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CANADIAN TAX FOUNDATION

Tenth Annual Report

FOR THE YEAR ENDING
DECEMBER 31st, 1955

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CANADIAN TAX FOUNDATION

BOARD OF GOVERNORS

Elected March 22nd, 1956

*Henri L. Belanger, C.A.	Montreal
Paul Bruneau, C.A.	Quebec
Everett J. Chambers, Q.C.	Calgary
Kenneth G. Clark, C.A.	Vancouver
*Harold E. Crate, F.C.A.	Toronto
Harvey E. Crowell, C.A.	Halifax
H. Weir Davis, Q.C.	Montreal
Walter W. B. Dick, C.A.	Moncton
*John G. Edison, Q.C.	Toronto
*A. Willard Hamilton, C.A.	Montreal
T. Earle Hickey, C.A.	Summerside
G. Richard Hunter	Winnipeg
William H. Jost, Q.C.	Halifax
*George P. Keeping, F.C.A.	Montreal
James L. Lawrence	Vancouver
Donald J. Lawson	Victoria
Robert Leith, C.A.	St. John's
Roger Letourneau, Q.C.	Quebec
*James L. Lewtas	Toronto
*Kris. A. Mapp, F.C.A.	Toronto
*John deM. Marler, Q.C.	Montreal
Donald A. McGregor, C.A.	Calgary
*D. Ross McMaster, Q.C.	Montreal
Harold S. Moffet, F.C.A.	Regina
*James A. Renwick	Toronto
*Lancelot J. Smith, F.C.A.	Toronto
Gordon M. Stirling	St. John's
*M. Gerald Teed, Q.C.	Saint John
David M. Tyerman	Regina
*Henry F. White, Q.C.	Toronto
*John A. Wilson, F.C.A.	Toronto
William Young, C.A.	Winnipeg

**Executive Committee of the Board of Governors*

OFFICERS

Chairman	M. Gerald Teed, Q.C.			
Vice-Chairmen and Co-Chairmen of the Executive Committee	<table> <tr> <td rowspan="2">}</td> <td>A. Willard Hamilton, C.A.</td> </tr> <tr> <td>Henry F. White, Q.C.</td> </tr> </table>	}	A. Willard Hamilton, C.A.	Henry F. White, Q.C.
}	A. Willard Hamilton, C.A.			
	Henry F. White, Q.C.			
Past Chairman	John A. Wilson, F.C.A.			
Director	J. Harvey Perry			
Secretary	R. M. Sedgewick			
Treasurer	James A. Reid			

**STATEMENT OF INCOME AND EXPENSE
FOR THE YEAR ENDED 31st DECEMBER, 1955**

	<u>1955</u>	<u>1954</u>
INCOME:		
Subscriptions - - - - -	\$117,140.00	\$105,032.50
Interest - - - - -	910.44	415.38
	<u>118,050.44</u>	<u>105,447.88</u>
 EXPENSE:		
Salaries - - - - -	55,894.93	52,679.75
Publications (net) - - - - -	23,829.76	11,967.14
Travelling - - - - -	8,743.28	4,637.70
Office rent - - - - -	3,600.00	3,600.00
Pension plan - - - - -	3,109.60	—
Postage - - - - -	2,951.92	2,018.97
Printing, stationery and office supplies - - - - -	2,191.73	2,414.73
Books and periodicals — library - - - - -	1,557.52	1,873.92
General office expense - - - - -	1,377.67	955.80
Special studies - - - - -	1,024.16	3,340.73
Telephone and telegraph - - - - -	948.85	985.20
Conference expense (net) - - - - -	7.88	2,730.52
	<u>105,237.30</u>	<u>87,204.46</u>
Provision for depreciation of furniture and office equipment - - - - -	693.20	697.65
	<u>105,930.50</u>	<u>87,902.11</u>
EXCESS OF INCOME OVER EXPENSE FOR THE YEAR	12,119.94	17,545.77
AMOUNT RESERVED FOR RESEARCH STUDIES AND PROJECTS IN 1954 — REVERSED IN 1955 - -	9,500.00	(9,500.00)
	21,619.94	8,045.77
BALANCE CARRIED FORWARD FROM PREVIOUS YEAR - - - - -	35,279.64	27,233.87
BALANCE OF INCOME AND EXPENSE ACCOUNT 31st DECEMBER, 1955 - - - - -	<u><u>\$ 56,899.58</u></u>	<u><u>\$ 35,279.64</u></u>

AUDITORS' REPORT TO THE MEMBERS

We have examined the Statement of Financial Position of the Canadian Tax Foundation at 31st December, 1955, and the Statement of Income and Expense for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we

TORONTO, 16th February, 1956.

STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER, 1955

	<u>1955</u>	<u>1954</u>
ASSETS		
CURRENT ASSETS:		
Cash on hand and on deposit - - - - -	\$ 24,627.26	\$ 20,661.41
Investment — Crown Trust Company		
Guaranteed investment receipt 3½% - - -	30,000.00	20,000.00
Deposit with Trans-Canada Airlines - - - - -	425.00	425.00
	<u>55,052.26</u>	<u>41,086.41</u>
FURNITURE AND OFFICE EQUIPMENT - - - - -	6,932.04	6,976.54
Less accumulated depreciation - - - - -	3,675.81	3,203.86
	<u>3,256.23</u>	<u>3,772.68</u>
M. L. GORDON FELLOWSHIP FUND:		
Cash in bank - - - - -	1,013.04	2,475.89
	<u>59,321.53</u>	<u>47,334.98</u>
LIABILITIES		
ACCOUNTS PAYABLE - - - - -	1,408.91	79.45
RESERVE FOR RESEARCH STUDIES AND PROJECTS		
COMMENCED IN 1954 - - - - -	—	9,500.00
M. L. GORDON FELLOWSHIP FUND:		
Balance at 1st January - - - - \$	2,475.89	
Add: Interest received - - - - -	37.15	
	<u>2,513.04</u>	
Deduct: Fellowship payments - -	1,500.00	
	<u>1,013.04</u>	2,475.89
INCOME AND EXPENSE ACCOUNT BALANCE - - -	56,899.58	35,279.64
	<u>\$ 59,321.53</u>	<u>\$ 47,334.98</u>

<p>APPROVED ON BEHALF OF THE BOARD OF GOVERNORS</p> <p>John A. Wilson</p> <p><i>Chairman</i></p>	<p>M. Gerald Teed</p> <p><i>Vice-Chairman</i></p>
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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, 1955, and the results of its operations for the year ended on that date.

ORMSBY & ORMSBY
Chartered Accountants.

Report of the Chairman
to the Tenth Annual Meeting of the
Canadian Tax Foundation
March 22, 1956

It is with a real sense of privilege that I present the tenth annual report of the Chairman. Every anniversary of the Foundation is a notable event, but I am sure all will agree with me that the successful completion of our first decade is a very special occasion. A previous important anniversary — the fifth — was recognized by an extensive review of all that had been accomplished in the five year period. Unfortunately to present such a survey after ten years would require far more time than is available at an annual meeting, but we should not pass this milestone without at least brief recognition.

The statistics of the growth of our finances and membership are of particular interest and have been compiled in a table for inclusion in the printed version of my report. This table shows that between 1946 and 1955 our income rose from \$27,000 to \$118,000 and our expenditure from \$21,000 to \$106,000. It also shows that despite this remarkable growth progress has not been without its problems, because the accounts of four of these ten years showed a deficit. Even more striking is the increase in membership. At the end of 1946 there were 11 corporations supporting the Foundation and ten years later we find 423, without counting another 300 represented through association memberships. In 1946 individual members, all of whom were Governors, were 23 in total. Today we have increased this number by almost exactly 1200.

These are simply the cold statistics which indicate the outward signs of growth but convey little of what this decade has meant in real accomplishment. Looking back one is impressed with the fact that almost every area of federal taxation, and many of provincial areas as well, have come within our purview at one time or other. Many of our efforts have been directed to immediate and practical ends and have produced tangible results in legislation; others were on a broad plan designed to stimulate consideration of important issues of principle. All have been motivated by the highest regard for the general interest and a scrupulous effort to avoid partiality and special pleading. What is even more remarkable is that the breadth of our past activities, instead of reducing the scope for the future seems to have opened up new and broader fields of endeavour.

Looking back over these years one is also impressed with the great number of distinguished leaders in the two sponsoring professions

who have given unselfishly of their time and talents in helping the Foundation through its formative period; the period when the Foundation was not much more than an idea, and a very nebulous one at that. It called for faith, vision, and a great deal of hard work to make this idea a reality, and we, who have inherited the Foundation as a going concern, owe much to these men and the companies and individuals who were willing to pledge financial support from the beginning. All have played an indispensable role in bringing us to our present position.

I could go on to recount the number of studies we have issued, the number of conferences and meetings held, the speeches given, the articles written, and all the other measures of progress. Much of the rest of my Report is devoted to discussing these activities during the last year, and leaves little room for recording similar events in earlier years. Moreover in the longer view what we have done may be of less consequence than the way we have gone about it and the sort of reputation we have acquired in the process. And in this regard I am confident that we have succeeded beyond the bravest hopes of our founders. In the short space of ten years the Foundation has become an accepted organization in the life of our country with a reputation for an impartial viewpoint and a high standard of performance. To have accomplished this much in a decade is a great deal, and gives us the firm rock on which we can build for the future.

I propose now to report on some of the events during the year in which I have been Chairman.

Conference

Among our activities of the past year the one which attracted the attention of the greatest number of our supporters undoubtedly was the annual conference. The 1955 conference met at the Royal York Hotel in Toronto on November 7th and 8th and was our best attended so far. A noticeable aspect was the increased attendance of representatives of our corporate subscribers, who now count for almost half the total registration. We welcome this development and hope to see it continue.

The well-rounded programme of discussion was developed by a conference committee made up of Mr. Harold E. Crate, Mr. Kris A. Mapp, Mr. John deM. Marler and Mr. Stuart D. Thom, along with the Director. In various group and panel discussions current issues under the income tax, sales tax and death duties were reviewed by some of the most able experts in Canada and we were gratified to have visitors from outside Canada and several government officials as active participants. It was regrettable that because of unfavourable flying conditions Premier Joseph Smallwood of Newfoundland could

not be present as guest speaker, but we were most fortunate in having the Honorable Dana Porter, Treasurer of Ontario, graciously accept an invitation to address us on extremely short notice.

The Report for this conference has just been mailed to members. This year a much more detailed report has been made than previously and comments so far suggest that this innovation has been very well received. Production of a document of over 300 pages of course is quite an undertaking and by hard work the staff have been able to produce it within four months following the conference. This is somewhat longer than the time involved in previous years but in my view it is fully justified by the nature of the report.

The 1956 conference will be held in Montreal on November 12th and 13th. I have no doubt that every effort will be made in the future to retain the intimate character of the discussions at these meetings, even though this is becoming more difficult with the growing attendance. The executive committee has recently been studying ways of stream-lining the administrative burden of the conference, which in the past has fallen almost exclusively on the staff of the Foundation, and the results of this will no doubt be seen at the meeting in Montreal.

Publications

It would be a considerable under-statement to say that the publication programme in 1955 was the fullest yet in the life of the Foundation. In fact it exceeded by a wide margin any previous year. In total some 19 individual items were issued directly or sponsored by the Foundation. These included six issues of the *Canadian Tax Journal* and four issues of the *Tax Memo* — the latter dealing with a wide variety of subjects of current interest. Publications of a more elaborate character included: *The National Finances* (1955-56), *Taxes and Traffic*, the *Brief to the Sales Tax Committee*, *Interim Report on Forestry Taxes and Tenures*, *Canadian Taxation and Foreign Investment* by Jean Boyer de la Giroday, the *1954 Conference Proceedings* and *Data Papers* for the 1955 conference. The University of Toronto Press under the Foundation's sponsorship published *Taxes, Tariffs and Subsidies* by Harvey Perry and under the joint sponsorship of the Foundation and the Canadian Institute of International Affairs published *Tariff Procedures and Trade Barriers* by G. A. Elliott. Since the beginning of the year there have been another half dozen publications including one issue of the *Canadian Tax Journal*, three issues of the *Tax Memo*, a special study on *Federal-Provincial Tax Negotiations* and the Conference Report just mentioned.

It would be wholly unrealistic to measure the success of the Foundation merely in terms of its output of words, but we must appreciate

that this is the medium through which the results of the research work of the staff are made public and the standard by which we are judged both inside and outside Canada. Many of the studies issued in the past year have been unique in their field and have represented a major contribution to the Canadian literature on economics and public finance. If there were time, I am sure it would be a most enlightening experience for this gathering to hear some excerpts from the many letters of commendation received from members and others throughout Canada and foreign countries on all our publications.

Tax Legislation

In the field of tax legislation — which of course we never lose sight of, since it is the process through which all change takes place — one of the most gratifying developments of 1955 was the appointment of the Sales Tax Committee. This event was the culmination of several years' pioneer work by the Foundation in studies of the sales tax and was a signal recognition of its effectiveness. We were gratified that Mr. K. LeM. Carter, a former Chairman of the Foundation, was a member of the Committee, along with Messrs. A. E. McGilvray and R. Dupuis. The Foundation gave full assistance to the Committee by presenting an extensive submission, by directing discussion of the sales tax at our conference to specific questions of interest to the Committee and in other ways. At this proximity to the budget speech of this week it is impossible to assess the nature of the ultimate changes that will be made in the legislation as a result of the Committee's report but it is apparent that some of its proposals for interim revisions are to be adopted.

Our co-operation with the professional bodies has been continued in the past year in the field of tax legislation. The Director and members of the staff worked closely with the Joint Taxation Committee in the preparation of its annual brief to the government. Last June a committee of lawyers and accountants under the sponsorship of the Foundation reviewed the annual amendments to the Income Tax Act following first reading and made recommendations for changes to the Minister of Finance, some of which were accepted. The main centre of interest for the coming year will be the new federal death tax legislation which the Throne Speech indicated would be introduced at the present session of parliament. The Foundation will establish committees immediately to undertake studies of this bill as soon as it becomes available.

It is also becoming apparent that in the next year we shall see the re-introduction of taxes on corporation profits by some of the provincial governments. As soon as any such provincial legislation is available we will give it close scrutiny since it is of utmost importance that legislation of this type interfere as little as possible with the normal operation of business.

Briefs to Royal Commissions

On a plane somewhat broader than that of specific tax legislation, the Foundation has presented two important briefs to Royal Commissions in the past year. Two weeks ago — on March 8th — the Director and myself presented a brief on behalf of the Foundation in Ottawa to the Royal Commission on Canada's Economic Prospects. This brief was very well received and Mr. Walter Gordon, the Chairman, expressed his own interest in the Foundation and his appreciation for the work it was doing. A copy of the brief has since been printed and circulated to all our members. It has been interesting to note, incidentally, that in several other briefs submitted to the Royal Commission there have been references to our publications as sources of information on a variety of subjects. The Foundation staff was also consulted by many other individuals and organizations in the preparation of their own briefs.

The second appearance of the Foundation in a similar capacity was before the Royal Commission on Forestry in British Columbia. One of the principal research activities of the staff during the past year has been the preparation of an analysis of forestry taxation and tenures throughout Canada and Mr. Justice Gordon Sloan, the Commissioner, asked us to make available to him such information as could be compiled on an interim basis. Last December the Director, accompanied by Mr. Moore and Mr. Carswell, appeared before the Royal Commission in Vancouver and submitted a lengthy statement of a factual character. The Commissioner publicly expressed his appreciation for the co-operation of the Foundation in making this information available to him prior to the completion of the study.

I believe that both these activities exemplify the breadth of interest we have now achieved and give evidence of recognition of our high standard of independence in studying issues of public importance.

Membership

It is gratifying to be able to report that our membership in 1955 again showed a substantial increase over the previous year. At December 31st there were 423 corporate subscribers compared with 390 at the same time the year before, giving a net increase of 33. If we add to this some 300 companies represented indirectly through association memberships on their behalf we now have a total of about 725 corporate subscribers.

Individual memberships also increased during the year. At the end of 1955 there were 1225 such members compared with 1125 the year before — a net increase of exactly 100. Of these we are pleased to find that many are students and teachers who have taken advantage

of our special rate. The broadening circle of our interest is indicated by the continuation of this trend in the first two months of 1956, in which we added 7 new corporate subscribers and 38 new individual members.

Finances

Members of the Foundation have already received the statement of the financial position for 1955 with the notice of the annual meeting and it will not be necessary therefore to comment on it in detail. Compared with the previous year our revenue increased from \$105,000 to \$118,000 and our expenditure from \$88,000 to \$106,000. On this basis we had a cash surplus for the year of about \$12,000. In addition however we brought back into revenue a reserve of \$9,500 set up last year against the cost of studies extending into 1955 and this adjustment raised our over-all surplus for the year to \$21,600.

The increase in our revenue was attributable not only to the new memberships I have just mentioned but arose also from increases — in some cases substantial — in the contributions of several of our existing subscribers. Of these increases, as indicated by the annual report for last year, an amount of \$7,500 was assured to us at the beginning of 1955. The largest item of increase in our expenditures was for publications. I have already explained that our programme last year was by far the heaviest in the history of the Foundation.

The results of last year show that to all intents and purposes we have achieved the financial objective set five years ago for a revenue of \$120,000 a year. This has meant approximately doubling our income and has required a three-fold increase in our corporate membership. The many governors and other friends of the Foundation who have assisted may therefore take real satisfaction from the accomplishment of this objective. Having reached this goal we shall not of course be content to rest on our past achievements, since the role that the Foundation plays in Canada's life becomes more important each year. We must set new objectives for ourselves and I will say something further on this subject in a moment.

M. L. Gordon Fellowship

In 1955 the Foundation made the 4th award under the scholarship fund set up in 1951 to commemorate the name of the first chairman, the late Mr. M. L. Gordon. The winner in 1955 was Mr. C. Frank Owen of Toronto. Mr. Owen is proceeding to a Doctor of Philosophy degree at the University of Toronto and is making a study of the effect of taxation policies on certain aspects of corporate finance.

The original fund of \$5,000 having been exhausted by these four awards the executive committee has taken the opportunity of re-

examining the terms of the fellowship for future years. As a result for the 1956 award the amount of the Fellowship was increased from \$1,500 to \$2,500 and other conditions were made somewhat less restrictive.

Changes in the Board of Governors

The following members of the board will retire this year:

Ernest B. Bull	Vancouver
Donald M. Clark	Vancouver
Paul-Emile Courtois, C.A.	Montreal
Frank A. Griffiths, C.A.	Vancouver
A. J. Hamilton, C.A.	Edmonton
R. deWolfe MacKay, Q.C.	Montreal
Rodolphe Maheu, C.A.	Montreal
B. B. Osler, Q.C.	Toronto
G. G. Richardson, F.C.A.	Toronto
Daniel Sprague, C.A.	Winnipeg
Stuart D. Thom	Toronto

I must not let this occasion pass without paying tribute to the interest that all of these governors have taken in the work of the Foundation. In particular I am sure that all will join me in a most heartfelt word of appreciation for the enthusiastic support of Mr. deWolfe MacKay, who retires from the Board this year after 7 years as a governor, during which time he was successively Vice-Chairman, Chairman and Past Chairman. It is always our hope of course that the severing of this official association will not mean the end of the interest of our past governors in the Foundation.

