

Stack
26

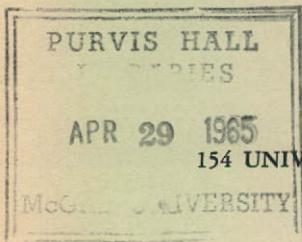
CANADIAN TAX FOUNDATION

•

Nineteenth Annual Report

FOR THE YEAR ENDING
DECEMBER 31st, 1964

•



Nineteenth Annual Report

FOR THE YEAR ENDING
DECEMBER 31st, 1964

CANADIAN TAX FOUNDATION

BOARD OF GOVERNORS

Elected March 23, 1965

Ross P. Alger, F.C.A.	Calgary
*Edward H. Ambrose, F.C.A.	Hamilton
*C. Roger Archibald, Q.C.	Toronto
*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
F. C. Burton, C.A.	Halifax
*H. Marcel Caron, C.A.	Montreal
*R. J. P. Dawson, C.A.	Montreal
L. St. M. DuMoulin, Q.C.	Vancouver
Albert Garneau, C.A.	Quebec
*Charles Gavvie, Q.C.	Montreal
*John M. Godfrey, Q.C.	Toronto
Jacob M. Goldenberg, Q.C.	Saskatoon
Maurice V. Jeffery, F.C.A.	Swift Current
Denham J. Kelsey, C.A.	Vancouver
Jean Leahy, Q.C.	Quebec
*Henri-Paul Lemay, Q.C.	Montreal
*G. A. MacDougall, F.C.A.	London
*Aurélien Noël, C.A.	Montreal
John P. Palmer, Q.C.	Saint John
*Arthur S. Pattillo, Q.C.	Toronto
Henry B. Rhude	Halifax
Francis J. Ryan, Q.C.	St. John's
*Lancelot J. Smith, F.C.A.	Toronto
A. D. Stanley, F.C.A.	Vancouver
*John L. Stewart, Q.C.	Toronto
Alan Sweatman, Q.C.	Winnipeg
*Philip F. Vineberg, Q.C.	Montreal
F. D. R. Woolgar, C.A.	St. John's

**Executive Committee of the Board of Governors*

OFFICERS

Lancelot J. Smith, F.C.A., *Chairman*

Philip F. Vineberg, Q.C.

*Vice-Chairman and Chairman of the
Executive Committee*

H. Marcel Caron, C.A., *Vice-Chairman*

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

Ronald Robertson, *Director*

James A. Reid, *Secretary and Treasurer*

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

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

**Advisory Committee of Past Chairmen*

STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER, 1964
(With comparative figures for 1963)

	<u>1964</u>	<u>1963</u>
ASSETS		
CURRENT		
Cash (Including \$33,168.25 in Savings Account)	\$ 36,270.47	\$ 22,749.41
Guaranteed investment receipts —		
due at varying dates — 1965 to 1970	85,000.00	70,000.00
Deposit with Air Canada	425.00	425.00
Account receivable	—	197.50
	<u>\$121,695.47</u>	<u>\$ 93,371.91</u>
FIXED		
Furniture and office equipment — at cost	\$ 16,975.52	\$ 16,714.41
Less: Accumulated depreciation	13,101.82	12,005.44
	<u>\$ 3,873.70</u>	<u>\$ 4,708.97</u>
TRUST FUND		
Taxation and economic growth study fund, cash	\$ 6,718.91	\$ 23,097.66
	<u>\$132,288.08</u>	<u>\$121,178.54</u>
LIABILITIES AND RESERVE		
CURRENT		
Accounts payable	\$ 3,309.58	\$ 4,231.99
RESERVE		
Retained for continuation of the		
Foundation's activities	\$122,259.59	\$ 93,848.89
TRUST FUND LIABILITY		
Taxation and economic growth study fund		
Subscriptions and interest received	\$ 47,718.91	
Less: Advances to Queen's University	41,000.00	6,718.91
	<u>\$132,288.08</u>	<u>\$121,178.54</u>

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS:

Arthur S. Pattillo
Chairman

Lancelot J. Smith
Vice-Chairman

STATEMENT OF INCOME AND EXPENSE
FOR THE YEAR ENDED 31st DECEMBER, 1964
(With comparative figures for 1963)

	<u>1964</u>	<u>1963</u>
INCOME		
Subscriptions — Corporate	\$123,335.00	\$124,780.00
Individual	61,737.50	51,752.50
Interest	4,138.05	3,848.52
	<u>\$189,210.55</u>	<u>\$180,381.02</u>
EXPENSE		
Salaries	\$ 92,972.93	\$ 91,138.00
Publications (net)	29,871.91	37,382.30
Rent	11,690.00	11,690.00
Pension and Insurance plans (net)	8,320.84	6,460.00
Postage	7,159.22	7,699.03
Travelling	4,018.47	3,702.71
Office printing, stationery and supplies	3,835.54	3,638.64
Books and periodicals — library	2,297.94	2,304.02
General office expense	2,049.98	3,894.14
Telephone and telegraph	1,726.81	1,841.19
Special studies	1,058.95	6,698.90
Conferences expense (net)	(5,299.12)	234.76
	<u>\$159,703.47</u>	<u>\$176,683.69</u>
Provision for depreciation of furniture and office equipment	1,096.38	1,098.28
	<u><u>\$160,799.85</u></u>	<u><u>\$177,781.97</u></u>
EXCESS OF INCOME OVER EXPENSE FOR 1964	\$ 28,410.70	\$ 2,599.05
(Transferred to reserve)	<u><u><u></u></u></u>	<u><u><u></u></u></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, 1964 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, 1964, 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.

Glendinning Campbell Jarrett & Deneen

CHARTERED ACCOUNTANTS
Auditors

Toronto, Canada,
19th February, 1965.

Report of the Chairman
To the Nineteenth Annual Meeting of the
Canadian Tax Foundation
March 23rd, 1965

It is my pleasure to present the 19th Annual Report of the Canadian Tax Foundation for the year ending December 31st, 1964

Before reviewing the Foundation activities in 1964, I should like to record that four days ago the Foundation began its twenty-first year of operation as a public service under professional and private auspices. On March 19th, 1945, Ontario Letters Patent were issued creating the Foundation, and naming Messrs. Molyneux L. Gordon, G. Peter Campbell, J. Grant Glassco, Henry F. White and Harrison C. Hayes as its provisional directors. As many members will recall, this incorporation followed months of work by members of the Taxation Committee of the Canadian Bar Association and the Legislation Committee of the Dominion Association of Chartered Accountants (as it then was).

Shortly after incorporation the first Board of Governors was elected from among the many lawyers and accountants who had contributed to the launching of the Foundation. Since then some two hundred members of the sponsoring professions have served as Governors and many times that number have contributed countless hours to analysis and study of Canada's tax laws under the auspices of the Foundation and its parent professional bodies.

The founders recognized the need in Canada for independent tax research and a better appreciation by Canadians of the effects of taxation. They foresaw that the results of study and research could play a valuable part in Canada's transition to a peace-time economy and her subsequent economic progress. Events have proved them right.

The names of these past Governors will be well known to many of you here. Several have passed from the scene, but most of those who are still active continue their support and interest in the Foundation and its activities.

With Governors of this calibre, supported by business and industry across Canada, co-operative tax officials, many members of Canada's academic community, and an energetic staff, it is perhaps little wonder that the Foundation was able quickly to establish the usefulness of its chosen role.

Time does not permit me to identify each of these gentlemen individually, but to mark the occasion, with your permission I

shall direct that the names of all the Governors who served the Foundation over the past two decades appear in the printed report of this meeting. I know that all members would want me to record once again our thanks to them for their leadership and service to the Foundation.

The goal of those of us who have served in recent years has been to maintain and expand the usefulness of the Foundation to its members and Canadians generally. I am sure my fellow Governors and the present staff will be well satisfied if, twenty years hence, their efforts can be regarded with the same respect as that in which we hold the accomplishments of earlier years.

Membership and Finance

At its inception, the Foundation's Governors had to find the funds to not only start operations, but to ensure that once started the work would go on. They sought financial support from the business community and obtained the revenues to begin work; but of even greater importance, they obtained commitments for continuing support over a five-year period, in amounts ranging from \$500 to \$5,000 per year, to put the Foundation on its feet and provide a financial basis on which to build. The fact that almost all these companies continue as corporate supporters to this day is a clear indication that the Foundation has been able to confirm their early faith and to fulfil their expectations. To these early contributors we owe a sincere vote of thanks.

May I now draw your attention to the audited financial statements for 1964, which were distributed to members along with the notice of this meeting?

You will note that the Foundation enjoyed a good year. In fact, as a result of expenditures on publications being less than anticipated, we ended the year with a net operating surplus of some \$28,000. The Board would not wish anyone to conclude from this, however, that the Foundation is facing a period of chronic surpluses. This figure arises from the careful husbanding of funds to cover the cost of publishing the studies carried out at Queen's University under Foundation sponsorship. We were recently advised that these studies will be in our hands shortly. With that event, and the carrying out of our proposed 1965 research and publications program, the Treasurer forecasts that there could be an operating deficit of some \$17,000 in 1965 unless additional contributions are received.

In 1964, subscription income increased by some \$8,500 to

\$185,000. An increase in individual subscriptions offset a slight overall decline (\$1,445) in corporate contributions. Nine new corporate subscribers were added to our rolls — five of them from the Province of Quebec, three from Ontario and one from Alberta.

For the first six months of 1964 individual contributions continued to reflect the increase in membership rates approved in 1963. During the year 420 new individual members were added to our rolls: 255 regular memberships and 165 of the special memberships which are available to students and others.

In the first two months of 1965 we welcomed three new corporate subscribers and 76 new individual members.

While it is clear that the Foundations financial position continues to be sound, the Governors are renewing their efforts to enlist the support of new corporate subscribers across Canada, in view of the continuing and anticipated demand for the Foundation to undertake expansion of its work in emerging areas of public finance and taxation. The assistance of all members in this endeavour will be appreciated.

Individual members in business and industry whose companies are not yet corporate subscribers may wish to draw the Foundation's work to the attention of the appropriate corporate officers. Lawyers and accountants in private practice can be of great assistance by making known the Foundation's activities to clients who show an interest in tax research. Over the years many people employed by governments in tax and related services have become individual members. While the Foundation does not solicit or accept government grants, we welcome the interest, participation and individual contributions of those officials upon whose shoulders rest the responsibility for the proper day-to-day functioning of Canada's tax system, in the belief that many of the discussions about taxation will be as interesting and helpful to them as to taxmen in private business and the professions.

Annual Conference

A few weeks ago members received the report of the 1964 Annual Conference which was held in Montreal last November. Our Annual Conference Reports have come to be regarded as among the most useful of the Foundation publications, containing as they do a wealth of penetrating analysis of technical and policy issues of the day. Naturally, the sooner the Report is available after the Conference the more useful it is; and this year, through the co-operation of the participants and our printers, CCH

Canadian Ltd., the Foundation staff was able to get the Report to members less than ten weeks after the end of the Conference. I know you would wish me to commend and thank all concerned for this achievement.

