

Canada. Parl. Senate. Special
Comm.on Income Tax Act and
Excess Profits Tax Act, 1945.

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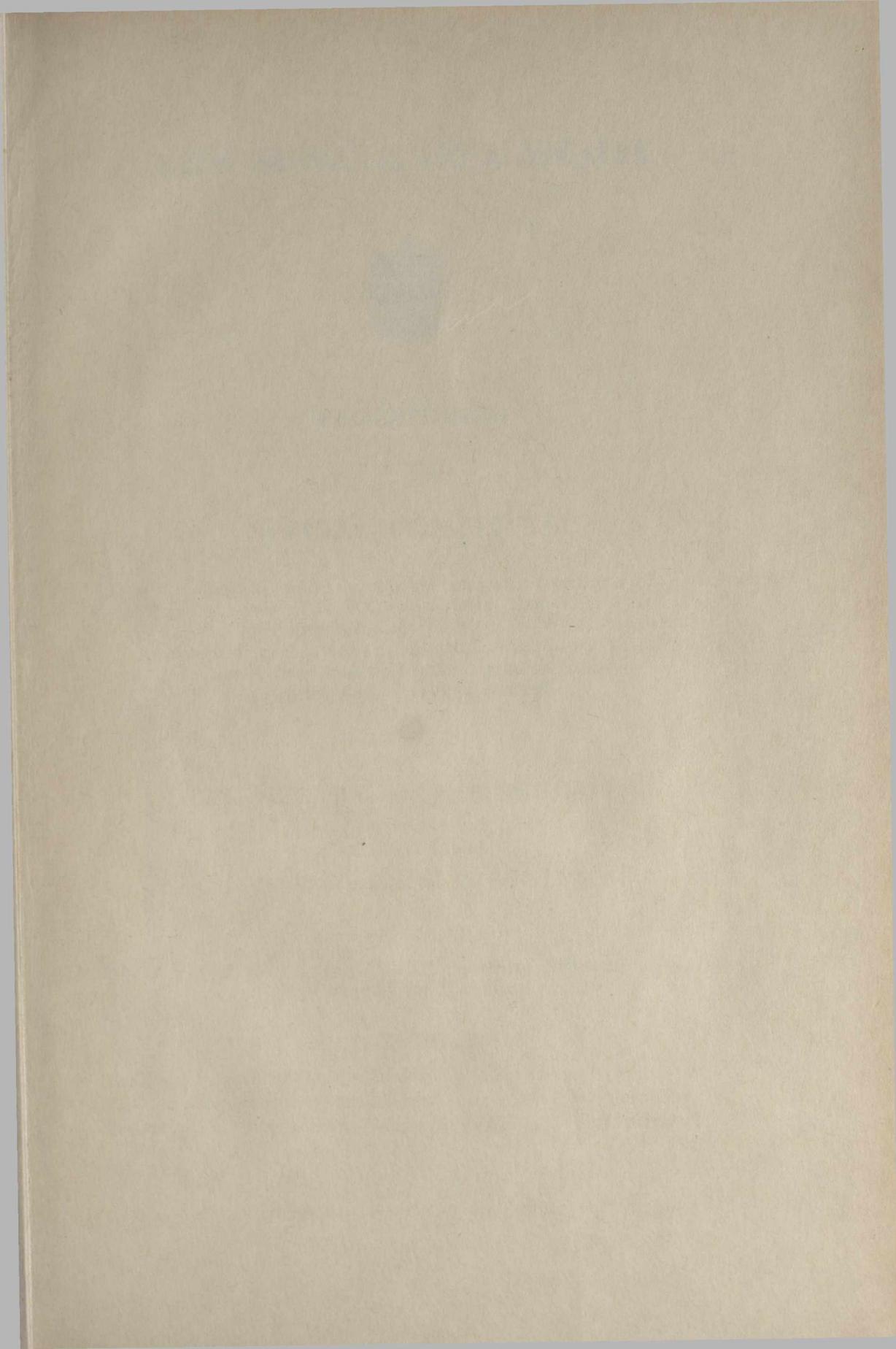
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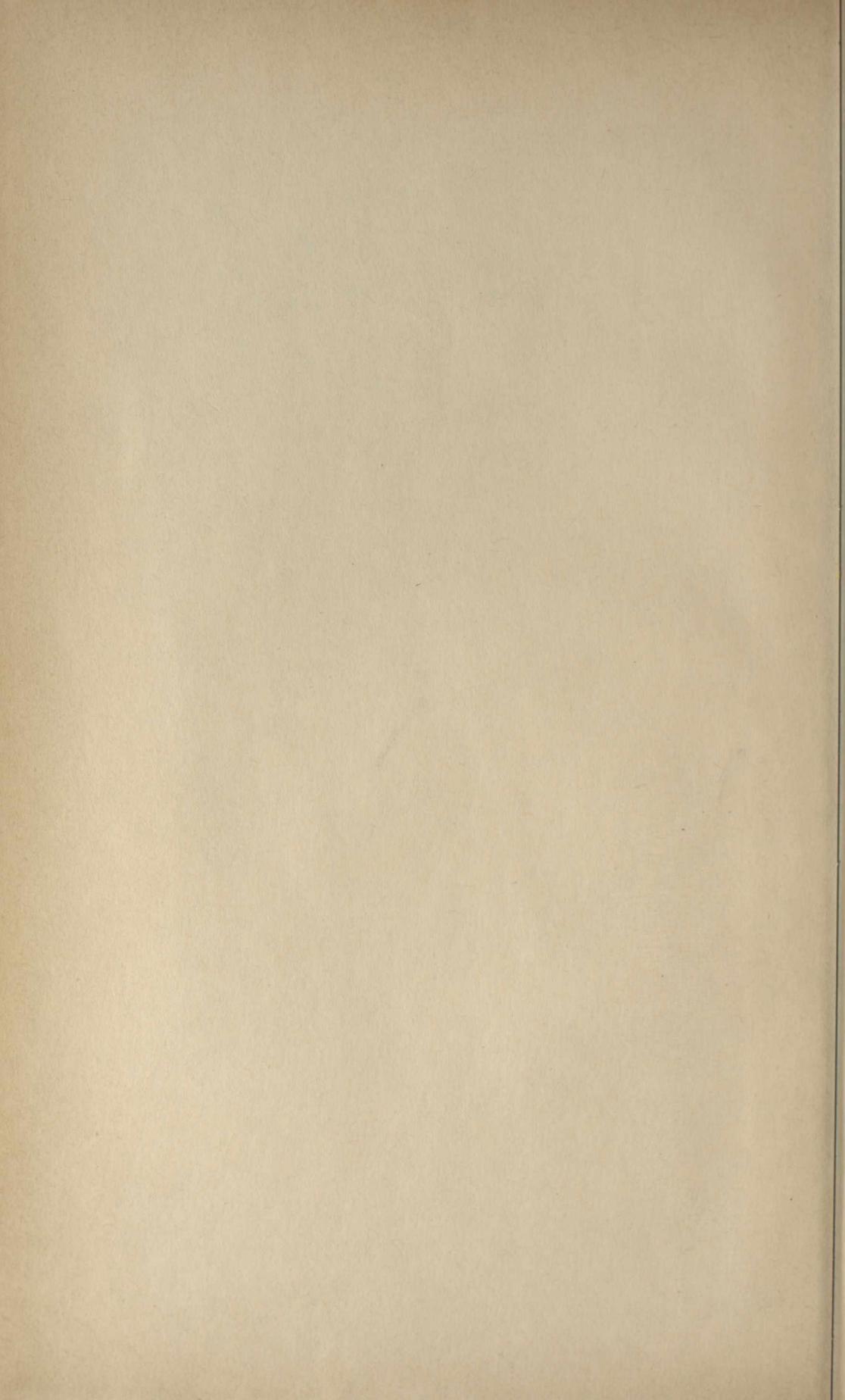
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1945

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

No. 1

WEDNESDAY, NOVEMBER 14, 1945

CHAIRMAN

The Honourable W. D. Euler, P.C.

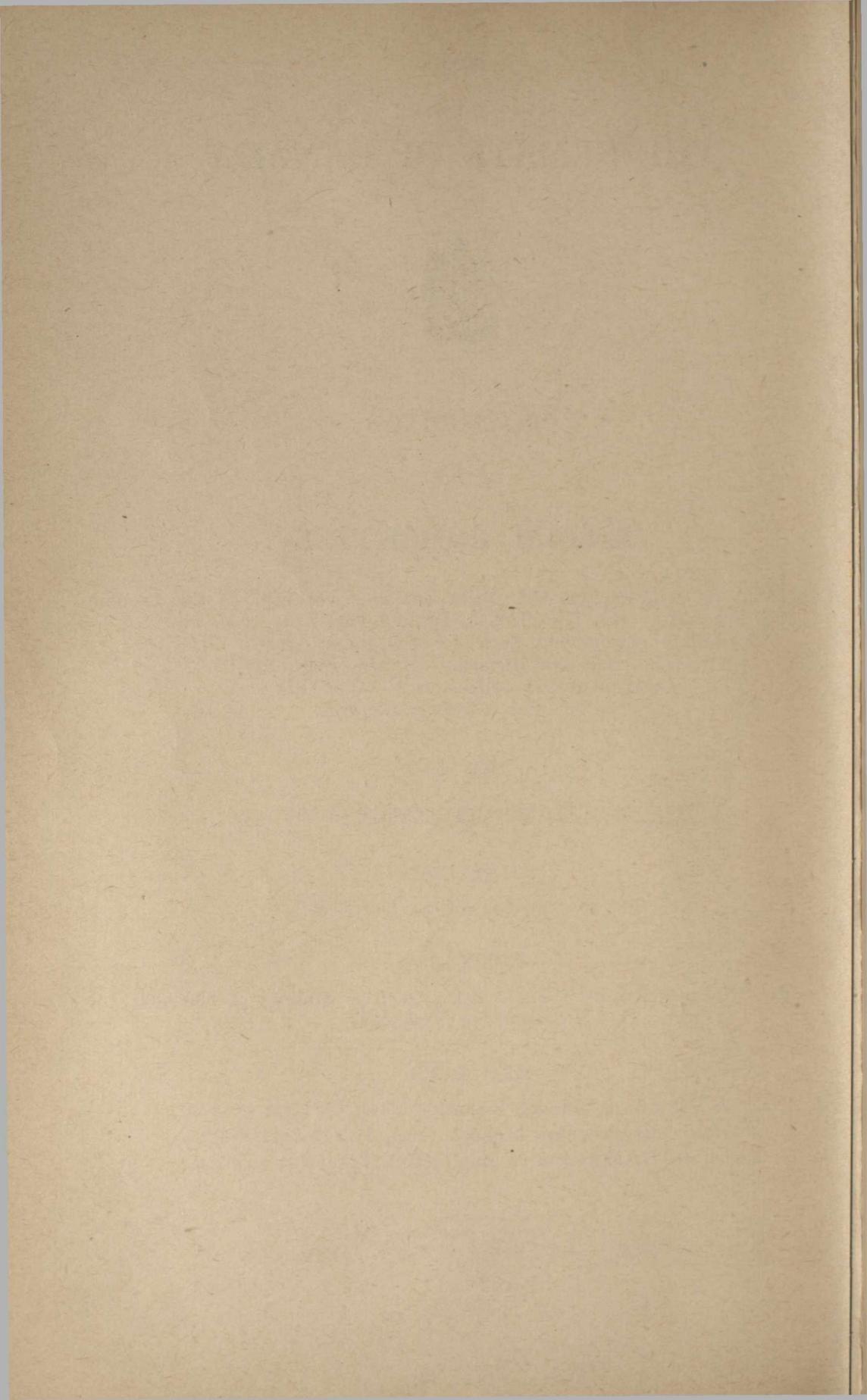
WITNESS:

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation.

EXHIBITS:

- No. 1. Office Procedure Manual, Taxation Division (Not printed).
- No. 2. Operation Breakdowns Manual (Vol. I) (Not printed).
- No. 3. Operation Breakdowns Manual, (Vol. II) (Not printed).

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1945



ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for October 24, 1945)

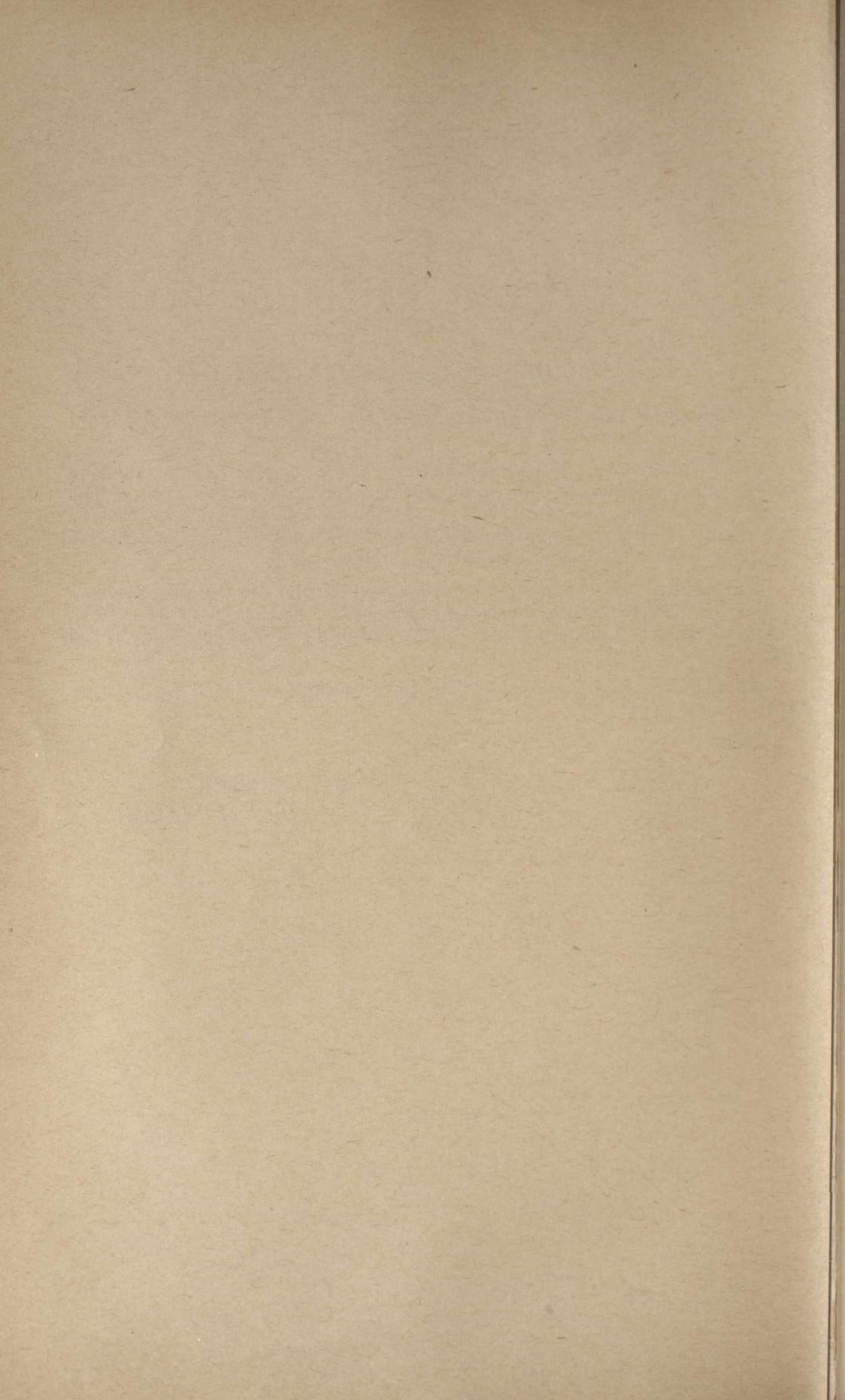
Resolved,—That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon;

(2) that the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud, Robertson, Sinclair and Vien;

(3) That the said Committee shall have authority to send for persons, papers and records.

ATTEST:

L. C. MOYER,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

WEDNESDAY, 31st October, 1945.

Pursuant to Notice the Special Committee appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 11 a.m.

Present: The Honourable Senators: Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Sinclair and Vien—15.

The Honourable Senator Euler, P.C., was elected Chairman and took the Chair.

Following consideration and discussion of the Order of Reference, it was,—

Resolved: To report to the Senate recommending:—

1. That the Committee be empowered to sit during sittings and adjournments of the Senate.
2. That authority be granted to print, from day to day, 600 copies in English and 200 copies in French of the proceedings of the Committee, and that Rule 100 be suspended in relation thereto.
3. That the Committee be authorized to employ such technical and clerical assistance as may be required from time to time.

On motion of the Honourable Senator Bench, seconded by the Honourable Senator Vien;

The Honourable the Chairman (Honourable Senator Euler, P.C.) and the Honourable Senators Campbell, Haig, Hugessen, Lambert and Léger, were appointed a steering committee on agenda.

At 12.45 p.m., the Committee adjourned to Wednesday, 14th November, instant, at 10.30 a.m.

ATTEST:

R. LAROSE,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

WEDNESDAY, 14th November, 1945.

Pursuant to adjournment and notice the Special Committee appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 10.30 a.m.

Present: The Honourable W. D. Euler, P.C., Chairman, and the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Haig, Hayden, Hugessen, Lambert, Léger, McRae and Vien—14.

In attendance: The Official Reporters of the Senate; Mr. J. F. MacNeill, Law Clerk and Parliamentary Counsel of the Senate.

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation, was called and was heard.

At 12.40 p.m., the Committee adjourned to the rising of the Senate this day.

At 4 p.m., the Committee resumed.

Mr. C. Fraser Elliott, C.M.G., K.C., was recalled.

The following Exhibits were filed:—

1. Office Procedure Manual, Taxation Division. (Not printed).
2. Operation Breakdowns Manual. (Vol. I). (Not printed).
3. Operation Breakdowns Manual. (Vol. II). (Not printed).

At 5.45 p.m., the Committee adjourned until 11.30 a.m., Thursday, 15th November, instant.

ATTEST:

R. LAROSE,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

WEDNESDAY, November 14, 1945

The Special Committee of the Senate to consider the Provisions and Workings of the Income War Tax Act, Etc., met this day at 10.30 a.m. on the following reference:

That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and the Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon;

2. That the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud, Robertson, Sinclair, and Vien;

3. That the said Committee shall have authority to send for persons, papers and records.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, if you will come to order we will proceed.

I should like to extend a welcome to those who have accepted our invitation to be here today at this, the first open public meeting of this Senate Committee.

We have invited, and most of them are present, representatives from industry, commerce, labour, agriculture, the Bar Association of Canada, the Chartered Accountants Association and the Certified Public Accountants Association of Canada.

The objective of the committee is set out in the resolution for its appointment. That objective can be stated in a few words: to inquire into the workings of the Income War Tax Act. Without any desire to limit unduly the scope of the discussion and the inquiry, we are in effect obliged to operate pretty well within the four corners of that resolution. This is to be an inquiry into what I might call the mechanics of the Act itself, although we may sometimes verge upon a discussion of policy. Policy, however, still remains strictly within the responsibility of the Government.

Hon. Mr. HAYDEN: What do you mean by policy, Mr. Chairman?

The CHAIRMAN: As to whether we want taxation reduced from 40 per cent to 20 per cent.

Hon. Mr. HAYDEN: Not the incidence of taxation.

The CHAIRMAN: Not the incidence of taxation, nor Government policy in regard to taxation itself. That, I think is clearly understood.

I should like to emphasize that the appointment of the Committee is not in any sense a reflection upon the officials of the Income Tax Branch or upon the Government.

Some HON. SENATORS: Hear, hear.

The CHAIRMAN: This is not to be in any sense a muck-raking expedition.

Hon. Mr. HAYDEN: Nor a witch hunt.

The CHAIRMAN: Nor a witch hunt, if you want to call it such. For example, we do not expect to discover any scandals, nor do we intend to embarrass the Government or anyone else. In fact our purpose is to be of assistance to the Government in any changes it may wish to make in the Act. No member here

has, I think, an axe to grind, personal, political or otherwise. But we do hope through consultation, the hearing of evidence from interested persons and co-operation to make some sort of contribution to improve the working of the Income War Tax Act. The Minister of Finance already in his budget speech has declared his desire for and the need of a revamping—I am using my own language—of the whole structure of the Income War Tax Act. In that we desire to be of assistance, and it seems to me, as I said at our first meeting, that the members of this Committee are very well qualified by experience in business and in public life to make a real contribution to the improvement of the Act.

We all appreciate, I believe, the difficulties that have developed throughout the years in the administration of the Act. In fact these difficulties are to a great extent inherent in the very magnitude of the work of collecting hundreds of millions of dollars from millions of taxpayers throughout Canada. These difficulties are augmented by reason of the fact that there have been throughout the years numerous amendments to the Act. So it is not to be wondered at that there are difficulties of administration and of interpretation, with resultant bottle-necks and delays, with consequent dissatisfaction, uncertainty and a certain amount of irritation, which I think my friend Mr. Elliott will very well understand.

Not the least of this irritation is the difficulty of filling out the income tax forms. That may be unavoidable, but certainly if some simplification of these forms can be effected, that alone will justify the appointment and work of this Committee.

In order to make our committee work a success, full co-operation from all is absolutely essential. As I mentioned the other day, we need the co-operation of all members of the Committee, and I am confident I am speaking for them all when I say that in this inquiry there are no political implications of any sort. We need also the co-operation of the public in so far as is possible, and we ask for the assistance of those who are gathered here in response to our invitation by way of evidence, opinions and suggestions; and also the sympathetic co-operation of the Press.

Obviously the first thing to do is to get a complete view of the mechanics of the Income Tax Branch of the Department. No one in the Government service understands that better than does the head of the branch, Mr. Fraser Elliott. I am afraid Mr. Elliott does not require any introduction to many of you.

Some Hon. SENATORS: Oh, oh.

Hon. Mr. HAYDEN: It is a name to conjure with.

The CHAIRMAN: I propose to call as the first witness Mr. Elliott. He, I think, will give us a very comprehensive and instructive survey of the whole work of his branch. Before I do so it is thought desirable that we should have some expressions of opinion from members of the Committee, particularly the leaders of the two parties in the Senate. Unfortunately the Government leader, Senator Robertson, is not able to be here at this time, but a little later he will address us. The leader on the other side, my friend Senator Jack Haig, who is an admirable speaker, has I hope something to say. We may also hear from some other members of the Committee before we call on Mr. Elliott.

Senator Haig.

Hon. Mr. HAIG: Mr. Chairman and gentlemen, to a large extent I agree with the remarks of the chairman. I want the public to know that this is not a committee to suggest ways of reducing income tax. We are neither for nor against such a policy. We have our own personal views. I think 99 if indeed not 100 per cent of our people are in favour of reduction of income tax, but we do not want the public to be disappointed when we do not suggest ways in which income tax can be reduced, for that is not the purpose of this committee.

Further, we have no intention or desire, so far as I know, to attack either directly or indirectly the Department or its administration. I also want to say that to my knowledge there is no political feeling at all in the committee. We as senators, and more especially we as Canadians, are desperately anxious to make the mechanics of income tax collection as easy and as feasible as we can, so that there will be the very least irritation to the public from the standpoint of collection.

Now, Mr. Chairman, I can assure you that as far as the members of our party are concerned, we come here with a whole-hearted determination to make the work of the committee a success, and to support you in every way we can to that end, and to give those who will come before us, whether officials of the Department or members of the public generally, every consideration. I should like them to believe that if we seem to cross-examine them pretty fiercely, it is done with no evil intention. We are just trying our level best to assist the officials and also the public to make the Income War Tax Act as workable as we possibly can.

The CHAIRMAN: Gentlemen, we might have a word from the sponsor of the resolution under which this committee was appointed—Senator Campbell.

HON. MR. CAMPBELL: Mr. Chairman and gentlemen, when I introduced the resolution I felt that a committee of this kind could be of some real service to the Departments of Government charged with the administration of the Income War Tax Act and the collection of taxes. As I have said on previous occasions, both in the House and in this committee, those of us who have had any experience with the problems that arise under the present Act have been amazed that any Department could function as smoothly and efficiently as it has. I feel that the public generally realize that the Act could not have been administered so well had it not been that the Commissioner for Income Tax has had such a lengthy experience in the Department. He has seen the Act develop into its present complicated form as a result of the numerous amendments that Parliament has seen fit to pass.

It is my feeling that with the co-operation of the officials both of the Department of Finance and the Department of National Revenue, and of the representatives from the various organizations, who have made a study of the problems incidental to this legislation and will be prepared to give evidence, this committee can bring in a report which will be very helpful to the Government.

We realize today that the burden upon the officials of the Department of National Revenue is greater than it has ever been before. The amount of taxation collected runs into the billions, whereas prior to the war it was in the hundreds of millions. Today the officials of the Department are engrossed in the preparation of amendments to the Income War Tax Act to cover the budget resolutions. Therefore in conducting our hearings I think we should bear in mind the tremendous burden that is placed upon the Commissioner of Income Tax and other officials of the two Departments and try to arrange our hearings so as to inconvenience them as little as possible.

The CHAIRMAN: Gentlemen, are there any others who would like to speak now? If not, I will call upon Mr. Fraser Elliott, the Commissioner and head of the Income Tax Branch.

An HON. SENATOR: Deputy Minister.

The CHAIRMAN: I have always resented that change, because in my time, as Mr. Elliott will remember, I was responsible for the reorganization of the Department of National Revenue. I divided the Department into three branches under three commissioners, one of whom was Mr. Fraser Elliott, later on Commissioner of Income Tax. That title has been changed and now he enjoys the more dignified position of Deputy Minister.

Mr. ELLIOTT: With the same work.

The CHAIRMAN: I know the work is the same, but your social standing and all that sort of thing is just a little higher.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN: I agree with all that Senator Campbell has said about the merits of the Deputy Minister. I have known Mr. Elliott for quite a long time, as a matter of fact he was an official in the Department when I happened to be head of it, and I have a very high regard for his ability. I do not know how long he has been in the Department, but I think it must be from the very beginning.

Mr. ELLIOTT: Two years after the Income War Tax Act came into force.

The CHAIRMAN: Two years after the Income War Tax Act was introduced. He has been head of the branch for some fifteen years.

Mr. ELLIOTT: Thirteen years.

The CHAIRMAN: So he knows more about the workings of his Department than anybody else I could name. As I said before, there is hardly any necessity for me to introduce Mr. Elliott; you all know him.

Mr. Elliott.

Mr. C. FRASER ELLIOTT, Deputy Minister (Taxation), Department of National Revenue: Mr. Chairman and honourable senators, I wish in my opening remarks to join with the general sentiments underlying the remarks that have been made by the Chairman, and by those who followed as to the approach to be made to this problem of examining into and improving if possible, the provisions and workings of the Income Tax law.

These of course are troubled times. We are feeling the recoil of the compression that existed during the war. There is a feeling that something is wrong: everything is not in its right place, people are not being served as they ought to be served, and it is all due to the dislocation of the transition from the compressed and forceful times of war into what we mentally feel should be relaxation and the relief of peace. In the transition that condition has grown not only in respect to the Income Tax Division of the Department, but it has grown in many other directions, and only has crystallized a little earlier in respect to Income Tax because it so closely touches the affairs of the people. Hence this Committee comes into being. However, along with the Committee, I have sensed rightly or wrongly a kind of atmosphere that caused the Chairman to state that we are not going to make a finding that is in some way related to maladministration; we are not an inquisitorial body, with all the connotations of that word; we are not seeking out the bad. I thoroughly concur, Mr. Chairman, that we are here to do good; and if other than good, I can assure you it will be something on the highway of your work, and very much on the side of the highway. This attitude of something being wrong, I am quite sure not only perplexes me but it perplexes you; and I am sure that by the time we are through this examination that these perplexities will be largely dispelled.

I would like to comment on the fact that the Chairman was kind enough to refer to me in rather pleasing terms, which one always likes to hear. I rather fancy that that is the best compensation one can get, the goodwill and the honourable regard of your fellow men. I fancy that that statement would apply to many Civil Servants who work for many years at a salary not large enough to at the end of their time leave them wealthy men. Naturally, they work for the goodwill of their fellow men. That is fundamental, and it is the highest award that anybody can receive. It has been my pleasure on many occasions to appear before the Senate and its various committees. I have usually appeared before the Senate Banking and Finance Committees, when they discussed and reviewed the bills that came up from the House of

Commons for attention by the Senate. Those are very happy memories. On all those occasions I do not remember any time when a matter was not analysed perhaps more intensely than it could have been analysed in the other place. A committee of the whole is relatively a little unwieldy compared to the committee that comes into a chamber such as this in which we are now, and in which you can ask all kinds of questions, and you are seated closely one to the other, and there is no special hard and fast rule; there is just a little bit more play, and we can get at the problems, their answers and meanings of the answers on the laws we are analysing. I have always felt happy in the committees of the Senate, because they were intense, pointed and always delightful.

Now, in approaching the duties of the Committee I am most anxious that the public know that this is a meeting designed in the most free, though intense way, to do a thorough job. I recall the remarks of Senator Hugessen on October 3 in the Senate, and I would like to refer to him as my friend Senator Hugessen except that I observe in reading his remarks the delicacy with which he refers to the seconder of the Speech from the Throne, and though he had known him for many years, he made the request that he should like to refer to him as his friend. I have known Senator Hugessen for many years, but this has raised a question of doubt, so perhaps I should just leave it.

Some Hon. SENATORS: Oh, oh!

Mr. ELLIOTT: I am going to quote from Senator Hugessen's remarks in the Senate on October 3, at page 41, when he welcomed new members into the Senate:—

I wish to say, particularly to the large number of members who have recently joined this assembly, that you will find this to be a very friendly and a very appreciative assembly.

In another instance he said:—

We are glad to hear new voices, and fresh points of view are always welcome here.

Again he said:—

When contentious matters arise let us sometimes have from both of them the flashing fire and thunder of artillery.

With all those sentiments I most heartily agree. They brought a warmth to my heart. That same sentiment is not confined in my judgment of the senators to the four walls of the Chamber in which they function. I know that that sentiment is spread abroad, and I think it is going to find a reflection in the work that this Committee does.

I do not like to leave the impression that because of friendliness there is any lack of intensity. There is to be no soft dealing with this problem. I wish that to be as clearly understood as the friendly side. The two must go together—intensity and friendliness. I ask for the most intensive investigation that the acute minds of all the members of this Committee can bring to bear upon income tax. In that way when we are through, we will know that we have looked the matter over, and that we have found out how it functions for better or for worse. We will have found out about its weaknesses, and might say a word about its strength. What we want to do here is to do good for the nation on a friendly basis.

Some Hon. SENATORS: Hear, hear.

Hon. Mr. CAMPBELL: Would Mr. Elliott like to be seated? He may be standing for some time.

Mr. ELLIOTT: That is a good example that is inherent in the members of the Senate, and if one comes into that atmosphere, though he may be a little

reserved at the beginning, he will soon be smoothed off. Thank you very much for the suggestion.

The CHAIRMAN: That is just one Scotchman to another.

Mr. ELLIOTT: Anything that passes between Scotchmen is of great value.

Some Hon. SENATORS: Oh, oh!

Mr. ELLIOTT: As I have said, I have been before the Committees of the Senate before. May I pause to say, Mr. Chairman, that in those committees that I have been before I have always felt that the questions were so designed and pointed that it was intended to elicit—if I may use that old Latin phrase—*pro bono publico*. I might say that I have been before other committees of Parliament, and while I imply nothing as being improper, I can say with some assurance that questions have been directed with a view to eliciting an answer that was not "*pro bono publico*", but rather "*pro bono politico*", in the rather narrow sense of that term. But in my fifteen, eighteen or twenty years of experience, I have never had such an experience with my relations in the Senate.

This Committee in my judgment is more important than any I have been before. I want this Committee to know that the Income Tax authorities welcome the purpose of the Committee and we wish to have a free, frank and full discussion of every phase of our work. We will bring to you all the evidence that we have; we will answer clearly, freely, fully and without equivocation every question you may wish to ask, so far as we have the answer available or can find it. I wish it to be known that we are earnestly and honestly in favour of this committee's functions. We invite you at the appropriate time to our various district offices across Canada. I think you should go and look at them.

Hon. Mr. HAYDEN: We have to.

Mr. ELLIOTT: I anticipate my honourable friend. I do not mean as a taxpayer, but as a man who wants to know that the functions of one of the most important divisions of the Government is proper.

Hon. Mr. ASELTINE: We spend most of our time there.

The CHAIRMAN: Successfully?

Hon. Mr. ASELTINE: No, not always.

Mr. ELLIOTT: I would go a little further in expressing our attitude, hopes and desires. Special committees come and go; therefore, I am afraid that this special committee will appear today and be gone tomorrow. I should like to look upon this committee much in the nature of a board of directors of a great organization, to whom the President, manager and all the officers of the Company are called upon to report. I have been in the Government service twenty-six years and in this Department all that time, and as the Chairman has said, in charge of the Department for thirteen onerous years. It might be considered strange that I have never reported to a board of directors; I have never had the accumulative advice of multiple minds highly experienced in business affairs; I am alone in the Department. Of course one is surveyed and checked by internal auditors, by the Auditor General and his staff. But as Deputy Minister, for better or for worse, it is your own responsibility. In the course of building up one's activities he receives no advice from anybody, other than his own staff. He stands isolated and alone to a remarkable degree. I have often felt during this war when I had to do major things that infringed in an onerous manner upon large sections of our people who were already overburdened with the war problems, that I should have liked to have had the accumulative advice of many skilled persons. But time and circumstances during war do not permit that. I am throwing out to you the thought that if this Committee wants to convert itself into the equivalent of a board of directors of a company and look my organization over every year, they are very welcome to do so. I would like to

have them come in and look it over, and to give me the accumulative effect of their advice. I think it would be good for the Senators to annually look over my Department and to acquaint themselves with exactly what we are doing. It will be good for the Senators and it will be good for our Department; and what is good for both of us would be good for Canada.

Hon. Mr. BENCH: The standing committee would also serve as an opportunity for interested public to make representations from year to year as to improvements in Income Tax legislation.

Mr. ELLIOTT: I think there is a great deal in that comment by the honourable senator. We have only to look across the border to the United States to find that they have annual meetings before both Houses, the House of Representatives and Senate, where the public can come and give their views as to what laws ought to be made.

Now whether the affairs pertaining to the Budget are to be secret, that is not for me to say. I do not wish to get into any implications on that side, because as you have said, Mr. Chairman, that is a matter of policy. A witness before the committee is subject to your rulings the same as the members of the committee, and I do not wish to infringe. I do wish to stress the advantages of a body of men, acting as a board of directors, to come in and look over our administration and give advice and suggestions.

You senators are civil servants who are here for life as I am here for life. I might almost say that I have been here for life; in any event we are both life tenants, and as life tenants we from year to year can keep a continuity of our jobs before us. I rather fancy in the minds of some people there is a thought that Income Tax is so secret that it is as though one were looking through smoked glasses. That is not so. The administration is as open as can be. Everything we have got will be thrown open to the investigation of this committee. There is however one thing that will not be thrown open, and neither this committee or anybody else has the power to demand it, that is, that the statutes provide that the affairs of each individual shall be maintained in absolute secrecy. That is a statutory direction that we have always lived up to meticulously, and I am sure we always shall.

Only yesterday I had a visit from the Australian Commissioner of Taxation, Mr. Jackson, who is on his way from England to Australia, and the point I am now on came up in our discussion. I said, "Are you under a minister?" He said "Yes, we are under a minister for legislation." I said "What about administration? Do you not report to him?" Mr. Jackson said "No, he reports direct to Parliament." "Well," I said, "can a minister not discuss a problem with you, as to whether you should settle it this way or that way or determine what should be done?" He said "No, that is not for the minister." They will not even let their minister have access to their files, lest he, being an industrialist or something else, might gain information pertaining to some competitor. That seems to me to be highly extreme. I said this to him—and I should like to record it—that by none of the many ministers whom I have served, without any exception, has there ever been a file called for that was not taken up in the normal course of business. I said it seemed to me that the Australian practice was a reflection on their ministers, and that the responsibility should be placed where it is in Canada. It is a trust that must be placed on somebody, and I thought we had had a very good experience in that line. I did not intend to bring that in, Mr. Chairman, and I do not know exactly how I did bring it in. I am just making some general remarks, mostly touching upon atmosphere and things that I think this Committee should do.

In bringing these opening remarks to a close I will only state that I have crossed swords with some honourable senators and I have bent elbows with others. We have praised the past and peered into the future. I am sure that

the experience and wisdom and wealth of knowledge of honourable senators can be used to advantage in examining the taxation law, in administering which the officers seem to know all, see all, hear much, but say nothing. It seems to me that this accumulated wisdom can be used to modify and mellow, if possible, the onerous provisions of the law. I observe that an honourable gentleman remarked in the Senate that there are eleven lawyers on this committee. Now, my suggestion is that we use these eleven lawyers as the shock troops and let us charge these onerous sections that so weigh upon the people; and if the shock troops can get through, the laymen members of the Committee will follow through the breach with a good deal more of safety, I hope. So I say let us go to the task, friendly but fierce. That is the way I should like it done.

I observed that in his opening remarks the Chairman of the Committee said the Committee must keep within the four corners of the resolution.

The CHAIRMAN: Not too strictly.

HON. MR. HAYDEN: We can always put elastic in it if it starts to rub.

MR. ELLIOTT: Yes, we can always amend it, and I suggest that we look it over with that in mind. I am so anxious that this Committee have full power that I am going to suggest an amendment that I think is necessary. You will, of course, use your own judgment about it. I do not want to have the resolution incomplete, lest the Committee might ultimately bring in a report that the Senate could not sanction. Honourable senators will know that the authority given to a committee by a resolution of the House does not go beyond the ambit of the words used. I take it that the Senate would not want to accept a report that was not reasonably within the four corners of the resolution—I use that word “reasonably” in the most elastic sense. Therefore, for the purpose of getting our foundation correctly laid, I am suggesting that the resolution should be considered at the very beginning. Let us look at it:—

That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940,...

Now, the power to examine means that we have got to give you all the evidence that we have. I think that exhausts the meaning of that opening phrase, and I will not deal with it further. Then we come to the second part, in which the Special Committee is charged with the duties:—

to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

It will be observed that the Committee is empowered to make recommendations for the improvement, clarification and simplification of two things: the methods of assessment and the collection of taxes.

I want to bring this resolution into what was intended by the mover, and I am going to quote shortly some of the language he used. I am reading from the Senate Hansard of October 9, at page 76, the second column:—

Now, it seems to me that one of the very important matters to be considered in this post-war period is taxation.

The CHAIRMAN: You are quoting Senator Campbell?

MR. ELLIOTT: Yes. He goes on:

That is why I am moving for the appointment of a committee to study taxation. I realize that the question of taxation is not wholly within the sphere of this Chamber, but I see no reason why we should sit idly by instead of doing what we can to make sure that we have a taxing statute which is capable of interpretation and will best fit into our post-war economy.

His mind is pointed toward rewriting the statute. Then he says:—

It is with that in mind, honourable senators, that I ask for the adoption of this resolution.

And on page 77:

The Act has been well administered, and at first involved no great hardship to business or persons; but later, with the increase in rates, it became burdensome, and even confiscatory. Furthermore, constant amendments; without any attempt to consolidate or codify the law, have resulted in a statute which today is quite incapable of interpretation . . .

Again we are pointed towards a re-drafting of the sections of the law. The honourable senator further states:—

No taxing statute should be left in that indefinite form.

And further:—

It is for this reason that I believe a committee such as I have proposed should study the legislation . . .

And at the bottom of page 77:—

There is an insistent demand . . . for a simplification of our taxing statutes. In view of these circumstances I feel it is the duty of every honourable member to lend what assistance he can to the Government and to the department charged with the administration of these taxing statutes, to try to develop measures which can be interpreted without difficulty . . .

The mover obviously meant the resolution to empower the Committee to make amendments to the statute itself—I mean, of course, to recommend the making of amendments. He meant that the Committee, with its abilities, should draft clearer and more precise and better workable legislation. I am all for that. But I am saying that the resolution does nothing more than empower the Committee to make recommendations for the improvement, clarification and simplification of the methods of taxation and the collection of taxes. Now, the collection of taxes is, of course, a past event.

I should think that an amendment somewhat along the line I am going to suggest would empower the Committee to re-draft the legislation, not just deal with the methods of assessment and collection of taxes. I would suggest that the first paragraph of the resolution be amended by inserting after the phrase "collection of taxes thereunder" the following words:—

and the provisions of the said Acts by re-drafting them without however changing the basic meaning or incidence of the said Acts or the weight of the taxes as therein provided for

and deleting the word "and" before the said phrase "collection of taxes thereunder".

This suggested draft is designed, if possible, to avoid any constitutional question. If, however, Mr. Chairman, the constitutional features gives you little or no concern, then I suggest that you insert:—

and the provisions of the said Acts by re-drafting them.

That would give a specific, direct power which I think you ought to have.

Hon. Mr. VIEN: The latter suggestion is better than the first, I think.

Mr. ELLIOTT: I did not think you would like the first one. I would prefer the latter suggestion myself.

Hon. Mr. BENCH: Yes, it is much better.

Mr. ELLIOTT: Now I should like to read something that I wrote in the quiet of my chamber. It is perhaps in a little better form than I could give it if speaking extemporaneously.

You must visualize the ultimate report of this Committee. It will no doubt have many sections of the present Act in re-drafted form. The Senate must adopt, amend or reject them. So it is suggested that the Committee be empowered specifically, in respect of the most essential purpose of the Committee, namely, to submit re-drafted sections which improve, clarify and simplify those sections now in the Act.

I do not think the Senate would like to adopt something the Committee were not empowered to recommend, so I respectfully suggest if legally you wish to have the power of the Senate behind any recommendation, that you amend the resolution.

Now I leave that suggestion of amendment with you, Mr. Chairman. I am sure the right step will be taken, for I observe the remark of Senator Murdock in discussing the motion, that there are eleven lawyers and seven laymen on the Committee. Surely eleven lawyers, if they have the necessary time, can make an almost perfect amendment.

That is all I have to say on the suggested amendment to found the work of the Committee on a sound legal basis.

Hon. Mr. VIEN: Mr. Chairman, do I understand we are to have a verbatim report of the Committee's proceedings?

The CHAIRMAN: Yes.

Hon. Mr. VIEN: Then we might perhaps wait until we get the report before we consider the two proposed amendments submitted by Mr. Elliott.

Mr. ELLIOTT: Now, Mr. Chairman, that brings me to matters more closely germane to evidence as against introductory remarks and draft amendments. The first question that I should perhaps answer is: What is this organization known as the Taxation Division of the Department of National Revenue? Related questions are: What are its duties and functions? What laws does it administer? What procedure is adopted? What is the volume of work, and, more important, what are the results?

Personally, I have been so engrossed in the administration of the law that I myself have never taken the time to look back, to contemplate and envisage the accomplishments of this Division, particularly its accomplishments during the war. But in the last few days I have done so, for the purpose of reporting to this Committee, and I may say that I look back upon those accomplishments with considerable satisfaction, and I sincerely hope to bring evidence that will enable the Committee to look upon them with similar satisfaction. Having regard to the wartime shortages of many things, which I shall point out, I think that our Division has done—to put it mildly—tolerably well.

The Division administers a number of laws, and the first of these I will mention is the Income War Tax Act. That Act concerns individuals and corporations. It imposes duties upon many non-taxable persons, such as clubs, charities and other organizations that normally you would not think about when you mention income tax. They have all got a responsibility cast upon them, particularly in deducting taxes at the source. The Act also touches non-residents in every part of the world who have activities or sources of income in Canada.

The Division also functions in some degree as a banking house, by reason of the refundable portion of income tax which we now show in our records and stand ready to repay at the appointed time.

It also administers laws requiring the filing of voluminous information at the source. The providing of this information is a very costly process for those who must comply with the law. The documents that we receive from them

are as valuable as money itself, because they are the evidence of what has been paid by these organizations for and on behalf of other people, who, without that evidence, would not get credit for the payments.

It also administers the Excess Profits Tax Act, with all its intricate ramifications and difficulties, opening up as it does a reconsideration of capital employed as far back as 1936, and indeed the continuity of that capital, which prior to its enactment was not a factor in our administration.

If any honourable senator ever had to maintain the continuity of a depreciation account in a great manufacturing organization, he will understand when I say that the scrutiny of reserve accounts for depreciation is a substantial job.

Under this law also the Board of Referees was established for the purpose of considering standard profits claims. Most people are under the impression that that board prepares its own work. Of course that is not so. It is prepared all across Canada in our district offices, and is in substantially complete form.

This organization also administers the Dominion Succession Duty Act, which was brought into force in 1941, during the war. The preparation of valuations is of course a big problem there, and the ultimate clearing of estates within a reasonably short period of time is of major concern.

It also deals with the Wartime Salaries Order. Few people have any knowledge of the number of persons across Canada employed in that work. We have independent Salary Review Boards in seven of our principal geographical subdivisions across Canada. These men were drawn in for wartime work only, but, as you know, they are still functioning. Most of them are men of great experience who have retired from their own business, and they did not sit in judgment on some competitor's salaried official. They have been entirely independent and have done splendid work.

Then again this division administers certain laws arising out of international conventions and agreements. We have had some very important agreements with the United States, and we have many agreements pertaining to shipping, and other lesser agreements in certain agency matters.

There are also agreements arising under the War Exchange Conservation Act. We have to administer these agreements.

Now, these are indicative of some of the laws this organization administers. I can assure you that they impinge on every phase of business activity of every person and corporation in Canada, and call into examination almost continuously their several contracts arising out of their business relations, in the main with a view to making profit. They also call into examination all kinds of activities of persons who are not making contracts with a view to profit at all.

The staff personnel today numbers 6,882.

As you are aware, Canada is divided into nineteen districts, with an inspector in charge of each district. He is known as Inspector of Income Tax, and I think every member here must have had some reasonably close relationship with him or his officers.

As to what business the organization does, I may say that in round figures the average number of assessments issued in each of the past four years was as follows:—

Individuals	1,100,000
Corporations	11,400

Both those groups are taxable. But there is the problem of assessing returns just the same, whether they are taxable or not, because losses to-day are carried backwards or forwards, and therefore a new assessment is valuable to a man to-day, for if he has a deficit this year, he can offset it against the profit of an ensuing or back year.

You may be interested to know how many forms are printed for use annually for the public and for internal use. For public use there are printed annually 45,000,000 forms of 62 types. I intend to table for the use of the committee those 62 types, and I hope you may be able to improve every one of them when you come to the simplification of forms. For internal use there are printed annually 15,000,000 forms of 226 types. The total for both uses is 60,000,000 forms of 288 types. These are required to carry on the business of the nation so far as it is allotted to the Income Tax Division.

I have not mentioned them yet, and I doubt if I should, but it may interest you to know that we have also a number of stationery and envelope forms, if I may use the term, and 20,000,000 of them are required each year.

I am informed that to turn out all these forms entails the use of about ten carloads of paper every year. As a carload of paper weighs about 50 tons, we use 500 tons of paper annually in order that you and I may get together and declare our income tax, and having declared it that we may keep a record of what you have declared and paid.

Hon. Mr. BUCHANAN: Are those forms wholly in relation to income tax, or do they also cover succession duty?

Mr. ELLIOTT: My statement was incorrect. Those forms do not relate solely to income tax. They relate to the laws that the Income Tax Division administers and to which I have already referred.

The CHAIRMAN: You spoke a moment ago of nineteen chief districts. Do those include subdivisions?

Mr. ELLIOTT: No, there are nineteen districts, and a few of them have sub-offices. These are principally for the purpose of supplying information.

Hon. Mr. CAMPBELL: Have you comparative figures for 1936 and 1939 of taxable individual assessments?

Mr. ELLIOTT: I am merely giving you each phase now. Later I propose to deal with each in particular and give you a few of the highlights and try to point out to you the kind of organization you are going to look at. I am not now attempting a detailed examination. This is only an introduction.

What are our collections? In order that the committee may follow me on what collections or revenues are taken in by this Division, I have selected the years from 1942 up to the present fiscal year; that is, March 1942 to March 1946. I should like to distribute to the members of the committee a copy of the statement I have in my hand.

This is the statement:—

BUDGET FIGURES—FIVE-YEAR PERIOD—1942-1946

FISCAL YEARS ENDED MARCH 31

(Millions of Dollars)

	1942	1943	1944	1945	1946 est.	Total	Average
1. Expenditure	\$1,880	\$4,378	\$5,322	\$5,246	\$4,650	\$21,476	\$4,295
2. Revenue (a)	1,483	2,310	2,920	2,907	2,480	12,100	2,420
3. Revenue as per cent of expenditure ...	79%	53%	55%	55%	53%	56%	56%
4. Total tax revenue...	1,361	2,137	2,592	2,374	2,230	10,694	2,139
5. Revenue from direct taxes (b)	652	1,378	1,635	1,556	1,422	6,643	1,329
6. Direct taxes as per cent of total taxes.	48%	64%	63%	65%	64%	62%	62%

(a) Including refundable portion of personal Income and Excess Profits Taxes;

(b) Tax sources administered by the Income Tax Division of the Department of National Revenue; includes Personal Income Tax, Corporation Income Tax, Excess Profits Tax and Succession Duties.

As you will see, during those years the total expenditure of Canada was \$21,476,000,000, and the total revenue collected was \$12,100,000,000. From this it will be observed that during the war Canada paid 56 per cent of her peacetime and wartime costs; the balances of course were in loans.

The CHAIRMAN: Did all this revenue come through your Department?

Mr. ELLIOTT: That total revenue includes services, interest, income and a conglomeration of items. The tax revenue was \$10,694,000,000. To answer your question, Mr. Chairman, of that total tax revenue over those years there came through our Division \$6,643,000,000. You will notice that on the average for the fiscal years 1942, 1943, 1944, 1945 and estimated for 1946 the Tax Division collected annually \$1,329,000,000. This shows the magnitude of the collections that now come from our people.

If those figures be at all impressive to you—and I confess that they are impressive to me—then I suggest that this committee has assumed a most important duty relating to an activity in the Government whereby 62 per cent of tax revenues, which it keeps, uses for its own purposes and does not have to pay back, is collected by this organization. This being so, I think you will agree with me that you are dealing with an organization that should be closely scrutinized, for undoubtedly if anything can be done to improve its operation it should be done.

Hon. Mr. LEGER: What percentage does it cost to collect that amount of taxes?

Mr. ELLIOTT: In 1944 the cost was .49; in 1939, 1.7; in 1929, 3.55 per cent.

The CHAIRMAN: Is it because of what I may term mass production that you have been able to get the costs of collection down?

Mr. ELLIOTT: It is because of rising rates of taxes requiring increased payments.

The CHAIRMAN: Mass production?

Mr. ELLIOTT: I do not like that term, Mr. Chairman, if I may say so, applied to taking revenues from our people. I have a more sympathetic approach to the subject.

Hon. Mr. HAYDEN: It is on an assembly line basis.

Mr. ELLIOTT: We could not increase our staff and get adequate space. In short, we could not make expenditures commensurate with the ever rising revenues taken from the people. So it logically follows that our costs remaining stationary and the revenues going up, the cost per dollar goes down.

Hon. Mr. HAYDEN: I notice in your revenue figures you have included refundable portion of personal income and excess profits taxes. I take it that your percentage figures are also on that basis?

Mr. ELLIOTT: It will be an infinitesimal difference. That is, we collected on the average \$1,329,000,000. That is an average.

Hon. Mr. HAYDEN: Yes.

Mr. ELLIOTT: Well, the refundable portion is such a small percentage of that as not to be of any great moment.

Hon. Mr. HAYDEN: It may or may not be.

Mr. ELLIOTT: I will give you the figure in a moment.

Hon. Mr. HAYDEN: In individual cases it may be very substantial.

Mr. ELLIOTT: Yes, in individual cases; but I am dealing with the great overall picture. Of course, it is important to some individuals.

Hon. Mr. HUGESSEN: I would think another conclusion may be drawn from the decreasing cost of collection; that is, the officials of the Department have had to work very much harder during those war years.

Mr. ELLIOTT: I agree with that. It does reflect some credit on members of the staff who to my knowledge have worked diligently late into the night, and often all night.

Hon. Mr. BENCH: There is a very heavy increase in labour costs compared with 1939 I assume.

Mr. ELLIOTT: That is very true, but it is such a delicate subject I will not pursue it.

Hon. Mr. HAYDEN: At any rate it is not within the scope of the resolution.

Mr. ELLIOTT: In answer to Senator Hayden's question, may I say that the total estimated amount of the refundable portion due individuals and corporations at the end of the last fiscal period stands at \$444,291,000. If you divide that by five you will get its relativity to my average figure of \$1,329,000,000. The result would be about \$85,000,000.

Hon. Mr. HAYDEN: Calculated on the last fiscal year it would be a little over \$100,000,000 a year.

Mr. ELLIOTT: I think that is a good correction. The refundable portion ends in 1944. Your thought, senator, is that for the purpose of running on we should increase this figure?

Hon. Mr. HAYDEN: The refundable portion relates to individuals; that ends at a certain fiscal year. Then there is the refundable portion to corporations, and I do not know when that will end.

Hon. Mr. HAIG: This year.

Hon. Mr. HAYDEN: It ends at the close of this year?

Mr. ELLIOTT: The rate was reduced from 100 per cent down to 60 per cent.

Hon. Mr. HAYDEN: The corporation refundable portion will disappear at the end of this year, but those figures include the total amount of refundable portion collected.

Mr. ELLIOTT: That we know about in our records.

Hon. Mr. HAYDEN: And the \$444,000,000 is the total amount collected to March, 1945?

Mr. ELLIOTT: There is no date on this sheet I am looking at. That is the total estimated amount. I would rather look at it a little more closely and deal with it specifically in my remarks, but it is well within the figures I have given.

Hon. Mr. BENCH: I assume that this statement covers only revenues recovered from returns that have been finally assessed?

Mr. ELLIOTT: Oh, no. This statement in my hand is made up from the figures contained in the last budget speech, and it includes all the revenues derived from every source, including non-taxable revenues such as interest and rents. But the part we are interested in is the total tax revenue of \$10,694,000,000, which means the moneys we have actually received and put into our coffers for the first four years and the amount we estimate will come in for the fiscal period we are now in.

Hon. Mr. BENCH: I was thinking of item number 5, revenue from direct taxes.

Mr. ELLIOTT: No, there are indirect taxes in the \$10,694,000,000.

Hon. Mr. BENCH: I am thinking of the \$6,643,000,000.

Mr. ELLIOTT: That all came through the tax division.

Hon. Mr. BENCH: Does that represent payments for the current fiscal year, or does it represent up to the end of March 31, 1945, the tax returns that have been finally assessed?

Mr. ELLIOTT: There is no relation whatsoever. It is in my statement.

Hon. Mr. HAYDEN: Are you able to on your past experience estimate what part of that revenue might be untaxable, that may some day have to be returned in addition to the refundable?

Mr. ELLIOTT: I can make a very rough statement from my general experience. You mean how much we refund a year?

Hon. Mr. HAYDEN: Yes.

Hon. Mr. HAIG: You don't refund enough, but go on.

Mr. ELLIOTT: I should like to introduce my statistician, Mr. Sprott, in whom I have a great deal of confidence and who does a great job. He has just advised me, as he will do from time to time, that in the statement I distributed that the figure of \$6,643,000, except for the estimate of this year, is net after all refunds have been made, and we will not have to refund any of that.

Hon. Mr. BENCH: Then that must be on the basis of the final assessment of returns?

Hon. Mr. HAYDEN: It is the only way it could be, if you call it net.

Mr. ELLIOTT: I would think that statement is a little wrong, and yet it is correct for this reason, that for the four years those revenues have been received, and are declared statements of revenues of the Crown. I would not like to have an implication in my remarks that the revenues received in 1942, 1943, 1944 and 1945 fiscal periods are subject to being paid back, because I would be imputing that our statements in the Budget are not correct, when in fact they most certainly are correct. Refunds are dealt with in the year as against revenues we receive, although we may be giving a refund in respect to an assessment back five or ten years; nevertheless, it comes out of the current year's collection and we deduct it from what we get in the current year, and what is left at the end of the year goes into the coffers of the Crown and is the revenue of that year. In other words, there is an offset against current incomes for refunds that we must make.

Hon. Mr. HAYDEN: The problem I had in mind was how you put in force deductions at the source; for instance in casual employment, refunds have to be made and applications for refunds are made the following year.

Mr. ELLIOTT: That is correct. Refunds largely arise from deductions at the source of the character which you have indicated. I will not go over it again. For the fiscal period ending March, 1945, we refunded \$45,248,300. The refunds run about \$40,000,000 a year, and are occasioned by deductions at the source.

Hon. Mr. CRERAR: Mr. Elliott, may I ask a question? Refunds for instance, that may be made in 1945 on the 1944 assessment of taxes, will be charged against the revenue of 1945? Is that correct?

Mr. ELLIOTT: No. We keep statistics of the amount that is assessed in respect to 1945. That is a post facto essential. We assess the 1945 returns, and we certainly record how much we assessed; but in 1946 we may find that for some reason there has to be an adjustment of that charge which was assessed, and then in 1946 a refund would be charged against the 1946 revenues.

Hon. Mr. HUGESSEN: These figures are net amounts of cash received each year?

Mr. ELLIOTT: That is correct.

Hon. Mr. CRERAR: There is one other question I would like to ask, if I am not interfering with your statement.

Mr. ELLIOTT: I invite the members of the committee to interfere. I have a splendid idea of how I think I ought to present it, but I would prefer to fit into the idea of the committee.

The CHAIRMAN: I was just wondering what would be the proper procedure. I do not think interruptions should be too frequent.

Mr. ELLIOTT: I would not like you to be too harsh in your ruling, Mr. Chairman.

The CHAIRMAN: What is the feeling of the Committee in that respect?

Hon. Mr. ASELTINE: Are we not getting a little away from what we set out to do?

The CHAIRMAN: I would like to give Mr. Elliott a free hand in the matter.

Hon. Mr. ASELTINE: I was referring to the questions that have been asked.

The CHAIRMAN: I would ask members of the committee to restrain themselves, and then they can perhaps ask their questions afterwards.

Mr. ELLIOTT: Having outlined to you the kind of organization you are going to look at, I should like to make a few comments on the working place it takes in the community. Ultimately I am going to try and convey to you that we have had a position on the lowest rung on the ladder of priorities as to space, equipment, personnel and salaries; also, that we lack that fervour behind us that you find in all war activities, such as volunteers for the armed forces. Everybody is patriotic. Munitions and Supply say we can produce—there is a patriotism plus a profit, if you like. In respect to loans, everybody says anything they can do will be done. Patriotism is a moving spirit. But in the Income Tax I find that there is a minimum of patriotic push and desire to jump in behind us and lend us your dollar-a-year men, with their companies paying for them, and we using their services. The priorities for space and equipment were not received even by my fellow civil servants, with the same glee that was evinced in aiding the production of munitions of war, or doing something for the volunteer in the armed services, or granting loans. We are the neglected child in that patriotic sense.

Hon. Mr. LAMBERT: Son of Martha, so to speak.

Mr. ELLIOTT: Yes, quite so. Therefore I divide our national activities into three parts:

First, the very best of our manpower, the youngest of it, volunteered to serve the nation in any sphere of activity where their duties might call them.

One could pause here to pay tribute but it is not in keeping with the purpose in hand. I will say this, as I wish to use it later on, that every person in every part of Canada lent their services to the furthering of the activities of the armed forces. It was the patriotic thing to do and it was done by men, women and children. If a service had to be performed there were willing hands to perform it. If extra time had to be given after the normal duties of the day, it was given. There was a patriotic fervour that was altogether worthy in the aiding of our armed forces. That is the first great subdivision.

The next subdivision is the production of munitions of war, and the sinews of war are but slightly less important than manpower. The production of munitions and supplies required the establishment of a special department of the Government for that purpose and they did a special job. Here again the people of Canada responded in a most patriotic manner, but, of course there was the added attraction that a profit was to be made. Manpower was available after the armed forces had been served. Dollar-a-year men were loaned by corporations in these key positions where the organization for production was necessary in order to put the factories and shops into activity.

In connection with the third subdivision, I must say that priority as to space, equipment and manpower was given to all other activities in Canada, if it could be shown that space, equipment and manpower were required for the production of the sinews of war. They were given with a patriotic fervour that I know was altogether commendable.

We have dealt with manpower and supplies and now we come to money. Money is divided into two parts. Money was required to pay the armed forces and to pay for munitions and supplies. That money came from two sources, taxes and loans. Everybody knows that it is a patriotic thing to support the loans. We have just gone through the first peace-time victory loan, and it was a remarkable success, because the patriotism that was there during the war was still in existence. I know of no citizen, and have heard of none, who stinted any efforts that he could put forward to further the success of the victory loans. Thousands of people in all parts of Canada willingly lend aid—many on a voluntary basis, many for just cost, and of course some for profit. But that does not say they were not all patriotic. The point is that manpower, space and all related matters were willingly, and freely passed on to the administration in charge of these loans. There was a fanfare, a shouting and an entreating and a begging; there was canvassing and cajoling; everything was done to induce the people to buy bonds and yet more bonds. That was altogether desirable.

Now let us turn to part (b), taxes—the raising of taxes for war purposes as well as for normal administration. The figures I have given you, and the statement which I have passed among you, shows that more than one-half of the money required for the prosecution of the war through the medium of payments by money was raised from taxes, and these taxes in our Division raised 62 per cent.

I am not conscious of any one volunteering to assist the Taxation Division. I am not conscious of any great corporation saying—use my men, I will pay their salaries; you give them space and they will assist in the collecting of the revenues required to pay for the war. I am not conscious of any priority that was given the administration that was so hard pressed for manpower, space and materials. I have not heard of any great patriotism in the payment of taxes, although I would not overlook the fact that there was a firm and clear determination of the people brought within the ambit of the law to see to it that they paid the taxes required by law, and to them I pay tribute most wholeheartedly.

We are not talking about how they paid taxes. We are developing the administration of the Income Tax and related laws, and I point out that we stand at the tail end of the list for priorities in respect to manpower, space and equipment.

We have to employ people with a view to becoming permanent Civil Servants. Here were no large salaries with a substantial short time profit to any individual. We were out-bid, and out-bid handsomely, by the munitions factories and factories of every kind, and every business. These businesses could afford to pay high salaries, particularly if they were in the 100 per cent scale of tax, and then only one-fifth of the salary came out of the shareholders' equity. There was of course a salary control, but new businesses would spring into existence for war purposes. The salary control order said that no salary shall be paid that is out of line with the salary in a like business in peacetime. Therefore, salaries in a new business were substantially clear of the salary control. Thus manpower was absorbed by new war activities, and the taxation division had to carry on at low salaries in comparison with the invitation on the war production side. It has been our desire at all times to employ skilled personnel, particularly in the accounting field, but I am sure the least informed will appreciate that the salaries offered for skilled accountants outside the Government service, and indeed in some war departments of the Government, far exceeded what the Taxation Division could pay. Not only did we fail to secure additional personnel, but we lost 141 professional accountants. And not only did we not secure additional personnel, but we lost our trained personnel to the extent of 141 professional accountants.

During this period of the war, not only did the Taxation Division hold the lowest rung on the ladder of priority as to space, equipment and salaries, and

all other advantages that belong to other war activities, but Parliament enacted laws that so increased our work that we expanded from a collection in pre-war years of around \$80,000,000 to \$1,635,000,000.

The Taxation Division could not lose so many men, it could not be denied priorities, it could not assume new and extensive functions that are indicated by the collection of so many hundreds of millions of dollars and the publication of millions of forms—the Division could not do all these things without falling behind in its work to some degree. There certainly is a minor amount of work relating to past years that still has to be done, and I am going to deal with that in greater detail.

Hon. Mr. ASELTINE: I presume those accountants are gradually coming back?

Mr. ELLIOTT: No, Senator, you are mistaken. We are seeking them diligently, but our success has not been to my liking. I do not know just why that is so. We are in that transition period which I referred to in my opening remarks.

Hon. Mr. BENCH: They are, I suppose, better paid in private industry than they would be by your Department?

Mr. ELLIOTT: I am not so sure about that in peace-time. I really do not know about it and I just put a question mark opposite that.

The CHAIRMAN: It is probably too early to expect many of them to return?

Mr. ELLIOTT: I think there is much in that. There still is that restlessness due to the release of the forces that make war a success.

Hon. Mr. HAIG: We have a strike on our Winnipeg newspapers, and we know about that.

Mr. ELLIOTT: Such, Mr. Chairman, is a short outline of the place this organization takes in national affairs. It is well, therefore, that our organization should be scrutinized by a public body such as this. In fact, I would say that we are at the lowest level to which we could possibly fall and that the only direction in which we can now go is up. Therefore, the Senate will be able to say in 1950. "After our Committee examined the Taxation Division in 1945 the Division started to go up, and look at the curve!" I will hand you all the credit.

The CHAIRMAN: Our timing is good.

Mr. ELLIOTT: Your timing is perfect, and my position is a little difficult.

Hon. Mr. BENCH: Mr. Elliott, can you tell us how many of those 141 accountants whom you lost went to the armed services?

Mr. ELLIOTT: I am sorry, I do not know, but I am under the general impression that very few of them did.

Hon. Mr. BENCH: You think most of them went to private businesses?

Mr. ELLIOTT: I do, indeed. If you want to get a little closer approximation of my mind, I would say that more than eighty per cent of them went to private businesses.

Now I want to say a little about confidence. Gentleman, confidence is hard to attain, but it is very easily lost. I believe we have the confidence of the people of Canada, and I look to this Committee to confirm that statement following the examination.

There is nothing more important in the affairs of a nation than that the people should have absolute confidence in the integrity and efficiency of those who administer the tax laws. It is so easy to find items for complaint, major in themselves but insignificant when related to the whole. I remember a picture that hung on the wall in my home when I was a boy. It was a picture of two dogs. One was a great mastiff, a St. Bernard or Newfoundlander, I am not

now sure. There he was, with his great stature, resting easily on his powerful paws, his find head on the alert and his eyes showing that he was wide awake to his duties and responsibilities. Beside the great mastiff, and yapping into his ear, was a little pomeranian, wholly ineffectual, but to himself vitally important and to others noisy to an annoying degree. He was relatively a mere nonentity, demanding attention grossly out of keeping with his importance in the dog kingdom.

I suggest to you, gentlemen, that when you consider this organization that I have pictured, and the important place it occupies, vitally touching as it does millions of our people, that nothing should be done in a small, carping and—if I may use that inelegant word again—yapping sense. Let us look at the organization in the large, substantial manner that it deserves, or at least that it requires, and let us groom it to look better, to function better and to serve the people better.

Confidence, I repeat, is one of the most vitally realistic things in the administration of a law of this kind. I believe we have it. Let us not lose it.

May I give some evidence for my belief that we have that confidence. For thirteen years I have been Commissioner or Deputy Minister in charge of the Taxation Division. In many respects governments are like individuals. If an individual wants to go into partnership with someone else he will try to select a dependable, efficient person of character and proven worth. So it is with governments. In 1936 the Province of Ontario looked about for someone to administer its income tax law. It did not have to look far, for it saw that the Dominion was administering a similar statute. Now, governments do not hand the administration of their vital affairs over to any organization in which they have not confidence. Well, the Province of Ontario asked us to administer its law. We did administer it and continued to do so up to the time, after the war started, when all income taxation was taken over by the Dominion. After we began administering the law for Ontario we were asked to do the same thing for Manitoba, Prince Edward Island, and Quebec, and we did so so long as the provincial income taxes remained in effect. The provincial governments asked us to function for them, because they had confidence in us, and for no other reason.

In our own Dominion jurisdiction we have, as you know, the Yukon Territory, under the Department of which my friend Senator Crerar was in charge. It strikes me that he will find it difficult to say that our organization is not worthy of confidence, because he asked us to administer the Income Tax Act in the Yukon Territory. We did that and continued to do so until the Dominion took over the collection of all income taxes.

So before the war there were six income tax jurisdictions being administered by the Taxation Division of the Department of National Revenue. I trust that I am not altogether wrong in inferring from that fact some measure of confidence in the Division. And that is what we want to maintain. I do not know how any country would handle what might be called a tax strike. You have the extreme opposite of confidence when people say they will not pay because they do not believe in this and that. That remark does not imply the possibility of any such development; I am simply trying to point out the extreme effect of lack of confidence. There is not even the slightest suggestion of any such lack of confidence in Canada.

We are not perfect, certainly. No one is perfect. No one could be perfect during the exigencies of war, under the stress and strain and difficulties that are encountered by an organization such as ours in war-time. We do not hold ourselves out as perfect, but we stand ready for a complete examination by this committee. In fact, we most heartily and earnestly invite a complete examination, confident the Committee will go into the matter as we wish, they cannot do otherwise than come out with a report in keeping with the

general public opinion. And that public opinion will be strengthened as a result of the examination, because whatever you do, whatever you suggest, is bound to be for the good of Canada and we are bound to accept it. No man can reasonably refuse a suggestion which is good for his household as a whole. Therefore, we stand ready to accept every suggestion for the good of the administration.

After the Dominion-Provincial Agreements were dropped and the Dominion took over all the jurisdiction pertaining to income tax, the rates were raised to heights unbelievable before the war. The same situation developed in every part of the world. I will not detail the high rates in England, Australia and other countries, including the United States, insofar as taxation is imposed in that country. But I again point out that in a world of high taxes, double taxation becomes a major problem. Here again your organization must take a position on taxes in world affairs. We have entered into an agreement with the United States for the avoidance of double taxation and the exchange of information. Other countries are making overtures to the same effect, and our relatively small pre-war activities are going to be greatly extended.

Even before the war double taxation was an important matter. World-wide shipping, for instance, could not be carried on without relief from double taxation. Ships carry cargoes to and from ports all over the world. There was double taxation in the shipping field, whereby ships that called at many ports and did business there were called upon to pay tax to the respective countries. The measure of their profits thereby became difficult to determine, and because of the arbitrary feature of the taxes the over-all amount paid was unreasonable.

The League of Nations, which unfortunately in many respects has not had a happy history, did good work in the labour field and in the economic field. I had the honour of attending at the League of Nations on a number of occasions for the drafting of model conventions for the relief of double taxation.

That we shall have a greater intensity of international agreements on taxation is as certain as that we are here today. Many countries having had capital movements to such a degree out of countries that either rightly or wrongly were regarded by them as unsafe, are naturally desirous of securing information at the source by way of international exchange. That again is an indication of the place that the Tax Division is going to take not only in Dominion affairs but in international affairs. So, gentlemen, I am suggesting to you that there are many ramifications to the Tax Division which will come under your review, and it is not the simple case of making simpler forms. It is something much bigger than trying to draft a simple form for the use of our people, laudable and desirable as that is. But that again is a relatively simple thing compared to the place which this organization takes in our country and internationally, and the better we make that place and the more efficient we make that work, the better it will be for our nation.

I do not know when you intend to adjourn, Mr. Chairman. I observe it is half past twelve.

The CHAIRMAN: We might adjourn now if you so wish.

Mr. ELLIOTT: It is not my wish, sir.

Hon. Mr. HAIG: I should like to hear the gentlemen from Toronto who are to talk to us about the mining business.

Mr. CAMPBELL: I doubt that any of them would be ready to go on.

The CHAIRMAN: Is anyone here who has anything to say in regard to that?

Mr. MACDONNELL: Speaking on behalf of the Canadian Manufacturers Association, Mr. Chairman, I may say we are not ready to go on yet.

The CHAIRMAN: You are here to listen for the time being?

Mr. MACDONNELL: That is the idea.

Mr. GROFF: On behalf of the Canadian Federation of Agriculture we would prefer to make our prepared statement when our president is here.

The CHAIRMAN: You will not be prepared to go on this week?

Mr. GROFF: No.

Mr. NORMAN: On behalf of the Dominion Association of Chartered Accountants I may say that it will take my organization some little time to get ready. We desire to present a prepared statement. Does the committee propose to sit for two or three weeks?

The CHAIRMAN: I can assure you the meetings will extend over a period of weeks, perhaps many weeks.

Mr. NELLES: The Canadian Chamber of Commerce welcomes the appointment of this committee, Mr. Chairman, and we would prefer to present our views at a later date.

The CHAIRMAN: All right.

Hon. Mr. HAIG: I suggest that the committee meet immediately on the rising of the Senate this afternoon.

The CHAIRMAN: If the committee is content we will adjourn until after the Senate rises this afternoon.

Some Hon. SENATORS: Agreed.

The committee adjourned accordingly.

The sitting of the Committee was resumed at 4 p.m.

The CHAIRMAN: Gentlemen, if we are ready, I will ask Mr. Elliott to continue.

Mr. ELLIOTT: Mr. Chairman and honourable senators, this morning I gave a summary of the organization that you are going to examine, stating something as to its character and the place it occupies in the nation's affairs. I mentioned that we had a staff of 6,882 employees. That figure is correct, but it must be compared with the number on our staff at the beginning of the war, namely, 1,286.

Naturally such a large expansion in staff gives rise to problems of training the employees. I mentioned that the number of skilled personnel, that is, the accountants, had not substantially increased. In fact, there was actually a decrease in the number of professional accountants. The great expansion took place in what we call the clerical staff. That is easily understood in the light of the number of documents that I told you that we had to handle here.

It became necessary to introduce a plan of staff training, and I am happy to say that it has functioned with a great deal of satisfaction. I should like to explain it to you, because I think it is of great importance. In the Department of Labour it is sometimes called "Job Instruction Training," and it has become a recognized necessity in well-organized businesses. These books that are on my right here are adequate evidence of our activities in job instruction training. This particular book that I now have in my hand, and the other two books of the same size, are furnished to all our inspectors, with the exception of those in three districts. I stand subject to correction as to the exact number, but the books are furnished to the vast majority of our district inspectors.

This book that I now take up is called "Office Procedure Manual." It is a general statement of the work carried on in each unit in the district office, and it is supported by flow charts. For instance, what I am looking at now has to do with the receiving of mail. In any organization that is a very important matter. It may be regarded as simple, but if you have not organized control

over it and your mail goes astray you will soon be in a mess. Every function that has to be performed by every person in the incoming mail section, which happens to be the one I am looking at, is detailed. I will read from the opening page:—

The duties of the incoming mail unit are three: (1) receiving of the mail, (2) distribution of the mail, (3) miscellaneous duties.

In each of these manuals there is a chart of the flow of work. While this document is, as you see, rather solid, it is the governing machinery in the district office. Actually it is broken down into several units and sections. Each unit head gets a small book something like the one I now have in my hand. That deals with his own particular section, and he has to understand it thoroughly. So in the district offices you will find complete instructions on the description of the work carried out by every employee.

Now I show you another set of instructions, in two volumes, each of which is called "Operation Breakdowns Manual." Each operation is first stated and then set out in detail step by step, showing what each employee is to do. I may inform you that there are more than one thousand routine operations performed in an average district to complete the work. When you recall that, as I pointed out, the great expansion of our work in war-time required some five thousand new employees, you see that to train them to perform their duties efficiently and within a reasonable time is a considerable task. You have not the same authority over your personnel that the military services have. In this respect I do not suppose the Army has changed much from the time when I was in it; the principal changes have been in mechanization, transportation, and that kind of thing. We have to set up an organization with people over whom we have nothing like the control that the Army has over its personnel. We do not have our employees under our control for twenty-four hours; we have them only during the working hours. Then, the vast majority of them are females and you cannot give them the kind of order that can be given to men in the Army. You have to speak to a lady employee with that delicacy which befits a gentleman, and yet with earnestness—not in the sense of proposing, but in the sense of giving her an order to do something. I heard Senator Vien speak at lunch today and afterwards I said to him that he had all the nuances and the delicate expressions that are typical of the Franch race, together with a splendidly clear mind, whereby he makes a delightful speech, conveys beautiful thoughts and leaves his listeners with pleasant feelings. Well, it is delicacy in that sense that we use in training female employees to handle income tax forms. There is no love in it. It is all a matter of duty, and we have approached it from the point of view of a business system installed for the more efficient handling of our work.

We give our employees lectures on their duties and we have organization meetings. Yet only yesterday, while I was in the midst of all my worries of getting something for this committee, I received a letter from Mr. Gillis, M.P. He had received a complaint from a man in Halifax stating that it is only a waste of time to give lectures to employees on how to do their job. In other words, that gentleman was opposed to the very thing that we are doing all across Canada. So you get criticism from people who observe what you are doing but who perhaps do not appreciate the over-all picture.

Hon. Mr. CAMPBELL: May I ask how long these manuals have been in use in the offices?

Mr. ELLIOTT: I should say the first one was out probably a year and a half ago. They are not easy to compile. These were compiled after much consultation and an examination of all the districts across Canada by a person charged with that duty, who, I might say, has since left us. We were

paying him—I will make a guess at it—\$3,600 a year, and he left about a month ago to get \$6,000 a year, with the right to do certain work on the side. He is a Chartered Accountant. Thank heaven he did a good job before he left.

Hon. Mr. HAYDEN: Are you proposing to file those books?

Mr. ELLIOTT: Yes, I should like to file them. I am glad you mentioned that, because I want the Committee to have them so as to know just what takes place in our offices.

Hon. Mr. BENCH: Mr. Chairman, may I suggest that the books be identified in some way?

The CHAIRMAN: They could be marked as Exhibits, perhaps?

Hon. Mr. BENCH: Yes, that would be a good idea.

EXHIBITS

Nos. 1, 2 and 3: Three volumes, one entitled "Office Procedure Manual," and the other two entitled "Operation Breakdowns Manuals."

Mr. ELLIOTT: These books relate to the Ottawa district. As you know, it trespasses in the Supreme Court Building, much to the annoyance of certain gentlemen. I appreciate that they have a ground for annoyance, but there the office is, in that building. I would suggest, Mr. Chairman and honourable gentlemen, that if you see fit you go over and examine that office thoroughly. In that way you would get a good idea of how we handle our business.

There will be a further development of this staff training in respect of members of the armed forces, as discharged men become available. They will be given special lectures. We look forward to an increase in our male personnel.

Hon. Mr. HAIG: Are they all appointed by the Civil Service Commission?

Mr. ELLIOTT: Not a single one of them. They are all appointed by the Minister. The Civil Service Commission has no jurisdiction over the personnel in the Taxation Division.

Hon. Mr. CAMPBELL: Would there be an accountant on the staff of every one of the nineteen divisions?

Mr. ELLIOTT: Oh yes, definitely, I think. I will make an inquiry. Do you mean professionally qualified accountants?

Hon. Mr. CAMPBELL: I mean accountants, not necessarily Chartered Accountants.

Mr. ELLIOTT: There are Chartered Accountants and Certified Public Accountants. Whether one is better than the other, I do not know, but we must be careful not to mention one ahead of the other, so we use the generic term, Professional Accountant. I am advised that we have a good accountant in every office, but they are not all Professional Accountants. I will get the detailed information on that if you are interested.

Hon. Mr. CAMPBELL: I was wondering whether you would care to say from your experience how many accountants—I do not mean Professional Accountants—you should have on the staff in each of the nineteen divisions.

Mr. ELLIOTT: The nineteen divisions vary greatly in their importance. For instance, in Toronto and Montreal we collect nearly half the whole revenue. The head offices of very many companies that do business in all parts of Canada are situated in those districts, and that is where the companies file their returns. Therefore, in those districts we need many accountants. In an outlying district where a branch of one of these companies is located our office would collect the

tax on only the salaries or wages of the employees; the profit derived by the company through that branch finds its expression in the Toronto or Montreal districts. So it is difficult to state how many accountants we would need in each division.

Hon. Mr. VIEN: Experience that I have had on two or three occasions indicates that the salary offered to accountants seeking employment in the Income Tax Branch is not sufficiently attractive. I think the salaries start at \$2,400 or \$2,500. More alluring salaries are paid by private businesses.

Mr. ELLIOTT: There is no doubt about that, Senator. If the Committee wish us to submit a statement of the grades of accountants and the salaries paid, we shall be glad to do so.

Hon. Mr. BENCH: I should like to see such a statement.

Mr. ELLIOTT: All right, we will furnish one, showing the grades of our assessors, as we call them, and the number in each division.

The CHAIRMAN: How many grades have you?

Mr. ELLIOTT: Six. In the top grade there are only two or three, so there are really five operative grades.

Hon. Mr. CAMPBELL: Could you also embody in that statement your opinion of the number of accountants you feel are required to staff the various divisions adequately?

Mr. ELLIOTT: Yes, I shall be very glad to do so. That is a matter on which we can speak with certainty, because we have gone into it and had advice on it lately.

The CHAIRMAN: Is the only reason that you have not an adequate staff the fact that you cannot get the men?

Mr. ELLIOTT: We want more men and we go out and try to get them, but we have not succeeded.

Hon. Mr. BUCHANAN: This morning you were speaking of men who had left your staff to enlist. Are any of these men taking employment with private industry after their discharge from the armed services?

Mr. ELLIOTT: I am consulting with my friend. I do not think any of our accountants left to go into the Army. Those who did leave went into industry or business. We did not have many young fellows of military age; in fact I cannot recollect one.

Hon. Mr. BUCHANAN: I have known some to go into the air service.

Mr. ELLIOTT: From the Income Tax Department?

Hon. Mr. BUCHANAN: Yes.

Mr. ELLIOTT: Were they professional accountants?

Hon. Mr. BUCHANAN: They were in your service. You were speaking this morning of shortage of staff, and I thought you were referring to a general shortage. I was not confining my question to accountants.

Mr. ELLIOTT: Those of the general staff who went into the Army were very few, and we have taken back some of them.

Hon. Mr. BENCH: You stated that you lost 141, and you estimated that more than 80 per cent had gone into private business.

Mr. ELLIOTT: That is correct.

Hon. Mr. BENCH: As I understand it, you now find you are not able to replace that loss in personnel.

Mr. ELLIOTT: Actually that loss has never been made up. We are 70 per cent lower in professionally qualified accountants than we were a few years ago.

Hon. Mr. BENCH: Would you say that your difficulty in replacing them is because you cannot pay anything like the remuneration they can command in private business?

Mr. ELLIOTT: That is right. The remuneration during the war was, I think, in many cases additionally attractive because of the high rate of taxation.

Hon. Mr. BENCH: But your difficulty is still continuing?

Mr. ELLIOTT: As I pointed out this morning, we are in a transitional stage and I have not made up my mind as to the cause.

Hon. Mr. VIEN: To a young chartered or professional accountant, to use the language of the Department, \$2,500 a year, less taxes, is not attractive. A man who has had professional training and is qualified should receive at least \$3,000.

Hon. Mr. HAIG: Mr. Elliott, is not this a fact, that right from the start of the income tax system once a man got trained in your departmental practice, he was offered by private firms a salary which of course your scale could not compete with at all, and naturally he went out. I can recall two or three such cases in my own city, and one of them was your chief inspector.

Hon. Mr. HAYDEN: You cannot stop that of course.

Hon. Mr. VIEN: You can and you cannot. You cannot give as high salaries as are offered outside, but a number of professional accountants would remain in the service if they had adequate compensation, even if it be below what is being paid outside, because in the Department they have the advantages of superannuation and stability, and there are other considerations, such as sick leave and holidays. These are attractive, to say nothing of the fascination of the Government dollar. Quite a number of people will work for the Government at lower rates than they could make outside—for instance, senators.

Hon. Mr. HAIG: That is what I was thinking about.

Hon. Mr. VIEN: I would suggest that you could, without competing with industry and business, get competent persons if you made the salary a little more attractive because of the compensations which I have already mentioned. I would urge that there should be an upward revision of the salary schedules. The other day a young man in Montreal asked me if I could assist him to obtain an increase in salary. He was working in the Inland Revenue Department at Montreal. I referred him to his superior officers, thinking that it was a matter of internal economy and had to be taken into account with all the various schedules of the Department. He told me he was receiving \$2,400 a year, and was called upon to help the Income Tax Inspector determine whether a chief executive was being paid too much at \$18,000 a year or whether he should receive \$20,000 or \$22,000. I give that as an example of the inadequacy of the salaries that are now being paid to certain classes of professional men.

Mr. ELLIOTT: The length of service of the 141 assessors who have resigned since January 1940 was 3.9 years. In other words, ours is a school of instruction. Chartered accountants or professional accountants come into our organization and work with us not only for the purpose of informing themselves on our very vital taxation laws, but also to get a survey of all kinds of financial statements that come from various businesses. After they have stayed with us for about four years away they go. If you are going to hold those persons after they have been in the Department four years you have to do something to improve their salaries.

The CHAIRMAN: Do they usually set themselves up as income tax experts?

Mr. ELLIOTT: We do not follow their careers after they leave us. We do know that they go into established organizations as secretaries and accountants, and also into private business.

Hon. Mr. McRAE: It is well known that many corporations hire these men to look after their taxes because they are familiar with income tax law. Those corporations can well afford to pay the men higher salaries for that purpose.

The CHAIRMAN: Some also do as I suggested, they set themselves up as experts in income tax matters.

Hon. Mr. HAIG: Is it not very much more satisfactory to the public if there are competent accountants in your Department?

Mr. ELLIOTT: Very much so. Professional men can do business with competent accountants in the Department on a more skilled plane, and can do it in half the time and get results. These outside accountants are in many cases paid on a time basis, so they would be much happier to come in and meet their equivalent across the table.

Hon. Mr. HAIG: I am thinking of the ordinary fellow.

Mr. ELLIOTT: He would do it much better.

Hon. Mr. HAIG: Take the case of a lawyer. I know that if I go to the Income Tax Department and meet a man who understands his business perfectly I can get through in a quarter of the time that it takes if I have to argue with a person on what the law is.

Mr. ELLIOTT: I agree with you. On this very subject I think I should indicate the value of skilled accountants. They are probably more valuable than most people have the opportunity of realizing. I would preface the statement I am about to make by saying that there is not the slightest implication in it of fraud or deceit or wrong doing on the part of our people, although the very statement itself certainly implies that. I may own an organization doing a large business, and I make certain charges against my profits, charges which I think are all right. I submit my accounts, and the income tax official says, "No, you cannot do that. That is not within the law, that is a capital expenditure." Or he may say, "This belongs to some other period, this is a liability that has not yet crystallized, it is in expectancy, it is not a real liability yet." There are a thousand reasons why that income is raised and more taxes collected. In one year—and it runs just about the same right along—we increased the assessments by about \$38,000,000. In other words, those income tax payers declared their incomes honestly, taking as they should every reasonable interpretation of the law that is on their side, for no one wants to stand out against himself on things that matter. It means that when we come to analyze the accounts and set them in their proper order the Government receives \$38,000,000 more than it would have received if those accounts had not been scrutinized according to the rules of our assessors.

I had not intended to bring that out at this point in my remarks because it belongs to the section on assessing which I have here, but when we are talking about the value of assessors and what we pay them, I think it is very important to make the statement now.

The annual cost of running our Division is below \$10,000,000, and yet by the use of these gentlemen applying the law factually we increased the revenues, so that every taxpayer pays his proper tax in accordance with the measure of the law. That increase, as I have stated, is \$38,000,000.

Hon. Mr. McINTYRE: Is it not a fact that in the assessment of income tax you are from three to four years behind in the different provinces?

Mr. ELLIOTT: No, that is not a fact. That again comes into the assessing question. The question upsets the continuity of my plan. I am still going to adhere to my plan, so I shall be answering it twice.

The CHAIRMAN: Gentlemen, may I suggest that in a general way we allow Mr. Elliott to proceed according to his agenda and submit our questions afterwards? Would not that be more satisfactory, Mr. Elliott?

Some Hon. SENATORS: Hear, hear.

Mr. ELLIOTT: Yes, Mr. Chairman. It is very good of you to try to keep me on my continuity.

Hon. Mr. HAIG: It will be better for us too and we shall make a little more progress.

Mr. ELLIOTT: I will answer the honourable senator's question. Notwithstanding all the handicaps I have pointed out, and I emphasize them, of all the assessable returns received by the Division for the five year fiscal period ending March 1945 we have assessed 87 per cent. Of all the individual returns that appear assessable received over that same period we have assessed 83 per cent. Honourable senators will notice that I have referred to returns that "appear" assessable. I may explain that when the return comes in we take a look at it and if it shows a taxable income it is called assessable; if not, it is called non-assessable. That is how we quickly separate the returns.

Hon. Mr. McINTYRE: That goes back for four years.

Mr. ELLIOTT: Of course it does.

Hon. Mr. HAYDEN: That percentage basis is not a very good indication, is it?

Mr. ELLIOTT: I would say it is.

Hon. Mr. HAYDEN: The number of your individual returns is so great and of your corporation returns so small that the percentage in itself does not indicate very much without having the actual numbers.

Mr. ELLIOTT: If you suggest that we put the two together I would say it would be a wrong statement. One corporation will pay as much money as thousands of individuals, and I for my part would not care to put the two together and answer the honourable gentleman's question. I think we have to take individuals on one hand and corporations on the other.

During the past fiscal years ended March 1941 to 1945 inclusive we have assessed 6,880,424 individual returns, or 82 per cent. That is a little against us because it is really slightly more. I would call it 83 per cent, but I will concede against myself a fraction of 1 per cent and accept this written document for corporation returns received in the same five year period we have assessed 126,039, or 86 per cent.

The CHAIRMAN: The lag is greater in the individual returns than in the corporation returns.

Mr. ELLIOTT: Oh, yes. That is 86 per cent of the total returns received in the same period. The fact is that the Taxation Division has suffered many handicaps, which we believe have not been suffered by any other organization to the same extent. We have fallen behind to some extent, as might be expected under the circumstances, but have maintained our standard. Having regard to the handicap we believe that the Committee will find that we have done a most satisfactory job, and no doubt will make appropriate comments in their report.

While on the question of delay, may I point out some important features in the delay as another step in the problem of lack of space and lack of priorities. The Excess Profits Tax, of September, 1939, was really an Act that gave notice to the people of Canada that they were going to suffer an excess profits tax. The whole Act was repealed and never functioned. In 1940 the present Excess Profits Tax law was put on the books, and it was a complicated and difficult law. Never before in the history of this country did we have such a law. It was quite different from the experiences of the last war, of 1915 to 1920, under what was known as the Business Profits War Tax Act. This law of 1940 gave the standard profit from 1936 to 1939, and we had to have the capital determined with respect to that period inherent in the law itself. When it came on the books in 1940 it necessitated going back to those four years. Many businesses in those four years were not taxable. We just passed those returns for businesses

which were obviously not taxable in those years—we were not interested in the capital. But the time came when we had to resurrect all those and resurvey them. That is an enormous task. The public had to get acquainted with that problem. I am sure my accountant friends in this audience will know the trouble they had in getting acquainted with that law and its application. You cannot pass a law in June and make it work in July, at least not that kind of law. There must be a period of education, and that requires time. By the end of 1941 the Board of Referees had received about 375 claims, of which it had dealt with 47. And that, mark you, was two years after the war had started. If you want to speak about a delay there is an instance. That situation was forced upon the Division by the necessity of making up the Government's mind as to what kind of law it was going to have and to permit the people an opportunity to get slightly acquainted with it. So that in that two year delay, we made some gain. We are not two years behind now—perhaps a year and a half. It all depends on the standard I am going to maintain. I could take these returns and pass them as filed; I could put them through as so many letters. In that way I could clean this up in two or three months, and have no back-log. Technically it is a true statement, but practically it would not be doing the job that is entrusted to me. I do not seek to hide from the necessities that are forced upon me; I would rather stand my ground, and say that in due course we will assess everybody on the same basis, under the same law, with equal treatment, even though there be some delay.

Now what is the value in delay? This educational period of nearly two years was of great value to the professional accountants and business men, as it was to the Civil Servants. It is not to be presumed that there were major errors by professional accountants or by business management when they figured out their own tax and said, "That is the way it looks." So that the only detriment from the delay is a few files that we have not confirmed the amount of money that has been paid. In confirming those it is my hope that we will find the figures reasonably satisfactory, and no one will find a sudden claim for taxes far beyond that which he himself, by careful analysis believes he should pay and did pay. It is easy to complain that some assessments for those years have not been passed. If it is not explained the people will say, "My goodness, I have not been assessed for two, three or four years—isn't that terrible?" It is true that a business man cannot publish his balance sheet with certainty but he can put such a note on his balance sheet setting forth that he has calculated his own tax within what he believes to be the letter of the law. If he had good advisers, and studied the matter himself, he will not be very far wrong. On the other hand, if he complains about the matter being delayed, and he has put something in that he believes he can get away with, but does not get away with it, it is going to cause a considerable liability to arise. Under those circumstances, he is most anxious to have his return passed as filed. Under such circumstances, we would be lowering our standards and not living up to the obligations which the country has assumed.

My friend certainly has touched the keynote of what is in the public mind right now when he asked that question.

Hon. Mr. McINTYRE: The taxpayer may file his return incorrectly, and if it is two or three years before it is assessed, he might owe \$400 or \$500 or \$1,000, and be obliged to pay 8 per cent on that amount.

Mr. ELLIOTT: No, 5 per cent.

Hon. Mr. McINTYRE: I think it is 8 per cent.

Mr. ELLIOTT: It only becomes 8 per cent if he refuses to pay. It is 5 per cent.

Hon. Mr. McINTYRE: When he is assessed, it is really at 8 per cent.

Mr. ELLIOTT: Yes, one month after the Notice of Assessment but at that time he knows all about it. It is a matter of forcing payment by raising the rate of interest. The country needs the money and the only way to get it in is by applying a rate of interest that will bring it in. No doubt many people would be willing to borrow money without much negotiation at 5 per cent. On the other hand, if he has calculated the tax himself and he is wrong by \$1,000, or any multiple of that amount, he has had the use of that money. If it is \$100,000 it is of considerable advantage. Should he have the use of that money simply because the volume of work in the Crown organization is so great that they cannot get around to assess him? We may have picked up another man's file first, and he had to pay the \$100,000 because we have assessed him. Do you suggest that the one taxpayer should be out the use of his money, and the other one have the use of his money and pay no interest on it?

Hon. Mr. McINTYRE: Of course if he overpaid he would not get interest on such overpayments.

Mr. ELLIOTT: That is a very usual statement, may I say. It has been the policy of the Government since Confederation, not only in the Taxation Department of the Government, but large sums of money in the hands of the Crown do not accumulate interest. Perhaps the King can do no wrong, and he holds the money for a good purpose; and when he holds money for a good purpose, he is not required to pay interest on it. It may have its genesis in that thought, or it may be sheer power. The fact remains that you must not point to any one department, you must say the whole Government does not pay interest on money in its possession.

Hon. Mr. BENCH: Is there something in the law that provides for that?

Mr. ELLIOTT: No, it is a precedent. They usually say it broadened down from precedent to precedent, but this one did not broaden. It is a fact that you cannot sue the King without his consent. You as a fellow member of the legal profession know that. I presume in the early days the King did not give the right to sue himself for the interest on money which was in his possession. This is now adopted in the statutes, since law and equity became fused. The King still keeps that stand for reasons that I cannot always comprehend myself.

Hon. Mr. BENCH: I secured a judgment against the Crown one time with interest. The case was actually settled at the time, but one of the things I gave up was the interest. When you raise the question now I just wondered whether or not there was any provision in the law covering the matter.

Hon. Mr. CAMPBELL: Mr. Chairman, I do not think we should start giving advice to the legal profession here.

The CHAIRMAN: Well not free advice.

Hon. Mr. VIEN: The question arises whether the Crown should not pay interest on the amount that it has received and for which it finds itself indebted to the taxpayer. Mr. Fraser Elliott has aptly pointed out how it forms part of a much larger policy than the one we are directed to study in this committee. However, I think the preponderance of public opinion would be for the elimination of the necessity of a fiat to sue the Crown; and secondly, the Crown should pay interest when it is found to be in possession of funds which do not belong to it.

Hon. Mr. ASELTINE: Taxpayers might pay a lot of money into the Government to get interest on it.

Hon. Mr. VIEN: I think nobody should be penalized because the Government, whether rightly or wrongly, has been in possession of sums of money, large or small, that do not belong to the Crown.

Mr. ELLIOTT: There is not only the point which has been suggested that some might pay in excess in order to get sure investments and interest on their money, but also the fact that we now have on our tax roll some 2,500,000 taxpayers more or less. Many of them pay small sums of money indirectly by means of deduction at the source, that is they pay through the hands of their employer. We have to make refunds to those taxpayers who are not taxable. If you adopted the principle of paying interest, and assuming the average refund was \$30 to a million taxpayers you would have a tremendous task. I am quite sure the Crown would not consider paying 3 per cent. If they did, there would be a great number of overpayments. Therefore, I could think more favourably of 2 per cent. Two per cent on \$30 for a year is sixty cents. It would involve taking a million taxpayers, on that average basis, and giving each his refund plus sixty cents together with the computation of the period for which the interest ran. It would also involve our putting on a staff to compute the interest to which he was entitled, and also putting the Post Office to the trouble of handling the mail, and the getting back of receipts.

Hon. Mr. VIEN: Might it not be credited to an account against future taxation?

Hon. Mr. CAMPBELL: The cost of calculation would be tremendous.

Mr. ELLIOTT: You would still have to have it calculated; you would have to have an interest table and a great staff engaged on it. I am not arguing for or against, I am simply pointing out some of the incidents of payment of interest on small accounts.

You cannot draw a line and pay interest on \$30 and not pay it on \$300 or \$3,000. The little man's money has an interest earning factor—of course, not in the investment field—but theoretically it is as useful to him as a man with \$300. If you are going to pay interest you would have to do it right up the line, from the smallest account to the largest, in the possession of the Crown.

Mr. Chairman, I should like to say a word with respect to space. The problem of space since the beginning of the war has been one of our major difficulties. I am not going to air the particular grievance we have had in this regard because I am fully aware that other organizations have had the same trouble. I am also aware that the Department of Public Works, which is the Department which allots to us our space, has been pressed on every hand. They have to give priorities wherever it is for the armed forces and the production of war materials, and income tax got the least priority.

Hon. Mr. HAIG: We think there will be plenty of buildings soon.

Mr. ELLIOTT: I hope our space problem is solved.

Hon. Mr. HAIG: Especially in the city of Ottawa.

Mr. ELLIOTT: I am speaking of our work during the war years and up to the present time. I sometimes feel that the significance and importance of revenue laws is not appreciated by many people who could beneficently lend their aid. However, it is traditional, it is historical and it is biblical of this field—

Hon. Mr. HAIG: Maybe the Bible was correct after all.

Mr. ELLIOTT: Far be it for me to dispute it.

Hon. Mr. HAYDEN: You mean as to its correctness.

Mr. ELLIOTT: I should like to give you a few facts on our space problem. I will use 1939 as the basis, the same as we take the cost of living as equal to 100 in 1933 and then build up from that. The used space we occupied in 1939 has been increased by only 100 per cent. This is in sharp contrast with the other percentages of increase over the 1939 figure. Our staff has been increased by 400 per cent, which is not too much. The necessary equipment that is present there increases the volume of space required. The returns filed by the public have increased 500 per cent. In that I am only talking about returns figured by the public on taxable incomes. The collections of the Department have

increased 1,000 per cent. I repeat that all this activity takes place in a space increased by only 100 per cent. Please do not ask me to explain how we do it. But I have been in offices where I could not walk through, the desks are placed end to end. The facts are as I have stated there, and yet we have carried on and accepted the situation.

I again refer to the thought that is hovering in the minds of many people—how far behind we are. I can only reply, how far advanced we are considering the circumstances in which we operate.

Hon. Mr. CAMPBELL: Can you say what percentage of increase is brought about by reason of the Excess Profits Tax Act? I suppose it would be difficult to say that.

Mr. ELLIOTT: The two are so interwoven that I do not think that information could be ascertained.

Hon. Mr. VIEN: In addition to the excess profits taxes there are succession duties.

Mr. ELLIOTT: Yes, we were made responsible for the administration of them also. All these added duties have to be attended to in a space that has increased only one hundred per cent, whereas the increase in everything else runs from four hundred to one thousand per cent.

I think that is all I need to say for the moment on the organization as a whole. I should like now to turn to another heading, namely, the simplification of law and forms.

Hon. Mr. CAMPBELL: Before you proceed with that, it might be interesting if you could tell us something about your head office organization.

Mr. ELLIOTT: I intend to give the Committee, when I conclude my remarks, a chart showing the exact organization of our head office and the organization of a typical district head office. I have a large number of copies of the chart here. We compiled another chart, just for this committee, showing the duties of each office in the division. These two charts will, I think, give a very clear picture of our head office.

Hon. Mr. LAMBERT: Can you say generally that any extension in the use of office machines has been a factor in enabling your staff to do more work?

Mr. ELLIOTT: We are alert to the value of modern business machines, but unless I put machines under or over the desks of the men who are working there I have not the space for them. There is no doubt that, if we had more space, our business could be mechanized far beyond what it is.

Hon. Mr. HAIG: I should say that in the last four years you have increased your staff greatly. In an office out in our city you used to have one person, but now you have four, and I cannot get in; or if I do get in to interview one of them, I interrupt the other three.

Mr. ELLIOTT: It is certainly essential that we get the taxpayer in. We shall have to put our other men out.

The CHAIRMAN: Senator Haig does not go in as a taxpayer.

Mr. ELLIOTT: Perhaps there is reason for keeping him out, then. It is true, Senator, that we put more people in a room.

Hon. Mr. HAIG: I go there to consult about the income tax return of a client. Just last week I was positively ashamed, because although I spoke in as low a voice as I could to one person I know that I interrupted the work of the others.

Mr. ELLIOTT: We operate on 65 square feet per person, whereas the normal space required for health and good work, not to mention secrecy, is 100 square feet. In other words, our space is thirty five per cent less than it should be. In some districts, I regret to say, our space is even less than sixty-five per cent of normal. I have simply been giving average figures, and if my remarks are

read by employees in those districts where our space is lower than the average, I do not want them to think I have forgotten them. They are still in my mind.

Now, if I may have permission of honourable senators, I should like to go to the subject of simplification of law and forms. The Committee is charged with the duty of improvement, clarification and simplification, impliedly, of: (1) the sections of the law (2) the method of assessment, and (3) the collection of taxes.

The Committee might expect a comment on what these words imply, namely, the complexities of the law and of the forms. I shall not dwell on the early development of the law. It is of course basically a tax imposed on the income of residents in respect of their world income, and on non-residents in respect of income arising from sources within Canada.

Where the definition of "income" originally came from has been imperfectly traced in some cases and I am not clear on just where it did come from. It originated somewhere in the United States, I believe. However, the growth of the legislation has been extensive since the beginning of the war.

Its increasing complexities have been in a large measure occasioned by the high rates of tax. Such high rates necessitated the introduction of sections to mitigate oppression of various classes of taxpayers or intended to make the system more uniform in graduated applications or in response to outcries against burdens which in some cases may have been oppressive.

The space occupied by the provisions relating to such relief and exemptions is now extensive and contrasts with the comparative brevity of the early laws. Further, as the rates of tax have risen, ingenuity in avoiding the tax has been increasing, as shown by the methods devised and the various ways and means by which persons so conduct their affairs as to bring them technically outside the ambit of the law, although the authorities intended that tax should be paid.

The Government has responded with provisions designed to make avoidance difficult. Sections had to be devised for stopping each loop-hole as it was discovered and likewise to remove each genuine grievance as it was brought to light, until, as stated, the fabric has become over-laid with highly technical sections, difficult to comprehend, and regarded by some as unreasonably prolix and obtuse. Each section became a kind of special law in itself, woven around the basic law to make it more self-contained and all conclusive.

That is, the basic law remained the same, but it was patched up by these special sections dealing with special cases. These sections were really in themselves special laws which, to anyone not having some knowledge of the background, are difficult to understand.

Reference could be made to other laws in other national jurisdictions showing that the same difficulties, the same character of amendments, and the same intention as to preventing evasion and as to granting relief, have developed.

In England the basic law remains the same. In the United States more than thirteen entirely new revenue acts have been passed in as many years. I am not sure which is the better method. It is simply pointed out that the situation in Canada is not peculiar to Canada. It is born of a desire to pay the least possible tax that the individual or company can arrange to pay by adjustment of their affairs and to secure the maximum relief that justly should be given.

Avoidance and relief, however, are not alone the considerations that make the law and the forms intricate. Perhaps even more so it is the extent and diversity of interests vitally touched upon by such a law.

You are enjoined by Parliament to create simplicity and clarity. I presume that also might mean brevity. This, of course, is a laudable purpose. The millions of individuals who have substantially nothing more than salary complain of the complexities of the Income Tax law and the forms, and because the law touches them not only personally, but vitally, their complaints amount at times almost to vituperation, particularly at that point in time when they meet the income tax forms.

The over-all-Canadian-individual must realize that he is a composite person. The form must envisage that Canadian who has every kind of income, every kind of dependent, every kind of marital status, every kind of expense, business as well as sickness, and donations to charity, etc. The over-all-individual, as a composite person, is a complex being. That is the individual for whom the income tax form must be prepared. Each individual is entitled to know every right that he has. If the form makes no mention of the rights to which one man is entitled, it will do no good to tell him that he is presumed to know the law, when he finds out that the form makes clear the rights to which other people are entitled.

Then we come to businesses. Here in the larger field we have income from every source, not only business but estates, trusts and every kind of activity that is entered upon with a view to profit. The critic calling for simplification fails to realize the composite nature of the problem.

There is no other branch of the law which is so far reaching or which touches human activities at so many points, having regard to individuals, partnerships, estates and corporate activities. The law affects every kind of business, wholesale and retail, domestic trade and foreign trade, manufacturers, investors, discounting, insurance, shipping, railways, mines, forests, agricultural activities, every kind of profession, property or service out of which arises an income gain, not to mention patents, copyrights, royalties, pensions, etc. etc.

Indeed so much has been said to indicate a very incomplete list of the nation's ever-varying multifarious economic activities, public and private, that go to make up the business of the nation. Into each and all of these the element of profit and loss enters. That word "loss" compels me to comment that recent amendments give a value to a loss that is equal to the burden of a profit, for it is as important to determine to-day the deficit of a business man or company so that he might off-set it against the profit of an ensuing or back year and thereby save the taxes otherwise payable.

In short, a loss is as valuable as the rate of taxes applied to it. The greater the loss to an individual partner, the greater is its value to him when he can carry it forward and charge it against the profits that next year would be subject to tax.

As stated, into each and all of these the element of profit and loss enters, and from the financial results of each the taxpayer is or is not subject to taxation. Each of these activities in turn has its own special characteristics calling for special treatment adapted to its individual or corporate case.

Firms or partnerships have one set of laws; companies and private companies another; agents and trustees yet another, and so on. Add to this the whole elaborate system of exemptions, relief, allowances, deductions, carry-over of losses, inventory problems—and there you have something—and so on. They all have to be formulated into simple language, clearly stated and reflected in forms so that he who runs may read. I observe that that is how it was stated by Senator Haig when he was discussing this resolution in the Senate. But in this case, Senator, usually it is he who reads, runs.

Hon. Mr. HAIG: I was giving you the benefit of the doubt.

Mr. ELLIOTT: Now in the result the requisite administrative machinery must be provided for the working of the system in the shape of, not only forms, but regulations, memoranda, brochures and the like, all of which do not make the law but only interpret the law as the departmental officers understand it. Each person has the absolute right to interpret the law in respect of his own particular set of facts, and if disagreement arises, it is his privilege to appeal.

Any statute (including the forms) that is required to cover such a vast field, including at the one end the simple finances of the salaried clerk—and even this may be complicated with his multiple individual rights and special

allowances and deductions—and at the other end the complicated intricacies and ramifications of our great companies, commercial, industrial and financial, which are both national and international in their scope, becomes complicated, for it covers or reflects the subject with which it deals. And, as I have made out, the subject with which this statute deals is indeed complex.

So much has been said as background to the fact that from out these laws, applied to the people and their complicated and intricate affairs, there is taken annually approximately \$1,300,000,000, in a nation of 12,000,000 people. You may find it difficult to improve the simplicity already attained. Needless to say, with great sincerity, I wish you every success in improving, clarifying and simplifying the law and the forms. I assure you that you will have every assistance that it is possible for me and my staff to give you.

Any administrator or any business man is curtailed in his success by the bluntness of his instruments. He is enhanced in his success by their simplicity, directness and clarity. We seek the best tools possible under the law to administer the law and make it work as smoothly as possible.

On the lowest level, namely a selfish level, we of the administration offer our assistance in the fulfillment to the highest degree possible of the objectives indicated in the motion—improvement, clarification and simplification of both the Act and the forms.

I would not, however, wish to leave the closing thought on the lowest level of selfishness. Rather, for the well-being of our nation, which is the highest level possible, let the laws be the closest to perfection that astute minds in concert are capable of producing.

It is impossible to impose even the simplest income tax law in a country that is not educated. Income Tax is essentially an intelligent people's law for the raising of revenue in an intelligent manner.

Business forms are not simple. Business records are complicated. Honourable Senators will realize that one form to reflect one year's business and personal status of the nation's activities and their individual rights is of necessity not a simple document.

I will say nothing more as to background on the simplification of the law. That is a task which requires much study over many months.

As to simplicity of the forms only, I might say more. They fall under two headings: multiple forms vs. single forms.

By multiple forms is meant special forms for each class or character of business, which necessitates one sweeping-up form for all those activities that cannot be clearly classified.

A single form is that form which everybody must use with the simple subdivisions of a form for individuals and a form for corporations, although the individuals also might be, and have in fact, been subdivided by the Department of National Revenue into those having income of \$3,000 and less than \$1,500 investment income, and those having income over \$3,000.

Hon. Mr. ASELTINE: Could not that be increased to \$6,000?

Mr. ELLIOTT: I believe we are going to increase it over the whole range of income.

Those with \$3,000 or less have been given a simple form from which they can substantially pick off their tax liability from the table contained in the form.

That same principle will be introduced this year in respect of the income from whatever source of all individuals. How successful that will be remains to be seen.

Perhaps one factual experience might be mentioned. There was a great cry for simplification of forms for the use of farmers. Of this I was fully aware. Accordingly I called a meeting of representatives of the following organizations:

Department of Agriculture.

Family Herald and Weekly Star, representing farm papers.

Canadian Federation of Agriculture, both Ottawa and Toronto representatives.

Co-operative Federee de Quebec
Department of Agricultural Economics
Ontario Agricultural College, Guelph

And others, including members from my own staff.

These gentlemen wrestled with the problem of a simplified form for farmers. They worked over a period of probably three months, having their meetings off and on, and they experienced considerable difficulty as their discussions developed. Finally they emerged with a new form. While the form in use had four pages, the proposed form had six. It was printed in proof form and distributed to a considerable number of persons in and out of the Government.

Hon. Mr. ASELTINE: Would that include the blue form and the eight pages?

Mr. ELLIOTT: Oh yes, it included the blue form also and would be eight pages.

Those proofs I distributed brought reactions. Certain members said, "If you publish this thing and use it, why, it will be disastrous." A similar statement, perhaps not quite so strong, was conveyed to me from many quarters. I regretted to have to tell the committee that had worked so diligently that while they had set out seriatim all the items for farmers, cattle dealers, grain men, mixed farmers, fruit farmers, or any other kind of farmer, the result was not acceptable. The form was never actually put into operation.

That, I admit, is a discouraging example. We set out with high hopes, and persons in every form of farming activity aided us to the best of their ability, but the result was nil.

I do not want to dishearten the members of this committee, for I know they are too strong willed to be set off their course, but I would suggest that we do not boast before the event.

Hon. Mr. VIEN: We shall have accomplished something even if we find the forms cannot be simplified.

Hon. Mr. HAIG: Nobody would believe you.

Mr. ELLIOTT: In other words, those who sit in a room and prepare a form may carry themselves by their discussions into a position of acceptance, but there remains the hard, practical acceptance in the operative world. That applies not only in this business but in the production of things for the public. A thing may look good in the experimental stage, but when you get it into the hard, practical business world it just does not go down.

Hon. Mr. BENCH: Would you say that a necessary prerequisite of drafting a simplified form be a redrafting of the mechanical provisions of the Act?

Mr. ELLIOTT: A very simple answer to that question is that the form is but the reflection of the law. Simplify your law and you will simplify your forms.

I close my remarks on the simplification of the law in force by saying that you have our goodwill, you have the assurance of our utmost effort to assist you, and I have as high hopes as my knowledge will let me entertain, but I think it not inappropriate to indicate that we should not become too optimistic before the problem has been carefully considered.

Some Hon. SENATORS: Hear, hear.

Hon. Mr. VIEN: Have the departmental officials worked on the simplification of both the law and the forms? Have they done anything that we can proceed with?

Mr. ELLIOTT: We are always working along that line, in fact we really never abandon the idea of simplifying the forms. We did produce T-1 Special. That is the form for those with incomes of \$3,000 and under, where they can put in details and pick off their tax liability.

We shall try to carry that same idea into the new form. Two years ago we issued a little pamphlet, which I think many people found useful. By referring to the schedule the taxpayer could pick out his tax with only one necessary percentage to add; that is, the tax would be so much up to, say, \$6,000, or whatever the figure might be, and above \$6,000 it would be 56 per cent. That table was the forerunner of the new form that we are going to issue if and when the budget is passed.

One of the great complications is not in the form at all. It is to find out what your income is. People get annoyed about finding an answer to that question. The only visible thing in front of them that they can find fault with is the form. They carry their grievance into their daily conversation and the Income Tax Division gets the impact. There is a whole professional class earning, I hope, a good living in this and other countries by doing nothing else than helping individuals and corporations to determine their income. If that class can make a living in that way it is not unreasonable to state that to crystallize their work down to a four-page form, and still keep it simple, is quite a task. I need not add that there will be some difficulties in accomplishing that.

Hon. Mr. BENCH: Adverting to the point raised by Senator Vien, do you have any permanent establishment in your branch charged with the responsibility of making revisions of the Act as well as of the forms?

Mr. ELLIOTT: I think the answer is no. As forms come up they are dealt with in the light of our past experience. I doubt whether I would establish a department just to revise forms. True, we have many forms. The ones we are talking about are the principal forms known as T-1s and T-2s. A staff having nothing else than that to do would be relatively less busy than all the other people in our Department; and these are busy.

Hon. Mr. BENCH: I am not thinking so much of forms as of improvement in the legislation itself. I gained the impression from what you have just said that the only time there is any scrutiny of the Act for the purpose of amending it is annually when the budget resolutions are being incorporated in the law.

Mr. ELLIOTT: That substantially is correct. What we do is this. The budget is passed, the bill incorporating the resolutions becomes a statute. The statute is passed out to the public to respond to as a law, and then we start to get the reaction. If there are any suggestions for changes we have a special drawer in which we put all such suggestions or complaints.

The CHAIRMAN: Do you mean changes in the Act or in the forms?

Mr. ELLIOTT: In the Act. We follow the same practice for the forms also. But the question is about the law. During the year we accumulate either the originals or copies of every complaint that comes in. Then when budget time comes around we survey all the complaints and suggestions. Any that are deemed worthy and desirable we draw out and submit them to the Finance Department to decide whether or not any of them shall be adopted. Substantially the same thing, I think, takes place in the Finance Department. The officials there get letters and suggestions and at the end of the year they are brought into the joint budget discussions.

The CHAIRMAN: Do you make recommendations in regard to these suggestions?

Mr. ELLIOTT: Yes, we make recommendations the same as the public do.

Hon. Mr. CAMPBELL: It is the Finance Department that finally decides?

Mr. ELLIOTT: Yes, because what is accepted has to be introduced as part of the budget. That is the duty of the Minister of Finance.

Hon. Mr. CAMPBELL: Which Department actually draws the amendments?

Mr. ELLIOTT: In the early days I did most of the drafting myself, but in the last two years it has been done by a drafting committee, made up of repre-

sentatives of our Department, the Justice Department and the Finance Department. After the budget discussions determine just what is to go into the bill a memorandum of what is decided upon is passed over to this committee. The members of the committee draft what they believe fits the determined policy as evidenced by the memorandum received. Then it is subjected to a general scrutiny to see whether it does fit the intention of the Minister of Finance. If it does, that is the bill. Of course, all bills are submitted to the Justice Department for final approval. The policy is decided on, and it is crystallized in bill form. Then it goes to the Department of Justice.

Hon. Mr. BENCH: There must annually come to your notice possible improvements in the mechanics of assessment and collection of taxes which might not impinge upon the incidence of the tax itself. If such changes are suggested do they always receive consideration by the other Departments?

Mr. ELLIOTT: That has more to do with the administration of the Act, with which the Minister himself is charged. He has control and regulation of the Act, and he changes any of the mechanics.

Hon. Mr. BENCH: What about changes in the administrative features of the legislation itself?

Mr. ELLIOTT: Any legislation has to go before the House through the Minister of Finance.

Hon. Mr. HAIG: Suppose I file a statement with the Inspector of Income Tax at Winnipeg, what is the procedure before I receive final notice of its acceptance?

Mr. ELLIOTT: Our Montreal office, believing such question would be asked, set up a statement of just what happens to John Doe when he files his return. After I have tabled that I shall be glad to answer any questions.

Hon. Mr. BENCH: Then you will deal with such matters as appeals?

Mr. ELLIOTT: I do not know just what you mean by appeals. I am going to give you a survey of what we are doing with them, but if you want to know how they work I will answer your question at the time.

The CHAIRMAN: Before we adjourn it might be worth while for the convenience of those in attendance to decide whether we propose to sit this week after tomorrow.

Hon. Mr. HAIG: I think we should sit Friday.

Hon. Mr. VIEN: It is quite clear from the scope of the work that lies before us that between now and the end of the session we shall hardly be able to do more than what I may term spade work.

Hon. Mr. BEAUREGARD: If I could read the report of our proceedings over the week-end, I should be in a better position next week to ask questions based on what Mr. Elliott has already dealt with.

Hon. Mr. VIEN: It is most unlikely that Mr. Elliott will be able to conclude his presentation tomorrow.

Hon. Mr. ASELTINE: The reporting staff will not be available on Friday because we have heavy sittings of the Divorce Committee.

Hon. Mr. VIEN: I am afraid it will not be possible to provide a daily report of the proceedings as the reporters have also to cover the Senate debates. I would suggest that if we are to carry on as we are doing now we should either relieve the reporters from other work or get outside assistance.

The CHAIRMAN: It is pretty difficult to get other reporters.

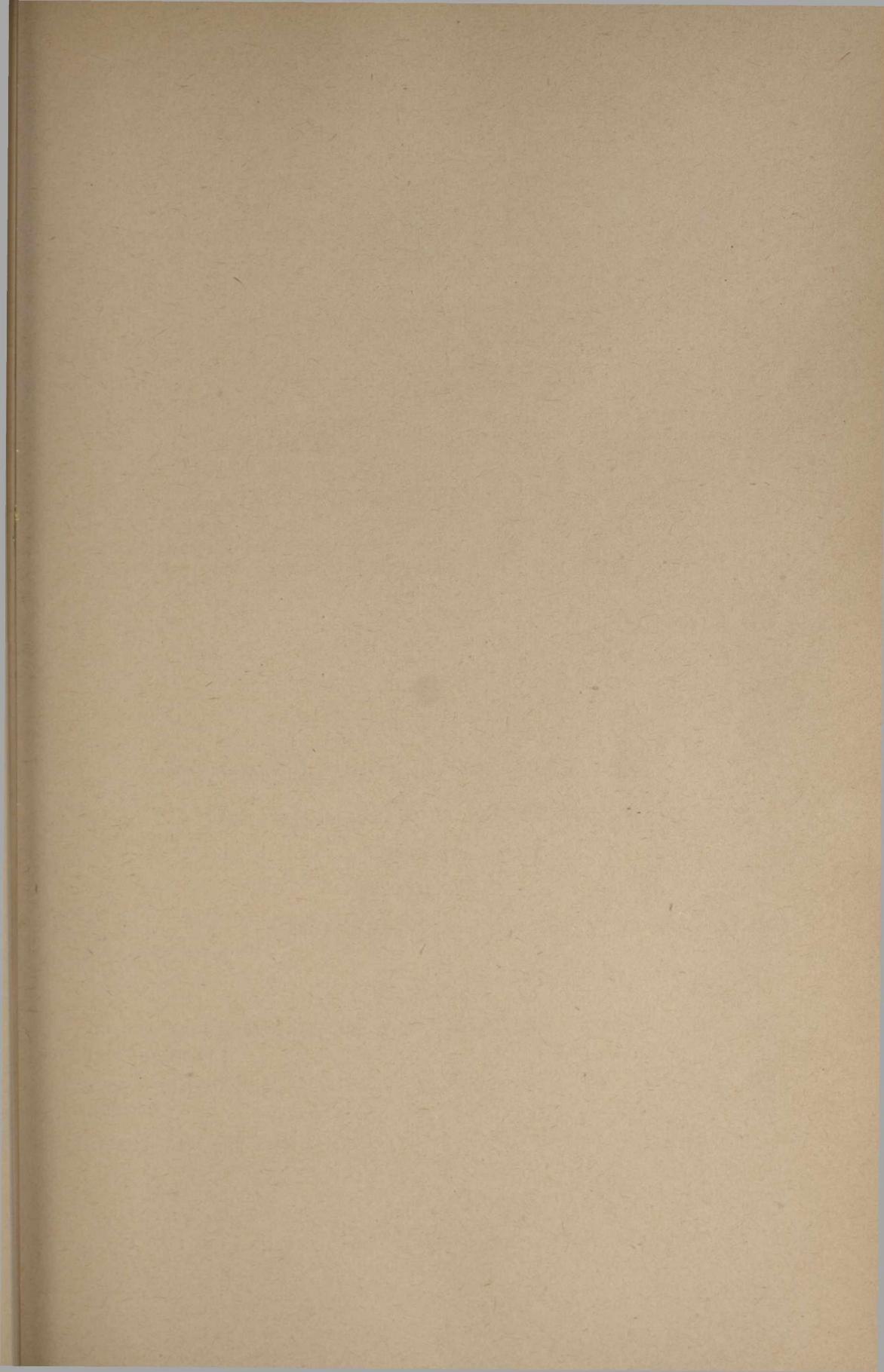
Hon. Mr. HAIG: I suggest that we adjourn until 11.30 tomorrow morning.

Hon. Mr. CAMPBELL: Mr. Chairman, I understand that on Monday the Prime Minister of Great Britain may address both Houses of Parliament. I would therefore move that at the conclusion of our meeting to-morrow we adjourn until Tuesday morning.

The CHAIRMAN: Is that motion satisfactory?

Some Hon. SENATORS: Agreed.

The committee adjourned until 11.30 tomorrow morning.



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THE SENATE OF CANADA



PROCEEDINGS

of the

SPECIAL COMMITTEE

Appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

No. 2

THURSDAY, 15th NOVEMBER, 1945

The Honourable W. D. EULER, P.C.

Chairman

WITNESS:

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation.

EXHIBITS:

4. Office Consolidation, Ottawa, 1944, The Excess Profits Tax Act, 1940. (Not printed.)
5. Office Consolidation, October, 1944, The Income War Tax Act. (Not printed.)
6. Revised Table of Tax Deductions. (Not printed.)

ORDER OF REFERENCE

(Extracts from Minutes of Proceedings of the Senate for October 24, 1945)

That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon;

(2) That the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud, Robertson, Sinclair and Vien;

(3) That the said Committee shall have authority to send for persons, papers and records.

Attest:

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, 15th November, 1945.

Pursuant to adjournment and notice the Special Committee appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 11.30 a.m.

Present: The Honourable W. D. Euler, P.C., Chairman, and the Honourable Senators Aseltine, Beauregard, Buchanan, Campbell, Crerar, Haig, Hayden, Hugessen, Lambert, Leger, McRae, Sinclair and Vien—14.

In Attendance: The Official Reporters of the Senate; Mr. J. F. MacNeill, Law Clerk and Parliamentary Counsel of the Senate.

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation, was recalled.

The following Exhibits were filed:—

4. Office Consolidation, October, 1944, The Excess Profits Tax Act, 1940. (Not printed.)
5. Office Consolidation, October, 1944, The Income War Tax Act. (Not printed.)
6. Revised Table of Tax Deductions. (Not printed.)

At 12.45 p.m., the Committee adjourned until 10.30 a.m. Tuesday, 20th November, instant.

Attest:

R. LAROSE,
Clerk of the Committee

MINUTES OF EVIDENCE

The Senate,

THURSDAY, November 15, 1945.

The Special Committee of the Senate to consider the Provisions and Workings of the Income War Tax Act, etc., resumed this day at 11.30 a.m.

Hon. Mr. Euler in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum, if you will come to order, please. There is no particular order of business but before we go on with the evidence of Mr. Elliott, I would like to ask the members of the Steering Committee to remain after this meeting has adjourned. It may be that some honourable senator would desire to bring up some business before we proceed with Mr. Elliott's evidence.

Hon. Mr. BUCHANAN: Last night reference was made by Senator Beauregard about having the printed proceedings available before we went ahead with the cross-examination.

The CHAIRMAN: I am told by the officials that it will be impossible to have the proceedings from yesterday printed in less than a week, and it may take longer.

Hon. Mr. BUCHANAN: That is my understanding. I just mentioned that so it will be cleared up, and it will be understood that the report will not be available for a week.

The CHAIRMAN: It is known now. I thought you were making the suggestion that we should not proceed with the questioning of Mr. Elliott until the proceedings were in the hands of the members.

Hon. Mr. BUCHANAN: No.

Hon. Mr. VIEN: Mr. Chairman, in that case if we are not going to have the proceedings for a week, can we not make some other arrangement to have a daily record distributed among the members of the Committee?

The CHAIRMAN: This is a daily record.

Hon. Mr. VIEN: But if it is not distributed for ten or twelve days after it is taken down, it won't be of much practical use. What I had in mind was, could not the reporters make some arrangement to increase their staff?

The CHAIRMAN: It is not the reporting; it is the printing.

Hon. Mr. VIEN: That is insuperable. They are short some sixty-five members of their staff at the Printing Bureau.

Before we proceed further I think we should amend the order of reference, as suggested by Mr. Fraser Elliott yesterday. I have last night considered very carefully two draft amendments that Mr. Elliott suggested. The second one, I believe, is broader in scope, and would probably serve better the purpose we have in mind. I move as follows:—

That the order of reference of the Senate, dated October 24, 1945, to the Special Committee appointed to examine into the Provisions and Workings of the Income Tax Act, be amended by adding, after the word "thereunder" the

following words: "and the Provisions of the said Act by redrafting them, if necessary."

The meaning is that we shall have power to redraft the Act if necessary.

The CHAIRMAN: Do you propose that as a report to the Senate?

Hon. Mr. VIEN: I think this Committee should report to the Senate the recommendation that the order of reference should be amended. Further, by striking out the word "and" after the word "assessment" in the fourth line of the first paragraph thereof and substituting a comma in lieu thereof.

Hon. Mr. HAIG: Before you put that motion I would like time to consider it.

Hon. Mr. VIEN: There is no particular rush.

The CHAIRMAN: Are you making it as a motion now?

Hon. Mr. VIEN: Yes.

The CHAIRMAN: It need not be disposed of now.

Hon. Mr. HAYDEN: Could we have a copy of the proposed amendment in the meantime?

The CHAIRMAN: I would suggest that a copy of the motion be supplied to each member.

Hon. Mr. VIEN: If the Clerk will do that, I should be very glad.

The CHAIRMAN: Then it stands as a notice of motion to be discussed and adopted next week.

Hon. Mr. VIEN: That is all right.

The CHAIRMAN: Is there any further discussion now?

Hon. Mr. VIEN: The amendment is to give the power to redraft the Act if necessary.

Hon. Mr. LEGER: Evidently that is the source of all our trouble.

The CHAIRMAN: Then we will continue with Mr. Elliott's evidence.

Mr. ELLIOTT: Mr. Chairman and honourable senators, I shall deal this morning with tax deductions at the source. In order that you may have a picture of the development of that law, starting with the National Defence Tax, which was a low rate of tax, and in order that you may observe the time element of successive amendments, I am going to distribute among you what I might call a time schedule showing the bringing in of tax deductions at the source, and its successive stages. I would like to look at that with you for a moment before I start in on the general discussion.

Hon. Mr. HAYDEN: By the way, before starting in on your general subject, is this the right time to get the figures in dollars of the amount of these tax deductions at the source for the various years?

Mr. ELLIOTT: It will come out in my remarks. I do not know if I have them by the years but I have them over the span. I could give them to you by years.

Hon. Mr. HAYDEN: As long as we are going to get it in the course of your remarks, it will be quite all right.

Mr. ELLIOTT: It will come in.

If honourable senators have the schedule before them, they will observe that it deals with tax deductions at the source under the heading of National Defence Tax, and a table on tax deductions. The letters N.D.T. in the left column mean National Defence Tax. The date of the Budget that first introduced deductions at source to Canada was June, 1940. The Budget resolutions and bill finally became law on the 7th of August and it became effective for public operation on the 1st of July, one week after the announcement in the

Budget, and even before it became law in the technical sense. It was amended in 1941, but that is not of great importance because it was only a change in rates.

Hon. Mr. HAYDEN: It was very important.

Some Hon. SENATORS: Oh, oh!

Mr. ELLIOTT: I accept the more dominant meaning of those words. I meant it was not important from an administrative sense; it gave me no concern administratively.

Hon. Mr. HAIG: We understood what you meant, but we had other feelings.

Mr. ELLIOTT: It is the more dominant meaning, and I agree with it.

Then on the 23rd of June, 1942, the Budget was brought down and the bills arising therefrom were assented to on the 1st of August, and the law became operative on the 1st of September. Now that law was to do away with the National Defence Tax, which was a straight flat rate; substituted therefore was a table of tax deductions, which I hope honourable senators have seen. I fear that some of you who are not employers may not have seen that rather complicated table. It had to be brought into operation across Canada within two months and one week from the date of the Budget. I pause to state that while the Budget may have come down on June 23rd, when one puts out millions of documents, it is necessary to take care that they do not go out too soon because of possible amendments from the House. It might then be found that the documents were materially wrong. You are restrained; you are like the horse at the barrier ready and champing to go, but if you make a break too soon you are called back and your efforts are worthless.

Hon. Mr. CERERAR: Could we be furnished with a copy of that table of deductions? I have not seen them.

Mr. ELLIOTT: Yes, we will get one.

Hon. Mr. HAYDEN: Mr. Chairman, these various statements that are being referred to are not being tabulated in any way. We may ultimately have difficulty in referring back to them.

Mr. ELLIOTT: I thought they were tabulated.

Mr. CHAIRMAN: No particular instructions were given as to marking them as exhibits.

Hon. Mr. HAYDEN: The manuals were marked, but a number of schedules filed since have not been marked.

Hon. Mr. HAIG: I do not think you need give us a copy of that material, because most of us have it in our office.

Mr. ELLIOTT: Are you all employers?

Hon. Mr. HAIG: Yes, and unfortunately we know all about it.

Hon. Mr. ASELTINE: Our employees interpret it for us.

Mr. ELLIOTT: It is news to me that you are all employers. I am happy to know that you all understand the table of tax deductions.

Hon. Mr. HAIG: We do not understand them, but somebody in our office does, or they would lose their job. We do not want to get caught by your Department.

Mr. ELLIOTT: That is a very interesting statement. If you do not deduct at the source in accordance with the law you become personally liable for that which you ought to have done and failed to do. There is a terrific penalty.

The CHAIRMAN: With regard to what Senator Hayden brought up, I suppose we should have a definite order in which these reports or statements are passed and preserve them in that order. I do not now know what they were, but you will be able to arrange that I presume.

Mr. ELLIOTT: I will do it from the notes after we get them. However, I do recollect that we put in an exhibit and called it "A".

The CHAIRMAN: Those were the books, but there has been nothing else since.

Hon. Mr. HAYDEN: Then about this Budget figure—

Mr. ELLIOTT: I will straighten that out. There were only two. I gave the financial statement and then I gave this latter statement. You have spoken in time so that we will be able to knit up the threads and make a whole piece out of it.

I was talking about the Budget, which came down in June, 1942, and was saying that the schedule had just two months and one week to get into operation in all parts of Canada. With the great volume to go out and the accompanying instructions I could not be sure what could be done until the bill had passed both Houses and received assent on the 1st of August. Therefore, it is not altogether wrong to say that we were advised definitely on the 1st of August and we had to get it into operation in less than a month. That means not only crystallizing and finalizing our work, but you must envisage sending out material to the printers in various parts of Canada—some to Montreal, some to Toronto—it was such a big job no one company could do it. Then after we got it back we had to distribute it in appropriate lots to the various employers, which involved a great deal of time.

When I said yesterday that we worked nights, I was quite correct. This is one instance in which we worked all night, more than one night, on getting this new table of deductions into the hands of employers in time to make it work. It involved not only distribution to employers, but we had to have appropriate forms for individuals to lodge with their employers. We were dealing with 2,500,000 or more people at that time. Of course they were not all taxpayers, but all employees had to file the appropriate form.

Now I could repeat my remarks that in 1943 the table of tax deductions was changed; applicable to pay periods commencing after 31st March, 1943; the first table had to take into consideration deductions for January, February, March of 1943, and was designed originally to deduct 90 per cent of the tax, after giving credit for National Defence Tax for the 8 months of 1942 (January to August) which we had already deducted under the National Defence Tax. The figure in the new table of tax deductions was designed to take 95 per cent of the exigible tax. Then in 1944 the savings portion was dropped. That is, it was dropped as of the 1st of July and the savings portion was cut in half for the whole of the year, so that if we dropped it out of the table of tax deductions for half of the year, as we did by instructions to the employers, that is the same as if we had not taken in more than half for the whole year. But that was an instruction rather than a reconstitution of the table.

Now we come to 1945, the current year. The budget was introduced on the 12th of October and is now before the House. The new table is to come into operation on the 1st of January next year. This table will be rather strikingly different from prior tables, in that there are the family allowance recoveries that must be made. So there will be a table of tax deductions that should be deducted in respect of a person with dependents, and if he has accepted family allowances you have to go to another table and find out how much should be recovered in respect of each pay period and add that to the tax that is payable under the table of tax deductions itself.

Hon. Mr. LEGER: Many of those family allowance cheques are issued to the wife, the mother of the children. The husband is the breadwinner. Will the husband have to be charged with what was paid to his wife?

Mr. ELLIOTT: Even though the cheque be paid to a man's wife, if in his income tax return he claims that he is the one who is supporting the children and he wants a deduction from his income tax on that account, that deduction must be reduced by the amount of family allowances that he receives through the hands of his wife.

Hon. Mr. LEGER: That is not provided in the Act.

Mr. ELLIOTT: All this legislation must come before the House in the course of the next few weeks. It is only in the resolution form now. I anticipate with some certainty that the law will be properly framed to take care of that point.

Hon. Mr. CAMPBELL: I suppose the family allowances will unavoidably make many complications in the calculation of taxes?

Mr. ELLIOTT: Yes.

Hon. Mr. CAMPBELL: Where there are a number of children in a family the allowance for each one is different depending upon age.

Mr. ELLIOTT: Yes. If a man has four children of different ages, he may get a different amount in respect of each one, but he gets an over-all amount for the four. Then if he claims relief from taxation for those four children, we will give him the relief provided under the Income Tax Act, but if he has received family allowances a certain percentage of those allowances will be deducted from the relief to which he is entitled under the Income Tax Act.

Hon. Mr. VIEN: That is fair and reasonable.

Mr. ELLIOTT: It is very fair.

Hon. Mr. CAMPBELL: I was thinking of the additional work that your department must have in checking those things. It is quite tremendous?

Mr. ELLIOTT: I agree with that comment. But the law must in many ways take its course, not only in the ordinary meaning, but in the administrative field as well.

Hon. Mr. LAMBERT: Have you had one period in which you can test the cost of the routine in connection with the family allowances?

Mr. ELLIOTT: This came in six months ago and we notified all employers that every employee who is in receipt of family allowances must file a statement to that effect with his employer and the employer has to deduct out of each pay that percentage of the family allowance that the employee declares he received. Take a man in a low wage group, receiving say \$100 a month. We recover 10 per cent from him. An employee whose income is close to \$3,000 has to pay us back 80 per cent of the family allowance; and when an employee gets more than \$3,000 we recover the whole of the family allowance. We said to the employers: "Heretofore you have been giving the employee his whole wage, less only the deductions required by the table of tax deductions. Now do not give him so much, because we want to recover that percentage of the family allowance payments that he has to refund." We have had six months experience on that, but I am unable to state with certainty how well it is working.

Hon. Mr. CRERAR: Isn't the whole thing pretty cumbersome?

Mr. ELLIOTT: No, I would not subscribe to that statement.

Hon. Mr. LAMBERT: Have you any estimates of the additional cost of operating your branch due to the additional work caused by the family allowances?

Mr. ELLIOTT: No; it is too early to be able to make an estimate yet.

Hon. Mr. HAIG: It only went into effect in July.

Mr. ELLIOTT: Yes. I said it went into effect six months ago, but I meant to say that it will have been in effect six months at the end of this year. The

principal cost is not a departmental cost. Don't forget that there is a real burden on the people who have to conform to those laws. We refer to it technically as the cost of compliance. All the employers who have to look after the making of these returns are part of our branch, but they do not get any pay from us.

Hon. Mr. CAMPBELL: Is your department consulted when any amendments are being made to income tax statutes?

Mr. ELLIOTT: Yes. There is a fine liaison between us.

Hon. Mr. CAMPBELL: It would seem to be impossible to get an accurate check on the ages of the children with respect to whom claims are made.

Hon. Mr. HAIG: The employer knows that the return he makes will be checked, and if that return is wrong he will have to pay up.

Hon. Mr. VIEN: That would go to show that the procedure is cumbersome, as Senator Crerar said, for the employer at any rate.

The CHAIRMAN: I would suggest that Mr. Elliott give his version. He has been asked a question.

Mr. ELLIOTT: The question, as I understand it, is if there is considerable difficulty in ascertaining the ages of children with respect to whom family allowances are paid. On a form that he files with his employer, the employee must declare his marital status, the number of children he has and whether or not he is receiving family allowances. The accuracy of that form depends in the first instance upon the honesty of the employee. I said yesterday that income tax law is an intelligent people's law for imposing a tax on an educated people. I could have added "and an honest people." If an employee is untruthful when making out his form he will have a temporary advantage by receiving in his pay envelope a larger sum than that to which he is entitled. But he must file an income tax return, because his income is shown on the form Y4 that we receive from his employer. The employer's return specifies how much was deducted from the employee and that information is segregated to that employee's income tax return, and if there is any variation between the comparable figures we check up to see which are right. So if an employee lies when he files his form with his employer, he will be caught up with later on, and then two things will happen. He will be prosecuted for making a false return, and he will have to pay the tax that he temporarily escaped paying, plus a penalty. And that back tax plus penalty will have to be paid out of the income from which the then current year's tax is being deducted at the source. So part of his last year's tax will be added to his current year's tax and he will have put himself in a difficult position. I am reasonably sure that the workmen of Canada have been well informed about these things through discussions in their own organizations. Whatever the reason may be, the fact is that the system is functioning very well, and, I believe, honestly. Referring to a comment by Senator Haig, I should not like to go so far as to say that if an employee lied when making his return to his employer, that the employer would be held liable.

Hon. Mr. HAIG: You could hold the employer liable.

Mr. ELLIOTT: You cannot found a penalty on a fraud.

Hon. Mr. CAMPBELL: Would it be impracticable to require taxpayers to file birth certificates for their children with respect to whom family allowances are paid?

Mr. ELLIOTT: We discussed that. You will find that in some parts of Canada birth certificates are rather difficult to get. To require them to be filed would simply mean imposing an added burden on some people who already find the income tax forms too difficult.

Hon. Mr. HAIG: But actually do you not check up on the ages of children?

Mr. ELLIOTT: I do not think that is a regular practice.

Hon. Mr. HAIG: Your Manitoba Division does.

Mr. ELLIOTT: I would point out that there is no general instruction to do that. Of course, if we find there is some discrepancy, we might check up.

Hon. Mr. HAIG: I know of one instance where the money was held up because the child was illegitimate. The information about the child could not have been obtained from any place other than a provincial department.

Mr. ELLIOTT: We can cite some specific and incidental cases that we most interesting in themselves, but I most respectfully suggest, Senator Haig, that they are not germane to the great table of tax deductions from which we get a revenue of many millions.

Hon. Mr. VIEN: There is one question that is germane to the point we are now discussing. Would it be too inconvenient or difficult for the Department to make the necessary adjustments with respect to family allowances on the employee's return? In that way the employer would be saved the trouble of checking up on the employee and finding out how much should be deducted at the source on account of any allowances that he is receiving. Would it be a good thing to require the employer to deduct at the source in accordance with the table of deductions and leave the family allowances computation to be made when the employee's return is being considered for assessment purposes?

Mr. ELLIOTT: I have no doubt that many plants used a table of deductions on which the necessary adjustments have been made for family allowances. The pay clerk will say to Tom, Dick or Harry: "How many children have you got and what are their ages?" Then he will make the necessary adjustments to the table of deductions, and that will be followed.

Hon. Mr. VIEN: Many business firms have no clerks qualified to prepare these tables.

Mr. ELLIOTT: If people have not sufficient elementary knowledge to run this thing, it does not run. That is all there it to it. I have no doubt that in the hinterland there are people, some of them possibly employers, to whom a table of tax deductions would not be intelligible. For them to be confronted with a document of this kind would be worse than meeting a bear in the woods.

Hon. Mr. VIEN: The thing is bewildering.

Mr. ELLIOTT: If people are not sufficiently educated to carry out the law, we must raise the standard of education as and when we can, and put up with the difficulties in the meantime.

Hon. Mr. VIEN: When you receive an employee's return you have to check it with the return received from the employer. Is your work facilitated by the fact that deductions for family allowances have been made at the source, or would it not be simpler to check payments for family allowances with deductions claimed by the taxpayer in his income tax return?

Mr. ELLIOTT: There would be trouble if we did not deduct on the pay-as-you-go plan. The individual would receive those family allowance payments, but the return would come in to us in due course and he would have to pay that income tax which is required to be paid after he has been given credit for his children. If the suggestion were adopted this is what would happen. This person declares on his income tax return how much money he had received for his children, and then at the turn of the year he has to pay it all back in one lump sum. Then the combined amount to be collected at the source is so great that we are apprehensive he would not be able to pay it. In other words, we would be putting him in the position of a debtor—all due to the fact that if you do not pay as you go, human nature being what it is, you spend as you get and you have not the money to pay the tax. That is a most undesirable feature to let arise in our national affairs, and we try to stop it.

Hon. Mr. VIEN: In other words, the system as it is to-day makes the Act more workable, and is the basis which people who are rational and anxious to pay their debts desire.

Mr. ELLIOTT: They feel it is the best working system.

The CHAIRMAN: You are less apt to lose revenue this way.

Mr. ELLIOTT: We are less likely to lose revenue because those people can pay better as they go, and it is less likely to disturb them and put them into great difficulties.

The CHAIRMAN: They would have to pay it back and would find it difficult to furnish the money.

Mr. ELLIOTT: Yes.

Hon. Mr. CAMPBELL: Would it not simplify the work of the Department if you took an average amount for children's allowances? For taxation purposes suppose you took an average of \$5 instead of the exact amount received for each child?

Mr. ELLIOTT: I seize upon the word "average." What is the average of this family that has four children, and that family that has nine children, when the amounts that they get vary with the number and age of the children? That is hard to say. So the problem as we see it has to be dealt with in this way: How much did you get for these dependent children? And having regard to the range of income in which you are, that percentage must be paid back through deduction at the source. You can sit at a table and get your pencil out and work at the question in various ways. It is fascinating and interesting, and a little confounding at times because you get going full steam ahead with what you think is a splendid plan, then you find it won't work out in practice, and so you forget it. By trial and error and effort we arrived at this plan and we are trying to make it work.

Hon. Mr. HAYDEN: There is no trial and error in deducting actual figures.

Mr. ELLIOTT: That is true; and that is what we are doing, deducting actual figures.

I should like to deal with something that I have written on this subject of tax deduction at the source. It is not to my satisfaction, but circumstances did not permit me to put it in to final form. You will notice some repetition, and I only read it because I want to preserve some continuity in my remarks.

As I have stated, this time schedule, if I may so call it, will show all these major activities had to be put into operation within a little over a month.

Deduction at the source under national defence tax at a low flat rate for two years served as a good training period for the major operation of introducing the table of tax deductions, whereby we take 95 per cent of the tax at the source.

As a fact we found the introduction of the National Defence Act, because it was entirely new to our people, about as difficult as the introduction of the table of tax deductions. The employers of Canada could hardly realize that they had become in effect an administrative arm of the Government on the revenue side. The name of the tax—national defence tax—brought on during the war had a great psychological effect. However, having been drawn into the system of deduction at the source, the foundation was laid for the introduction of the pay-as-you-earn plan, whereby 95 per cent of the tax exigible in respect of wages and salaries was secured at the source. Sometimes we secured more than 95 per cent, sometimes less. There were many incidents in the period of work and other features that developed.

These new laws were introduced when our staff was performing its normal duties, and while we endeavoured to get additional employees, they were un-

trained, and this work had to be done substantially by our normal continuing staff for a long period of time.

I would ask the committee to try and visualize the difficulty of introducing to the pay-roll clerks of Canada a revenue law which, if they failed to comply with it, rendered the employer personally liable for the tax.

That is your point, Senator Haig.

Hon. Mr. HAIG: Yes.

Mr. ELLIOTT: This was not too bad during the national defence tax period of two years, but it became a matter of concern when the 90 per cent deduction feature was first introduced.

I can assure the committee that many nights were spent—and often we worked throughout the night—at these peak periods getting this work into operation.

Over 2,500,000 employees had to be served. We issued 8,000,000 forms for their use. They were employed by over 140,000 employers. That number of forms was a little excessive because there was quite a wastage at that time. They bandied them around, used them in their clubs, and so on, but we had to make sure that there were enough forms for them to play with, swear at and work on.

The newspapers were used to advertise the requirements, and I should like to say, having mentioned the newspapers, that so far as the Taxation Division of the Department of National Revenue is concerned, the newspapers gave us remarkable assistance, and they did not receive a great deal of advertising. I will give the figures if any senator wants them.

Hon. Mr. BUCHANAN: Hear, hear.

Mr. ELLIOTT: It may have had some news value because it was new, and, further, the people were concerned; but nevertheless in a patriotic endeavour by way of assisting the national revenue the newspapers played an important part in the introduction of these new laws. My inspectors across Canada have written me on a number of occasions on this very feature, and I would be remiss if I did not mention it at this time in dealing with this historical subject.

There have been two tables of tax deductions. The first was designed to take 90 per cent of the tax at the source, after giving credit for the national defence tax that had in the same year been previously deducted; the second table took 95 per cent.

Having regard to the high rates of taxation, employees observed the effect of working overtime in getting into a higher bracket, and they complained. There was a certain amount of absenteeism because the employees felt that if they worked another day they would bring their weekly pay into a higher bracket. Employers also complained of this. The situation at one time was very tense.

The table of 1943 really put us on the pay-as-you-earn plan, which was the objective aimed at; but full deduction at the source raised a number of problems in respect of which adjustments had to be made in some cases, and nothing could be done in other cases.

A list of some of the special considerations is as follows:

1. Overtime and absenteeism;
2. Refunds, particularly those due non-taxable persons;
3. Casual or temporary employees, i.e. students, part-time workers, housewives employed for short periods in canning factories, etc.
4. Farmers who were required to deduct from their part-time labourers, and also from their full-time labourers who were supplied with board and lodging which had to be valued;

5. Special groups, such as coal miners, stevedores, winter bush workers, railway employees, merchant seamen, harvesters from the United States, etc.

6. School teachers who were paid on a 10-month basis.
The table did not fit a 10-month period.

7. The armed forces, had to have special tax tables.
These tables were different than those for civilians.

These problems did not all arise at once, nor do we hold out that they have all been satisfactorily solved, but substantially that is so.

Of these special features, those that had the greatest public criticism and attention were perhaps overtime and absenteeism. These problems became so insistent that I felt I must come to grips with them and so of my own volition I invited the following gentlemen to come to my office as representing the organizations indicated:—

Mr. A. R. Mosher, Canadian Congress of Labour.

Mr. P. R. Bengough, Mr. J. A. Sullivan, Trades and Labour Congress of Canada.

Mr. H. R. Gifford, Mr. Hugh Macdonnell, Canadian Manufacturers Association.

Mr. G. E. Carpenter.

Mr. R. Complin.

Mr. H. C. Hayes, Canadian Chamber of Commerce.

Mr. D. L. Morrell.

Mr. R. Sharwood.

Mr. C. W. Foster, Department of Labour.

Mr. C. F. Needham.

Mr. H. F. Caloren.

Mr. J. C. Fogo, Department of Munitions and Supply.

Mr. Neil McLean, Wartime Prices and Trade Board.

Dr. A. K. Eaton, Department of Finance.

Mr. J. H. Perry.

Along with those gentlemen were some of my own officials.

When it became known that this meeting had been called, I was informed that I had made a mistake, that I could not expect harmony from labour and management, and I am free to confess that I had a tremor of apprehension myself, for the times were tense. I was told in effect that I was asking the lion and the lamb to die down together. Indeed I told the meeting that very thought when the gentlemen I have mentioned foregathered in my room. I also told them that I did not know which was the lion and which the lamb, but I felt that a great national purpose was to be served in wartime, and that I was sure that if a complete understanding of the matter were had, after complete freedom of discussion, the problem would be aided and all matters rationalized to the mutual advantage of all concerned, and to the advancement of the nation as a whole.

These gentlemen came to my office on the 30th of November, 1943, and I propose now to read a few of my opening remarks taken from the shorthand minutes.

I think it appropriate to read these minutes because you must envisage that these were the peak times when the maximum trouble was before us. These are extracts from shorthand minutes of a conference with employers and labour on November 30, 1943. I should explain that these shorthand minutes are not like a Hansard report, but they cover the main points. I addressed the meeting as follows:—

This law that we are dealing with came into effect on the 1st August, 1942. One month thereafter it was required that deduction at the source be entered upon, and therefore there were many employers in Canada

who had to be supplied with forms—I would indicate that perhaps there were one hundred thousand employers in Canada, or more—and instructions to impose, collect and remit to the Crown the appropriate taxes in accordance with the law.

That all had to be done within the month. Then we had to supply the forms and take care of the public that had to pay the tax. Due to the change in exemption, there were over two million of these. We are not only thinking here in terms of taxable persons—there were also non-taxable persons. The law applied to all workers. They had to get their documents before the end of the month and lodge them with their employers, showing their marital status, dependents, and personal savings.

We are not a country that is used to tax, nor used to declaring all those private things to our employers. The employees had to adjust their mind quickly to making these declarations to their employers.

We also had to instruct our staff across Canada, and they had to get complete instructions and to be so familiar with them that they could appear to know all the answers to all the problems, and in my judgment they did a remarkably good job.

You must certainly so instruct your officers in the field that they can speak with reasonable assurance and spread a sense of confidence among those whom they address.

It is not to be wondered at that there was some confusion when, one month after the law was passed, it had to go into force all across Canada.

We shipped carloads of forms and instructions, which had to be very clear.

When I look back at the way that this was introduced to the people, I am surprised that there was not more confusion.

With that beginning in a forceful, intense manner, we now have the experience of fourteen months.

In other words, this meeting gathered fourteen months from the time this deduction-from-source plan started.

Much has happened since. But I do want to get across my first point—the intensity, the short time, and the magnitude of the job.

Only perhaps another fourteen months prior to that, this Division was dealing with 300,000 taxpayers. That number shifted to two million and a good many thousands more.

The internal documents that had to be prepared I can only indicate to you. We handled 17,000,000 internal documents. We handled for the public 28,000,000 documents. Adding those together, 35,000,000 documents, you begin to catch the internal necessity and the external requirements. You realize the vital thing with which we are dealing after fourteen months' growth. We have had the general public's co-operation. Between us I think the matter has not been too badly managed.

We were understaffed, but the staff we had was able to organize and shove the necessary documents to the people.

We have never made a major error, we have never recalled a form, except the special Form T.D.20A. But this served well a short time purpose.

I would like to point out that this law, collecting 95 per cent of a tremendous upswing in tax, and a 100 per cent upswing for people who were never in the tax range before, naturally brought a good deal of money into our hands by way of deduction at the source that we did not wholly own. There was a great deal of complaint about this, as we swept into the ambit of the tax a lot of people who were not taxable. So there

was a great cry for refunds. That was when we issued that form T.D.20A that I mentioned before. In the refunds, there were only four errors. We had issued double refunds to four people.

I have a side note that we have issued more double refunds, but they are still within the range of something insignificant, and that figure of four is not out of place. But we do make errors. Thank heaven for that!

When we published this table of tax deductions and put it across Canada we tried to impress upon all employers that the funds were trust funds that they were gathering, that these moneys had to be remitted to us speedily, that it was inappropriate that trust funds should remain in anybody's hands as a kind of ready fund upon which they could draw to finance an emergency within their own business. I am happy to say that this has been very substantially adhered to and we have had a minimum of trouble. The trouble we have had with some people is their not making deductions at the source.

In the development of the system other difficulties arose. One of these was the students who were asked to work during the summer. They would not be taxable. So we passed an Order exempting students.

Then the grain in the West had to be harvested, and we exempted three or four thousand men who came from the United States, so that there would be no deduction at the source in respect of their pay.

We must remember the background of their own rather easier law.

Our law gave a special exemption to men in the armed forces, and while we applied deduction at the source to the men in the forces who were taxable, we had to apply a special table of tax deduction to them.

Then we had seamen awaiting assignment to various ships, and were employed in the meantime. We exempted them because they only worked a short time and then went to sea.

These are not exemptions from tax, but exemptions from deductions at the source. All persons continued to be fully liable for their tax on the old system. At the end of the year they file their returns and pay their tax.

We come now to certain special procedures:—

1. The Railways. They asked for substantially the percentage system of deduction at the source, and this was granted. The C.P.R. asked for it because of their system of machines.

The percentage system is slightly different from the table of tax deductions.

2. Coal Miners. We decided that the best thing to do was to give every incentive for production of coal.

Honourable senators will remember that coal was a dominant thought in the minds of our people.

We set out a table for tax deductions in respect of the miners. It was a percentage table. Although we gave the plan to the whole industry, only 50 per cent accepted the plan after consulting their employees. The other 50 per cent said they would rather go to the table of tax deductions.

Fifty per cent showed good judgment; they did not want to have easy payment at source and hard payment next year. The other 50 per cent no doubt had individual reasons for taking the offer of the percentage table.

3. Men going into the bush for the winter to cut timber and fuel wood. We established a method whereby there was a wage below which no deduction was made, and then a percentage was deducted. Some base metal companies felt that this should be given to them.

4. Stevedores. The sporadic manner in which they work required a special plan. We agreed to a basic wage per week in respect of which the table of tax deductions would function. This plan is working remarkably well.

Those of you who are on the coast know the enormous fluctuations in the earnings of stevedores. For example, a ship comes in today with a big cargo; then none comes in tomorrow nor the next day.

Hon. Mr. HAYDEN: Is that a basic weekly wage?

Mr. ELLIOTT: Yes.

Those are all the departures by way of exemption or modification of the tax deduction plan as put out originally.

I should like to comment on the advisability of modifying deduction at the source, meaning not deducting so much.

There are two points involved there. First, the tax must be paid: and, if you don't pay it on the pay-as-you-go plan it must be paid the following year. The pay-as-you-go plan is used universally not only in Canada but in the United States, England, Australia, and other countries where there is an income tax. In fact, I might say the income tax is common the world over. Otherwise, if the tax is not paid as you go, and if you have any ill luck that causes you to go behind, you then become a constant debtor. It is therefore a cardinal principle that we should have the pay-as-you-go plan for the benefit of everybody—the Crown, the employer and the employee. We should as nearly as possible collect taxes as we go.

Hon. Mr. DAVIES: May I be permitted to ask a question?

The CHAIRMAN: Certainly.

Hon. Mr. DAVIES: Do farmers make any deductions at source?

Mr. ELLIOTT: Yes, but I do not wish to be too blunt—

Hon. Mr. HAYDEN: They are required to.

Hon. Mr. ASELTINE: Just some of them do.

Mr. ELLIOTT: The law requires them to make deductions at source.

I shall now return to this important meeting that was called in my office in November, 1943. We discussed the matter all day, and I will now give you the conclusions we came to at the end of that day.

Hon. Mr. VIEN: Were they unanimous?

Mr. ELLIOTT: Yes, absolutely. I am glad you brought that point up, because there was absolute unanimity.

Hon. Mr. HAIG: We should send you to Windsor.

Mr. ELLIOTT: Oh no, I have got trouble enough.

These were our conclusions:

1. The deduction at the source of the substantial part of income tax on a pay-as-you-earn basis should be continued.

2. The present method of tax deductions is satisfactory except for border-line cases and, although both the percentage system and the average method were discussed, no recommendations were made for the adoption of any other general method.

3. It would be unwise to introduce multiple methods of tax deduction for general use. One basic system should be adhered to although no serious objection was expressed to emergency plans for particular industries or special circumstances.

4. Some flexibility might be introduced by permitting employers to make refunds, or cease deductions, upon application on prescribed forms by employees who commenced employment some time after the beginning of the year or who had prolonged sickness. It was generally understood that this relief would be restricted to non-taxable employees.

5. There is a general acceptance of the present method of tax deductions. The overtime problem is diminishing and many of the objections have been overcome. The situation will again improve with profitable curtailment of overtime and the issue of refundable certificates.

Those were our conclusions.

In order to permit the gentlemen who attended the meeting to have a complete picture, I respectfully requested my then Minister, the Hon. Colin Gibson, because of the preponderance of convenience to members, to come to my office that I might make a report to him of the day's work before the persons present. The report was made by me verbally to the Minister in the presence of those who attended the meeting.

I am happy to say that that was not only an important meeting, but whatever those gentlemen did when they left my office, the effect has been a very marked decrease in misunderstanding and complaints. In other words, they were invited to come because of the major complaints that I know were abroad in the country. When they came, they sat about my table and there was no particular formality. I said to them, "Now gentlemen, we want to discuss the difficulties with which all of us are faced. I have no plans for this meeting. I just want to discuss matters with you, and I suggest we organize ourselves as soon as possible; that the organization on this side—let us say the Canadian Manufacturers' Association—tell us all your troubles and complaints and I will take them down. I will then read back to you what I have put down." I wrote down each complaint and each proposal. Of course there was much duplication of complaint. I asked them not to restrain themselves in making their complaints even though they had been made before. I wanted to hear everything that was in their minds. The meeting was then adjourned for one hour, I wrote out an agenda and said, "There is our agenda, what we are going to discuss." My recollection is that the agenda had about twelve items on it. This committee will be interested to know that one of those subjects was the simplification of forms. From then on we discussed each subject thoroughly, and everybody had the privilege of speaking as often as he liked and to say whatever he wished.

The meeting had a very clarifying effect. Labour and management had a better understanding of the table of tax deductions and the necessity for its successful operation. At the conclusion of the meeting these gentlemen went away feeling that they had had a worthwhile conversation. Whatever they did afterwards there was a distinct and marked decline in the complaints received at our Division from across Canada. I pay tribute to those men for coming and discussing fully, freely and frankly such problems as they had.

Hon. Mr. BUCHANAN: I think we should pay tribute to you for having the good sense of calling such a meeting.

Some Hon. SENATORS: Hear, hear.

Mr. ELLIOTT: I shall now go on with my notes. I am sure it was a combination of determination to stand behind the national war effort in the securing of revenue, as well as informing the people that a survey had been made and in the final analysis things as they were should be made to work, and they did work.

I think it altogether appropriate however the matter should be reviewed again in the light of the greater experience we have had and also in the light

of peace-time considerations. It is therefore a happy circumstance that this committee has undertaken to examine the workings of the Income Tax administration, and I suggest that they examine this feature in particular.

On the statement distributed among you I have given you some few statistics showing among other things that we have collected \$1,600,000,000 at the source, through the hands of employers. We might expect some loss of revenue by employers having deducted at the source and failing to remit to the Crown. I am pleased to say that out of the collections made the Crown received 99.99 per cent. While this is largely due to the honesty of employers, it is also due to the aggressive action of this Division in its follow-up system.

Hon. Mr. HAYDEN: That was also partly due to your extra staff, the extramural staff.

Mr. ELLIOTT: I always welcome extra staff, but I was thinking it was partly to the continuing staff.

Hon. Mr. HAYDEN: I said extramural staff.

Mr. ELLIOTT: Oh, yes, I most heartily agree.

Hon. Mr. ASELTINE: You had some prosecutions in Saskatchewan, I understand.

Mr. ELLIOTT: We did have prosecutions in various parts of Canada from time to time. I am happy to say there were very few. I do not know why there is so little fraud in this field, but I do believe there is something inherent in our people to see that taxes must be paid, and to pay them. There is of course a fringe of people, relatively small, that do not conform to that point of view.

Hon. Mr. HAIG: They are pretty well on the border line.

Mr. ELLIOTT: Pretty well on the border line.

Hon. Mr. McRAE: Mr. Elliott, could you give us a rough estimate of how many refundable cases there were?

Mr. ELLIOTT: I am going to have a full paper on the refundable portion, Senator McRae, and I will deal with that question. I can say now it is over a million.

Hon. Mr. BUCHANAN: Mr. Elliott, on that last discussed item of 1945 budget, you placed the effective date for operation as the 1st of January. Are not deductions being made at the new rate now??

Hon. Mr. HAYDEN: Yes.

Mr. ELLIOTT: I was speaking of the table of tax deductions No. 3 that goes to the 1st of January; you are still on table No. 2, which will continue up to the end of this year, with the modification that when the House of Commons tables that order in council for the 16 per cent relief—

Hon. Mr. HAIG: It is from the middle of October.

Mr. ELLIOTT: Yes, but that is only relief from the existing table of tax deductions. I am saying that on the 1st of January the new table of tax deductions will come into force, and we have to get the material ready to be on time. We have to get it a little earlier because there is going to be a little confusion about the co-relation of family allowance recoveries and the table of tax deductions. You have to get the pay-roll clerks and acquaint them with the requirements of new forms.

Hon. Mr. HAIG: Mr. Chairman, I suggest we adjourn.

The CHAIRMAN: Is this a good time to adjourn, Mr. Elliott?

Mr. ELLIOTT: Yes, I think so.

Hon. Mr. VIEN: May I ask just one question? In respect of that deduction and modification in the resolution now before the House, instead of saying that the tax payable next year will be reduced by 16 per cent, would it not have been more simple and more easily understood and calculated to have said the tax next year will be a certain percentage of your revenue? It would have overcome the difficulty of calculating the amount of the present schedule of taxation, then deducting 4 per cent or 16 per cent. Would it not have simplified the procedure to have simply said the tax was so much, and the tax now will be so much?

Mr. ELLIOTT: Well to do that, Senator Vien, you have to set up a whole new structure to say that the tax will be so much; it involves setting up a new graduated rate of taxation. Under those circumstances, we would have to revamp substantial sections of our existing law.

Hon. Mr. VIEN: The taxpayer must make certain calculations for himself.

Mr. ELLIOTT: I will answer the question in three ways. First, to follow your suggestion would have required a major operation on the provisions of the present schedule of rates in the existing law. For reasons which I will not go into it was deemed unwise in the national interest to do that. The next question is how to give the taxpayer some relief. It was finally decided to calculate the tax and then take off 4 per cent for 1945 and 16 per cent, for 1946, and—

Hon. Mr. HAIG: Mr. Chairman, I move we adjourn.

Mr. ELLIOTT: I think I should stop there.

Hon. Mr. HAIG: Pardon me, I thought you were through.

Hon. Mr. CAMPBELL: I move that we adjourn until Tuesday morning at 10.30.

The committee adjourned until Tuesday, November 20th, at 10.30 a.m.



1945

THE SENATE OF CANADA



PROCEEDINGS

of the

SPECIAL COMMITTEE

Appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

No. 3

TUESDAY, 20th NOVEMBER, 1945

The Honourable W. D. EULER, P.C.
Chairman

WITNESS:

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation.

EXHIBITS:

7. Memorandum to Inspectors of Income Tax re Discretionary Powers of the Minister.
8. Succession Duty Statistics.
9. Four Charts, as follows:—
 - (a) Organization Chart, Head Office, Department of National Revenue, Taxation Division;
 - (b) Synopsis of Duties of Positions referred to in the Organization Chart;
 - (c) Organization Chart of a Typical District Office, Department of National Revenue, Taxation Division;
 - (d) Description of Income Tax Districts.
(These Charts not printed)
10. Memorandum prepared by the office of the Inspector of Income Tax at Montreal, 9th November, 1945, intituled: "John Doe a taxpayer and his company." (Not printed)

ORDER OF REFERENCE

(Extracts from Minutes of Proceedings of the Senate for October 24, 1945)

That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon;

(2) That the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud, Robertson, Sinclair and Vien;

(3) That the said Committee shall have authority to send for persons, papers and records.

ATTEST:

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, 20th November, 1945.

Pursuant to adjournment and notice the Special Committee appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 10.30 a.m.

Present:—The Honourable W. D. Euler, P.C., Chairman, and the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Farris, Haig, Hayden, Lambert, Léger, McRae, Robertson, Sinclair and Vien—16.

In attendance:

The Official Reporters of the Senate.

Mr. J. P. MacNeill, Law Clerk and Parliamentary Counsel of the Senate.

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation, was recalled.

The following Exhibit was fyled:

7. Memorandum to Inspectors of Income Tax *re* Descretionary Powers of the Minister.

At 1 p.m., the Committee adjourned until 8 p.m., this day.

At 8 p.m., the Committee resumed.

Mr. C. Fraser Elliott, C.M.G., K.C., was recalled.

The following Exhibits were fyled:

8. Succession Duty Statistics.

9. Four Charts, as follows:—

- (a) Organization Chart, Head Office, Department of National Revenue, Taxation Division;
- (b) Synopsis of Duties of Positions referred to in the Organization Chart;
- (c) Organization Chart of a Typical District Office, Department of National Revenue, Taxation Division;
- (d) Description of Income Tax Districts. (These Charts not printed)

10. Memorandum prepared by the office of the Inspector of Income Tax at Montreal, 9th November, 1945, intituled: "John Doe a taxpayer and his new company." (Not printed)

On Motion, it was ordered that the name of the Honourable Senator Bench be added to the list of members composing the Steering Committee on Agenda.

At 9.15 p.m., the Committee adjourned until 8 p.m., Wednesday, 21st November, instant.

ATTEST:

R. LAROSE,

Clerk of the Committee.

THE HISTORY OF THE

REIGN OF KING CHARLES THE FIRST

IN WHICH IS CONTAINED THE LIFE AND DEATH OF THAT GREAT MARTYR

AND THE HISTORY OF THE PARLIAMENTS AND PARLIAMENTARY COURTS

IN THE REIGN OF KING CHARLES THE FIRST

BY JOHN BURNET

IN TWO VOLUMES

THE SECOND VOLUME

IN WHICH IS CONTAINED THE HISTORY OF THE

REIGN OF KING CHARLES THE FIRST

IN WHICH IS CONTAINED THE LIFE AND DEATH OF THAT GREAT MARTYR

AND THE HISTORY OF THE PARLIAMENTS AND PARLIAMENTARY COURTS

MINUTES OF EVIDENCE

THE SENATE

TUESDAY, November 20, 1945.

The Special Committee of the Senate to consider the Provisions and Workings of the Income War Tax Act, etc., resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, please come to order. I think at the outset I should congratulate those who are responsible for getting out the printed reports of the proceedings of last Wednesday. I think they have done very well and I hope in the future they will get the proceedings out as soon as possible.

There was a notice of motion by Senator Vien with regard to enlarging the powers of the Committee.

Hon. Mr. HAIG: I do not think you need deal with that this morning.

The CHAIRMAN: It has to go to the House as soon as possible. However, the honourable senator will probably be in a little later and if there is nothing else to be considered now, we will proceed with the evidence of Mr. Elliott.

Mr. ELLIOTT: Mr. Chairman, honourable senators, I think the last subject matter with which I dealt was the deduction at the source. After giving certain data in respect of that law, telling you how it worked and some of the difficulties we had, and the manner in which we overcame them, the next subject that follows out of that is the number of refunds occasioned.

The refunds that are occasioned by persons paying their tax and overpaying it by their own hand, is so small that it is not worthy of mention at this time. The question of refunds has become one of the major factors in the administration of the income tax laws. It is of course desirable to take from the taxpayer always less than he has to pay, but by reason of the deduction at the source being based on the 95 per cent of the total tax payable, it is inevitable that over deductions will result in a substantial number of cases. For instance, if any individual has tax deductions made for a seven-month period and then he dies, there is a refund; or, if he has deductions made as a single person and then marries in the latter part of the year, he is taxed as if he were married for the whole year, and there has been an over deduction in a case such as that.

Hon. Mr. LEGER: In those cases you calculate the tax for the whole year instead of a fraction of the year as a single man and the balance as a married man.

Mr. ELLIOTT: That is right, we calculate the tax as if the man had been married all year. If for nine months he was single then he is deducted at the source at the rate applicable to a single person; and he is married in the tenth month, he is regarded for tax purposes as if he had been married the whole year. However the mechanics of these deductions at the source operated for nine months as if he had been single.

The CHAIRMAN: Do they operate in reverse, that is to say if a married man becomes single or becomes a widower?

Mr. ELLIOTT: That is correct, if he were a married man for two months and became a widower, there would be an adjustment of the mechanics at the source, because he would be obliged to fill in a new form with his employer.

The CHAIRMAN: Do you regard him as a single man for the whole year?

Mr. ELLIOTT: No, he is married for the whole year. I am incorrect in that previous statement. He is married for the whole year and the tax is taken off as if he were married for the whole year.

Hon. Mr. HAIG: But the reverse is true in cases of children who become over eighteen or twenty-one or whatever the age is.

Hon. Mr. ASELTINE: No.

Mr. ELLIOTT: No, there are three instances: single, married and children. If you are married at any time in the year you are regarded as married for the whole year. If you become single after having been married, you are still regarded as married for the whole year. If you have a child born at any time during the year the child is deemed to have been born for the whole year.

Hon. Mr. HAIG: But if the child becomes over age—

Mr. ELLIOTT: If the child becomes over age during the currency of the year, because he was under age during part of the year, he is regarded as being dependent for the whole year.

Hon. Mr. HAIG: I thought it was deducted on the 31st of December.

Mr. ELLIOTT: If you have a dependent child, the law says you are entitled to deduction. I think where you get your idea, is on the form we ask what is the age of the child at December 31. We want some place to tie up the information about that child.

Some of the circumstances that cause refunds are as follows: births, deaths, marriages, temporary employment, casual or seasonal employment, transfers into the armed forces, 7 per cent deduction from dividends or interest paid to persons not taxable, claims for partial support of dependents, unusual medical expenses and donations, substantial fluctuations in earnings when the employee hovers above and below the exemption level. Over-deductions caused by the several features amount in number to about one million a year, and they have been running at that level for the last year.

Hon. Mr. HAYDEN: You mean a million dollars?

Mr. ELLIOTT: No, a million in number—a million refunds a year.

We have no appreciable backlog of refunds payable. We are very substantially on a current basis. In fact, I would strengthen that to say that to all intents and purposes we are on a current basis as regards refunds.

The CHAIRMAN: Could you give the amount of the refunds?

Mr. ELLIOTT: That is the amount I gave the other day—

Hon. Mr. HAIG: About \$30,000,000?

Mr. ELLIOTT: About \$40,000,000.

Hon. Mr. CAMPBELL: Mr. Elliott, are refunds made on the basis of returns at the end of the year, or do applications have to be made specifically for refunds?

Mr. ELLIOTT: I am about to comment on that point now. It must be remembered that a current basis means that the refunds must be made the year after the income is earned, and that means within twelve months after the filing of the returns. The public may not call this current, but nothing else could be done having regard to the nature of the facts in the problem.

I will go over that again: a deduction is made during the currency of the year. His employer having deducted that money, sent it to us with a statement of all his employees. We have then to break down the lump sum that we get from him, segregate the income tax return for this particular employee, check that he was an employee of that employer, that the employer did deduct the money, and that the employer did send the money to us. If there is a refund due him, we make the refund after he has filed his return. His returns are due on or before the 30th of April in the year following the earning of

the income. We get probably 2,500,000 or more returns about April 30, and we have to go through them and check those that apparently have refunds due by their own declaration against the moneys received from the employer as deductions.

The money was collected sometime during the currency of the year in which it was earned. When we say we are on a current basis, the public might not agree that it is current to wait a year before getting the money back. There is no other feasible way of doing it under the present system. It is necessary to wait until we get a declaration of income on an Income Tax Return to find out if he is taxable or not taxable, if he is entitled to a refund or not; and having ascertained those facts, to make sure that we have received the money either by tax deduction at the source or by personal payment.

HON. MR. ASELTINE: Does that create a hardship for small wage earners who are employed seasonally?

MR. ELLIOTT: I would say to some degree that is so.

HON. MR. HAYDEN: Is there not some provision—

MR. ELLIOTT: I described those provisions the other day, the schemes that we have for helping out casual or seasonal employees.

HON. MR. HAIG: You exempted certain people.

MR. ELLIOTT: Yes, and I went into that the other day. If a small wage earner has an amount deducted, in relation to his small income, it certainly does create some hardship.

HON. MR. ASELTINE: In Saskatchewan we have many cases of that kind, where persons worked part time for a farmer; quite a large deduction is made by the farmer, and the wage earner must wait a year before he can get that money back.

MR. ELLIOTT: That is one of the unfortunate circumstances in having people paying high rates of tax on the pay-as-you-earn plan.

HON. MR. CRERAR: Is there much difficulty or does it involve much work in making the checks of these particular accounts?

MR. ELLIOTT: It certainly does involve a great amount of work.

HON. MR. CRERAR: Supposing a man works for one employer for four months and then he goes on to another employer for four months at the same wages of perhaps \$155 to \$200 a month and being taxed as a single man. He may work for three or four employers during the year. Do you have to gather all that information finally into one account?

MR. ELLIOTT: That is right. I will explain that in a little more detail. John Doe worked in Toronto for a month, decides to go say to Vancouver and work another four months and then comes to Halifax to work for the balance of the year. I could put in a few more moves, but we have moved him often enough; he has moved into all parts of Canada. Each employer in each respective territory mentioned has to deduct according to the table of tax deductions; he has to remit to the Inspector in the district in which the employer resides; at the end of the year that same employer has to give a statement to the Inspector of that district stating that he had John Doe working for him, he deducted so much money from him and he earned so much for the three months period he was there. That is what is known as our T-4 slip. They are very small slips, that would fit in my fingers and are about an inch and a quarter high and seven or eight inches long. Those slips are extremely important; they are worth money to the employee.

Each one of the employers in the district has to send in this T-4 slip to the Inspector. Then those slips have to be gathered in that district in which the

employee was last employed. From my example, he was in Halifax. Vancouver and Toronto have to send their T-4 slips down to the district of Halifax. Those slips are all gathered and put into the individual return he filed at Halifax.

Hon. Mr. CHERAR: How do the officials in Vancouver know to send the slip to Halifax?

Mr. ELLIOTT: It is generally indicated by the individual himself because in making his declaration of income he has to state the various employers he has had in order to get his credit. Then when the Inspector in Halifax observes that there are employers in Vancouver and Toronto, he then notifies them to send their slips to Halifax.

Hon. Mr. LEGER: Just for curiosity: you keep an index card for each individual taxpayer?

Mr. ELLIOTT: Oh, yes. That is called our tax roll.

Hon. Mr. VIEN: If it happens that the employer has neglected to send a slip, and the poor devil back there does not keep books, does not keep track of what has been deducted from his pay—?

Mr. ELLIOTT: Well, as I said the other day, the employer not only sends the slip but he also sends the money, and I stated that we collected 99.99 per cent of the money. Then, when the employer sends in his money at the end of the year he has to have a summary of all the money he sent us on the top page, and behind that he has all these T.4 slips, and the addition of all these T.4 slips must equal the summary he has put on top of the statement and must equal the cash we have received during the currency of the year from that same employer.

Hon. Mr. VIEN: You have a double check on that?

Mr. ELLIOTT: Yes. We also have the final check that the employee knows the money has gone and if he does not get justice he lets you know.

Hon. Mr. CAMPBELL: These refunds apply chiefly to the low salary groups?

Mr. ELLIOTT: No, I do not think so; they apply all the way up the scale. The committee will also be interested to know that the refunds are almost equally divided between taxable and non-taxable persons. That also answers your question, senator. One would expect every endeavour to be made, and it is made, to keep these refunds at a minimum, but even though the deductions at the source were reduced by some appreciable percentage, there would still be over deduction arising out of the incidents set out above. The committee no doubt will give this careful consideration, and we shall be happy indeed to have the assistance and services of the committee in bettering or solving the difficulties in this deduction at the source.

You will appreciate that these refunds are not occasioned by any action taken by the officers of the Taxation Division. They are occasioned by the necessity of following the authorized table of tax deductions in the hands of the employer, and the money can only be returned after a statement of income on form T.1 has been lodged with the Inspector and the income and tax deducted at the source have been verified.

There are of course other refunds, namely, where taxpayers themselves have overpaid the tax. They are not a major feature as compared to the refunds occasioned by deduction at the source, which is a major operation.

I think that runs out deduction at the source and the refunds occasioned by that system. Now, if I may, Mr. Chairman, and honourable senators, I should like to go to the next subject, namely, the assessment of individual and corporation returns during the war. This is an important subject. This committee, no doubt, is anxious to know what the position of assessing is in the Taxation Division. Are we up to date, and if not how far behind are we?

In answering that question I should like at the outset to make a few general statements. Assessments, of course, fall into two groups: one, assessment of individuals, and two, assessment of corporations. These assessments are made (a) under the general income tax law, and (b) under the excess profits tax law. Now, I have pointed out to the committee some of our previous difficulties pertaining to space, which was a very real difficulty.

As to the problem of personnel, particularly the problem relating to accountants, business has drawn to higher pay fields since January, 1940, some 141 of our professionally qualified assessors, and 137 departmentally trained assessors, which means that we lost a total of our assessors of 278.

Hon. Mr. BENCH: In what period?

Mr. ELLIOTT: During the war. The new men we were able to secure were in the main untrained in the incidents of the law, either in income tax or excess profits tax. Therefore their number does not replace, in the sense of accomplishing work, the equivalent number of trained employees. However, we managed to secure 127 professionally qualified accountants, and we pressed into service 1,021 other persons, not professionally qualified. These were drawn partly from our own ranks and partly new employees, but they were without degrees. The position with respect to the employment of assessors, whether professionally qualified or not, I should like to give in detail, and it is as follows: As of November 10, 1945, this month. Assessors employed prior to January, 1940, were 385; appointed since that date, 1,148. That is a total of 1,533. From that total, however, there are resignations since January, 1940, of 278, so that there are presently employed 1,255 assessors.

Hon. Mr. CAMPBELL: What were they paid, Mr. Elliott?

Mr. ELLIOTT: They ranged, by grades established by the appropriate Government authority, from grade 1, which I think is \$2,100, and it goes up to \$2,400; and then you get into another grade, \$2,400 to \$2,880. I am speaking by memory. And finally we get up to the top grade, 5, which I think is \$3,720 to \$4,140.

Hon. Mr. LEGER: Do they form part of the Civil Service employees?

Mr. ELLIOTT: All Government employees are civil servants. But I think your question is, do they come under the Civil Service Commission.

Hon. Mr. LEGER: That is what I mean.

Mr. ELLIOTT: No, we are not under the Civil Service Commission.

Hon. Mr. VIEN: But they have supernannuation?

Mr. ELLIOTT: They have superannuation rights the same as any other civil servant.

Hon. Mr. BUCHANAN: You say "the appropriate authority". Who is the authority who fixes the salaries in your Department?

Mr. ELLIOTT: Well, these grades that I have outlined are discussed, and finally Treasury Board has to pass upon them, and they are approved by the Government in that sense. Technically the income tax law provides that the Minister shall have the control and the management of this law and of all matters incident thereto, including the appointment of personnel, and that implies the gradings and salaries of that same personnel.

The CHAIRMAN: Has the Civil Service Commission anything whatever to do with the appointment of your employees?

Mr. ELLIOTT: No, nothing at all, other than when the estimates are brought down you will find an item "Income Tax" and the words therein contained go somewhat like this, "Appointments to be made without reference to the Civil Service Commission" or "the Civil Service Act". That is the real statutory authority contained in the Appropriation Bill.

Hon. Mr. HAYDEN: Have you attempted any reclassification of these grades and salary series that have been refused approval?

Mr. ELLIOTT: We have attempted that.

Hon. Mr. HAYDEN: I mean, in the last five years have they been refused approval?

Mr. ELLIOTT: Yes. We are losing professionals so speedily that I felt we must try and do something, and it is not easy to change gradings in the Government, because while we are not under the Civil Service Commission, we have a relativity to them that is very real, and when we bring up a change to the Treasury Board it is their duty, I take it, to see that we do not get out of line with other people in other departments of the Government. So I established what I might term a professional grade, and I said, any employee that comes into our Division with a degree certifying, of course, that he has had a proper education, is qualified to do this kind of work, then instead of having him move up a small range of salary in Grade 1 and have him stuck there for a long time until there is an opening in Grade 2 by somebody leaving,—I said, let us wipe all that out; let us start a man that comes in as professionally qualified and put him straight up to, I think, \$3,400 or \$3,200 or something, so that every year he would get his increase straight on up without having these stops and stays occasioned by grades. That was very useful, and, I think, saved a lot of our employees from leaving us on account of that. That is one attempt at trying to do something for substantially alike men doing like work.

The CHAIRMAN: That would be the only way you could increase their salaries during the war, would it not?

Mr. ELLIOTT: That is right. That is the only way you could increase it, by having a grade attached to it so it could go up \$120 a year. That is so.

Hon. Mr. HAYDEN: Would it not be practicable to establish a professional grade of your own based on your experience of these men?

Mr. ELLIOTT: Of course we would be happy to do that, but there are a lot of stops and stays in other parts of the Government when you start to present your case. These all have to go through Treasury Board, and Treasury Board has to endeavour to keep the situation substantially equal as between various departments of the Government. I have often thought how much I would like to run my business as I see it, and if I fail at it that is my responsibility, and then I suppose I quit; but you cannot run any part of the Government just as you would run your own business, because there is that relativity that must be maintained, because it is Government, between the various branches and activities.

Hon. Mr. HAYDEN: That would not apply though to giving a professional qualification to the person who satisfies your requirements?

Mr. ELLIOTT: I am most anxious to do that, but if I gave professional qualifications—accepting the suggestion—there are like persons with like qualifications in many other branches of Government, to wit, cost accounting for M. and S., controls in Finance, and a number of others that do not come to my mind readily. There are a great many accountants in various parts of the Government. Now, whether their work in the result is as important to the Government as the work of our professionally qualified accountants I have grave doubt. I have no doubt it is just as intricate, but when I told you the other day we added to the income tax returns of individuals and corporations some \$38,000,000, you can measure the value of these men. If you were in private practice you would not overlook that item.

The CHAIRMAN: You said that you tried to adapt your classifications—if you like—and remuneration pretty much to those that are under the Civil Service Commission.

Mr. ELLIOTT: No, we do not adapt it. They adapt us to them.

The CHAIRMAN: All right. Then I come on to this question. Do you have examinations for contemplated employees the same as they have in the Civil Service, the regular Civil Service under the Commission?

Mr. ELLIOTT: No.

The CHAIRMAN: No examination?

Mr. ELLIOTT: No examination. Well, when I say "no examination", it is like anybody who comes to your business and wants a job, you examine him, in one sense.

The CHAIRMAN: But no written examination?

Mr. ELLIOTT: No, no written examination, no.

Hon. Mr. HAYDEN: But for promotion: if you have a man in your employ who has not a degree when he comes in, and he remains four or five years, and you are satisfied he has all the training that a professional man has, have you not some way of putting the hall-mark on him and saying, "You are a professional man"?

Mr. ELLIOTT: The work puts the hall-mark on him, but your suggestion that we set an examination for him after he has been with us two or three years—

Hon. Mr. HAYDEN: That may be the only way you could give him professional grade.

Mr. ELLIOTT: You know the quality and quantity of his work.

Hon. Mr. HAYDEN: But to get by the Treasury Board?

Mr. ELLIOTT: I have no desire to get by the Treasury Board. I wish to work with them.

Hon. Mr. HAYDEN: Well, to get it through.

Mr. ELLIOTT: I do not want to get by the board.

Hon. Mr. LEGER: Are the majority of your employees young or middle-aged or old?

Mr. ELLIOTT: That is a very difficult question.

The CHAIRMAN: Remember there are a lot of ladies employed!

Mr. ELLIOTT: We started in 1917, and we were very small, and being new we were also very young, both in starting the work and in personnel employed. I remember, probably at the time of Senator Euler's regime, a little bit before, we took a trip across Canada and went into customs and excise and income tax, and it was striking that in customs and excise they were old, the personnel had been there many years and had long service; but when you went next door to the income tax they were young, new and fresh. That was so for many years, but we were not very big relatively before the war, as compared with what we are now. So we had a small personnel. That was in a small era or a small age. But when we, in the war, came from 1,000 up to nearly 7,000, we are now young again by bringing in a lot of new young people, and we will be young for about another twenty years, and then we will fall back into the turning-over which is very evident in customs and excise and other long established Departments.

Hon. Mr. CRERAR: How many of these promotions will be on the recommendation of the man superior to the clerk?

Mr. ELLIOTT: That is the way it is done.

Hon. Mr. CRERAR: I am not going to ask your opinion of the methods of assessing the value and salary of these employees, because I think there is a weakness there in Government administration, or so it has always seemed to

me, that we might perhaps discuss before this committee is over, but not at the moment. I should like to ask two or three questions. You have now 1,533 assessors less 278 you have lost since January 1st?

Mr. ELLIOTT: That is correct.

Hon. Mr. CRERAR: And these are practically all in one category?

Mr. ELLIOTT: Well, they are called assessors, that is they are employed on income tax returns of individuals and corporations, but they fall into the categories of professional men and skilled assessors.

Hon. Mr. CRERAR: The mere fact that a man has a degree and can write some letters after his name is not necessarily an evidence of his competency.

Mr. ELLIOTT: Not necessarily, but when you deal in great numbers—I put this to you in question form so that I might answer it—if the Income Tax were completely manned by chartered accountants, versus being completely manned by persons who never had tried the chartered accountants' examinations, which would run the business the better? Which would do the better job?

Hon. Mr. CRERAR: Why, the first. There is no doubt about that.

Mr. ELLIOTT: There is no doubt about that. To the degree that you weaken the chartered accountants by infiltration of some who are not professionally qualified—I do not go to the extent of saying that a man who has not a degree is not good, but I say that if you look at this thing in the larger view, that a group of qualified professional persons who have taken the necessary qualifications, have demonstrated that they can pass these examinations, who are under a form of discipline during that time, and have grown in stature—those are the men who should man the Income Tax Division, in my judgment; and if you had a thousand of them you would have a wonderful organization, as compared to a thousand who, no matter how much native ability they have, have nevertheless not got that background of orderly thinking and orderly preparation and a broad understanding, and have not had a chance to get it. They have got to pick it up as they come in with us and work with us, and in a sense they learn as they go.

Hon. Mr. LAMBERT: Do your assessors include many women?

Mr. ELLIOTT: I think only two of our senior assessors are women.

Hon. Mr. LAMBERT: In the local office I have noticed women who seem to be acting as assessors.

Mr. ELLIOTT: I was going to say there were none, but that answer would not have been correct. We have two professionally qualified women assessors one in Toronto and one in Ottawa. We have a goodly number of women doing assessing of the simple T-1 returns, what we call the T-1 Specials covering incomes of \$3,000 and under. We were badly stuck in Vancouver and the Inspector there managed to get some university girls and brought them in, quite a crowd of them, and they did splendid work.

The CHAIRMAN: Do they get the same as the men?

Mr. ELLIOTT: No. Most of these women are in clerical grades.

Hon. Mr. VIEN: In the district of Montreal I have heard many complaints with regard to clerks who are discharging the functions of a certain category of accountant, for instance, that of assessor, although they are not so styled in your setup. For twelve or fifteen or eighteen months they have been discharging this function without receiving any promotion in their style or pay. I appreciate that it is extremely difficult in a large district like Montreal or Toronto for the inspector to remove all such anomalies. Another anomaly complained of is that a young lady comes in and is appointed to discharge a particular function. She may be placed in Grade I or Grade II, as the case may be. Then a new-

comer is appointed to discharge the same function but is placed in a higher grade. I am not complaining but simply pointing out these anomalies that we hear complained of on the street.

Mr. ELLIOTT: Well, Senator, I think some of these complaints would be founded on fact. We have had a great upswing in business, which I have explained to you, and in the number of returns to deal with. We are allotted a certain number of people in the various grades, running from Grade I clerk up to Grade IV clerk, and from Grade I assessor up to certain higher grade assessors. Now sometimes the work in the clerk gradings can be left for the moment and better results can be obtained if you take some Grade IV clerks and put them on assessing. You can say to them: "I know you are Grade IV clerks, but never mind that just now. We are in a condition of emergency and we want you to do some assessing." So we put them on the work of assessing minor returns. In that way Grade IV clerks do assessing without being called assessors.

Hon. Mr. VIEN: And they do that for six or ten or twelve months without being styled assessors?

Mr. ELLIOTT: Perhaps so, unless you go to the Treasury Board and get your whole grading changed.

Hon. Mr. VIEN: Why should it be necessary to change the grading?

Mr. ELLIOTT: We would have to be authorized before we could appoint more than the number of assessors established for any grade.

Hon. Mr. VIEN: But suppose an assessor drops out or the work increases. Then you take a Grade IV clerk and put him on as a temporary assessor. If he is put on as an assessor for six or eight months or a year, would it not be in order to appoint him as an assessor?

Mr. ELLIOTT: You added a new feature to your question; you said "if an assessor drops out," that is a Grade I assessor. Well, we did not have any drop out. If a Grade I assessor drops out, then of course we can promote a Grade IV clerk.

Hon. Mr. VIEN: Some clerks contend that they have been promoted in fact without being promoted in style or salary.

Mr. ELLIOTT: That happens because of the emergency that I outlined, but if an assessor's position becomes vacant a promotion is made.

Hon. Mr. VIEN: Not always.

Mr. ELLIOTT: We cannot promote while the number of Grade I assessors is as large as is authorized. While that condition lasts we can only say to the Grade IV Clerk, "Please do the work in the higher grade, although we cannot give you the position."

Hon. Mr. VIEN: Would it not be advisable to relieve the inspector of much of the reclassification work? In a large district it must be quite difficult for an inspector to carry out his own particular work and also look after a very large staff. Would it not be advisable for a commission of two or three officials in the Department to look after the classification in any office where the staff numbers one hundred or more?

Mr. ELLIOTT: Our organization, like all big business organizations, is already broken down into subdivisions. The inspector has his reports from the men who are actually in charge of the personnel, and those who are immediately in charge of a large number of personnel in turn have their sub officers. Whether you put in a commission or not there must be an orderly chain running from the head of the department to the head office and eventually up to the Minister, and from the Minister to Parliament. When I give you the chart you will find we have our personnel man who is in charge of these things. As in any well-

organized business, our organization is broken down into proper subdivisions, so that each subdivision becomes an easily comprehensible and easily workable unit.

Hon. Mr. BENCH: As to the point raised by Senator Vien, that Grade IV clerks are doing assessing, does it not get down to this, that the quota of assessors that has been authorized by the Treasury Board is not sufficient?

Mr. ELLIOTT: Well, no, it is not quite that, because in the higher grades we have authorization for a large number of assessors that we cannot get. We have authorization for four hundred that we should like to get but are unable to get. The people who do the really important work are not down in the grades that we have been talking about, the grades that look after the T-1 specials which are filed by people whose income is simply salary. The assessing of those comes close to being clerical, although technically it is known as assessing. I would not put professional men on that kind of work, for that would be a waste of a very valuable mental asset. When I talk about assessors I mean those who deal with returns that are more or less intricate. As you know, the returns from some of the big corporations are really intricate.

The CHAIRMAN: Gentlemen, as I said the other day, while it is desirable to let Mr. Elliott make his statement without interference, I know that members like to ask questions as they come to mind. But would it not be better if Mr. Elliott were permitted to complete his statement, and if members made notes of the questions that they desire to ask, with the understanding that these may be brought up when Mr. Elliott finishes. I do not desire to restrict members too much, but I am afraid that if we intervene at any moment that a question occurs to us we shall get more or less at sixes-and-sevens. I am entirely at the disposal of the Committee in this matter.

Hon. Mr. HAIG: Mr. Chairman, I submit that a ruling should be made one way or the other, so that some members will not be permitted to ask questions while others of us are.

The CHAIRMAN: What is the view of the Committee? Is it your view that Mr. Elliott should be permitted to continue making his statement without interruption, or that members should ask questions whenever they wish? All in favour of having Mr. Elliott's statement made without interruption, please show your hands.

Now, all opposed, please raise your hands. There is only one opposed. I am afraid you are in a minority, Senator Léger.

Hon. Mr. LEGER: I just wanted to put one question.

The CHAIRMAN: No, I have to rule that you cannot do that, Senator, in view of the way the Committee has just voted.

Hon. Mr. HAIG: Are you going to hold us down to that ruling, Mr. Chairman? Certain members of the Committee have been pretty persistent in asking question, while the rest of us have sat back. Our time is limited and I feel sure there will not be another meeting of the Committee this week, unless it is at night. We have engagements all day Wednesday and Thursday. Of course, if the Committee wants to sit on Friday and Saturday that will be all right for me; I should like to see Toronto and Montreal members stay here and suffer with the rest of us for a time. I will certainly protest if, within ten minutes from now, some member is permitted to ask questions; but I am quite agreeable if you are going to hold us all down to your ruling.

The CHAIRMAN: It is quite easy for me to be specific on that point. The Committee has voted by an overwhelming majority, with only one opposed, that Mr. Elliott should be allowed to go ahead without interruption. So far as I am concerned, he is going ahead without any interruption whatever.

Mr. ELLIOTT: Well, Mr. Chairman and honourable senators, I gave you the last figure of the number of assessors presently employed, namely, 1,255. Of these, the assessors with degrees are 330. This number is broken down into those employed prior to January, 1940, being 203, and those appointed since that date being 127. Since January 1940 there have been 141 resignations, so the number presently employed is 189, and of these 38 have had less than two years' service. The average stay of the 141 assessors with degrees who resigned since January, 1940 was 3.9 years. I am suggesting by that comment that ours is a very good training ground for professional activity in the accounting world. After accountants have been with us for a while and learned our rules and regulations, and had the privilege of surveying many different kinds of corporate statements and thereby increasing their knowledge in a very broad way, they leave and go out to become advisors to taxpayers instead of remaining as assessors of taxpayers.

The assessing staff increased by 226 per cent. That is the increase in the professional and non-professional assessors. The assessors with professional degrees decreased by 7 per cent.

Perhaps we did not get the best skill available because we could not pay the salaries and we had to take what we could get and were glad to get them.

Then it is to be remembered that we were also dealing with an entirely new law, that is, the Excess Profits Tax Act, in respect of which no one in Canada at any time prior to this war had had any experience. Not only was there present the difficulty of training our own staff, both old and new, but there was also the necessary delay in giving public accountants outside the Department and corporate management an opportunity in point of time to understand the law themselves.

In this comment I refer particularly to the Excess Profits Tax Act and all its intricacies and difficulties, as well as the fact that the law required public accountants and corporate management to refer back to the years 1936-7-8-9 and establish the relationship between those pre-war periods with their activities during the war; in other words, find their standard profits in order to measure their war excess profits.

Many had no Standard Profit, because they were in deficit, that is, depressed, and many more were not in existence in those years. All these cases required statements to be prepared with special reference to the capital employed, and as well knowledge had to be gained where possible of the profits of other businesses in like activities.

Heretofore in income tax matters periods of loss were regarded as a closed book, but when Excess Profits Taxes were based on earnings of 1936 to 1939, years of loss had to be scrutinized retroactively because of their now importance. This brought into activity thousands of returns which we heretofore had regarded as closed.

Then again depreciation schedules had to be established or brought up to date, and there were re-organizations to survey, all of which became suddenly of great importance in establishing capital employed.

Therefore the files of 1936 to 1939 suddenly became active and were a major factor in determining Standard Profits, and the liability under the Excess Profits Tax, and the whole field of accounting from 1936 up to the period under assessment had to be brought under review. But this is not all, because as a fact the records of the company for many years prior to 1936 had to be surveyed. Professional Accountants will concur in this statement.

In short, nothing could be done on income tax assessments until the law and the facts relating to the Excess Profits Tax had been understood and the required data for back years and current years compiled, to find out what the liability would be under that Act. In short, it required actually a survey of the history of the companies concerned.

Any business man will tell you that it is not an easy problem to determine what the capital employed in a business may have been or is, and this was an entirely new feature in war taxation that had to be considered and developed.

You will observe therefore that we had problems of personnel, problems of space, problems of interpretation, problems of establishment of past historical facts, all under an increased volume of work—higher by 500% in returns alone than it had ever been before.

You cannot pass an operative law in 1940 which becomes operative in effect two years afterwards and which specifically refers back six years, to 1936, and inherently to many years prior to that, and expect to be up to date three years afterwards.

Now the Excess Profits Tax Act was enacted in the first instance in September, 1939, but the Act, as then put on the Statute books, really constituted notice that there would be an Excess Profits Tax Law, and it was repealed a year later, that is, in August, 1940. In its place was enacted the present Excess Profits Tax Act.

Now to place such an intricate Act on the Statute books in August, 1940, does not mean that it operates at once. While the Department issued its forms, together with an explanatory brochure, within two months, it was three months before the Board of Referees was appointed.

This important body necessarily had to acquaint itself with the law under which it was to operate, and likewise public accountants and corporate management had to be informed of the functions of the Board and how claims before it should be made up. This Board was to decide future rights of taxpayers in matters of extreme weight. It would determine the Standard Profits above which the profits would be taxed, 75 per cent to 100 per cent. So that since the beginning of the war that was a very important body. In point of fact, they had their first meeting in September, 1941, two years after the commencement of the war.

This statement is most indicative, for it shows that from September, 1939, there was the repeal of the first Excess Profits Tax Act, there was the enactment of a second E.P.T. Act, and absolutely nothing having been done under the first Act; there was the period of intense examination by the Department, the Board of Referees and the public as to the requirements of the law in the second year.

Here was a delay that was an initial handicap to the Department and to the public. This delay was not alone applicable to those who wanted Standard Profits claims determined; it was applicable to all companies liable to Excess Profits Tax, and practically all companies were liable.

As indicative of the necessary delays, by the 1st of January, 1942, the Board had before it 375 cases of which 47 had been heard.

It might be asked whether it was not possible to put more cases before the Board in the period prior to 1st January, 1942. Two answers to the question will be given, although there are more. First, the Board had unfinished work before it then, and had it received more, the recorder statistics would have shown simply more unfinished work on hand; but what is more important, there was a delay granted to corporations for the filing of their returns under this new law, simply because they were not acquainted with the law. They were not acquainted with the law and could not comply with it, and needed more time.

Obviously there would be much adjustment required in these initial claims; that if the public had had no previous experience and even if the company concerned had a factual standard profit, that standard profit had to be adjusted in both the Standard and the Taxation periods by reason of changes, first in the capital employed in the standard period of 1936 to 1939 and in the share capital structure of 1940 and 1941.

This caused a substantial delay. The point I wish to make, and I think I have said enough to make it, is that this Division was substantially two years behind in the beginning. It therefore becomes apparent in regarding to-day's figures that if we show less than a year's work as a backlog we have really made a gain over the initial handicap.

Inquiry has been made from the District Offices as to their position showing corporations which have not been assessed. They advise in respect of returns unassessed for 1942 and prior, the number of companies which have not been assessed for those years is 8,754, of which 4,400 appear to be assessable, and the balance unassessable. For 1943 and prior, which includes the figure I gave for 1942, the number of companies whose returns have not been assessed for those years is 17,552, of which 9,600 appear to be assessable. These figures must be compared with the number of companies that file returns annually, which is approximately 30,000, of which 20,000 usually are assessable.

To repeat, at the present time in respect of 1943 and prior years—1944 is current work—we have very approximately 9,600 assessable corporations covering 17,394 returns and this is less than the number of assessable returns filed annually, so that in number of returns we are not more than one year in arrears.

In 1943 there came into use a form called the T.2 Questionnaire. This was an important working document drawn up with the assistance of the professional accountants.

It threw a lot of additional work on the taxpayer and his advisers but it speeded up the work of reviewing and assessing returns of corporations, and was in fact of great assistance to the taxpayer as it indicated the questions that had to be answered in order that a proper assessment might be made.

Our thanks should be publicly expressed to the accountants for their assistance in the construction of this form as well as for the response to the questions contained on the form, as made by the accounting world and corporate management.

Having regard therefore to the increased skill of both the assessors and the accounting profession and having regard to the fact that professional accountants, now that the war is over, will become more available, and likewise additional space to carry on our work will be provided, it can be readily appreciated that the increase in our assessing will be very marked; and while I would not like to hazard a guess as to when we will be on an even keel without any substantial arrears of work, I can say that it would appear to be within a reasonably short time. It all depends upon the additional staff available and the space procurable to lodge them.

Now there should be introduced here a comment as to the meaning of "assessment". We have a standard of assessing to which all Income Tax assessors are expected to adhere, that is, a close scrutiny of all corporate returns. A relaxation of this scrutiny would lower the standard of assessing, but would speed up the passing of the returns. Carried to the extreme, it would simply mean that we take the return as lodged and say that it is correct, and in that way we could clean up the arrears in a remarkably short space of time, but that would not be performing the duties with which we are charged.

The value of the proper scrutiny may be evidenced by the fact that in the fiscal period ending March, 1945, assessments were increased over the amount declared payable by the taxpayer in his return by \$38,000,000. That is not to state, even impliedly, that the returns were fraudulent because in the vast majority of cases the facts were there on which the increase could have been and necessarily was founded, but there was also in some cases an understatement or a mis-statement of facts as between capital and income charges. This \$38,000,000 was divided as follows: Increased tax on individuals \$23,000,000, increased tax on corporations \$15,000,000. The figures speak for themselves.

It is to be remembered that corporations and their advisers have a very intimate and accurate knowledge of the law and of their own accounts. They have calculated their own liability and paid it. This Division, however, must scrutinize the returns to verify the liability. Speed can be greatly influenced by intensity or otherwise of investigation.

The administration realizes that companies certainly want confirmation of their calculation and their payment, but the point is that the necessities of war have occasioned the situation as it is, and it is one of the drawbacks that they should temporarily bear. Companies meanwhile have a very accurate knowledge of their liability with a few exceptions. One could give direction to the staff and confirm assessments almost at once by saying that all returns filed will be passed on the basis filed. Then it would be a mere administrative matter of recording the results, and issuing the assessment without examination; but here again, this would not be performing the functions for which this Division in part was established.

The corporate taxpayers can be assured that their tax determinations will be speeded up substantially in the near future, as it is apparent that skilled personnel and space is becoming available, although still scarce. There is no doubt that consideration will have to be given to increased remuneration in this field. So much for corporation assessments.

Now may I say a few words on individual assessments.

The CHAIRMAN: Pardon me, Mr. Elliott, but I would judge that at the end of any particular exposition of any branch of your work, it might be proper and feasible to permit questions.

Hon. Mr. HAIG: Mr. Chairman, if you do that, we will be wide open and we will be here—

The CHAIRMAN: No, you will be permitted questions on that particular phase of Mr. Elliott's report, and then we will revert to the other angles of his statement, and then questions may be asked on that subject.

Hon. Mr. CAMPBELL: Mr. Chairman, we have not followed that policy, and I suggest Mr. Elliott be permitted to finish his statement and that we save any questions until that time.

The CHAIRMAN: That is quite all right. I thought you might wish to ask questions on that particular phase of the work. If the Committee wishes, we will go ahead.

Hon. Mr. BUCHANAN: Mr. Chairman, I think your suggestion is a good one, because we have everything in mind.

The CHAIRMAN: Yes. Mr. Elliott has now completed his report on a certain phase of his work and we could ask questions on that particular part. Then he can go on with individual assessments and we will let him finish that and then ask questions again on that phase. However, I am at the disposal of the Committee.

Hon. Mr. CAMPBELL: I think we will keep the record straight if we let Mr. Elliott finish and then put all our questions at one time.

The CHAIRMAN: All right, go ahead.

Mr. ELLIOTT: I am going to give you a few words on individual assessments. I am not going to develop that topic to the degree I did on corporations.

An examination of arrears of individual assessments has been made. I am not going to labour the matter. The fact is that as at the 31st March, 1945, there were 1,651,000 returns still to be dealt with. This is only a little more than one-half the number of returns received annually and therefore shows that we are a little more than one-half a year in arrears in assessing individual returns.

Now I believe this Committee, and perhaps the public so far as it is concerned, might expect a statement of the position of claims before the Board of Referees, under the Excess Profits Tax Act. Since the inception of the Act, 5,400 claims for determination of Standard Profits have been received. Of these, 3,200 have been dealt with, 2,400 by decision of the Board of Referees, and 800 by withdrawal of claims. Of these 2,200 still to be disposed of, it may be said that at least one-third are from companies that were not in existence in the Standard Period.

Many persons, I believe, are under the impression that the Board of Referees is a Board that is dealing with something that is past, and when they have concluded that work, they are finished; that is not so. Claims are still being filed at an average rate of 100 per month, having to do principally with new companies. In fact over 800 have been received in the fiscal period up to this time.

It should be mentioned, however, that the compilation of the work in connection with these cases is largely done in the various District Offices across Canada, before they are placed before the Board. I should not like to leave the impression that the Board has to assemble and set up all the details. It is also to be remembered that the Excess Profits Tax is a short-term war measure which will probably disappear after 1946.

Now I have spoken about the work yet to be done. Perhaps I might conclude with a word on the work that has been done.

It is required of this Division to assess returns in respect of which tax is exigible, or to confirm the fact that no tax liability exists. We have assessed during the past five fiscal years ended March, 1941 to 1945 inclusive, 6,880,424 individual returns, which is 82 per cent of all the returns received in the same periods; while for corporations in the same five year period, we have assessed 126,039 returns, which is 86 per cent of the total returns received in the same period. The fact is that the Taxation Division has been suffering under many handicaps, as I have shown, and which we believe have not been suffered by other organizations to the same extent. We have somewhat fallen behind as might be expected under the circumstances, while maintaining our standard; but having regard to the handicaps, we believe that the Committee will find that we have done a satisfactory job, and no doubt will make appropriate comments in their report.

So much, Mr. Chairman and honourable gentlemen, pertaining to the assessing of corporations and individuals. I am now prepared to go on to another subject if you wish or we can stop and discuss this phase.

The CHAIRMAN: What is the desire of the Committee? I should think it would be an appropriate time to ask some questions before going on to another subject.

Mr. ELLIOTT: The subject I wish to go on with is the delegation and discretion.

Hon. Mr. McRAE: May I ask a question?

The CHAIRMAN: No, I am sorry. Before you came in, Senator McRae, we decided Mr. Elliott was to be permitted to go on with his statement without questioning.

Mr. ELLIOTT: A very important subject in the minds of the public is the delegation of authority to the deputy minister and the exercise of that authority under the provisions of the law, commonly referred to as exercise of discretion or discretionary powers.

The statutory authority contained in Section 75. This will be a dry subject, but I want to have it technically correct. Section 75, subsection 2 of

the Income War Tax Act which is brought into the Excess Profits Tax Act by section 14 thereof reads as follows:—

75(2) The minister may make any regulations deemed necessary for carrying this Act into effect, including regulations designed to facilitate the assessment of tax in cases where the right of taxpayers to deductions or exemptions has varied during any taxation year, and may thereby authorize the Commissioner of Income Tax to exercise such of the powers conferred by this Act upon the Minister, as may, in the opinion of the Minister, be conveniently exercised by the Commissioner of Income Tax.

On August 8, 1940, the then Minister of National Revenue, Colin Gibson, pursuant to the above subsection of section 75, caused to be published at page 852 of the *Canada Gazette* of September 13, 1941, the following:

IN THE MATTER OF THE INCOME WAR TAX ACT AND AMENDMENTS

AND

IN THE MATTER OF THE EXCESS PROFITS TAX ACT

To whom it may concern:

Be it hereby known that under and by virtue of the provisions of the Income War Tax Act, and particularly section 75 thereof, and the provisions of the Excess Profits Tax Act, 1940, and particularly section 14 thereof, that I do hereby authorize the Commissioner of Income Tax to exercise the powers conferred by the said Acts upon me, as fully and effectively as I could do myself, as I am of the opinion that such powers may be the more conveniently exercised by the said Commissioner of Income Tax.

Dated at Ottawa this 8th day of August, A.D. 1940.

COLIN GIBSON (signed)
Minister of National Revenue.

By chapter 24 of the Statutes of 1943-44, assented to July 24, 1943, and made applicable on passing, the Department of National Revenue Act was amended to provide for the appointment by the Governor in Council of a Deputy Minister of National Revenue for Taxation and a Deputy Minister of National Revenue for Customs and Excise. It was also provided that wherever in any statute, regulation, authorization or order, there appears the expression "Commissioner of Income Tax" or "Commissioner of Succession Duties" . . . the said statute, regulation, authorization or order shall be read and construed as if the expression "Deputy Minister of National Revenue for Taxation" were substituted for the expression "Commissioner of Income Tax" or "Commissioner of Succession Duties".

From the above it will be evident

- (1) that the Minister has the authority to delegate certain of his powers to the Commissioner of Income Tax;
- (2) that the powers have been properly delegated to the Commissioner of Income Tax;
- (3) that the Commissioner of Income Tax now means Deputy Minister of National Revenue for Taxation.

Quite apart from the fact of actual delegation, a Deputy Minister of the Department of National Revenue has virtually the same powers conferred upon

him by statute as the Minister has for administration purposes, of course, not for policy and parliamentary purposes.

Section 3, subsection (2) of chapter 24 of the Statutes of 1943-44, assented to July 24, 1943, says:—

3. (2) The Deputy Minister of National Revenue for Taxation shall be the lawful deputy of the Minister, exercising power and authority as if he were deputy minister of a separate department of government charged with the control, regulation, management and supervision of internal taxes including income taxes and succession duties.

Thus the actual delegation by the Minister is more useful as evidence of the scope of the authority than as a substantive document in its own right. In other words, we could get the authority in two ways, but the delegation by the Minister is outward evidence of a factual condition.

The next question is whether the operation of the *maxim delegatus non potest delegare* requires the Deputy Minister, when exercising discretionary

The next question is whether the operation of the *maxim delegatus non potest delegare* requires the Deputy Minister, when exercising discretionary powers in the name of the Minister, to do all the acts himself. The ancillary question is, of course, whether he may engage his subordinate officials in the course of their ordinary duties to prepare the matters for him without violating his delegation or exceeding his authority.

I would like to say a word on the jurisprudence of that question. In this connection the following excerpts from a few English and Canadian cases are helpful.

The first point is the use of subordinates. I quote from the case of *Local Government Board v. Arlidge*, (1915), A.C. 133, Viscount Haldane, L.C. stated:—

The Minister at the head of the Board is directly responsible to Parliament like other Ministers. He is responsible not only for what he himself does but for all that is done in his Department. The volume of work entrusted to him is very great and he cannot do the great bulk of it himself. He is expected to obtain his materials vicariously through his officials, and he has discharged his duty if he sees that they obtain these materials for him properly. To try to extend his duty beyond this and to insist that he and other members of the Board should do everything personally would be to impair his efficiency. Unlike a Judge in a court he is not only at liberty but is compelled to rely on the assistance of his staff.

Now the second point is, production of these reports.

Lord Haldane also remarks, at p. 134, respecting the propriety of producing a report of a subordinate official relative to the exercise of discretion:

In accordance with that practice, the Board, in order to obtain materials with which to decide, appointed one of its health inspectors to hold a public inquiry. This was in accordance with the rules it had made under the section of the statute which I have quoted and was its usual practice. It is said that the report of the Inspector should have been disclosed. It might or might not have been useful to disclose this report, but I do not think that the Board was bound to do so any more than it would have been bound to disclose the minutes made on the papers in the office before a decision was come to.

A further quotation of interest from the *Arlidge* case which was cited in the Exchequer Court of Canada in the decision of *Wrights Canadian Ropes*

Ltd. v. Minister of National Revenue (1945), Canadian Tax Cases, p. 177 at p. 186, is as follows, where referring to a document Lord Shaw stated:—

It may contain, and frequently does contain, the views of inspectors, secretaries, assistants, and consultants of various degrees of experience, many of whose opinions may differ but all of which form the material for the ultimate decision. To set up any rule that that decision must on demand, and as matter of right, be accompanied by a disclosure of what went before, so that it may be weakened or strengthened or judged thereby, would be inconsistent, as I say, with efficiency, with practice, and with the true theory of complete parliamentary responsibility for departmental action. This is, in my opinion, implied as the legitimate and proper consequence of any department being vested by statute with authority to make determinations.

I should like to comment on the third point: The personal signature by the delegate is unnecessary: that is, the personal signature of the Minister delegating his authority to me is not a *sine qua non*, it is not absolutely necessary.

In this connection see West Riding County Council v. Wilson, (1941), 2 All E.R., p. 831. I might say before reading this that in fact all matters pertaining to the delegation that I exercise in respect of the factual conditions reported to me by my staff, I sign them myself; no delegation is exercised without my signing it.

In the West Riding case Viscount Caldecote, Lord Chief Justice, remarked:—

The letter of December 14th is signed by an official who was authorized, according to the letter, by the Minister of Agriculture and Fisheries, and I accept that as proof of the satisfaction of the condition that the Minister's consent in writing must first be obtained.

The further point is taken that the letter from Hole is void because the Minister had no power to delegate his responsibility to Hole. I do not read that letter in that way. Hole was authorized, according to the letter, by the Minister of Agriculture and Fisheries, and, in the absence of any evidence that he was not so authorized, I accept the letter as the letter of the Minister, or as the consent of the Minister in writing. It is not the case that all consents of Ministers have to be signed by the Ministers themselves. The business and the duties of Ministers of the Crown would very often be quite impossible if they had to sign all the documents in which their consent was given or their opinion expressed.

I would also like to refer to the Point of Ayre Collieries Ltd. v. Lloyd George, (1943), 2 All E. R. p. 548.

Hon. Mr. DUPUIS: Is that an English case or a Canadian case?

Mr. ELLIOTT: That is an English case. I should like to mention something about the rules which must be followed by any person who is exercising a power of discretion. The courts in Canada and England have formulated certain rules for the exercise of administrative discretion. These rules, which we have followed to the best of our ability, may be summarized as follows:—

Discretion must be—

1. exercised on proper legal principles
2. exercised in a fair and honest manner.

Discretion must not—

1. be against sound and fundamental principles
2. take into account matters which are not proper for the guidance of the person exercising it.

So important have we considered the propositions which I have just mentioned to you that early in 1942 we prepared a set of internal instructions for our Inspectors, explaining the principles to be followed in making any recommendations with respect to assessments which might depend upon the exercise of discretion. I refer you to page 2 of the internal office memorandum which I shall put in as Exhibit No. 7 and have passed around in a moment.

I think if I may I would like to go to that memorandum now, because it is the working document in the field that the men are using, and I think we had better get close to the actual working of our division. This is a memorandum which, when you get it, will show you exactly how we carry out the exercise of discretionary powers. This is the usual practice in our Division: there is no other way of sending a memorandum to the nineteen inspectors across Canada, informing them how to behave in their work, and that is really what this is. While it is marked "strictly confidential" I would not like to withhold from this committee anything we have. The word "confidential" to this committee is really out. There is only one confidential thing in our Division from this committee, and that is the individual and corporate returns of taxpayers. That word "strictly confidential" at the head of this statement is just out. May I read it, Mr. Chairman?

DISCRETIONARY POWERS OF THE MINISTER

The Income War Tax Act and the Excess Profits Tax Act provide in many cases for the exercise of some discretionary power by the Minister. The cases arising frequently are those concerning the amount to be allowed for depreciation, salary, chief business under Section 10, capital costs under Section 90 etc. etc. Altogether there are about thirty discretionary sections or parts of sections.

Such discretionary powers must be exercised in a quasijudicial manner, that is to say, the person in whom the power is vested must

- (a) know the facts, or in cases under dispute, must
- (b) determine which are to him deemed to be the true facts;
- (c) have some reasonable knowledge of the law relating to the question at issue (as we all have because taxation is our business) and must
- (d) come to a fair and reasonable conclusion, after due consideration.

The Courts have held that wherever a person is by an Act of Parliament given some power to be exercised at his discretion, he must observe the following rules:

(1) The discretion must actually be exercised in every individual case. It cannot be exercised by merely making a general ruling which would be applicable to all cases, although that may be used up to the point of confirmation in the particular case in active dispute.

In other words, you can give a general guide, but if it comes into question it must be exercised individually. The general guide is that we allow 10 per cent reserve, a 10 per cent depreciation on machinery. But it must come down to the individual exercise.

For instance, we have a rule that a certain maximum percentage for depreciation may be allowed on automobiles, but if any taxpayer should claim a larger amount for depreciation it would not be sufficient to cite the general rule but it would be necessary to look at all the facts in the particular case and then decide that the usual rates are reasonable in

bringing out the amount to be allowed or if not, what is a reasonable amount in the circumstances.

(2) The discretion must be exercised honestly and fairly.

(3) The discretion must be reasonable and not arbitrary.

(4) The power must not be used to recoup the Treasury for taxes which have been lost because of some transaction of the taxpayer not covered by the Act. If part of a salary is disallowed it must be after a fair and honest review of the taxpayer's circumstances and because the salary as claimed is considered excessive for the services rendered.

(5) The exercising of a discretion must not be influenced by extraneous and irrelevant facts. For instance, salaries should not be disallowed on the grounds that the recipient is also receiving rent from the the employer company. Such a fact would be irrelevant to the question of salary.

(6) The discretion must be based on principles correct in law. For instance, it cannot be said that a corporation and the person controlling such corporation are the same—they are separate legal entities. That is all the Pioneer Laundry case decided. The case otherwise was referred back to the Commissioner.

If the above rules are followed the exercise of the discretion cannot be challenged in the courts because the court cannot substitute its own opinion for that of the person in whom the power was vested by the statute.

However, it must be established that such person actually exercised the discretion, that he had all the facts available before him and that a decision was reached after due consideration.

The Minister has vested in the Commissioner of Income Tax the powers conferred on him by the Act and therefore he is the person who must ultimately exercise discretionary powers so conferred and there should be evidence on the files that prior to the Notice of Assessment being sent the discretion in question was actually exercised by him after consideration of all the relevant facts. It is the duty of the Inspectors and the Assessors to see that he has before him all such relevant facts.

The high rates of tax make it all the more important that every taxpayer should be treated fairly and not arbitrarily and to insure this treatment with greater certainty and to insure the court's approval, it is proposed to proceed as follows:—

PROCEDURE

When the assessor in the District Office considers that a ministerial discretion should be exercised which will vary the income as reported by the taxpayer, the following procedure should be followed:—

(1) Notice to the taxpayers—This is important

The Inspector should write to the taxpayer telling him that the discretionary powers of the Act are about to be exercised on whatever is the particular problem, stating it, and invite the taxpayer to submit whatever evidence he thinks appropriate to be considered in exercising of the discretion. If the taxpayer or his representative comes in person to discuss the matter a careful memorandum should be made of the conversation and if deemed advisable, a request made that the taxpayer also set forth his arguments in writing, (if not already on file). The taxpayer should submit his memorandum or letter in duplicate.

(2) Notice to Head Office—

A separate memorandum must be attached to the T.20—
—the T.20 is just an internal document, like a letter, which passes between us—

—identified “Re Discretion”, setting forth all of the facts and attaching a copy of the taxpayer’s submissions and also containing recommendations from the district office. This memorandum should be signed by the assessor and the chief assessor and/or the Inspector.

If the matter has come before the Independent Audit Review Board it should also be signed by them. That is an internal board that is revolving. There are three senior auditors on it and all returns have to come before this board. If any one of such persons is fundamentally opposed (i.e. not in quantum but in principle) to the others, he should submit a separate memorandum setting forth his views.

(3) Form T.20—Discretion

The factual discretion as a determination will be set forth bluntly on “Form T-20 Discretion” in duplicate, (a sample is attached hereto) and forwarded with the T-20 “Discretionary” memorandum for the signature of the Commissioner. It is to be particularly noted that this Form T-20 is not to give any reasons for the disallowance or to refer to any memorandum to Inspectors or other memoranda but as stated is to set forth the determination bluntly as closely as possible following the sample referred to. These T.20-Discretions will come forward in duplicate, one original to be detached and filed, alphabetically, at Head Office, in a separate carton for future reference in case of appeal or court action.

I pause to say that the form T-20 on which the determination is set forth bluntly has on the back of it the reasons why discretion has been exercised in this way, but when we go to court we do not give those reasons that are stated on the internal memorandum; we just take that part off and say: There is the discretion, there is the answer and there is the signature. That is all that the court gets because the court has no right to those documents back of the exercise of discretion.

(4) Head Office Procedure

The Head Office assessor will then either sign the recommendation of the District Office or endorse a memorandum thereon, or attach a separate memorandum. The “T-20-Discretion” in duplicate will then be submitted to the Commissioner with the duplicate District Office Memorandum. If further particulars are required by Head Office before submission to the Commissioner for signature, such will be requested from the District Office as usual by either a T-16 or by letter. If a legal opinion is required this will be submitted by one or more members of the legal staff.

(5) Original “Form T.20-Discretion” to be signed

The Commissioner in the name of the Minister of National Revenue and under statutory delegated authority will then sign one of the Original “Forms T.20-Discretion” which will be on file in Head Office, as stated.

If the question of exercising the discretion initially arises in Head Office the T-16 will be returned to the District Office requesting them to write the taxpayer and proceed as outlined above.

The T-16 is just a list of the forms that come in.

The idea is that there should, indeed must, be on file evidence that there was a pause before exercising the discretion, that the pause was to give the taxpayer notice of the pending exercising of the discretion, that the taxpayer had an opportunity to submit his considerations, facts and reasons and other material and that in the light of these the Minister or the Commissioner then made a determination by exercising the power of discretion in relation to the very matter that was the subject under consideration.

