

until May 1, 1965 were eligible for a rebate of such taxes from the Department of National Revenue. Information is not available to the Subcommittee as to whether in fact such individuals sought or received a refund of such taxes.

Failing the above approach, the Subcommittee believes that there are a number of alternate courses that can be taken by the CBC in respect to recovery of funds. The Subcommittee does not wish to outline details of these legal and other approaches until an approach has been made by the Corporation to the individuals concerned along the lines outlined in this report.

Therefore, the Subcommittee concludes:

10. That the payment made to the U.S. Internal Revenue Service by the CBC for its failure to remit income tax for its U.S. based employees between April 1, 1966 and December 31, 1968, constitutes a beneficial payment in respect to each employee.

11. That the payment to the U.S. Internal Revenue Service for non-deduction and remittance of social security tax regarding its U.S. based employees constitutes a beneficial payment to such persons.

12. That the CBC should have attempted to make recovery for these sums from the employees concerned through direct negotiation with the employees concerned.

13. That the CBC should immediately take steps to attempt to recover the \$134,573.99 from the 17 employees involved.

7. Summary of Conclusions and Recommendations

The following are the Subcommittee's major conclusions and recommendations:

1. That the Canadian Broadcasting Legislation of 1958 may have contributed to an alteration of the tax status of the CBC employees in the U.S. from a tax-exempt position in the U.S. to a taxable position in the U.S.

2. That the CBC should have based its decision on existing legislation and regulations rather than delaying action pending possible changes.

3. That the CBC should have consulted legal counsel in May, 1965 to determine what connection there was between action taken by the Corporation regarding employee deductions and the tax status of the Corporation itself.

4. That the CBC, although understandably preoccupied with its corporate tax status in the U.S., clearly failed to give adequate consideration to its potential corporate liability regarding employee deductions.

5. That the Corporation's action taken in its memorandum of June 17, 1965, was designed solely and exclusively to provide a fund for use by employees in the event that they were held personally liable for U.S. tax.

6. That follow-up action to the memorandum of June 17, 1965, was inadequate.

7. That the Corporation's action in 1965 was seriously inadequate in terms of taking steps to avoid exposing itself to a corporate liability without having made provisions to recover the funds from its employees.

8. In light of the fact that the employees were not asked to assume the responsibility to reimburse the Corporation for any tax liability resulting from non-deduction of U.S. taxes, the Corporation should have reduced allowances paid to such employees by the amount of the Canadian income tax no longer being withheld.

9. That the CBC should review its application of its remuneration policy to insure allowances are adjusted in both directions in an equitable manner.

10. That the payment made to the U.S. Internal Revenue Service by the CBC for its failure to remit income tax for its U.S. based employees between April 1, 1966 and December 31, 1968, constitutes a beneficial payment in respect to each employee.

11. That the payment to the U.S. Internal Revenue Service for non-deduction and remittance of social security tax regarding its U.S. based employees constitutes a beneficial payment to such persons.

12. That the CBC should have attempted to make recovery for these sums from the employees concerned through direct negotiation with the employees concerned.

13. That the CBC should immediately take steps to attempt to recover the \$134,573.99 from the 17 employees involved.

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The Committee endorses the conclusions and recommendations of the Subcommittee and thanks its Chairman and members.

The Committee appreciates the cooperation it has received from the CBC officials throughout the inquiry and from those witnesses and staff who ably assisted it in reaching the conclusions contained in its report.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 1, 10, 11, 13, 14, 15, 16, 17, 19, 53 and 58 of the Third Session and Issues Nos. 8 and 9 of the current Session*), is tabled.

(*The Minutes of Proceedings and Evidence accompanying the said Report recorded as Appendix No. 37 to the Journals*).

Mr. Blair, from the Standing Committee on Procedure and Organization, presented the Second Report of the said Committee, which is as follows: