



Ottawa, Ontario,
May 29, 1933.

My dear Sir Arthur,

I do not know that further correspondence in regard to the five per cent tax will serve a useful purpose. Apparently you are convinced that the tax should not apply with respect to securities held by the universities. From our point of view the law is now upon the statute books, and I know of no way in which an exemption could be granted without an amendment to the Act.

It is, of course, true that this tax has been imposed because of the urgent need of revenue. However, I cannot agree with you that the adventitious income accruing to certain Canadian investors as a result of an abnormal exchange situation does not constitute a suitable source from which the Government may derive increased income. It seems to me and, I am confident, to the country generally, that adventitious income of this type provides the best basis possible for new taxation.

I can see certain justification for not taxing universities as such, but I indicated in my previous letter the administrative difficulties which would be involved if exemptions were granted for this or that reason and, of course, I cannot accept the statement which you make that "the Federal Government in no way contributes" to the universities.

Yours faithfully,

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