The new governors nominated by the President of the Canadian Bar Association and the President of the Canadian Institute of Chartered Accountants to replace those now retiring are as follows:

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	Victoria
James L. Lewtas	Toronto
Donald A. McGregor, C.A.	Calgary
James A. Renwick	Toronto
Lancelot J. Smith, F.C.A.	Toronto
William Young, C.A.	Winnipeg

Revision of the By-Laws

At last year's annual meeting a wholly revised version of the by-laws was adopted and our experience with these in the past year has been very satisfactory. Two further revisions will be submitted for your approval at this meeting. One relates to the by-law authorizing the award of the M. L. Gordon Fellowship and is required in order to implement the changes approved by the Board of Governors to which I referred earlier. The other is of more substance and will affect our executive organization. It is considered that there will be many advantages in having two vice-chairmen of the Foundation in place of the existing one official of this rank. This will permit greater flexibility both in our ability to give representation to the two sponsoring professions through this office and also to secure broader geographical representation. Notice of both these by-laws was given with the Notice of the Annual Meeting.

The Staff

During the year there were two changes in the staff. Miss Audrey Dean, who had been Librarian for some four years, returned to England, her native country. On behalf of the Governors I take this opportunity of expressing appreciation for her loyal service to the Foundation. Our arrangements to replace Miss Dean have as yet been on a temporary basis. Mrs. Maxine Chrysler, our present Librarian, will be leaving in a few weeks, but we hope soon to make permanent arrangements. The other change was the addition of Mr. H. David McGurran to the research staff. Mr. McGurran is a graduate of the University of Saskatchewan, served with the army during the war and for several years before coming to the Foundation was with the Departments of Finance and National Revenue in Ottawa. He is a valuable addition to our working group, and we welcome him to our ranks.

With regard to the staff as a whole it is obvious that in it lies the most valuable of our assets, and that the success of the Foundation depends to a large degree on the manner in which it carries out our objectives. In the present staff we are fortunate in having a group that is able and hard-working, and devoted without reservation to the high purposes of the Foundation. Each year it gives evidence of growing experience and increasing efficiency, and despite a greatly increased output has been able to retain that special attitude of mind that is essential to research work.

Our Director deserves very special mention here because he has done a great deal in the past year to spearhead the work of which I spoke previously and which is doing so much to create a reputation for our Foundation. He has been unsparing in his expenditure of personal time

and effort and has literally made the Foundation not only his sole work but his hobby. You will learn later that we are making plans to help him cover this very broad field in a manner less likely to ruin his health and disposition. I think I speak on behalf of all of us when I say that we appreciate this devotion to the Foundation and are gratified at the results shown. Mr. Moore, Mr. Carswell, Mr. McGurran and Mrs. McGregor in greater or less degree have some share in almost every study that is issued, and the high quality of the final product is the best evidence I could cite of the calibre of their work. Mr. Reid, our Treasurer, is fully occupied with the steady flow of work involved in keeping in touch with our nearly 2000 subscribers, and Mrs. Evelyn Wilkinson and Miss Mary Gurney, the secretarial staff, ably perform all those thankless but essential jobs that help to make the Foundation the successful organization that it is.

The Future

Having reviewed the developments of the past year, and in very brief outline those of the past decade, it now seems fitting to speak of our future plans.

Five years ago, in setting a goal for the future, the first question that had to be faced was whether the Foundation had achieved a permanent place for itself and could be expected to go forward with public acceptance. Fortunately the Governors of the day did not hesitate to give an affirmative answer, and subsequent events have proven the wisdom of their decision. At the same time this was a courageous decision, particularly since it was realized that its full implementation would require approximately doubling the budget. This objective has now been successfully reached, and our outlook today is therefore greatly altered. There is no longer any question of the future of the Foundation, since it is now an accepted and well established institution. Nor is there any question of attempting once again to double our budget, since neither our supporters nor ourselves are interested in gathering more money simply for its own sake. Furthermore it is evident that once the nucleus of the organization has been established, additional expenditures of modest proportions will produce fairly high returns.

In the light of these factors and after a careful appraisal of specific plans for future development we have set as our new objective a budget of \$150,000. This is approximately \$30,000 a year more than our present revenue, or an increase of 25 per cent. The sooner we can achieve this goal the better; judging by past experience it should be possible in three years.

This additional money will be spent in three main directions, all of which will make the Foundation an even more effective organization

than it is now. Some of these things we shall attempt to do or prepare for immediately; others will have to wait until we have the full amount of the new budget available. In order of priority the three main developments are as follows:

First — new premises. The present premises have become increasingly inadequate as the work has grown. They are crowded with the present staff and leave no room whatever for expansion. In order to provide suitable accommodation which will be in keeping with the position of the Foundation, will provide adequate room, light, ventilation and library space for the present staff and leave room for the addition of new staff we must double or perhaps even triple our present outlay for rent. We plan on renting new quarters just as soon as suitable space has been found.

Second — additional staff. In order to carry our work into broader fields we shall need at least three additional members of the research staff, and this will no doubt require adding at least one member to the secretarial staff. One of the new members will be primarily an executive assistant for the Director, to relieve him of some of the administrative work and under his direction to develop new outside activities for which there is an increasing demand from our members. The other two new people will enable the research staff to extend our studies of taxation and fiscal subjects into increasingly broader aspects of the federal and provincial budgets.

Third — new activities. I have indicated that we are being urged by our members to carry on more and more activities in which they can engage directly outside the regular research work. Our annual conference of course is of this character, but it is almost the sole event of the year of its kind. However, just as soon as we have the funds and a member of the staff available to carry out the necessary organizing we shall undertake periodic regional conferences, conferences and study groups for discussion of special subjects, co-operation with the universities in the establishment of seminars and courses, and any other form of activity for which a legitimate need exists which is not now being filled. This will take some planning and organization and will certainly not come about overnight, but within two or three years it should be possible to have a fairly extensive programme underway.

Conclusion

It would be remiss of me to conclude this statement without expressing my appreciation for the support during the past year of my fellow Governors and of our Secretary, Mr. R. M. Sedgewick. In particular I should acknowledge the faithful service of our Vice-Chairman, Mr. Gerald Teed, who, despite the inconvenience of

frequent trips from his home in Saint John, New Brunswick, regularly acted in his capacity of chairman of the executive committee. To the incoming Board of Governors I must say — as has been said many times before and cannot be said too often now or in the future — that it was the privilege of the professional bodies you represent to bring the Foundation into being and it is your obligation now to do all in your power to keep it in being. I am sure that you will live up to the trust which rests with you.

JOHN A. WILSON.

CANADIAN TAX FOUNDATION

— The First Ten Years —

Year Ended December 31	Income	Expenditure	Annual Operating Surplus	Accumulated Surplus	MEMBERSHIP Corporate	Individual
1946	\$ 27,350.00	\$ 6,385.93	\$ 20,964.07		11	23
1947	40,445.65	27,292.85	13,152.80	\$ 34,116.87	26	48
1948	53,592.21	42,445.13	11,147.08	45,263.95	47	368
1949	47,552.91	51,996.89	4,443.98 Dr.	40,819.97	71	458
1950	58,793.03	55,339.67	3,453.36	44,273.33	112	756
1951	70,725.36	73,413.30	2,687.94 Dr.	36,585.39 (x)	133	800
1952	80,497.34	81,103.53	606.19 Dr.	35,979.20	226	845
1953	90,104.00	98,849.33	8,745.33 Dr.	27,233.87	328	1,041
1954	105,447.88	87,902.11	17,545.77	44,779.64	390	1,125
1955	118,050.44	105,930.50	12,119.94	56,899.58	423 (z)	1,225

(x) Note—\$5,000 transferred to M. L. Gordon Fellowship Fund.

(z) Note—Some 300 additional companies are supporting the Foundation through their Associations' subscription.

Report of the Director
to the Tenth Annual Meeting of the
Canadian Tax Foundation
March 22, 1956

The scope and purpose of the Director's Report to the annual meeting is rather obscure, since the Chairman's report covers most of the matters in which our members might be interested. However there is a fairly clear line of distinction between the functions of stewardship and management in the organization, and presumably the Director is expected to deal with the latter heading.

I propose therefore to discuss very briefly some of the things we are now doing or shall be doing in the future. It seemed to me on reflection though that it was of equal — perhaps even greater — importance that I restate my own conception of the terms within which we operate in our day to day work. In short the considerations which govern what we *can* do and what we *can't* do are of more general and permanent relevance than simply a forecast of what we *shall* do in the next year.

To begin with let me discuss as I see them the things we can't do. First — we can't play politics. This may seem a foolish notion reflecting an exaggerated concern, since there is no overt evidence of any attempt to have the Foundation become a political organization. Yet in the course of the year there are a number of suggestions that we fight this or that proposal or support this or that cause. To take sides on any of these issues would embroil us in agitations in which our name for objectivity would soon be tarnished. I take personal pride in knowing prominent men in government in all political parties throughout Canada, and their high regard for the Foundation is the best evidence of our political neutrality. We must at all costs strive to maintain this position.

Second — we can't go in for dramatics. Again this notion may seem irrelevant, but I can assure you that the number of earnest people who think that drum and bugle should be part of the equipment of a research organization are legion. I have no doubt that several of our publications and studies will ultimately have a more profound influence than all the newspaper headlines of a year; but they are not the stuff of which headlines are made, and we would waste our time in trying to make them so. Nor can the Foundation afford to strike the dramatic pose of violent protest so persuasive with many

taxpayers. Ill temper is seldom any more effective in public life than it is in private.

Third — there are definite limits in our ability to be experts on government policy and administration. Every function of government has its fiscal implications, and we can quite legitimately concern ourselves in a broad way with these implications. But we cannot act either as a continuing Gallup poll to reflect opinion on every aspect of government that involves spending money, nor can we assume the role of a sort of Hoover Commission on the efficiency of government operation. We are equipped for neither of these tasks, and neither would be consistent with our method of research. By this of course I do not mean that we must forever remain silent on either government policy or administration, or that there is not a great deal of ground we can cover more adequately than any other organization. But I do mean that our approach must be in keeping with the high standards of research we have set ourselves, and that certain aspects of government are by their nature beyond the limits of this type of study by an outside organization.