As the members of the District staff are in the best position to judge the facts and circumstances, it is expected that in most cases their report will be the deciding factor. Thus it is important that the report be carefully prepared and be as complete as possible.

The above procedure is only required when it is found that the return as submitted by the taxpayer should be changed and the tax increased by reason of the exercise of the discretionary power.

In other words, it is not required for a 10% depreciation on machinery or something that is well understood and not disputed by anyone.

It is to be observed that disallowances of a minor character in regard to depreciation claimed are quite frequent. In view of this, the procedure hereinbefore referred to of forwarding Form T-20 Discretion may be dispensed with unless the amount involved is fairly substantial. Where, however, (be the amount of the proposed disallowance large or small) you have reason to believe that the disallowance will be objected to, the Form T-20 Discretion must be completed.

What is a substantial amount or what is a small amount is a matter of judgment but in exercising the judgment, it should be remembered that an item in a particular year might, in itself, be small, but if the determination of the discretionary matter is to be effective from year to year, or an apparent considerable number of years, then that which is small in a particular year becomes substantial by reason of future rights being involved, which future rights may be in amount larger or smaller than the amount in respect of which the discretion in the particular year is to be exercised, or may be the same.

The point is, future rights are involved.

What is a small thing to-day may be cumulatively large.

If the matter pertains only to one year, then the amount under consideration would necessarily have to be much larger than if future rights were involved, because it is only to be dealt with once.

A lead as to what is a small amount for one year or what, though small for one year, is large because of its continuing future application, or what is a substantial amount, even for one year, cannot be given, because this memorandum deals with the exercise of the discretion in such a possible variety of circumstances, so the amount being large or small will be determined as such by the District Office acting as reasonable persons having regard to other like related circumstances, in other or analogous businesses.

In any case where discretion arises and the taxpayer has consented in writing to the proposed disallowance, the Inspector will report accordingly on T.20 and in that case the T.20 Discretion Form will be dispensed with.

For your information and guidance in principle there is attached a general memorandum on the subject of "Discretion".

Now I should like to read this, because it shows our attitude on discretion.

The various members of your staff, and particularly the assessing staff which have to assist in the exercise of a discretion, should take note of the following extracts from a long standing decision in the English Courts—

The Court of Appeal held, by a majority, that it was contrary to natural justice for the Minister to dismiss the appeal... without giving him (the appellant) a chance of being heard; ...But the House of Lords held that he had no right to object to the Minister's Order on these grounds.

Lord Haldane stated—

Those whose duty it is to decide must act judicially. They must deal with the question referred to them without bias and they must give to each of the parties the opportunity of adequately presenting the case made. The decision must be come to in the spirit and with the sense of responsibility of a tribunal whose duty it is to mete out justice but the procedure of each tribunal need not follow the same lines.

Finally Lord Haldane expressed the view that the Board was not bound to hear the appellant orally provided he had the opportunity (which was in fact provided) of stating his case.

Lord Shaw rejected the claim that the appellant was entitled to an audience of the particular judge or judges of his appeal, when these had been identified, in order that he might have a personal hearing which should survey the whole of the material available, and disclose the report made on the public local inquiry and the views put forward thereon, by the Inspector who conducted it, for the guidance or consideration of the department.

In other words, these documents are confidential.

"If such a disclosure were compulsory" said Lord Shaw, "it would place a serious impediment upon that frankness which ought to obtain among a staff accustomed to elaborately detailed and often most delicate and difficult tasks. The same argument would lead to a disclosure of the whole file containing the views of the entire hierarchy of inspectors, secretaries, assistants, consultants and other officials who had considered the matter, many of whose opinions may differ but all of which form the material for the ultimate decision."

To reveal the process by which this corporate opinion was gradually evolved in the department would, he thought, be not only inconsistent with efficiency and existing practice, but also with the theory of Parliamentary responsibility for departmental action.

It was made clear that a Government department entrusted by an Act of Parliament with the exercise of judicial functions need not follow the methods adopted by Courts but may employ any rules that appear fair and reasonable for the transaction of business.

Thus an Administrative Tribunal need not furnish an appellant with the reasons for its decisions, but may merely announce the conclusion, whereas it is the strictly followed custom, in the superior courts of justice, at any rate, to explain at length the reasons which have led the judge to form his decision. Nor need particulars be furnished of the evidence on which the conclusions of the department are based.

Again, the decision of a government department exercising judicial functions need not be conclusive, as in the case of a court. The enquiry may be reopened at any time by the department and the decision revised.

Also, the rule that a fair opportunity be given to each party to present his case is one which will invariably be applied to every tribunal, no matter how wide its powers or how complete its discretion.

No restriction was imposed save that attention should be paid to what has been called "natural justice". It was said in one case that "it is impossible to lay down the requirements of 'natural justice' but the phrase is actually employed to denote two or three elementary principles which, according to English ideas, must be followed by all who discharge judicial functions. Thus, it is 'against natural justice' to arrive at a decision before both parties have had an opportunity of stating their case. No one must be condemned unheard."

Questions involving conceptions of economic justice which would not be admissible in the trial of a private claim in an ordinary court of law, have played an important part in determining the questions arising under the Income War Tax Act.

The Income Tax administration is composed not of judges but of ordinary citizens functioning under a public statute, administering, on the evidence placed before them, economic justice. They are all public officers responsible to the Minister in charge of the Department, who is responsible to Parliament. Each such officer is in a sense an administrative tribunal, in the administration or conduct of public affairs, with power to consider questions primarily of fact within the ambit of the law and the wide powers of discretion given them.

Their decision, upon appropriate approval, becomes binding on private persons, affecting their private rights. Such administrative officers should not make decisions without giving an opportunity to the persons affected of being heard but need not delay if that person does not take advantage of the opportunity to be heard.

Where property rights are involved, as in Income Tax matters, the Courts regard the proceedings of the tribunals, and this would include the District Offices, as being in the nature of judicial proceedings, although the forum is a wholly domestic one and in no way bound by so-called judicial procedure. Those acting judicially, however, are required to administer natural justice and natural justice should be dispensed by an unbiased and impartial mind, which officers are required to bring to their tasks.

Such minds should be free from financial interest in the controversy for an officer should not act where he has a personal interest of a financial or property character. Neither should he act in the position, due to bias or prejudice, of accuser and judge.

Therefore, provided the officers administering the Income Tax Act do not infringe the simple provisions relating to natural justice, as referred to, they are free to arrive at whatever decision, having regard to the circumstances and facts, they choose to think proper and to recommend accordingly for its adoption.

Our records should show that an opportunity was given to the taxpayer to consider the proposed changes before they were actually made and if that is done and the simple elements referred to have been adhered to, the exercise of the discretion will not be subject to alteration upon review by any Court. They will only alter where natural justice has been infringed. It is right that then they should.

I read that lengthy document because I want you gentlemen to get a complete understanding of our earnest endeavour to instruct many persons, in many parts of Canada, who are assisting in the administration of the law, that they must have a sense of responsibility, a sense of justice, and realize that they are

dealing with matters wherein the taxpayer has certain inalienable rights which we must not infringe, and that if the taxpayer thinks we do infringe them he should have an appeal to a court of justice for the determination of his rights. We earnestly endeavour to instruct our officials in these important duties that touch so deeply the affairs of our people. The procedure is laid down to ensure that the taxpayer gets notice and is given time to think the matter over. The taxpayer is also invited to come into the office and go over the matter in dispute. We try to make it plain to him that he is not dealt with abruptly or arbitrarily.

Now Mr. Chairman and honourable senators, you will note that in the memorandum of instructions I just finished reading we have taken pains to make the rules readily understood and explicit. In doing so we have perhaps made them even more restrictive upon the Minister than the Courts' judgments would require. We have done so, however, to ensure that the taxpayer got his full measure of justice under the law.

I believe that we have kept our administrative procedure, in practice as well as in theory, strictly within the limits of proper discretionary action as laid down by the Courts. The grounds for my belief are twofold:

First, we have filed the inter-office memorandum to which I refer in the Exchequer Court on a number of occasions as part of the evidence submitted on tax cases. No unfavourable comment has been received in respect of it. Nor, I might add, has any favourable comment been received.

Secondly, we have taken six cases to the Exchequer Court and the Supreme Court of Canada in the course of our administration and have so far only lost on one occasion. This was the famous case of Pioneer Laundry and Dry Cleaners Ltd. v. Minister of National Revenue, 1940 A.C. p. 127, in which the Privy Council informed us that we had violated a fundamental principle of law by ignoring the rule in the case of Solomon v. Solomon that a corporation is a separate entity from its shareholders. That is all that the Pioneer Laundry case decided, and the matter was referred back to the Minister to exercise his discretion.

This seems to be strong evidence that wherever the discretionary powers have been exercised they have been properly exercised according to the law. This is not to say that they are always desirable or that their exercise is always in the taxpayers' favour but rather that, in so far as Parliament has conferred administrative powers upon the Minister and those powers have been delegated to me, I have used them on all occasions in a manner consonant with the rules established by the Courts and, as you have noted from the above memorandum, in most cases those rules have been narrowed to restrict me even further.

While on the subject of the memorandum, I should draw your attention to the penultimate paragraph on page 2:—

The Minister has vested in the Commissioner of Income Tax the powers conferred on him by the Act and therefore he is the person who must ultimately exercise discretionary powers so conferred and there should be evidence in the files that prior to the Notice of Assessment being sent the discretion in question was actually exercised by him after consideration of all the relevant facts. It is the duty of the Inspectors and the Assessors to see that he has before him all such relevant facts.

In closing I feel that I cannot do better than quote a very telling remark of W. A. Robson found in his book entitled "Justice and Administrative Law" at p. 74:—

The executive official, be he inquisitorial, or regulatory, or originative, possesses an inherent right to initiate action by his own motion. Administration without initiation is almost unimaginable in present circumstances. The administrator does not originate continuously; nor does he always originate wisely or effectively. But it is nevertheless an undeniable fact

that every administrative body has what an American writer calls "a continuing responsibility for results" of a sort which is unknown to the judge. "It must ferret out violations, initiate proceedings, and adopt whatever proper methods are necessary to enforce compliance with the law." This duty of spontaneous, self-motivated activity may be contrasted with the enforced passivity of the judge, who must wait, spiderlike, till someone enters the web of his jurisdiction.

That concludes my remarks on the delegation of authority and the exercise of discretion. Perhaps I went into these matters in a little too much detail, but I thought it was well to do so because I have heard so much about the hundred discretions. I do not know whether there are one hundred discretions authorized in the Act but a good deal of discretionary power is given in connection with one subject and another. The number of times this is mentioned with regard to any particular subject can be counted.

I believe the categories of discretion should be better set forth. The figure of 100 is rather a broad and loose statement. I will now put in a statement on categories of discretion.

1. Allowance of Reserves
 - (a) Depletion
 - (b) Depreciation
 - (c) Bad Debts
 - (d) Inventory reserves (E.P.T.)
2. Limitation of Expenses
 1. Expenses
 2. Salaries
 3. In capital expenditure allowance
 4. Interest.
3. Determination of true nature of transactions where lessening of tax may be involved with reference to companies and individuals.
 1. Inter company purchases and sales.
 2. Value of shareholders' property transferred to company.
 3. Unreasonable payment to non resident companies.
 4. Transactions between husband and wife and parent and child.
4. Determination of nature of income
 1. Interest portion
 2. Tax free living allowance.
5. Determining nature and effect of certain legal documents (mortgage and international agreements).
6. Approval of Pension Schemes.
7. Minor Administrative Discretions.
 1. Extending time for making return.
 2. Require production of letters and documents involved in assessment.
 3. Require keeping of books.
 4. Demand payment of taxes for a person suspected of leaving Canada.
8. Regulations to carry Act into effect.
9. Waiving penalties.
 1. Failure to file return.
10. Determination of Standard Profits.
 - (a) Commencement of business
 - (b) Nature of business.

11. Adjust Standard Profits.

1. Basis of partial fiscal period.
2. Alteration of capital.

12. Direct a reference to Board of Referees in case of new or substantially different business.

Hon. Mr. VIEN: Are they all provided for in the Act?

Mr. ELLIOTT: They are all provided for in the Act.

Hon. Mr. VIEN: Could you file a memorandum indicating the references to the sections of the Act.

Mr. ELLIOTT: With a good deal of reticence I say yes.

Hon. Mr. VIEN: I would like to ask Mr. Elliott, what are the other parts of this presentation?

Mr. ELLIOTT: Perhaps Mr. Chairman, I might ask the senators if I am behaving myself properly.

Hon. Mr. HAYDEN: So far.

Some Hon. SENATORS: Oh, oh!

Mr. ELLIOTT: I am bringing forward a good deal of material; perhaps I am producing more than the Committee would like. That would be improper on my part.

The CHAIRMAN: According to your idea, what more would you like to bring forward, or do you intend to bring forward?

Mr. ELLIOTT: I thought you would like to hear something on the legal phase, and the succession duty act and of course I have got to put in charts of the descriptive set-up of my whole organization.

Hon. Mr. VIEN: How many sittings of the Committee do you expect that would take?

Mr. ELLIOTT: On the basis on which we are now working I would say one.

The CHAIRMAN: What length of time?

Hon. Mr. HAYDEN: A couple of hours?

Mr. ELLIOTT: It would take less than two hours; perhaps an hour and a half at the outside.

The CHAIRMAN: And the questions would follow.

Mr. ELLIOTT: They would follow after that. I would say one hour more would do me.

The CHAIRMAN: Perhaps we should not proceed further this morning.

Mr. ELLIOTT: If you wish to proceed until one o'clock, I am prepared to do so.

Hon. Mr. VIEN: I think it would be time for adjournment, if the Senate is to sit this afternoon.

Hon. Mr. HAIG: I am willing to stay here forever for that matter.

The CHAIRMAN: What is the desire of the Committee?

Hon. Mr. VIEN: I move we adjourn until after the House adjourns this afternoon.

The CHAIRMAN: The Senate will be sitting all afternoon.

Hon. Mr. VIEN: Then to-morrow morning at 10.30.

Hon. Mr. HAIG: To-morrow morning the Railway Committee sits to hear Mr. Howe, and I presume Mr. Symington on the Transport Bill and the other three bills.

Hon. Mr. VIEN: At 8 o'clock to-night we could convene and conclude Mr. Fraser Elliott's remarks.

HON. MR. CRERAR: I think we should sit to-night. We should get along as quickly with this matter as possible.

HON. MR. VIEN: I would make the motion that we adjourn until 8 o'clock to-night.

Before we adjourn I would like to move the motion for amending our order of reference, of which I gave notice the other day, that we should refer it to the House for concurrence.

(Carried.)

The Committee adjourned until 8 o'clock to-night.

The Special Committee of the Senate to consider the provision and workings of the Income War Tax Act, Etc., resumed this evening at 8 o'clock p.m.

HON. MR. EULER in the Chair.

THE CHAIRMAN: Gentlemen, as we have a quorum, I will ask you to come to order, please.

Mr. C. Fraser Elliott resumed.

MR. ELLIOTT: Now, Mr. Chairman and honourable senators, I think I said on the adjournment at the last meeting that I would take up the Legal Division. I am not going to make a very elaborate statement on the Legal Division. I am going to state very shortly and in a statistical manner just what its work is, and the position in which it is.

The Legal Branch is more than its name implies. It is also an administrative division. It has a staff of 40, 13 of whom are professionally qualified lawyers. It deals with all the correspondence that comes to Head Office that requires the determination of a legal question. I may say the number of letters and documents received and answered will be approximately 12,000 for the current fiscal year. It also answers all the questions that are raised by the Audit Staff in the examination of taxpayers' affairs, whether the question is raised in the field and sent to Head Office or raised by Head Office assessors themselves. These are dealt with by submitting a memorandum to the Legal Division for decision. It also handles all legal process for false returns, failure to file returns, and failure to pay tax.

People generally believe that the Legal Branch deals only with appeals but, as indicated, this is wrong, as one of its regular duties is to keep the Department in every direction on a well-founded legal base. Needless to say, interviews are a major part of the activities of this branch, as many of the legal members of this committee are aware. The handling of appeals shows that we are approximately on a current basis, so far as anything legal can be on a current basis, because once the matter gets into the channel of legal action, members of this committee are aware of the legal delays. Appeals are of two kinds. The vast majority are simply lodged for the purpose of protecting the taxpayer's right against a possible statute bar or as a basis for discussion of a difference of view, very often relating simply to the facts, but whether of facts or law, appeals are filed as a means of getting some reasonable delay wherein the taxpayer may, by himself or his representative, discuss the matter at an appropriate time with the Department. Some, however, are genuine appeals based on different viewpoints of the law.

In the fiscal periods ending March, 1944, 1945 and up to 10th November, 1945, i.e., in the 1946 fiscal period, or in 31 months we received 2,160 appeals. During the same period we disposed of 2,098 appeals. This represents a rate of disposal amounting to 97 per cent but the 3 per cent lag is misleading inasmuch as in the last year and a half the rate of disposal of appeals has greatly exceeded the inflow. However, what I do wish to leave with the committee is that in the main the flow of appeals is dealt with in an increasingly

expeditious manner, and I think this will be found to be so on a further examination by the committee.

As a trend of the times, I might say that in the present fiscal period we are disposing of appeals at a rate much in excess of that at which they are received. For example, for the seven months of the present fiscal period we have received 540 appeals and have disposed of 723. In more detail I give the committee the following table:—

	1943-44	1944-45	1945-46 to 10/11/45	Total
On hand 31st March, 1943.....				608
Received.	912	708	540	2,160
				<hr/>
Disposed of.	505	870	723	2,768
				<hr/>
On hand 10th November, 1943....				670

Hon. Mr. BENCH: Mr. Chairman, while appreciating the ruling which you gave earlier this morning on the expression of opinion of the committee, it seems to me that at a point such as this it might be proper to ask through you a question. I do not know whether the witness, Mr. Elliott, means final disposition or departmental disposition of an appeal.

Mr. ELLIOTT: Final.

The CHAIRMAN: This is not to be regarded as a precedent.

Mr. CRERAR: Stick to that, Mr. Chairman.

Mr. ELLIOTT: Final, dispensed with, closed.

Over and above these appeals we have received 158 appeals under the Excess Profits Tax Act, which are clearly protective appeals and will disappear when the standard profits of the appellants are determined. We do not count them as real appeals.

In the administration of any business, be it individual, corporate or Government, honourable senators realize that there is nothing more important than the certainty that all things done are within the requirements of the law and that even performing duties within the ambit of the law, particularly in cases of Governments, it must be done in a manner that will convey to the party on whom the duty is imposed that it is the law that speaks and not the administration, which is only the instrument of the law. The Governments in themselves are so powerful that there is often a feeling among people that by sheer force of that overall concept of power, something is done which, were it not a Government, could not be done.

In other words, corporations and individuals would not act in such a manner. Now, this is a belief that should be dispelled. Though Governments are regarded as powerful, nevertheless they factually have no more power than is given by the laws enacted in accordance with well-established constitutional principles. I should like it to be known that the Taxation Division is always ready in cases of doubt to give that interpretation which will resolve doubtful matters in favour of the party who otherwise would be required to bear the burden. On the other hand, it is equally true that if the person bearing the burden is clearly within the ambit of the law, then the burden must be borne and it is not within the power of the administration to extend relief. Then again, if the person is free or beyond the letter of the law, no matter how much, from an equitable point of view, he should be brought within the ambit of the law, the administration has no power on that equitable belief, to bring the person within the law. In short, he is free.

Contracts between individuals can be adjusted by the individuals, but the statute applies not to one individual but to multiple persons, even in the millions, and a decision therefore must be made in regard to any point raised by a single taxpayer having in mind that whatever that decision is, it must apply with equal force or belief in respect of all other taxpayers who are not present at the particular argument on a particular issue.

In other words, every decision is substantially a multiple decision. The incidents of the law as they evolve through interpretation of the sections of the law must find their impact in an equal manner on every person within the jurisdiction. This concept is not realized by any taxpayers who bring their particular affairs to the Division and, having regard to related or extraneous circumstances, not germane to the taxing law itself, request that something be done for them administratively. It should be realized that this is quite impossible. One must be in a position at all times to look any taxpayer in the eye, no matter how onerous the extraneous facts may be, and say with great certainty that that which is being done to him according to the law is equally being done to all other persons within the ambit of the law.

The reputation of the Department is sometimes jeopardized in the sense of being harsh by persons who, seeking clemency, by reason of extraneous facts, cannot find it, and believing in principles of equity, feel aggrieved that their concept of equity was not granted.

It would be desirable if all persons could fully appreciate this fact, and no matter how sympathetic one may be towards this or that general situation, nevertheless administrators are bound by the law in exactly the same manner as the taxpayer is bound by the law. A departure from this concept is the first step towards shaking the whole administration because it is impossible to grant to one and not grant the same privileges to all.

Finally, it should be said that at all times, in every branch of the administration, we not only seek to give that service which has become traditional throughout the Civil Service of Canada, but in all our interpretations and actions we seek to give that fair, large and liberal interpretation which will best attain the true intent, purposes and meaning of the law.

My honourable friends will recognize that last short statement as coming out of the Statute of Interpretation, chapter 1 of the Revised Statutes of Canada.

Now, Mr. Chairman and honourable senators, that is the comment on our Legal Division statistically, and just to touch on how the Legal Division must interpret the law and bring all taxpayers who are within it uniformly and equally to equivalent treatment one with the other.

Now, if I may I should like to deal equally as shortly, or even more so, with succession duties. I quite realize, Mr. Chairman, that this is not within the ambit of your Order of Reference, but it is within the administrative activity, and I think it is work that should be met.

The Dominion Succession Duty Act received Royal Assent on the 14th June, 1941, and became operative as of that date. Succession duties are mentioned only to show the position of the work in the Taxation Division. I shall give you a few statistics and record them by handing in a statement, showing returns received—assessable and non-assessable; returns assessed, collections, etc., and giving you the average of our yearly work by the number of returns received and the number dealt with. The work is very substantially current, in fact remarkably so. That is, we are about one month behind, but this lag is rapidly being overtaken. 2,500 returns are regarded as being our current work. We always have that many on hand. As everybody knows, Succession Duty is a tax on the estates of all persons who die domiciled in Canada and on non-resident decedents having assets in Canada. The international double taxation feature, so far as the United States is concerned, has been substantially eliminated by reason of the Convention of 1944. No doubt conventions will be entered into

with other countries, and there are feelers to that end. It is a very desirable feature when the laws have such onerous rates in them. If I may, Mr. Chairman and honourable senators, I should like to hand in this statement of Succession Duty Statistics in order that you may have a general view. Taking the activities over the period June 14, 1941, when it started up to September 30, 1945, within that span the number of dutiable returns received was, if I may give you round figures, 48,529; the number of non-dutiable returns received was 135,000, making a total of the number of returns received of 183,000. The number of dutiable returns assessed was 46,000 out of 48,000, and the number of non-dutiable returns assessed was 132,000 out of 135,000. The total number of returns assessed was 178,000 out of a total of 183,000.

EXHIBIT No. 8.—Statement of Succession Duty Statistics.

Now, the collections during that period amounted to \$66,240,000. It runs about an average of \$15,000,000 per year.

Now, gentlemen, I shall not read any more of the statistics upon this sheet before me, but I think you might be interested when you study the exhibit itself, which is contained in the record.

Succession Duties, you all must realize, is not exclusively in the hands of the Dominion.

Hon. Mr. HAIG: Tell us something we don't know!

Mr. ELLIOTT: I was going to build up a hope.

Hon. Mr. HAYDEN: Do you mean a hope that you are going to abandon it?

Mr. ELLIOTT: If we are going to start the wrong way, I had better abandon it! That is really the end of my remarks.

Going back to my opening introduction, when I asked the question: What is this organization? And in endeavouring to bring to your notice what this organization is, I have made some general notes on the organization itself. Next I dealt with the simplification of laws and forms, and indicated that you might find some difficulty, even as we have. I pointed out the staff situation, and the shortages that we suffer. Then I pointed out the space situation, and the shortages we suffer. I dwelt upon tax deduction at the source at some length, because it is a brand new feature in our law, and impinges in a marked way upon people who work for wages and salaries. Then I dealt with assessing, and gave you a statistical report on that as well as some comments on the meaning of the word "assessment," and how the law relating to Excess Profits Tax was two years late in its major feature in getting started. Then I dealt with the refunds we have to make, and I observed that they are mentioned in tonight's newspaper. The next thing I dealt with was the refundable portion of the Excess Profits Tax and other taxes, and mentioned that they are about \$444,000,000. Now I have touched a little upon the legal side of our administration and have indicated that we also have Succession Duties.

In closing I would like to distribute among you charts showing the organization that takes care of all this work, and I shall make a comment or two upon the charts when they are before you in order to enable you to follow the chain of activities. The first chart I suggest that we should examine is the Organization Chart for Head Office. You will observe that the Deputy Minister is at the head, and on the left wing are four boards substantially independent: the Board of Referees under the Excess Profits Tax; the War Contracts Depreciation Board; Wartime Salaries Advisory Committee—I should indicate that I am the Salaries Controller for Canada—and, lastly, Business Classification Committee, Excess Profits Tax Act. I do not think this committee is familiar with the last board. I think you know the others. The Business Classification Committee has arisen by reason of the recent amendment to the Excess Profits Tax law whereby if a business substantially changes the character of its activ-

ity it does not have to continue with the standard profits it had given to it or in its own right had under the business as carried on for, say, 1940, 1941, 1942, 1943. The business changes, and they go into a brand new business. For instance, a diamond merchant imported diamonds into Canada, and was a diamond vendor. The war came on, and in due course he decided to be a cutter of diamonds, and set up an organization and personnel and proceeded to cut diamonds. Then he said: "The standard profits which I had as a vendor of diamonds would not do me as the standard profit as a cutter of diamonds. They are two businesses: one is selling merchandise, and the other is manufacturing merchandise." So he puts in a brief that they are engaged in a different business, and that brief is sent to the Business Classification Committee, which is made up of about seven persons: one from our Division, two from M. & S., two from Mines and Resources, one from Trade and Commerce, one from National Research. It is a diversified board with no business connections whatsoever: it is composed wholly of senior Government servants who have no incentive to put this person or that person out of business, or to be hard on this one or that one. They hear evidence and make a report to the Deputy Minister, stating whether or not there was a factual change in the business that should be recognized. The cases under that board are growing. That amendment was made only a year ago, and naturally, as people shift into new businesses with the same old corporate structure they come to us to get a standard profit as a new business. This is one of the discretions of the Minister. If the Minister finds that a new business is carried on, then he may refer the business to the Board of Referees. If he finds it is the same old business with just a change in technique, he does not refer the business to the board. So much for the special boards.

Then we come down to the Assistant Deputy Minister (Administration), which speaks for itself, and the Assistant Deputy Minister (Legal) and the Assistant Deputy Minister (assessing). Then we have the Director of Succession Duties, and on the extreme right we have the General Executive Officer, who has a very responsible position. All the mail comes in to him. He distributes it to the appropriate places, so that it may receive early attention by those skilled in that particular subject. What is more important, however, is that when the answers come back in the main they go to this Executive Officer and he signs the outgoing mail in my name. Naturally he has to watch closely that the rulings contained in these letters are not a departure from well-established rulings of the Division because, if one letter gets out that contains a wrong ruling in it, it soon spreads. It goes to the business, and the business speaks to the accountant, and the accountant tells the accounting world, and soon that letter comes back many times over! So it is very important that the mail going out is scrutinized in order to see that it contains only the rulings that are correct. Adverting to the Assistant Deputy Minister (Administration) you can see the various sub-headings thereunder. It is a study. If, when looking it over, you desire to ask any questions I shall be glad to answer them.

Similarly, in the case of the legal subdivision, you can see the manner in which it is subdivided, and also in the case of the Assessing Division.

Now, you observe that there is a linking up and down at the bottom in the "Preparation of Internal and Public Forms." That becomes a consultative job between Administration and Assessors, and naturally the legal Division is also concerned. There is however, directly under "Legal" one line I must explain: You will observe that that line is cut off and has nothing at the top. In other words, there has to be a distinct co-ordination of the legal and assessing rulings. They are so interwoven that they must be in constant touch one with the other. In our Legal Division all these letters that make rulings are

indexed both as to the taxpayer and more particularly as to the subject-matter, so that when one goes to the card index of subject-matters and a new letter comes in one will find the latest answer on that question in that drawer, and in that way we have a reference back.

The next chart is headed "Taxation Division—Head Office" and this is prepared especially for this committee and for no other purpose, but it is tied up with the chart that you have just examined. For instance, if you look at the first chart on the left you will see "Chief Accountant" and on the second chart under "Assistant Deputy Minister (Administration)" the Chief Accountant's duties are enumerated: "Receiving remittances from District Offices and remitting to Receiver General. Maintaining control accounts with District Offices of cash received and taxes levied." Of course, that is a very important matter in order to make sure that the Head Office is continuously in balance with District Offices across Canada. In the District Offices there is a daily balance, and between Head Office and the District Offices a quarterly balance, and we have no trouble whatsoever in keeping our proper balances. When I say we have no trouble, like all accounts they have this and that getting out of balance, but we have always come into balance; we have never had to make a special entry, or a journal entry as accountants like to call them, and doctor up something. That again is a study for you, and you can take it to your rooms.

The third chart refers to a Department outside of ours. It is headed "Organization Chart of a Typical District Office." It does not fit every office. In the administration of well-founded, like-minded and capable men, of which there are nineteen across Canada, my thought is that you give them the basic outline of what they should do but you do not cut off their own individualities and their own short-cuts and methods of doing a thing that they find expedient, perhaps because of the lay-out of their office. So this is a typical chart. When you visit our offices, as I hope you will, you will find they are not all like this, and could not be. The Toronto District Office is laid out on two floors, the whole length of a block running from Yonge street west to Bay street, which is a very long block, and there is a long corridor on the first floor and another long corridor on the next floor up. Those are special circumstances. If the office is on the square plan, you can really lay out the floor space efficiently and follow the flow of the work. This is a typical office and does not fit exactly every office.

The last chart before you is a map of the Dominion of Canada showing the various district offices that we have throughout Canada. The numbers, of course, relate to the legend at the foot on the left side. The irregularity with which our districts were laid out many years ago is explained by the fact that they followed substantially the railways so that mails could move into the central offices with a minimum of exchange of mail from one line to another line and thus avoiding that delay. As many of the honourable senators may know, there was tabled in the House of Commons a few nights ago a proposal to subdivide these nineteen districts into thirty-two districts. That proposal was made after a very careful examination by three gentlemen, two of whom were outside of the Government altogether. I think I would like to comment on that for a minute in order to establish confidence in that report on the part of the honourable senators and any other persons who are interested. In the course of the war, when there was a great upswing of numbers and of money of taxpayers received, it was common sense that something should be done to bring the district offices closer to the people. Money was being deducted at the source, and many of them sent in cash, and we had more cash in our office than we ever had before. We did not like it, but there it was. It amounted to many thousands of dollars, gentlemen. In my judgment the people must be served with a little closer contact by the district offices. So in order to bring about in the most reasonable manner possible, after fully setting out the need for it, I suggested

that we should not call in the C. M. A. or the Chamber of Commerce or labour organizations or farmers' organizations, or any such organizations, nor should we call in businesses that might have an interest, nor call in people in public life to their embarrassment, because you and I know that if they were members of Parliament they would have to satisfy their constituencies and might be influenced thereby, might be moved by something other than sheer efficiency in the matter of the location of the district office. So it was decided to ask the Sun Life, to give us a man. They gave us their overall planner, a Scotsman, whose services were free of cost. The next thing was to discover another man who was not very close either to taxes or to these special interests, so we thought the Bell Telephone was close to the public, and we asked the Bell Telephone if they would supply a man for this purpose. They gave us one of their vice-presidents, a Scotsman,—I do not know why I say "a Scotsman," because that may be for me or against me!

Hon. Mr. HAIG: That is only natural.

The CHAIRMAN: Favouritism!

Mr. ELLIOTT: Then Mr. Wood made the third member of that board of that board of three. These gentlemen from the Bell Telephone and Sun Life had their expenses paid and nothing else. They worked for many months, going to all parts of Canada, and in my judgment they have made a splendid report which I considered very favourable and with which I am heartily in accord. Several months were required to prepare the report, and I commend that report to the Government and to everybody who reads it. It cannot be put into effect all at once. It is too big a shift in administration suddenly to supply a district office and take the personnel and ship them to some other place. It has to be done in an orderly well-timed manner. Therefore, gentlemen, do not think that to-morrow there will be thirty-two districts established, because there will not; it will be some long time before they are established. A gentleman spoke to me about closing certain sub-offices, but they will not be closed to-morrow and may not be closed at all; but it is a recommendation by people who have no other interest whatever but to serve Canada to the best of their abilities in the location of these offices, entirely free from any special influence. These gentlemen had no axe to grind; they desired only to give us the best report possible for the kind of work we do.

That is the close of my remarks, Mr. Chairman, and again I would like to say, as I said in the beginning, that the Income Tax Division welcomes the inquiry. May I repeat our offer to give you every assistance. We are all Canadian citizens, each serving the country in accordance with the place we occupy and likewise in accordance with our abilities. We serve with one end in view, namely, the welfare of Canada and her people. However, the privileges and rights we have must be paid for according to his or her ability to pay, and the administration of the law; also the subdivisions of the work and the officers in charge of them. That work will always be thought of and carried out with the highest motives possible. I thank you, Mr. Chairman, and thank you, honourable senators.

Some HON. SENATORS: Hear, hear.

Mr. ELLIOTT: There is one more exhibit. I told the Hon. Mr. Hugessen that I would give him the story of John Doe, a taxpayer, and his new company, who files a return in a district office.

EXHIBIT No. 9.—Document entitled "John Doe, a Taxpayer, and His New Company," prepared by the Office of the Inspector of Income Tax, Montreal, November 9, 1945.

The CHAIRMAN: Gentlemen, I think you will all agree that Mr. Elliott has given us an extremely comprehensive and informative statement. I think it

was the understanding of members of the committee that after Mr. Elliott completed this more or less formal statement he would then be willing to answer questions. Do you desire to continue with questions to-night or to postpone them until to-morrow?

Hon. Mr. HAYDEN: Mr. Chairman, I suggest that we might achieve greater continuity in the questioning if the committee had a meeting and organized its thinking on the matter first.

The CHAIRMAN: I intended to call the Steering Committee together after this meeting adjourned in order to prepare an agenda for to-morrow. I think when the questioning does take place it should be conducted with orderliness.

Hon. Mr. HAIG: I am delighted to see the leader of the Senate here to-night. Probably he will suggest the time to which we should adjourn.

The CHAIRMAN: Senator Robertson was not here on the first day, but he is here now. Perhaps the committee would like to hear from him.

Hon. Mr. ROBERTSON: Mr. Chairman and gentlemen, I must apologize for the fact that it has not been possible for me to attend the meetings of this committee because they coincided with other responsibilities, but I hasten to assure you that I have observed the activities of the committee with great interest, and I desire to echo what has been said with regard to the splendid presentation by the Deputy Minister, Mr. Elliott.

With respect to the question of adjournments, I have in mind that while I am anxious to do everything I can to facilitate the meeting of the committee I am bound to point out the necessity of our making some progress with various standing committees, and the representation on your committee, sir, consists of many senators who are active on other committees. I hope that to-morrow at least we shall hear the Hon. Howe before the Committee on Railways, and the Hon. Mr. Abbott before the Committee on Finance the following day. I am anxious that both of those meetings should be well attended, because we may not have Mr. Abbott before us again for some little time. We have set the hour of 10.30 o'clock to-morrow morning for Mr. Howe, and 11 o'clock on Thursday morning for Mr. Abbott.

The CHAIRMAN: And there is also a caucus to-morrow.

Hon. Mr. HAIG: I purposely asked Senator Robertson to make that statement. I now move that we set to-morrow night at 8.30 o'clock to hear Mr. Elliott again.

Hon. Mr. HAYDEN: What about Mr. Elliott?

Mr. ELLIOTT: He is just a witness.

The CHAIRMAN: Why not 8 o'clock to-morrow evening?

Hon. Mr. HAIG: Eight o'clock, if you like.

The CHAIRMAN: Are the members of the committee content with the motion? Carried.

Hon. Mr. BENCH: I hope the gentlemen of the Press who are present will take notice of the fact that the Senate has so much work to do that it cannot attend all the committee meetings that have been arranged.

Hon. Mr. HAYDEN: I think you should note that there is likely to be a continuing vacancy on the Steering Committee, Mr. Chairman.

The CHAIRMAN: Do you refer to Senator Hugessen?

Hon. Mr. HAYDEN: Yes.

The CHAIRMAN: Perhaps we might appoint another member to the Steering Committee.

Hon. Mr. HAYDEN: Yes.

exercise discretionary powers so conferred and there should be evidence on the files that prior to the Notice of Assessment being sent the discretion in question was actually exercised by him after consideration of all the relevant facts. It is the duty of the Inspectors and the Assessors to see that he has before him all such relevant facts.

The high rates of tax make it all the more important that every taxpayer should be treated fairly and not arbitrarily and to insure this treatment with greater certainty and to insure the court's approval, it is proposed to proceed as follows:

PROCEDURE

When the assessor in the District Office considers that a ministerial discretion should be exercised which will vary the income as reported by the taxpayer, the following procedure should be followed:

(1). *Notice to the taxpayers*—This is important

The Inspector should write to the taxpayer telling him that the discretionary powers of the Act are about to be exercised on whatever is the particular problem, stating it, and invite the taxpayer to submit whatever evidence he thinks appropriate to be considered in exercising of the discretion. If the taxpayer or his representative comes in person to discuss the matter a careful memorandum should be made of the conversation and if deemed advisable, a request made that the taxpayer also set forth his arguments in writing, (if not already on file). The taxpayer should submit his memorandum or letter in duplicate.

(2). *Notice to Head Office.*

A separate memorandum must be attached to the T.20 identified "Re Discretion", setting forth all of the facts and attaching a copy of the taxpayer's submissions and also containing recommendations from the district office. This memorandum should be signed by the assessor and the chief assessor and/or the Inspector.

If the matter has come before the Independent Audit Review Board it should also be signed by them. If any one of such persons is fundamentally opposed (i.e., not in quantum but in principle) to the others, he should submit a separate memorandum setting forth his views.

(3). *Form T.20—Discretion.*

The factual discretion as a determination will be set forth bluntly on "Form T.20 Discretion" in duplicate, (a sample is attached hereto) and forwarded with the T.20 "Discretionary" memorandum for the signature of the Commissioner. It is to be particularly noted that this Form T.20 is not to give any reasons for the disallowance or to refer to any memorandum to Inspectors or other memoranda but as stated is to set forth the determination bluntly as closely as possible following the sample referred to. These T.20 Discretions will come forward in duplicate one original to be detached and filed, alphabetically, at Head Office, in a separate carton for future reference in case of appeal or court action.

(4). *Head Office Procedure.*

The Head Office assessor will then either sign the recommendation of the District Office or endorse a memorandum thereon, or attach a separate memorandum. The "T.20—Discretion" in duplicate will then be submitted to the Commissioner with the duplicate District Office Memorandum. If further particulars are required by Head Office before submission to the Commissioner for signature, such will be requested from the District Office as usual by either a T.16 or by letter. If a legal opinion is required this will be submitted by one or more members of the legal staff.

(5). *Original "Forms T.20—Discretion" to be signed.*

The Commissioner in the name of the Minister of National Revenue and under statutory delegated authority will then sign one of the Original "Forms T.20—Discretion" which will be on file in Head Office, as stated.

If the question of exercising the discretion initially arises in Head Office the T.6 will be returned to the District Office requesting them to write the taxpayer and proceed as outlined above.

The idea is that there should, indeed must, be on file evidence that there was a pause before exercising the discretion, that the pause was to give the taxpayer notice of the pending exercising of the discretion, that the taxpayer had an opportunity to submit his considerations, facts and reasons and other material and that in the light of these the Minister or the Commissioner *then* made a determination by exercising the power of discretion in relation to the very matter that was the subject under consideration.

As the members of the District staff are in the best position to judge the facts and circumstances, it is expected that in most cases their report will be the deciding factor. Thus it is important that the report be carefully prepared and be as complete as possible.

The above procedure is only required when it is found that the return as submitted by the taxpayer should be changed and the tax increased by reason of the exercise of the discretionary power.

It is to be observed that disallowances of a minor character in regard to depreciation claimed are quite frequent. In view of this, the procedure hereinbefore referred to of forwarding Form T.20 Discretion may be dispensed with unless the amount involved is fairly substantial. Where, however, (be the amount of the proposed disallowance large or small) you have reason to believe that the disallowance will be objected to, the Form T.20 Discretion must be completed.

What is a substantial amount or what is a small amount is a matter of judgment but in exercising the judgment, it should be remembered that an item in a particular year might, in itself, be small, but if the determination of the discretionary matter is to be effective from year to year, or an apparent considerable number of years, then that which is small in a particular year becomes substantial by reason of future rights being involved, which future rights may be in amount larger or smaller than the amount in respect of which the discretion in the particular year is to be exercised, or may be the same.

The point is future rights are involved.

If the matter pertains only to one year, then the amount under consideration would necessarily have to be much larger than if future rights were involved, because it is only to be dealt with once.

A lead as to what is a small amount for one year or what, though small for one year, is large because of its continuing future application, or what is a substantial amount, even for one year, cannot be given, because this memorandum deals with the exercise of the discretion in such a possible variety of circumstances, so that amount being large or small will be determined as such by the District Office acting as reasonable persons having regard to other like related circumstances, in other or analogous businesses.

In any case where discretion arises and the taxpayer has consented *in writing* to the proposed disallowance, the Inspector will report accordingly on T-20 and in that case the T-20 Discretion Form will be dispensed with.

For your information and guidance in principle there is attached a general memorandum on the subject of "Discretion".

Memo, No. 31 (1941-42) and Memo, E.P. No. 5 (1941-42) are hereby cancelled.

Please acknowledge receipt of this memorandum.

C. F. ELLIOTT,
Commissioner of Income Tax

10th February, 1942.

Ministerial Discretion

The various members of your staff, and particularly the assessing staff which have to assist in the exercise of a discretion, should take note of the following extracts from a long standing decision in the English Courts—

The Court of Appeal held, by a majority, that it was contrary to *natural* justice for the Minister to dismiss the appeal... without giving him (the appellant) a chance of being heard;... But the House of Lords held that he had no right to object to the Minister's Order on these grounds.

Lord Haldane Stated—

Those whose duty it is to decide must act judicially. They must deal with the question referred to them without bias and they must give to each of the parties the opportunity of adequately presenting the case made. The decision must become to in the spirit and with the sense of responsibility of a tribunal whose duty it is to mete out justice but the procedure of each tribunal need not follow the same lines.

Finally Lord Haldane expressed the view that the Board was not bound to hear the appellant orally provided he had the opportunity (which was in fact provided) of stating his case.

Lord Shaw rejected the claim that the appellant was entitled to an audience of the particular judge or judges of his appeal, when these had been identified, in order that he might have a personal hearing which should survey the whole of the material available, and disclose the report made on the public local inquiry and the views put forward thereon, by the Inspector who conducted it, for the guidance or consideration of the department.

"If such a disclosure were compulsory" said Lord Shaw, "it would place a serious impediment upon that frankness which ought to obtain among a staff accustomed to elaborately detailed and often most delicate and difficult tasks. The same argument would lead to a disclosure of the whole file containing the views of the entire hierarchy of inspectors, secretaries, assistants, consultants and other officials who had considered the matter, many of whose opinions may differ but all of which form the material for the ultimate decision."

To reveal the process by which this corporate opinion was gradually evolved in the department would, he thought, be not only inconsistent with efficiency and existing practice, but also with the theory of Parliamentary responsibility for departmental action.

It was made clear that a Government department entrusted by an Act of Parliament with the exercise of judicial functions need not follow the methods adopted by Courts but may employ any rules that appear fair and reasonable for the transaction of business.

Thus an Administrative Tribunal need not furnish an appellant with the reasons for its decisions, but may merely announce the conclusion, whereas it is the strictly followed custom, in the superior courts of justice, at any rate, to

explain at length reasons which have led the judge to form his decision. Nor need particulars be furnished of the evidence on which the conclusions of the department are based.

Again, the decision of a government department exercising judicial functions need not be conclusive, as in the case of a court. The enquiry may be reopened at any time by the department and the decision revised.

Also, the rule that a fair opportunity be given to each party to present his case is one which will invariably be applied to every tribunal, no matter how wide its powers or how complete its discretion.

No restriction was imposed save that attention should be paid to what has been called "natural justice". It was said in one case that "it is impossible to lay down the requirements of 'natural justice' but the phrase is actually employed to denote two or three elementary principles which, according to English ideas, must be followed by all who discharge judicial functions. Thus, it is 'against natural justice' to arrive at a decision before both parties have had an opportunity of stating their case. No one must be condemned unheard."

Questions involving conceptions of economic justice which would not be admissible in the trial of a private claim in an ordinary court of law, have played an important part in determining the questions arising under the Income War Tax Act.

The Income Tax administration is composed not of judges but of ordinary citizens functioning under a public statute, administering, on the evidence placed before them, economic justice. They are all public officers responsible to the Minister in charge of the Department, who is responsible to Parliament. Each such officer is in a sense an administrative tribunal, in the administration or conduct of public affairs, with power to consider questions primarily of fact within the ambit of the law and the wide powers of discretion given them.

Their decision, upon appropriate approval, becomes binding on private persons, affecting their private rights. Such administrative officers should not make decisions without giving an opportunity to the persons affected of being heard but need not delay if that person does not take advantage of the opportunity to be heard.

Where property rights are involved, as in Income Tax matters, the Courts regard the proceedings of the tribunals, and this would include the District Offices, as being in the nature of judicial proceedings, although the form is a wholly domestic one and in no way bound by so-called judicial procedure. Those acting judicially, however, are required to administer natural justice and natural justice should be dispensed by an unbiased and impartial mind, which officers are required to bring to their tasks.

Such minds should be free from financial interest in the controversy for an officer should not act where he has a personal interest of a financial or property character. Neither should he act in the position, due to bias or prejudice, of accuser and a judge.

Therefore, provided the officers administering the Income Tax Act do not infringe the simple provisions relating to natural justice, as referred to; they are free to arrive at whatever decision, having regard to the circumstances and facts, they choose to think proper and to recommend accordingly for its adoption.

Our records should show that an opportunity was given to the taxpayer to consider the proposed changes before they were actually made and if that is done and the simple elements referred to have been adhered to, the exercise of the discretion will not be subject to alteration upon review by any Court. They will only alter where natural justice has been infringed. It is right that then they should.

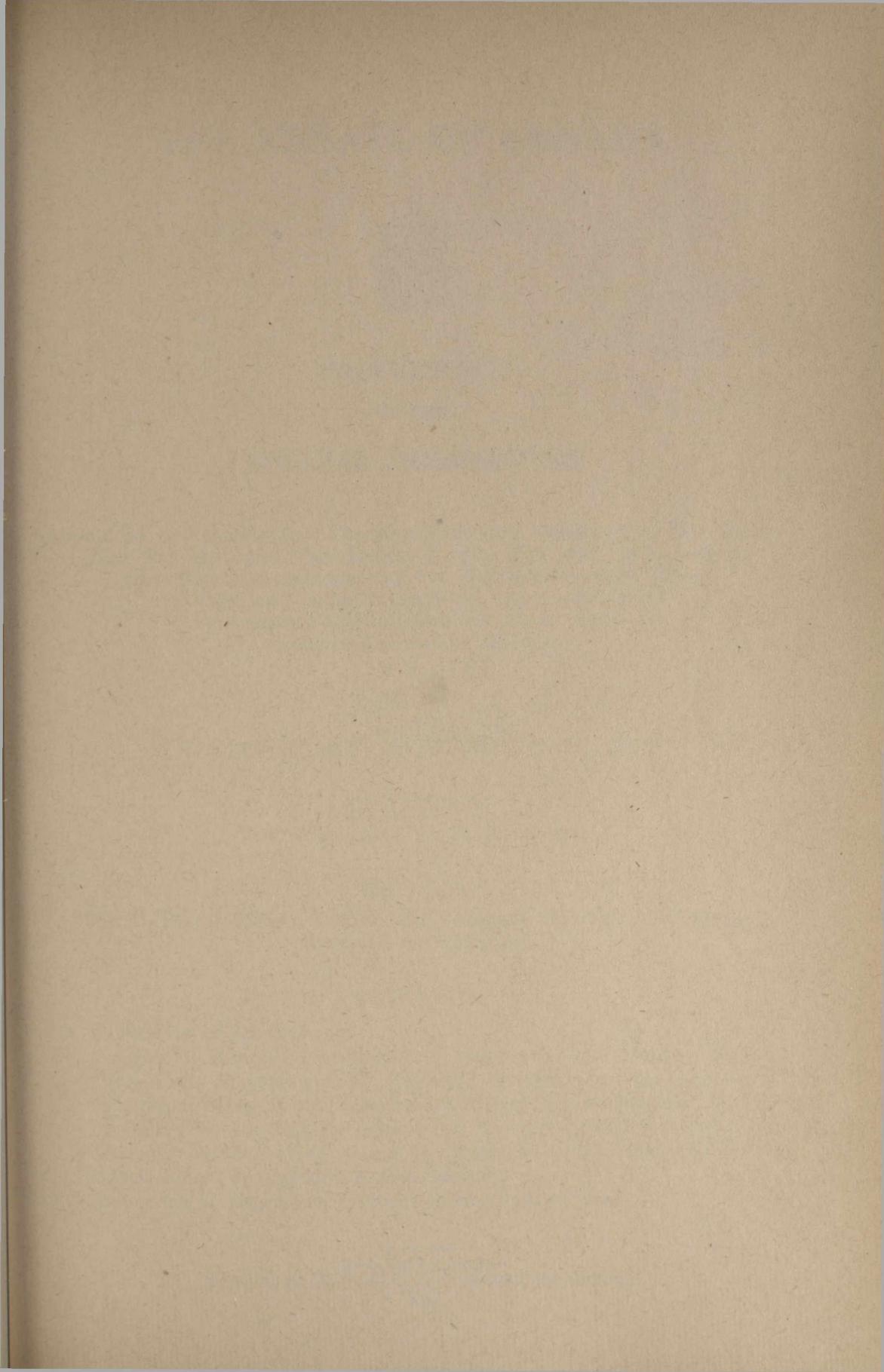
EXHIBIT NO. 8
SUCCESSION DUTY STATISTICS

Year	Number of Dutiable Returns Received	Number of Non-dutiable Returns Received	Total Number of Returns Received	Number of Dutiable Returns Assessed	Number of Non-dutiable Returns Assessed	Total Number of Returns Assessed	Number of Returns on hand at year end	Collections
June 14-Dec. 31								
1941.....	5,496	16,523	22,019	3,665	10,994	14,659	No record	\$ 6,956,574.19
1942.....	11,199	31,161	42,360	11,203	31,985	43,188	6,881	13,273,483.43
1943.....	10,539	30,034	40,573	10,053	29,506	39,559	7,657	15,019,830.85
1944.....	11,081	31,764	42,845	11,941	33,916	45,857	5,159	17,250,797.83
Jan. 1-Sept. 30							As at Sept. 30	As at Nov. 10
1945.....	10,214	25,549	35,763	9,365	26,233	35,598	4,699	13,738,541.53
TOTAL.....	48,529	135,031	183,560	46,227	132,634	178,861		\$66,239,227.83
Number of returns on hand as at Sept. 30, 1945.....								4,699
Average number of returns received per month.....								3,560
Number of returns considered as a reasonable number to be on hand.....								2,500
Average number of dutiable returns received per annum.....								11,199
Average number of non-dutiable returns received per annum.....								31,161
Average number of all returns received per annum.....								42,360
Average number of all returns received per month.....								3,560
Number of returns presently on hand equivalent to number received in 6 weeks								
Number of returns in Head Office is equivalent to 4 days' work								

This has been the average for the past 6 months.

Total number of Succession Duty Staff.....	260
Total number of different forms in use.....	54
Number in use by the public.....	23
Number in use internally.....	31

Cost of collection is slightly over 3%





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1945

THE SENATE OF CANADA



PROCEEDINGS OF THE SPECIAL COMMITTEE

Appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

No. 4

WEDNESDAY, NOVEMBER 21, 1945

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESS:

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation.

EXHIBITS:

11. Categories of Discretion.
12. Copy of a Report of a Committee set up by the Deputy Minister (Taxation), Department of National Revenue for the purpose of "making a survey of the present establishment of the Taxation Division in regard to serving the public by an appropriately situated and adequate number of offices, if it should be found that the present establishment is regarded as inadequate".
13. Appendix to Report on District Office Organization.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for October 24, 1945)

Resolved,—That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon;

(2) That the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud, Robertson, Sinclair and Vien;

(3) That the said Committee shall have authority to send for persons, papers and records.

ATTEST:

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, 21st November, 1945.

Pursuant to adjournment and notice the Special Committee appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 8 p.m.

Present: The Honourable W. D. Euler, P.C., Chairman, and the Honourable Senators Aseltine, Beaugard, Bench, Buchanan, Campbell, Crerar, Farris, Haig, Hayden, Lambert, Léger, McRae, Sinclair and Vien.....15

In Attendance:

The Official Reporters of the Senate.

Mr. J. F. MacNeill, Law Clerk and Parliamentary Counsel of the Senate.

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation, was recalled, and was examined by the Honourable Senator Campbell.

The following Exhibits were filed:—

11. Categories of Discretion.

12. Copy of a Report of a Committee set up by the Deputy Minister (Taxation), Department of National Revenue for the purpose of "making a survey of the present establishment of the Taxation Division in regard to serving the public by an appropriately situated and adequate number of offices, if it should be found that the present establishment is regarded as inadequate."

13. Appendix to Report on District Office Organization.

At 10.10 p.m., the Committee adjourned until 10.30 a.m., Tuesday, 4th December, instant.

Attest:

R. LAROSE,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

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MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, November 21, 1945.

The Special Committee of the Senate to consider the provisions and workings of the Income War Tax Act, etc., resumed this day at 8 p.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, at the conclusion of Mr. Elliott's statement last evening it was decided that to-night's proceedings would be devoted to questions, and at a subsequent meeting of the Steering Committee it was thought advisable that Senator Campbell might take the lead.

Hon. Mr. CAMPBELL: Mr. Elliott, I notice in your evidence a statement that one of the difficulties of your Department lay in ascertaining the tax liability of the taxpayer. Had you in mind the difficulties of interpreting the law, or the calculation?

Mr. ELLIOTT: I do not remember the statement or the context, senator, but taking the question *de novo*, the difficulties in making an assessment, I would now say, and I hope I said or implied then, that there are two difficulties: one is the ascertainment of the facts, particularly a complicated set of facts; the other is the application of the law to that set of facts and the arrangement, primarily, between what is a capital charge and what is an income charge. So I would say it is a combination of both.

Hon. Mr. CAMPBELL: Are there any facilities in the local offices by which the ordinary taxpayer can get help or advice?

Mr. ELLIOTT: Well, if a person wants to get help to make out his income tax return he can always bring his facts down to the district office, if he lives within a reasonable distance of the district office, and there he can get advice from one of what we call our desk men, if the matter is simple. If the matter is complicated then he can get it by getting in touch with an assessor. But if I may continue the answer there: when you say he may come in, that is one of the points that was considered in splitting our districts into a greater number than there are now, rather than having a man living a great distance away, probably two hundred, three hundred or four hundred miles, come to our office; we are splitting the districts and bringing the office closer to him, so that all will have a better opportunity of coming in and ascertaining what they want to know.

Hon. Mr. CAMPBELL: What is the experience in the district office as to the number of people who do come in for help?

Mr. ELLIOTT: I made inquiry about that a little while ago when getting ready for this committee, and while I do not desire to appear too well-informed I understand that 10,000 per day came into the Montreal office for a goodly number of days before April 30, and by actual count the number of telephone calls per day was well over 5,000 at that time. I must say I questioned that figure myself, but they all stuck by their count and said the count was checked by the Bell Telephone Company; also that they would not go below the 10,000 per day who came into the office.

Hon. Mr. CAMPBELL: Principally new taxpayers or taxpayers in low brackets?

Mr. ELLIOTT: No; people come in each year and want to file their income tax return. Human nature being what it is, they generally leave it till about the 30th April, although the law says the return should be filed on or before the 30th April.

Hon. Mr. CAMPBELL: I think you said about 50 per cent of the total tax was raised between the Toronto and Montreal offices. Would there be a similar proportion in the Toronto office?

Mr. ELLIOTT: I think so, because both of those offices are rather poorly located for the convenience of the taxpayers. The office in Toronto is situate down near the water-front or near the railway, in the south end of the city, and similarly the office in Montreal is situate down at the foot of McGill street below the centre of the city. So I would say there is the same number of people in Toronto with the same characteristics of leaving it until the last moment. I would not say Toronto is more diligent than Montreal.

Hon. Mr. ASELTINE: There is nothing you can do about that.

Mr. ELLIOTT: I do not know what you can do about it.

Hon. Mr. CAMPBELL: In those offices you have not qualified legal assistance?

Mr. ELLIOTT: No; in the district offices there are no lawyers in the sense of legal advisers to the taxpayers. The legal advisers are all in the Head Office where all the questions come, and where we want to keep central control for the purposes of uniformity.

Hon. Mr. CAMPBELL: So when any legal question arises it is referred to the Head Office?

Mr. ELLIOTT: Yes.

Hon. Mr. CAMPBELL: Would you care to make a statement as to the difficulties which your Department have encountered in interpreting the law as it stands?

Mr. ELLIOTT: May I postpone the answer to that question for a moment so that I may complete my answer to what you asked a moment ago, namely, that about 50 per cent of the revenue is collected in Toronto and Montreal. The actual facts are that in the Montreal district for the fiscal period ending March 1945 there was collected in round figures \$409,300,000, and in the Toronto district there was collected \$393,000,000. So, adding those two figures together I suppose that is about \$802,000,000.

Hon. Mr. CAMPBELL: What is the chief difficulty that your Department encounters with respect to the interpretation of the law?

Mr. ELLIOTT: What is our chief difficulty?

Hon. Mr. CAMPBELL: Yes.

Mr. ELLIOTT: I fancy the principal difficulty lies in determining what is an income charge as well as what is a capital charge, throwing charges into one category or another; I think most questions arise out of that problem.

Hon. Mr. CAMPBELL: These are questions that arise after the returns have been made?

Mr. ELLIOTT: Yes.

Hon. Mr. CAMPBELL: With respect to the assessment?

Mr. ELLIOTT: Yes.

Hon. Mr. CAMPBELL: And are those matters determined in the local offices?

Mr. ELLIOTT: Initially they are determined in the local offices on the general concept of what is a capital charge, and if there is any doubt in their minds it is drawn to the attention of the Head Office and becomes determined for the purpose of administration finally at Head Office.

Hon. Mr. CAMPBELL: That is before assessment?

Mr. ELLIOTT: Oh, yes.

Hon. Mr. BENCH: Is that always strictly a legal question, or could it also be a matter of accounting?

Mr. ELLIOTT: Oh, well, I think it is really a mixture in the first instance of an economic question and a legal question. If you look at the history of it, economists will find what is moving in the income or revenue fields, and the economic view will differ from the legal concept of what is revenue and what is capital. I can exemplify that by the one great division: economists unquestionably assert with conviction in their minds that a man pays away his capital and buys an annuity for life. The economists' view is that the money that returns to him annually while he lives is composed of two things: one, a return on his capital; and, two, the interest content that the money earned while in the hands of the person to whom he paid it, and that content in part comes back to him. So he gets capital and income according to the economists' view, but according to the legal view decided in England not only by the Courts but decided and affirmed administratively by at least two Royal Commissions on the matter, the man paid away his capital and bought the thing that was sold to him, namely, a life income. There is a clear distinction between the economists' view and the legal view. The legal view, I repeat, is that he paid away his capital and purchased an income for life. That is supported by the argument that he not only paid away his capital, but because he bought an annuity he did it by a contract with that organization that also made like contracts with thousands of other people, so the multiplicity of those contracts relating to life annuity means that some who bought an annuity lived but a short time, and therefore their capital did not come back to them—if you want to say it is capital—but goes into a pool for use in paying life incomes to those who lived a very long time and got back not only what they paid in under the economists' view but a great deal more, because they lived so long. That means multiple contracts made at a central point, and the law states he paid away his capital, and out of that multiple fund he bought an income for life.

The CHAIRMAN: Is that a case where you can use discretionary power?

Mr. ELLIOTT: No; there is no discretion in that. That is the law, and up to this year we followed that law, but as you know this year there was a Royal Commission known as the Ives Commission appointed to advise whether the economists' content should be free of tax and only the interest content taxable. The Ives Commission so recommended, and there is now legislation proposed, as evidenced by the resolutions presently in the House, that only the interest or income content be taxed.

The CHAIRMAN: Was the opinion based on any legal ground?

Mr. ELLIOTT: I recommend to you the reading of their report: On the evidence submitted to us it was the unanimous opinion that annuities are composed of two parts, income and capital. That is pretty close to a quotation of the opening lines, although I have not looked at the report for a long time. But I wish to answer your question, Mr. Chairman, by saying that the Commission, as indicated by the opening statement in its report, followed the preponderance of evidence that came before it just as a judge of first instance at trial follows the preponderance of evidence adduced before him. The implication is that they did not use their minds but interpreted the evidence, and one cannot doubt that that was the evidence, because if you look at the list of witnesses who came before the Commission you will see there were representatives of many insurance companies, annuity companies, and other business interests; so

I say that is a possible interpretation on the language used. Do not let the record indicate that they did not use their minds; they certainly did, but I am using the literal language of the opening statement of the Report.

Hon. Mr. CAMPBELL: The chief difficulty in construing the statute or determining the tax liability under the Tax Act is to ascertain the difference between capital and income?

Mr. ELLIOTT: I would say that is the common problem.

Hon. Mr. CAMPBELL: Is it not a fact that the amendments to the Act over the past several years have made the law more difficult of interpretation?

Mr. ELLIOTT: Well, on the simplest logic I would have to answer Yes, for the reason that every time you add a section to the law, no matter how clear the section itself may be, you have that much more law before you, and you have that much more potential difficulty. Therefore, on the sheerest logic it is more difficult, but I do not think that is the proper answer. The sections which I think you have in mind, sir, were put in with no thought of making the Act more difficult, but with the basic thought of meeting by proper amendments those who seek, by so arranging their transactions, ways and means to avoid the intended incidence of the law, and bringing them within the ambit of the law according to its principle, intent, meaning and spirit. So that when you draw a section of the Act that has to meet a highly technical situation, it follows that the section itself is technical and therefore, since it is added to the law, it adds to the difficulty of interpreting the law.

Hon. Mr. CAMPBELL: Has that given rise to more rulings?

Mr. ELLIOTT: Again the strictly logical answer is Yes, because again the more sections there are to interpret the more rulings there will be. I think that is as far as I should go in that answer. I think you should develop that a little more, sir.

Hon. Mr. CAMPBELL: I would ask you if you would give the committee some information with respect to the regulations and the rulings and the purpose of each in helping to establish a basis of law.

Mr. ELLIOTT: Well, now, Mr. Chairman, that is a very broad question, and if I may be permitted I would like to comment on it in this way: What is the basis of our regulations in interpreting the law? I have to add to that: What are the directions we give to our own staff which we call "memoranda" for the interpretation of the law? Now, under the law, by section 75, "The Minister may make regulations deemed necessary for carrying this Act into effect, including regulations..."—I will not quote the rest—for the purpose of carrying that Act into effect. When the Minister finds it necessary to make a regulation he must realize that he is functioning under the sanction of the law, and is thereby making law. He has always considered it, therefore, his duty to publish the law in a manner somewhat commensurate with the publication of the statutes themselves. Therefore any regulation that makes law is by the Department always published in the *Canada Gazette*, not only for the purpose of notice, but also, as honourable senators who are members of the Bars of the various provinces are aware, for the purpose of evidence in Court, the production of the *Gazette* being ipso facto without further proof accepted by the Courts; so that the law is brought before them, and anything that is not so published is not a regulation. That brings me into the secondary thought in your question, the memoranda that we issue to our inspectors across Canada interpreting a set of facts that seem to be repeating themselves from time to time throughout the country. We believe that every taxpayer has the right to read the law and take his set of facts in the light of that law, and say: "I believe the law should be interpreted in relation to these facts in the following manner" and then he sets them out,

perhaps not as specifically as I have said it, because he fills in his return by that mental process. In any event, he has the right to so arrange his facts under the law that he complies with its terms as he understands the terms of the law. Now, when you are dealing with a jurisdiction that is Dominion-wide, as the Income Tax authorities do, you cannot be on hand at every part of Canada at once. It is therefore necessary to instruct your officers as to what your belief is with respect to any such circumstances that repeat themselves, and we advise them by memoranda as to our interpretation of those facts in the light of the law. So that when the taxpayer comes into the district office or sends in his return with his interpretation as outlined, that is surveyed by our assessors, and they apply the law that we have given to them through the medium of memoranda.

The CHAIRMAN: That is, in the districts?

Mr. ELLIOTT: Yes, sir; and if those memoranda or a particular memorandum in a special case happens to be in conflict with the interpretation put upon the facts by the taxpayer, the taxpayer is advised that his facts are challenged, and the matter is sent down to our Head Office and passes through our Head Office audit altered in accordance with our memorandum of interpretation. That is the great distinction between regulations and operative memoranda indicative of interpretation of the law relating to a set of facts.

The CHAIRMAN: Are the interpretations made in the district offices sometimes in conflict with the interpretations made at the Head Office?

Mr. ELLIOTT: I am happy to say they are, because it shows an independence of thought in the district offices, which is most healthy. In fact I have received letters over the years from my officials and inspectors saying: "Well, that is your ruling, but I do not agree with you"; but, as in all management, there has to be final authority, and I guess I am it.

Hon. Mr. HAYDEN: Whether you call it a ruling or a regulation, it has to be observed by the local offices?

Mr. ELLIOTT: Oh, yes; they have to obey orders. It is an order, but not an order such as we have been used to obey in the Army when one says: "Form fours" and you have to do it in just that way, and do it just as snappily. It is open to discussion by the district offices with us, and I am very sure, although I have not evidence of it, that the district chaps say: "Well, the Head Office tells me to interpret it this way, but, Mr. Taxpayer, I do not think the Head Office is right. Why don't you dispute the matter?" I have no doubt that goes on, and it is a good, healthy situation. The taxpayer has the right to appeal, and has the added strength that the assessor in the field might have been right and the Head Office might have been wrong. I am happy again to say that once in a while we are wrong, and that keeps us human. But in all the cases put into Court, without attempting to boast, gentlemen, our success has been rather marked.

Hon. Mr. ASELTINE: Is every ruling a regulation?

Mr. ELLIOTT: No; no ruling is a regulation.

Hon. Mr. ASELTINE: The rulings are not published?

Mr. ELLIOTT: No; because they are just an interpretation of the law.

Hon. Mr. ASELTINE: And there is no way in which the taxpayer can get a copy of those rulings?

Mr. ELLIOTT: No; because we do not wish to impose our view of the law on the taxpayer with respect to his set of facts. He has every right to make up his own mind with respect to his set of facts, and the wording of the law, which includes the wording of the regulations.

The CHAIRMAN: And if he does not agree with you, what can he do?

Mr. ELLIOTT: He appeals.

The CHAIRMAN: To whom?

Mr. ELLIOTT: He gets his assessment and lodges an appeal; and our appeals, gentlemen, are very informal. It is not a matter of drawing up a statement of claim and a statement of defence as in Court proceedings. We will accept a letter in which a man makes the clear assertion: "I wish to appeal this assessment." It is that informal.

The CHAIRMAN: What follows then?

Mr. ELLIOTT: The appeal is then recorded in the Head Office.

Hon. Mr. HAYDEN: And the ruling is confirmed.

Mr. ELLIOTT: Essentially you are right, senator.

The CHAIRMAN: The appeal is to the same "judge" who gave the decision in the first instance?

Mr. ELLIOTT: I have often heard that statement, and there may be something in it. However, to answer the first question as to what happens then: The appeal is lodged at the Head Office and recorded, and we send out an office form in which we ask the inspector to give a resumé of all the principal facts and reasons, so far as he has them, from the taxpayer, and again confirm his, the inspector's view as to whether the assessment is well founded. When that comes back into the Head Office the appeal and this document and the facts we have on file, which are all the facts given by the taxpayer, are reviewed. Correspondence may take place directly with the taxpayer from Head Office, or may take place by referring the matter back again to the inspector to get further facts or further light on the facts that are already there. After that is done we either affirm the assessment or admit the taxpayer's claim in whole or in part and make the appropriate adjustment.

The CHAIRMAN: Is that final?

Mr. ELLIOTT: No, sir.

Hon. Mr. HAYDEN: Let us be realists. At that point do you think the manner in which the appeal from the Minister proceeds in practice is any real disposition of the problem of the taxpayer at that stage?

Mr. ELLIOTT: I do not know of anything more real than applying one's mind, with the abilities or lack of abilities one has, to a consideration of his contention and, answering seriously, on a document that is provided by statute.

Hon. Mr. HAYDEN: The point I am getting at is that in the first instance the problem undoubtedly is a legal problem, and has been considered, and the assessor has had the support of the Deputy Minister for Taxation before the assessment is made. The local inspector has been confirmed in the nature and quantity of the assessment.

Mr. ELLIOTT: Well, in the broadest sense and technically the assessment has had the support of the Deputy Minister. That is true.

Hon. Mr. HAYDEN: And when it gets to the Minister—?

Mr. ELLIOTT: You jump too fast there, senator, because there are, as you know, 2,500,000 assessments that should be made every year, and they are made under general rulings, and technically every one of them is made by the Deputy Minister. Factually, as you know, that is impossible; hence the generality of the rulings that operate in every part of Canada, so that this work can be done. Then an appeal comes in, and it sort of grows out of these millions of assessments and becomes an item for special consideration, when our minds are applied for the first time above the generality of our rulings in law. I suggest that that is a very realistic way of taking out of the great multitude of appeals something that a taxpayer feels is an error. Then we advise him, by the decision of the Minister, that that is our view, if we adhere to the view.

Hon. Mr. HAYDEN: I am thinking of a case where, before the assessment is made, there is an opportunity afforded to the taxpayer to discuss the departmental attitude with the Deputy Minister. Take that type of case. Nearly every important appeal goes through that initial stage before it comes to your attention, before the assessment is made.

Mr. ELLIOTT: The question is a little involved. I would like to get it clear.

Hon. Mr. HAYDEN: In the case of what I call important taxation problems, they get to the Deputy Minister before the stage of assessment, and there are conferences and discussions.

Mr. ELLIOTT: Oh, not in the vast majority of cases; I think the vast majority of them are first assessed. There are some important cases that are brought up because the taxpayer has doubts himself about the matter and wants to discuss it, but that is a minority of the whole, a very decided minority. Mostly the assessment is made just as outlined.

Hon. Mr. FARRIS: What percentage of those appeals would be allowed? Have you any idea?

Mr. ELLIOTT: A memorandum has been placed in front of me which I am prepared to adopt: I think about one-third of the appeals are legally allowed, and perhaps many more adjusted by audit.

Hon. Mr. VIEN: When there is an assessment made and the taxpayer is not satisfied, he serves a Notice of Dissatisfaction which should bring the matter before the Minister. It does not go to the Minister. The Minister would be quite snowed under with all these applications, and could not possibly give attention to them, as we understand. Also they cannot be dealt with by you personally, because you also would be snowed under. You have all the rest of the administration of the Department to look after. Therefore they go to whom? What is the machinery in the Department to deal with these Notices of Dissatisfaction?

Mr. ELLIOTT: I was just coming to that, Senator Vien, if I may link your question up with what I was developing for Senator Hayden, that after the appeal is made and the preliminary step of inter-office documentary assembling of facts comes back, the Minister makes a decision. Then the taxpayer has to file the document to which you refer, namely, the Notice of Dissatisfaction, with that decision. Now my statistics on appeals show 670 appeals on hand. I agree with you that I do not look at 670 appeals; I could not do so. Hence we have a legal department consisting of gentlemen who, I do not think I overstate the fact, are highly skilled in matters of income tax law. I told you we had a staff of forty, and of that staff thirteen are lawyers. So when these Notices of Dissatisfaction come back to Head Office one of the several lawyers initially looks over the case.

Hon. Mr. VIEN: But before the assessment was made, if any question of law has arisen it has gone to that legal department already for their ruling, and when the Notice of Dissatisfaction is lodged the matter comes back to that same legal department, is that correct?

Mr. ELLIOTT: Technically that is a correct statement, but when you say that comes back to the same legal department who have already considered this special set-up you have given us, namely where a legal question arose before the assessment, which is most unusual in comparison to the whole, and the Legal Division have considered the facts that are not yet legally before it in the sense of an assessment having been made, and with no foundation for an appeal at all—let us take that example—the legal department says: Our view is so-and-so, and the taxpayer disagrees; nevertheless he has to lodge his facts by law, and it is assessed according to our rulings and the Legal Division's

findings, and then he must lay the foundation for these documents to go to Court. The whole idea is: Do not pounce upon a man and let him have only one document to file, and say to him: "That is your case." Be a little more fair, and give him a decision after his appeal, and then let him think that over and if he is dissatisfied with you, let him say so and file his Notice of Dissatisfaction. That document must contain all the facts of his case. Then the Minister through the legal department prepares the document of reply, which is the last document. Now, pausing on the Notice of Dissatisfaction for a moment it must be complete in its facts, because it is wholly improper that the Court in hearing evidence—it being a court of first instance, the Exchequer Court—should get different evidence from that contained in the Notice of Dissatisfaction. Therefore it is essential that these facts be put forward in the Notice of Dissatisfaction. Presuming he has done that, we reply, and the statute provides that those documents may be filed, certified to and lodged in the Court. Then the matter is ready for trial unless the Court directs the filing of formal pleadings.

HON. MR. VIEN: We find it is provided in the Act that the appeal from the Commissioner of Taxation, now the Deputy Minister of Taxation, is launched to the Minister, but in fact it cannot be done. Now, if the Act as drafted provides a remedy which cannot be put into practice because the Minister is not capable of attending to it, and the machinery to deal with a Notice of Dissatisfaction as provided for by the Income Tax Act does not function, and in actual practice those who have made the assessment in the first place review the assessment and are exercising the powers which the Act vests in the Minister, would you agree that it might be preferable to have a completely independent board of, let us say, three persons well versed in Income Tax matters to which these Notices of Dissatisfaction would be submitted, so that the people who first made the assessment should not be called upon to review their own decision, and so that the taxpayer would have the benefit of a board completely divorced from the administrative officers who have passed on his claim in the first place? In other words, if the Act provides that there should be an appeal from the assessment, would it not be a workable scheme to provide a board independent of the Taxation bureau to give the taxpayer the benefit of an independent judgment without involving him in expensive litigation in the Exchequer Court?

MR. ELLIOTT: Well, senator, the categorical answer is Yes, but that would not be helpful, so I will make an explanation: From the multiplicity of assessments that are made there arise appeals in various parts of Canada. That is like a red flag on a white field, it stands out, and therefore you have to look at it and see what is there. Naturally you have to have an organization that seriously looks at an appeal and comes to a conclusion whether that which has been done is correct in law or not. Whether you have an independent body called the Exchequer Court, or something between the Exchequer Court and our Administration, what I have just said is still necessary, because of the imperfect manner in which many of these appeals are lodged, and the imperfect manner in which the facts are put forward, and at that juncture of proceeding it would be wholly inadequate for any independent board to handle. They would become an administrative body themselves if it were handed to them at that stage, because they would have to start to gather facts. The taxpayer sees only his own case, which is human, and forgets all the other related essential facts, so somebody must say to him: "Your case is incomplete factually." Therefore we must take these appeals to the Minister to be considered by the Minister's advisers, and you must develop the case to a finished state. Now, to develop it to a finished state is provided for in the statute by the two documents I have mentioned, the Minister's decision and his final reply. So that if you do think well of putting in another body between the Exchequer Court and our

Administration, you would still have just exactly the same proceeding as we have now, because you have to refine these things and bring them to a point where they are complete and where men skilled in the business think they are complete. You can look upon that as an appeal to the Minister if you like, and technically there is something in that; but it is lifting the assessment from the assessors across Canada with general knowledge and putting it into the hands of the hierarchy skilled in the law, and there it is considered. Just drop the word "appeal." Just say: "I want to give you, Mr. Minister, more facts; if I have not given you them all I want to give them to you in a more orderly and complete manner, and I want to look over your decision. If you are still of the opinion that it is right, you will send me notice, or whatever the name of the document may be, but I must have the right to go to some Court that is independent of you, Mr. Minister"; and to-day he has to go to the Exchequer Court. If you put in another court between the Exchequer Court and the Administration, in the light of my explanation, nothing in my explanation will change it; it must still go on, and then you hand the documents to this intermediate Court that you imply should be there. Let us pause on this intermediate Court. There are several kinds of intermediate Courts. We might go into the system of the Admiralty, wherein you have the Justice in charge of the Court who is highly skilled in law, but has an expert adviser selected from the men of the Navy who are skilled in sea law. We might have a Judge of the common law on the generality of the law, highly skilled therein, and you might give him—they are called assessors in the Admiralty Court, and the term is useful—an assessor to advise him, say an accountant or an economist. There would be a conflict there, because the economist would think he knew more about it than the accountant.

Hon. Mr. VIEN: I would not take the economist, but I would take a chartered accountant or a man experienced in the art of analyzing such cases, because it is no longer a theoretical question which the economist might deal with.

Mr. ELLIOTT: Do not let us lose the thread. I am developing the kinds of Courts.

The CHAIRMAN: Mr. Elliott, I think we should give the floor to Senator Campbell. I do not like to interrupt you, but I think Senator Campbell should be allowed to continue with his questions very soon.

Mr. ELLIOTT: I am just answering questions, sir.

Hon. Mr. CAMPBELL: I think this matter should be disposed of now.

The CHAIRMAN: There is no special priority among members, but the Steering Committee thought that Senator Campbell should conduct the questioning.

Hon. Mr. VIEN: I am very sorry, and I apologize to Senator Campbell.

The CHAIRMAN: I myself transgressed.

Mr. ELLIOTT: I should like a direction from the Chair.

Hon. Mr. HAIG: Would it be desirable that Mr. Elliott complete his answer to the question put to him?

Mr. ELLIOTT: I am sorry, but the answer will be quite a lengthy one.

Hon. Mr. VIEN: And there are two or three questions which will be drafted on it, so I agree that Senator Campbell should proceed.

Hon. Mr. CAMPBELL: I think we should continue with this particular point, because we are canvassing this question of appeals, and the discussion should appear at the same place in the record, I submit.

Hon. Mr. VIEN: There are only two other questions.

Mr. ELLIOTT: I do know that the affairs of the taxpayers are brought into orderly presentation, first, by the auditor for the taxpayer and, second, by the auditors paid by the Crown,—and they have a goodly number of them, but, as I have told the committee, not enough of them—and therefore if you are going to employ more of them to act as advisers or assessors to a Judge, I suggest that you would be overdoing it.

Hon. Mr. BENCH: We would have to pay them salaries, too.

Mr. ELLIOTT: Then you might have to introduce another kind of Court presided over by junior judges, because I do not think you could draw from the senior Court Justices; you might draw upon the County Court Judges. Now, if you draw upon County Court Judges, you might have them singly or you might have two or three. If you do have that kind of Court you necessarily must have, I think, such a Court in every province of Canada. Now, you are setting up therefore an appeal tribunal that has, I think, some inclination to be influenced by the local conditions in which they are functioning. For example, I doubt if the County Court or District Court Judges in the province of British Columbia think in the same terms as they do in the province of New Brunswick. I could compare other provinces that perhaps in some minds might have more striking differences than the ones I have selected, but those are indicative. I suggest that that kind of a Court would only add to a difference in judgments on substantially the same set of facts in different parts of Canada, and you would lose uniformity. That would be an added cost of time and effort to the taxpayer.

Hon. Mr. VIEN: I do not believe that any single member of the committee would suggest that. What I had in mind more particularly was a distinct board, a federal board sitting at Ottawa, to substitute for the legal branch of the Department in determining appeals under the machinery provided for by law.

Mr. ELLIOTT: That was the third kind of Court I was going to suggest, and I think it is the best of all, but let us look at it for a moment: You will find an example of that kind of Court in the United States. They set up what they call a Board of Tax Appeals, and that board receives the documents from the Administration much as the Exchequer Court now receives the documents from our Administration. That Court has been functioning since 1925 or thereabouts, and only recently they have converted it into a regular judicial Court instead of a Board of Tax Appeals. They have dignified the Court by converting the members of it into Judges, and so really they have grown into just another Court of Claims, if I might use that as a descriptive term. It has become so important that finally it has assumed the cloak of judicial department and has adopted judicial procedure, practice and precedent. Now, if you wish to interpose a real Federal Court between the Administration and the Exchequer Court I am neither for it nor against it at the moment, but I point out that again you are putting in another Court before they can finally get to the Supreme Court. It is not just the problem of the year that is at stake in most cases, but the problem from year to year as to how they are to be assessed, and what you are really suggesting by a new Federal Court is one more Court from which you would have to appeal to the Exchequer Court, and then to the Supreme Court. Now, is there enough business, is there enough hardship among our people to justify the establishment of another Court that would be inferior, certainly in status, to the Exchequer Court? Is that worth while? I think in all these years, throughout the life of this Act, we have had 120 appeals.

Hon. Mr. HAYDEN: That is to the Exchequer Court?

Mr. ELLIOTT: Yes.

Hon. Mr. VIEN: Yes, but the reason for that is because of the cost of going to the Exchequer Court, and also the possibility of a further appeal by the Crown to the Supreme Court, which discourages a great number of people who are already discouraged by the fact that the decision on the so-called appeal to the Minister has been pronounced against them.

Mr. ELLIOTT: What you are saying is: Let us have a Division Court, a County Court, and a Supreme Court. Your statement is that those having small claims want to go into a cheaper Court, and that is a Division Court.

Hon. Mr. VIEN: I would have a Federal Court called The Court of Claims, and abolish the Exchequer Court. In the case of matters that would warrant it on account of the importance of the legal questions involved, there would be an appeal to the Supreme Court of Canada. Mind you, I am simply seeking light on the subject, and am far from being convinced that the suggestion is a good one; but I am not suggesting County Courts and I am not suggesting an added machinery of appeals. I would withdraw these cases from the Exchequer Court and would constitute a special board to deal with them, from which board there would be an appeal to the Supreme Court.

Mr. ELLIOTT: And skip the Exchequer Court?

Hon. Mr. VIEN: Exactly.

Mr. ELLIOTT: Oh, well, you are ignoring the Exchequer Court, which has been the Crown Court from the time of Confederation, and far be it from me to agree with you, even by implied consent, that we should eliminate our Exchequer Court.

Hon. Mr. VIEN: I would not like my remarks to be interpreted as an indication that the Exchequer Court has been found inadequate or incapable, but I am suggesting that since the Income Tax Act has provided an appeal to the Minister, which is impossible in practice, I would create a board of competent men who have become experts in taxes which would, I think, acquire a much greater experience and would establish greater uniformity of jurisprudence in taxation cases than the Exchequer Court with one Judge sitting could ever hope to accomplish.

Mr. ELLIOTT: Well, that is not a question, it is a statement of viewpoint, and I do not suppose you expect me to reply to it?

Hon. Mr. CAMPBELL: The taxpayer is not always given the opportunity of appearing in support of his appeal to the Minister, in the first instance.

Mr. ELLIOTT: Oh, yes; it is a wide open door.

Hon. Mr. VIEN: He is not always heard, though. It is dealt with on the documentary evidence.

Mr. ELLIOTT: Oh, hundreds of them come; the door is wide open.

Hon. Mr. HAYDEN: That is too expensive.

Mr. ELLIOTT: If you have a Federal Taxation Court, either the taxpayer comes to Ottawa or the Federal Taxation Court is itinerant and goes to him.

Hon. Mr. VIEN: But there would be no bill of costs to be taxed, just as in the case of the Board of Transport Commissioners: each party pays his own costs.

Mr. ELLIOTT: Well, senator, I think if the taxpayer wins his case the Crown ought to pay his costs, and I think there are cases where, if there is a great principle established, the Crown should forego costs rather than leave the taxpayer to pay his own costs when his own rights have been infringed.

Hon. Mr. CAMPBELL: Do you think the taxpayer feels he has independent judgment in the appeal in the first instance, when it is dealt with by officials of the Department as it is now?

Mr. ELLIOTT: That is a most difficult question to answer, as to how the taxpayer feels. I would not like to tell you what some of them have said!

Hon. Mr. CAMPBELL: From what little experience I have had I would say that that is the chief complaint of the taxpayer on the appeal, in the first instance.

Mr. ELLIOTT: Do you wish me to comment on that?

Hon. Mr. CAMPBELL: Yes.

Mr. ELLIOTT: If there is a belief among our people that they are deprived of a competent Court at reasonable cost, then the people's wish should be met. I suggest to you that by and large there are very few that are asking for the establishment of another Court, but if there are they certainly should have it.

Hon. Mr. CAMPBELL: I am inclined to agree with you when you speak of a Court, but do not you think a board of review similar to the Excess Profits Tax Board could fill two functions under the Act, that is, hear appeals in the first instance and hear representations with respect to the Minister's discretion and be able to advise the Minister?

Mr. ELLIOTT: If there is a demand for it I am in accord with it; but I would add this thought, that with assessments going out in great numbers, as they do go out, certainly it should be left to any Administration to review its own Assessments when an appeal is lodged. If in the generality of the application of our law, applied by many persons in many parts of Canada, something is done as the result of which the taxpayer appeals, he should not be forced by any means into the proposed new Court; he should have the right to take it up with the Administration if possible, and if we cannot agree in our legal views, then of course it is quite immaterial whether he goes to another newly establish "judicial body" as you may call it if you desire to dodge the word "Court", or whether he goes to the Exchequer Court. That depends, gentlemen, upon what the people want. And if they want that kind of a Court, a Taxation Court, it will not have the dignity, the strength and prestige. Of course, it will be open to the taxpayer to appeal the decision of the intermediate Court, and it would be equally open to the Crown to do so. Unless there is a real demand for it I doubt the wisdom at this time of putting in that added extra cost. In your mental concept it sounds good, but in actual practice, no.

Hon. Mr. VIEN: At the present time if you file a Notice of Dissatisfaction you are obliged to make a deposit of \$400, which is another deterrent to many taxpayers.

Mr. ELLIOTT: There are two answers to that statement, sir; one is to scale down the amount or wipe it out. It is a minor matter. The second answer is that it costs \$8 to \$10 to buy a bond from a surety company, and that is all the taxpayer needs in order to pay the \$400 security.

Hon. Mr. VIEN: But you know what has to be done when you go to a surety company: you have to deposit money or security, or have security to vouch for you.

Mr. ELLIOTT: I am coming to that. On the other hand, there is a goodly number of taxpayers who hand over to us their Victory bonds and they are getting the interest on this security all the time; all we have is possession of them. We say: "That is ample security." That is very simple. But if the \$400 is too high, let us cut it down to \$40.

Hon. Mr. BENCH: You would not be in favour of that reduction.

Mr. ELLIOTT: Surely I would. We have never lost a nickel that way. We have always got our costs, because naturally we are dealing with people who have money. If they have money they have to pay taxes, and if they have to pay taxes they have money!

Hon. Mr. BENCH: I suggest that there should be some protection against frivolous appeals.

Mr. ELLIOTT: There should be, senator.

Hon. Mr. BENCH: And I suggest to you that that was probably the reason for imposing the obligation upon the appellant to deposit \$400.

Mr. ELLIOTT: I am sure that is the reason, senator.

Hon. Mr. FARRIS: In the end are not the costs sufficient to take care of it?

Mr. ELLIOTT: No, because the appellants go right up to the Court and then quit. There are both frivolous and annoying or wearing-down or "wear them out" appeals, because it costs nothing and many people go on with their appeals right up to the Court; but immediately they find they are going to incur Court costs they "talk turkey" and say: "I do not think I can win this case", and quit.

Hon. Mr. CRERAR: We have been exploring this question, which is very interesting. The procedure as explained would apply to cases where very considerable amounts were in dispute as to the tax that should be levied, but I am thinking, for instance, of the small corner grocery man in the city of Winnipeg who, at the end of the year, files a return with the Inspector in Winnipeg. Whether or not the grocer engages the assistance of an accountant, he files his return, and finally your assessor in Winnipeg examines it and writes to the grocer saying: "Your assessment is wrong." The taxpayer may have filed a return where the tax was, say, \$500, and the assessor advises him: "You are assessed for \$750." The taxpayer does not think that is quite right, and he goes to the Inspector or some other official in the Winnipeg tax office and makes the complaint that in his judgment he is over-assessed, and the assessor replies: "We are very sorry, but according to the rulings we are working under this is the assessment and it is not going to be changed, it cannot be changed." Still the taxpayer feels aggrieved. Now, he is not in the class of the larger corporations and others who may hire a chartered accountant or hire a lawyer, and follow the thing through to the Exchequer Court.

Hon. Mr. VIEN: You do not "hire" lawyers, you retain them.

Hon. Mr. CRERAR: Quite so. He says: "I think it is unjust and unfair," and the auditor may say: "I do not agree with the income tax people"; but in the end he will pay the extra \$250 because that is the cheapest way out of his dilemma. I think those cases frequently arise,—I am simply exploring the matter to get at the rights of it—although anyone concerned may not voice his complaint except perhaps to his neighbours. He pays the shot, and that is that. Now, I do not know whether it would be possible to have some simple, inexpensive procedure such as the appointment of an arbitrator who would examine that assessment and say: "No; you are wrongly assessed. The return you filed is correct" and thus settle it? Much the same procedure was followed when the Farmers Creditors' Arrangement Act was enacted. The farmer who felt he had a load of debt filed an application to have it considered by an officer of the Government. Both parties to the dispute appeared before him and stated their respective cases. Then someone said: "This is the way we will settle it", and that was accepted almost without dispute. Now, would it be possible to have set up some simple machinery of that kind which would satisfy these claimants, because in the case I cite, if this little corner grocery man had his case reviewed in that fashion and the judgment were against him he would accept it, I think, with much better grace than he would where he feels he has not a chance. He files his return and the assessor in Winnipeg assesses that return on the basis of the memoranda and of the information he has secured from the central office. I wish to say, expressing my own opinion, that I think Mr. Elliott's staff have gone to very considerably lengths to try to make the

Act operate efficiently and fairly, and I do not want Mr. Elliott to think this is a criticism, but I have met persons who felt they were wrongly assessed and who said: "Oh, well, I paid it." There was no chance of them getting to the Exchequer Court if they had to hire a good or a bad lawyer at \$150 or \$50 per day, because it would cost them a lot more than if they paid it to the Income Tax Department, and I suppose they would prefer to pay it to the Income Tax Department rather than to lawyers!

HON. MR. BEAUREGARD: As a matter of fact, Mr. Elliott, the appeal to which you have referred is not in reality an appeal at all.

MR. ELLIOTT: The appeal is a factual thing, provided for in the Act.

HON. MR. BEAUREGARD: As I understand it, what is called an appeal is a matter of the assessors revising their own assessments and putting the record in shape for another tribunal. Is that right?

MR. ELLIOTT: In large degree that is right; but if I understand your comment that an appeal is no appeal at all, let us assume for a moment that that is the concept of many people: Why not change the word "appeal" to a "request for review" by the Administration, so that the taxpayer lodges a request for a review?

HON. MR. BEAUREGARD: I suggest that if the law were re-drafted along that line it would be more appropriate.

MR. ELLIOTT: Very well, wrap it up in brown paper and it does not look very nice, but put it in Christmas paper and it will look fine! Call it a "request for review"; we are only playing with names, senator. From time immemorial an appeal on a matter of law generally goes to a Court, so when it goes back to the Administration they think it is not an appeal.

HON. MR. VIEN: Would you agree that the "appeal" under the Act to the Minister is a misnomer?

MR. ELLIOTT: No, because I think it is an appeal or a submission for reconsideration; but we are back to a play on words, senator.

THE CHAIRMAN: Is it not an appeal to the same "Court" that made the first decision?

MR. ELLIOTT: The traditional view is that an "appeal" means an appeal from some person's decision to an independent tribunal.

THE CHAIRMAN: And that is not the case here.

MR. ELLIOTT: I think probably there is a lot to be said for that viewpoint, sir.

HON. MR. FARRIS: Under a recent ruling the appeal to the Minister is much wider in the matter of jurisdiction than the appeal elsewhere?

MR. ELLIOTT: That is correct, and the recent ruling to which you refer is in the Nicholson case. If I may comment on Senator Crerar's remarks, I think I might ask members of the committee to consider the example to which he refers, namely, The Farmers Creditors' Arrangement Act with respect to which many boards were set up, but when you are dealing with taxation I suggest that there is a slight difference between that work and the work of adjusting the claims as between the borrower and the creditor. If my general information is accurate those tribunals were very much in favour of the debtor, and many things were done as to which those who lent the money felt greatly aggrieved. Now, we must not have a tribunal that is so conditioned on a long term taxation that they are inclined to favour the creditor or, in this case, inclined to go against the Crown by reason of the fact that the taxpayer is only one individual, because as I said in my earlier remarks, that taxpayer lays down the law for all kinds of taxpayers. All taxpayers should be dealt with alike, and I am a

little apprehensive of these easy boards, because this is an age of boards and not an age of Courts, gentlemen, and these easy boards might well become easily disposed towards the man who has the burden to bear, whereas the Crown must administer justice fairly, firmly and equally among all citizens.

The CHAIRMAN: It is desired that we have a meeting of the Steering Committee at the conclusion of this hearing. Perhaps we might adjourn very soon.

Hon. Mr. HAIG: I do not think we can continue very much longer, although some members of the committee would like to ask Mr. Elliott a question or two.

The CHAIRMAN: I thought that by calling the Steering Committee together we could arrange matters in a more orderly manner.

Hon. Mr. HAIG: I think you will have to do that. Probably the whole committee as well as the Steering Committee should sit and discuss the situation.

Hon. Mr. VIEN: I agree with what Senator Haig has just said, but I suggest that since Mr. Elliott during the other sittings of the committee developed the general workings of his Department and this is perhaps the first sitting of the committee at which questions have been allowed to be asked of him, it is not surprising that so many members may have more questions to ask.

Hon. Mr. HAIG: I am not criticizing anybody.

Hon. Mr. VIEN: Oh, no; I agree with you, senator, but I do not think the Steering Committee can overcome that situation.

The CHAIRMAN: We could try.

Hon. Mr. VIEN: You can try, but you can succeed only in one way, and that is by shutting out all questions.

Hon. Mr. BUCHANAN: Mr. Elliott, did you complete your answer to Senator Crerar?

Mr. ELLIOTT: I was going on further, but I do not want to run foul of the chairman of this committee.

The CHAIRMAN: I am not trying to be arbitrary at all. What is the wish of this committee?

Have you completed your answer, Mr. Elliott?

Mr. ELLIOTT: It is not really very important except that the honourable senator developed quite a situation, and I would almost feel remiss if I did not complete my answer.

Hon. Mr. CRERAR: I did not use The Farmers Creditors' Arrangement Act as the shining example of what should be done in the taxation field.

Mr. ELLIOTT: No; it is quite a modification.

Hon. Mr. CRERAR: Excepting this, that it was a procedure for bringing together parties who could not otherwise get together and effect a settlement. Now, it may be that at the time the settlement was unjust to one party or the other, but my own judgment is that in the vast majority of cases it worked out reasonably satisfactorily. However, it settled the situation. One observation more: I do not think it is wise, and I do not think it is good or healthy to have taxpayers feeling that they have been unfairly dealt with by the Crown.

Hon. Mr. McRAE: May I suggest one word along the line Senator Crerar has been discussing: I know of a few instances where the situation has been identical with those he has described, and quite naturally it has resulted in a great deal of criticism by the particular individuals concerned. I thought Mr. Elliott in his reply could include an answer to this: It has occurred to me that there might be developed some way of settling minor cases locally. That is

practically what Senator Crerar is suggesting. I think it will remove a great deal of criticism with respect to the Act, because the little fellow probably criticizes it more than a large taxpayer does.

Mr. ELLIOTT: Well, now, as to these small cases, Senator Crerar has suggested satisfying the taxpayer. Of course, gentlemen, there is only one thing that will really satisfy him, and that is to consent to his view.

Hon. Mr. CRERAR: No; I dissent from that.

Mr. ELLIOTT: Let me develop that a little further: I think you must admit that that would really satisfy him!

Hon. Mr. VIEN: That is the ideal.

Hon. Mr. CRERAR: I would dissent from that.

Mr. ELLIOTT: My next comment will be far from satisfying, because that is, as Senator Vien says, ideal: this gentleman mentioned in your example had some \$200 or more at stake in that year. I underline those words. That is an isolated situation, but there is a regularity about business, and that \$200 or \$250 problem will arise next year with the same man if he is in the same business and doing substantially the same things. So in the vast majority of cases you are not dealing with \$200 but dealing with future rights. Now, if a man can show he has future rights at stake, even though the amount be only \$200 the Supreme Court of Canada gives jurisdiction. I suggest that as a serious thought between a small amount as money and a small amount which establishes a principle applying not only to the future rights of that taxpayer but to all other taxpayers across Canada having substantially the same claims. That is answer No. 1. Answer No. 2 is as to these local boards or Courts. I think we all must agree that the weight of the tax under today's conditions, and it appears that those conditions will exist for some little time even though there is a reduction in the tax, is so much that there are really no small cases at all. And if you establish Courts of final jurisdiction in various parts of Canada with power to try cases to some limit—and again I use the Division Court as an example for it is a final Court to certain limits in various provinces, \$800 in Ontario, I think—if you establish final Courts of this local character across Canada, within the range of \$1 to the maximum jurisdiction in money that you establish, you will have a great variety of treatment in various provinces in Canada which, I suggest, if you look ahead, will cause more discontent than even taking it into an expensive Court.

Hon. Mr. BENCH: You have had some experience in your Department with that very type of decentralized operation as Salaries Controller, and I would like to ask a question thereon: You have set up in various districts local salary review boards?

Mr. ELLIOTT: Yes.

Hon. Mr. BENCH: They review the applications, and as the law now stands they are empowered to make final disposition—

Mr. ELLIOTT: No; they are not empowered to make final disposition. I will give you the history of that, if you like.

Hon. Mr. BENCH: May I tell you what is in my mind first?

Mr. ELLIOTT: I am sorry.

Hon. Mr. BENCH: Those boards do have certain powers vested in them?

Mr. ELLIOTT: Yes.

Hon. Mr. BENCH: A similar situation applies in the administration of the Wages Controller: there are decentralized administrative bodies across Canada.

Mr. ELLIOTT: Without final authority.

Hon. Mr. BENCH: But this applies, I know, in the case of the administration of the Wartime Wages Control Act, Mr. Elliott. There is a central national board in which is vested the final power of disposing of applications?

Mr. ELLIOTT: Yes.

Hon. Mr. BENCH: And as the result of such arrangement there has developed a uniformity of jurisprudence right across Canada in the administration of that Order in Council?

Mr. ELLIOTT: Yes.

Hon. Mr. BENCH: Now, would it not be possible, as suggested by Senator Crerar, to have that kind of administrative set-up to deal with assessment appeals in the first instance in the various districts.

Mr. ELLIOTT: Well, in both those boards, the Salaries Control Board and the Regional War Labour Boards, they make decisions; but those decisions are subject to review at Ottawa. That is not quite Senator Crerar's suggestion.

Hon. Mr. BENCH: I am suggesting that that formula might be applied to the Income Tax Act administration.

Mr. ELLIOTT: Yes, the formula could be applied; but still it would be subject to appeal to the same jurisdiction that first imposed the assessment. You see, as to the Salaries Control Board and the Regional War Labour Boards' decisions, they are both under a general law or Order in Council, which is law. That law is imposed, and then if aggrieved, you have to appeal from the decision to the very central body that originated the law. Senator Beauregard suggested that it is not proper and not a true appeal. However, I should like to have the record clear, from the standpoint of my own administration of Salaries Control, that these gentlemen in regional boards for Salaries Control have not final jurisdiction. If it is of interest to you, gentlemen, I should like to tell you what I did. In the last amendment to the Salaries order, about eight months ago, they gave such powers to the Salaries Controller that I, as such, felt very diffident as to how to exercise those powers. For instance, if there was a great hardship upon a business because it could not grant an increase, I would sanction it; and if they are were likely to lose the services of a valuable man from 1941 up to the present day who said: "I can get a job across the road, or in the next province, or in the United States" if he happens to be a citizen of the United States residing in this country and has the right to go, and Management says: "We cannot afford to lose that man, he is too valuable; it will be bad for the economy of Canada if he goes." then the Salaries Controller has been granted that power. It was so wide that I did not know exactly how to handle it, so I suggested that we ask twenty-one gentlemen, three to a board regionally located, to act as seven boards across Canada, and the kind of gentlemen we selected were men who had retired from business and were therefore experienced. They were not in the competitive field, and were not going to sit in judgment on the salary of another business in which they were either competitive or friendly, or to whom they had sold goods or from whom they had bought goods; because those factors would have an influence on their decisions. So we decided to get men that had retired, with great experience and without special interests adverse or favourable. We set them up and said to them: "Now, up to the range of a certain salary, where you find the salary increase should be granted you may so recommend, and we intimate to you that up to that level of increase we raise practically no objection at Ottawa. In practice you are more or less the final authority." But if in observing these reports that come into Ottawa we see that Ontario gets out of line with Quebec or New Brunswick, or some other province, we say: "Well, there is one we will not allow. We reserve the right

of disallowance, and indeed the only way you can pay it is by the final signature of the Salaries Controller in Ottawa." We could not delegate a power given to us; we have no power of further delegation. It would be contrary to law. So I do not want to leave on the record the impression that the local boards have final jurisdiction.

Hon. Mr. BENCH: I acknowledge that from my language you have got the wrong impression, but the fact is that for the administration of the Salaries Controller's orders you have these local boards who deal with the interested parties directly, and you preserve central control in Ottawa for the maintenance of uniformity. Now, I am suggesting briefly that that type of thing might be applied in the administration of this Act in the matter of appeals in the first instance, and I further suggest to you that that might be a very good means of meeting the suggestion that has been put forward by Senator Crerar.

Mr. ELLIOTT: As long as we thoroughly understand it, there is much in your comment, senator. We are really back to the corner grocery man in Winnipeg: "My good friend, go and see this board in Winnipeg"! To carry the deception a little further let us put him in a different office. The applicant goes into a different atmosphere and sees different offices, and he thinks he has an appeal to a board that has final jurisdiction.

Hon. Mr. BENCH: No; there is an independent chairman and somebody representing the Department of Income Tax and somebody representing business, so that when he goes there he feels he is appealing to an independent tribunal.

Hon. Mr. HAIG: We did it under The Military Service Act.

Mr. ELLIOTT: But that decision still comes to Ottawa for approval.

Hon. Mr. HAIG: A Judge of the Supreme Court of Manitoba told me he had a farmer representing rural conditions and another representing the Government, each of whom would be paid \$10 or \$20 per day, sitting with him. The three of them sat and applicants argued before them personally or by counsel, as they saw fit. Then the tribunal made its decision. That decision could be appealed to Ottawa by the Military District or by the applicant, but I know the appeals were very, very few because the tribunal satisfied the applicant that the decision was within the law.

Hon. Mr. FARRIS: These other cases are not appealable but reviewable.

Hon. Mr. BENCH: You would have a central board in Ottawa to review those cases.

Hon. Mr. HAIG: Yes.

Hon. Mr. FARRIS: Instead of terming it an appeal, why not say they had the right to a review?

Hon. Mr. HAIG: You do not need to go that far. Take Senator Crerar's very typical case: he comes into the office of a practising lawyer, and what is he told? He is told that it is too costly to appeal, because there is only \$250 involved. He goes out of the office as mad as a hatter against the Government. That is the situation. If there was a small board one member of which is a Judge—because I am not as afraid of the County Court Judges as my friend is—

Mr. ELLIOTT: Please believe me when I say I have no reason to disparage the County Court Judges.

Hon. Mr. HAIG: They have been appointed by the Parliament of Canada in all the provinces under The Farmers Creditors' Arrangement Act. That is the point to which I wanted Mr. Elliott to address himself, and not to a hypothetical case. I want him to address himself to the case of a man who appears before a board composed of a Judge and a man representing the Government and a man representing the public. They talk the problem over and convince him he is wrong, and he goes away satisfied.

Hon. Mr. CAMPBELL: Would Mr. Elliott furnish us with some information: First, a list of sections with respect to which rulings have been made.

Mr. ELLIOTT: I do not think that is possible.

Hon. Mr. CAMPBELL: I mean an indication of the sections with respect to which it has been thought necessary or advisable to make rulings.

Mr. ELLIOTT: By rulings you mean these memoranda sent out to our Inspectors.

Hon. Mr. CAMPBELL: Yes.

Mr. ELLIOTT: I do not think they are earmarked as to sections. For instance, we keep them by years. We have, say, Memorandum No. 1—1944-5 Fiscal Period, and we go through that year. You will find in our shelves long folders or books containing various memoranda and rulings. They are not tabulated according to the sections at all. We will have to go back the whole 5, 10 or 15 years in order to find out what rulings applied to what sections, and very often even the ruling does not mention the section but mentions the general law.

Hon. Mr. CAMPBELL: May I suggest that it might be possible, first, for the legal department within the next few weeks to indicate the sections with respect to which you have made rulings over the last four or five years, and second, to furnish a list of the complaints or suggested amendments which I think you referred to as being kept in a drawer.

Mr. ELLIOTT: No. The suggestions each year are put in an ordinary folder. They are all there. Some letters come in with suggested amendments, and we throw them in that folder. There is a folder for each year, and they go back many years. Sometimes it is an association and sometimes a taxpayer who has a good idea or thinks he has a good idea,—and sometimes he has, gentlemen. Sometimes a memorandum by ourselves is thrown in the folder to be brought up at budget time. I think we have those folders, I do not know. Does the committee want to look at what has been suggested over a series of years?

Hon. Mr. CAMPBELL: I think it might indicate to the committee certain sections as to which there has been difficulty in interpreting the law.

Mr. ELLIOTT: There is no reason why we should not give you all the folders, sir.

The CHAIRMAN: It is quite evident that there are many other members who desire to ask Mr. Elliott some questions. Is it possible for the committee to meet to-morrow?

The CLERK OF THE COMMITTEE: There are three committees sitting to-morrow, sir.

The CHAIRMAN: Last evening the Steering Committee met and decided that we should like to have briefs submitted by the organizations who were invited here at the initial meeting, such as the Manufacturers Associations, the two Accountants' Associations, the members of the Bar, Labour, Agricultural, and so on, and we have asked them to have their briefs prepared and be ready to appear, personally if they do desire, on Tuesday, December 4, next. It is probably not possible to meet next week with any advantage, because in almost all cases these men say in their letters to me that they require a certain time in which to prepare their briefs, and naturally they want to have printed copies of the evidence that Mr. Elliott has given. We hope to have these representatives here on Tuesday, December 4. Under those circumstances I do not suppose there would be very much use in meeting next week.

Hon. Mr. FARRIS: When will the report you spoke about last night be printed?

Hon. Mr. CAMPBELL: The report on subdividing the districts.

Mr. ELLIOTT: That was tabled in the House of Commons almost a week ago and also in the Senate, so the first thing you have to do, I fancy, is to ask the Printing Committee, either of your Chamber or the House of Commons, to have it printed.

Hon. Mr. FARRIS: It should be printed for the purpose of this committee, should it not?

Mr. ELLIOTT: I think it would be very useful to this committee.

Hon. Mr. HAYDEN: I know they were asking for it in the other House, and I propose that we also ask for it.

Hon. Mr. FARRIS: I move that.

The CHAIRMAN: Are you all content, gentlemen? (Carried.)

Hon. Mr. BENCH: On the matter of meeting next week, obviously Mr. Elliott has not finished.

Mr. ELLIOTT: If I may interrupt, I am finished!

Hon. Mr. BENCH: I should have said that members of the committee would still like to hear from Mr. Elliott on many topics. Do you not think we could meet again this week?

Hon. Mr. HAIG: On Friday night.

Hon. Mr. BENCH: If you are inviting the other interested parties to come here with their submissions a week from next Tuesday, on the 4th December, I think we should sit next week in order to permit Mr. Elliott to finish stating whatever he may be requested to state.

The CHAIRMAN: Suppose we meet next Tuesday?

Mr. ELLIOTT: Mr. Chairman, may I advise the members of the committee that many people may think the League of Nations is dead, but it really is not. On the Labour and Economic smaller sides it always has and is still doing very good work, and we are drawing what we think is a rather good document pertaining to the movement of capital and the behaviour of the rich countries and the poor countries, and how they should receive and deal with capital, etc. It is a kind of general behaviour that we are trying to indicate, and it touches upon many angles. We are going to have a meeting in Princeton on Monday, Tuesday and Wednesday, and actually Thursday although it was too long for me. I am chairman of that committee, and I said I would be there on Monday, Tuesday and Wednesday of next week.

Hon. Mr. CAMPBELL: I suggest that we adjourn until the 4th December, and then hear the representations from the members of the Bar and other associations mentioned, gentlemen. Then it might be more helpful to us in going on with our questioning of Mr. Elliott. It might shorten it a great deal. I would so move.

The CHAIRMAN: I move that the committee adjourn now to meet at 10.30 a.m. on Tuesday, December 4.

Some Hon. SENATORS: Carried.

The CHAIRMAN: I will ask the members of the Steering Committee to remain for a few minutes.

Hon. Mr. CAMPBELL: Could we not have the whole committee meet?

The committee adjourned at 10.05 o'clock p.m. until 10.30 a.m. o'clock on Tuesday, December 4, 1945.

EXHIBIT No. 11

CATEGORIES OF DISCRETION

- | | |
|-------------------------|--|
| 5(1) (a)..... | 1. Allowance of Reserves. |
| 6(1) (n)..... | a. Depletion. |
| 6(1) (d)..... | b. Depreciation. |
| 6(2) c E.P.T..... | c. Bad Debts. |
| | d. Inventory. |
| 6(2)..... | 2. Limitation of Expenses. |
| 6(3)..... | 1. Expenses. |
| 90(4) (x)..... | 2. Salaries. |
| 5(1) (b)..... | 3. In capital expenditure allowance. |
| | 4. Interest. |
| 23..... | 3. Determination of true nature of transactions where lessening of tax may be involved with reference to companies and individuals |
| 21(3)..... | 1. Inter company purchases and sales. |
| 23B..... | 2. Value of shareholders' property transferred to company. |
| 31(1) and 32(1)..... | 3. Unreasonable payment to non resident companies. |
| | 4. Transactions between husband and wife and parent and child. |
| 3(2)..... | 4. Determination of nature of income. |
| 3(4)..... | 1. Interest portion. |
| 7A(1) (d)..... | 2. Tax Free living allowance. |
| 4(1) (m)..... | 5. Determining nature and effect of certain legal documents (mortgage) and reciprocal acts. |
| 5(1) (m)..... | 6. Approval of Pension Schemes. |
| 40..... | 7. Minor Administrative Discretions. |
| 42..... | 1. Extending time for making return. |
| 46..... | 2. Require production of letters and documents involved in assessment. |
| 74 (1)..... | 3. Require keeping of books. |
| | 4. Demand payment of taxes for a person suspected of leaving Canada. |
| 75(2)..... | 8. Regulations to carry Act into effect. |
| 77(3) (b)..... | 9. Waiving penalties. |
| | 1. Failure to file return. |
| 2(1) (h) E.P.T..... | 10. Determination of Standard Profits. |
| 4(2) E.P.T..... | 1. Commencement of business. |
| | b. Nature of business. |
| 4(1) (a) E.P.T..... | 11. Adjust Standard Profits. |
| 4(1) (b) E.P.T..... | 1. Basis of partial fiscal period. |
| 5(2) and (4) E.P.T..... | 2. Alteration of capital. |
| | 12. Direct a reference to Board of Referees in case of new or substantially different business. |
- (The sections listed are from the Income War Tax Act unless they are marked E.P.T., which signifies Excess Profits Tax Act.).

EXHIBIT No. 12

30th April, 1945.

C. FRASER ELLIOTT, Esq., C.M.G., K.C.,
Deputy Minister of National Revenue for Taxation,
Ottawa, Ontario.

DEAR SIR: The Committee appointed by you to survey the organization of the Taxation Division in regard to serving the public by an adequate number of district offices appropriately located, as outlined in your memorandum to the Committee dated November 8, 1944, has now completed its studies and has pleasure in submitting the attached Report for your consideration.

To facilitate reference thereto the Report has been divided into ten Sections and an Appendix containing sixteen Exhibits.

The Committee wishes gratefully to acknowledge the co-operation and assistance it has received from the officials and other members of the Taxation Division—both in its Head Office and in the district offices throughout Canada visited by the Committee. Any information or guidance requested by the Committee in the course of its studies was always most readily and willingly given.

Respectfully submitted,

R. V. MACAULAY
J. McLAREN
B. WOOD.

CONTENTS OF REPORT

- I. —Introduction.
- II. —Procedure of Committee.
- III. —Growth of Taxation Division.
- IV. —General Premises.
- V. —Recommendations regarding District Office Organization.
- VI. —Notes concerning Individual Districts and Alternative Arrangements.
- VII. —Staff Requirements.
- VIII.—Office Space.
- IX. —Travelling and Provision of Motor Cars.
- X. —General Comments.

I. INTRODUCTION

The Committee was set up by the Deputy Minister (Taxation) in November, 1944, for the purpose of "making a survey of the present establishment of the Taxation Division in regard to serving the public by an appropriately situated and adequate number of offices, if it should be found that the present establishment is regarded as inadequate".

The purposes and reasons for the survey are more fully set out in Exhibit 1 comprising a letter from the Deputy Minister to the Committee members dated November 8, 1944, with an attached memorandum, and in Exhibit 2—a memorandum from the Deputy Minister to the Minister dated October 16, 1944.

The Committee comprised Messrs. R. V. Macaulay, of the Bell Telephone Company of Canada, J. McLaren, of the Sun Life Assurance Company of Canada, and B. Wood, Chief Examiner of Income Tax.

Authorization for expenses incurred in this survey by Messrs. Macaulay and McLaren is by Order in Council P.C. 95/8685 dated November 14, 1944.

This report outlines the procedures and recommendations of the Committee. For purposes of convenient reference, the narrative report has been set up in a number of sections and most of the statistical data are set forth in exhibits forming an appendix to the Report. These sections and exhibits are as indicated in the preceding Table of Contents.

II.—PROCEDURE OF COMMITTEE

Immediately upon its organization by the Deputy Minister, the Committee obtained space in the Head Office of the Taxation Division and familiarized itself with the general organization of the Division. Interviews were held with the officials in Head Office in charge of the various departments of the organization. Maps showing the location of the present District Offices and general statistics of returns, collections, and other relevant information were studied. Requests were sent to all District Offices to analyse by counties the Returns for 1943 received by them.

The Committee visited the Ottawa District Office and was given an outline of the general organization and functions of a District Office.

It was decided that the objectives of the Committee could not be arrived at without personal interviews with the various Inspectors and inspections of the District Offices, supplemented by general surveys of the territories administered by these districts.

The Committee proceeded to Montreal and discussed with Mr. A. H. Rowland, the Inspector there, who had given much personal study to this matter, the question of adequately covering all sections of the public for taxation purposes. Various alternative forms of District Office organization were discussed with him, and also the question of organization in the territory administered by the Montreal District Office.

After some time spent in the Montreal District Office during which the members of the Committee were instructed in the different functions performed in District Offices and in the use of the various forms, returns, systems, etc., the Committee proceeded with its plans to visit all district offices.

To assist in determining the adequacy of the coverage given to the population of the various districts, the Committee prepared analyses by counties of the population, both rural and urban. Figures of the T.1, T.2 and T.4 returns for 1943 received from these counties were obtained from the District Offices and correlated with the population figures. The location and distribution of the population in relation to the volume of tax returns were studied, and tentative districts to supplement the existing organization were drafted. These proposed districts were reviewed with the Inspectors who presently administer the territories concerned, and the suitability of their locations discussed with them.

In considering the locale of a proposed new office and the service it could give, it was borne in mind that the new District Office, by providing closer supervision, would probably produce a larger volume of returns under the present tax structure than is now being obtained.

Consideration was given to the economic conditions now prevailing and those likely to prevail in the future in the more settled areas of the country. The possibilities of future development in the more sparsely populated areas were also taken into account. The various means of communication, highway, railroad and air, and the ease of communication throughout the various Districts influenced the Committee in arriving at its recommendations for these tentative districts.

The population figures used by the Committee in its survey have been based on 1941 census figures. The number of Returns obtained from the various counties was based on actual counts or estimates made by the District Offices. Each District Office made an analysis of either the whole or a proportion of the 1943 Returns by counties. In the case of those districts making an analysis of a proportion of the returns, the results obtained were applied to the total number of returns received in the District at February 28, 1945.

The totals of the collections received in the present District Offices during the fiscal year 1943-44 were subdivided as between individuals, corporations and succession duties. These collections were then distributed over the proposed District Office organization; the individual collections and succession duties distributed in proportion to the number of 1943 T.1 returns distributed to each district and the corporation collections in proportion to the number of 1943 T.2 returns.

It is realized, of course, that this method of pro-rating collections is not highly accurate. To obtain a more accurate allocation of collections would require a detailed analysis of individual returns, which the Committee was not empowered to do. Even if this were done, it would not be possible to allocate

all returns to the districts in which they might be filed. The error in estimated collections as between districts is probably relatively greater for corporations than for individuals. The Committee considered that the allocation of collections as shown in this report is generally indicative of the relative level of tax revenue for each district at the present time and satisfactory for the purpose for which it has been used. Any inaccuracy in allocation is probably less than changes to be expected in collections due to changes in industrial and economic conditions as affecting districts and, of course, much less than may be expected due to changes in the tax structure.

The statistics of 1943 Returns received as at February 28, 1945, and the total of the collections made in the fiscal year 1943-44 provided the most recent figures available to measure the two basic functions of the District Offices—i.e. assessments and collections. The application of these two statistics to the proposed new District Office organization provided also a basis for estimating the establishments required for them. In making this latter estimate, the number of staff presently employed in each district office and the number of returns assessed and unassessed in these districts, along with the amount of investigation actually done and which should be done, were considered.

The Committee in the course of its studies visited all District Offices and sub-offices in the present organization with the exception of the District Office located in Dawson City, Yukon. It also visited all cities in which it has recommended that District Offices be opened, and inspected a number of other cities and towns in territories which were considered as possible locations for District Offices but which on final analysis were not recommended.

During its visit to each District Office, the Committee discussed exhaustively with the Inspector all aspects of the question of adequately and equitably administering the Income War Tax Act amongst all taxpayers in his territory.

In all cases, the question of the amount of investigation work being undertaken by assessors was reviewed. It was ascertained if assessments were reasonably up to date or were running unduly in arrears. The status of Tax Deduction work amongst employers was reviewed.

The Committee during its visits inspected the District Offices from the viewpoint of the internal organization and working conditions and in general ascertained from personal inspection the adequacy of the office in relation to its work. By means of this survey, the Committee is of opinion that it obtained an adequate picture of the present District Office organization of the Taxation Division.

III. GROWTH OF TAXATION DIVISION

The great expansion in the work of the Division in recent years is indicated in Exhibit 3. This exhibit comprises a statement of T.1 returns for taxation years 1935 to 1943, and collections, number of staff and expenses for the fiscal years 1934-35 to 1943-44.

The year 1939 did not differ much from the preceding few years, but each year since 1939 through 1943, the basic year for this study, showed rapid growth. Comparisons of 1943 with 1939 are as follows:—

	1939	1943	Ratio 1943 to 1939
Total T.1 Returns..	495,121	2,717,160	5.5
Total Collections...	\$134,448,566	\$1,635,494,705	12.2
Total Staff.....	1,315	5,125	3.9
Total Expense.....	\$2,418,357	\$7,513,614	3.1

(Note: Tax Returns are for the taxation year; collections, staff and expenses are for the fiscal year ending the following March 31.)

The reason for this great expansion, especially marked in collections, was, of course, the need for tremendous sums to finance our participation in the war and to assist our allies under a policy of paying as much as possible for the war out of current revenue. To do this, individual and corporate rates of tax were increased drastically, exemptions lowered, an Excess Profits tax levied on businesses and a Succession Duty levy introduced. With wartime boom in employment and earnings and lower income tax exemptions, the number of individual tax returns has increased about five and a half times.

At the same time that these increases were occurring, a number of new features were introduced, such as National Defence Tax, normal and graduated tax, deduction at the source by employers, instalment payments, compulsory savings, Excess Profits Taxes, Succession Duties, etc., increasing the amount and complexity of the work of the District Offices.

This large growth in tax returns and collections and in the complexity of work made it necessary to increase the staffs and to revise the organization from time to time in all Income Tax offices. The fact that there are some two million taxpayers who formerly did not make returns has required the Division to do a great deal of educational and contact work with the general public. The answering of queries and assisting taxpayers in preparing returns became a substantial part of the duties of the District Offices and occupied the time of many of the district staffs.

Employment conditions generally have been difficult in recent war years. Increased turnover, shortage of available skilled help, necessity for increased training of personnel have intensified the problem of rapidly expanding staff to keep pace with the volume of work. At some offices, shortage of office space has sometimes precluded the necessary additions to staff that otherwise might have been made.

Under these wartime conditions, it has been necessary to attempt to clear some of the more urgent work that requires priority whereas other work tends to fall in arrears. Current tax deduction work, succession duties and refunds, for example, are generally kept more up to date than general and corporation assessing, and investigational activities. Better balance in all branches of the work and more uniformity between districts are much to be desired.

As of March 31, 1945, there was a total of 6,421 employees, of whom 467 were on Head Office staff and 5,954 on the staff of the 19 district offices (including one small office in the Yukon) and 7 sub-offices. This number however was inadequate for the volume of work.

There has been no change in the number or location of District Offices (or sub-offices) since before the war, despite the increase in number of taxpayers by about five and a half times. As indicated in Section V, it is now recommended that a considerable number of additional district offices be established in the interest of better service to the taxpaying public as a whole, improved coverage and supervision of tax districts and greater overall effectiveness of the Division.

IV. GENERAL PREMISES

This section reviews some of the more important premises or assumptions on which the recommendations of the Committee are based.

In Section III, the tremendous growth in the work of the Division in the past few years has been reviewed. Further variations in volume and nature of work must be anticipated in future. These future variations are largely unpredictable at this time. The organization of the Department must, of course, be adjusted to co-ordinate with major changes in work as they develop.

(a) Volume of Job:

The major significant items indicating volume of work, as used by the Committee, are the numbers of T.1, T.2 and T.4 returns. These returns for the 1943 tax year, to the date of this study, aggregate

T.1	2,717,160
T.2	28,640
T.4	144,006

These returns afford the most recent actual annual data available and consequently have been used in studying the district organization and establishments. At this time, it would appear that the inauguration of family bonus payments would increase the number of T.1 returns by perhaps 200,000. Growth in population, return of military personnel and more complete enforcement of the Act particularly amongst farmers, are other factors that may tend to increase the returns appreciably. On the other hand, reduction in employment and particularly any increase in the level of tax exemption would tend to an appreciable reduction in volume of returns.

For the purpose of this study, it has been assumed that the number of returns during the next few years will be within a reasonable range up or down from the present level. This range, for example, might be 20 per cent, on which basis there would be between 2,200,000 and 3,200,000 T.1 returns per annum. The proposed districts are recommended on the basis that variation in number of returns within about this range may be expected. On the other hand, the establishments required by these District Offices would be adjusted up or down in accordance with actual requirements as they develop.

Estimated collections based on the 1943 tax year have been shown for the proposed district organization. Since tax rates have been increased to an admittedly extreme high level during the war, rates inevitably will be decreased with a consequent decrease in collections after the war. The amount of revenue collected may be expected to have some bearing on the expense control of the Department. However, the district organization proposed would not necessarily be affected by variations in revenue arising from changes in rates of taxes.

(b) Provisions of Act and Methods of Collection

The job of the Taxation Division, of course, depends on the nature and provisions of the Income War Tax Act (and Excess Profits Tax and Succession Duty Acts). For a given number of returns, the work load in the Division is substantially affected by the provisions covering the computation of tax assessments and collections. In recent years, changes have been made in the Act every year, with consequent increases in the work load of the Taxation Division.

While it is not the duty or purpose of this Committee to review the Act or offer detailed suggestions with regard to changes thereto, it is obviously relevant to point out that simplification of the Act would result in economies in the Taxation Division and better public relations without necessarily adversely affecting overall revenues. It may not be amiss to point out that the period ahead when rates of taxation are lowered offers an especially good opportunity for close co-operation between the Department of Finance and the Department of National Revenue in effecting simplification for the taxpayer and the Taxation Division.

It is assumed in this study that, while detailed simplifications may be effected, the Act and incidence of taxation will continue broadly along present lines. It is assumed, therefore, that a large portion of the population will continue to be income tax payers. It is assumed also that methods of payment and collection are not likely to undergo such radical changes as might affect

the organization of District Offices proposed herein. Tax deduction at the source has become an important feature of income tax practice and it is assumed this will continue.

(c) *Type of service to Public*

With the large growth in work, lack of competent staff and inadequate facilities, the quality of service to the public has suffered. The taxpayer is entitled to better service and the Division should exert every effort to reach higher standards of efficiency, speed, accuracy, courtesy and public confidence. This latter also involves intensive coverage throughout the whole territory, in city, town and rural district, to ensure fairness and uniformity in the enforcement of the Act.

However, while the quality of service should be improved, it is assumed herein that the general philosophy as to the kind of service to be given will continue along present lines. Amongst other things, this means that the primary obligation for compliance with the Act rests with the taxpayer. In the opinion of the Committee, adequate service can be given to the public with an economical administration through the number of district offices proposed herein.

(d) *Adequate field travelling, coverage and investigation*

While the Committee has concluded that adequate service can be given through the district set-up proposed, it is an important feature of this report that greatly increased travelling activity be effected in most districts. Those districts where population and activities are most scattered, of course, demand the greater amount of travelling. A large proportion of the increased travelling should be by means of motor cars particularly through rural sections. This matter is referred to in more detail in Section IX.

While the establishment of some District Offices additional to those proposed, would reduce the amount of travelling to some extent, it is not considered that the reduction in travelling time and expense in any territory would warrant the establishment of any further District Offices at this time.

The increased travelling recommended will ensure that the Inspector is in close touch with all activities affecting the Division throughout his District. Proper assessment in many cases involves personal contact with firms and individuals distant from the tax office. It is probable that evasion of taxation is occurring due to the district staffs not visiting all portions of their territory at reasonably frequent intervals.

V. RECOMMENDATIONS REGARDING DISTRICT OFFICE ORGANIZATION

The survey of the present District Office organization made by the Committee outlined in preceding sections and its study of the relevant statistics and other factors relating to the administration of the Income War Tax Act and related Acts indicate, in the opinion of the Committee, that the present organization does not in all areas provide as satisfactory an administration as is desirable among all sections of the population.

Various aspects of the general service provided by the District Office organization are discussed more fully elsewhere in this Report. In this section, the recommendations of the Committee regarding the number and location of District Offices are presented.

The Committee is of opinion that the existing organization should now be increased to provide more and closer contacts with all sections of the community. It therefore recommends that the following changes be made in the District Office organization:

a. New District Offices to be opened:

(i) Certain areas detailed fully in Exhibit 16 should be created districts and District Offices therefor located in the following cities:

Sydney, N.S.	Sherbrooke, Que.
Campbellton, N.B.	Sudbury, Ont.
Kirkland Lake, Ont.	Kelowna, B.C.
Trois-Rivieres, Que.	

(ii) The areas surrounding certain of the present sub-offices as detailed fully in Exhibit 16 should be formed into districts and administered from District Offices replacing the present sub-offices. These District Offices would be as follows:

St. Catharines, Ont.	Kitchener, Ont.
Windsor, Ont.	Victoria, B.C.

(iii) In addition to the foregoing changes, the Committee recommends that the Montreal and Toronto District Offices be subdivided for reasons given in Section VI. It is recommended that there be created the following districts whose area of administration are given in detail in Exhibit 16:

Montreal City	Montreal No. 2
Toronto City	Toronto No. 2

b. Sub-Offices to be closed:

In addition to the sub-offices mentioned in *a(ii)* above, there are at present sub-offices in the towns of Brantford, Ont., Stratford, Ont. and Lethbridge, Alta. In the opinion of the Committee, there is not sufficient volume of taxpayers in the areas served by these cities to justify District Offices being opened in them. For reasons discussed in Section X, the Committee is of opinion that sub-offices do not render sufficient assistance in administration to warrant their maintenance, and therefore recommends that these offices be closed:—

Brantford, Ont.	Lethbridge, Alta.	Stratford, Ont.
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c. Changes in Territory of Present District Offices:

In addition to the major changes in territorial administration involved in the organization of the new districts, it is recommended that certain minor changes in the areas administered by the present District Offices be made as follows: Madeleine Islands transferred from Quebec to Charlottetown; Leeds County, Ontario, from Ottawa District Office to Kingston; the North Eastern section of British Columbia tributary to the Alaska Highway, from Vancouver to Edmonton; and the Northwest Territories now administered by Ottawa District Office in conjunction with the R.C.M.P. to be transferred from Ottawa District Office to Edmonton.

With the foregoing changes, the District Office organization of the Taxation Division will be enlarged from 19 District Offices to 32, as follows:—

<i>Eastern Region</i>	<i>Central Region</i>	<i>Western Region</i>
Charlottetown, P.E.I.	Kingston, Ont.	Fort William, Ont.
Halifax, N.S.	Belleville, Ont.	Winnipeg, Man.
Sydney, N.S.	Toronto City, Ont.	Regina, Sask.
Saint John, N.B.	Toronto No. 2, Ont.	Saskatoon, Sask.
Campbellton, N.B.	Hamilton, Ont.	Calgary, Alta.
Quebec, Que.	St. Catharines, Ont.	Edmonton, Alta.
Trois-Rivieres, Que.	Kitchener, Ont.	Kelowna, B.C.
Sherbrooke, Que.	London, Ont.	Vancouver, B.C.
Montreal City, Que.	Windsor, Ont.	Victoria, B.C.
Montreal No. 2, Que.	Kirkland Lake, Ont.	Dawson City, Yukon.
Ottawa, Ont.	Sudbury, Ont.	

It is not possible, owing to the geographical distribution of the population in Canada, to have any close degree of uniformity amongst District Offices as regards territory and population to be administered. Certain areas are more thickly settled than others and, as is natural, develop a greater volume of tax returns. The largest cities require District Offices by virtue of their own large volume of returns. Areas even though not of great extent but having considerable urban development in a number of towns and cities may warrant a district office therein. Thinly developed areas necessarily can be of relatively great extent before a District Office can be warranted.

It will be noted that twenty-six of the thirty-two proposed District Offices are in cities of over 25,000 population. The remaining six are located as follows:—

Kirkland Lake, Ont. (pop. 20,000)	Campbellton, N.B. (pop. 6,748)
Belleville, Ont. (pop. 15,710)	Kelowna, B.C. (pop. 5,118)
Charlottetown, P.E.I. (pop. 14,821)	Dawson City, Yukon (pop. 1,043)

The reasons for setting up or continuing the District Offices in all cases are given in Section VI.

Under the proposed organization, there will be one city of over 30,000 population and four having between 25,000 and 30,000 in which District Offices will not be located, as follows:—

Brantford, Ont. (pop. 31,948)	Oshawa, Ont. (pop. 26,813)
Timmins, Ont. (pop. 28,790)	Sault Ste. Marie, Ont. (pop. 25,794)
Peterborough, Ont. (pop. 25,350)	

In support of its recommendations, the Committee has prepared a number of Exhibits containing statistics relevant to the District Office organization proposed. These Exhibits are contained in an Appendix attached to this Report.

Exhibits 4 and 5 summarize the statistics of area, population, 1943 returns, and 1943-44 collections relating to the present District Office organization and the proposed District Office organization respectively.

Exhibits 6 and 7 list the present and proposed organizations in order of size in respect to population, returns and collections.

Exhibit 8 shows for each District Office in the proposed organization the ratio of returns to population—urban and total—and the average amount of individual collection per T.1 return and average amount of corporation collection per T.2 return.

Exhibit 9 lists all cities over 15,000 population and Provincial capitals and gives their respective distances from the District Office under the present organization and under the proposed organization.

Exhibit 10 gives the number of 1943 T.1 returns submitted from outside the county in which the District Office is located and shows the average distance per T.1 from the District Office under the present and proposed organizations. This analysis is by provincial regions.

Exhibit 11 gives the six largest District Offices in the present organization measured by amount of collections and by volume of returns and the percentages of the total collections and returns applicable to these offices compared with amounts and percentages of collections and returns applicable to the six largest offices in the proposed organization.

Exhibits 12 and 13 show the establishments of the present District Office organization and the establishments which it is estimated would be required for the proposed District Office organization.

Exhibit 14 sets out the space situation under the present District Office organization, and Exhibit 15 sets out the space situation under the proposed District Office organization.

Exhibit 16 contains the detailed statistics and data relating to each of the proposed District Offices. It contains the analysis, by county, of population—rural and urban—and T.1, T.2 and T.4 returns for 1943; the estimated collections divided into individuals, corporations and succession duties; the cities and towns over 4,000 in the proposed districts and their distance from the District Office; and the estimated establishments for each office.

It will be noted from the exhibits that there are considerable variations in the volumes of population, returns and collections between districts. For example, in the present organization, six District Offices collect 84 per cent of the total collections of all District Offices. Six District Offices administer 71 per cent of all T.1 returns. The changes proposed above will reduce this disparity to some extent. Under the proposed organization, the six largest offices in collections are estimated to collect 64 per cent of the total and the six largest offices as regards volume of T.1 Returns are estimated to handle 53 per cent of the total for Canada.

Besides the disparity in the volume of work to be handled by the various District Offices, disparities will be noted in the relationships between population and returns and in the ratio of the amounts of tax collected to the volume of returns. For example, the percentage of T.1 returns to urban population varies from a high of 78.8 in Victoria to a low of 15.6 in Trois-Rivieres—the percentage for the whole of Canada being 43.4. As regards percentage of T.1 returns to total population, the maximum is 38.9 in Montreal City and the minimum, 5.5 in Campbellton—the percentage for the whole of Canada being 23.6. Individual collections per T.1 return vary from \$414 in Toronto City to \$196 in Quebec—the amount for Canada as a whole being \$318. Corporation collections per T.2 return vary from \$47,300 in Montreal City to \$2,770 in Saskatoon—the amount for Canada as a whole being \$26,500.

Exhibit 10 which shows the reduction in the overall estimated distances between taxpayers and the District Offices administering them which will be achieved by the new organization, is based on fairly rough calculations using straight-line distances as shown by maps. This shows that the average distance per T.1 return from the District Offices under the present organization is 43 miles and that, based on a similar calculation, it would be 24 miles under the proposed organization.

In considering the relationship between T.1 returns and distance from District Offices under the present and proposed District Office organizations, it was noted that the greatest gain in the reduction of "T.1 miles" (the product of distance of county from District Office and volume of returns within the county) is made by the opening of District Offices in Sydney, Windsor, Sudbury, Kirkland Lake and Kelowna.

As indicated in Exhibit 9, under the present District Office organization, there are 19 cities of over 15,000 population including therewith Fredericton (pop. 10,062), Provincial capital of New Brunswick, located more than 50 miles from the District Office. Under the proposed District Office organization, there will be 9, as follows:—

Moncton, N.B.	96 miles from Saint John
Fredericton, N.B.	68 miles from Saint John
Chicoutimi, Que.	140 miles from Quebec
Peterborough, Ont.	65 miles from Belleville
Sault Ste. Marie, Ont.	183 miles from Sudbury
North Bay, Ont.	79 miles from Sudbury
Timmins, Ont.	99 miles from Kirkland Lake
Sarnia, Ont.	59 miles from London
Brandon, Man.	133 miles from Winnipeg

It will be noted that District Offices are proposed at all Provincial capitals except Fredericton, N.B.

In addition to the benefits gained in increased service to the public and more intensive administration of the country generally which will be obtained from the proposed organization, several of the new districts opened will produce appreciable and immediate benefits to the existing organization in providing relief from the overcrowded condition of the District Offices now administering the territory to be administered by the new districts.

Alternative Proposal regarding Kingston District

The Committee has concurred fully in all recommendations regarding the proposed district organization with the exception of that relating to Kingston District. In this case, alternative arrangements were finally set up as follows:—

- (a) Retain Kingston District as at present and add thereto the county of Leeds presently served by Ottawa.
- (b) Combine the present Kingston and Belleville districts, the combined district office to be located at Belleville. Leeds county to be left in Ottawa district.

Messrs. McLaren and Wood recommend plan (a). Mr. Macaulay recommends plan (b).

Statistical data are included in Exhibits 5 and 16 for both plans. It will be noted that under plan (b) combining Belleville and Kingston, the resulting district ranks well up in development with many of the proposed new districts, whereas under plan (a), the two separate districts rank rather low.

Mr. Macaulay feels that the retention of two district offices at Belleville and Kingston, 50 miles apart, is unnecessary and not in good balance with the recommendations for other parts of Canada. Communications are adequate and distances within the district are moderate. Most of the development in the Kingston district is in and about the city of Kingston and consequently, can be efficiently served and supervised from Belleville. The fact that there is a district office already existing in Kingston must be given some weight. Undoubtedly there will be adverse reaction in Kingston to closing the office there. On the other hand, he suggests that the provision of two offices in this part of Ontario is open to criticism and the allegation of unjustifiable discriminatory treatment of other areas and cities, more remote from district offices.

The matter is one requiring balance of judgment having regard to all the factors. In this process, the Committee members appear to have accorded somewhat different weight to some of these factors, with the resulting difference in recommendation as to the preferred plan.

VI. NOTES CONCERNING INDIVIDUAL DISTRICTS AND ALTERNATIVE ARRANGEMENTS

I. PROVINCE OF PRINCE EDWARD ISLAND

The whole province is administered by the Charlottetown, P.E.I., District Office. The district is small as regards population and number of taxpayers and no changes in organization are recommended other than to include the Madeleine Islands in its area of administration as covered in the comments on the Province of Quebec below.

II. PROVINCE OF NOVA SCOTIA

SYDNEY

In considering the Province of Nova Scotia it was readily apparent that if any additional district offices were warranted in that province, Sydney in Cape Breton Island would require first consideration. The two largest cities

next to Halifax in the province are Sydney and Glace Bay, both located in Cape Breton Island within fifteen miles of one another and at a distance from Halifax of almost 300 miles. With the towns of Sydney Mines, North Sydney, Dominion and New Waterford, all located within twenty miles of Sydney, there is an urban population of approximately 80,000. Approximately 28,000 1943 T.1 returns have been received from Cape Breton Island, which is about 25% of the total returns for the province.

Although the prosperity of this area is dependent to a large extent on coal mining and the steel industry and therefore suffers greatly during industrial depressions, there is enough well established business and permanent population to justify a tax office within the Island when the distance from Halifax is considered.

GENERAL

There does not appear to be any other district in the province with substantial development that cannot be adequately served from Halifax. Pictou County, which is the next most thickly settled area in the province, submitted 12,000 1943 T.1 returns. It has an urban population of 25,000 and is approximately one hundred miles from Halifax with which, however, it has excellent communications.

III. PROVINCE OF NEW BRUNSWICK

CAMPBELLTON

The Province of New Brunswick is roughly square in shape. The major part of the population is located in the southern part of the province and around the perimeter, the interior being very sparsely settled. It is at present administered entirely from the district office located in Saint John on the southern shore of the province.

The northern shore of the province is about 300 miles from Saint John, and it is recommended that this northern section be combined with the Gaspé district in Quebec to form a district whose office would be located in the city of Campbellton. In this area, there is a population of approximately 307,000, 5/6ths of whom are classified as rural. Approximately 17,000 1943 T.1 returns have been received from this area.

A district office located in Campbellton will probably never be large as regards the number of taxpayers it will administer but in view of the distance from Quebec on the one side and from Saint John on the other, it will provide a closer and more convenient administration and will effect considerable economy in travelling time and expense.

Campbellton, with a population of 7,000, is a commercial and communications centre, having easy access to the northern shore of New Brunswick, to the Gaspé Peninsula, and to the district located around Edmunston, N.B., in the upper Saint John valley. Although not a large town, it is adequately developed as regards schools, hospitals, banks, etc. and offers suitable facilities for the location of an office.

SAINT JOHN

The remainder of the province appears to be adequately served by the office located in Saint John. If an office is located in Campbellton to serve the northern half of the province, Saint John is the best location to serve the remainder. Saint John is by far the largest city in the province, with a population of over 50,100 as compared to the next largest city, Moncton, with a population of 23,000.

Consideration was given to Moncton as a possible location for a district office as it is the distribution and railway centre for the three Maritime Provinces. However, it is only 96 miles from Saint John (89 by railway), and as the

population in the Saint John-Moncton area is grouped more around Saint John than Moncton, there would not be sufficient advantage in service gained to warrant opening an office at Moncton.

Fredericton, the capital of the province, with a population of 10,000, is 68 miles from Saint John and there does not appear to be any advantage in locating a District Office there.

GENERAL

When considering Moncton as a possible location for a district office, it was agreed that if this were done, Cumberland County in Nova Scotia and the whole Province of Prince Edward Island should be administered from it. However, offices in Saint John, Charlottetown and Halifax give close supervision to the different parts of this territory and there would not appear to be any advantage to such a change in organization.

IV. PROVINCE OF QUEBEC

The four largest cities in the Province of Quebec are greater Montreal, Quebec, Trois-Rivieres and Sherbrooke in that order. There are at present district offices in Montreal and Quebec. The analysis by population and by tax returns from the counties adjacent to the cities of Trois-Rivieres and Sherbrooke and their situation in relation to Montreal and Quebec indicate that offices could be established in those cities with considerable advantage. Both Trois-Rivieres and Sherbrooke are centres of well populated and productive districts.

TROIS-RIVIERES

Trois-Rivieres is at the junction of the St. Maurice and St. Lawrence Rivers some eighty miles from both Quebec and Montreal. It is the fourth largest city in the Province (Verdun is the third but is a suburb of Montreal). Including Cap de la Madeleine (which is a suburb of Trois-Rivieres) the population in 1941 was approximately 54,000. On the St. Maurice River and connected with Trois-Rivieres by an excellent modern highway are the towns of Shawinigan Falls (17 miles) and Grand-Mere (27 miles) with a combined population of approximately 32,000.

The territory to be administered by Trois-Rivieres comprises the counties of Maskinonge and St. Maurice now administered by Montreal, the county of Nicolet now administered by Quebec and the county of Champlain now administered partly by Montreal and partly by Quebec.

From this territory, approximately 18,000 1943 T.1 returns were received from a population of 197,000. However, an office in Trois-Rivieres would provide a more intensive administration of the territory and would probably produce an increase in the number of annual tax returns.

There is an all-year-round ferry service at Trois-Rivieres to the county of Nicolet. This is mainly rural territory and is the only county on the south shore of the St. Lawrence included in the territory to be administered from Trois-Rivieres.

SHERBROOKE

Sherbrooke is the next largest city in the Province. It is approximately one hundred miles from Montreal and one hundred and forty miles from Quebec and is the centre of the district known as the Eastern Townships. This is a prosperous farming district containing also a large number of commercial and industrial companies and also important asbestos mining companies. The city itself has a population of 36,000, and in the territory which it is recommended should be administered by it there is a total population of approximately 254,000, 131,000 of whom are classified as urban. From this territory approximately

22,000 1943 T.1 returns were received. A district office in Sherbrooke, by providing a more intensive administration of the territory, will probably produce an increase in this number.

The territory to be administered by Sherbrooke is now administered from Montreal with the exception of the counties of Arthabaska and Wolfe which are now administered by Quebec, and the counties of Frontenac and Megantic which are at present divided between Montreal and Quebec.

MONTREAL

Even if the Trois-Rivieres and Sherbrooke District Offices are formed, the Montreal District Office will remain very large as regards the number of taxpayers to be served by it. In addition to its size as regards volume, Montreal is required to deal with many very large and complex personal and corporation returns. It is considered that a number of advantages in administration would result by a division of this office into two. The Island of Montreal, which is practically all urban, would form one district and the remainder of the territory, the other district.

This No. 2 district surrounds the Island of Montreal on all sides and contains a considerable number of important cities and towns within 20 to 50 miles of Montreal. Main highway and railway communications radiate from Montreal and the community of interest of the different urban centres is chiefly with Montreal rather than amongst themselves. For this reason, the district office for the proposed new district should also be located in Montreal.

This segregation of these two large and distinctly different groups of taxpayers under their own Inspectors would conduce to more effective administration of both districts and improved service to the respective groups of taxpayers.

MONTREAL-CITY

Montreal-City district office, with the relief proposed through opening Sherbrooke, Trois-Rivieres and Montreal No. 2 districts, will still have some 432,925 T.1 returns and 4,720 T.2 returns, requiring an establishment of about 1,150 people. Some consideration was given as to whether it would be advantageous to divide the city itself into two or more districts. It was concluded that this should not be done on account of the difficulty of making a logical and acceptable segregation, the resulting confusion of taxpayers, large volume of interchange of files between city subdivisions and divided responsibility between districts serving the same city.

The same conclusion was reached in considering the administration of the city of Toronto.

CHICOUTIMI

The city of Chicoutimi as a location for a district office was given serious consideration. It is a city of over 16,000 population and is the centre of a district with a population of approximately 145,000, 80,000 of which are classified as urban. This territory is at present present administered by the Quebec Office but it is approximately 150 miles from that office. It comprises a fairly well defined and self-contained area of development. Approximately 17,000 1943 T.1 tax returns have been received from this area and it is quite likely that a tax office located in Chicoutimi could increase this number considerably. However, in this area there has been a very large wartime expansion of industry, and it is very possible that there will be a decrease in the population of this area and some retardment of its progress after hostilities cease. If, however, the district around Chicoutimi and in the Lake Saint John territory continues to grow in population, then an office located in Chicoutimi would be of advantage in serving that area. It is suggested that the question of an office in Chicoutimi be again reviewed in two or three years.

GASPÉ

The Gaspé Peninsula is administered at present by the Quebec District Office but it is fairly remote from that office. There are no large cities in that area, the biggest being Matane (pop. 5,000)—240 miles from Quebec City—and Mont Joli (pop. 3,500)—200 miles from Quebec. The territory by itself does not justify a district office but was considered in conjunction with the adjacent northern part of New Brunswick which is not easily administered from Saint John, N.B. Communications generally with this area, comprising Bonaventure, Gaspé, Matane and Matapédia, are much shorter and more convenient from Campbellton than from Quebec. As a matter of fact, the only railway line in Bonaventure and Gaspé connects via the south shore of the peninsula with Matapédia and Campbellton. Consequently to reach Bonaventure or Gaspé by rail from Quebec one would have to travel through Matapédia, 13 miles from Campbellton and 290 miles from Quebec. It is recommended, therefore, that the Gaspé district be administered from Campbellton, N.B., rather than from Quebec City. This Campbellton office has been discussed more fully above.

MADELEINE ISLANDS

It is recommended that the Madeleine Islands be transferred from Quebec District to Charlottetown District. There is a rural population on these islands of 8,940. No income tax returns have as yet been received from them, although there are commercial operations carried on there. Communications are much easier and quicker with Charlottetown than with Quebec (or Campbellton). In addition to communications by ship (direct from P.E.I. or via Pietou) there is now an air transport service between Charlottetown and the Islands.

QUEBEC

As recommended above, portions of the territory now administered by the Quebec District Office will form portions of the Charlottetown, Trois-Rivières, Sherbrooke and Campbellton districts. With these changes, Quebec will still have a population of almost 800,000 to administer from which approximately 100,000 T.1 returns were received for 1943. The changes recommended should facilitate a more intensified and complete administration of the Quebec District.

