

TOP SECRET

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be no room for its expansion if this was desired in the future. The Minister would like to be authorized to ask the National Capital Planning Committee, through the Chairman of the Federal District Commission, if this suggestion would be acceptable. The Minister of Public Works had been consulted and agreed with the proposal.

63. In the course of discussion it was indicated that, although the Sussex Street site had been considered appropriate, the Board of Trustees had never been in unanimous agreement on that choice largely because they felt it was too far away for the large number of visitors expected to come on foot. If the building were constructed behind the Chateau Laurier it would not spoil the park, and the design would not need to match that of the Chateau. This use of the site might interfere with its use for underground parking space. No matter what the decision was, many people would be dissatisfied with it. It was essential, however, to move the Gallery as soon as possible as the present quarters were dangerous. The art treasures of the Gallery could never be replaced, in fact, even though they were covered by insurance.

64. The Cabinet agreed that the Minister of Citizenship and Immigration be authorized to request the National Capital Planning Committee, through the Chairman of the Federal District Commission, to consider the suitability of Major's Hill Park, behind the Chateau Laurier, as a site for the National Gallery.

Income Tax Inventory Valuation; Anaconda case: Supreme Court Decision

65. The Minister of National Revenue, referring to discussion at the meeting of November 3rd, 1954, said the judgment of the Supreme Court in the case of the Crown vs Anaconda American Brass Limited on inventory accounting methods had now been considered by officials of the departments concerned. The judgment would create grave problems, both in regard to the administration of the tax law and to the revenue position of the government. Officials felt at the moment that, in principle, the L.I.F.O. system of accounting approved for certain types of operations by the judgment of the Supreme Court, would not be a good system for income tax purposes. It appeared desirable to make an appeal to the Judicial Committee of the Privy Council in the hope that the judgment would not be sustained. If an appeal were not successful, it would then be necessary to amend the Income Tax Act. In addition to the Anaconda American Brass Limited, appeals had been made to the department in respect of assessments by 12 other companies who had also adopted the L.I.F.O. system. It had been estimated that 1952 inventories of all companies amounted to approximately \$5.5 billion. If all companies had used

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RG 2, A5a,
Vol. 2656

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