Fourth — it hardly seems necessary to say it again, but in view of some remaining misunderstanding it must be said that we are not set up to act as a service organization for individual taxpayers, be they business, professional, corporate or personal. That is not to say that we are not pleased to hear from our supporters and to listen cheerfully to their problems. This is grist for the mill, and keeps us in touch with daily practice. Indeed we do frequently have calls and letters from all parts of Canada, and they are most welcome. What is even more gratifying is to find that in nine cases out of ten it is fully understood that we are not prepared to act in the special interests of one of our members. We gladly give, in response to enquiries, any information we have in our records or in our library, and frequently enquiries suggest some line of general research to be followed up. But this is quite a different thing from representing any of our members directly in a tax issue. This we neither will nor can do.

Finally — and this has been said before too I am sure — we can't let fear be our guide. Fear of contentious issues; fear of stepping on toes; fear of disturbing sleeping dogs; fear of being misunderstood — as soon as any of these take command of the Foundation its days will be numbered. Of course we should not make it our cause to stir up strife; on the contrary prudence, circumspection, caution and diplomacy are all hallmarks of the broad and generous attitude that should permeate our organization. At the same time we must be big enough to recognize the truth, and fearless enough to support it when we feel we have found it. And this is no mere platitude. There are issues today in our own field regarding which any attempt to be impartial automatically brings one under suspicion. If we end up on one side

or the other by our own volition that is one thing; but it is quite another simply to end up there out of fear of contention or out of fear of being found alone in the middle.

So much for our limitations. What are the things we *can* do?

First — we can seek out and make known the facts on subjects which come within our purview. This sounds like an innocuous — indeed a trivial — sort of pursuit, but the longer I deal with matters of public policy the more convinced I become that much of the groping and fumbling that goes on is only the unhappy substitute for the clear-cut decisions that could be made if all the facts were known. Every business and professional man too must make the daily discovery that the facts are the precious and indispensable ingredients of any decision, and that once they are known and marshalled and digested the decision frequently emerges of its own accord. By the same token, every day all of us discover how vast are the areas still remaining of which we have little or no knowledge.

Just to avoid leaving the impression that in our own field this process of fact gathering involves no more than culling dusty reports in a library let me cite the procedure in one of the projects we now have under way. This is our study of forestry taxation and tenures, a vast and obscure side of our largest industry about which people have speculated for years but which has never yet been thoroughly studied on a national scale. It is now over three years ago that we first became interested in filling this void. To begin with we explored the general possibilities of a study in discussions with company and government officials to satisfy ourselves that it could be done and was worth doing. With this settled we proceeded to consult every possible existing source of printed information on the subject for Canada and for several other countries as well. In the process we accumulated a collection of the essential working documents, which include statutes, official reports, royal commission studies, books, articles in technical journals, speeches, university theses, and so on. Having obtained a fair grounding in what to look for by studying this material, we began field work in January, 1955. This has involved interviews and consultations, with two and frequently three members of the staff present, in every province and indeed in almost every centre between Nanaimo, B.C. and St. John's, Newfoundland, where there was an interest in either lumber or pulp and paper. These interviews were conducted with associations, government officials — both provincial and municipal where necessary — company executives, foresters, members of university forestry faculties and others. In total these consultations, often running into hours of discussion, would exceed one hundred. Where necessary they have been followed up frequently by the submission of written reports for verification, and the greatest pains have been taken to check every statement made

to us. We rushed a preliminary compilation of data for a Royal Commission in British Columbia in December, as the Chairman has mentioned, but the job is by no means finished yet. At present further compilations are being made and the report itself is being written.

So unique is this particular project that in addition to our own appearance before the British Columbia Royal Commission the Chairman of another provincial Royal Commission and the experts of the Gordon Commission staff who are preparing a study on the forestry industries have visited our offices for discussions. And small wonder, because this is a costly, exacting, time consuming but tremendously important task which no other organization but our own could have undertaken with complete impartiality. We have issued studies of similar importance and I cite this one only because it gives body to the rather nebulous idea of fact-gathering. For us it is a very real and vitally important process, and in the long-run will probably produce the most permanent works of the Foundation.

Second — another most essential contribution we can make is to attempt to see and present the whole picture. The tax specialist — like all specialists — is today engaged more and more closely in examining at nose-point the techniques behind the individual strokes on the canvas. Seldom does he have either the occasion or the necessity for stepping back a few paces to see the fabric as a whole. We can — and must — and will — do this for him — and we hope for the public at large. This sometimes leads to the charge that we are not “practical”, to which I can only answer that one still meets “practical” people — fortunately few — whose effectiveness in increasing even their own income is hampered by the fact that they not only have nose to canvas but are wearing blinkers as well. I don’t think we are really in much danger of becoming simply artistic dilettantes.

Third — not very far removed from the last point is my sincere conviction that we can make a tremendously important contribution by drawing to the attention of government the anomalies and inequities that arise in the tax system on the one hand and by attempting to increase public knowledge of the processes of taxation on the other. The vast import of this challenge — and it is a challenge — is more fully appreciated when one realizes that in the modern world the principal way in which the citizen expresses allegiance to the state is by paying his taxes. Apart from some rules governing his personal conduct the main claim of the state on him is for a share of his annual produce. In short, traffic summons and income tax return are now the documentary symbols of organized society. In these circumstances the crucial character of the role of such an organization as ours is obvious, and it is of incidental interest that both traffic and taxation were on our programme in 1955.