OTTAWA

At the present time, a part of the Province of Quebec is administered by the Ottawa District Office. This consists of the counties of Abitibi, Témiscamingue, Papineau, Pontiac, Hull and Labelle. It would appear that the public in the county of Labelle have closer connections with the city of Montreal than they have with Ottawa and it is recommended, therefore, that the county of Labelle be transferred to the Montreal No. 2 District Office.

The counties of Abitibi and Témiscamingue were given consideration in relation to the territories to be administered by Quebec, Trois-Rivières and Montreal No. 2. All these district offices can administer this area as conveniently as can Ottawa. However, an actual survey made of that territory in connection with the study made of the Ottawa District indicates that a district office should be opened in Kirkland Lake, Ontario, which would include in its territory the Quebec counties of Abitibi and Témiscamingue.

GENERAL

Consideration of the other cities, towns and districts in the Province of Quebec indicated that district offices other than those recommended did not, at this time, appear to be required. Apart from the cities in the suburbs of

Montreal and Quebec, there are no other cities of over 20,000 population. The cities over 15,000, apart from Chicoutimi, are St. John's-Iberville (17,000), St. Hyacinthe (18,000) and Valleyfield (17,000). These are all fairly close to Montreal and are convenient to that city for administrative purposes.

V. PROVINCE OF ONTARIO

OTTAWA

The area administered by the Ottawa District Office at present includes all of northern Ontario east of Thunder Bay County. This is a very extensive area and to cover it from Ottawa involves an undue amount of travelling. For example, the cities of Sault Ste. Marie and Cochrane are both administered from Ottawa. Each is five hundred miles from Ottawa in different directions. This area comprises two fairly well-defined sections whose lines of communication meet in North Bay. One section extends to Sault Ste. Marie through Sudbury and the other includes the mining country on the T. & N. O. Railway running to Timmins and the North. After consideration of all factors involved, it was felt that the size and population of both these sections justify the creation of two district offices and it is recommended therefore that a district office be located in Sudbury, and a district office be located in Kirkland Lake.

SUDBURY

The city of Sudbury (pop. 32,000) is the most centrally located large city in the group of counties comprising Parry Sound, Algoma, Sudbury, Nipissing and Manitoulin Island. In this area there is a population of 217,000 from whom 50,000 1943 T.1 tax returns have been received. Sudbury is at the junction of the railway line to Sault Ste. Marie with the main lines to Winnipeg. The next two largest cities in this district are Sault Ste. Marie (pop. 26,000) 183 miles from Sudbury, and North Bay (pop. 16,000) 80 miles from Sudbury.

KIRKLAND LAKE

The other section of northern Ontario at present administered from Ottawa comprises the counties of Cochrane and Temiskaming in Ontario and the counties of Témiscamingue and Abitibi in Quebec. These four counties have a population of 238,000 and 46,000 1943 T.1 tax returns have been received from there. Although Timmins (pop. 29,000) is the biggest city in this area, Kirkland Lake (pop. 20,000) is better situated as an administrative centre. Kirkland Lake is located five miles from Swastika, a junction on the T. & N.O. Railway and is therefore centrally located in relation to Noranda, Rouyn, Amos, Malartic, etc. in Quebec; Timmins and Cochrane to the North; and Haileybury and New Liskeard to the South.

As noted under IV "Province of Quebec", it was recommended that Labelle County in Quebec be transferred from the Ottawa District to the territory to be administered by Montreal No. 2 district. Also as noted below, it is recommended that Leeds County be transferred to the territory now administered by Kingston. With these changes and if new districts are formed in Sudbury and Kirkland Lake, as recommended, the Ottawa District Office will administer an area with a population of 543,000 which submitted 124,000 T.1 1943 Tax returns.

KINGSTON

At present, this district comprises the counties of Frontenac, Lennox and Addington. With the exception of Dawson, Yukon, it is the smallest district in the Taxation Division as regards population. However, its collections exceed those of Charlottetown and Saskatoon and its returns exceed in number those of Charlottetown.

The city of Kingston is approximately fifty-one miles from Belleville and one hundred and twenty-one miles from Ottawa. The territory now administered by Kingston could no doubt be conveniently and efficiently administered from the Belleville District Office and if there were no office in Kingston it is probable that no recommendation would be made to open one. However, since the district office in Kingston is now well established and since Kingston itself is a comparatively large and important city (pop. 30,000) with a large number of individual and corporate taxpayers in relation to population, it is felt that nothing would be gained in administration or service to the public by closing this office and merging its territory with that of the Belleville District.

If Kingston is continued as a district, it is recommended that the county of Leeds be included in its territory. This county was formerly part of the Kingston District but was taken from Kingston and added to Ottawa District a number of years ago. Brockville (pop. 11,000) the largest city in Leeds county, is seventy-four miles from Ottawa and fifty-one miles from Kingston. Gananoque, which ranks next to Brockville in size, is eighteen miles from Kingston. It is apparent, therefore, that Leeds county could be administered by the Kingston District Office quite as conveniently and efficiently as from Ottawa.

With the inclusion of Leeds county Kingston will be increased in size by about 20 per cent. For 1943, this territory with a population of 180,000, produced 30,000 T.1 returns.

BELLEVILLE

No changes are recommended in this area. Although Peterborough (pop. 25,000) is considerably larger than Belleville (pop. 15,000), Belleville is a better centre for administrative purposes. It has good communications with all parts of the territory and its chief importance is as a commercial and distributing centre, whereas Peterborough is an industrial city with a lesser density of development in the surrounding district than Belleville. Peterborough is approximately sixty-five miles from Belleville. The next largest town in the district is Trenton (pop. 8,000), eleven miles from Belleville.

TORONTO

The Toronto District at present ranks second in size following Montreal. After consideration of its territory in relation to the other districts adjacent to it, it is recommended that the same type of organization as has been recommended for Montreal be formed in Toronto—that is, that a city district be created to handle the assessments arising in Greater Toronto and that a Toronto No. 2 district be formed to administer the remainder of the district. Since the relative volumes of different types of returns arising in the city of Toronto vary to a great extent from those arising in the outside towns and rural districts, this organization should improve the service to taxpayers by providing a more specialized administration in each district.

The Toronto-City district would include the metropolitan area embracing the city of Toronto and adjoining municipalities. This would include the townships of Etobicoke, West York, North York, East York and Scarborough. The balance of York County would be placed in the Toronto No. 2 district. This latter part of York County includes the townships of Georgina, Gwillimbury East, Gwillimbury North, King, Markham, Vaughan and Whitchurch.

In the counties administered by Toronto, all the main lines of communication radiate from Toronto and for this reason, the district office for this area should be located in Toronto.

In the recommendations regarding the Ottawa District, the formation of a district whose office would be located in Sudbury has been suggested. This would include the county of Parry Sound at present administered by the Toronto District.

As discussed under Montreal, it was concluded that it would not be desirable to subdivide further the Toronto-City district.

HAMILTON

This district ranks fourth following Montreal, Toronto and Vancouver in volume of collections. Its territory contains a large number of fairly large prosperous cities and also prosperous farming districts, and a number of additional district offices could, with advantage, be opened as follows:

ST. CATHARINES

There is a sub-office at present in St. Catharines (pop. 32,000). It is recommended that a district office be formed in St. Catharines which would administer the counties of Lincoln and Welland. These two counties have a population of 159,000 and in the taxation year 1943 they submitted over 58,000 T.1 returns.

In these two counties there are a number of well-established, thriving, industrial cities within easy access of St. Catharines. The two largest are Niagara Falls (pop. 21,000), fourteen miles from St. Catharines, and Welland (pop. 13,000), fifteen miles from St. Catharines.

KITCHENER

There is at present a sub-office in Kitchener. The twin cities of Waterloo and Kitchener combined have a population of 46,000 and are in the centre of a well-populated and prosperous area from which 59,000 T.1 returns for 1943 were received. It is recommended that the counties of Waterloo and Wellington be taken from the Hamilton District and the counties of Perth, Huron and Bruce from the London District to form a district whose office would be located in Kitchener. The population of this territory is 294,000.

There is a sub-office at present in Stratford (pop. 17,000) in Perth county under the administration of London and it is recommended that if a district office is opened in Kitchener, the Stratford sub-office be closed. Stratford is 27 miles from Kitchener.

BRANTFORD

Consideration was given to the advisability of making the sub-office at Brantford a district office serving the counties of Brant, Haldimand and Norfolk. Brantford (pop. 32,000) is twenty-three miles from Hamilton with which it has excellent communications by rail and road. The population of the three counties mentioned is 114,000 and 27,000 T.1 1943 returns have been received from this territory. However, all parts of this territory are close to Hamilton and this territory as a whole can be administered from Hamilton as easily, if not more easily, than from Brantford.

If a sub-office remains in Brantford and the other recommendations are adopted, it will be the only sub-office left in the provinces of Ontario, Quebec and the Maritimes. Although it provides a limited "public relations" service to the people of Brantford, this involves a certain amount of duplication of work with Hamilton and it is recommended that it be closed.

These changes, if adopted, will leave the Hamilton District with the counties of Wentworth, Halton, Brant, Haldimand and Norfolk, with a population of 350,000 which for the taxation year 1943 submitted 120,000 T.1 returns.

LONDON

The territory administered by London is somewhat similar to that now administered by Hamilton and the same advantages in closer supervision will be obtained by opening additional district offices in this territory.

As noted above, it has been recommended that the counties of Perth, Huron and Bruce be combined with the counties of Waterloo and Wellington to form the Kitchener District. The main lines of communication, i.e. roads and railways, in this part of Ontario run generally east and west and these counties will be more easily administered from Kitchener than from London. In these counties, there is a population of 135,000 with 1943 Tax Returns of 17,000.

If this change is made and Windsor District created as noted below, London District will continue to administer the counties of Middlesex, Oxford, Elgin and Lambton, with a population of 281,000 from which 70,000 1943 T.1 tax returns have been received.

WINDSOR

In the city of Windsor (pop. 105,000) there is, at present, a sub-office under the administration of London (pop. 78,000), 112 miles away. It is recommended that a district office be opened in Windsor to administer the counties of Essex and Kent. Windsor is one of the great industrial cities of Canada and from the counties of Essex and Kent 75,000 1943 T.1 Returns have been received.

FORT WILLIAM

The territory administered by the Fort William District Office comprises the counties of Thunder Bay, Kenora and Rainy River. This is a large district in area but is very sparsely settled. It has a population of 138,000 which submitted approximately 37,000 1943 T.1 Returns. More than 75 per cent of these returns came from Thunder Bay county in which are located the twin cities of Fort William and Port Arthur with a combined population of approximately 55,000. Apart from these cities, there are no urban centres of any appreciable size in this area. Kenora (pop. 8,000) and Fort Frances (pop. 6,000) are the next largest towns. Kenora is 293 miles and Fort Frances 231 miles from Fort William on different routes. Both towns are actually nearer Winnipeg (126 and 208 miles respectively) but have easy communications with Fort William, and there would be no advantages or economies in administration gained by altering the present boundary between the Fort William and Winnipeg districts which is the Ontario-Manitoba Provincial boundary.

At present, the nearest district offices to Fort William to the east are the Ottawa and Toronto District Offices—878 and 811 miles respectively. If an office is opened in Sudbury (552 miles from Fort William), as has been recommended, this will greatly reduce the distance between adjacent district offices.

It is recommended that no change be made in the territory administered by the Fort William District Office.

VI. PROVINCE OF MANITOBA

The District Office in Winnipeg administers the whole Province of Manitoba. The Province has a population of approximately 730,000 which submitted for the year 1943, 172,000 T.1 Returns. 70 per cent of these returns came from Winnipeg and adjacent municipalities and cities. The only other city of substantial size and consequence in the province is Brandon, with a population of 18,000, 133 miles from Winnipeg.

Due to the fact that the main highway and rail communications throughout the province radiate from Winnipeg, an office located in Brandon could not

advantageously administer an area which would cover much more than the county of Brandon itself. From this country, approximately 10,000 1943 T.1 returns were submitted and it was decided therefore that present conditions do not justify opening a district office there.

There is a fairly large mining development at Flin Flon in the far northern part of the Province, but satisfactory service is given to taxpayers thereby periodically sending men from the Winnipeg office to Flin Flon.

VII. PROVINCE OF SASKATCHEWAN

REGINA

For income tax administration, the Province of Saskatchewan has been divided approximately in half as regards population—Regina District administering 442,000 and Saskatchewan District 454,000.

Regina District received approximately 61,000 T.1 returns for 1943 and Saskatoon District 34,000. The larger cities and towns (with the exception of Prince Albert) are located in the southern part of the Province in the territory administered by Regina (pop. 58,000). Apart from Moose Jaw, however, none of these towns in the Regina District exceed 7,000 population and there would not be any advantage in service gained by opening district offices in any of these towns. Moose Jaw (pop. 21,000) is 41 miles from Regina and has excellent road and rail communications with Regina.

SASKATOON

In the area administered by the Saskatoon District Office, the only other city of consequence is Prince Albert (pop. 13,000) located 110 miles from Saskatoon. At one time, a District Office was located in Prince Albert and Saskatoon was a sub-office under its administration. However, the logical place for the District Office to administer the northern part of Saskatchewan is Saskatoon (pop. 44,000) as the road and rail communications in this part of the province radiate from that city.

No changes are suggested in the present two districts in Saskatchewan.

VIII. PROVINCE OF ALBERTA

CALGARY

Calgary District Office administers the southern half of the Province of Alberta with a population of approximately 336,000 which submitted approximately 70,000 1943 T.1 returns. The southern half of Alberta is comparatively well-developed and contains a fair amount of coal and oil industry as well as agriculture. Besides Calgary (pop. 89,000) there are the cities of Lethbridge (pop. 15,000) and Medicine Hat (pop. 11,000).

There is at present a sub-office in Lethbridge which supplies an over-the-counter information service and assesses returns sent from Calgary. From the Lethbridge Electoral District, 9,500 T.1 Returns for 1943 were received and from the Medicine Hat Electoral District, 6,000. All parts of these two districts have good communications with Calgary and can be administered efficiently from here. It is recommended, therefore, that no additional offices be opened in this area.

Since sub-offices do not provide a service which more than compensates for the additional expense involved in their maintenance, it is recommended that the Lethbridge sub-office be closed as and when circumstances permit.

There is a section of British Columbia adjacent to the southwestern Alberta border which includes the towns of Cranbrook (pop. 2,600) and Fernie (pop. 2,600) which is much nearer to Calgary than to Vancouver. (Cranbrook

to Calgary 276 miles; to Vancouver 650 miles). However, after discussion with the District Inspectors in Calgary and Vancouver and in view of the recommendation regarding an office in the Okanagan Valley, it is considered that the disadvantages arising from the crossing of the Alberta-B.C. Provincial boundary would more than outweigh any advantage to be gained in the closer administration of this area.

EDMONTON

The District Office located in Edmonton administers the norther half of the Province of Alberta. This territory has a larger population (480,000) than that administered by the Calgary District Office (335,000) but a smaller volume of returns is received from it (60,000 as compared to 70,000). There is at the present time a large amount of expansion and development proceeding in northern Alberta mainly arising from the building of the Alaska Highway and the large airports serving the North, and due also to gold discoveries at Yellowknife in the Northwest Territories and to developments in the Peace River area.

There are no other towns of over 2,000 population in this area and, in the opinion of the Committee, it can be best administered by one district office located in Edmonton (pop. 94,000).

The northeastern section of the Province of British Columbia comprising the Peace River bloc centered around the towns of Dawson Creek and Pouce Coupe administered at present by the Vancouver District Office has exceedingly poor communications with Vancouver. That territory is now served by the Alaska Highway connecting Edmonton to Alaska and also by the Northern Alberta Railway terminating at Edmonton. It would be much more efficient and economical both for the taxpayers and for the Division to have the taxpayers in this area administered from the Edmonton office. Already many of the taxpayers in that area send their returns to the Edmonton District Office or deal with that office on their visits to Edmonton. It is recommended, therefore, that the portion of British Columbia tributary to the Alaska Highway be transferred from Vancouver District to Edmonton District.

IX. PROVINCE OF BRITISH COLUMBIA

VANCOUVER

At present, the whole of British Columbia is administered by a district office located in Vancouver with a sub-office located in Victoria.

The mountainous nature of the Province has created a number of separated localities with poor communications connecting them.

VICTORIA

In the counties of Nanaimo and Victoria (which comprise Vancouver Island) there is a population of 153,000 which submitted 50,000 T.1 returns for 1943. Victoria (pop. 45,000) is the Provincial capital and we recommend that a District Office be opened there to serve the counties of Nanaimo and Victoria.

PRINCE RUPERT

The territory forming the hinterland to the port of Prince Rupert forms an area of development which may, in the future, grow to some size. Much development has taken place due to war conditions but it is still uncertain if this will remain after hostilities cease. According to 1941 census figures, in the country of Prince Rupert there is a population of 30,000. From this

county, 10,000 1943 T.1 returns have been submitted. It is not considered that this population and number of taxpayers justify a district office at this stage.

KELOWNA

The only other district of British Columbia which it at all well developed and populated comprises the counties of Yale and Kootenay which include the Okanagan and Kootenay Valleys. The Okanagan Valley is largely a fruit-growing district and the Kootenay Valley a farming and mining district. The counties of Yale and Kootenay have together a population of approximately 145,000 and submitted approximately 40,000 1943 T.1 returns. This district is served in the north by the main lines of the C.N.R. and C.P.R. and in the south by the Kettle Valley Railway. The largest town in the two counties is Trail (pop. 9,000) situated on a branch line of the Kettle Valley Railway. Communications from it to other parts of the district are not good. There are a number of other towns, all around the 6,000 population mark, and after consideration of the highway and rail communications in this area, the distribution of the population and its economic features, it is recommended that a district office be opened in Kelowna. Kelowna (pop. 6,000) is located on the Okanagan Lake, 40 miles from Penticton (pop. 5,000) to the south, and Vernon (pop. 6,000), 33 miles to the north. It is well located to serve the whole Okanagan Valley region directly. It has road and railway connection with the C.N.R. and C.P.R. main lines through Kamloops and Sicamous and, through Penticton, has access to the Kettle Valley Railway which is the east and west rail line serving the most southerly part of the Province. These railway connections, together with highway connections, provide reasonably good communications to serve the Kootenay district.

PEACE RIVER

As noted under Edmonton above, it is recommended that the north-east portion of British Columbia now served by the Alaska Highway should be transferred to the Edmonton District Office for administration purposes.

X. YUKON TERRITORY

In view of the smallness of the population and the number of returns being obtained through the Dawson District Office, the Committee did not visit this district and recommends no changes in its administration.

XI. NORTHWEST TERRITORIES

As noted under Edmonton above, this city has become the centre through which most communications with the Northwest Territories now pass.

The Northwest Territories at the present time are administered by the R.C.M.P. who report to the Ottawa District Office.

Since the largest settlements in the Northwest Territories are closer to Edmonton than to any other district office, it is recommended that their administration be formally vested in the Edmonton District Office—either to administer directly or through the officials of the R.C.M.P.

XII. STAFF REQUIREMENTS

After arriving at a conclusion as to the number and location of District Offices for the proposed new organization, the Committee considered the question of the staff required.

The present staff, as shown in Exhibit 12, is 6,421 but the Committee was informed that this staff was quite inadequate and that a staff of 7,520 has

been authorized. It is the Committee's view that the new organization should not require a large number of additional staff, if the present authorized staff is adequate, as the new organization would deal with the same number of taxpayers as the present organization, except that through closer supervision a number of additional returns should be obtained.

In estimating the staff requirements of the new organization, however, the Committee did not proceed on the assumption that the staff presently authorized was adequate but based its estimate on the staff at present employed in each district office and the number of returns assessed and unassessed in these districts, along with the type of returns, e.g. T.1 Specials, T.1 Generals, Farmers' Returns, Corporation Returns. The amount of investigation work actually done and the amount which probably should be done and the possibility of additional returns being received through closer supervision and more intensive investigations, were also considered. From this study, the Committee arrived at a figure of 7,770 for the new organization as set forth in Exhibit 13.

The creation of additional offices of course involves an increase in supervisory personnel and by breaking down the organization into smaller units will entail increases in the overhead administrative sections of the Division such as internal auditors, accountants, personnel record clerks, mailing clerks, etc., so that it must be expected that a certain number of additional staff will be required. This number, however, as has been previously stated, should not be large and as the number estimated by the Committee exceeds the present authorization by only 250, or less than 3½ per cent, it seems probable that the present authorized staff is adequate and that the Committee's estimate is approximately correct.

It would be preferable to staff the new offices with the least possible dislocation of the present staff through transfers or releases. The transfer of staff between Montreal City and Montreal No. 2, and between Toronto City and Toronto No. 2, should not inconvenience the employees concerned as they would still be working in the same city, but in the case of the other eleven new offices, efforts should be made and it should be possible to engage junior staff and some senior staff locally. A number of senior staff and supervisors would, however, have to be transferred but these should not exceed an average of 15 or 20 for each new office, or between 150 and 200 in total.

VIII. OFFICE SPACE

The rapid growth in the work of the Taxation Division since 1939 with the consequent need for large numbers of additional staff meant that additional office space had to be provided. While additional space has been obtained, the amount has been far from adequate.

The Committee has been informed, and from its own observations has reached the conclusion, that 100 square feet per employee should be provided. This would include space for general and private offices, filing space, a large amount of which is required for the very large volume of income tax returns, information returns, etc., and space for the general public, but would not include outside corridors, stairs, lavatories and rest-rooms. As can be seen from Exhibit 14, the majority of District Offices have much less than 100 square feet per person employed; in fact, some have only half or not much more than half of that figure and as these offices are substantially below the staff establishment considered necessary for the proper administration of the Districts, it is obvious that unless additional space is obtained, the work of the Division cannot be proceeded with as it should.

Exhibit 14 shows that 251,720 square feet of additional space are required to provide adequate accommodation for the staffs considered necessary for the present District Offices. As the present area of these offices is 443,605 square feet, this means that the present area is only 64 per cent of what it should be.

In addition to the work of the Division suffering through lack of space to accommodate additional staff, efficiency is lost through the present overcrowding of the offices. Halifax, Vancouver, Saint John, Winnipeg and Montreal, in that order, are at present overcrowded to an almost intolerable degree even though understaffed, and Toronto, because of the way the building is architecturally laid out, is almost in as bad a position.

Because of overcrowding, the health of the staff suffers and the Committee was informed that many working days have been lost through sickness and that there has also been a large turnover of employees as numbers have resigned because of the working conditions.

It is recognized that ideal conditions cannot be realized at present but the Committee considers it imperative that additional space be provided at once if the Taxation Division is to function as it should and as the public have a right to expect.

Working conditions should also be improved through better lighting, ventilation, acoustic treatment of ceilings in noisy locations, redecorating, and through the offices and wash-rooms being kept in a much better state of cleanliness than they are at present.

Exhibit 15 shows the space requirements for each District Office under the proposed District Office organization. It will be seen from this Exhibit that some 312,600 square feet of additional space will be required at 25 district offices in 23 cities and towns. Some 37,505 square feet could be released at 6 offices, the bulk of this space being at Ottawa, Hamilton and London.

At the present time, most Income Tax offices are located on the upper floors of buildings. As these offices are now dealing with very large numbers of taxpayers over information counters and at cashiers' cages, efforts should be made to provide this space on the ground floors when providing space for the new District Office organization. This would be a convenience to the taxpaying public and would reduce elevator traffic which is subject to pronounced peaks at certain seasons.

When setting up new District Offices, care should be taken also to locate them on a site as accessible to the public as possible and to see that their appearance is not inferior to other Government offices or outside organizations dealing with the public. Possibly, they need not be as elaborate as some of the offices of outside organizations but as income tax is now a most important item in the economic life of most citizens, it seems to this Committee that Income Tax offices should be dignified and impressive in appearance. The morale and efficiency of the staff would also be improved by working in modern buildings, efficiently laid out with good furniture and furnishings.

It should be noted that the Committee only considered the question of space as it affected the present and proposed District Office organizations and did not go into the question of space for Head Office.

IX. TRAVELLING AND PROVISION OF MOTOR CARS

It has been mentioned briefly in Section IV that greatly increased travelling activity is required to improve administration in most districts, also that a large proportion of this travelling should be by motor car particularly through rural territories.

It should be unnecessary to develop in detail the necessity for extensive travelling by the district staff. Investigations should be made frequently throughout the districts not only of those who have reported taxable income,

but also of those who might be taxable but who have failed to report taxable income. The Inspector personally and through his staff should be well informed on all activities affecting his work throughout the district, and this necessitates a substantial amount of travelling.

Practically all the Inspectors agree with this view. Nevertheless many of the districts have done very little travelling. For the fiscal year 1943-44, of total travelling expenses for district staffs of \$91,616.55, about 70 per cent was incurred by the four districts, Montreal, Ottawa, Winnipeg and Vancouver, in that descending order. The next 8 districts spent 28 per cent and the lowest 6 districts spent about 2 per cent. None of these latter 6 districts spent as much as \$400, which is obviously far from adequate. Study of this matter reveals many anomalies. For example, Toronto, covering a large territory outside of the city of Toronto, spent less in the year than Hamilton (which maintained sub-offices at St. Catharines, Brantford and Kitchener), and only about one-sixth of Montreal or Ottawa. Winnipeg spent over six times as much as Regina, Saskatoon, Edmonton and Calgary combined. Under these conditions, it is apparent that some important areas have not been visited during the year by any representative of the district.

The setting up of new districts will, of course, tend to reduce travelling time and expense materially in many cases. The potential saving in this regard should be considered in the light of the volume of travelling that should be done rather than what is actually being done. Generally speaking, all districts showing low levels of travelling expense should greatly expand this activity. Consequently, on the whole, expansion of travelling may be expected rather than reduction.

Amongst reasons given by districts for insufficient field travelling were policy, lack of staff and lack of motor cars. Policy reasons usually were vague or related back to former Inspectors. Any misunderstandings on policy should be corrected. Lack of motor cars is an explanation of the small amount of travelling done in certain sections of some districts where this is the only method of access.

All means of transportation should be used as may be appropriate, considering availability, efficiency and economy. This embraces railway, bus, motor car and in a few cases steamer and airplane. For the larger cities and towns, railway and bus are usually adequate and economical as assessors may remain in these places days or weeks. However, for the smaller places and through rural sections, motor car transport is the most economical, efficient and usually the only means.

There is no doubt that a large increase in the use of motor cars by the district staffs is necessary. At the present time, under wartime conditions, this offers many difficulties, particularly due to shortage of cars and difficulty of replacing tires. Under these conditions, employees who might otherwise drive their own cars are unwilling to do so. Every effort should be made to make cars available by all means reasonably possible. While the Committee has not surveyed the car situation amongst the various Federal Government departments, it is well within their notice that other Departments have obtained Government-owned cars whereas the Taxation Division has not. It may be mentioned here that a large proportion of the motor driving for income tax work will take care of two and sometimes three men in the field together and only a small portion for single passenger driving. Much of the field work can be done to advantage by teams of two or three and this fact has a bearing on the economy of motor travel.

It does not seem possible at this time to set down a single answer to the car problem. Rather, several different means may be used. These comprise use of employee-owned cars, use of hired cars, and provision of Government-owned cars.

Use of employee-owned cars is now greatly restricted due to wartime conditions of supply but may be expected to improve again as restrictions relax. Rates paid to employees should fully compensate for the average cost of operation. For light passenger cars, an allowance of about 6 cents per mile in the pre-war era was generally recognized as reasonable. The Taxation Division, however, until quite recently only allowed 5 cents. This rate has now been raised to 7 cents for the first 4,000 miles per year and 6 cents for additional mileage. There are many advantages from an overall point of view in making use of employee cars, particularly away from the larger cities. These advantages embrace economy in supervision, garaging, repairs and lost time and suggest the desirability of paying an adequate rate of compensation for employee-owned cars.

As to rates of compensation, it is thought that these should be uniform for practically all districts. Some districts argue that local conditions, particularly road and weather conditions, warrant higher costs in their district but these are not usually of significant importance and may be offset by other conditions. As an exception to this, it is probable that driving costs are appreciably higher in the interior part of British Columbia than elsewhere due to the mountain conditions. Actual cost data were not obtained for comparative purposes, however.

Availability of "drive yourself" and other hired car service was increasing before wartime restrictions developed. Availability of these services is now limited but may be expected to expand again. Where available, and even now they still are available for business purposes in some cities, these services can and should be used to advantage. It does not appear that the Division has made use of such services to any extent.

Arrangements should also be made to provide Government-owned cars for the Division on a similar basis to that in effect for other Departments. At least in some of the larger places, there would be a sufficient number in the fleet to make this method desirable and economical. It should be possible for the Department to obtain some of these cars at an early date and well in advance of the time when cars will become generally available to the public.

It may suffice here, merely as one example, to include information obtained from a statement of the Department of Soldiers' Settlement and Veterans' Land Act for March 31, 1944. That Department had 114 cars distributed among 8 districts. There was a fleet of 24 in the Saskatoon district, with a mileage driven for that year of 156,889. There was a fleet of 27 cars in the Edmonton district, with a mileage of 153,570.

X. GENERAL COMMENTS

Sub-Offices

At the present time, there are several sub-offices in the District Office organization. These sub-offices generally have no other duties than to give an over-the-counter service on enquiries from the public and to assess returns sent to them by the District Office to which they report. These returns are generally those of taxpayers located in the same city as the sub-office. The sub-offices do not keep tax-rolls, or taxpayers' files, and are not equipped to handle collections and give receipts. They function directly under the authority and supervision of the District Offices to which they are attached.

The Committee considered whether opening such sub-offices in certain areas would be sufficient to give the more adequate service to the public now required. However, after a survey of the internal organization and functioning of the District Offices to which sub-offices are now attached, it was found that the sub-offices, having no tax-roll, no permanent files and no machinery for handling and accounting for collections cause additional work in the District

Offices to which they report and that it is very doubtful if this additional work is compensated for by the personal service and closer contacts which the sub-offices give to the taxpayers of the towns in which they are located.

The question of enlarging the functions and scope of service of the sub-offices to the extent that they would more completely administer an area but still remain under the supervision and control of a District Office was considered. For example, it would be possible to have the sub-office maintain tax-rolls, accept returns and collections and assess returns up to certain limits under the jurisdiction of their District Offices which would maintain their accounting and tax deduction records and generally supervise and administer them.

However, it is exceedingly hard to define the limits of what a sub-office can effectively do to be of maximum service to the public and to the District Office and yet not add greatly to the problems and administrative work of the District Office. After much consideration, the Committee has reached the opinion that sub-offices, either in their present form or in an enlarged form, will create more duplication in work and records than will be justified by any closer service they can give to the public and that they do not in practice fill any useful status in the District Office organization which is not better filled by an independent District Office.

The Committee has therefore recommended that certain sub-offices be made District Offices and that the remaining sub-offices be closed as and when circumstances permit.

Alternative Forms of District Office Organization

The various functions and duties of District Offices were considered by the Committee in relation to possible changes in District Office organization. At present, all District Offices are uniform in the duties and functions which they perform and, within broad lines, uniform in their internal organization.

The possibility was considered as to whether certain functions now performed in all District Offices might not be centralized to some extent to give relief from such work to the District Offices and also at the same time provide some administrative economies. For example, it was considered if certain functions, such as Tax Deduction work, Succession Duty work and Accounting could be centralized in say three or four offices located at strategic centres throughout the country, with advantage to the District Offices.

After discussing this matter with certain of the senior Inspectors and with officials in Head Office, and after considering the organization of the District Offices in relation to Head Office, the Committee is of opinion that greater efficiency in service to taxpayers and in all aspects of the work of the Taxation Division will be gained if all District Offices are uniform and complete in their respective functions.

For example, if Tax Deduction work, Succession Duty work and Accounting were centralized and these functions had no place in a District Office, there would be a decided decrease in the efficiency of the District Office and its ability to give quick and satisfactory service to the public. There is so much cross-reference required between the various units in a District Office that the functions of assessing returns and of collecting tax would be rendered more difficult and require more correspondence and delay if the related functions of Tax Deduction, Succession Duty and Accounting were not also carried out in the District Offices.

It is possible that, where there are several District Offices in one Province, some advantage in contacts with the Provincial Succession Duty office might be gained by having one Federal Succession Duty office only in that Province. However, as the assessing of returns of deceased persons is required in connection with the Succession Duty work on their estates, it has been found to be

much more convenient in practice to have a Succession Duty section in each District Office. This also provides a better and closer service for lawyers and others concerned with Federal Succession Duty problems.

Similarly, in considering the centralization of Tax Deduction at the source, it was noted that a very close coordination is required between the Tax Deduction work with employers, the receipt and checking of T.4 annual returns and the collating of the T.4 slips with the employees' assessment returns.

As regards centralized accounting, it has been shown that the accounting records for the District Office are of essential service to all units handling assessments and to the Collection Unit.

For all these reasons, the Committee is of the opinion that the present organization, consisting of District Offices with uniform functions and uniform internal organizations, is satisfactory at this time.

Temporary Tax Office Service

There are a number of important cities and communities, some times remote from a District Office, where it is thought it would be advantageous to have a small staff located temporarily to assist the local taxpayers. The period about April, during the seasonal rush of making and submitting returns, affords an opportunity of having representatives of the Taxation Division deal directly with the public in such localities and assist them in connection with their numerous inquiries relative to tax returns.

The matter of sub-offices has already been discussed and the conclusion given that such offices be discontinued, largely because the type and amount of service to the public in the community do not warrant the administrative expense. On the other hand, it is felt that a seasonal office involves very small expense and that this expense is more than warranted from the point of view of service and favourable public relations.

As regards the administrative expense, it is probable that seasonal offices would frequently result in less overall expense through having returns better prepared initially, and through reduction in later correspondence and follow-up work by District Offices. In many cases, the practice of having seasonal offices would obviate public pressure to establish permanent Income Tax offices which cannot be justified. Space for the purpose of a temporary tax office can usually be obtained without difficulty or expense in some municipal or other building.

Several of the districts have followed this practice in a few localities in the past and have been pleased with the result. Mention is made elsewhere of the Flin Flon district where this practice is followed now. In that case, the Winnipeg District Office considers it essential.

The Committee has in mind the following types of localities, although this is not a complete list:

Moncton, Chicoutimi, Peterborough, Owen Sound, Sault Ste. Marie, Timmins, Brandon, Flin Flon, Prince Albert, Lethbridge, Trail, Prince Rupert.

Setting up of New Districts

It is realized that the recommendations of the Committee will involve a large amount of dislocation and considerable work among the officials and staff at Head Office and in the District Offices affected.

Naturally, the detailed planning and organization work has to be done first and the new District Offices brought into smooth operation before the advantages of administration and public relations begin to be realized.

Alternative programs for setting up the proposed District organization require study. For example, offices may be opened in various orders, or by groups. It is unlikely that all of the new districts could be set up simultaneously on account of space and personnel problems.

Amongst the major problems involved in any program are:

- (a) Locating office and obtaining adequate space;
- (b) Arranging best lay-out of office, and obtaining proper furniture and equipment;
- (c) Transferring staff and recruiting new staff;
- (d) Transferring files, accounting records, tax-rolls, etc.

Information Returns

By the introduction of the principle of "deduction at the source" from wages and dividends and by obtaining Information Returns from employers, banks, trusts, etc., employees and taxpayers generally are complying with the terms of the Income War Tax Act. However, there is an opinion held generally, in which the Committee concurs, that farmers, lumbermen and many small rural businesses may not be paying the taxes which are legally payable by them. It is possible to obtain Information Returns regarding many of the transactions of farmers, lumbermen and similar types of businesses which do not generally maintain adequate records, from wholesale dealers and from Government agencies under whose supervision or with whose assistance they operate, and the Committee recommends, therefore, that the Division should arrange to obtain such returns wherever possible, and thus facilitate enormously the investigation work of the District Office assessors.

Staff

As discussed elsewhere, the question of obtaining adequate staff for the District Offices is a serious problem engaging the attention of all Inspectors and senior officials. Practically all District Offices are understaffed according to the establishments enacted for them by Head Office.

The Committee has been informed that the Taxation Division has greater difficulty in procuring additional staff than have some other Government Departments. For example, cases have been cited of applicants for positions in District Offices having been interviewed in the District Office and everything more or less settled for their employment but, owing to delays in obtaining the final approvals from Ottawa, the prospective employees have obtained employment elsewhere. In some cases they have obtained employment in other Government Departments at higher remunerations than they could obtain in the Taxation Division. The importance of the Taxation Division in the economic life of the country requires that it should be in no inferior position to other Government Departments in this matter.

Training of Staff

The rapid increase in the work of the Division has naturally meant the employment of a very high proportion of untrained staff and created a problem in providing that staff with adequate training. Adequate training of new employees or the lack of it has had an important effect on the efficiency of the offices. Training of employees is a most important part of the operation of the Division. It is a continuing job and will require special emphasis during the period when new District Offices are being organized.

Morale

On several occasions, dissatisfaction with space, with working conditions, with prospects, with salaries, and with the methods of the Division were expressed by members of the staff to the Committee. There appears to be an impression that the salaries are low in comparison to those in other Government Department and in businesses outside the Government. This may or may not be so, but the Committee recommends that a review should be made of the salary scales being paid employees of the Division and if they are found to be in accordance with similar work elsewhere, this fact should be brought to the attention of the staff. If found to be out of line, then the situation should be rectified.

EXHIBIT No. 13

REPORT ON DISTRICT OFFICE ORGANIZATION

APPENDIX

This appendix comprises the following Exhibits:—

1. Reference to Committee by Deputy Minister.
2. Memorandum to Minister of National Revenue from Deputy Minister.
3. Taxation Division—Growth.
4. Present District Office Organization—Summary.
5. Proposed District Office Organization—Summary.
6. Present District Office Organization—Ranking by size.
7. Proposed District Office Organization—Ranking by size.
8. Proposed District Office Organization—Comparison of Returns to population and Collections per return.
9. Cities over 15,000 population with distance from present and proposed District Office.
10. Analysis of 1943 T.1 returns by distance from District Office.
11. Comparison of six largest districts in collections and returns—present and proposed.
12. Staff—present organization.
13. Staff—proposed organization.
14. Office Space—Present District Office Organization.
15. Office Space—Proposed District Office Organization.
16. Proposed District Office Organization data.

EXHIBIT 1

REFERENCE TO COMMITTEE BY DEPUTY MINISTER

8th November, 1944.

To Messrs. R. V. MACAULAY,
J. McLAREN,
B. WOOD.

DEAR SIRS,—As you are aware from previous conversations, this is to request that you act as a member of a Committee to examine certain features of the Income Tax administration in accordance with the following terms of reference.

We appreciate greatly the time and effort that you will give to the work of this Committee and thank you personally. As you are aware, we have also expressed our thanks to your company.

This Committee is formed for the purpose of making a survey of the present establishment of the Taxation Division in regard to serving the public by an appropriately situated and adequate number of offices, if it should be found that the present establishment is regarded as inadequate. If found inadequate, you will recommend the appropriate location of other new district offices which might include the subdivision of some of the presently existing offices, and in the doing of that, advise what personnel would be regarded as appropriate to properly man any proposed new establishment.

From this, you will observe that there is not a request to examine the methods or ways and means now employed for the securing of information and the raising of tax based on that information, but rather the examination relates to staff and office accommodation throughout Canada so that, if possible, the public interest may be better served than it is now.

The foregoing is an indicative formula of the duties which it is expected the Committee will assume.

There is no doubt that within the ambit of this reference a very wide examination will be required of many features not apparent on reading the reference as stated, but which would be necessary in order to come to a proper conclusion.

This being so, you should be advised that any information you wish in any direction concerning any matter, whether strictly within the ambit of the reference or not, will be readily given to you, with the one exception that under no circumstances will we permit you to have access to or knowledge of the income or tax of any individual or corporate taxpayer.

I shall be glad to receive your report at such time as may be convenient to you.

Yours truly,

C. F. ELLIOTT,
Deputy Minister (Taxation).

MEMORANDUM TO THE MEMBERS OF THE COMMITTEE:

This will advise you that Mr. H. A. Parker has been released from other duties, so far as required to act as secretary of your Committee and you may call him at any time you wish, and for so long as you may require. Miss M. Belanger will act as your stenographic secretary and will also be available for such period of time as you may require her. Both of these will accompany you, if you so desire, as your work takes you to various places in Canada.

You will be provided with appropriate space in the Head Office building for your meetings and for your documents. You will also be afforded any introductions that you may require to any other Government Department from whom you wish to secure any information.

It is open to the Committee at any time to make appointments with any member of the staff from whom you would like information and this can be done without reference to me—just simply advise the head of the particular branch that you would like to consult with such and such an officer. This applies to every office in Canada.

If you desire to specialize or develop any side of the work, it is of course open to you to call in any person who might be of assistance, for example, if you want certain statistics gathered or if you want them assembled in a particular way, it is open to you to call upon our statistical branch, or if agreeable, to call upon the statistical division of your own companies to perform certain examination through appropriate graphs and reports. Their expenses will also be paid.

The Inspectors across Canada will be advised of your attendance if you should attend in the district offices but it is suggested that we do not advise them all now but rather as you come upon each district, because it seems advisable that this examination be not made more public than the actual carrying out of the work itself requires.

As these matters are bound to become public, perhaps by slow degrees but perhaps one day by a newspaper announcement, it would be appreciated if you could give me a memorandum, through your stenographic secretary, every ten days or so, as to just where you are and what you are doing, because the Minister must be informed, and be able to intelligently respond as to what is going on in his Department.

For your information, there is attached copy of the memorandum of the 16th October 1944 addressed to the Honourable the Minister of National Revenue.

Your expenses, while away from your home city, will be paid by the Government, which includes meals, lodging, transportation, telegrams, taxis, and other like expenses.

C. F. ELLIOTT,
Deputy Minister (Taxation).

8th November, 1944.

EXHIBIT 2

MEMORANDUM TO MINISTER OF NATIONAL REVENUE
FROM DEPUTY MINISTER

MEMORANDUM TO THE HONOURABLE THE MINISTER OF NATIONAL REVENUE:
Re-organization of the Districts of the Income Tax Division

The volume of work concentrated in many of the District Offices is such that in the interests of efficient administration sub-divisions should be made.

This matter has given me concern over the last year and a half or more.

It is not necessary to develop extensively the reasons why an examination of the present physical set-up to handle the present physical volume of work should be made. A few remarks are enough to indicate the necessity of dealing with this matter now.

There is sufficient general knowledge by you, the other Ministers of the Crown and the public to appreciate this need without developing it in detail.

First let me say that the Income Tax Division is, under present conditions, functioning with reasonable satisfaction but it cannot continue to do so without some change.

The Income Tax Districts were organized in 1917 and are to-day substantially as they were then.

The number of returns and the amount of money involved in pre-war years when compared with to-day are relatively small. For the nine years prior to the war the average number of taxable persons making returns was 214,000 and the average annual collections were \$80,247,336. To-day the returns of taxable persons number well over 2,000,000. Indeed the excess over 2,000,000 would exceed the average number in a pre-war year, while collections to-day are over \$1,500,000,000 annually.

We must also take into consideration the expansion in other directions which has greatly added to the administrative requirements.

For example, we have a larger number of information returns. The T.4 slips (information as to salary and wages paid) in themselves amount to between 4,000,000 and 5,000,000. Ownership Certificates amount to well over 1,000,000 and T.5's (information as to dividends) were formerly received in respect of payments of \$100 or more and now every single dividend, no matter how small, must be declared because of deduction at the source for which credit must be given or a refund made.

Thus the new duty of Deduction at the Source, assumed by employers, dividend payers and payers of registered interest, and those paying money abroad, in fact the whole Deduction at the Source plan, has been so greatly expanded that it becomes not only equal in importance administratively to the imposition of direct Income Tax without deduction at the source, but even more so for a strict accounting as between the collector at the source, the Income Tax District Office and the taxpayer must be brought into balance before the accounts of the collector at the source can be cleared or the proper credit given to the taxpayer for what has been deducted at the source.

These information slips, heretofore only information, are now the equivalent of money documents.

Then we have remittances by all persons who deduct at the source, within one week from the close of the pay period. This means that employers, not only industrial and commercial, but employers such as Universities, Hospitals, non-taxable Government sub-divisions and Governments, Dominion and Provincial, all come within the ambit of the tax law and are handling money belonging to their employees and therefore become the equivalent, from an administrative, not from a revenue point of view, of taxpayers themselves, from whom money is received.

Then again we have the Excess Profits Tax Act, the Succession Duty Act and many new features enacted in the Income Tax law, all of which were brought into existence during the war but will remain as permanent features, although perhaps modified in form, for many years to come.

The people as a whole who are brought, either as taxpayers or as collectors, within the ambit of these laws feel that they have a right to a more close association with the administrative Dominion civil servant than they now have by the present limited number of Districts in operation.

All British Columbia is served by one office; Alberta by two; Manitoba by one; Quebec by two; and each of the Maritime provinces by one. In Ontario we have a number of districts but places like Peterborough, Windsor, North Bay, Sudbury and other places feel that they should have District offices.

The feeling of the people in this regard is in accord with my own feeling that administratively it would be better to have more Districts, but whatever the new pattern as to Districts may be it should be the subject of careful examination.

On the other hand there is not any one feature in the administration of the Income Tax law more important than the maintenance of the confidence in the minds of the public in relation to the administration of Income Tax and other related laws. If that confidence is shaken it will take years to recover it and the detrimental effect meanwhile will be uncalculable.

Therefore there should be no public announcement that administrative changes are in contemplation or about to take place. Rather, the task should be undertaken without public announcement but by persons who, when the plan is proposed, will, together with the plan, be accepted, realizing always that even the perfect plan will find criticism by those particular towns or cities that have not been accorded a district office.

This last comment indicates quite clearly that as far as possible we should not embarrass this Government or any Government by a public announcement for the Members representing each constituency, or the defeated candidate, or the Boards of Trade or other like bodies will all press for recognition of their particular locality.

It is essential that we draw in a limited number of appropriate advisers and with the assistance of our own senior officers make a survey throughout Canada and lay down a plan which, as a plan, on the whole will be regarded by them and the heads of the present administration, including yourself, as acceptable.

When this has been done the appropriate Order in Council can then be passed wherein the Minister having the control and administration of these laws, by statutory direction will declare, through such an Order in Council, the new Districts that will come into being.

As to the appropriate advisers to the administration that should be selected I have given much thought. Should we call in representatives of the Boards of Trade, the Chambers of Commerce, the Canadian Manufacturers' Association, the Labour Organizations, the Pulp and Paper Industry, as the largest employer in Canada, the Railways, the Civil Service Commission, or should we have representatives from the five geographical sub-divisions, the Maritimes, Quebec, Ontario, the Middle West and British Columbia, or should some other method be adopted?

If any of the foregoing were to be represented, then we would be drawing the whole administration into such a broad field, when tax burdens are so heavy, when there exists at present a public belief that the administration, although greatly burdened and handicapped in many directions, is nevertheless performing its duties with reasonable satisfaction, that we might undermine the confidence to which reference has been made and the public would say—what is the matter that such wide activity is necessary pertaining only to the administrative side, for it is to be noted that the principles of taxation and the policies adopted are not to come under review.

The matter is a physical problem of practical administration in relation to the multiple factual affairs that have to be carried on as between the public and the administration in every part of Canada.

Changes in the law, rules and interpretations are not within the scope of these proposals.

It is therefore felt that the wide-spread representation should not be requested and in the result a small committee is proposed, namely a representative of the Senior Organizing Officer of the Bell Telephone Company should be requested to act.

The Bell Telephone Company is selected because it is accepted by the public as an efficient organization with vast experience in dealing with the public in its various population centres, and it is desirable to have the advice of officers of such an efficient organization.

However, the Bell Telephone Company should not be alone in this matter, realizing that there will always be some criticism and it will be known that we had the advice of outsiders. Therefore, the Sun Life Assurance Company has been requested to supply an adviser.

This organization is non-taxable, except in respect of amounts credited to shareholders' account, has a world-wide reputation and is unquestionably one of our most efficient organizations, dealing with its many thousands of policy-holders, large and small.

They are willing to lend the services of their Supervisor of all Planning.

The collaboration of officers of these two efficient organizations, in conjunction with a small committee of our own senior officials, it is felt would produce a sound report on the appropriate changes occasioned by the enormous upswing in Income Tax activities.

This therefore is to request your approval of the suggestion that an officer of the Bell Telephone Company and of the Sun Life Assurance Company, together with some of the senior officials of this Division, form a Committee to bring in a report.

If you concur in this proposal then it will be necessary to secure authorization for the payment of travelling expenses only of the officials from these two organizations, but it is not suggested that this Order in Council be passed now. Rather it is requested that it be now determined that an Order in Council will be passed at the appropriate time for purposes of securing funds to meet these expenses.

It may be that some other officials, such as the statistician of the Sun Life or the Bell Telephone might be requested by the said officials to assist them and therefore there might be one or two other persons whose expenses would have to be paid—for example, if the statisticians of these organizations or the draftsmen who prepare the curves and charts come to Ottawa for discussion, certain expenses will be incurred which should be paid by the Government, and the Order in Council should provide for payment of the expenses of the nominated officers and such incidental expenses as may be necessarily incurred in the carrying out of their duties as advisers, through the employment of technical assistance.

The body of the proposed Order in Council would read somewhat as follows—I would give you a short, one page report of what was meant and then your Submission would read—

“concurring in the attached report has the honour to recommend that the expenses incurred by the advisers to the Department of National Revenue on the re-organization of the work of the Income Tax Division and the sub-division of districts, incurred in preparing their report, be paid

out of the Consolidated Revenue Fund and charged against the appropriation of the Income Tax Division of the Department of National Revenue."

C. F. ELLIOTT,
Deputy Minister (Taxation).

16th October, 1944.

EXHIBIT 3

TAXATION DIVISION—GROWTH

RETURNS AND COLLECTIONS

T.1 Returns for Tax Year			Net Collections		
Calendar Year	Assessable	Non-Assess.	Total	Fiscal Year	
1935.....	195,032	186,121	381,153	1934-35.....	\$ 66,808,066
1936.....	217,150	192,187	409,337	1935-36.....	82,709,803
1937.....	245,570	217,158	462,728	1936-37.....	102,365,242
1938.....	250,236	216,167	466,403	1937-38.....	120,365,531
1939.....	265,994	229,127	495,121	1938-39.....	142,026,138
1940.....	723,906	339,090	1,062,996	1939-40.....	134,448,566
1941.....	980,454	397,388	1,377,842	1940-41.....	272,138,290
1942.....	1,776,148	534,637	2,310,785	1941-42.....	652,367,936
1943.....	2,094,542	622,618	2,717,160	1942-43.....	1,378,042,832
1944.....				1943-44.....	1,635,494,705
				1944-45.....	1,555,814,222

STAFF AND EXPENSES

Year Ending March 31	Staff			Expenses		
	Head Office	Districts	Total	Salaries	Other	Total
1935.....	186	996	1,182	1,767,989	201,819	1,969,808
1936.....	189	999	1,188	1,888,080	200,959	2,089,039
1937.....	196	1,020	1,216	1,912,738	205,472	2,118,210
1938.....	200	1,061	1,261	2,025,769	229,192	2,254,961
1939.....	204	1,087	1,291	2,199,046	163,012	2,362,058
1940.....	205	1,110	1,315	2,218,633	199,724	2,418,357
1941.....	246	1,509	1,755	2,363,901	233,604	2,597,505
1942.....	281	2,135	2,416	3,220,660	330,427	3,551,087
1943.....	328	3,404	3,732	4,589,944	425,529	5,015,473
1944.....	382	4,743	5,125	6,755,851	757,763	7,513,614

(NOTE:—Printing and Stationery Expense is excluded—For Fiscal Year ended 31st March, 1944, this amounted to \$500,420).

PRESENT DISTRICT OFFICE ORGANIZATION

EXHIBIT 4

SUMMARY

District	Area (Sq. Miles)	Population				1943 Returns			Collections			
		Rural	Urban	Total	P.C. of Urban	T. 1	T. 2	T. 4	Individuals	Corpora- tions	Succession Duties	Total
						\$	\$	\$	\$	\$	\$	\$
Charlottetown....	2,184	70,707	24,340	95,047	25.6	6,647	233	779	1,328,792	905,247	40,843	2,274,882
Halifax.....	20,743	310,422	267,540	577,962	46.3	116,226	1,129	5,230	28,733,813	12,838,869	399,371	41,972,053
Saint John.....	27,473	313,978	143,423	457,401	31.4	62,778	782	3,306	14,349,259	11,988,209	323,156	26,660,624
Quebec.....	399,169	669,595	456,815	1,126,410	42.0	113,646	713	4,702	18,173,834	8,669,383	456,557	27,299,774
Montreal.....	22,885	405,152	1,550,595	1,955,747	78.5	534,650	5,272	26,650	207,527,288	249,671,819	3,743,796	460,942,903
Ottawa.....	215,097	510,583	518,419	1,029,002	50.3	224,507	1,160	12,297	74,088,319	27,882,604	976,075	102,946,998
Kingston.....	2,769	34,746	37,440	72,186	51.8	24,996	94	1,223	4,003,743	3,824,705	103,957	7,932,405
Belleville.....	4,862	79,210	79,040	158,250	49.9	37,437	252	1,595	5,445,602	5,351,673	79,187	10,876,462
Toronto.....	15,516	421,133	895,727	1,316,860	68.0	483,295	5,715	23,332	199,740,012	190,867,292	4,925,317	395,532,621
Hamilton.....	4,618	215,127	451,344	666,471	67.7	220,102	1,725	10,035	64,453,584	76,386,774	1,362,382	142,202,740
London.....	9,259	275,685	381,222	656,907	58.0	162,789	1,434	9,549	50,304,671	63,852,321	638,241	114,795,233
Fort William.....	212,967	59,989	77,715	137,704	56.4	37,429	223	1,797	9,415,496	2,994,736	20,010	12,430,242
Winnipeg.....	219,723	407,871	321,873	729,744	44.1	172,366	2,224	10,722	36,529,303	27,387,792	231,990	64,149,085
Regina.....	60,000	268,543	173,278	441,821	39.2	60,888	630	4,845	10,087,325	2,115,425	128,067	12,330,817
Saskatoon.....	177,975	332,303	121,868	454,171	26.8	34,066	470	5,178	4,968,928	1,302,192	74,979	6,346,099
Calgary.....	65,000	171,561	164,232	335,793	48.9	69,797	966	4,737	17,664,626	9,462,032	254,753	27,381,411
Edmonton.....	183,800	318,022	142,554	460,376	30.9	58,978	838	3,896	15,874,703	4,868,329	106,376	20,849,408
Vancouver.....	359,279	374,467	443,394	817,861	54.2	296,563	4,780	14,133	98,199,938	57,629,928	1,154,933	156,984,799
Dawson.....	205,346	3,117	1,797	4,914	36.6	Not	Included		901,933	668,349	160	1,570,122
Head Office.....									4,890	11,137		16,027
	2,208,665	5,242,211	6,252,416	11,494,627	54.4	2,717,160	28,640	144,006	861,796,059	758,678,816	15,019,830	1,635,494,705

SPECIAL COMMITTEE

NOTE.—Area and population of N.W.T. are excluded.

PROPOSED DISTRICT OFFICE ORGANIZATION

EXHIBIT 5

SUMMARY

District	Area Sq. Miles	Population				1943 Returns			Collections			
		Rural	Urban	Total	P.C. of Urban	T. 1	T. 2	T. 4	Individuals	Corporations	Succession Duties	Total
						\$	\$	\$	\$	\$	\$	
Charlottetown.....	2, 286	79, 647	24, 340	103, 987	23.4	6, 647	233	779	1, 328, 792	905, 247	40, 843	2, 274, 882
Halifax.....	16, 768	246, 997	180, 808	427, 805	42.3	88, 290	999	4, 510	21, 833, 813	11, 358, 869	299, 371	33, 492, 053
Sydney.....	3, 975	63, 425	86, 732	150, 157	57.8	27, 936	130	720	6, 900, 000	1, 480, 000	100, 000	8, 480, 000
Saint John.....	14, 370	180, 328	110, 753	291, 081	38.4	54, 011	670	2, 651	12, 349, 259	10, 268, 209	278, 156	22, 895, 624
Campbellton.....	24, 495	252, 858	54, 340	307, 198	17.6	16, 825	142	985	3, 290, 000	2, 085, 000	77, 000	5, 452, 000
Quebec.....	375, 322	427, 409	367, 821	795, 230	46.3	97, 523	614	3, 991	15, 591, 834	7, 466, 383	391, 557	23, 449, 774
Trois Rivieres.....	13, 410	81, 312	115, 388	196, 700	58.7	17, 976	82	662	6, 410, 000	3, 426, 000	118, 000	9, 954, 000
Sherbrooke.....	6, 131	123, 018	130, 947	253, 965	51.6	22, 060	199	1, 174	7, 284, 000	7, 446, 000	138, 000	14, 868, 000
Montreal—City.....	201	15, 372	1, 101, 428	1, 116, 800	98.6	432, 925	4, 720	22, 843	168, 064, 288	223, 533, 819	3, 032, 796	394, 630, 903
Montreal No. 2.....	17, 888	316, 627	275, 991	592, 618	46.6	70, 470	342	2, 401	27, 061, 000	16, 104, 000	488, 000	43, 653, 000
Ottawa.....	21, 444	232, 098	311, 421	543, 519	59.1	123, 605	726	7, 116	41, 044, 319	17, 494, 604	540, 075	59, 078, 998
Kingston.....	3, 669	53, 622	54, 606	108, 228	50.5	30, 852	136	1, 681	5, 903, 743	4, 824, 705	129, 957	10, 858, 405
Belleville.....	4, 862	79, 210	79, 040	158, 250	49.9	37, 437	252	1, 595	5, 445, 602	5, 351, 673	79, 187	10, 876, 462
Toronto—City.....	210	189, 057	720, 871	909, 928	79.2	396, 681	5, 276	19, 138	164, 240, 012	176, 467, 292	4, 061, 317	344, 768, 621
Toronto No. 2.....	10, 970	211, 778	165, 071	376, 849	43.8	84, 600	424	3, 836	35, 000, 000	14, 100, 000	864, 000	49, 964, 000
Hamilton.....	2, 364	104, 508	244, 888	349, 396	70.1	119, 798	905	5, 036	35, 081, 584	40, 066, 774	742, 382	75, 890, 740
St. Catharines.....	719	60, 782	98, 120	158, 902	61.8	58, 554	413	2, 538	17, 145, 000	18, 300, 000	362, 000	35, 807, 000
Kitchener.....	5, 320	127, 054	166, 235	293, 289	56.7	58, 892	560	3, 946	17, 527, 000	24, 830, 000	325, 000	42, 682, 000
London.....	3, 849	119, 807	161, 408	281, 215	57.4	70, 159	625	4, 477	21, 624, 671	27, 822, 321	274, 241	49, 721, 233
Windsor.....	1, 625	78, 661	161, 915	240, 576	67.3	75, 488	656	3, 587	23, 380, 000	29, 220, 000	297, 000	52, 897, 000
Kirkland Lake.....	143, 835	154, 274	85, 220	239, 494	35.6	46, 100	212	2, 450	15, 230, 000	5, 102, 000	200, 000	20, 532, 000
Sudbury.....	50, 862	108, 494	108, 562	217, 056	50.0	50, 244	193	2, 582	16, 414, 000	4, 586, 000	210, 000	21, 210, 000
Fort William.....	212, 967	59, 989	77, 715	137, 704	56.4	37, 429	223	1, 797	9, 415, 496	2, 994, 736	20, 010	12, 430, 242
Winnipeg.....	219, 723	407, 871	321, 873	729, 744	44.1	172, 366	2, 224	10, 722	36, 529, 303	27, 387, 792	231, 990	64, 149, 085
Regina.....	60, 000	268, 543	173, 278	441, 821	39.2	60, 888	630	4, 845	10, 087, 325	2, 115, 425	128, 067	12, 330, 817
Saskatoon.....	177, 975	332, 303	121, 868	454, 171	26.8	34, 066	470	5, 178	4, 968, 928	1, 302, 192	74, 979	6, 346, 099
Calgary.....	65, 000	171, 561	164, 232	335, 793	48.9	69, 797	966	4, 737	17, 664, 626	9, 462, 032	254, 753	27, 381, 411
Edmonton.....	266, 333	325, 734	143, 123	468, 857	30.5	59, 978	848	3, 931	16, 174, 703	4, 968, 329	111, 376	21, 254, 408
Kelowna.....	40, 056	94, 695	50, 213	144, 908	34.6	38, 904	475	2, 410	12, 884, 000	5, 728, 000	152, 000	18, 764, 000
Vancouver.....	223, 484	182, 949	328, 555	511, 504	64.2	206, 381	3, 696	9, 706	68, 370, 938	44, 580, 928	801, 933	113, 753, 799
Victoria.....	13, 206	89, 111	63, 857	152, 968	41.7	50, 278	599	1, 982	16, 645, 000	7, 221, 000	196, 000	24, 062, 000
Dawson.....	205, 346	3, 117	1, 797	4, 914	36.6	not included	not included	not included	901, 933	668, 349	160	1, 570, 122
Head Office.....									4, 890	11, 137		16, 027
	2, 208, 665	5, 242, 211	6, 252, 416	11, 494, 627	54.4	2, 717, 160	28, 640	144, 006	861, 796, 059	758, 678, 816	15, 019, 830	1, 635, 494, 705
<i>Alternative organization closing Kingston—</i>												
Ottawa.....	22, 344	250, 974	328, 587	579, 561	56.7	129, 461	766	7, 574	42, 944, 319	18, 494, 604	566, 075	62, 004, 998
Belleville.....	7, 631	113, 956	116, 480	230, 436	50.5	62, 443	346	2, 818	9, 449, 345	9, 176, 378	183, 144	18, 808, 867

TAXATION

NOTE.—Area and population of N.W.T. are excluded.

PRESENT DISTRICT OFFICE ORGANIZATION

RANKING BY SIZE

Total Population		Total T.I's		Total Collections	
	000		000		000,000
1. Montreal.....	1,956	Montreal.....	535	Montreal.....	\$461
2. Toronto.....	1,317	Toronto.....	483	Toronto.....	396
3. Quebec.....	1,126	Vancouver.....	297	Vancouver.....	157
4. Ottawa.....	1,029	Ottawa.....	225	Hamilton.....	142
5. Vancouver.....	818	Hamilton.....	220	London.....	115
6. Winnipeg.....	730	Winnipeg.....	172	Ottawa.....	103
7. Hamilton.....	666	London.....	163	Winnipeg.....	64
8. London.....	657	Halifax.....	116	Halifax.....	42
9. Halifax.....	578	Quebec.....	114	Calgary.....	27
10. Edmonton.....	460	Calgary.....	70	Quebec.....	27
11. Saint John.....	457	Saint John.....	63	Saint John.....	27
12. Saskatoon.....	454	Regina.....	61	Edmonton.....	21
13. Regina.....	442	Edmonton.....	59	Fort William.....	12
14. Calgary.....	336	Belleville.....	37	Regina.....	12
15. Belleville.....	158	Fort William.....	37	Belleville.....	11
16. Fort William.....	138	Saskatoon.....	34	Kingston.....	8
17. Charlottetown.....	95	Kingston.....	25	Saskatoon.....	6
18. Kingston.....	72	Charlottetown.....	7	Charlottetown.....	2
19. Dawson.....	5	Dawson.....	-	Dawson.....	2
	11,495		2,717		\$1,635

PROPOSED DISTRICT OFFICE ORGANIZATION

EXHIBIT 7

RANKING BY SIZE

Total Population		Total T.1's		Total Collections	
	000		000		000,000
1. Montreal—City.....	1,117	Montreal—City.....	433	Montreal—City.....	395
2. Toronto—City.....	910	Toronto—City.....	397	Toronto—City.....	345
3. Quebec.....	795	Vancouver.....	206	Vancouver.....	114
4. Winnipeg.....	730	Winnipeg.....	172	Hamilton.....	76
5. Montreal No. 2.....	593	Ottawa.....	124	Winnipeg.....	64
6. Ottawa.....	544	Hamilton.....	120	Ottawa.....	59
7. Vancouver.....	512	Quebec.....	98	Windsor.....	53
8. Edmonton.....	469	Halifax.....	88	Toronto No. 2.....	50
9. Saskatoon.....	454	Toronto No. 2.....	85	London.....	50
10. Regina.....	442	Windsor.....	75	Montreal No. 2.....	44
11. Halifax.....	428	Montreal No. 2.....	70	Kitchener.....	43
12. Toronto No. 2.....	377	London.....	70	St. Catharines.....	36
13. Hamilton.....	349	Calgary.....	70	Halifax.....	33
14. Calgary.....	336	Regina.....	61	Calgary.....	27
15. Campbellton.....	307	Edmonton.....	60	Victoria.....	24
16. Kitchener.....	293	Kitchener.....	59	Quebec.....	23
17. Saint John.....	291	St. Catharines.....	59	Saint John.....	23
18. London.....	281	Saint John.....	54	Edmonton.....	21
19. Sherbrooke.....	254	Victoria.....	50	Sudbury.....	21
20. Windsor.....	241	Sudbury.....	50	Kirkland Lake.....	21
21. Kirkland Lake.....	239	Kirkland Lake.....	46	Kelowna.....	19
22. Sudbury.....	217	Kelowna.....	39	Sherbrooke.....	15
23. Trois-Rivieres.....	197	Belleville.....	37	Fort William.....	12
24. St. Catharines.....	159	Fort William.....	37	Regina.....	12
25. Belleville.....	158	Saskatoon.....	34	Belleville.....	11
26. Victoria.....	153	Kingston.....	31	Kingston.....	11
27. Sydney.....	150	Sydney.....	28	Trois-Rivieres.....	10
28. Kelowna.....	145	Sherbrooke.....	22	Sydney.....	8
29. Fort William.....	138	Trois-Rivieres.....	18	Saskatoon.....	6
30. Kingston.....	108	Campbellton.....	17	Campbellton.....	5
31. Charlottetown.....	104	Charlottetown.....	7	Charlottetown.....	2
32. Dawson.....	5	Dawson.....	-	Dawson.....	2
	11,495		2,717		\$1,635

PROPOSED DISTRICT OFFICE ORGANIZATION
COMPARISON OF RETURNS TO POPULATION AND COLLECTIONS PER RETURN

District	% Urban Pop.	Total T.1 Returns		Indiv. doll. Per T.1 Ret.	Corp. Coll. Per T.2 Ret.
		To Urban Pop.	To Total Pop.		
		%	%		
Charlottetown.....	23.4	27.4	6.4	200	3,880
Halifax.....	42.3	48.9	20.7	247	11,370
Sydney.....	57.8	32.2	18.6	247	11,370
Saint John.....	38.4	48.8	18.6	229	15,300
Campbellton.....	17.6	31.0	5.5	196	14,700
Quebec.....	46.3	26.6	12.2	160	12,150
Trois-Rivieres.....	58.7	15.6	9.2	357	41,800
Sherbrooke.....	51.6	16.9	8.7	330	37,400
Montreal—City.....	98.6	39.4	38.9	386	47,300
Montreal No. 2.....	46.6	25.5	11.9	386	47,300
Ottawa.....	59.1	39.7	22.8	327	24,100
Kingston.....	50.5	56.5	28.5	192	35,500
Belleville.....	49.9	47.4	23.7	145	21,200
Toronto—City.....	79.2	55.0	43.6	414	33,400
Toronto No. 2.....	43.8	51.2	22.5	414	33,400
Hamilton.....	70.1	49.0	34.3	293	44,900
St. Catharines.....	61.8	59.8	36.8	293	44,300
Kitchener.....	56.7	35.4	20.1	297	44,400
London.....	57.4	43.5	24.9	309	44,400
Windsor.....	67.3	46.6	31.4	309	44,400
Kirkland Lake.....	35.6	54.1	19.3	331	24,100
Sudbury.....	50.0	46.3	23.2	327	23,800
Fort William.....	56.4	48.3	27.2	251	13,450
Winnipeg.....	44.1	53.6	23.7	209	12,300
Regina.....	39.2	35.2	13.8	166	3,360
Saskatoon.....	26.8	28.0	7.5	146	2,770
Calgary.....	48.9	42.5	20.8	253	9,800
Edmonton.....	30.5	41.9	12.8	269	5,850
Kelowna.....	34.6	72.5	26.8	331	12,100
Vancouver.....	64.2	62.8	40.4	331	12,100
Victoria.....	41.7	89.8	32.9	331	12,100
TOTAL CANADA.....	54.4	43.4	23.6	318	26,500

CITIES OVER 15,000 POPULATION

(including Provincial Capitals—Charlottetown and Fredericton)

With distance from Present and Proposed District Office

City	Population	Present Dist. Off.	Dist.	New Dist. Off.	Dist.
<i>P.E. Island—</i>					
Charlottetown.....	14,821	Charlottetown.....		Charlottetown.....	
<i>Nova Scotia—</i>					
Halifax.....	70,488	Halifax.....		Halifax.....	
Sydney.....	28,305	Halifax.....	263	Sydney.....	
Glace Bay.....	25,147	Halifax.....	276	Sydney.....	13
<i>New Brunswick—</i>					
Saint John.....	51,741	Saint John.....		Saint John.....	
Moncton.....	22,762	Saint John.....	96	Saint John.....	96
Fredericton.....	10,062	Saint John.....	68	Saint John.....	68
<i>Quebec—</i>					
Montreal (Greater).....	1,101,428	Montreal.....		Montreal—City.....	
Quebec.....	150,757	Quebec.....		Quebec.....	
Chicoutimi.....	16,040	Quebec.....	140	Quebec.....	140
Trois-Rivières.....	53,968	Montreal.....	88	Trois-Rivières.....	
Shawinigan Falls.....	22,607	Montreal.....	105	Trois-Rivières.....	17
Sherbrooke.....	35,965	Montreal.....	96	Sherbrooke.....	
St. Hyacinthe.....	17,798	Montreal.....	44	Montreal No. 2.....	44
St. Jean-Iberville.....	17,100	Montreal.....	26	Montreal No. 2.....	26
Valleyfield.....	17,052	Montreal.....	40	Montreal No. 2.....	40
Hull.....	32,947	Ottawa.....		Ottawa.....	
<i>Ontario—</i>					
Ottawa.....	154,951	Ottawa.....		Ottawa.....	
Kingston.....	30,126	Kingston.....		Kingston (or Belleville).....	(51)
Belleville.....	15,710	Belleville.....		Belleville.....	
Peterborough.....	25,350	Belleville.....	65	Belleville.....	65
Sudbury.....	32,203	Ottawa.....	327	Sudbury.....	
Sault Ste. Marie.....	25,794	Ottawa.....	510	Sudbury.....	183
North Bay.....	15,599	Ottawa.....	248	Sudbury.....	79
Timmins.....	28,790	Ottawa.....	508	Kirkland Lake.....	99
Kirkland Lake (not incorp.).....	20,000	Ottawa.....	419	Kirkland Lake.....	
Toronto.....	720,871	Toronto.....		Toronto.....	
Oshawa.....	26,813	Toronto.....	34	Toronto No. 2.....	34
Hamilton.....	166,337	Hamilton.....		Hamilton.....	
Brantford.....	31,948	Hamilton.....	25	Hamilton.....	25
St. Catharines.....	30,275	Hamilton.....	35	St. Catharines.....	
Niagara Falls.....	20,589	Hamilton.....	48	St. Catharines.....	14
Kitchener.....	35,657	Hamilton.....	36	Kitchener.....	
Galt.....	15,346	Hamilton.....	25	Kitchener.....	11
Guelph.....	23,273	Hamilton.....	29	Kitchener.....	15
Stratford.....	17,028	London.....	40	Kitchener.....	27
London.....	78,264	London.....		London.....	
St. Thomas.....	17,132	London.....	18	London.....	18
Sarnia.....	18,734	London.....	59	London.....	59
Windsor.....	105,311	London.....	112	Windsor.....	
Chatham.....	17,369	London.....	64	Windsor.....	47
Fort William.....	30,585	Ft. William.....		Ft. William.....	
Port Arthur.....	24,426	Ft. William.....	4	Ft. William.....	4
<i>Manitoba—</i>					
Winnipeg.....	221,960	Winnipeg.....		Winnipeg.....	
St. Boniface.....	18,157	Winnipeg.....		Winnipeg.....	
Brandon.....	17,383	Winnipeg.....	133	Winnipeg.....	133
<i>Saskatchewan—</i>					
Regina.....	58,245	Regina.....		Regina.....	
Moose Jaw.....	20,753	Regina.....	41	Regina.....	41
Saskatoon.....	43,027	Saskatoon.....		Saskatoon.....	
<i>Alberta—</i>					
Calgary.....	88,904	Calgary.....		Calgary.....	
Edmonton.....	93,817	Edmonton.....		Edmonton.....	

CITIES OVER 15,000 POPULATION—*Conc.*
 (including Provincial Capitals—Charlottetown and Fredericton)
 With distance from Present and Proposed District Office

City	Population	Present Dist. Off.	Dist.	New Dist. Off.	Dist.
<i>British Columbia—</i>					
Vancouver.....	275,353	Vancouver.....		Vancouver.....	
New Westminster.....	21,967	Vancouver.....	13	Vancouver.....	13
Victoria.....	44,068	Vancouver.....	72	Victoria.....	

SUMMARY OF CITIES BY DISTANCE

	Present	Proposed
Cities 200 miles or more.....	7	0
Cities 100 miles or more.....	11	3
Cities 50 miles or mreo.....	19	9
Cities less than 50 miles.....	35	45
	—	—
Total Cities.....	54	54

ANALYSIS OF 1943 T-1 RETURNS BY DISTANCE FROM DISTRICT OFFICE

50346-57

Provincial Region	Total T-1 Returns	T-1 Returns Outside District Office County		T-1 Returns Outside D.O. County		T-1 Returns x Mileage from District Office		Average Mileage Total T1's		Average Mileage T1's Outside D.O. County	
		Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed
				%	%			Miles	Miles	Miles	Miles
Prince Edward Island.....	6,647	3,000	3,000	45	45	120,000	120,000	18	18	40	40
Nova Scotia.....	116,226	72,738	46,764	63	40	9,308,000	3,628,000	80	31	128	77
New Brunswick.....	62,778	36,701	33,092	58	53	3,523,000	2,543,000	56	41	96	77
Quebec.....	649,012	163,831	140,840	25	22	11,313,000	7,123,000	17	11	69	51
Ontario.....	1,189,839	514,184	365,759	43	31	54,042,000	20,595,000	45	17	105	56
Manitoba.....	172,366	57,186	57,186	33	33	6,964,000	6,964,000	40	40	122	122
Saskatchewan.....	94,954	57,000	57,000	60	60	5,366,000	5,366,000	57	57	94	94
Alberta.....	129,775	54,911	54,911	42	42	6,004,000	6,004,000	46	46	109	109
British Columbia.....	295,563	134,983	88,512	46	30	20,112,000	12,125,000	68	41	149	137
Total Canada (Excl. Yukon)...	2,717,160	1,094,534	847,064	40	31	116,752,000	64,468,000	43	24	107	76

NOTES:—Distances are approximate airline to district office. District office county is the county in which district office is located. Returns from within the District office county are generally considered to be located at the District Office—consequently with zero mileage.

