporate subscriptions totalled \$124,780 in 1963. This was about \$5,000 less than the amount received in 1962 and while, to some



extent, the drop reflects business conditions in some industries during the year, it is due, to a larger extent than may sometimes be appreciated, to the continuing changes in Canada's corporate structure involving the amalgamation of two or more Foundation contributors. Where such an event occurs, we always hope that the continuing subscriber will reconsider the amount of its subscription, and this has happened in a number of cases. Several other corporate subscribers increased their contributions in 1963. Equally encouraging was the addition of twelve new corporate subscribers during the year: one from British Columbia, three from Alberta, one from Saskatchewan, three from Ontario, three from Quebec and one from New Brunswick.

We are indebted to those Governors and members who brought the work of the Foundation and its financial requirements to the attention of these new supporters, and we are particularly indebted to our Membership Committee comprising Arthur S. Pattillo, Q.C., L. St.M. DuMoulin, Q.C., C. Antoine Geoffrion, Q.C., John M. Godfrey, Q.C., Gordon H. Johnson, C.A. and G. A. MacDougall, F.C.A.

From the figures I have mentioned, it is apparent that the Foundation's financial picture continues to be sound.

It is equally apparent, however, as I indicated earlier, that suggested tax changes flowing from the reports of the federal and provincial tax commissions will require a good deal of analysis, by governments and taxpayers alike, in order that they may be fitted smoothly into the fabric of our tax structure. Constant attention must therefore be given to strengthening the Foundation's finances so that it can play its part in this work. The Membership Committee seeks the support of all members in its efforts to bring the work of the Foundation to the attention of potential supporters across Canada.

### Annual Conference

While the success of the 1963 Annual Tax Conference is already a matter of record, this success was particularly gratifying to me as a Vancouverite, since it was the first time an Annual Conference had been held west of the Rockies.

At this date, it is possibly not out of order to say that the Governors were prepared for the possibility that the travelling distances involved for many members might have resulted in a rather small attendance, despite the undoubted attraction of Vancouver as a conference city. However, attendance far exceeded our expectations, numbering 550, and including a noteworthy attendance

from the most easterly parts of Canada, and even from as far away as Bermuda.

We were successful in obtaining an excellent group of advocates to present the interesting and provocative subjects devised by our Director, whose untiring efforts always contribute so much to the success of our conference.

Our Conference Secretary, Mr. James A. Reid, while operating further than usual from his home base, nevertheless saw to it that the Conference operated in the smooth manner which our members have grown to expect and enjoy. He was ably assisted by those members of the staff who also attended.

At the Conference, a great deal of attention was paid to the larger policy issues of taxation. This emphasis served a double purpose. It permitted tax practitioners and others responsible for tax work to become more familiar with these issues at a time when the entire scope of the tax structure was under close scrutiny. It also helped gather together, for the assistance of the tax Commissions and their staffs, the views of those with day-to-day experience of the functioning of the tax system.

This combination of theory and practice, we believe, has been quite useful to the Commissions. With considerable extra effort on the part of the staff and our printers, CCH Canadian Ltd., it was possible to have the *Conference Report* printed in record time, and we were able to present the first copies off the press to the federal Commissioners at the final hearing on January 24th.

The 1964 Annual Conference will be held at the Queen Elizabeth Hotel in Montreal on November 23rd, 24th and 25th, and while 1964 may turn out to be a quiet one as far as tax changes are concerned, because governments are awaiting the Royal Commission reports, there is no shortage of tax topics awaiting study and discussion.

### Tax Changes

On the other hand, 1963 brought more than the usual number of tax changes, particularly at the federal level. Because of their unusual nature, these changes created unusual problems of implementation. This, in turn, underlined the necessity for close co-operation between taxpayers and governments. As in the past, the Foundation sought to be of assistance last year by sponsoring a small committee of lawyers and accountants which, following the introduction of the Bill in Parliament, reviewed it with senior officials of the Departments of Revenue and Finance. The purpose of these reviews is to seek out potential problems of application



so that they can be corrected before final passage of the Bill. While the exigencies of Parliament do not always permit the suggested changes to be made until a later date, these reviews are considered useful by the officials concerned, and often lead to improvements. The policies upon which the 1963 tax changes were based were discussed at conferences and in Foundation publications. In this way, both policy and legislation received attention.

