



Ottawa, Ontario,
May 15, 1933.

My dear Sir Arthur,

I have your letter of May 10th with respect to the application of the 5% tax on interest and dividends to the investments of Canadian universities.

The ruling given by the Commissioner of Income Tax to the effect that interest and dividends received by Canadian universities were subject to the 5% tax, when the interest coupons or dividend cheques were cashed at a premium over par of Canadian funds, is correct.

As universities are non-profit institutions it is natural that they should be free from the general income tax. The 5% tax, however, comes in a different category. It is a tax deducted at the source and is designed to secure part of the exchange premium which Canadian debtors are required to pay because of present abnormal circumstances. At least in the vast majority of cases this exchange premium represents an adventitious income to the Canadian security holder. When the security was originally purchased, the Canadian investor expected to receive payment in Canadian funds and, with few exceptions, he is content to contribute to the Government this modest proportion of the substantial exchange premium which has come to him as additional income.

May I point out also that as the tax is deductible at the source, the granting of exemptions would complicate unduly and make more expensive the administration of the tax.

I feel confident that you will appreciate the importance of these considerations.

Yours faithfully,

Sir Arthur W. Currie, G.C.M.G., K.C.B.
Principal and Vice-Chancellor,
McGill University,
Montreal,
Quebec.

Handwritten signature of R. A. Munn

Handwritten notes:
Bentley:
To Mr. Gausco
Please note
and return
H. W. Currie