I said that we must not only see the whole picture; we must also present it. In this respect we are doing a better job all the time. A member of Parliament recently described our publication *The National Finances* to me as the "community bible". We are told by officials attending the federal-provincial meetings at Ottawa that our own publication, *Financing Canadian Federation*, was not only required reading but was virtually a conference handbook. We find that our publication, *Taxes and Traffic*, is now accepted as a unique source of information on a subject of crucial importance, and in one large area of public policy has become a standard reference work. A recent study of Canadian-American personal income tax comparisons has been extremely popular with company executives, and the president of one of our largest firms put in an urgent telephone call for a supply of 50 copies; requests for bulk orders have also been received from several other companies. Simultaneously we were receiving numerous requests from government officials and others for our latest review of federal-provincial tax negotiations. This is all to the good, because the test of our material is that it fills a real need, and it is our experience that our publications all go right to work the day they are issued.

Finally — and this is by no means the least of my points — the Foundation can and will serve as an essential link between two of our great professions — the legal and accounting professions. Any who doubt the importance of this link need only consider the very unfortunate discord that has come about in the United States. I am sure that if the American lawyers and accountants were joined by such a bond as unites the Canadian professions this situation would not have arisen.

At the outset I said that I would be saying something brief about our future activities, and I have now rambled around to that point. This process of projection becomes less meaningful each year, because our routine volume of output is now so heavy that it is difficult to select points of emphasis. The Chairman has indicated some of our general plans for the future, which we will implement as soon as possible. However, looking ahead simply for the balance of the current year — and bearing in mind that already the programme has been quite heavy this year — I should mention that two of our studies listed for publication last year have been held over and will we now expect appear in 1956. These were studies of the financial implications of a national health insurance plan and of the very important question of financial relations between provincial and municipal governments. Both these projects are being done outside the staff. In the current year, if it has been completed, we will also publish the final version of our study of forestry taxation.

As to the longer range, a year ago I indicated that in my view we should sponsor a text-book on public finance for use in Canadian

universities. Since that time we have contracted for the preparation of such a book by an eminent Canadian expert, but in the nature of things it will be some time before a volume of this character will be available for publication. We must expand our relations with the universities and encourage the study of public finance and related subjects in every way possible. The tax system is now probably the largest of all engines in the community, and it is just as vital that we have well trained engineers to man it as that we have engineers of other kinds. A year ago I also indicated that in my view we should broaden our activities to include studies of aspects of government expenditure that were relevant to taxation, and we will do this as soon as we have the expanded staff mentioned by the Chairman. It is amply evident from recent federal-provincial tax negotiations that important aspects of these arrangements are still based on inadequate consideration of certain fundamentals, and I hope that within two or three years we may publish a completely new assessment of these matters which could be of material influence on future arrangements. The suggestion that I have made from time to time that we pay increasing attention to provincial taxation is becoming more valid as time goes by, since it is apparent that the centre of interest will transfer more and more to this level in the future. In keeping with this expectation we shall watch with close attention all provincial tax developments. While it is not primarily a provincial subject following the conclusion of our forestry taxation survey we shall take on a study of petroleum taxation.

At a less exalted level I welcome the development announced by the Chairman for more activities involving our own members. If planned as carefully as our annual conference these will be most fruitful for all concerned. I can also give the assurance that the staff will follow closely developments under the sales tax and death tax revisions, and if any further studies or comments are required these will be issued at the appropriate time. All of these things of course are over and above the publication of the *Canadian Tax Journal*, which increases in stature with each passing year.

In conclusion I must express my sincere appreciation on behalf of the staff for the interest and encouragement of the Board of Governors and of the members at large. I acknowledge my personal indebtedness to Jack Wilson for his ever-patient and thoughtful guidance during the year he has been Chairman. I welcome the incoming Board of Governors and the new executive, and promise them my loyal support in the coming year. As for the staff I cannot say too much in praise. They still do me the kindness of calling me "boss", whereas something like "slave-driver" would be much closer to the truth. They also do me the kindness of being much less conscious of my own shortcomings than I am myself, than which no boss can ask for more.

J. HARVEY PERRY

THE Canadian Tax Foundation was established in 1945 as an independent tax research organization. Its Governors are nominated each year by the Canadian Bar Association and the Canadian Institute of Chartered Accountants, and its work is supported by nearly two thousand Canadian individuals and corporations.

The purpose of the Foundation is to provide both the tax-paying public and the governments of Canada with the benefit of expert, impartial research into current problems of taxation and government finance. This work is carried on by a well-qualified, permanent staff and by outside experts commissioned for special studies. The Foundation publishes the Canadian Tax Journal and other books and pamphlets, and its activities include holding conferences, providing speakers, granting university scholarships and making submissions to government.

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