TAXATION

COMPARISON OF SIX LARGEST DISTRICTS IN COLLECTIONS AND RETURNS

PRESENT AND PROPOSED COLLECTIONS

District	Present	%	District	Proposed	%
1. Montreal.....	460,942,902.85	28.2	Montreal-City.....	\$394,630,903	24.1
2. Toronto.....	395,532,620.53	24.2	Toronto-City.....	344,768,621	21.1
3. Vancouver.....	156,984,798.52	9.6	Vancouver.....	113,753,799	7.0
4. Hamilton.....	142,202,740.17	8.7	Hamilton.....	75,890,740	4.6
5. London.....	114,795,233.32	7.0	Winnipeg.....	64,149,085	3.9
6. Ottawa.....	102,963,025.45	6.3	Ottawa.....	59,078,998	3.6
	\$1,373,421,320.84	84.0		\$1,052,272,146	64.3

Total Collections for Canada.....\$1,635,494,705

T.1 RETURNS

District	Present	%	District	Proposed	%
1. Montreal.....	534,650	19.7	Montreal-City.....	432,925	15.9
2. Toronto.....	483,295	17.8	Toronto-City.....	396,681	14.6
3. Vancouver.....	296,563	10.9	Vancouver.....	206,381	7.6
4. Ottawa.....	224,507	8.3	Winnipeg.....	172,366	6.3
5. Hamilton.....	220,102	8.1	Ottawa.....	123,605	4.5
6. Winnipeg.....	172,366	6.3	Hamilton.....	119,798	4.4
	1,931,483	71.1		1,451,756	53.4

Total T.1 Returns for Canada.....2,717,160

STAFF—PRESENT ORGANIZATION

District	No. of Staff	Total Annual Salaries
Charlottetown.....	30	\$ 43,600
Halifax.....	250	285,798
Saint John.....	152	188,006
Quebec.....	202	259,038
Montreal.....	1,258	1,680,446
Ottawa.....	629	704,147
Kingston.....	49	65,936
Belleville.....	71	91,811
Toronto.....	982	1,395,694
Hamilton.....	533	688,173
London.....	331	393,225
Fort William.....	61	69,457
Winnipeg.....	331	495,650
Regina.....	123	139,925
Saskatoon.....	84	109,336
Calgary.....	159	217,053
Edmonton.....	100	134,991
Vancouver.....	605	765,807
Dawson.....	4	11,880
Head Office.....	467	851,380
	6,421	\$8,591,353

NOTE—Salaries do not include cost-of-living bonus which would amount to \$950,664.

STAFF—PROPOSED ORGANIZATION

District	No. of Staff	Total Annual Salaries
Charlottetown.....	34	\$ 49,140
Halifax.....	197	297,030
Sydney.....	73	106,830
Saint John.....	140	208,410
Campbellton.....	57	84,030
Quebec.....	190	268,260
Trois-Rivieres.....	60	85,440
Sherbrooke.....	69	99,420
Montreal City.....	1,147	1,799,430
Montreal No. 2.....	211	307,510
Ottawa.....	333	474,980
Kingston.....	81	118,680
Belleville.....	96	140,370
Toronto City.....	1,093	1,726,320
Toronto No. 2.....	245	358,450
Hamilton.....	293	428,070
St. Catharines.....	160	229,440
Kitchener.....	173	246,840
London.....	200	290,790
Windsor.....	214	308,830
Kirkland Lake.....	115	162,900
Sudbury.....	124	174,930
Fort William.....	97	140,850
Winnipeg.....	413	636,900
Regina.....	153	228,150
Saskatoon.....	103	157,380
Calgary.....	187	285,960
Edmonton.....	156	237,780
Kelowna.....	106	158,430
Vancouver.....	533	806,810
Victoria.....	130	190,620
Dawson.....	4	12,036
Head Office.....	583	1,128,060
	7,770	\$11,949,076

NOTE.—Salaries do not include cost-of-living bonus which would amount to approximately \$1,322,200.

OFFICE SPACE

PRESENT DISTRICT OFFICE ORGANIZATION

District	Present area in sq. ft.	Actual No. Staff at Mar. 31,	Present area sq. ft. per person	Present authorized establish.	Area per person for authorized establish.	Area req. for authorized estab. at 100 sq. ft. per pers.	Surplus or Deficit area in sq. ft.
Charlottetown.....	4,000	30	133	33	121	3,300	+ 700
Halifax.....	12,500	250	50	270	43	27,000	-14,500
Saint John.....	8,500	152	56	174	49	17,400	- 8,900
Quebec.....	20,000	202	99	218	92	21,800	- 1,800
Montreal.....	82,000	1,258	65	1,425	57	142,500	-60,500
Ottawa.....	50,000	629	80	661	76	66,100	-16,100
Kingston.....	6,000	49	122	56	107	5,600	+ 400
Belleville.....	8,500	71	120	76	112	7,600	+ 900
Toronto.....	75,000	982	76	1,128	66	112,800	-37,800
Hamilton.....	40,850	533	77	596	70	59,600	-18,750
London.....	27,430	331	83	420	65	42,000	-14,570
Fort William.....	6,000	61	98	83	72	8,300	- 2,300
Winnipeg.....	21,000	331	65	372	57	37,200	-16,200
Regina.....	14,000	123	114	172	81	17,200	- 3,200
Saskatoon.....	7,000	84	83	120	58	12,000	- 5,000
Calgary.....	18,700	159	118	221	85	22,100	- 3,400
Edmonton.....	8,500	100	85	461	57	16,400	- 7,900
Vancouver.....	33,000	605	55	738	45	73,800	-40,800
Dawson.....	625	4	156	4	156	400	+ 225
Total District.....	443,605	5,954	75	6,931	64	693,100	

Total Surplus..... 2,225
Total Deficit..... 251,720

OFFICE SPACE

PROPOSED DISTRICT OFFICE ORGANIZATION

District	Proposed establish.	Area required at 100 sq. ft. net	Present area	Additional area required
Charlottetown.....	34	3,400	4,000	- 600
Halifax.....	197	19,700	12,500	7,200
Sydney.....	73	7,300	.....	7,300
Saint John.....	140	14,000	8,500	5,500
Campbellton.....	75	5,700	.....	5,700
Quebec.....	190	19,000	20,000	- 1,000
Trois-Rivieres.....	60	6,000	.....	5,000
Sherbrooke.....	69	6,900	.....	6,900
Montreal City.....	1,147	114,700	82,000	32,700
Montreal No. 2.....	211	21,100	.....	21,100
Ottawa.....	333	33,300	50,000	-16,700
Kingston.....	81	8,100	6,000	2,100
Belleville.....	96	9,600	8,500	1,100
Toronto City.....	1,093	109,300	75,000	34,300
Toronto No. 2.....	245	24,500	.....	24,500
Hamilton.....	293	29,300	40,850	-11,550
St. Catharines.....	160	16,000	.....	16,000
Kitchener.....	173	17,300	.....	17,300
London.....	200	20,000	27,430	- 7,430
Windsor.....	214	21,400	.....	21,400
Kirkland Lake.....	115	11,500	.....	11,500
Sudbury.....	124	12,400	.....	12,400
Fort William.....	97	9,700	6,000	3,700
Winnipeg.....	413	41,300	21,000	20,300
Regina.....	153	15,300	14,000	1,300
Saskatoon.....	103	10,300	7,000	3,300
Calgary.....	187	18,700	18,700	.....
Edmonton.....	156	15,600	8,500	7,100
Kelowna.....	106	10,600	.....	10,600
Vancouver.....	533	53,500	33,000	20,300
Victoria.....	130	13,000	.....	13,000
Dawson.....	4	400	625	- 225
Total Districts.....	7,187	718,700	443,605	

Total Surplus..... 37,505

Total Deficit..... 312,600

PROPOSED DISTRICT OFFICE ORGANIZATION DATA

DETAILED STATISTICS OF ALL DISTRICTS

CHARLOTTETOWN DISTRICT OFFICE

1. TERRITORY (area: P.E.I.—2,184 sq. miles; Madeleine Isl.—102 sq. miles. Total: 2,286 sq. miles)

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Kings.....	16,763	2,652	19,415			
Prince.....	27,623	6,867	34,490	(data not obtained by counties)		
Queens.....	26,321	14,821	41,142			
Total P.E.I.....	70,707	24,340	95,047	6,647	233	779
Madeleine Isl.....	8,940		8,940	nil	nil	nil
Total.....	79,647	24,340	103,987	6,647	233	779

2. ESTIMATED COLLECTIONS—

Individuals.....	\$1,328,792
Corporations.....	905,247
Succ. Duties.....	40,843
	<u>\$2,274,882</u>

3. MAJOR CITIES AND TOWNS—

		Distance by Railway from		
		Charlottetown	Saint John	Halifax
Charlottetown.....	14,821	—	216	239
Summerside.....	5,034	47	203	226

ESTABLISHMENT OF PROPOSED CHARLOTTETOWN OFFICE

Inspector.....	Grade.....	1
ACCOUNTING.....	Clerk Grade III.....	1
	Clerk Grade I.....	1
	Steno. Grade I.....	1
CASHIERS DEPARTMENT.....	Clerk Grade III.....	1
	Typist Grade I.....	1
ASSESSING—		
Chief.....	Assessor Grade III.....	1
Corporations.....	Assessor Grade II.....	1
	Clerk Grade IV.....	1
	Steno.—Typist Grade I.....	1
Individual—		
Bus., Prof., E.P.T.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	3
	Steno. Grade I.....	1
Memo. 47.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	1
	Steno. Grade II.....	1
	Steno. and Typist Grade I.....	2
ESTATES AND SUCCESSION DUTIES.....	Clerk Grade IV.....	1
COLLECTIONS.....	Clerk Grade IV.....	1
	Clerk Grade I.....	1
	Steno. Grade I.....	1

ESTABLISHMENT OF PROPOSED CHARLOTTETOWN OFFICE—*Cont.*

MAIL AND SUPPLIES.....	Clerk Grade I.....	1
	Typist Grade I.....	1
TAX DEDUCTIONS.....	Clerk Grade IV.....	1
	Clerk Grade I.....	1
TAX ROLL.....	Clerk Grade IV.....	1
	Clerk Grade I.....	2
		34

SUMMARY

Inspector.....	1	Salary	\$ 3,600
Assessor Grade III.....	1		3,060
Assessor Grade II.....	2		5,280
Assessor Grade I.....	1		2,250
Clerk Grade IV.....	7		12,390
Clerk Grade III.....	2		3,000
Clerk Grade II.....	4		4,920
Clerk Grade I.....	7		6,090
Steno. and Typist Grade II.....	2		2,460
Steno. and Typist Grade I.....	7		6,090
	34	\$49,140	

HALIFAX DISTRICT OFFICE

1. TERRITORY (area: 16,768 sq. miles)

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Annapolis.....	14,718	2,974	17,692	1,862	27	100
Antigonish.....	8,388	2,157	10,545	664	18	87
Colchester.....	18,891	11,233	30,124	4,231	50	304
Cumberland.....	19,309	20,167	39,476	8,056	47	404
Digby.....	17,815	1,657	19,472	1,993	22	110
Guysborough.....	12,986	2,475	15,461	818	12	46
Hants.....	17,691	4,343	22,034	2,198	50	185
Kings.....	22,086	6,834	28,920	3,825	58	259
Lunenburg.....	25,616	7,326	32,942	3,989	54	251
Pictou.....	16,345	24,444	40,789	11,656	67	437
Queens.....	8,858	3,170	12,028	2,163	23	99
Shelburne.....	9,675	3,576	13,251	1,027	17	55
Yarmouth.....	13,298	9,117	22,415	2,320	52	176
Halifax.....	41,321	81,335	122,656	41,450	493	1,989
Sundry.....				2,038	9	8
	246,997	180,808	427,805	88,290	999	4,510

2. ESTIMATED COLLECTIONS—

Individuals.....	\$21,833,813
Corporations.....	11,358,869
Succession Duties.....	299,371
	\$33,492,053

3. MAJOR CITIES AND TOWNS—

		Distance from
		Halifax
Halifax.....	70,488	—
Dartmouth.....	10,847	Ferry
Truro.....	10,272	62
Amherst.....	8,620	144
New Glasgow.....	9,210	103
Springhill.....	7,170	128
Stellarton.....	5,351	110
Westville.....	4,115	108
Yarmouth.....	7,790	212

ESTABLISHMENT OF PROPOSED HALIFAX OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	1
Chief Assessor.....	Assessor Grade IV.....	1
Executive Assistant.....	Assessor Grade IV.....	1
ACCOUNTING.....	Departmental Accountant Gr. I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	13
	Clerk Grade I.....	4
	Steno. & Typist Grade II.....	3
	Typist Grade I.....	2
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	4
	Typist Grade I.....	4
T.6 AND T.7 TYPISTS.....	Clerk Grade III.....	1
	Typist Grade II.....	3
	Steno. & Typist Grade I.....	4
ASSESSING—		
<i>Corporation</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	4
	Assessor Grade II.....	5
<i>Excess Profits (T.1)</i>	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	7
	Clerk Grade IV.....	1
<i>Business & Professionals</i>	Assessor Grade III.....	1
	Assessor Grade II.....	1
	Assessor Grade I.....	5
	Clerk Grade IV.....	2
<i>Memo. 47</i>	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	2
	Clerk Grade II.....	10
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	4
	Clerk Grade IV.....	3
	Steno. Grade II.....	1
	Clerk Grade I.....	1
COLLECTIONS.....	Departmental Accountant Gr. I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	6
	Steno. and Typist Grade I.....	2
FILING DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	6
	Typist Grade I.....	4
MAIL AND SUPPLIES.....	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	2
STENOGRAPHERS POOL.....	Steno. Grade III.....	1
	Steno. Grade II.....	5
	Steno. Grade I.....	5
TAX DEDUCTIONS AND T.4 TAX ROLL.....	Assessor Grade II.....	1
	Assessor Grade I.....	2
	Clerk Grade IV.....	7
	Clerk Grade III.....	1
	Clerk Grade II.....	7
	Steno. and Typist Grade II.....	3
	Clerk and Typist Gr. I.....	5

ESTABLISHMENT OF PROPOSED HALIFAX OFFICE—Con.

TAX ROLL.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	6
	Clerk Grade I.....	8
	Steno. Grade II.....	1
	Clerk and Typist Grade I.....	4
		<hr/>
		197
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SUMMARY

Inspector.....	1	Salary	\$4,680
Assessor Grade IV.....	3		10,440
Assessor Grade III.....	6		18,360
Assessor Grade II.....	11		29,040
Assessor Grade I.....	19		42,750
Departmental Accountant Grade I.....	3		5,940
Clerk Grade IV.....	21		37,170
Clerk and Steno. Grade III.....	14		21,000
Clerk, Steno., Typist Grade II.....	67		82,410
Clerk, Steno., Typist Grade I.....	52		45,240
			<hr/>
	197		\$297,030
			<hr/>

SYDNEY DISTRICT OFFICE

1. TERRITORY (area: 3,975 sq. miles)

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Cape Breton.....	28,624	82,079	110,703	25,974	110	660
Richmond.....	10,853		10,853	571	5	12
Inverness.....	15,920	4,653	20,573	1,059	9	28
Victoria.....	8,028		8,028	332	6	20
	63,425	86,732	150,157	27,936	130	720

2. ESTIMATED COLLECTIONS—

Individuals.....	\$6,900,000
Corporations.....	1,480,000
Succession Duties.....	100,000
	<hr/>
	\$8,480,000
	<hr/>

3. MAJOR CITIES AND TOWNS—

		Distance from	
		Sydney	Halifax
Sydney.....	28,305	..	263
Glace Bay.....	25,147	13	276
New Waterford.....	9,302	14	277
Sydney Mines.....	8,198	25	283
North Sydney.....	6,836	15	273

ESTABLISHMENT OF PROPOSED SYDNEY OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade III.....	1
Chief Assessor.....	Assessor Grade III.....	1
Office Manager.....	Departmental Accountant II.....	1
ACCOUNTING.....	Departmental Accountant I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	5
	Clerk Grade I.....	2
	Stenos. and Typists Grade I.....	2
CASHIER DEPARTMENT.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Typist Grade I.....	1
T.7 and T.6 Typists.....	Typist Grade II.....	1
	Typist Grade I.....	2
ASSESSING—		
<i>Corporation.....</i>	Assessor Grade II.....	2
<i>Excess Profits (T.1).....</i>	Assessor Grade II.....	1
	Assessor Grade I.....	2
<i>Business and Professionals.....</i>	Assessor Grade II.....	1
	Assessor Grade I.....	2
<i>Memo. 47.....</i>	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	2
COLLECTIONS.....	Departmental Accountant I.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	1
	Steno. and Typist Grade I.....	2
FILING DEPARTMENT.....	Clerk Grade II.....	1
	Clerk Grade I.....	2
	Typist Grade I.....	1
MAIL AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	1
STENOGRAPHERS POOL.....	Steno. Grade III.....	1
	Steno. Grade II.....	2
	Steno. Grade I.....	2
TAX DEDUCTIONS AND T.4 TAX ROLL.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade II.....	1
	Clerk Grade I.....	3
TAX ROLL.....	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Clerk Grade I.....	1
	Typist Grade I.....	2

73

SUMMARY

		Salary
Inspector.....	1	3,600
Assessor Grade III.....	1	3,060
Assessor Grade II.....	5	13,200
Assessor Grade I.....	6	13,500
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	5	8,850
Clerk and Stenographer Grade III.....	8	12,000
Clerk, Stenographer and Typist Grade II.....	22	27,060
Clerk, Stenographer & Typist Grade I.....	22	19,140
	73	\$106,830

SAINT JOHN DISTRICT OFFICE

1. TERRITORY (area: 14,370 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Albert.....	8,421		8,421	438	3	46
Carleton.....	17,271	4,440	21,711	1,384	35	150
Charlotte.....	15,210	7,518	22,728	3,352	43	229
Kent.....	25,817		25,817	338	13	45
Kings.....	18,017	3,556	21,573	2,324	20	131
Queens.....	12,775		12,775	930	8	86
Saint John.....	17,086	51,741	68,827	26,077	298	1,063
Sunbury.....	8,296		8,296	292	8	3
Westmoreland.....	35,038	29,448	64,486	13,246	166	572
York.....	22,397	14,050	36,447	5,630	76	326
	180,328	110,753	291,081	54,011	670	2,651

2. ESTIMATED COLLECTIONS—

Individuals.....	\$12,349,259
Corporations.....	10,268,209
Succession Duties.....	278,156
	<u>\$22,895,624</u>

3. MAJOR CITIES AND TOWNS—

	Saint John	Distance from Campbellton	Moncton
Saint John.....	51,741	—	96
Moncton.....	22,763	96	—
Fredericton.....	10,062	68	119

ESTABLISHMENT OF PROPOSED SAINT JOHN OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade IV.....	1
Office Manager.....	Departmental Accountant Gr. III.....	1
ACCOUNTING.....	Departmental Accountant Gr. I.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	10
	Clerk Grade I.....	3
	Steno. and Typist Grade II.....	2
	Typist Grade I.....	2
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	3
T.6 AND T.7 TYPISTS.....	Steno. Grade III.....	1
	Typist Grade II.....	2
	Steno. & Typist Grade I.....	3
ASSESSING—		
<i>Corporation</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	3
<i>Individual</i>	Assessor Grade IV.....	1
<i>Excess Profits (T.1)</i>	Assessor Grade III.....	1
	Assessor Grade II.....	2
	Assessor Grade I.....	3
<i>Business and Professionals</i>	Assessor Grade II.....	1
	Assessor Grade I.....	4
	Clerk Grade IV.....	1
<i>Memo. 47</i>	Assessor Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	5
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	2
	Assessor Grade I.....	2
	Clerk Grade IV.....	2
	Typist Grade I.....	1

ESTABLISHMENT OF PROPOSED SAINT JOHN OFFICE—*Con.*

COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk, Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Steno. and Typist Grade I.....	2
FILING DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	4
	Typist Grade I.....	3
MAIL AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	2
STENOGRAPHERS POOL.....	Steno. Grade III.....	1
	Steno. Grade II.....	4
	Steno. Grade I.....	4
TAX DEDUCTIONS AND T.4 TAX ROLL.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	5
	Clerk Grade III.....	1
	Clerk Grade II.....	5
	Steno. and Typist Grade II.....	2
	Clerk and Typist Grade I.....	4
TAX ROLL.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	4
	Clerk Grade I.....	6
	Steno. Grade II.....	1
	Steno. and Typist Grade I.....	3

140

SUMMARY

Inspector.....	1	Salary	\$ 4,020
Assessor Grade IV.....	2		6,960
Assessor Grade III.....	3		9,180
Assessor Grade II.....	9		23,760
Assessor Grade I.....	11		24,750
Departmental Acct. Grade III.....	1		2,910
Departmental Acct. Grade II.....	3		5,940
Clerk Grade IV.....	13		23,010
Clerk and Steno. Grade III.....	11		16,500
Clerk, Steno., Typist Grade II.....	46		56,580
Clerk, Steno., Typist Grade I.....	40		34,800
	140		\$208,410

CAMPBELLTON DISTRICT OFFICE

1. TERRITORY (area: New Brunswick—13,103 sq. miles; Quebec—11,392 sq. miles Total: 24,495 sq. miles)

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
NEW BRUNSWICK—						
Restigouche.....	21,819	11,256	33,075	3,609	27	157
Madawaska.....	19,985	8,191	28,176	565	12	148
Victoria.....	14,865	1,806	16,671	802	15	72
Northumberland.....	30,622	7,863	38,485	2,551	35	169
Gloucester.....	46,359	3,554	49,913	1,240	23	109
	133,650	32,670	166,320	8,767	112	655
QUEBEC—						
Bonaventure.....	39,196		39,196	2,126	5	78
Matapedia.....	21,181	8,745	29,926	3,038	11	134
Matane.....	17,304	8,184	25,488			
Gaspe (excl. Madeleine Islands).....	41,527	4,741	46,268	2,894	14	118
	119,208	21,670	140,878	8,058	30	330
TOTAL—						
New Brunswick.....	133,650	32,670	166,320	8,767	112	655
Quebec.....	119,208	21,670	140,878	8,058	30	330
	252,858	54,340	307,198	16,825	142	985

CAMPBELLTON DISTRICT OFFICE—*Con.*

2. ESTIMATED COLLECTIONS—

Individuals.....	\$3,290,000
Corporations.....	2,085,000
Succession Duties.....	77,000
	\$5,452,000

3. MAJOR CITIES AND TOWNS—

		Distance from		
		Campbellton	Saint John	Quebec
<i>New Brunswick—</i>				
Campbellton.....	6,748	—	302	317
Edmundston.....	7,096	125	240	202
Dalhousie.....	4,508	9	293	326
Chatham.....	4,082	119	192	411
<i>Quebec—</i>				
Matane.....	4,633	147	—	239

ESTABLISHMENT OF PROPOSED CAMPBELLTON OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade III.....	1
Chief Assessor.....	Assessor Grade III.....	1
Office Manager.....	Departmental Accountant Grade II.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Clerk Grade I.....	2
	Steno. and Typist Grade I.....	1
CASHIERS DEPARTMENT.....	Clerk Grade III.....	1
	Typist Grade I.....	1
T.6 AND T.7 TYPISTS.....	Typist Grade II.....	1
	Typist Grade I.....	1
ASSESSING—		
<i>Corporations</i>	Assessor Grade II.....	2
<i>Excess Profits (T.1)</i>	Assessor Grade II.....	1
	Assessor Grade I.....	1
<i>Business and Professionals</i>	Assessor Grade I.....	2
<i>Memo. 47</i>	Clerk Grade III.....	1
	Clerk Grade II.....	2
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade I.....	1
	Clerk Grade IV.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade II.....	1
	Clerk and Typist Grade I.....	2
FILING DEPARTMENT.....	Clerk Grade II.....	1
	Clerk and Typist Grade I.....	2
MAIL AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade I.....	1
STENOGRAPHERS POOL.....	Steno. Grade III.....	1
	Steno. Grade II.....	2
	Steno. Grade I.....	2
TAX DEDUCTIONS AND T.4 TAX ROLL.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade II.....	1
	Clerk and Typist Grade I.....	3

ESTABLISHMENT OF PROPOSED CAMPBELLTON OFFICE—*Conc.*

TAX ROLL.....	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Clerk and Typist Grade I.....	2
		<u>57</u>

SUMMARY

		Salary
Inspector.....	1	3,600
Assessor Grade III.....	1	3,060
Assessor Grade II.....	3	7,920
Assessor Grade I.....	5	11,250
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	3	5,310
Clerk and Steno. Grade III.....	8	12,000
Clerk, Steno. and Typist Grade III.....	16	19,680
Clerk, Steno. and Typist Grade I.....	17	14,790
	<u>57</u>	<u>\$84,030</u>

QUEBEC DISTRICT OFFICE

1. TERRITORY (area: 375,322 sq. miles).

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Beauce.....	37,241	10,832	48,073	1,760	16	87
Bellechasse.....	22,212	1,464	23,676	954	2	16
Charlevoix.....	17,089	8,573	25,662	1,788	14	67
Chicoutimi (Lake St. John).....	63,223	79,964	143,187	16,541	69	767
Dorchester.....	28,811	1,058	29,869	874	1	15
Kamouraska.....	21,881	3,654	25,535	1,030	6	44
Levis.....	14,259	23,860	38,119	7,792	29	179
L'Islet.....	19,890	699	20,589	761	3	16
Lotbiniere.....	20,097	6,567	26,664	878	4	21
Montmagny.....	17,464	4,585	22,049	1,235	17	46
Portneuf.....	23,782	15,214	38,996	4,758	13	154
Quebec (Montmorency).....	41,418	180,066	221,484	52,256	383	2,269
Rimouski.....	30,599	13,634	44,233	2,121	32	149
Saguenay.....	26,360	3,059	29,419	2,139	3	33
Temiscouata.....	43,083	14,592	57,675	2,636	15	84
Outside Dist.....					7	44
	<u>427,409</u>	<u>367,821</u>	<u>795,230</u>	<u>97,523</u>	<u>614</u>	<u>3,991</u>

2. ESTIMATED COLLECTIONS—

Individuals.....	\$15,591,834
Corporations.....	7,466,383
Succession Duties.....	391,557
	<u>\$23,449,774</u>

3. MAJOR CITIES AND TOWNS—

	Distance from Quebec
Quebec.....	150,757
Chicoutimi.....	140 (Chicoutimi area)
Jonquiere.....	140 (Chicoutimi area)
Levis.....	11,991
Riviere du Loup.....	8,713
Lauzon.....	7,877
Rimouski.....	7,009
Kenogami.....	6,579
St. Joseph d'Alma.....	6,449
Montmorency.....	5,393
Arvida.....	4,581
Giffard.....	4,909
Montmagny.....	4,585

ESTABLISHMENT OF PROPOSED QUEBEC OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Executive Assistant.....	Assessor Grade IV.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	14
	Clerk Grade I.....	5
	Stenographer and Typist Grade I.....	5
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	3
	Typist Grade I.....	3
T.6 AND T.7 TYPISTS.....	Clerk Grade III.....	1
	Stenographer and Typist Grade II.....	2
	Stenographer and Typist Grade I.....	5
ASSESSING—		
<i>Corporation</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	3
<i>Individual</i>	Assessor Grade IV.....	1
Excess Profits (T.1).....	Assessor Grade III.....	1
	Assessor Grade II.....	2
	Assessor Grade I.....	5
	Clerk Grade IV.....	1
<i>Business and Professionals</i>	Assessor Grade III.....	1
	Assessor Grade II.....	1
	Assessor Grade I.....	3
	Clerk Grade IV.....	4
<i>Memo. 47</i>	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	2
	Clerk Grade II.....	12
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	3
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	2
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	4
	Stenographer and Typist Grade I.....	4
FILING DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Clerk and Typist Grade I.....	12
MAIL AND SUPPLIES.....	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	2
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	5
	Stenographer Grade I.....	5
TAX DEDUCTIONS AND T.4 TAX ROLL.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	6
	Clerk Grade III.....	1
	Clerk Grade II.....	6
	Clerk and Typist Grade I.....	9
TAX ROLL.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	7
	Clerk and Typist Grade I.....	13

SUMMARY

		Salary
Inspector.....	1	\$ 4,020
Assessor Grade IV.....	3	10,440
Assessor Grade III.....	4	12,240
Assessor Grade II.....	8	21,120
Assessor Grade I.....	13	29,250
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	19	33,630
Clerk and Stenographer Grade III.....	15	22,500
Clerk, Stenographer, Typist Grade II.....	59	72,570
Clerk, Stenographer, Typist Grade I.....	65	56,550
	<u>190</u>	<u>\$ 268,260</u>

TROIS-RIVIÈRES DISTRICT OFFICE

1. TERRITORY (area: 13,410 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Nicolet.....	21,786	8,299	30,085	971	6	30
Maskinongé.....	13,238	4,968	18,206	759	2	14
St. Maurice.....	15,391	64,961	80,352	13,213	63	476
Champlain.....	30,897	37,160	68,057	{Que.....1,481	7	84
				{Mtl.....1,552	4	58
	81,312	115,388	196,700	17,976	82	662

2. ESTIMATED COLLECTIONS—

Individuals.....	\$6,410,000
Corporations.....	3,426,000
Succession Duties.....	118,000
	<u>\$9,954,000</u>

3. MAJOR CITIES AND TOWNS—

		Distance from		
		Trois-Rivières	Montreal	Quebec
Trois-Rivières.....	42,007	—	88	81
Cap-de-la-Madeleine.....	11,961	—	—	—
Shawinigan Falls and Almaville.....	22,607	17	—	—
Grand'Mère.....	8,608	27	—	—
La Tuque.....	7,919	100	188	165

ESTABLISHMENT OF PROPOSED TROIS-RIVIÈRES OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary.....	Stenographer Grade III.....	1
Office Manager.....	Departmental Accountant Grade II.....	1
ASSESSING—		
In Charge.....	Assessor Grade III.....	1
Corporation.....	Assessor Grade II.....	1
E.P.T.—Bus.—Prof.....	Assessor Grade II.....	1
	Assessor Grade I.....	3
Memo. 47.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
ACCOUNTING.....	Departmental Accountant Grade I.....	1
T. 6-7-8-Interest.....	Clerk Grade III.....	1
	Clerk Grade II.....	5
	Typist Grade I.....	5
CASHIERS DEPARTMENT.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Typist Grade I.....	1

ESTABLISHMENT OF PROPOSED TROIS-RIVIÈRES OFFICE—*Cont.*

COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Stenographer, Typist, Grade I.....	2
FILING—TRANSFERS.....	Clerk Grade II.....	1
	Clerk Grade I.....	2
STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
MAIL.....	Clerk Grade I.....	2
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	2
	Typist Grade I.....	2
TAX DEDUCTIONS—T. 4 Slips.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	3
TAX ROLL.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Stenographer Grade I.....	1
	Typist Grade I.....	2
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade I.....	1
	Clerk Grade IV.....	1
		60

SUMMARY

Inspector.....	1	Salary
Assessor Grade III.....	1	\$ 3,540
Assessor Grade II.....	2	3,060
Assessor Grade I.....	5	5,280
Departmental Accountant Grade II.....	1	11,250
Departmental Accountant Grade I.....	2	2,460
Clerk Grade IV.....	3	3,960
Clerk and Stenographer Grade III.....	9	5,310
Clerk, Stenographer, Typist Grade II.....	16	13,500
Clerk, Stenographer, Typist Grade I.....	20	19,680
	60	17,400
		\$ 85,440

SHERBROOKE DISTRICT OFFICE

1. TERRITORY (area: 6,130 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Arthabaska.....	16,098	13,941	30,039	2,020	29	142
Brome.....	8,637	3,848	12,485	534	13	47
Compton.....	14,967	7,990	22,957	1,048	12	80
Frontenac.....	22,347	6,249	28,596	518	0	51
Sherbrooke.....	8,293	38,281	46,574	8,226	92	459
Wolfe.....	13,011	4,481	17,492	348	3	10
Richmond.....	11,851	15,642	27,493	2,869	8	134
Stanstead.....	9,585	18,387	27,972	3,252	18	136
Megantic.....	18,229	22,128	40,357	3,245	24	115
	123,018	130,947	253,965	22,060	199	1,174

2. ESTIMATED COLLECTIONS—

Individuals.....	\$7,284,000
Corporations.....	7,446,000
Succession Duties.....	138,000
	\$14,868,000

SHERBROOKE DISTRICT OFFICE—*Conc.*

3. MAJOR CITIES AND TOWNS—		Distance from		
		Sherbrooke	Montreal	Quebec
Sherbrooke.....	35,965	—	96	136
Thetford Mines.....	12,716	67	—	76
Victoriaville.....	8,516	61	—	77
Asbestos.....	5,711	35	130	—
Magog.....	9,034	20	80	—
Megantic.....	4,560	65	—	115
Coaticook.....	4,414	22	118	—

ESTABLISHMENT OF PROPOSED SHERBROOKE OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary.....	Stenographer Grade III.....	1
	Typist Grade I.....	1
Office Manager.....	Departmental Accountant Grade II.....	1
ASSESSING—		
<i>Corporations</i>	Assessor Grade III.....	1
	Assessor Grade II.....	1
<i>Individual—</i>		
Bus. and Prof.—E.P.T.....	Assessor Grade II.....	2
	Assessor Grade I.....	3
<i>Memo. 47</i>	Clerk Grade IV.....	1
	Clerk Grade II.....	2
ACCOUNTING—		
T. 6-7-8—Interest.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	6
	Typist Grade I.....	6
CASHIERS DEPARTMENT		
CASHIERS DEPARTMENT.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Typist Grade I.....	1
COLLECTIONS		
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Stenographer Grade I.....	2
FILING—TRANSFERS		
FILING—TRANSFERS.....	Clerk Grade II.....	1
	Clerk Grade I.....	2
STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
MAIL ROOM.....	Clerk Grade I.....	2
STENOGRAPHERS POOL		
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	2
	Stenographer Grade I.....	2
TAX DEDUCTIONS AND T. 4 TAX ROLL		
TAX DEDUCTIONS AND T. 4 TAX ROLL.....	Assessor Grade I.....	1
	Clerk Grade IV.....	3
	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Clerk Grade I.....	3
TAX ROLL		
TAX ROLL.....	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Clerk Grade I.....	3
ESTATES AND SUCCESSION DUTIES		
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	1

SUMMARY

Inspector.....	1	Salary \$ 3,540
Assessor Grade III.....	1	3,060
Assessor Grade II.....	4	10,560
Assessor Grade I.....	5	11,250
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	5	8,850
Clerk and Stenographer Grade III.....	8	12,000
Clerk, Stenographer, Typist Grade II.....	20	24,600
Clerk, Stenographer, Typist Grade I.....	22	19,140
	69	\$99,420

MONTREAL CITY DISTRICT

1. TERRITORY (area: 201 sq. miles)—

	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Montreal Island (incl. Jacques-Cartier, Hochelaga and part of Laval County).....	15,372	1,101,428	1,116,800	432,925	4,720	22,843

2. ESTIMATED COLLECTIONS—

Individuals.....	\$168,064,288
Corporations.....	223,533,819
Succession Duties.....	3,032,796
	<u>\$394,630,903</u>

3. MAJOR CITIES AND TOWNS—

Montreal.....	903,007
Outremont.....	30,751
Verdun.....	67,349
Lachine.....	20,051
Westmount.....	26,047
Montreal North.....	6,152
St. Laurent.....	6,242

ESTABLISHMENT OF PROPOSED MONTREAL CITY OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary, etc.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Assistant Inspector.....		1
Executive Assistant.....		1
PERSONNEL.....	Assessor Grade V.....	1
	Principal Clerk.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Stenographer Grade I.....	2
	Typist Grade I.....	1
Co-ORDINATION.....	Assessor Grade V.....	1
	Assessor Grade III.....	2
	Principal Clerk.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Stenographer Grade II.....	1
ACCOUNTING.....	Departmental Accountant Grade IV.....	1
	Departmental Accountant Grade III.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	8
	Clerk Grade III.....	17
	Clerk Grade II.....	70
	Clerk Grade I.....	28

ESTABLISHMENT OF PROPOSED MONTREAL CITY OFFICE—*Con.*

CASHIERS DEPARTMENT.....	Departmental Accountant, Grade II.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	9
	Clerk Grade II.....	19
	Clerk Grade I.....	12
	Stenographer Grade II.....	1
	Typist Grade II.....	4
	Typist Grade I.....	7
ASSESSING—		
<i>Corporations</i>	Chief Auditor.....	1
(Tax Roll and files incl.).....	Assessor Grade VI.....	1
	Assessor Grade V.....	3
	Assessor Grade IV.....	18
	Assessor Grade III.....	20
	Assessor Grade II—II-A.....	24
	Assessor Grade I.....	6
	Clerk Grade IV.....	6
	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	4
	Stenographer Grade II.....	1
	Typist Grade I.....	2
<i>Individual</i>	Chief Auditor.....	1
	Assessor Grade V.....	1
	Assessor Grade IV.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Stenographer Grade II.....	1
	Typist Grade I.....	1
<i>Business and Professionals</i>	Assessor Grade IV.....	4
	Assessor Grade III.....	13
	Assessor Grade II.....	45
	Assessor Grade I.....	60
	Clerk Grade IV.....	3
	Clerk Grade I.....	2
<i>Salary Income over \$5,000</i>	Assessor Grade IV.....	1
(Section 5).	Assessor Grade II.....	6
	Assessor Grade I.....	7
	Clerk Grade IV.....	38
	Clerk Grade II.....	2
<i>T.1 Specials (Sec. 6)</i>	Assessor Grade I.....	1
	Clerk Grade IV.....	4
	Clerk Grade III.....	13
	Clerk Grade II.....	50
	Clerk Grade I.....	2
<i>Checkers (Sec. 7)</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	7
	Clerk Grade IV.....	2
	Clerk Grade I.....	2
<i>Non-Res. 5%</i>	Assessor Grade I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	1
SUCCESSION DUTIES.....	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	12
	Principal Clerk.....	1
	Clerk Grade IV.....	3
	Clerk Grade III.....	3
	Clerk Grade II.....	8
	Clerk Grade I.....	7
	Stenographer Grade III.....	1
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
	Typist Grade II.....	1
	Typist Grade I.....	8
COLLECTIONS.....	Departmental Accountant Grade III.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	8
	Clerk Grade III.....	10
	Clerk Grade II.....	33
	Clerk Grade I.....	10
	Stenographer Grade II.....	1
	Typist Grade I.....	6

ESTABLISHMENT OF PROPOSED MONTREAL CITY OFFICE—*Cont.*

T. 6 SECTION.....	Clerk Grade IV.....	1
(Memo. 47 attached to Acct.)	Clerk Grade III.....	1
	Clerk Grade II.....	6
	Clerk Grade I.....	21
TRANSFER SECTION.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Clerk Grade I.....	3
	Typist Grade I.....	1
TAX ROLL.....	Departmental Accountant Grade III.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	7
	Clerk Stenographer and Typist, Grade II...	36
	Clerk Stenographer and Typist, Grade I....	44
FILING DEPARTMENT.....	Principal Clerk.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	3
	Clerk Grade II.....	12
	Clerk Grade I.....	55
MAIL AND STATIONERY.....	Principal Clerk.....	1
	Clerk Grade IV.....	1
	Clerk Grade II.....	5
	Clerk Grade I.....	10
STENOGRAPHERS POOL.....	Clerk Grade IV.....	1
(Including Typists and Assistant Typists)	Stenographer Grade III.....	7
	Stenographer Grade II.....	70
	Stenographer Grade I.....	40
TAX DEDUCTION.....	Assessor Grade IV.....	1
Pay Roll Audit.....	Assessor Grade II.....	1
T. 4 Information.....	Assessor Grade I.....	9
	Principal Clerk.....	1
	Clerk Grade IV.....	40
	Clerk Grade III.....	8
	Clerk Grade II.....	26
	Clerk Grade I.....	16
	Stenographer Grade II.....	1
	Typist Grade I.....	4
DELINQUENT SECTION.....	Principal Clerk.....	1
	Clerk Grade IV.....	1
	Clerk Grade II.....	8
	Stenographer Grade II.....	1
	Typist Grade I.....	4
		<u>1,147</u>

SUMMARY

		Salary
Inspector.....	1	\$ 6,240
Assistant Inspector.....	1	4,380
Chief Auditor.....	2	10,200
Executive Assistant.....	1	4,500
Assessor Grade VI.....	1	4,380
Assessor Grade V.....	6	23,580
Assessor Grade IV.....	26	90,480
Assessor Grade III.....	37	113,220
Assessor Grade II-III.....	82	216,480
Assessor Grade I.....	103	231,750
Departmental Accountant Grade IV.....	1	3,360
Departmental Accountant Grade III.....	3	8,730
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	3	5,940
Principal Clerk.....	7	15,120
Clerk Grade IV.....	127	224,790
Clerk and Stenographer Grade III.....	85	127,500
Clerk, Stenographer, Typist Grade II.....	367	451,410
Clerk, Stenographer, Typist Grade I.....	293	254,910
	<u>1,147</u>	<u>\$1,799,430</u>

MONTREAL No. 2 DISTRICT

1. TERRITORY (area 17,888 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Argenteuil.....	12,533	10,137	22,670	3,016	14	118
Bagot.....	12,000	5,642	17,642	629	15	19
Beauharnois.....	6,711	23,558	30,269	6,237	16	179
Berthier.....	16,552	4,681	21,233	1,403	6	39
Chambly.....	12,035	20,419	32,454	8,727	26	188
Chateauguay.....	10,175	4,268	14,443	1,244	2	45
Deux Montagnes.....	12,232	4,514	16,746	879	4	19
Drummond.....	18,375	18,308	36,683	3,750	21	141
Huntingdon.....	10,013	2,381	12,394	798	9	64
Iberville.....	6,125	4,148	10,273	923	.....	27
Joliette.....	17,523	14,190	31,713	2,855	13	139
Labelle.....	17,139	5,835	22,974	716	(Ott.) 5	3 Mtl. 2 Ott. } 49
Laprairie.....	10,224	3,506	13,730	1,524	2	32
L'Assomption.....	11,281	6,262	17,543	1,377	5	51
**Laval.....	13,112	8,519	21,631	4,067	4	91
Missisquoi.....	10,269	11,173	21,442	2,409	21	107
Montcalm.....	11,912	3,296	15,208	533	0	24
Napierville.....	5,908	2,421	8,329	353	3	17
Richelieu.....	8,078	15,613	23,691	6,434	13	104
Rouville.....	10,038	5,804	15,842	1,009	7	44
Shefford.....	13,076	20,311	33,387	3,696	37	168
Soulanges.....	6,143	3,185	9,328	893	2	15
St. Hyacinthe.....	9,493	22,152	31,645	3,633	32	212
St. Jean.....	6,064	14,520	20,584	3,697	40	166
Terrebonne.....	21,010	25,854	46,864	6,584	35	278
Vaudreuil.....	7,580	5,590	13,170	1,358	6	32
Vercheres.....	8,379	5,835	14,214	1,172	3	22
Yamaska.....	12,647	3,869	16,519	554	1	11
	316,627	275,991	592,618	70,470	342	2,401

** NOTE.—Laval County above is other than that part on the Island of Montreal.

2. ESTIMATED COLLECTIONS—

Individuals.....	\$27,061,000
Corporations.....	16,104,000
Succession Duties.....	488,000
	<u>\$43,653,000</u>

3. MAJOR CITIES AND TOWNS—

		Distance from Montreal
Drummondville.....	10,555	84
Granby.....	14,197	47
Joliette.....	12,749	36
St. Hyacinthe.....	17,798	44
St. Jean-Iberville.....	17,100	26
St. Jerome.....	11,329	25
Sorel.....	12,251	44
Valleyfield.....	17,052	40
Lachute.....	5,310	40
Longueuil.....	7,087	5
St. Lambert.....	6,147	5

ESTABLISHMENT OF PROPOSED MONTREAL No. 2 DISTRICT

Inspector.....	Grade.....	1
Inspector's Secretary, etc.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	1
Chief Assessor.....	Assessor Grade V.....	1
Executive Assistant.....		1
Executive Assistant Secretary.....	Stenographer Grade III.....	1
ACCOUNTING.....	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	18
	Clerk Grade I.....	4
	Stenographer and Typist Grade II.....	2
	Typist Grade I.....	3
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	6
	Typist Grade I.....	6
T.6, T.7, T.8 TYPISTS.....	Clerk Grade III.....	1
	Typist Grade II.....	3
	Stenographer and Typist Grade I.....	4
ASSESSING— <i>Corporation</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	2
<i>Business and Professionals</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	3
	Assessor Grade II.....	5
	Assessor Grade I.....	9
	Clerk Grade IV.....	2
<i>Memo. 47</i>	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	3
	Clerk Grade II.....	9
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	4
	Clerk Grade IV.....	3
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	2
	Clerk Grade II.....	8
	Stenographer and Typist Grade I.....	4
FILING AND TRANSFERS.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	6
	Typist Grade I.....	4
MAIL AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	2
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	6
	Stenographer Grade I.....	6
TAX DEDUCTION AND T.4 TAX ROLL.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	8
	Clerk Grade III.....	2
	Clerk Grade II.....	7
	Stenographer and Typist Grade II.....	2
	Stenographer and Typist Grade I.....	5

ESTABLISHMENT OF PROPOSED MONTREAL No. 2 DISTRICT—*Conc.*

Tax Roll.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	7
	Clerk Grade I.....	10
	Stenographer Grade II.....	1
	Typist Grade I.....	4
		211

SUMMARY

		Salary
Inspector.....	1	\$ 4,500
Executive Assistant.....	1	4,000
Assessor Grade V.....	1	3,930
Assessor Grade IV.....	2	6,960
Assessor Grade III.....	5	15,300
Assessor Grade II.....	9	23,760
Assessor Grade I.....	15	33,750
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk, Grade IV.....	22	38,940
Clerk and Stenographer Grade III.....	17	25,500
Clerk, Stenographer, Typist Grade II.....	75	92,250
Clerk, Stenographer, Typist Grade I.....	60	52,200
	211	\$307,510

OTTAWA DISTRICT OFFICE

1. TERRITORY (area: 21,444 sq. miles) (Excluding Leeds County)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
<i>Ontario—</i>						
Renfrew.....	30,080	24,640	54,720	7,201	40	459
Carleton.....	37,666	164,854	202,520	78,548	454	3,606
Russell.....	14,387	3,061	17,448	924	3	394
Prescott.....	16,445	8,816	25,261	2,354	6	223
Glengarry.....	15,069	3,663	18,732	927	5	200
Stormont.....	26,391	14,514	40,905	9,508	28	793
Dundas.....	11,563	4,647	16,210	1,466	5	141
Grenville.....	9,095	6,894	15,989	1,800	21	148
Lanark.....	14,015	19,128	33,143	5,022	30	376
<i>Quebec—</i>						
Papineau.....	16,423	11,128	27,551	3,889	7	45
Hull.....	25,709	45,479	71,188	10,897	54	465
Pontiac.....	15,255	4,597	19,852	1,069	7	141
<i>Other Districts.....</i>					66	125
	232,098	311,421	543,519	123,605	726	7,116

2. ESTIMATED COLLECTIONS—

Individuals.....	\$41,044,319
Corporations.....	17,494,604
Succession Duties.....	540,075
	\$59,078,998

OTTAWA DISTRICT OFFICE

1. TERRITORY (area: 22,344 sq. miles) (Including Leeds County)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
<i>Ontario—</i>						
Renfrew.....	30,080	24,640	54,720	7,201	40	459
Carleton.....	37,666	164,854	202,520	78,548	454	3,606
Russell.....	14,387	3,061	17,448	924	3	394
Prescott.....	16,445	8,816	25,261	2,354	6	223
Glengarry.....	15,069	3,663	18,732	927	5	200
Stormont.....	26,391	14,514	40,905	9,508	28	793
Dundas.....	11,563	4,647	16,210	1,466	5	141
Grenville.....	9,095	6,894	15,989	1,800	21	148
Leeds.....	18,876	17,166	36,042	5,856	42	458
Lanark.....	14,015	19,128	33,143	5,022	30	376
<i>Quebec—</i>						
Papineau.....	16,423	11,128	27,551	3,889	7	45
Hull.....	25,709	45,479	71,188	10,897	54	465
Pontiac.....	15,255	4,597	19,852	1,069	7	141
<i>Other Districts—</i>						
	250,974	328,587	579,561	129,461	702	7,449
					66	125
	250,974	328,587	579,561	129,461	768	7,574

2. ESTIMATED COLLECTIONS—

Individuals.....	\$42,944,319
Corporations.....	18,494,604
Succession Duties.....	566,075
	<u>\$ 62,004,998</u>

3. MAJOR CITIES AND TOWNS—

		Distance from Ottawa
Ottawa.....	154,951	—
Hull.....	32,947	—
Pembroke.....	11,159	98
Renfrew.....	5,511	63
Eastview.....	7,966	5
Hawkesbury.....	6,263	62
Cornwall.....	14,177	75
Brockville.....	11,342	74
Gananoque.....	4,044	105
Smiths Falls.....	7,159	42
Perth.....	4,458	54
Carleton Place.....	4,305	36
Buckingham.....	4,516	30

ESTABLISHMENT OF PROPOSED OTTAWA OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Principal Clerk.....	1
	Clerk Grade IV.....	1
	Stenographer Grade II.....	3
	Typist Grade I.....	1
Executive Assistant.....		1
Chief Assessor.....	Assessor Grade V.....	1
ACCOUNTING.....	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	4
	Clerk Grade II.....	24
	Clerk Grade I.....	6
	Stenographer and Typist Grade II.....	5
	Typist Grade I.....	4

ESTABLISHMENT OF PROPOSED OTTAWA OFFICE—*Conc.*

CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	6
	Typist Grade I.....	9
T. 6 AND T. 7 TYPISTS.....	Clerk Grade III.....	1
	Stenographer and Typist Grade II.....	6
	Stenographer and Typist Grade I.....	7
ASSESSING— <i>Corporation</i>	Assessor Grade IV.....	2
	Assessor Grade III.....	3
<i>Excess Profits (T.1)</i>	Assessor Grade II.....	4
	Assessor Grade IV.....	2
	Assessor Grade III.....	3
	Assessor Grade II.....	3
	Assessor Grade I.....	5
<i>Business and Professionals</i>	Clerk Grade IV.....	2
	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	10
<i>Memo. 47</i>	Clerk Grade IV.....	3
	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	4
ESTATES AND SUCCESSION DUTIES.....	Clerk Grade II.....	16
	Assessor Grade IV.....	1
	Assessor Grade II.....	1
	Assessor Grade I.....	3
	Clerk Grade IV.....	4
	Stenographer and Typist Grade II.....	1
COLLECTIONS.....	Stenographer and Typist Grade I.....	2
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	3
	Clerk Grade III.....	2
	Clerk, Stenographer, Typist Grade II.....	10
FILING DEPARTMENT.....	Clerk, Stenographer, Typist Grade I.....	5
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	5
MAIL AND SUPPLIES.....	Clerk and Typist Grade I.....	17
	Clerk Grade I.....	7
	Clerk Grade II.....	3
	Clerk Grade III.....	1
STENOGRAPHERS POOL.....	Clerk Grade IV.....	1
	Stenographer Grade III.....	2
	Stenographer Grade II.....	10
	Stenographer Grade I.....	10
TAX DEDUCTION AND T.4 TAX ROLL.....	Assessor Grade III.....	1
	Assessor Grade I.....	3
	Clerk Grade IV.....	14
	Clerk Grade III.....	2
	Clerk, Stenographer, Typist Grade II.....	18
	Clerk, Stenographer, Typist Grade I.....	10
TAX ROLL.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk, Stenographer, Typist Grade II.....	12
	Clerk, Stenographer, Typist Grade I.....	25

SUMMARY

		Salary
Inspector.....	1	\$ 5,520
Executive Assistant.....	1	4,100
Assessor Grade V.....	1	3,930
Assessor Grade IV.....	5	17,400
Assessor Grade III.....	8	24,480
Assessor Grade II.....	11	29,040
Assessor Grade I.....	22	49,500
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Principal Clerk.....	1	2,160
Clerk Grade IV.....	35	61,950
Clerk Grade III and Stenographer Grade III.....	23	34,500
Clerk, Stenographer, Typist Grade II.....	119	146,370
Clerk, Stenographer, Typist Grade I.....	103	89,610
	333	\$474,980

KINGSTON DISTRICT

1. TERRITORY (area: 3,669 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Frontenac East.....	20,456	33,261	53,717	21,671	88	1,066
Lennox and Addington East.....	14,290	4,179	18,469	3,325	6	157
Leeds.....	18,876	17,166	36,042	5,856	42	458
	53,622	54,606	108,228	30,852	136	1,681

2. ESTIMATED COLLECTIONS—

Individuals.....	\$ 5,903,743
Corporations.....	4,824,705
Succession Duties.....	129,957
	\$10,858,405

3. MAJOR CITIES AND TOWNS—

		Distance from Kingston
Kingston.....	30,126	—
Brockville.....	11,342	51
Gananoque.....	4,044	18

ESTABLISHMENT OF PROPOSED KINGSTON OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Stenographer Grade III.....	1
Chief Assessor.....	Assessor Grade III.....	1
Office Manager.....	Departmental Accountant Grade II.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	5
	Clerk Grade I.....	2
	Typist Grade I.....	2
CASHIERS DEPARTMENT.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	1
T.6 AND T.7 TYPISTS.....	Typist Grade II.....	1
	Typist Grade I.....	2

ESTABLISHMENT OF PROPOSED KINGSTON OFFICE—*Conc.*

ASSESSING—		
Corporation.....	Assessor Grade II.....	2
E.P.T. and Bus. and Prof.....	Assessor Grade II.....	2
	Assessor Grade I.....	4
Memo. 47.....	Clerk Grade IV.....	1
	Clerk Grade II.....	4
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Stenographer Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Stenographer Grade II.....	1
	Typist Grade I.....	1
FILING AND TRANSFERS.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk and Typist Grade I.....	3
STATIONERY AND SUPPLIES MAIL.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer and Typist Grade II.....	2
	Typist Grade I.....	2
TAX DEDUCTIONS AND T.4.....	Assessor Grade I.....	1
	Clerk Grade IV.....	4
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Stenographer Grade I.....	1
	Typist Grade I.....	2
TAX ROLL.....	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Typist Grade I.....	4
		81

SUMMARY

Inspector.....	1	Salary
Assessor Grade III.....	1	\$ 3,720
Assessor Grade II.....	5	13,200
Assessor Grade I.....	6	13,500
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	8	14,160
Clerk and Stenographer Grade III.....	9	13,500
Clerk, Stenographer, Typist Grade II.....	26	31,980
Clerk, Stenographer, Typist Grade I.....	22	19,140
	81	\$118,680

BELLEVILLE DISTRICT

1. TERRITORY (area: 4,862 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Hastings.....	30,830	32,492	63,322	14,133	109	704
Peterborough.....	18,818	28,574	47,392	17,755	90	536
Northumberland.....	18,396	12,390	30,786	3,394	34	206
Prince Edward.....	11,166	5,584	16,750	2,155	21	149
	79,210	79,040	158,250	37,437	252	1,595

BELLEVILLE DISTRICT—*Conc.*

2. ESTIMATED COLLECTIONS—

Individuals.....	\$ 5,445,602
Corporations.....	5,351,673
Succession Duties.....	79,187
	\$ 10,876,462

3. MAJOR CITIES AND TOWNS—

		Distance from Belleville
Belleville.....	15,710	—
Peterborough.....	25,350	65
Trenton.....	8,323	11
Cobourg.....	5,973	43

ESTABLISHMENT OF PROPOSED BELLEVILLE OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Executive Assistant.....	Assessor Grade III.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	6
	Stenographer Grade I.....	1
	Typist Grade I.....	1
CASHIERS DEPARTMENT—Head.....	Clerk Grade I.....	2
	Clerk Grade III.....	1
	Clerk Grade II.....	2
ASSESSING— <i>Corporation</i>	Assessor Grade III.....	1
	Assessor Grade II.....	2
<i>Individuals—E.P.T. and Bus. and Prof.</i>	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	5
<i>Memo. 47</i>	Clerk Grade IV.....	1
	Clerk Grade II.....	5
TAX DEDUCTION AND T.4.....	Assessor Grade I.....	1
	Clerk Grade IV.....	4
	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Clerk Grade I.....	3
	Stenographer Grade II.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Stenographer Grade I.....	1
	Typist Grade I.....	2
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	3
	Stenographer Grade I.....	3
MAIL, STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk and Typist Grade I.....	2
FILING AND TRANSFERS.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	3
	Typist Grade I.....	2
TAX ROLL.....	Clerk Grade IV.....	1
	Clerk Grade II.....	4
	Clerk Grade I.....	5
	Typist Grade I.....	1

ESTABLISHMENT OF PROPOSED BELLEVILLE OFFICE—*Cont.*

ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Stenographer Grade II.....	1
	Clerk Grade I.....	1
		96

SUMMARY

		Salary
Inspector.....	1	\$ 3,540
Assessor Grade III.....	3	9,180
Assessor Grade II.....	6	15,840
Assessor Grade I.....	7	15,750
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	11	19,470
Clerk and Stenographer Grade III.....	7	10,500
Clerk, Stenographer, Typist Grade II.....	30	36,900
Clerk, Stenographer, Typist Grade I.....	29	25,230
	96	\$140,370

BELLEVILLE DISTRICT

(Including present Kingston District)

1. TERRITORY (area: 7,631 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Hastings.....	30,830	32,492	63,322	14,133	107	704
Peterborough.....	18,818	23,574	47,392	17,755	90	536
Northumberland.....	18,396	12,390	30,786	3,394	34	206
Prince Edward.....	11,166	5,584	16,750	2,155	21	149
Frontenac.....	20,456	33,261	53,717	21,671	88	1,066
Lennox and Addington.....	14,290	4,179	18,469	3,325	6	157
	113,956	116,480	230,436	62,443	346	2,818

2. ESTIMATED COLLECTIONS—

Individuals.....	\$ 9,449,345
Corporations.....	9,176,378
Succession Duties.....	183,144
	\$18,808,867

3. MAJOR CITIES AND TOWNS—

		Distance from Belleville
Belleville.....	15,710	—
Trenton.....	8,323	11
Peterborough.....	25,350	65
Cobourg.....	5,973	43
Kingston.....	30,126	51

ESTABLISHMENT OF PROPOSED BELLEVILLE OFFICE

(Including present Kingston District)

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Executive Assistant.....	Assessor Grade IV.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	12
	Clerk, Typist Grade I.....	10

ESTABLISHMENT OF PROPOSED BELLEVILLE OFFICE—*Conc.*
(Including present Kingston District)

CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	3
ASSESSING—	Chief Assessor.....	Assessor Grade IV..... 1
	<i>Corporation</i>	Assessor Grade III..... 2
		Assessor Grade II..... 2
	<i>Business and Professionals</i>	Assessor Grade III..... 1
		Assessor Grade II..... 4
		Assessor Grade I..... 9
	<i>Memo. 47</i>	Assessor Grade I..... 1
		Clerk Grade IV..... 1
		Clerk Grade III..... 1
		Clerk Grade II..... 8
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II..... 1	
	Assessor Grade I..... 2	
	Clerk Grade IV..... 4	
	Stenographer Grade II..... 1	
	Typist Grade I..... 1	
COLLECTIONS.....	Departmental Accountant Grade I..... 1	
	Clerk Grade IV..... 1	
	Clerk Grade III..... 1	
	Clerk Grade II..... 5	
	Clerk Grade I..... 3	
FILING AND TRANSFERS.....	Clerk Grade IV..... 1	
	Clerk Grade II..... 2	
	Clerk, Typist Grade I..... 8	
STATIONERY AND SUPPLIES.....	Clerk Grade III..... 1	
	Clerk Grade II..... 1	
	Clerk Grade I..... 3	
STENOGRAPHERS POOL.....	Stenographer Grade III..... 1	
	Stenographer Grade II..... 5	
	Stenographer Grade I..... 5	
TAX DEDUCTIONS AND T. 4.....	Assessor Grade II..... 1	
	Assessor Grade I..... 1	
	Clerk Grade IV..... 8	
	Clerk Grade III..... 1	
	Clerk, Stenographer, Typist Grade II..... 7	
	Clerk, Stenographer, Typist Grade I..... 6	
TAX ROLL.....	Departmental Accountant Grade I..... 1	
	Clerk Grade III..... 1	
	Clerk Grade II..... 7	
	Clerk Grade I..... 10	

157

SUMMARY

		Salary
Inspector.....	1	\$ 4,020
Assessor Grade IV.....	2	6,960
Assessor Grade III.....	3	9,180
Assessor Grade II.....	8	21,120
Assessor Grade I.....	13	29,250
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	18	31,860
Clerk, Stenographer, Grade III.....	9	13,500
Clerk, Stenographer, Typist Grade II.....	51	62,730
Clerk, Stenographer, Typist Grade I.....	49	42,630
	<u>157</u>	<u>\$227,190</u>

TORONTO CITY DISTRICT

1. TERRITORY (area: 210 sq. miles approx.)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
York..... (Excluding Townships — Georgina, Gwillimbury East, Gwillimbury North, King, Markham, Vaughan, Whitchurch).	189,057	720,871	909,928	396,681	5,276	19,138

2. ESTIMATED COLLECTIONS—

Individuals.....	\$164,240,012
Corporations.....	176,467,292
Succession Duties.....	4,061,317
	<u>\$344,768,621</u>

NOTE.—A large portion of the above "rural" population is really urban in character, located immediately adjacent to Toronto and adjoining municipalities.

ESTABLISHMENT OF PROPOSED TORONTO CITY OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary.....	Clerk Grade IV.....	1
Assistant Inspector.....		1
Assistant Inspector Secretary.....	Clerk Grade IV.....	1
PERSONNEL.....	Assessor Grade IV.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	1
	Stenographer Grade II.....	1
EXECUTIVE ASSISTANT—		
EXECUTIVE ASSISTANT SECRETARY.....	Clerk Grade III.....	1
	Stenographer Grade I.....	1
ACCOUNTING.....	Departmental Accountant Grade IV.....	1
	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	6
	Clerk Grade III.....	12
	Clerk Grade II.....	120
	Clerk, Stenographer, Typist Grade I.....	60
COLLECTIONS.....	Departmental Accountant Grade III.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	8
	Clerk Grade III.....	10
	Clerk, Stenographer, Typist Grade II.....	35
	Clerk, Stenographer, Typist Grade I.....	15
CASHIERS.....	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	3
	Clerk Grade III.....	9
	Clerk Grade II.....	25
	Clerk, Stenographer, Typist Grade I.....	25
RECEIPT CONTROL.....	Clerk Grade III.....	1
FILING DEPARTMENT.....	Principal Clerk.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	3
	Clerk Grade II.....	12
	Clerk Grade I.....	52
MAIL AND STATIONERY.....	Principal Clerk.....	1
	Clerk Grade IV.....	1
	Clerk Grade II.....	5
	Clerk Grade I.....	10

ESTABLISHMENT OF PROPOSED TORONTO CITY OFFICE—*Conc.*

ASSESSING—		
<i>Corporation</i>	Chief Auditor.....	1
Supervisors.....	Assessors Grade V.....	3
	Assessor Grade IV.....	20
	Assessor Grade III.....	20
	Assessor Grade II.....	25
	Assessor Grade I.....	6
	Clerk Grade IV.....	6
	Clerk Grade III.....	1
	Clerk, Stenographer, Typist Grade II.....	2
	Clerk, Stenographer, Typist Grade I.....	6
<i>Individual</i>	Chief Auditor.....	1
Assistant.....	Assessor Grade V.....	1
	Clerk Grade III.....	1
Salary and Investment Income.....	Assessor Grade IV.....	1
	Assessor Grade II.....	6
	Assessor Grade I.....	12
	Clerk Grade IV.....	42
	Clerk Grade III.....	14
	Clerk Grade II.....	43
	Clerk Grade I.....	2
Business and Professionals.....	Assessor Grade IV.....	3
	Assessor Grade III.....	14
	Assessor Grade II.....	40
	Assessor Grade I.....	52
	Clerk Grade II.....	1
Checkers.....	Assessor Grade IV.....	1
	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	7
	Clerk Grade IV.....	2
	Clerk Grade I.....	1
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade V.....	1
	Assessor Grade IV.....	1
Files of Deceased.....	Assessor Grade III.....	1
	Assessor Grade II.....	2
	Assessor Grade I.....	5
	Clerk Grade IV.....	3
	Clerk Grade II.....	2
	Clerk Grade I.....	1
Estates (T.3).....	Assessor Grade III.....	1
	Assessor Grade II.....	2
	Assessor Grade I.....	2
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	1
Succession Duties.....	Assessor Grade III.....	1
	Assessor Grade II.....	4
	Assessor Grade I.....	4
	Clerk Grade IV.....	2
	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Stenographer Grade III.....	1
Stenographers and Typists.....	Stenographer Grade II.....	5
	Stenographer Grade I.....	2
	Typist Grade II.....	2
	Typist Grade I.....	3
Non-Resident Tax.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Clerk Grade I.....	2
	Stenographer Grade II.....	1
STENOGRAPHERS POOL AND T.7.....	Clerk Grade IV.....	1
	Clerk, Stenographer, Typist Grade III.....	6
	Clerk, Stenographer, Typist Grade II.....	30
	Clerk, Stenographer, Typist Grade I.....	30

ESTABLISHMENT OF PROPOSED TORONTO CITY DISTRICT—*Cont.*

TAX REDUCTION AND PAY ROLL AUDIT.....	Assessor Grade IV.....	1
T.4 Information.	Assessor Grade II.....	1
	Assessor Grade I.....	8
	Clerk Grade IV.....	38
	Clerk Grade III.....	6
	Clerk, Stenographer, Typist Grade II.....	26
	Clerk, Stenographer, Typist Grade I.....	20
TAX ROLL.....	Departmental Accountant Grade III.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	7
	Clerk, Stenographer, Typist Grade II.....	38
	Clerk, Stenographer, Typist Grade I.....	44
		<u>1,093</u>

SUMMARY

		Salary
Inspector.....	1	\$ 6,360
Assistant Inspector.....	1	4,800
Chief Auditors.....	2	10,200
Executive Assistant.....	1	4,500
Assessor Grade V.....	5	19,650
Assessor Grade IV.....	28	97,440
Assessor Grade III.....	38	116,280
Assessor Grade II.....	84	221,760
Assessor Grade I.....	97	218,250
Departmental Accountant Grade IV.....	1	3,360
Departmental Accountant Grade III.....	2	5,820
Departmental Accountant Grade 2.....	2	4,920
Departmental Accountant Grade I.....	2	3,960
Principal Clerk.....	2	4,320
Clerk Grade IV.....	121	214,170
Clerk Stenographer, Typist Grade III.....	77	115,500
Clerk, Stenographer, Typist Grade II.....	355	436,650
Clerk, Stenographer, Typist Grade I.....	274	238,380
		<u>\$1,726,320</u>

TORONTO No. 2 DISTRICT

1. TERRITORY (area: 10,970 square miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Dufferin.....	9,730	4,345	14,075	3,000	5	121
Durham.....	14,554	10,661	25,215	3,000	17	220
Grey.....	31,611	25,549	57,160	18,150	74	577
Haliburton.....	6,695	.....	6,695	500	1	49
Muskoka.....	13,389	8,446	21,835	1,500	33	283
Ontario.....	28,653	37,065	65,718	20,200	85	582
Peel.....	22,073	9,466	31,539	6,050	36	373
Simcoe.....	41,760	45,297	87,057	20,200	105	880
Victoria.....	14,341	11,593	25,934	6,000	17	321
York.....	28,972	12,649	41,621	6,000	51	430
	211,778	165,071	376,849	84,600	424	3,836

2. ESTIMATED COLLECTIONS—

Individuals.....	\$35,000,000
Corporations.....	14,100,000
Succession Duties.....	864,000
	<u>\$49,964,000</u>

TORONTO No. 2 DISTRICT—*Conc.*

3. MAJOR CITIES AND TOWNS—

		Distance from Toronto
Bowmanville.....	4,113	43
Owen Sound.....	14,002	118
Port Hope.....	5,055	63
Oshawa.....	26,813	34
Whitby.....	5,904	29
Newmarket.....	4,026	34
Brampton.....	6,020	21
Barrie.....	9,725	64
Collingwood.....	6,270	94
Midland.....	6,800	102
Orillia.....	9,798	86
Penetanguishene.....	4,521	102
Lindsay.....	8,403	69

NOTE: York County above is the portion outside the proposed Toronto City District.