In addition to the quality of the papers presented, the success and usefulness of the Annual Conference as a tax study and discussion forum depends upon the breadth and depth of representation from all parts of Canada — from business, the governments, the universities and the sponsoring professions. By this test too, the 1964 Conference was an outstanding success and we look forward to similar success this year.

The 1965 Conference is scheduled to be held in Toronto, November 8, 9 and 10. At present it is the intention to devote the entire Conference to the study and analysis of the recommendations of the Royal Commission on Taxation. However, since the Royal Commission completion dates are somewhat less certain than death or taxes, the possibility exists that plans may have to be changed. Members will be advised of any changes at the earliest opportunity.

In my remarks at the opening of the Annual Conference, which appear in the Proceedings, I reported to members on the other Foundation conference activities. I shall not repeat what I said then, but you will be interested to note that the Foundation's Annual Corporate Management Conference will be held in Toronto on May 3rd. The Foundation will again co-operate in the sponsorship or programming of tax meetings: in Vancouver, at the Law School of the University of British Columbia on May 14th; in Montreal at the University of Montreal on May 15-16; at Queen's University in Kingston from May 17th to 21st; at the University of Alberta's Banff School of Continuing Education from October 4th to 7th, and at Dalhousie University on October 22 and 23. Enquiries have also been received in connection with the holding of a regional tax seminar at another major university.

The mere listing of these seminars indicates, I believe, the excellent co-operation existing between the Foundation and Canada's universities for the benefit of members and others from coast to coast. This is a relationship that we value highly.

Tax Changes

One of the most important phases of the Foundation's work is in connection with the annual changes in our tax laws. In 1964 senior tax officials at Ottawa reviewed the amending bills with a Foundation-sponsored committee which sought, on the basis

of its members' experience, to indicate where difficulties might arise upon implementation.

As members have been advised by Corporate News Letter and in the January-February *Journal*, we hope to supplement this review this year by gathering and forwarding to the Minister of Finance comments which members submit on the tax resolutions. By encouraging a close examination of any proposed changes at the resolution stage, we hope that this review will further assist the officials responsible for our tax laws. As stated in the notice which members received, this experiment is in no way intended as a substitute for the established channels of communication between taxpayers and the government. Care will be taken to ensure that this does not occur. It may be, of course, that the Minister of Finance this year will find his way clear simply to reduce all our tax rates; and if so there may not be much scope for technical comment. In this event I am sure we should all be prepared to forgive the Minister for making the experiment unnecessary in 1965. I feel sure however, there will be ample scope in the years ahead for experimenting with the role taxpayers can play in the process of tax law change.

Good tax laws depend upon a spirit of mutual respect and co-operation between the tax collectors and the taxpayers. I should like to record our appreciation of the excellent co-operation we receive from numerous officials in many departments of government at the federal, provincial and municipal levels, in our efforts to perform a useful public service.

Board of Governors

Following the Director's report, members will be asked to elect a Board of Governors for the coming year. Thirty-two nominees have been proposed by the President of the Canadian Bar Association, Mr. Hazen Hansard, and the President of the Canadian Institute of Chartered Accountants, Mr. R. Lukin Johnston. These were submitted to members with the notice of this meeting, and they will be well known to you as leading members of their professions. Many of these gentlemen are currently serving as Governors. I should like to introduce those nominated for the first time. They are:

C. Roger Archibald, Q.C.	Toronto
F. C. Burton, C.A.	Halifax
Henri-Paul Lemay, Q.C.	Montreal
A. D. Stanley, F.C.A.	Vancouver
F. D. R. Woolgar, C.A.	St. John's

I should like to mention the name of H. Marcel Caron, C.A., of Montreal, since his name fits in neither of these categories. This is not the first time he has been nominated, nor is he currently serving on the Board. Mr. Caron served as a Governor and a member of the Executive Committee from 1958 to 1960, and we welcome his nomination for a further term of duty.

Retiring from the Board this year are: William B. Draper, C.A., of St. John's, Newfoundland; Gordon H. Johnson, C.A., of Halifax; C. Antoine Geoffrion, Q.C., of Montreal; Herbert O. Spindler, C.A., of Montreal; A. D. Russell, C.A., of Vancouver; and John W. Graham, Q.C., of Toronto.

It is difficult to be brief in acknowledging and thanking these Governors for their outstanding service. A few examples will indicate what I mean. In addition to his prescribed duties as a Governor, Mr. Johnson has represented the Foundation in the Annual Tax Seminars in Halifax at St. Mary's and Dalhousie Universities. Mr. Geoffrion served on the Executive Committee and the Annual Conference program Committees, and as Chairman of several Conference panels, where his wit and wisdom brought out the best in panelists and participants alike. Herb Spindler likewise contributed to many phases of Foundation activities. He has been a member of our Executive Committee, a *Journal* contributor, Conference speaker *par excellence*, and the pace-setting member of the Membership Committee. John Graham's service record has similar entries, Executive Committee, Conference Program Committee, Conference Speaker and Chairman of a special committee to bring the Foundation's by-laws up to date. You will be asked to approve the by-laws revision shortly. I am happy to advise that Mr. Graham has been appointed General Counsel to the Foundation and has agreed to act.

I perhaps should warn the retiring Board members that they should consider themselves only semi-retired from the Board, since we shall continue to seek their assistance in many phases of the Foundation's work.

I have left to the last the name of Mr. Russell. His service to the Foundation predates by many years his five years as a Governor, during which he was your Chairman and during the past year, your Past Chairman. One of the highlights during his term of office was our 1963 Annual Conference in Vancouver which Mr. Russell guided to such success that the members look forward to the holding of the Annual Conference there again. The start and rise of the Annual Tax Seminar at the Law School of British Columbia parallels his term of office — and this is by no means

coincidental. I am happy to say that Mr. Russell and the other Vancouver Governors, together with Dean George Curtis, are completing plans for the 1965 Seminar which as I previously mentioned will be held in May.

As you have been reminded at previous Annual Meetings, past Chairmen receive a life-sentence upon completion of their term, and Mr. Russell's counsel will continue to be available to us as a member of our Advisory Committee of Past Chairmen.

I extend to Archie, on behalf of all members, the Board of Governors and the Foundation staff, which is particularly appreciative of his assistance, a most sincere "thank you".

Following this meeting, your new Board will meet to elect its officers for the coming year. I should like therefore to take this opportunity to record my thanks to the Governors, your two Vice-Chairmen Lancelot Smith and Philip Vineberg and the Foundation staff, and many members whose comments and support made my term as Chairman most enjoyable and interesting.

I now move, seconded by Lancelot J. Smith, F.C.A., that the report of the Foundation for the fiscal year ended on December 31, 1964, and the Financial Statements of the Foundation as of December 31, 1964, as submitted to the meeting, be and they are hereby approved and adopted.

ARTHUR S. PATTILLO, O.C.
Chairman

Report of the Director
To the Nineteenth Annual Meeting of the
Canadian Tax Foundation
March 23rd, 1965

Traditionally the Director's report has contained a few remarks about the state of things in taxation. On some occasions in the past it was difficult to prepare a few worthwhile paragraphs since nothing much was about to happen, or the state of things was too obvious to require comment.

Neither is the case this year. A great deal that is new is on Canada's agenda for the coming months, and it is far from obvious what these new items will mean to Canadians. So my problem this year is to be brief. I need only list the main items to indicate how many inter-related issues in the field of taxation, fiscal, and economic policy will shortly require resolution.

First there are the broad issues of economic and fiscal policy raised in the first report of the Economic Council of Canada, with its emphasis on employment and economic growth.

Second will be the recommendations of the Royal Commission on Taxation and its provincial counterparts.

Third is the work of the federal-provincial Tax Structure Committee which will be attempting to resolve, in terms of foreseeable needs, the intergovernmental revenue allocation difficulties common to all federal countries.

Fourth is the assessment of the issues and fiscal effects of major policy matters such as the Canada Pension Plan and the various proposals for medical services.

Taken together, these items involve the whole range of fiscal and taxation policy issues: the use of the tax system as an economic regulator; the improvement of the tax system as a vehicle for raising revenue, in as fair, simple and sensible a way as possible; and the pursuit of specific social and economic policies through the tax system.

While there has been no lack of critical examination of these areas in the past, what we are now experiencing are analyses of many key economic relationships which have hitherto been taken for granted.

As a result, the 1965 federal budget due before long may well be, from a policy standpoint, more interesting than those of recent years. One would expect it, for example, to contain some clear indications of the interpretation the government places on the fiscal policy proposals in the Economic Council report.

One of the report's key conclusions is that a large sustained growth of demand is necessary to enable Canada to reach the employment goal considered feasible by the Council. There is no disagreement about the desirability of reaching the goal; it is when we get to the choice of mechanisms available to the federal government to spur demand that opinions differ. The main choice posed is between more government spending and tax cuts — a choice that involves philosophic as well as economic judgments. The Council report is typically Canadian at this point; it recommends some of each. And it is at this point that some confusion creeps in about the significance of deficits and fiscal policies generally.

As we know, a tax cut would show up directly in the traditionally budgetary accounts and produce a larger deficit in the first round. The expectation is, of course, that the expansion resulting in the private sector from a tax cut would produce enough revenue to balance the budget later. But whether increased government activity shows up in the deficit figure at budget time depends on the form the activity takes.

More spending through traditional channels either for goods and services such as causeways, or for some transfer payments such as family allowances, would show up in the budget deficits.

A third avenue is also available. This involves policies in areas where it is difficult to find any clear line between public and private activity. For example, the Economic Council suggests that a useful avenue for expansion would be in residential building, where it appears that in comparison with other countries we have been lagging. If C.M.H.C. (Central Mortgage and Housing Corporation) is authorized to encourage a substantial increase in housing starts, the funds involved would not show up in the budgetary accounts. They would come from the private sector either directly, through government guaranteed mortgages, or indirectly, with the government borrowing from the private sector and making advances to C.M.H.C. (Aid to university building could be similarly handled.) However, except where losses or subsidies for low rental housing are involved, these activities do not show up in the budgetary accounts.

In very briefly examining the major fiscal expansionary avenues, it may also be interesting to note a debate that is shaping up in the United States. Some leading economists who favoured the tax cuts of 1964 and support excise cuts for 1965, advocate for the next expansionary round the transfer of revenues to the state and local levels instead of more federal tax cuts.

In terms of sustaining demand the tax cut and transfer approaches are assumed to be capable of producing similar results. Compared with Canada's, U.S. federal-state fiscal and tax machinery is quite primitive, but will probably receive considerable attention in the next few years.

Canada's federal-provincial tax sharing arrangements appear settled now until 1967. Since 1961 the provincial share of personal income taxes has increased from 13% to 21% or by 8 percentage points and is to go up another 3 percentage points next year to 24% of the income tax yield. Apart from completing opting out arrangements, Canadian attention can concentrate on the experience to be derived from the U.S. tax cut approach while our neighbours catch up in the inter-governmental area.

This interplay of experience may prove of considerable value to both countries in resolving the conflict between two desirable objectives, namely, seeing that provinces and states have sufficient revenues to discharge their responsibilities while at the same time leaving federal authorities with sufficient scope for using tax cuts to reduce the fiscal drag on the private sector of the economy.

But whatever form new expansionary policies take, their undesirable side effects will have to be watched closely. These could include a greater rate of price increase than the 2% per annum accepted as tolerable by the Economic Council, and related balance of payments difficulties. It has been pointed out that we had price increases of close to 2% when we were some distance further from potential than we are today, so great care will have to be taken to see that expansionary policies do not result in more rapid and damaging price increases. The success of any forthcoming expansionary measures will be measurable not alone by unemployment statistics but by the extent of the undesirable side effects.

It is much too close to budget day to risk any predictions about 1965 tax cuts. However, in concluding these remarks it may be interesting to note, that within the fiscal policy theory outlined by the Economic Council, in 1963 a tax cut and/or a deficit spending package of some 1.2 billion dollars, spread over the three levels of government, could have been theoretically justified. The size of the package is determined by the surplus that the Council predicts *would* exist in government accounts if the economy were operating at potential. The theoretical objective is to cut taxes or increase expenditures by amounts which would wipe out this surplus and result in balance in government accounts when "potential" is reached. This is the "fiscal drag" approach underlying the U.S.

tax cuts and goes by the name of "full employment budgeting". The theory still has some quite ragged edges.

This expansive dose of \$1.2 billion in 1963 would have been equivalent to roughly a 10% cut in personal income taxes plus a 10 point reduction of the corporate tax rate, plus about \$500 million for spending or other tax reductions. In view of the economy's buoyant performance in 1964, it is interesting to speculate as to what its state would have been had this medicine been administered in 1963.

In any event it is clear that expansion theory has to be applied with large amounts of good judgment and attention to short run factors. Perhaps the major nagging doubt making many wary of current expansion theory is that it provides a respectable rationale for our political representatives to achieve their long sought dreams and promises of being able to cut taxes and increase expenditures at the same time. If it were possible to assume that the tap could be turned off as readily as it can be turned on, many doubts would be removed. The danger also exists that it can be used to justify government actions which might fail to win approval on their intrinsic merits alone. In the final analysis the use of fiscal policy as an economic regulator depends upon how well the processes are understood by Canadians in all walks of life.

It is our hope that the Foundation will be able shortly to expand its efforts to keep its members informed of developments in this area.

Research and Publications

In 1964 the publications of the Foundation again reflected the extent of our research activities. During the year four tax papers were published. The first, *Provincial Sales Taxes*, by Professor John Due, won wide approval and has been referred to on several occasions since its publication as a veritable hand-book on all aspects of provincial sales taxation in Canada, useful to tax practitioners and administrators as well as taxpayers. Another of the tax papers was the report of the International Corporate Management Tax Conference which the Foundation co-sponsored with the Canadian Council of the International Chamber of Commerce. This was one of our most successful joint conference ventures and we are particularly indebted to the speakers on that occasion who analyzed the O.E.C.D. Draft Double Taxation convention and the question of foreign ownership. Messrs. A. B. Nortcliffe and A. G. Davies came from the United Kingdom to participate, and Messrs. A. E. Hauser and B. K. Sanden, C.P.A. were able to give us viewpoints as seen

from the United States. Representation from the historic trade triangle was completed with Canadian commentary by Mr. Stuart D. Thom, Q.C. and Mr. Short of the Foundation staff. We were also happy to have as our guest Mr. Robert Bryce, Deputy Minister of Finance at Ottawa. As Mr. Pattillo has indicated, the co-operation received from Mr. Bryce and his counterparts Messrs. Gear McEntyre and Ray Labarge in National Revenue, as well as members of their respective staffs, is deeply appreciated.

The intriguing subject *Income Taxation of Inter Vivos Trusts* was the subject of a tax paper by Marshall A. Cohen of Toronto. The fourth tax paper was in two parts and discussed various aspects of *Inter-government Fiscal Relationships* — a topic which, while not dealing with the intricacies of tax collection, involves subjects of fundamental importance to the whole tax structure. The author of the first paper is Professor John F. Graham, while the second was written by Messrs. A. W. Johnson and J. M. Andrews. I should like to take this opportunity to thank the authors of each of our tax papers for their contribution to the work of the Foundation.

During the year the *Canadian Tax Journal* continued as our key publication. In 1964 there were seven issues rather than the usual six, the seventh being a supplement containing the Foundation's submission to the Royal Commission on Taxation. We consider it a distinct honour to have been asked to present both the opening and closing submissions at the public hearings of the Commission. Members are familiar with the *Annual Conference Report*, and *The National Finances*, which are published each year. We try to improve them on each occasion, and in 1964 a number of changes were introduced to *The National Finances*. There were two *Tax Memos* in 1964, Provincial Finances and the Annual Budget Forecast. There were two additions to *The Local Finance* series, one on the Byrne Commission Report, the other on the Michener Report.

I should also like to draw your attention to the fact that in 1964 we were able to publish a French translation of the booklet, *Principles of Income Tax*, which was written by David McGurran. The excellent translation was the work of Mr. G. Audcent of Ottawa. I am happy to report that the booklet has been warmly received by our French speaking members, particularly students.

We often receive requests for additional copies of publications long after the original publication date. As a result, for example, in 1964 it was again necessary to have reprints made of both Mr. McGurran's *Principles of Income Tax* and Mr. Ivan Linton's *A Review of the Estate Tax Act*. These two publications have become basic works in the teaching of taxation across Canada.

This year's research and publication program is well under way. The first special publication to reach members was the *Index*, covering Foundation publications to the end of 1964. Our object in publishing this index was to make more useful the previous publications of the Foundation; and judging by the numerous enthusiastic letters we have received from members about it, that object has indeed been achieved. The book, as you may imagine, involved many many hours of staff work, particularly by Alan Short, who was assisted by Gwyneth McGregor and our Librarian Dr. Anatol Bazylewycz.

In the offing again this year are the results of the taxation study at Queen's University, sponsored by the Foundation. This prediction has in the last year or two come to sound like an annual refrain, but we have been assured that we shall shortly receive the studies. There will be four volumes in all, one on the *Fiscal Aspects of Public Welfare*; another on the *Tax Treatment of Dividend Income*; a third comprising selected studies and entitled *Fiscal Trends In Economic Development*; and the fourth another group of selected studies, entitled *Restructuring The Tax System*.

In the printer's hands is the second edition of *Provincial Finances*, which is published every two years as a complement to *The National Finances*, and which, like *The National Finances*, is being used extensively in universities and remains a unique source of information about the tax and spending programs of our ten provincial governments. The new edition has been prepared by Donald Beach, Marion Bryden and Mary Gurney of the Foundation research staff. It is perhaps appropriate to note that in some ways *Provincial Finances* involves much the same work as would ten issues of *The National Finances*.

Several other studies are under way which should, if all goes well, reach members during 1965. Among them are studies on the subject of federal-provincial fiscal relations which we have undertaken at the request of the Federal-Provincial Tax Structure Committee. We are happy to have the opportunity of being of service in this very difficult field.

In Vancouver a study in the sensitive area of advisor-client privilege has been commenced by R. W. Dickerson of the Faculty of Law of the University of British Columbia. This study we expect will complement the work of the Joint Tax Committee of the Canadian Bar Association and the Canadian Institute of Chartered Accountants on this matter of great importance for both the practitioner and his clients.

While it is too early to be precise, we have no doubt that when

the reports of the Royal Commission on Taxation and their provincial counterparts are received, there will be more than sufficient scope for useful summary and comparisons. So our 1965 publications may be more extensive than I have indicated.

Members have also received the first of the 1965 *Tax Memos*, namely the Annual Budget Forecast. We find that members and the public look forward to this review, which serves as background for the receipt of the budget itself. As we stress each year, it is not our purpose to out-guess the Minister of Finance in this exercise; we try only to sketch out the revenue and expenditure landmarks against which the budget will be set.

As our members of course realize, much of the staff research work appears in article or feature form in the *Tax Journal*, together with contributions from members and supporters throughout Canada and abroad. Your *Journal* received many compliments over the course of the year and it continues to hold a high place in the ranks of the world's tax literature. These compliments, which have been expressed to me in the course of my travels, I pass on to the members and contributors who make this standing possible, and also of course to our esteemed editor, Mrs. Gwyneth McGregor, whose tax knowledge is combined with a mastery of the language and an impish sense of humour, which "leavens the lump" as she might put it.

As members are aware, Mrs. McGregor will shortly be dissociating herself from the Foundation for a period which we hope will be no longer than two months. While she is on leave of absence she will be carrying out editorial duties with the Royal Commission on Taxation. For the interim we have signalled from coast to coast that "now is the time for all good members to come to the aid of the *Journal*", and arrangements have thus been made to carry on her popular feature "Around the Courts".

Staff

In the course of my report on publications and research I have mentioned the names of staff members and the work they are doing. I should like to thank each of them for the warm support I have received as Director. I have not included in my previous remarks the name of perhaps the best known member of the Foundation staff, James Reid, our Secretary-Treasurer, whose prowess as a conference secretary is unparalleled, as is his ability to keep us all in line in the financial part of the operation. Essential of course to both research and administrative work is the work of our secre-

tarial staff, and I should like to thank Mrs. Evelyn Wilkinson, Mrs. Catherine Armstrong (who I regret to say will be leaving the staff in a short time for the admirable purpose of raising a new 'tax deduction'), Miss Patricia Caniffe, who sometimes leaves the typewriter for the computing machine to assist in the compilation of statistics, Mrs. Liberson my secretary, and Mrs. Anne McAlonen who with Mrs. Wilkinson, assists Mr. Reid in his work.

In concluding this review I should like on behalf of the entire staff to express our sincere thanks to our Chairman, Mr. Pattillo, our Vice-Chairmen, Messrs. Smith and Vineberg, the Board of Governors and the individual and corporate members. I assure you this is no ritual, formal thank-you, since I am quite certain no staff could receive more generous and devoted co-operation from members and governors, than we enjoy. We shall endeavour to live up to this support in the coming year.

RONALD ROBERTSON,
Director

CANADIAN TAX FOUNDATION

MEMBERS OF THE BOARD OF GOVERNORS 1945 THROUGH 1965

1945	Molyneux L. Gordon, K.C.	Chm., V-Chm.	Toronto
	<i>Charter Member</i>	(Honorary Chairman)	
	J. Grant Glassco, F.C.A.	V-Chm., Chm.	Toronto
	<i>Charter Member</i>		
	Harry C. Hayes, C.A.		Montreal
	<i>Charter Member</i>		
	Henry F. White, Q.C.	(Secretary)	Toronto
	<i>Charter Member</i>		
	Hon. G. P. Campbell, Q.C.		Toronto
	<i>Charter Member</i>		
	A. Emile Beauvais, C.A.		Quebec
	L. A. Forsyth, K.C.		Montreal
	W. J. B. Gentleman, C.A.		Saint John
	Hon. P. H. Gordon, Q.C.		Regina
	Harry P. Herington, F.C.A.	V-Chm.	Toronto
	G. E. Hayman, C.A.		Halifax
	W. G. H. Jephcott, F.C.A.	Chm.	Toronto
	R. R. Keay, C.A.		Vancouver
	L. J. Ladner, Q.C.		Vancouver
	Hon. F. A. Large, Q.C.		Charlottetown
	John A. MacAulay, Q.C.		Winnipeg
	K. J. Morrison, F.C.A.		Calgary
	Gordon K. Munnoch, K.C.	Chm.	Toronto
	Harry G. Norman, F.C.A.		Montreal
	J. McG. Stewart, Q.C.		Halifax
	E. J. Williams, C.A.		Winnipeg
	André Taschereau, Q.C.		Quebec
	Heward H. Stikeman, Q.C.		Montreal
1947	H. C. F. Mockridge, Q.C.	V-Chm.	Toronto
	J. S. Swinden, C.A.		Winnipeg
1948	A. Irvine Barrow, C.A.		Halifax
	Kenneth LeM. Carter, F.C.A.	V-Chm., Chm.	Toronto
	John R. Church, F.C.A.		Vancouver
	K. W. Dalglish, C.A.		Montreal
	Frank E. H. Gates, C.A.		Montreal
	W. A. G. Kelley, Q.C.		Toronto
	M. Gerald Teed, Q.C.		Saint John
1949	C. C. Calvin, Q.C.	V-Chm.	Toronto
	Rosaire Courtois, C.A.		Montreal

Frank M. Covert, Q.C.		Halifax
Campbell W. Leach, C.A.		Montreal
C. W. Lynde, C.A.		Winnipeg
R. deWolfe MacKay, Q.C.	V-Chm., Chm.	Montreal
H. L. McMackin, C.A.		Saint John
W. A. Morrell, C.A.		Amherst
W. S. Owen, Q.C.		Vancouver
Lazarus Phillips, Q.C.	Chm.	Montreal
Claude S. Richardson, Q.C.	Chm.	Montreal
W. Givens Smith, F.C.A.		Regina
J. Ross Tolmie, Q.C.		Ottawa
Thos. A. M. Hutchison, F.C.A.	V-Chm., Chm.	Toronto
A. B. Shepard, F.C.A.		Toronto
1950 George W. Auxier, Q.C.		Edmonton
R. I. Balcom, C.A.		Halifax
T. V. Burke, C.A.		Montreal
A. G. Burton, C.A.		Calgary
J. B. McEvoy, Q.C.		St. John's
J. E. McIntosh, C.A.		Vancouver
G. Arnold Sharp, C.A.		Montreal
1951 Stan B. Laing, C.A.		Winnipeg
Donald A. McIntosh, Q.C.		Toronto
R. W. Manning, C.A.		Charlottetown
John A. Wilson, F.C.A.	V-Chm., Chm.	Toronto
1952 Errol M. Davison, C.A.		Halifax
H. A. Dyde, Q.C.		Edmonton
J. S. McVicar, C.A.		Vancouver
Hon. D. Roland Michener, Q.C.		Toronto
William Murphy, Q.C.		Vancouver
Alex E. Pierce, C.A.		Montreal
David Reevey, C.A.		Saint John
Maurice Samson, C.A.		Quebec
Guy W. Smith, F.C.A.		Toronto
William Young, C.A.		Winnipeg
1953 F. L. Bastedo, Q.C.		Regina
Frank A. Coffey, C.A.		Montreal
A. J. Hamilton, C.A.		Edmonton
Robert Leith, C.A.		St. John's
B. B. Osler, Q.C.		Toronto
G. G. Richardson, F.C.A.		Toronto
L. McC. Ritchie, Q.C.		Saint John
Stuart D. Thom, Q.C.		Toronto
Jean Valiquette, C.A.		Montreal
Henry F. White, Q.C.	V-Chm., Chm.	Toronto
John Willis		Halifax
1954 Hon. Ernest B. Bull, Q.C.		Vancouver
E. J. Chambers, Q.C.		Calgary

Donald M. Clark, Q.C.	Vancouver
Paul-Emile Courtois, C.A.	Montreal
John G. Edison, Q.C.	Toronto
Frank A. Griffiths, C.A.	Vancouver
A. Willard Hamilton, C.A.	Montreal
T. Earle Hickey, C.A.	Summerside
William H. Jost, Q.C.	Halifax
Rodolphe Maheu, C.A.	Montreal
Kris A. Mapp, F.C.A.	Toronto
Harold S. Moffet, F.C.A.	Regina
Daniel Sprague, C.A.	Winnipeg
1955 Harold E. Crate, F.C.A.	Toronto
Harvey E. Crowell, C.A.	Halifax
Walter W. B. Dick, C.A.	Moncton
G. Richard Hunter, Q.C.	Winnipeg
George P. Keeping, F.C.A.	Montreal
Roger Letourneau, Q.C.	Quebec
John de M. Marler, Q.C.	Montreal
D. Ross McMaster, Q.C.	Montreal
Gordon M. Stirling, Q.C.	St. John's
M. Gerald Teed, Q.C.	Saint John
David M. Tyerman, Q.C.	Regina
1956 Henri L. Belanger, C.A.	Montreal
Paul Bruneau, C.A.	Quebec
Kenneth G. Clark, C.A.	Vancouver
H. Weir Davis, Q.C.	Montreal
James L. Lawrence	Vancouver
Donald J. Lawson, Q.C.	Victoria
James L. Lewtas, Q.C.	Toronto
Donald A. McGregor, C.A.	Calgary
James A. Renwick	Toronto
Lancelot J. Smith, F.C.A.	Toronto
William Young, C.A.	Winnipeg
Ralph A. Bamford, C.A.	Moose Jaw
1957 William M. Carlyle	Vancouver
G. Fitzpatrick Dunn, F.C.A.	Victoria
Campbell W. Leach, C.A.	Montreal
A. J. Little, F.C.A.	Toronto
Gerald E. Martin, C.A.	Halifax
C. G. McConnell, F.C.A.	Toronto
Donald McInnes, Q.C.	Halifax
Hugh J. McLaughlin, Q.C.	Toronto
John C. Newland, C.A.	St. John's
Douglas G. Scott, C.A.	Winnipeg
Robert M. Sedgewick, Q.C.	Toronto
S. Bruce Smith, Q.C.	Edmonton
1958 W. Fay Anderson, C.A.	Calgary