Another most important phase of the Foundation's activities in connection with tax changes is its association with the Joint Tax Committee of the Canadian Institute of Chartered Accountants and the Canadian Bar Association. This Committee's annual brief to the Minister of Finance contains recommendations for improving the federal taxing statutes. Its great value lies in the fact that its recommendations are based on the experience of lawyers and chartered accountants in their daily practice across Canada. The Director and Alan Short of the Foundation staff work closely with the Joint Committee in sessions devoted to the preparation of the brief. Foundation staff members also assist by analyzing for the Committee some of the more complex technical tax ailments for which the Joint Committee is seeking a remedy.

While the work of the Joint Committee is well known to many of our individual members, it may not be so well known to some of our corporate subscribers. Literally hundreds of man-hours are devoted each year by lawyers and accountants to the formulation of recommendations; and suggestions from provincial committees and sections of each of the two professions are channelled to the Joint Committee. It in turn selects, analyzes, and co-ordinates those of sufficient importance to be included in the brief. Great care is taken at all levels to exclude special pleading. As a result the brief ranks as one of the most valuable, if not the most valuable, of those submitted each year to the federal government on the subject of taxation. The members of the Canadian Bar Association and the Canadian Institute of Chartered Accountants who make up this Committee are to be warmly congratulated and thanked for this major yearly contribution to the improvement of our tax legislation.

I should also like to commend federal tax officials for their co-operative approach to problems raised in the brief. In recent years this co-operation has been steadily growing, and while it does not mean that tax officials always agree with the recommendations, the existence of an atmosphere which permits a frank exchange of viewpoints and experience will work to the benefit of all taxpayers and the Revenue.

## Board of Governors

Following the Director's report, members will be asked to elect a Board of Governors. The names of the thirty-two nominees are included in the notice of this meeting. As members are aware, nominations are made each year by the President of the Canadian Bar Association and the President of the Canadian Institute of Chartered Accountants.

Many of the nominees are known to you through their previous service as Governors. However some will not be known to you in that capacity, although they will be familiar as leading members of their professions. I have pleasure in reading the names of those nominated for the first time. They are: Ross P. Alger, F.C.A., Calgary; Edward H. Ambrose, F.C.A., Hamilton; J. W. Beech, F.C.A., Winnipeg; P. R. Brissenden, Q.C., Vancouver; J. Nevin Burnham, C.A., Saint John; R. J. P. Dawson, C.A., Montreal; Charles Gavsie, Q.C., Montreal; Maurice V. Jeffery, F.C.A., Swift Current; Aurelien Noël, C.A., Montreal; Henry B. Rhude, Halifax; Francis J. Ryan, Q.C., St. John's; J. L. Stewart, Q.C., Toronto; and Alan Sweatman, Q.C., Winnipeg.

Having served faithfully for considerable periods, the following Governors are retiring from office this year: E. A. Christenson, C.A., Eric Cook, Q.C., David A. Gilman, C.A., John D. Harrison, Q.C., I. M. MacKeigan, Q.C., John de M. Marler, Q.C., J. Avard Marven, C.A., S. O. McMillan, F.C.A., Harold S. Moffet, F.C.A., Walter C. Newman, Q.C., J. C. Scott-Harston, William A. Simonton, F.C.A., and G. Meredith Smith, C.A.

It is my duty to remind them that Foundation Governors are never permitted to retire completely, and that we shall be looking to them for advice and assistance in the future. We know from past experience that such requests do not go unheeded. I extend the sincere thanks of all members of the Foundation for their valuable assistance in various phases of the Foundation's activities.

You will note among these names that of John de M. Marler, Q.C., who served as your Chairman in 1962-63 and this year as Past Chairman.

Mr. Marler was first elected to the Board in 1955 and served through 1957. He was then permitted a breathing spell of two years before being re-elected in 1960 to serve as Vice-Chairman. He was a Vice-Chairman again in 1961. As we now know, his election as Chairman in March 1962 made the following twelve months into a vintage year for the Foundation, and few members will forget the 1962 Conference in Toronto which sparkled under Mr. Marler's chairmanship. The record I have outlined does not



begin to describe the work Mr. Marler has done, off-stage as it were, in carrying out the duties of Chairman, quite apart from presiding over and participating in our conferences.

In view of his ability and experience, it would not be in the interests of the Foundation to lose Mr. Marler's counsel. Fortunately, the wisdom of earlier Governors in framing our by-laws precludes this and I am happy to advise that a life sentence is prescribed for Mr. Marler as member of the Advisory Committee of Past Chairmen. I know that, in once again thanking Mr. Marler for his outstanding service, I express the thoughts of Governors, members and entire Foundation staff.

In conclusion, I should like to express my personal thanks to the Governors whose assistance during the past year was invaluable to me. In particular I would like to thank the two Vice-Chairmen of the Foundation, Arthur S. Pattillo and Lancelot Smith. As a result of their close co-operation, the distance between Toronto and Vancouver has presented no problem in the carrying out of the duties of Chairman.

Since this is the last occasion upon which I shall appear before you as Chairman, I should also like to thank the many members whose support has made the past twelve months most enjoyable for me.

And a final "thank you" to the Director and his staff, not only for the help they have been to me as chairman, but for their loyal devotion to the Foundation itself, a devotion which contributes in no small measure to the reputation our organization enjoys in Canada today.

I now move, seconded by Arthur S. Pattillo, Q.C., that the Reports of the Foundation for the fiscal year ended on December 31, 1963, and the Financial Statements of the Foundation as of December 31, 1963, as submitted to the meeting, be and they are hereby approved and adopted.

ARCHIBALD D. RUSSELL, C.A.  
*Chairman*





*Report of the Director*  
*To the Eighteenth Annual Meeting of the*  
*Canadian Tax Foundation*  
*March 24th, 1964*

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The Chairman has left me with quite a number of items to report in connection with Foundation activities during 1963. However, since 1964 is now almost three months old it may not be out of order to comment on current activities as well.

At present, Canada is marking time in the tax field, awaiting the reports of the federal and provincial tax commissions. Those who have followed Commission hearings realize that it is no easy task to propound improvements to the tax system; there are few tax problems for which there are perfect solutions.

I have heard it said that there is no such thing as a bad whiskey; some are just better than others. Somewhat the reverse is true in taxation — no tax system is perfect, but some are worse than others. Canada's tax system is by no means the worst, even as it stands today. As a result we have plenty to lose by precipitous action on the eve of our best chance in nearly 50 years to produce a system second to none, and best suited to Canada's particular needs.

Everyone is anxious to get on with the job, but patience, even in taxation, can be a virtue.

I mention this since there was considerable disappointment last week when the budget failed to produce a general tax cut similar to that approved in the United States in February, after a year of debate. Apart from the economic aspects of this decision, it is interesting to note that while there has been jubilation in the U.S. about the reduction itself, there is some disappointment that the great effort did not produce more improvements in the tax structure as well; not necessarily those proposed by the administration.

Some prominent U.S. tax men are now of the opinion that a non-political, widely representative Commission may be required to formulate recommendations for Congress and the administration, if further substantive progress is to be achieved; and it strikes me that our tax Commissions, now well advanced in their work, are very close to what a number of Americans have in mind. While the proof of the pudding will be in our Commissions' reports and the reaction of governments to them, at this point in time the observation that we may be ahead of the U.S. in tax reform does not appear unwarranted.

Canada's difficulties in the tax area are compounded by the federal-provincial fiscal discussions about to begin. But even here it is not too much to say that our present inter-governmental tax structure is more advanced and rational from the taxpayer's standpoint than the American counterpart, although it produces some unfortunate results when U.S.-Canadian rate comparisons are made. There is already evidence that the states are starting to move into the tax space vacated by the U.S. federal reduction, offsetting some of its expected impact.

Our tax Commissions have so far exhibited a sensitive appreciation of the need for inter-provincial and federal-provincial co-ordination of tax policy and collection procedures, and there is every indication that their reports will provide helpful technical guidance for policy-makers in this field. Perhaps Canada will be able to arrange its affairs so that any tax cut at one level is not absorbed by another.

The result is that we should not be overly upset by the omission of a tax cut this year. Improved conditions have given us a breathing spell which may permit a more beneficial rate reduction next year — coupled, I trust, with structural improvements.

### Research and Publications

Four special research studies were published in 1963, each pertaining to an important area of tax and fiscal policy. They were:

*Conditional Grants and Canadian Federalism*,  
by Professor Donald V. Smiley of the University of  
British Columbia

*Oil and Gas Production and Taxes*,  
edited by Jacques Barbeau

*Taxes and Exports*,  
by Professor A. Milton Moore of the University of  
British Columbia

*Taxation of U.S. Private Investment in Canada*,  
by Professor J. Peter Williamson of the Amos Tuck  
School of Business at Dartmouth College

Each of these, I am happy to report, was well received and resulted in considerable discussion in the press.

The response to the first issue of *Provincial Finances* was particularly gratifying. This survey of the revenue and expenditure programs of the provinces has met a great need for comparative



information on the activities of our provincial governments. We are indebted to many provincial officials for their assistance in its preparation, and as the result of their comments we expect to be able to make it an even more valuable source of information when it is revised in 1965. This year, a *Tax Memo* will outline provincial revenue and expenditure programs. We feel that the two-year revision schedule, with *Tax Memos* in the intervening years, will be satisfactory for the time being. However, if the pace of change quickens in the provincial field it may be necessary to provide annual revisions as we do with *The National Finances*.

In connection with *The National Finances*, we have noted with interest that a number of tables from the last edition were found by the special committee on defence of the House of Commons to be a useful summary. They appear in the Committee's third report to the House on page 798.

Both *Provincial Finances* and *The National Finances* are being used in Canadian universities, the latter being made available at a nominal price when ordered in bulk for the use of students. The 1963 edition of *The National Finances* underwent considerable revision. A new chapter seeks to show the role of total government activity in the economy, and the position of the federal government in relation to provincial and municipal governments.

Despite this addition it proved possible, through judicious pruning and rewriting, to reduce the size of the booklet.

The *Canadian Tax Journal* has become such a fixture in our publications program that it is difficult to find anything new to say about it. However, fixture or not, we are constantly seeking ways to improve it, both in content, and typographically. Last year the *Journal* was used as a vehicle for the publication of studies of such a length and nature that they were unsuitable as articles or *Tax Papers*. They therefore became "Tax Essays" and appeared as appendices to the *Journal*. This arrangement gives us new scope for publishing the kind of research work that we have sometimes had to forego in the past. We hope that this procedure will encourage more tax practitioners and other writers on tax matters to examine tax problems in depth.

To our *Taxes Abroad* series a revised paper on taxation in the United Kingdom was added in 1963. In the *Tax Memo* series appeared a summary of 1963 federal budget prospects; a summary of the recommendations made to the Royal Commission on

Taxation during the first series of hearings; and the Foundation's opening submission to the Royal Commission.

Two issues of *Local Finance* completed the discussion of major expenditure items in our municipalities — local roads and transportation and education. Incidentally, the demand for back copies of *Local Finance* has continued at such a rate that revision and republication in booklet form is under consideration.

A similar situation resulted in the republication of *Principles of Income Tax*, revised to January 1, 1963. Mr. McGurran, a former staff member and author of the *Journal* articles from which the booklet was compiled, assisted in the revision, and we were very happy to have his services. The popularity of the booklet is such that we have chosen it to be our first publication entirely in French. It is at the moment in the course of being translated.

Some indication of the demand for Foundation publications can be gathered from the fact that we have been able to offset against our publication costs an appreciable sum received from members and others who have requested additional copies of our various reports.

The 1964 research and publication program is already well under way. To date members have received the annual *Tax Memo* forecast of the federal budget prospects, the January-February issue of the *Journal* and a special *Journal* supplement embodying our submission to the closing session of the Royal Commission on Taxation. Mr. Russell has already mentioned that the 1963 *Annual Conference Report* was in the mail to members before the end of January. I should like to add my thanks, and those of my staff colleagues, for the excellent co-operation we received from conference speakers and the staff of CCH Canadian Ltd., our printers. Without this co-operation the extra staff effort to get the report to members at the earliest possible date would have been of no avail.

On the way to the printers at the present time is Professor John Due's new survey of provincial sales taxes. I have every expectation that this report will be of great value to business firms, practitioners and sales tax administrators in their efforts to improve provincial sales tax law and procedures.

An analysis of the income taxation of inter vivos trusts in Canada by Marshall A. Cohen is scheduled for distribution later in the year, as is a three-part *Tax Paper* dealing with questions of fiscal adjustments in a federal country, time lags in the implementation of fiscal policy and the taxing and borrowing decisions of provincial and municipal governments.



## Conferences

The Chairman has reported to you on our annual conference. I should now like to report on the special and regional conference program.

In Halifax last October, a Tax Seminar was held by Dalhousie University in co-operation with the Foundation. Our Governors in the Halifax area — Messrs. Johnson and MacKeigan — assisted university faculty members Guy Henson and Professor Edwin Harris in arranging and carrying out a most useful tax study session. We expect a similar Seminar will be held again this year in Halifax under the direction of Professor Harold Beazley, Dean of Commerce at Saint Mary's University.

The law faculty Tax Seminar at the University of British Columbia in Vancouver attracted such numbers last year that it was not possible to accommodate all those who wished to attend. As in Halifax, success results from the close co-operation between university faculty members and the Foundation's Governors. At U.B.C. we are indebted to Dean George Curtis, a long-time member and supporter of the Foundation. Our Chairman, Mr. Russell, long the Foundation's spark-plug for this Seminar, has plans well in hand for the next one which is scheduled for May 15th.

Equally successful, I am pleased to report, was our 1963 Corporate Management Conference which was held in Montreal. Designed to deal with the tax problems which are of particular interest to our corporate subscribers, the papers delivered at the Corporate Management Conferences have a wide interest and value for all our members.

This year the Corporate Management Conference will be held in Toronto on May 5th. For the first time it will be combined with an International Tax Conference which has been held from time to time in co-sponsorship with the Canadian Council of the International Chamber of Commerce. Leading tax specialists from Canada, the United States and the United Kingdom will discuss and analyze the recent OECD (Organization for Economic Co-Operation and Development) draft international tax treaty and corporate problems arising from the Canadian ownership provisions and provisions of similar intent in other countries.

I am also happy to report that our first French language tax seminar will be held on May 9 and 10, in co-sponsorship with the University of Montreal. Arrangements have been carried out on behalf of the Foundation by Philip Vineberg, Q.C., and a formal announcement will be published shortly by the University. We look forward to the success of this new venture and I know

you would wish me to express thanks to Mr. Vineberg for his energetic endeavours.

I might mention that should Foundation members wish to have seminars arranged in co-operation with universities in their regions, I can assure them of the full co-operation of the Foundation Governors and staff.

There was one other Conference in 1963 to which I should like to refer. In September, the Foundation and Queen's University sponsored a meeting in Kingston which brought together representatives of the research staffs of the federal Royal Commission on Taxation, the provincial commissions and committees of Manitoba, Saskatchewan, Ontario, Quebec and Nova Scotia, the Queen's tax study group and the research staff of the Foundation. For three days (and nights, I might add) this group reviewed a wide range of tax problems. We have been advised by all concerned that this was a most helpful and useful exercise.

The meeting at Queen's helped lay the groundwork for the close co-operation which now exists between all the commissions. While this co-operation does not mean that all their reports will contain the same recommendations, I feel sure it will contribute to the formulation of recommendations which will take as much account as possible of the inter-jurisdictional aspects of taxation.

### Queen's Study

The study of taxation and economic growth at Queen's University will enter its final stage when academic pressures ease in a few weeks.

The work at Queen's during 1963 included consultation on studies and data with the research staffs of the Royal Commission, and valuable leadership and participation by Queen's staff members at the special conference for commission staffs last September to which I have already referred. Members will also recall the submission of Dr. David Slater, director of the project, to the federal Royal Commission during its preliminary hearings. This submission was published in the *Journal* and provided an excellent perspective for the submissions that followed.

These efforts can be counted as valuable dividends which have already come from the Foundation-sponsored project, and I know they will be so regarded by those whose special contributions have carried the project to date, and by Foundation members at large.

Research was carried forward during 1963 on a number of specific parts of the study. Dr. D. C. Smith prepared a draft of



a paper on the overall aspects of economic growth; a major study of the tax treatment of dividend income by John Allan is nearing completion and a study of trends in government expenditures and revenues in Canada is well under way by Dr. R. W. Thompson.

Dr. Irving J. Goffman, whose work is well known to Foundation members, was appointed as a full-time research associate on the project for the year commencing September 1, 1963. He is engaged in a major study of the financing of welfare expenditures.

Dr. Slater carried forward his work on savings, investment, capital inflows, government deficits and government finance in Canada, and has examined some of the implications for Canada of taxation reforms in the United States. His broad interests also resulted in work in the municipal finance area.

Closely related to the project was the appointment as visiting professor under the Clark-Skelton Fellowship of Dr. J. F. Graham of Dalhousie University, one of Canada's best known public finance scholars. He is carrying on and extending his studies of federal-provincial financial relations and as I have indicated, some of his work is scheduled to appear in a *Tax Paper* later this year.