	H. Marcel Caron, C.A.	Montreal
	D. W. K. Dawe, Q.C.	St. John's
	Jacques deBilly, Q.C.	Quebec
	Raymond G. Decary, Q.C.	Montreal
	T. E. H. Ellis, Q.C.	Vancouver
	E. B. Fairbanks, Q.C.	Montreal
	Horace A. Hanson, Q.C.	Fredericton
	C. K. MacGillivray, F.C.A.	Hamilton
	G. Kenneth McKenzie, C.A.	Saint John
	Stuart D. Thom, Q.C.	Toronto
	H. G. Williams, C.A.	Charlottetown
1959	L. E. Fingarson, C.A.	Regina
	Neil V. German, Q.C.	Calgary
	John Hyslop, C.A.	St. John's
	W. R. Kay, F.C.A.	Toronto
	John P. Kinghorn, C.A.	Montreal
	Donald C. McGavin, Q.C.	Winnipeg
	William A. Simonton, F.C.A.	Toronto
	Hugh E. Spencer, C.A.	Halifax
	R. Bredin Stapells, Q.C.	Toronto
	Jacques Tetrault	Montreal
	G. Norman Wildgoose, C.A.	Winnipeg
1960	Marcel Belanger, C.A.	Quebec
	Gordon S. Cowan, Q.C.	Halifax
	C. Roberts Davidson, Q.C.	Regina
	Edwin A. Goodman, Q.C.	Toronto
	Lawrence F. Heyding, F.C.A.	Toronto
	K. T. N. Lapp, C.A.	Summerside
	John de M. Marler, Q.C.	V-Chm., Chm.
	Arthur S. Pattillo, Q.C.	Montreal
	A. D. Russell, C.A.	Toronto
	J. C. Scott-Harston	Vancouver
	R. H. Tupper, Q.C.	Victoria
	David A. Gilman, C.A.	Winnipeg
1961	Julien Chouinard	Quebec
	E. A. Christenson, C.A.	Edmonton
	Eric Cook, Q.C.	St. John's
	Ralph St.J. Freeze, Q.C.	Fredericton
	J. A. Marven, C.A.	Moncton
	S. O. McMillan, F.C.A.	Saskatoon
	Harold S. Moffet, F.C.A.	Montreal
	Walter C. Newman, Q.C.	Winnipeg
	G. Meredith Smith, C.A.	Montreal
	Lancelot J. Smith, F.C.A.	Toronto
	Philip F. Vineberg, Q.C.	V-Chm.
1962	Basil R. Cheeseman	Montreal
	William B. Draper, C.A.	Calgary
		Corner Brook

C. Antoine Geoffrion, Q.C.	Montreal
John W. Graham, Q.C.	Toronto
John D. Harrison, Q.C.	London
Gordon H. Johnson, C.A.	Halifax
William A. Simonton, F.C.A.	Toronto
Herbert O. Spindler, C.A.	Montreal
1963 William J. Ayers, F.C.A.	Toronto
Leonard 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, Q.C.	Saint John
Richard J. Burns, Q.C.	Calgary
1964 Ross P. Alger, F.C.A.	Calgary
Edward H. Ambrose, F.C.A.	Hamilton
John W. Beech, F.C.A.	Winnipeg
Pearley R. Brissenden, Q.C.	Vancouver
J. Nevin Burnham, C.A.	Saint John
R. J. P. Dawson, C.A.	Montreal
Charles Gavvie, Q.C.	Montreal
Maurice V. Jeffery, F.C.A.	Swift Current
Aurélien Noël, C.A.	Montreal
Henry B. Rhude	Halifax
Francis J. Ryan, Q.C.	St. John's
John L. Stewart, Q.C.	Toronto
Alan Sweatman, Q.C.	Winnipeg
1965 C. Roger Archibald, Q.C.	Toronto
Frederic C. Burton, C.A.	Halifax
H. Marcel Caron, C.A.	V-Chm.
Henri-Paul Lemay, Q.C.	Montreal
Alan D. Stanley, F.C.A.	Vancouver
Frederick D. R. Woolgar, C.A.	St. John's

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) (Also available in French.)

Canadian Fiscal Theses Series: No. 1. Business Financing and Taxation Policies, by *C. F. Owen*. 1959. (\$1.00)

No. 2. Erosion of the Income Tax Base in Canada and the United States, by *Irving Jay Goffman*. 1960. (\$1.50)

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, by *Peter J. Williamson*. (\$2.50)

Provincial Sales Taxes, by *John F. Due*. (\$3.50)

International Corporate Conference, 1964. (\$2.00)

Income Taxation of Inter Vivos Trusts, by *Marshall A. Cohen*. (\$2.50)

Inter-Government Fiscal Relationships, by *John F. Graham, A. W. Johnson and J. M. Andrews*. (\$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.