Another interesting phase of the Queen's project is a special public finance workshop in which graduate students and staff of the Department of Economics and the School of Business participate, and which is being directed by Professor Allan and Dr. Goffman. Papers by Professors Allan, Graham, Leonard, and Slater, and Dr. Goffman have been presented or are scheduled. Dr. T. M. Brown joined in a review of the econometric aspects of the study of the incidence of the corporation tax published recently by Professors Kryzysaniuk and Mulgrave in the United States. This close co-ordination of Queen's business and economics faculties on the study of taxation should prove of great value to the project.

Public Finance seminars were also held for first and second year graduate students under the impetus of the project, and a number of Masters' theses in the field of public finance were initiated; two are now nearing completion.

The project has permitted a broad and basic approach to be taken to the subject of Taxation and Economic Growth and promises to provide a new core of interest and training in the field of public finance.

It will be noted that some of the studies cover expenditure areas outside the terms of reference of the tax commissions and should therefore have special value in the years ahead.

I should note that our commitment to Queen's is for \$61,500

and that contributions to date have totalled \$40,500. It is expected the balance will be required this year. Further special contributions from both individual and corporate supporters are, of course, still welcome.

### Staff

I believe the preceding review of the Foundation's activities gives a fair indication of what occupies much of the time of the Foundation staff. However, some of the work performed does not lend itself to discussion under such headings as "Research", "Publications" and "Conferences". It includes daily requests for information and reference material from members, business groups, the press, students and government officials, many of whom use our library facilities both in person or by mail. My colleagues and I do our best to answer enquiries, and I am happy to say this flow is a two-way street and is most helpful in keeping us abreast of current tax problems; we also feel it is useful to members and the public at large.

I might add on my own behalf that one of the pleasures of being Director of the Canadian Tax Foundation is association with staff colleagues. They are all self-starters and hard workers and I should like to take this opportunity to express my thanks to them.

There is just one drawback in having a staff such as this — their services are in frequent demand.

Gwyneth McGregor, whose writing and analytical skills are among the Foundation's most valued possessions, is assisting the Carter Commission staff on a part-time basis in an editorial capacity. Gerald Hoy, who returned to active duty last spring after attending the Harvard International Program in Taxation, left again last fall on leave to assist the Carter Commission in its foreign tax studies.

Eric Finnis, whose work for the Foundation in the municipal tax field won him acclaim across Canada, last year became Secretary and Research Director to the Royal Commission on Metropolitan Toronto under Commissioner H. Carl Goldenberg, Q.C. Mr. Finnis will continue in municipal work as a tax consultant upon completion of his present assignment, and we expect much of his new experience to be shared with Foundation members in the form of *Journal* articles when time permits.

I am happy to record the arrival on our staff in February of Mr. Donald Beach, C.A. Mr. Beach brings with him a background of excellent experience with the Province of Ontario, par-



ticularly in the field of sales taxes where he served as chief compliance officer. His work will be appearing shortly in Foundation publications.

The expectations I mentioned a year ago in connection with the work of Alan Short, C.A., have been more than met. In recent months, Mr. Short's work on some of the more complex aspects of international taxation has appeared in the *Journal*.

The Foundation's work on taxation and government expenditure statistics and trends is carried on by Marion Bryden. I trust it will not diminish the esteem in which her work is held if I reveal a hitherto closely guarded office secret: Mrs. Bryden sometimes uses an abacus when she tires of the office calculator. But it is definitely not a fact that she uses a crystal ball in forecasting the budget each year.

Of great value to any organization are people who can turn their hands to a number of tasks. We are fortunate indeed to have several in this category at the Foundation. Mary Gurney, for example, does both editorial and statistical work, writes parts of *The National Finances*, and then shepherds it and other publications through the many stages which precede the actual printing. At Conference time she takes on a new guise and emerges as our Press Officer.

Dr. Anatol Bazylewycz, our librarian, has been busily compiling a new index of Foundation publications, along with his regular work in the library. When completed, the new index should prove most valuable to the many members whose own libraries contain studies produced by the Foundation over the past eighteen years.

The versatility of Mr. James A. Reid has long been known to Foundation members. His titles indicate two parts of his work — secretary and treasurer of the Foundation. I could add a few additional titles — conference secretary, membership secretary, office manager and walking reference library, (also, unofficially, parcel packer, chair mender, electric light fixer) — each would be appropriate at some hour of the day. Mr. Reid is ably assisted in the official part of his work by Mrs. Evelyn Wilkinson.

Each member of our secretarial staff, Mrs. Audrey Fullman, Mrs. Catherine Armstrong and Miss Patricia Caniffe, undertakes additional chores and they have greatly assisted Dr. Bazylewycz during the past year in coping with the task of keeping our growing library under control.

I should like, on behalf of the staff, to thank the many members who write to tell us what they think of our reports and articles.

The vast majority of these letters and calls are complimentary and the remainder constructive. We have never had reason to complain that we only hear from members when they find an error or disagree with what has been written.

In conclusion I also thank the Board of Governors for its support and encouragement and the institution of a group insurance plan for staff members in 1963.

A special word of appreciation is due to our Chairman, Mr. Russell, and to our Past Chairman, Mr. Marler, each of whom has gone far beyond the call of duty on behalf of the Foundation, its members and staff.

RONALD ROBERTSON,  
*Director*



# Canadian Tax Foundation

## PUBLICATIONS

**Canadian Tax Journal:** every two months

**Conference Report:** papers delivered at the annual conference

**The National Finances:** annual analysis of the revenues and expenditures of the Government of Canada

**Provincial Finances:** analysis of provincial governments' finances

**Tax Memo:** reports on matters of topical interest

**Taxes Abroad:** summaries of the taxation systems of other countries

**Local Finance:** studies of municipal finance and taxation

### Tax Papers (in print)

**Principles of Income Tax:** a compilation of 1958-59-60 Journal articles, by *H. D. McGurran*. Revised to January 1, 1963. (\$1.50)

**Canadian Fiscal Theses Series:** No. 1. Business Financing and Taxation Policies, by *C. F. Owen*. (\$1.00)

No. 2. Erosion of the Income Tax Base in Canada and the United States, by *Irving Jay Goffman*. (\$1.50)

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Published by the University of Toronto Press under Foundation sponsorship.

**Taxation in Canada:** by *Harvey Perry* (3rd edition, revised to 1961)

**Taxation of Corporate Income in Canada,** by *J. R. Petrie* (1952)

**The Meaning of Income in the Law of Income Tax,** by *F. E. LaBrie* (1953)

**Taxes, Tariffs and Subsidies,** by *Harvey Perry* (2 vols.) (1955)

**Taxes and Traffic—A Study of Highway Financing,** by *Roger Carswell* (1955). (\$2.50)

**Forestry Tenures and Taxes,** by *Milton Moore* (1957). (\$3.00)

**Financial Aspects of Health Insurance,** by *Malcolm G. Taylor* (1957). (\$2.00)

**Business Deductions Under the Income Tax,** by *Gwyneth McGregor*. (\$1.00)

**A Review of the Estate Tax Act,** by *W. Ivan Linton*. 1961 edition. (\$1.00)

**Corporate Management Conferences—1959** (\$2.00), 1960 (\$1.00), 1961 (\$2.00), 1962 (\$2.00), 1963 (\$2.00)

**Taxation and Development in the Maritimes,** by *J. N. Wolfe*. (\$1.00)

**Personal Corporations,** by *Gwyneth McGregor* (1960). (\$1.00)

**Australian Commonwealth Grants Commission,** by *Eric J. Hanson*. (\$2.00)

**Employees' Deductions under the Income Tax,** by *Gwyneth McGregor*. (\$1.00)

**Tax Appeals: Canada, the United States and the United Kingdom,** by *Gwyneth McGregor*. (\$1.00)

**Fiscal Needs of the Canadian Provinces,** by *Eric J. Hanson*. (\$3.00)

**The Costs of Tax Compliance,** by *Marion H. Bryden*. (\$1.00)

**Provincial School Grants,** by *K. Grant Crawford*. (\$3.00)

**Recent Growth in Canadian Co-operatives,** by *R. Craig McIvor*. (\$3.00)

**The Burden of Canadian Taxation,** by *Irving Jay Goffman*. (\$2.00)

**Real Property Assessment in Canada,** by *Frederic H. Finnis*. (\$2.00)

**Personal Exemptions and Deductions,** by *Gwyneth McGregor*. (\$2.00)

**Conditional Grants and Canadian Federalism,** by *Donald V. Smiley*. (\$2.00)

**Oil and Gas Production and Taxes.** (\$3.50)

**Taxes and Exports,** by *A. Milton Moore*. (\$2.50)

**Taxation of U.S. Private Investment in Canada.** (\$2.50)



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.