ESTABLISHMENT OF PROPOSED TORONTO No. 2 DISTRICT

Inspector.....	Grade.....	1
Inspector's Secretary.....	Clerk Grade IV.....	1
<i>Personnel</i>	Clerk Grade II.....	1
	Typist Grade I.....	1
Executive Assistant— Executive Assistant Secretary.....	Stenographer Grade III.....	1
ACCOUNTING.....	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	30
	Clerk, Stenographer, Typist Grade I.....	13
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	8
	Stenographer and Typist Grade I.....	8
ASSESSING— <i>Corporation</i> —Chief.....	Assessor Grade V.....	1
	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	2
	<i>Individual</i>	Assessor Grade IV.....	1
Salary and Investment Income.....	Assessor Grade II.....	1
Memo. 47.....	Assessor Grade I.....	2
	Clerk Grade IV.....	4
	Clerk Grade III.....	3
	Clerk Grade II.....	10
Business Returns.....	Assessor Grade III.....	4
	Assessor Grade II.....	6
	Assessor Grade I.....	9
Checkers.....	Assessor Grade II.....	1
	Assessor Grade I.....	2
	Clerk Grade IV.....	2
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	5
	Clerk Grade IV.....	4
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	3
	Clerk Grade II.....	10
	Clerk Grade I.....	2
	Stenographer Grade II.....	1
	Stenographer and Typist Grade I.....	3

ESTABLISHMENT OF PROPOSED TORONTO NO. 2 DISTRICT—*Cont.*

FILING DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	11
MAIL ROOM AND STOCK ROOM.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	3
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	6
	Stenographer Grade I.....	6
TAX DEDUCTION AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	2
	Clerk Grade IV.....	7
	Clerk, Stenographer, Typist Grade III.....	1
	Clerk, Stenographer, Typist Grade II.....	9
	Clerk, Stenographer, Typist Grade I.....	6
TAX ROLL T.4-5-609.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade II.....	8
	Clerk Grade I.....	12
	Stenographer Grade II.....	1
	Typist Grade I.....	4

245

SUMMARY

Inspector.....	1	Salary	\$ 4,500
Executive Assistant.....	1		4,000
Assessor Grade V.....	1		3,930
Assessor Grade IV.....	2		6,960
Assessor Grade III.....	6		18,360
Assessor Grade II.....	12		31,680
Assessor Grade I.....	20		45,000
Departmental Accountant Grade II.....	2		4,920
Departmental Accountant Grade I.....	1		1,980
Clerk Grade IV.....	24		42,480
Clerk, Stenographer Typist Grade III.....	17		25,500
Clerk, Stenographer Typist Grade II.....	88		108,240
Clerk, Stenographer Typist Grade I.....	70		60,900
	245		\$358,450

HAMILTON DISTRICT

1. TERRITORY (area: 2,364 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Wentworth.....	33,191	173,530	206,721	85,629	634	3,027
Halton.....	13,996	14,519	28,515	5,704	37	419
Brant.....	20,110	36,585	56,695	19,350	146	762
Haldimand.....	13,670	8,184	21,854	3,700	41	338
Norfolk.....	23,541	12,070	35,611	5,415	47	490
	104,508	244,888	349,396	119,798	905	5,036

2. ESTIMATED COLLECTIONS—

Individuals.....	\$35,081,584
Corporations.....	40,066,774
Succession Duties.....	742,382
	75,890,740

3. MAJOR CITIES AND TOWNS—

		Distance from Hamilton
Hamilton.....	166,337	—
Dundas.....	5,276	7
Oakville.....	4,115	18
Brantford.....	31,948	25
Paris.....	4,637	32
Dunnville.....	4,028	35
Simcoe.....	6,037	43

ESTABLISHMENT OF PROPOSED HAMILTON OFFICE

Inspector.....	Grade.....	1
Assistant Inspector.....		1
Inspector's Secretary and Staff Record Clerk, etc....	Clerk Grade IV.....	2
	Clerk Grade II.....	1
	Stenographer Grade III.....	2
ACCOUNTING.....	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	4
	Clerk Grade II.....	32
	Stenographer Grade I.....	5
	Typist Grade I.....	10
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	6
	Typist Grade I.....	9
ASSESSING—		
Chief Assessor.....	Assessor Grade V.....	1
Corporation.....	Assessor Grade IV.....	3
	Assessor Grade III.....	5
	Assessor Grade II.....	3
Business and Professionals.....	Assessor Grade IV.....	1
	Assessor Grade III.....	1
	Assessor Grade II.....	6
	Assessor Grade I.....	15
	Clerk Grade IV.....	5
Memo. 47.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	4
	Clerk Grade II.....	15
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade III.....	1
	Assessor Grade II.....	2
	Assessor Grade I.....	2
	Clerk Grade IV.....	4
	Clerk Grade III.....	1
	Stenographer and Typist Grade II.....	2
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	4
	Clerk Grade III.....	2
	Clerk Grade II.....	10
	Clerk Grade I.....	2
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
	Typist Grade I.....	3
TAX ROLL FILING T.4, T.5, 609.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	3
	Clerk Grade III.....	4
	Clerk Grade II.....	12
	Clerk Grade I.....	20
	Stenographer Grade I.....	3
	Typist Grade I.....	12
MAIL ROOM.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	3
STOCK ROOM.....	Clerk Grade IV.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	11
	Stenographer Grade I.....	7
	Typist Grade I.....	3
TAX DEDUCTION AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	2
	Clerk Grade IV.....	12
	Clerk Grade III.....	2
	Clerk Grade II.....	8
	Stenographer Grade I.....	2
	Typist Grade I.....	4

ESTABLISHMENT OF PROPOSED HAMILTON OFFICE—*Cont.*

SUMMARY

		Salary
Inspector.....	1	\$ 5,520
Assistant Inspector.....	1	4,380
Assessor Grade V.....	1	3,930
Assessor Grade IV.....	4	13,920
Assessor Grade III.....	7	21,420
Assessor Grade II.....	12	31,680
Assessor Grade I.....	20	45,000
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant.....	2	3,960
Clerk Grade IV.....	36	63,720
Clerk, Stenographer, Typist Grade III.....	24	36,000
Clerk, Stenographer, Typist Grade II.....	100	123,000
Clerk, Stenographer, Typist Grade I.....	84	73,080
		\$428,070

ST. CATHARINES DISTRICT

1. TERRITORY (area: 719 square miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Lincoln.....	24,894	40,172	65,066	20,884	184	1,102
Welland.....	35,888	57,948	93,836	37,670	229	1,436
	60,782	98,120	158,902	58,554	413	2,538

2. ESTIMATED COLLECTIONS—

Individuals.....	\$17,145,000
Corporations.....	18,300,000
Succession Duties.....	362,000
	\$35,807,000

3. MAJOR CITIES AND TOWNS—

	Distance from St. Catharines
St. Catharines.....	30,275
Niagara Falls.....	14
Welland.....	12,500
Fort Erie.....	6,595
Port Colborne.....	6,993
Thorold.....	5,305

ESTABLISHMENT OF PROPOSED ST. CATHARINES OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Office Manager.....	Departmental Accountant Grade III.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	20
	Stenographer Grade I.....	2
	Typist Grade I.....	7
CASHIER'S DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Typist Grade I.....	5

ESTABLISHMENT OF PROPOSED ST. CATHARINES OFFICE—*Conc.*

ASSESSING—		
Chief Assessor.....	Assessor Grade IV.....	1
Corporation.....	Assessor Grade III.....	2
	Assessor Grade II.....	2
Business and Professionals.....	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	8
	Clerk Grade IV.....	2
Memo. 47.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	2
	Clerk Grade II.....	6
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	3
	Clerk Grade IV.....	2
	Typist Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	5
	Clerk Grade I.....	1
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
TAX ROLL FILING T.4, T.5, 609.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk, Grade III.....	2
	Clerk, Grade II.....	6
	Clerk, Grade I.....	11
	Stenographer Grade II.....	1
	Stenographer and Typist Grade I.....	7
MAIL ROOM.....	Clerk Grade II.....	2
	Clerk Grade I.....	2
STOCK ROOM.....	Clerk, Grade III.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	4
	Stenographer Grade I.....	4
TAX DEDUCTION AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	5
	Clerk Grade III.....	1
	Clerk Grade II.....	5
	Stenographer and Typist Grade II.....	2
	Typist Grade I.....	4
		<u>160</u>

SUMMARY

		Salary
Inspector.....	1	\$ 4,020
Assessor Grade IV.....	1	3,480
Assessor Grade III.....	3	9,180
Assessor Grade II.....	7	18,480
Assessor Grade I.....	13	29,250
Departmental Accountant Grade III.....	1	2,910
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	15	26,550
Clerk, Stenographer, Typist Grade III.....	13	19,500
Clerk, Stenographer, Typist Grade II.....	57	70,110
Clerk, Stenographer, Typist Grade I.....	46	40,020
		<u>\$229,440</u>

KITCHENER DISTRICT

1. TERRITORY (area: 5,320 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Waterloo.....	24,755	73,965	98,720	29,855	314	1,654
Wellington.....	25,082	34,371	59,453	11,895	93	807
Perth.....	22,580	27,114	49,694	9,077	64	646
Huron.....	29,580	14,162	43,742	3,711	30	450
Bruce.....	25,057	16,623	41,680	4,354	59	389
	127,054	166,235	293,289	58,892	560	3,946

2. ESTIMATED COLLECTIONS—

Individuals.....	\$17,527,000
Corporations.....	24,830,000
Succession Duties.....	325,000
	<u>\$42,682,000</u>

3. MAJOR CITIES AND TOWNS—

		Distance from Kitchener
Galt.....	15,346	11
Kitchener.....	35,657	—
Preston.....	6,704	8
Waterloo.....	9,025	2
Guelph.....	23,273	15
Stratford.....	17,028	27
Goderich.....	4,557	72

ESTABLISHMENT OF PROPOSED KITCHENER OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Office Manager.....	Departmental Accountant Grade III.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	22
	Stenographer Grade I.....	2
	Typist Grade I.....	7
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	5
	Typist Grade I.....	5
ASSESSING—		
Chief Assessor.....	Assessor Grade IV.....	1
Corporation.....	Assessor Grade III.....	2
	Assessor Grade II.....	3
Business and Professionals.....	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	8
	Clerk Grade IV.....	2
Memo. 47.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	2
	Clerk Grade II.....	6
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	3
	Clerk Grade IV.....	2
	Stenographer or Typist Grade I.....	1

ESTABLISHMENT OF PROPOSED KITCHENER OFFICE—*Conc.*

COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	6
	Clerk Grade I.....	1
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
	Typist Grade I.....	1
TAX ROLL FILING T.4, T. 609.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	6
	Clerk Grade I.....	12
	Stenographer and Typist Grade II.....	1
	Stenographer and Typist Grade I.....	7
MAIL ROOM.....	Clerk Grade II.....	2
	Clerk Grade I.....	2
STOCK ROOM.....	Clerk Grade III.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	5
	Stenographer Grade I.....	5
TAX DEDUCTIONS AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	7
	Clerk Grade III.....	1
	Clerk Grade II.....	7
	Stenographer and Typist Grade II.....	2
	Typist Grade I.....	5

173

SUMMARY

Inspector.....	1	\$ 4,020
Assessor Grade IV.....	1	3,480
Assessor Grade III.....	3	9,180
Assessor Grade II.....	8	21,120
Assessor Grade I.....	13	29,250
Departmental Accountant Grade III.....	1	2,910
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	17	30,090
Clerk, Stenographer, Typist Grade III.....	13	19,500
Clerk, Stenographer, Typist Grade II.....	64	78,720
Clerk, Stenographer, Typist Grade I.....	49	42,630
	<u>173</u>	<u>\$246,840</u>

LONDON DISTRICT

1. TERRITORY (area: 3,849 square miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Middlesex.....	42,458	84,708	127,166	37,278	362	2,015
Oxford.....	26,567	24,407	50,974	11,337	115	754
Elgin.....	22,435	23,715	46,150	8,057	60	945
Lambton.....	28,347	28,578	56,925	13,487	88	763
	<u>119,807</u>	<u>161,408</u>	<u>281,215</u>	<u>70,159</u>	<u>625</u>	<u>4,477</u>

2. ESTIMATED COLLECTIONS—

Individuals.....	\$21,624,671
Corporations.....	27,822,321
Succession Duties.....	274,241
	<u>\$49,721,233</u>

LONDON DISTRICT—*Conc.*

3. MAJOR CITIES AND TOWNS—

		Distance from London
London.....	78,264	—
Woodstock.....	12,461	29
Ingersoll.....	5,782	20
Tillsonburg.....	4,002	36
St. Thomas.....	17,132	18
Sarnia.....	18,734	59

ESTABLISHMENT OF PROPOSED LONDON OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary, etc.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Executive Assistant—	Clerk Grade I.....	1
Executive Assistant—Secretary.....	Clerk Grade III.....	1
	Stenographer Grade II.....	1
ACCOUNTING.....	Departmental Accountant Grade II.....	1
(including T.6-7-8).	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	25
	Clerk, Stenographer, Typist Grade I.....	11
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	6
	Typist Grade I.....	6
ASSESSING—	Assessor Grade IV.....	1
Corporation.....	Assessor Grade III.....	2
	Assessor Grade II.....	3
Business and Professionals.....	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	4
	Assessor Grade I.....	9
	Clerk Grade IV.....	2
Memo. 47 and 47 M.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	2
	Clerk Grade II.....	8
Estates and Succession Duties.....	Assessor Grade II.....	1
	Assessor Grade I.....	4
	Clerk Grade IV.....	3
	Stenographer Grade II.....	1
	Stenographer or Typist Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk, Grade IV.....	2
	Clerk Grade III.....	2
	Clerk, Grade II.....	7
	Clerk Grade I.....	1
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
	Typist Grade I.....	1
TAX ROLL FILING, T.4-5-609.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	7
	Clerk Grade I.....	14
	Stenographer and Typist Grade II.....	1
	Stenographer and Typist Grade I.....	7
TAX DEDUCTION AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	2
	Clerk Grade IV.....	7
	Clerk Grade III.....	1
	Clerk Stenographer, Typist Grade II.....	9
	Clerk, Stenographer, Typist Grade I.....	6
MAIL ROOM.....	Clerk Grade II.....	2
	Clerk Grade I.....	2
STOCK ROOM.....	Clerk, Grade III.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	5
	Stenographer Grade I.....	5

ESTABLISHMENT OF PROPOSED LONDON OFFICE—*Cont.*

SUMMARY

		Salary
Inspector.....	1	\$ 5,340
Executive Assistant.....	1	3,930
Assessor Grade IV.....	2	6,960
Assessor Grade III.....	4	12,240
Assessor Grade II.....	9	23,760
Assessor Grade I.....	16	36,000
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant, Grade I.....	2	3,960
Clerk, Grade IV.....	20	35,400
Clerk, Stenographer, Typist Grade III.....	14	21,000
Clerk, Stenographer, Typist Grade II.....	74	91,020
Clerk, Stenographer, Typist, Grade I.....	56	48,720
		\$290,790

WINDSOR DISTRICT

1. TERRITORY (area: 1,625 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Essex.....	44,439	129,791	174,230	63,725	566	2,673
Kent.....	34,222	32,124	66,346	11,763	90	914
	78,661	161,915	240,576	75,488	656	3,587

2. ESTIMATED COLLECTIONS—

Individuals.....	\$23,380,000
Corporations.....	29,220,000
Succession Duties.....	297,000
	\$52,897,000

3. MAJOR CITIES AND TOWNS—

		Distance from Windsor
Windsor.....	105,311	—
Leamington.....	5,858	33
Riverside.....	4,878	5
Chatham.....	17,369	51
Wallaceburg.....	4,986	68

ESTABLISHMENT OF PROPOSED WINDSOR OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Records Clerks.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	1
Executive Assistant.....	Clerk Grade III.....	1
	Stenographer Grade II.....	1
ACCOUNTING..... (Incl. T.6-7-8).	Departmental Accountant Grade II.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	26
CASHIERS DEPARTMENT.....	Clerk Grade I.....	12
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
ASSESSING—	Clerk Grade II.....	7
	Typist Grade I.....	7
	Assessor Grade IV.....	1
<i>Corporation</i>	Assessor Grade III.....	3
	Assessor Grade II.....	3
	Assessor Grade IV.....	1
<i>Business and Prof.</i>	Assessor Grade III.....	2
	Assessor Grade II.....	4
	Assessor Grade I.....	10
	Clerk Grade IV.....	2
<i>Memo. 47</i>	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	2
	Clerk Grade II.....	9

ESTABLISHMENT OF PROPOSED WINDSOR OFFICE—*Contc.*

ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	4
	Clerk Grade IV.....	3
	Stenographer Grade II.....	1
	Stenographer and Typist Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	3
	Clerk Grade III.....	2
	Clerk Grade II.....	8
	Clerk Grade I.....	1
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1
TAX ROLL FILING T.4-5-609.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	8
	Clerk Grade I.....	15
	Stenographer and Typist Grade II.....	1
	Stenographer and Typist Grade I.....	7
MAIL ROOM.....	Clerk Grade II.....	2
	Clerk Grade I.....	3
STOCK ROOM.....	Clerk Grade III.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	6
	Stenographer Grade I.....	6
TAX DEDUCTION AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	2
	Clerk Grade IV.....	7
	Clerk Grade III.....	1
	Clerk, Stenographer, Typist Grade II.....	9
	Clerk, Stenographer, Typist Grade I.....	6
		214

SUMMARY

Inspector.....	1	\$ 4,500
Executive Assistant.....	1	4,000
Assessor Grade IV.....	2	6,960
Assessor Grade III.....	5	15,300
Assessor Grade II.....	9	23,760
Assessor Grade I.....	17	38,250
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	21	37,170
Clerk, Stenographer, Typist Grade III.....	14	21,000
Clerk, Stenographer, Typist Grade II.....	80	98,400
Clerk, Stenographer, Typist Grade I.....	61	53,070
	214	\$308,830

KIRKLAND LAKE DISTRICT

1. TERRITORY (area: 143,835 sq. miles)

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Cochrane.....	42,076	38,654	80,730	20,377	66	928
Temiskaming, (Ont.).....	39,273	11,331	50,604	9,896	82	622
Témiscamingue, (Que.).....	23,356	17,115	40,471	7,063	20	478
Abitibi, (Que.).....	49,569	18,120	67,689	8,764	44	422
	154,274	85,220	239,494	46,100	212	2,450

2. ESTIMATED COLLECTIONS—

Individuals.....	\$15,230,000
Corporations.....	5,102,000
Succession Duties.....	200,000
	\$20,532,000

KIRKLAND LAKE DISTRICT—*Contc.*

3. MAJOR CITIES AND TOWNS—		Distance from Kirkland Lake
Timmins.....	28,790	99
Noranda.....	4,576	
Rouyn.....	8,808	54
Val D'Or.....	4,385	119
Kirkland Lake.....	20,000 (approx.)	

ESTABLISHMENT OF PROPOSED KIRKLAND LAKE OFFICE

Inspector.....		1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Office Manager.....	Departmental Accountant Grade II.....	1
ACCOUNTING—		
Ledger Clerks, Interest, T.6-7-8.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	8
	Clerk Grade I.....	3
	Typist Grade II.....	2
	Typist Grade I.....	2
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	2
ASSESSING—		
Corporation, E.P.T. and Individual.....	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	3
	Assessor Grade I.....	4
	Clerk Grade IV.....	2
Memo. 47.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade II.....	4
	Clerk Grade I.....	2
	Stenographer Grade I.....	1
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade I.....	1
	Clerk Grade IV.....	1
	Stenographer Grade II.....	1
	Typist Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	4
	Stenographer Grade I.....	1
	Typist Grade I.....	1
FILING AND TRANSFERS.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	4
	Typist Grade I.....	2
SUPPLIES AND STATIONERY.....	Clerk Grade III.....	1
MAIL.....	Clerk Grade II.....	1
	Clerk Grade I.....	1
	Typist Grade I.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	2
	Typist Grade I.....	4
TAX DEDUCTIONS AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	5
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Stenographer Grade II.....	1
	Clerk Grade I.....	3
TAX ROLL AND INFORMATION.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	2
	Clerk Grade II and Stenographer Grade II..	5
	Clerk Grade I.....	6
	Stenographer and Typist Grade I.....	2

SPECIAL COMMITTEE

SUMMARY

		Salary
Inspector.....	1	\$ 4,020
Assessor Grade IV.....	1	3,480
Assessor Grade III.....	2	6,120
Assessor Grade II.....	4	10,560
Assessor Grade I.....	7	15,750
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	12	21,240
Clerk, Stenographer, Typist Grade III.....	11	16,500
Clerk, Stenographer, Typist Grade II.....	37	45,510
Clerk, Stenographer, Typist Grade I.....	36	31,320
	<u>115</u>	<u>\$162,900</u>

SUDBURY DISTRICT

1. TERRITORY (area: 50,862 sq. miles)

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Parry Sound.....	20,298	9,785	30,083	2,014	15	358
Algoma.....	21,520	30,482	52,002	16,339	43	468
Sudbury.....	37,957	42,858	80,815	24,065	75	1,100
Nipissing.....	19,668	23,647	43,315	7,168	60	551
Manitoulin.....	9,051	1,790	10,841	658	.....	105
	<u>108,494</u>	<u>108,562</u>	<u>217,056</u>	<u>50,244</u>	<u>193</u>	<u>2,582</u>

2. ESTIMATED COLLECTIONS—

Individuals.....	\$16,414,000
Corporations.....	4,586,000
Succession Duties.....	210,000
	<u>\$ 21,210,000</u>

3. MAJOR CITIES AND TOWNS—

	Distance from Sudbury	
Sudbury.....	32,203	—
Sault Ste. Marie.....	23,794	183
Parry Sound.....	5,765	105
North Bay.....	15,599	79
Sturgeon Falls.....	4,576	56

ESTABLISHMENT OF PROPOSED SUDBURY OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Record Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Office Manager.....	Departmental Accountant Grade II.....	1
ACCOUNTING—		
Ledger Clerks; Interest; T.6, T.7, T.8.....	Chief Departmental Accountant Grade I....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	9
	Clerk Grade I.....	3
	Typist Grade II.....	2
	Typist Grade I.....	2
CASHIERS DEPARTMENT.....		
Head Cashier—Clerk Grade IV.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	3
ASSESSING—		
Corporation E.P.T. and Individuals.....	Chief Assessor—Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	4
	Assessor Grade I.....	4
	Clerk Grade IV.....	2
Memo. 47.....	Chief Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade II.....	6
	Clerk Grade I.....	2
	Stenographer Grade I.....	1

ESTABLISHMENT OF PROPOSED SUDBURY OFFICE—*Conc.*

ESTATES AND SUCCESSION DUTIES.....	Assessor Grade I.....	1
	Clerk Grade IV.....	1
	Stenographer Grade II.....	1
	Typist Grade I.....	1
COLLECTIONS.....	Chief Departmental Accountant Grade I....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	4
	Stenographer Grade II.....	1
	Typist Grade I.....	1
FILING AND TRANSFERS.....	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	4
	Typist Grade I.....	3
SUPPLIES AND STATIONERY.....	Clerk Grade III.....	1
MAIL.....	Clerk Grade II.....	1
	Clerk Grade I.....	1
	Typist Grade I.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	3
	Typist Grade I.....	4
TAX DEDUCTIONS AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	5
	Clerk Grade III.....	1
	Stenographer Grade II.....	1
	Clerk Grade II.....	5
Clerk Grade I.....	3	
TAX ROLL AND INFORMATION.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	2
	Clerk and Stenographer Grade II.....	5
	Clerk Grade I.....	6
	Stenographer and Typist Grade I.....	3

124

SUMMARY

		Salary
Inspector.....	1	\$ 4,020
Assessor Grade IV.....	1	3,480
Assessor Grade III.....	2	6,120
Assessor Grade II.....	5	13,200
Assessor Grade I.....	7	15,750
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	13	23,010
Clerk, Stenographer, Typist Grade III.....	10	15,000
Clerk, Stenographer, Typist Grade II.....	43	52,890
Clerk, Stenographer, Typist Grade I.....	38	33,060
	<u>124</u>	<u>\$ 174,930</u>

FORT WILLIAM DISTRICT

1. TERRITORY (area: 212,967 sq. miles)—

Districts	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Thunder Bay.....	27,210	57,990	85,200	28,715	157	1,164
Kenora (including Patricia).....	20,749	12,623	33,372	5,089	42	375
Rainy River.....	12,030	7,102	19,132	3,625	24	258
	59,989	77,715	137,704	37,429	223	1,797

FORT WILLIAM DISTRICT—*Cont.*

2. ESTIMATED COLLECTIONS—

Individuals.....	\$ 9,415,496
Corporations.....	2,994,736
Succession Duties.....	20,010
	\$12,430,242

3. MAJOR CITIES AND TOWNS—

		Distance from	
		Fort William	Winnipeg
Fort William.....	30,585	—	419
Port Arthur.....	24,426	4.4	423
Kenora.....	7,745	293	126
Fort Frances.....	5,897	231	208

ESTABLISHMENT OF PROPOSED FORT WILLIAM OFFICE

Inspector.....		1
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Office Manager.....	Departmental Accountant Grade II.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	6
	Clerk, Stenographer and Typist Grade I.....	4
CASHIERS DEPARTMENT.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	2
ASSESSING—		
<i>Corporations</i>	Assessor Grade III.....	1
	Assessor Grade II.....	2
<i>Individuals—</i>		
<i>E.P.T.—Business and Professional</i>	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	5
<i>Memo. 47</i>	Clerk Grade IV.....	1
	Clerk Grade II.....	5
TAX DEDUCTION AND T.4 PAY ROLL AUDIT.....	Assessor Grade I.....	1
	Clerk Grade IV.....	4
	Clerk Grade III.....	1
	Clerk and Stenographer Grade II.....	4
	Clerk and Typist Grade I.....	3
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Clerk, Stenographer and Typist Grade I.....	2
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer and Typist Grade II.....	3
	Stenographer and Typist Grade I.....	3
MAIL, STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk and Typist Grade I.....	2
FILING AND TRANSFERS.....	Clerk Grade IV.....	1
	Clerk Grade II.....	3
	Clerk and Typist Grade I.....	3
TAX ROLL.....	Clerk Grade IV.....	1
	Clerk Grade II.....	4
	Clerk and Typist Grade I.....	6
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk and Stenographer Grade II.....	2
	Clerk and Typist Grade I.....	1

SUMMARY

		Salary
Inspector.....	1	\$ 3,720
Assessor Grade III.....	2	6,120
Assessor Grade II.....	5	13,200
Assessor Grade I.....	7	15,750
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	11	19,470
Clerk and Stenographer Grade III.....	7	10,500
Clerk, Stenographer, Typist Grade II.....	35	43,050
Clerk, Stenographer, Typist Grade I.....	26	22,620
	<u>97</u>	<u>\$140,850</u>

WINNIPEG DISTRICT

1. TERRITORY (area: 219,723 sq. miles)—

Districts	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Winnipeg.....	27,968	224,790	252,758	115,180	1,928	9,663
Brandon.....	16,334	22,171	38,505	10,060	81	351
Churchill.....	34,438	4,604	39,042	6,994	26	58
Dauphin.....	32,249	8,197	40,446	2,701	20	87
Lisgar.....	25,841	4,534	30,375	3,344	10	35
Macdonald.....	34,278	1,859	36,137	3,892	10	58
Marquette.....	29,895	5,816	35,711	3,459	18	70
Neepawa.....	26,143	3,892	30,035	3,466	20	70
Portage la Prairie.....	21,633	7,332	28,965	6,536	20	87
Provencher.....	36,362	1,807	38,169	1,828	20	46
St. Boniface.....	12,653	23,652	36,305	8,304	26	87
Selkirk.....	48,635	7,695	56,330	2,887	15	58
Souris.....	18,083	3,965	22,048	3,071	15	29
Springfield.....	48,359	1,559	44,918	644	15	23
	<u>407,871</u>	<u>321,873</u>	<u>729,744</u>	<u>172,366</u>	<u>2,224</u>	<u>10,722</u>

2. ESTIMATED COLLECTIONS—

Individuals.....	\$36,529,303
Corporations.....	27,387,792
Succession Duties.....	231,990
	<u>\$64,149,085</u>

3. MAJOR CITIES AND TOWNS—

		Distance from Winnipeg
Winnipeg.....	221,960	—
St. Boniface.....	18,157	—
Transcona.....	5,495	7
Portage la Prairie.....	7,187	56
Brandon.....	17,383	133
Selkirk.....	4,915	23
Dauphin.....	4,622	177

ESTABLISHMENT OF PROPOSED WINNIPEG OFFICE

Inspector.....		1
Assistant Inspector.....		1
Secretaries and Staff Record Clerks.....	Clerk Grade IV.....	1
	Stenographer Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	2
ACCOUNTING.....	Departmental Accountant Grade II.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	6
	Clerk, Stenographer, Typist Grade II.....	32
	Clerk, Stenographer, Typist Grade I.....	18

ESTABLISHMENT OF PROPOSED WINNIPEG OFFICE—*Conc.*

CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	6
	Typist Grade I.....	9
ASSESSING— <i>Corporation</i>	Assessor Grade V.....	1
	Assessor Grade IV.....	5
	Assessor Grade III.....	10
	Assessor Grade II.....	11
	Assessor Grade I.....	1
<i>Individual— Business and Professional</i>	Assessor Grade V.....	1
	Assessor Grade IV.....	2
	Assessor Grade III.....	4
	Assessor Grade II.....	10
	Assessor Grade I.....	32
	Clerk Grade IV.....	15
<i>Memo. 47</i>	Assessor Grade II.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	6
	Clerk Grade II.....	22
	Clerk Grade I.....	3
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	4
	Clerk Grade IV.....	5
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk, Stenographer, Typist Grade I.....	2
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	5
	Clerk Grade III.....	4
	Clerk, Stenographer, Typist Grade II.....	12
	Clerk, Stenographer, Typist Grade I.....	4
TAX ROLL, FILING AND INFORMATION.....	Departmental Accountant, Grade II.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	4
	Clerk Grade II.....	15
	Clerk, Stenographer, Typist Grade I.....	60
MAIL AND SUPPLIES.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Clerk and Typist Grade I.....	5
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	12
	Stenographer Grade I.....	12
TAX DEDUCTION AND PAY ROLL AUDIT.....	Assessor Grade III.....	1
	Assessor Grade I.....	4
	Clerk Grade IV.....	14
	Clerk Grade III.....	3
	Clerk Grade II.....	12
	Clerk Grade I.....	4
	Stenographer Grade II.....	1
	Stenographer Grade I.....	1

413

SUMMARY

		Salary
Inspector.....	1	\$ 5,340
Assistant Inspector.....	1	4,080
Assessor Grade V.....	2	7,860
Assessor Grade IV.....	7	24,360
Assessor Grade III.....	16	48,960
Assessor Grade II.....	25	66,000
Assessor Grade I.....	41	92,250
Departmental Accountant Grade II.....	2	4,290
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	46	81,420
Clerk, Stenographer, Grade III.....	30	45,000
Clerk, Stenographer, Typist Grade II.....	119	146,370
Clerk, Stenographer, Typist Grade I.....	120	104,400
	413	\$636,900

REGINA DISTRICT

1. TERRITORY (area: 60,000 sq. miles approx.)—

Districts	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Assiniboia.....	23,722	9,699	33,421	2,820	26	477
Lake Centre (part).....	19,172	7,042	26,214	2,470	20	332
Maple Creek.....	26,248	7,981	34,229	2,591	19	454
Melville.....	35,336	11,775	47,111	2,558	7	430
Moose Jaw.....	14,734	24,372	39,106	9,429	134	552
Regina.....	58,245	58,245	58,245	24,833	17	386
Qu'Appelle.....	25,733	9,543	35,276	2,838	309	452
Swift Current.....	27,800	11,903	39,703	3,779	22	440
Weyburn.....	26,364	11,873	38,237	4,220	30	462
Wood Mountain.....	29,142	7,386	36,528	2,165	10	405
Yorkton (part).....	37,925	11,961	49,886	3,185	36	455
Mackenzie (part).....	2,367	1,498	3,865			
	268,543	173,278	441,821	60,888	630	4,845

2. ESTIMATED COLLECTIONS—

Individuals.....	\$10,087,325
Corporations.....	2,115,425
Succession Duties.....	128,067
	<u>\$12,330,817</u>

3. MAJOR CITIES AND TOWNS—

		Distance from Regina
Regina.....	58,245	—
Weyburn.....	6,179	84
Melville.....	4,011	96
Moose Jaw.....	20,753	41
Swift Current.....	5,594	152
Yorkton.....	5,577	122

ESTABLISHMENT OF PROPOSED REGINA OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
Office Manager.....	Departmental Accountant Grade III.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	14
	Clerk Grade I.....	8
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	2
ASSESSING—		
Chief Assessor.....	Assessor Grade IV.....	1
Corporations.....	Assessor Grade III.....	2
	Assessor Grade II.....	3
	Assessor Grade I.....	1
Individuals.....	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	11
	Clerk Grade IV.....	11
	Clerk Grade II.....	9
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	3
	Stenographer and Typist Grade I.....	2

ESTABLISHMENT OF PROPOSED REGINA OFFICE—*Cont.*

TAX DEDUCTIONS AND INFORMATION.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	6
	Clerk Grade III.....	1
	Clerk and Stenographer Grade II.....	8
	Clerk, Stenographer, Typist Grade I.....	4
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	4
	Stenographer Grade I.....	4
TAX ROLL AND FILING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	7
	Clerk Grade I.....	12
	Typist and Stenographer Grade I.....	4
MAIL, STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	2
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Stenographer Grade II.....	1
	Typist Grade I.....	1

153

SUMMARY

Inspector.....	1	Salary	\$ 4,020
Assessor Grade IV.....	1		3,480
Assessor Grade III.....	3		9,180
Assessor Grade II.....	7		18,480
Assessor Grade I.....	14		31,500
Departmental Accountant Grade III.....	1		2,910
Departmental Accountant Grade I.....	3		5,940
Clerk Grade IV.....	24		42,480
Clerk, Stenographer Grade III.....	9		13,500
Clerk, Stenographer, Typist Grade II.....	51		62,730
Clerk, Stenographer, Typist Grade I.....	39		33,930
	153		\$228,150

SASKATOON DISTRICT OFFICE

1. TERRITORY (area: 177,975 sq. miles approx.)—

Districts	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
The Battlefords.....	32,027	12,957	44,984	1,930	44	515
Humboldt.....	36,042	7,250	43,292	2,265	31	205
Kindersley.....	25,658	6,920	32,578	1,957	31	310
Mackenzie (part).....	47,785	5,663	53,448	592	6	54
Melfort.....	45,824	7,251	53,075	1,786	31	209
North Battleford.....	47,749	4,580	52,329	2,395	19	205
Prince Albert.....	31,535	15,835	47,370	4,485	70	1,034
Rosetown-Biggar.....	24,254	8,316	32,570	3,500	44	414
Rosthern.....	32,677	7,013	39,690	1,895	13	209
Saskatoon.....	2,307	43,915	46,222	13,121	179	1,969
Lake Centre (part).....	6,052	2,168	8,220	140	2	54
Yorkton (part).....	393		393			
	332,303	121,868	454,171	34,066	470	5,178

2. ESTIMATED COLLECTIONS—

Individuals.....	\$4,968,928
Corporations.....	1,302,192
Succession Duties.....	74,979
	<u>\$6,346,099</u>

3. MAJOR CITIES AND TOWNS—

Saskatoon.....	43,027	Distance from Saskatoon	—
Prince Albert.....	12,508		126
North Battleford.....	4,745		96

ESTABLISHMENT OF PROPOSED SASKATOON OFFICE

Inspector.....		1
Office Manager.....	Departmental Accountant Grade II.....	1
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1
	Clerk Grade II.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	5
	Clerk Grade I.....	4
CASHIERS DEPARTMENT.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Typist Grade I.....	1
ASSESSING—		
<i>Corporations</i>	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	1
<i>Individual</i>	Assessor Grade III.....	1
	Assessor Grade II.....	3
	Assessor Grade I.....	8
	Clerk Grade IV.....	7
	Clerk Grade II.....	6
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade II.....	3
	Clerk Grade I.....	2
TAX DEDUCTIONS AND INFORMATION.....	Assessor Grade I.....	1
	Clerk Grade IV.....	5
	Clerk Grade III.....	1
	Clerk Grade II.....	5
	Clerk Grade I.....	5
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	3
	Stenographer Grade I.....	3
TAX ROLL AND FILING.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Clerk and Typist Grade I.....	9
MAIL, STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	1
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Clerk and Typist Grade I.....	1

103

SUMMARY

		Salary
Inspector.....	1	\$ 3,600
Assessor Grade III.....	2	6,120
Assessor Grade II.....	6	15,840
Assessor Grade I.....	11	24,750
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	18	31,860
Clerk and Stenographer Grade III.....	7	10,500
Clerk, Stenographer, Typist Grade II.....	29	35,670
Clerk, Stenographer, Typist Grade I.....	26	22,620
	<u>103</u>	<u>\$157,380</u>

CALGARY DISTRICT

1. TERRITORY (area: 65,000 sq. miles approx.)

Districts	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Acadia (portion).....	16,025	3,657	19,682	1,434	39	133
Bow River.....	22,648	22,721	45,369	8,226	48	414
Calgary—East.....	5,884	41,843	47,727	15,509	252	1,727
Calgary—West.....	10,504	33,240	43,744	17,345	401	386
Lethbridge.....	25,064	22,572	47,636	9,447	85	716
Macleod.....	29,844	13,215	43,059	7,554	43	498
Medicine Hat.....	25,908	15,765	41,673	6,004	52	400
Red Deer.....	35,684	11,219	46,903	4,278	46	463
	171,561	164,232	335,793	69,797	966	4,737

2. ESTIMATED COLLECTIONS—

Individuals.....	\$17,664,626
Corporations.....	9,462,032
Succession Duties.....	254,753
	<u>\$27,381,411</u>

3. MAJOR CITIES AND TOWNS—

		Distance from Calgary
Calgary.....	88,904	—
Medicine Hat.....	10,571	176
Lethbridge.....	16,612	126

ESTABLISHMENT OF PROPOSED CALGARY OFFICE

Inspector.....	Grade.....	1		
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1		
	Typist Grade II.....	1		
	Typist Grade I.....	1		
Office Manager.....	Departmental Accountant Grade III.....	1		
ACCOUNTING.....	Departmental Accountant Grade I.....	1		
	Clerk Grade IV.....	2		
	Clerk Grade III.....	3		
	Clerk Grade II.....	16		
	Clerk Grade I.....	10		
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1		
	Clerk Grade III.....	1		
	Clerk Grade II.....	2		
	Typist Grade I.....	3		
ASSESSING—	Corporations.....	Assessor Grade IV.....	2	
		Assessor Grade III.....	3	
		Assessor Grade II.....	3	
		Assessor Grade I.....	1	
	Individuals.....	Assessor Grade IV.....	1	
		Assessor Grade III.....	3	
		Assessor Grade II.....	4	
		Assessor Grade I.....	12	
		Clerk Grade IV.....	12	
		Clerk Grade II.....	10	
		COLLECTIONS.....	Departmental Accountant Grade I.....	1
			Clerk Grade IV.....	1
			Clerk Grade III.....	2
Clerk Grade II.....	5			
Stenographer and Typist Grade I.....	2			
TAX DEDUCTIONS AND T. 4-5.....	Assessor Grade II.....	1		
	Assessor Grade I.....	2		
	Clerk Grade IV.....	7		
	Clerk Grade III.....	1		
	Clerk, Grade II.....	7		
	Stenographer Grade II.....	2		
STENOGRAPHERS POOL.....	Clerk Grade I.....	4		
	Stenographer Grade III.....	1		
	Stenographer Grade II.....	5		
	Stenographer Grade I.....	5		

ESTABLISHMENT OF PROPOSED CALGARY OFFICE—*Conc.*

TAX ROLL AND FILING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk, Grade II.....	8
	Clerk and Typist Grade I.....	20
MAIL AND STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Clerk and Typist Grade I.....	3
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	3
	Clerk Grade IV.....	3
	Clerk and Typist Grade I.....	1
		<u>187</u>

SUMMARY

Inspector.....	1	Salary	\$ 4,020
Assessor Grade IV.....	3		10,440
Assessor Grade III.....	6		18,360
Assessor Grade II.....	9		23,760
Assessor Grade I.....	18		40,500
Departmental Accountant Grade III.....	1		2,920
Departmental Accountant Grade I.....	3		5,910
Clerk Grade IV.....	28		49,560
Clerk and Stenographer Grade III.....	11		16,500
Clerk, Stenographer, Typist Grade II.....	58		71,340
Clerk, Stenographer, Typist Grade I.....	49		42,630
	<u>187</u>		<u>\$285,960</u>

EDMONTON DISTRICT

1. TERRITORY (area: 266,333 sq. miles approx. (excl. N.W.T.))—

Districts	Population			1943 Tax Returns		
	Rural	Urban	Total	T.1	T.2	T.4
Acadia (portion).....	4,883	1,743	6,626			
Athabaska.....	48,916	3,773	52,689	1,291	25	120
Battle River.....	33,713	6,742	40,455	2,932	53	223
Camrose.....	33,748	9,356	43,104	2,822	76	346
Edmonton.....	5,668	96,398	102,066	42,010	457	2,203
Jasper-Edson.....	54,333	4,614	58,947	4,912	72	305
Peace River.....	46,963	5,464	52,427	1,827	45	213
Vegreville.....	42,259	6,287	48,546	1,661	27	135
Wetaskiwin.....	47,539	7,977	55,516	1,523	83	351
N.E. Portion of B.C. (Alaska Highway)	7,712	769	8,481	1,000	10	35
	<u>325,734</u>	<u>143,123</u>	<u>468,857</u>	<u>59,978</u>	<u>848</u>	<u>3,991</u>

2. ESTIMATED COLLECTIONS—

Individuals.....	\$16,174,703
Corporations.....	4,968,329
Succession Duties.....	111,376
	<u>\$21,254,408</u>

3. MAJOR CITIES AND TOWNS—

Edmonton.....	93,817
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ESTABLISHMENT OF PROPOSED EDMONTON OFFICE

Inspector.....	Grade.....	1
Assistant Inspector.....		
Inspector's Secretary.....	Clerk Grade IV.....	1
Staff Record Clerk.....	Clerk Grade II.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	14
	Clerk Grade I.....	8
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	3
ASSESSING—		
<i>Corporations</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	3
	Assessor Grade I.....	1
<i>Individuals</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	3
	Assessor Grade I.....	11
	Clerk Grade IV.....	10
	Clerk Grade II.....	8
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	4
	Stenographer and Typist Grade I.....	2
TAX DEDUCTION—T.4-5.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	6
	Clerk Grade III.....	1
	Clerk Grade II.....	6
	Stenographer Grade II.....	2
	Clerk Grade I.....	4
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	4
	Stenographer and Typist Grade I.....	4
TAX ROLL AND FILING.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	2
	Clerk Grade II.....	7
	Clerk Grade I.....	12
	Stenographer and Typist Grade I.....	4
MAIL AND STATIONERY AND SUPPLIES.....	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	2
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	2
	Clerk Grade IV.....	2
	Stenographer Grade I.....	1

156

SUMMARY

		Salary
Inspector.....	1	\$ 4,020
Assistant Inspector.....	1	3,240
Assessor Grade IV.....	2	6,960
Assessor Grade III.....	4	12,240
Assessor Grade II.....	8	21,120
Assessor Grade I.....	15	33,750
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	23	40,710
Clerk Grade III and Stenographer Grade III.....	9	13,500
Clerk Grade II and Stenographer and Typist.....	50	61,500
Clerk Grade I and Stenographer and Typist.....	40	34,800
	<u>156</u>	<u>\$237,780</u>

KELOWNA DISTRICT

1. TERRITORY (area: 40,056 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Yale.....	55,956	23,305	79,261	16,040	210	963
Kootenay.....	38,739	26,908	65,647	22,864	265	1,447
	94,695	50,213	144,908	38,904	475	2,410

2. ESTIMATED COLLECTIONS—

Individuals.....	\$12,884,000
Corporations.....	5,728,000
Succession Duties.....	152,000
	<u>\$18,764,000</u>

3. MAJOR CITIES AND TOWNS—

	5,000 approx.	Distance from	
		Vancouver	Kelowna
Penticton.....	251	40	
Trail.....	9,392	507	296
Nelson.....	5,912	513	302
Kelowna.....	5,118	291	—
Vernon.....	5,209	324	33
Kamloops.....	5,959	260	115

ESTABLISHMENT OF PROPOSED KELOWNA OFFICE

Inspector.....	Grade.....	1	
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1	
	Clerk Grade II.....	1	
Office Manager.....	Departmental Accountant Grade II.....	1	
ACCOUNTING.....	Departmental Accountant Grade I.....	1	
	Clerk Grade IV.....	1	
	Clerk Grade III.....	2	
	Clerk Grade II.....	5	
	Clerk Grade I.....	3	
	Typist Grade II.....	2	
	Typist Grade I.....	2	
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1	
	Clerk Grade III.....	1	
	Clerk Grade II.....	2	
	Typist Grade I.....	2	
ASSESSING—			
	Corporation E.P.T. and Individual.....	Assessor Grade IV.....	1
		Assessor Grade III.....	2
		Assessor Grade II.....	5
		Assessor Grade I.....	5
	Clerk Grade IV.....	1	
Memo. 47.....	Assessor Grade I.....	1	
	Clerk Grade IV.....	1	
	Clerk Grade II.....	5	
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1	
	Assessor Grade I.....	1	
	Clerk Grade IV.....	2	
	Stenographer Grade II.....	1	
	Typist Grade I.....	1	
COLLECTIONS.....	Departmental Accountant Grade I.....	1	
	Clerk Grade IV.....	1	
	Clerk Grade III.....	1	
	Clerk Grade II.....	3	
	Stenographer Grade I.....	1	
	Typist Grade I.....	2	

ESTABLISHMENT OF PROPOSED KELOWNA OFFICE—*Cont.*

FILING AND TRANSFERS.....	Clerk Grade III.....	1
	Clerk Grade II.....	1
	Clerk Grade I.....	3
	Typist Grade I.....	2
SUPPLIES AND STATIONERY.....	Clerk Grade III.....	1
MAIL.....	Clerk Grade II.....	1
	Clerk Grade I.....	1
	Typist, Grade I.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	3
	Typist Grade I.....	3
TAX DEDUCTION AND PAY ROLL AUDIT.....	Assessor Grade II.....	1
Information.	Assessor Grade I.....	1
	Clerk Grade IV.....	4
	Clerk Grade III.....	1
	Clerk, Grade II.....	4
	Stenographer Grade II.....	1
	Clerk Grade I.....	3
TAX ROLL.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk and Stenographer Grade II.....	4
	Clerk Grade I.....	3
	Stenographer and Typist Grade I.....	2

106

SUMMARY

Inspector.....	1	\$ 3,600
Assessor Grade IV.....	1	3,480
Assessor Grade III.....	2	6,120
Assessor Grade II.....	7	18,480
Assessor Grade I.....	8	18,000
Departmental Accountant Grade II.....	1	2,460
Departmental Accountant Grade I.....	2	3,960
Clerk Grade IV.....	13	23,010
Clerk Grade III.....	9	13,500
Clerk Grade II.....	33	40,590
Clerk Grade I.....	29	25,230
	<u>106</u>	<u>\$158,430</u>

VANCOUVER DISTRICT

1. TERRITORY (area: 223,484 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Vancouver.....	51,205	287,580	338,785	160,580	3,237	6,424
Westminster.....	89,910	28,676	118,586	31,292	304	1,926
Prince Rupert.....	21,120	8,492	29,612	9,555	100	749
Cariboo.....	20,714	3,807	24,521	4,954	55	607
(less portion near Alaska Highway)						
	182,949	328,555	511,504	206,381	3,696	9,706

2. ESTIMATED COLLECTIONS—

Individuals.....	\$ 68,370,938
Corporations.....	44,580,928
Succession Duties.....	801,933
	<u>\$113,753,799</u>

3. MAJOR CITIES AND TOWNS—

Vancouver.....	275,353	Distance from Vancouver	—
North Vancouver.....	8,914		5
New Westminster.....	21,967		13
Prince Rupert.....	6,714		1,168
			by C.N.R.
			500 approx.
			by air line

Vancouver-Victoria: 72 approx. air line steamer: 6½ hours.

ESTABLISHMENT OF PROPOSED VANCOUVER OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary, etc.....	Clerk Grade IV.....	2
	Clerk Grade II.....	2
	Stenographer Grade III.....	1
Assistant Inspector.....		1
Executive Assistant.....		1
ASSESSING—		
<i>Corporations</i>	Assessor Grade V.....	1
	Assessor Grade IV.....	10
	Assessor Grade III.....	14
	Assessor Grade II.....	14
	Assessor Grade I.....	2
<i>Individuals—</i>		
Business and Professional.....	Assessor Grade V.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	3
	Assessor Grade I.....	18
	Clerk Grade IV.....	18
	Clerk Grade III.....	2
	Clerk, Grade II.....	1
	Clerk Grade I.....	1
<i>Memo. 47</i>	Assessor Grade II.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	8
	Clerk Grade II.....	27
	Clerk Grade I.....	3
<i>Individuals—E.P.T.</i>	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	8
	Assessor Grade I.....	10
	Clerk Grade I.....	1
<i>Wartime Salaries Order</i>	Assessor Grade III.....	1
	Clerk Grade II.....	1
<i>Non-Resident</i>	Assessor Grade I.....	1
	Clerk Grade III.....	1
	Typist Grade I.....	1
ACCOUNTING.....	Departmental Accountant Grade III.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	2
	Clerk Grade III.....	5
	Clerk Grade II.....	26
	Clerk Grade I.....	13
	Stenographer Grade I.....	4
	Typist Grade I.....	8
CASHIERS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	3
	Clerk Grade II.....	10
	Clerk Grade I.....	3
	Stenographer Grade I.....	2
	Typist Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade II.....	1
	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	4
	Clerk Grade III.....	6
	Clerk Grade II.....	14
	Clerk and Typist Grade I.....	5
	Stenographer Grade II.....	1
TAX ROLL—INDIVIDUAL.....	Departmental Accountant Grade II.....	1
T.4 sorting—T.1 files.....	Departmental Accountant Grade I.....	1
Transfers—Inform. Returns.....	Clerk Grade IV.....	1
	Clerk Grade III.....	4
	Clerk Grade II.....	19
	Clerk Grade I.....	30
	Stenographer Grade I.....	4
	Clerk and Typist Grade I.....	0
TAX ROLL—CORPORATION.....	Clerk Grade III.....	1
	Clerk Grade II.....	2

ESTABLISHMENT OF PROPOSED VANCOUVER OFFICE—*Cont.*

LISTING—INDIVIDUAL.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	13
	Clerk Grade I.....	4
	Stenographer Grade I.....	2
LISTING—CORPORATION.....	Typist Grade I.....	2
	Clerk Grade III.....	1
	Clerk Grade II.....	3
MAIL AND SUPPLIES.....	Typist Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	4
STENOGRAPHERS POOL.....	Clerk and Typist Grade I.....	6
	Clerk Grade IV.....	1
	Stenographer Grade III.....	3
	Stenographer Grade II.....	10
TELEPHONE.....	Stenographer Grade I.....	10
	Clerk Grade II.....	2
INTERPRETER.....	Clerk Grade I.....	1
		1
FISHERIES.....		1
	Clerk Grade IV.....	1
	Clerk Grade II.....	4
ESTATES AND SUCCESSION DUTIES.....	Clerk, Stenographer, Typist Grade I.....	9
	Assessor Grade IV.....	1
	Assessor Grade III.....	2
	Assessor Grade II.....	2
	Assessor Grade I.....	4
	Clerk Grade IV.....	6
	Clerk Grade III.....	2
Clerk Grade II.....	3	
INVESTIGATIONS—SPECIAL.....	Clerk, Stenographer, Typist Grade I.....	3
	Assessor Grade III.....	1
	Assessor Grade II.....	1
	Assessor Grade I.....	1
TAX DEDUCTIONS AND PAY ROLL AUDIT.....	Assessor Grade III.....	1
	Assessor Grade I.....	4
	Clerk Grade IV.....	12
	Clerk Grade III.....	3
	Clerk Grade II.....	10
	Clerk Grade I.....	3
	Stenographer Grade II.....	1
Stenographer Grade I.....	1	
T.7 TYPISTS.....	Clerk Grade II.....	3
	Clerk Grade I.....	2
	Stenographer Grade I.....	1
	Typist Grade I.....	6

533

SUMMARY

		Salary
Inspector.....	1	\$ 4,920
Assistant Inspector.....	1	4,140
Executive Assistant.....	1	4,500
Assessor Grade V.....	2	7,860
Assessor Grade IV.....	12	41,760
Assessor Grade III.....	23	70,380
Assessor Grade II.....	29	76,560
Assessor Grade I.....	40	90,000
Departmental Accountant Grade III.....	1	2,910
Departmental Accountant Grade II.....	2	4,920
Departmental Accountant Grade I.....	4	7,920
Clerk Grade IV.....	51	90,270
Clerk and Stenographer Grade III.....	42	63,000
Clerk, Stenographer, Typist Grade II.....	156	191,880
Clerk, Stenographer, Typist Grade I.....	167	145,290
Interpreter.....	1	500
	533	\$806,810

VICTORIA DISTRICT

1. TERRITORY (area: 13,206 sq. miles)—

Counties	Population			1943 Tax Returns		
	Rural	Urban	Total	T. 1	T. 2	T. 4
Victoria.....	13,619	44,068	57,687	30,431	414	1,284
Nanaimo.....	75,492	19,789	95,281	19,847	185	698
	89,111	63,857	152,968	50,278	599	1,982

2. ESTIMATED COLLECTIONS—

Individuals.....	\$16,645,000
Corporations.....	7,221,000
Succession Duties.....	196,000
	<u>\$24,062,000</u>

3. MAJOR CITIES AND TOWNS—

	Distance from Victoria
Victoria.....	—
(including Oak Bay and Esquimalt about 57,000)	
Nanaimo.....	73
Port Alberni.....	126 miles

ESTABLISHMENT OF PROPOSED VICTORIA OFFICE

Inspector.....	Grade.....	1
Inspector's Secretary and Staff Records Clerk.....	Clerk Grade IV.....	1
Staff Records Clerk.....	Clerk Grade II.....	1
Office Manager.....	Departmental Accountant Grade III.....	1
ACCOUNTING.....	Departmental Accountant Grade I.....	1
Ledger Clerks.....	Clerk Grade III.....	3
Interest.....	Clerk and Typist Grade II.....	13
T. 6—T. 7—T. 8.....	Clerk and Typist Grade I.....	6
CASHIERS DEPARTMENT.....	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	2
	Typist Grade I.....	3
ASSESSING.....	Assessor Grade IV.....	1
	Assessor Grade III.....	3
Corporation.....	Assessor Grade II.....	5
E.P.T. and Individual.....	Assessor Grade I.....	6
	Clerk Grade IV.....	2
Memo. 47.....	Assessor Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk Grade II.....	5
ESTATES AND SUCCESSION DUTIES.....	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	2
	Typist Grade I.....	1
COLLECTIONS.....	Departmental Accountant Grade I.....	1
	Clerk Grade IV.....	1
	Clerk Grade III.....	1
	Clerk, Stenographer, Typist Grade II.....	4
	Clerk, Stenographer, Typist Grade I.....	2
FILING AND TRANSFERS.....	Clerk Grade IV.....	1
	Clerk Grade II.....	2
	Clerk Grade I.....	4
	Typist Grade I.....	3
SUPPLIES AND STATIONERY.....	Clerk Grade III.....	1

ESTABLISHMENT OF PROPOSED VICTORIA OFFICE—*Cont.*

MAIL.....	Clerk Grade II.....	1
	Clerk Grade I.....	2
	Typist Grade I.....	1
STENOGRAPHERS POOL.....	Stenographer Grade III.....	1
	Stenographer Grade II.....	4
	Typist Grade I.....	4
TAX DEDUCTIONS AND PAY ROLL AUDIT..... Information.	Assessor Grade II.....	1
	Assessor Grade I.....	1
	Clerk Grade IV.....	5
	Clerk Grade III.....	1
	Stenographer Grade II.....	1
	Clerk Grade II.....	5
TAX ROLL.....	Clerk Grade I.....	3
	Departmental Accountant Grade I.....	1
	Clerk Grade III.....	2
	Stenographer Grade II.....	4
	Clerk Grade II.....	1
Typist Grade I.....	8	
		130

SUMMARY

		Salary
Inspector.....	1	\$ 4,020
Assessor Grade IV.....	1	3,480
Assessor Grade III.....	3	9,180
Assessor Grade II.....	7	18,480
Assessor Grade I.....	9	20,250
Departmental Accountant Grade III.....	1	2,910
Departmental Accountant Grade I.....	3	5,940
Clerk Grade IV.....	14	24,780
Clerk, Stenographer Grade III.....	11	16,500
Clerk, Stenographer, Typist Grade II.....	43	52,890
Clerk, Stenographer, Typist Grade I.....	37	32,190
	130	\$190,620



1945

THE SENATE OF CANADA



PROCEEDINGS
of the
SPECIAL COMMITTEE

Appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

No. 5

TUESDAY, DECEMBER 4, 1945

The Honourable W. D. EULER, P.C.
Chairman

WITNESSES:

Mr. H. H. Hannam, President and Managing Director, Canadian Federation of Agriculture.

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation.

Mr. R. P. Bengough President, Trades and Labour Congress of Canada.

Mr. G. Fay Davies, General Manager, National Life Insurance Company.

ORDER OF APPOINTMENT

(As amended 4th December, 1945)

Resolved,—That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment, collection of taxes thereunder and the provisions of the said Acts by redrafting them, if necessary, and to report thereon;

(2) That the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud Robertson, Sinclair and Vien;

(3) That the said Committee shall have authority to send for persons, papers and records.

ATTEST:

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, 4th December, 1945.

Pursuant to adjournment and notice the Special Committee appointed to examine into the provisions and workings of the Income War Tax and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 10.30 a.m.

Present: The Honourable W. D. Euler, P.C., Chairman, and the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Farris, Haig, Hayden, Lambert Léger, McRae, Robertson and Sinclair...15.

In attendance: The Official Reporters of the Senate. Mr. H. H. Stikeman, Counsel to the Committee.

Mr. H. H. Hannam, President and Managing Director, Canadian Federation of Agriculture, Ottawa, Ontario, was heard in explanation of a brief presented on behalf of the Canadian Federation of Agriculture, dealing with the various aspects of the Income Tax Act as applied to farmers, and was questioned by counsel.

Mr. C. Fraser Elliott, C.M.G., K.C., Deputy Minister of National Revenue for Taxation was heard on the subject of "averaging income over a period of years."

Following consideration and discussion of the Order of Reference, it was,—

Resolved,—to report to the Senate recommending—1. That the quorum of the Committee be reduced to five members.

2. That the life of the Committee be continued and that it be authorized to hold meetings and hear witnesses during the recess of Parliament.

3. That the Committee be authorized to adjourn from place to place.

4. That the order of reference of the Senate dated October 24th, 1945, to the Special Committee appointed to examine into the provisions and workings of the Income War Tax Act be amended by adding, after the word "thereunder", in the last line of the first paragraph thereof, the following words:—

"and the provisions of the said Act by redrafting them, if necessary;" and further, by striking out the word "and" after the word "assessment", in the fourth line of the first paragraph thereof, and substituting a comma in lieu thereof.

At 12.40 p.m., the Committee adjourned.

At 2 p.m., the Committee resumed.

Mr. R. P. Bengough, President, Trades and Labour Congress of Canada, Ottawa, Ontario, presented a brief on exemption on dues paid into trade unions which are allocated to superannuation schemes, sick and mortuary benefits and was heard in support of the brief. He was questioned by counsel.

At 2.45 p.m., the Committee adjourned to the rising of the Senate, this day.

At 3.30 p.m., the Committee resumed.

Mr. G. Fay Davies, General Manager, National Life Insurance Company, Toronto, Ontario, was heard and presented a brief on taxation of amounts received for values granted in the event that the shareholders and policyholders should convert the Company and put it on a mutual basis.

Mr. C. Fraser Elliott, C.M.G., K.C., was again heard.

At 4.30 p.m., the Committee adjourned until 10.30 a.m., Tuesday, 11th December, instant.

Attest:

R. LAROSE,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, December 4, 1945.

The Special Committee of the Senate to consider the provisions and workings of the Income War Tax Act, etc., resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, I think I should report first that we have secured Mr. Stikeman to act as counsel for the Committee. He is with us now and will continue to be with us.

We had planned to hear this morning the Canadian Bar Association, the Canadian Federation of Agriculture, the National Life Insurance Company and the Trades and Labour Congress of Canada. The Bar Association, I understand is not going to make its presentation to-day, so we have only the other three organizations. The Canadian Federation of Agriculture has expressed a desire to be heard first, and unless there is some objection I will call upon them now.

Hon. Mr. HAIG: I move that they be heard first.

Hon. Mr. ASELTINE: I second that.

The CHAIRMAN: Mr. Hannam of the Canadian Federation of Agriculture is here, and I believe he intends to present a brief. Before he begins, I would suggest that he be allowed to complete it without interruption. He could then be questioned. An alternative procedure would be to hear the briefs of all three organizations, and then have questions and a general discussion on them all. Does the Committee think it would be better to have questions at the end of each brief?

Some Hon. SENATORS: Yes.

Mr. H. HANNAM, President, the Canadian Federation of Agriculture: Mr. Chairman and gentlemen, we appreciate very much the invitation and the opportunity to come before you for a discussion of the income tax as applied to farmers. We are grateful also for your consideration in permitting us to go on first this morning. We are in attendance at the Dominion-Provincial Conference, which is being held at the Chateau Laurier, where officials of the ten Departments of Agriculture are present. That is the reason for our request that we be heard first, so that we may not be away from the Conference longer than is necessary.

We have a brief here, but we would prefer you to consider it as just a summarized statement on a few points to which we would like to direct discussion this morning. We do not want this to be looked upon as by any means a complete brief on the income tax as applied to farmers.

The CHAIRMAN: Would you care to appear later?

Mr. HANNAM: I believe we would be very glad to do that, Mr. Chairman.

Hon. Mr. McDONALD: Mr. Chairman, perhaps Mr. Hannam would introduce his associates.

Mr. HANNAM: I would be very glad to. I would also like them to take part in this discussion, if they wish.

The CHAIRMAN: Perhaps the gentlemen would stand up as they are introduced.

Mr. HANNAN: Mr. W. J. Parker, from Winnipeg, is the First Vice President of the Canadian Federation of Agriculture. He is President of the Manitoba Pool Elevators.

Mr. J. A. Marion, from Montreal, is President of L'Union Catholique des Cultivateurs, which is the big farmers' organization in Quebec.

(The following brief was read by Mr. Hannam):

The delegates at the last annual meeting of the Canadian Federation of Agriculture were quite unanimous in instructing us to urge the government to re-open the whole question of the farmer's income tax for general review, for the purpose of determining the fairest possible basis for the operation of the act, in its relation to agriculture and of amending the act accordingly.

It is our considered opinion that the present Income Tax Act is inadequate and inequitable in its application to farmers, because it seems to have been designed for application to general business operations, and as such, does not take cognizance of the entirely different nature of farm operations.

During the past few years officials of the income tax department have been very ready to discuss our problems with us, and have been open-minded in considering suggested changes in the regulations, but naturally they were restricted by the fact that some of our major recommendations involved amendments to the act.

The following is a summarized statement of the major recommendations which we believe it is correct to say, have practically the unanimous support of farm people across the dominion;

1. *Averaging Income Over a Period of Years:*

That the income of farmers for income tax purposes be averaged over a period of (four) years. Due to the fact that prices of agricultural products fluctuate more widely and more rapidly than prices of other products, and that climatic conditions over which the farmer has no control is often responsible for great variations in farm returns, we claim that one year is too short an accounting period to be used as a base for assessing farm income tax. Emergency conditions such as drought, excessive rainfall, early frost, etc., may completely ruin a farmer's crop, or in the case of live stock, compel him to liquidate his herd at sacrifice prices. Then, on the other hand, when all production factors are favourable and market prices are good, substantial profits may be earned which need to be used to build up reserves to carry through the bad years that follow. In this case, unless the farmer has a previous loss which he is allowed to carry forward, he is taxed heavily because his income may lift him into a high taxation bracket.

One point we desire to emphasize particularly, is that the farmer who has an average taxable income of a certain figure over a period of years—with considerable variation in the taxable income from year to year—is required to pay a substantially higher total tax over the period of years, than would a man with a fixed annual taxable income of the same figure during the same period of years. This is perhaps the most inequitable feature of the one-year accounting period for assessing farm income tax.

One major objection which always arises in connection with the suggestion for averaging farm income over a period of years, is that in any year in which a farmer suffers a serious loss, he is likely to be unable to pay that year's share of the averaged tax over a period of years. While this may appear a very legitimate objection, we believe that it would be possible to work out tax payments on a movable average basis which would overcome this particular difficulty.

2. *Deductions of Tax From Farm Workers' Wages*

We recommend that farm workers be exempt from tax deduction at the source, and that they be required to report their own income. At present the law is not observed. Farmers who deduct the tax from their workers' pay, lose their help to those who do not, and in many cases, farmers have been paying the tax out of their own pockets.

The present law, therefore, is not effective, and to make it effective would result in a very undesirable degree of regimentation, and the cost would be prohibitive. At present, every employer is required to deduct the necessary tax from the employee and to remit the amount in a stated time or be subject to penalty.

In order to comply with the present law the farmer needs to have in his possession, the revised table of tax deductions, as well as various forms which he is expected to fill out properly. First there is the T.D. 1, for statutory information given by employee to employer to avoid undue tax deduction. A single copy of this form properly completed must be obtained by the farmer from each of his employees. Then there is T.D. 1A, which is the tax deduction exemption claim. He must have this form also completed by employees who claim exemption. Third, there is T.D. 2, the form which accompanies remittances of the amounts deducted at the source. Fourth, there is T4, a remuneration summary, prepared annually in triplicate. Lastly, there is T4 supplementary, a listing of wages paid and taxes deducted from individual employees, prepared annually in quadruplicate.

In the United States the tax is not deducted at the source from farm workers. The latter are required to pay on an estimated basis.

3. *Dispersal Sales of Livestock.*

The application of the present act and its regulations to the income from livestock reduction or dispersal sales has long been a source of uncertainty and dissatisfaction among farmers.

At present, all proceeds from sales of livestock, irrespective of the capital invested in the breeding herd, or "basic" herd, are treated as income for the purpose of the income tax, in the case of farmers who compute their tax annually on a straight cash basis, which most farmers do. This has created hardship in many instances, especially where farmers are retiring from business and depending upon the sale of their capital assets to provide future means of livelihood.

We submit that the breeding herd, or "basic" herd, is a capital asset and should be treated as such. Livestock products, such as milk, wool, etc., and natural increases, are income, but the breeding herd, like land, buildings, and machinery, is an instrument of production. Taxation authorities in both Great Britain and the United States have recognized the capital nature of breeding stock.

It would appear that there should be, in the Income Tax Act itself, some clause providing for definite distinction between income and capital, in respect to these livestock sales; that in the case of reduction of dispersal sales, tax should be levied only on what could be legitimately termed current income. Tax officials may claim that this is being done under the present regulations, but there is a rather wide variation in the application of the act in different parts of Canada, and the farmer finds himself entirely at the mercy of the uncertainties of regulations under the Act and the application of the regulations.

A plan has been presented to the Minister of Finance, which might be termed the "basic herd" plan, designed to overcome the difficulties we have mentioned: While this plan has not been officially endorsed by the Federation,

we have had an opportunity of studying it and would commend it to you as being entirely in line with the policy the Federation has been advocating for some years.

Under this plan, a farmer would be permitted to establish the number of breeding animals on hand at the beginning of a certain year, say 1940, and this number, as a basic herd, would be regarded as a capital asset. In any subsequent year in which a farmer commenced making income tax returns, he could establish a basic herd equal to the number of breeding animals on hand at the first of that year. If the farmer keeps accounts on a cash basis, no value need be given; if accounts are kept on the accrual basis a fair value should be given to remain constant in succeeding years.

Advantages of such a plan are:

First, that the capital nature of the breeding herd is recognized.

Second, that farmers who sell out and retire and may be dependent upon the returns they get from their capital assets for their living in the future, will have the returns for their basic herd protected against taxation along with other capital assets.

Third, it is simple and workable. By accounting for the basic herd as a unit, complex records regarding original cost, depreciation, disposal and replacement, are unnecessary.

4. *Wartime Depreciation:*

We wish to draw the attention of the committee to the fact that many farmers expanded buildings and equipment to meet the emergency requirements of the wartime program. In respect to wartime industries certain income tax concessions were granted, such as accelerated depreciation. Similar consideration has not been granted to farmers. Let us illustrate. Surely we will readily admit that Canada's production of hogs was not expanded from a pre-war production of some 3½ or 4 million head annually to nine million, to meet the wartime program, without a very considerable investment in additional plant and equipment on the farms, much of which will not likely be needed in any postwar program of hog production Canada will have.

The same thing applies in other branches of farm production.

We would urge that the same policy that has been applied to wartime industry with respect to accelerated depreciation, be granted also to agriculture.

The CHAIRMAN: Before we proceed with the questioning, which I think should be led by our expert, Mr. Stikeman, I would say it is quite evident that briefs should be in the hands of members of the committee a little before their presentation, so that the discussion arising on them may be carried on to better advantage. That is no reflection on you, Mr. Hannam.

I suggest now that Mr. Stikeman lead the examination.

Mr. STIKEMAN: Mr. Chairman, I should like to ask Mr. Hannam a few questions which occur to me on the first reading of his brief. They will not by any means be exhaustive because I have not had a great deal of time to study the brief.

You make a statement on page 1 of your brief, Mr. Hannam, which indicates that you feel that farming merchandising methods or farming business as a whole differs fundamentally from other forms of business. I realize you mean that the difference may be found in the background of the farmer, that is, emergency conditions arising from weather and varying prices. But have you any further thought on that point, such as the difference in the merchandising or accounting methods which would be germane to this discussion?

Mr. HANNAM: Yes. Farming is somewhat more of a family affair than most businesses; that is, the family enters into farm operations more so than does the family of even the small business man. Another point is the difficulty

of handling capital and income, with growing animals and a wide variety of animals on a livestock farm, for example. Those are two points in addition to those you have mentioned.

Mr. STIKEMAN: On page 1 you also state that the provisions of the law should be extended to permit the carrying forward of losses as part of your averaging scheme. Do I understand that the present provisions in that connection, which were introduced two years ago I think, are still insufficient for your needs as representative of the farming community?

Mr. HANNAM: We did not refer directly to that carrying forward of losses, Mr. Stikeman. Our suggestion is for the averaging of income over a period of years. It is true that this carrying forward of losses meets our recommendation to a certain extent. But may I point this out? Nearly all Canadian agriculture is on the family unit basis—the small farm basis. We cannot list a wage for the farmer himself. He may work the longest hours, usually he does, but we cannot charge his wage to the operations of the farm. In other words, he has a loss entirely of his family living and his wages for the whole year before a loss is registered in his return. In Canada we give a married man a \$1,200 exemption; we say he is entitled to that exemption for his family living before we start to tax him. The farmer has to lose that whole \$1,200 before he begins to register any loss.

Mr. STIKEMAN: In the fifth paragraph of page 1 of your brief you state: "In this case, unless the farmer has a previous loss which he is allowed to carry forward, he is taxed heavily because his income may lift him into a high taxation bracket." I gather that that remark with respect to loss is merely part of the general scheme that you propound for the averaging of farming income, and does not refer necessarily to an enlargement of the present section.

Mr. HANNAM: No, we are making an exception there. If the carrying forward of losses applied, then the farmer's income may not be moved up into the higher tax brackets.

Mr. STIKEMAN: But under your proposed averaging of income, losses would be carried forward and backward, would they not, as a matter of automatic adjustment?

Mr. HANNAM: Right.

Mr. STIKEMAN: You have not suggested in this brief any period over which the averaging might be deducted.

Mr. HANNAM: We have inserted in brackets there "four."

Mr. STIKEMAN: Oh, yes.

Mr. HANNAM: The reason that we put it in brackets there is simply that we are not—

Hon. Mr. ASELTINE: It should be five years or more.

Mr. HANNAM: A little longer period is of course somewhat better than four. The reason that we inserted four years is that in our discussions the fruit men have always insisted that they would much prefer an even number of years because the good years alternate with the bad years so regularly in, for example, their apple crop. The five-year period has an advantage over the four. If, on the other hand, we have a moving average of some kind, then it makes less difference whether it should be a stated four or five years.

Mr. STIKEMAN: If you have your average period of four or five or more years, do you still require reserves for losses, or bad debts—for things other than the depreciation of your capital assets?

Mr. HANNAM: I am not sure that I understand your question, Mr. Stikeman.

Mr. STIKEMAN: You mention further on in your brief that the farmer should be permitted to reserve against bad years out of income from good years, in order that he may in effect average his losses.

Mr. HANNAM: No, we are not making a suggestion that that be allowed apart from averaging.

Mr. STIKEMAN: That is the point. If we average, then that will cover the suggestion?

Mr. HANNAM: That is right.

Mr. STIKEMAN: Have you any concrete ideas on the mechanics of what you term a movable average basis?

Mr. HANNAM: There has been a proposal put forward to the Minister of Finance as to how that should be done. We have not approved of it in our federation. It is, we believe, a workable plan, but it is very complicated and would be very difficult to explain to the farmers. Whether the complications of that plan would make it impracticable or not, we are not prepared to say; but if your committee wish to go into that, I am quite sure I could have a presentation made on it.

Mr. STIKEMAN: Could you explain it briefly to us now?

Mr. HANNAM: I believe I can simply in this way. The suggestion is that a period of five years be taken as an average period, and that for the first four years the tax be computed in the ordinary way. In the fifth year when the taxable income is made up the average taxable income is made of that fifth year. Then the average tax is made at the rates chargeable the first year. If that average is lower than the tax that was paid five years ago, the farmer gets the credit. If the average is higher than five years ago, the farmer pays extra. In other words, in the good years he pays some more, which will be an advance in the poor years. If this plan worked out in practice as it appears in theory, it means in the year the farmer has losses, instead of having to try to pay taxes he will likely have a credit advance from five years ago.

Mr. STIKEMAN: Is the base to which you refer five years ago a fixed point in time, or does it move forward?

Mr. HANNAM: It moves forward.

Mr. STIKEMAN: So your measuring yardstick will be up or down as the experience of the year is brought into the play of your moving average?

Mr. HANNAM: Yes.

Mr. STIKEMAN: So you have a constantly changing norm against your credit.

Mr. HANNAM: That is right.

Mr. STIKEMAN: In your estimation would the bookkeeping of such a system be difficult from the farmer's point of view?

Mr. HANNAM: I don't think you should ask the farmer to do it. If you are going to follow a plan of that kind I think the Income Tax Department would do it. The farmer would make out his return, and you would have his previous return on file.

Mr. STIKEMAN: The Income Tax Division would then be required to assess, not one year with regard to the profits of that year alone but with regard to the profits of the five-year period?

Mr. HANNAM: Right.

Mr. STIKEMAN: With regard to your remarks concerning your deductions at source, and more particularly concerning the farmer's experience of deducting tax from the wages of his employees, you refer to the various forms which must be filed concurrently with that operation. If your suggestion were to be

put into practice, would the farmer be absolved from the duty of deducting his tax at the source from his employees and the making out of those returns, or would you still require him to fill out T.4 of the salaries and wages which he pays?

Mr. HANNAM: We are not very definite about that. That thing is, though, that many farmers just do not keep records, and unless it was made a very simple return—well, you would likely just not get it.

Mr. STIKEMAN: T.4 is a simple return. I think your point is that the farmer wishes to be relieved of the duty of appearing to be a tax collector?

Mr. HANNAM: Yes.

Mr. STIKEMAN: He would have no objection to continue to send in returns to the authorities in order that they may make the collection if they can catch up with it?

Mr. HANNAM: In a previous presentation we made to the Minister of Finance we said we would be prepared to have a farmer report his payments, and so forth. On the other hand, at this time we are suggesting that the responsibility be placed on the employee to make his own return.

Mr. STIKEMAN: Do you consider that the T.4 return, or the return reporting wages paid employees, is in its present form too complicated for the average farmer to fill in?

Mr. HANNAM: No.

Mr. STIKEMAN: You think the present form might stand?

Mr. HANNAM: I do not think there would be serious objection. If there is any particular advantage to file the information with the Income Tax Department I don't think the farmers would object.

Mr. STIKEMAN: In other words, deduction at source raises in the farmer's mind an objection which is psychological rather than practical, in that he dislikes being put in the position of collecting tax from his employee?

Mr. HANNAM: No, it is a very practical objection. Are you speaking of the deduction or the reporting?

Mr. STIKEMAN: They are both the same operation.

Mr. HANNAM: The reporting is quite a different matter from the tax deduction. The tax deduction from the employee on the farm with the necessary forms that are required of a business man,—that is really very impractical so far as the farmer is concerned. The tax deduction, unless it is made general and applies to all farmers, is very unfair to the conscientious farmer who does make the deduction. Very often if he does make the deduction he has got to raise his employee's wages accordingly; if he does not he loses his help to the man who does not. There are just half a dozen angles, all of which just seem so completely impracticable and, as it is working out to-day, very inequitable to some farmers.

Mr. STIKEMAN: Would the objection be met in the main if the farmer were not required to deduct taxes at source, and not required to file remittance returns, but were still required to file one showing the amount he pays?

Mr. HANNAM: I do not believe there would be serious objection to the farmer reporting the wages paid.

Mr. STIKEMAN: You said you do believe the T.4 form, which is the form the farmer would complete, is not too cumbersome or too complicated in its present form.

Mr. HANNAM: No, I would not say so.

Mr. STIKEMAN: When you make reference to the average dispersal sales of livestock, do I understand that those remarks should be limited to the dispersal sale by farmers who are not in the occupation or business of raising selling live-

stock? That is to say, he would be treating his capital as dispersal sale of livestock; but a farmer in the dairy or wheat business would not treat his capital or dispersal sale of livestock the same as the farmer in the business or raising and selling livestock?

Mr. HANNAM: I would think it would apply to all farmers in the region.

Mr. STIKEMAN: You would treat all dispersal sales, regardless of whether the farmer was normally engaged in selling of livestock, as a capital item.

Mr. HANNAM: That is right. We would think that this suggestion of ours is parallel to an inventory basis, except that it is a modified form of handling inventory.

Mr. STIKEMAN: It amounts to a bulk sale; it is a matter of disposing of everything a farmer has.

Mr. HANNAM: Not necessarily; I said a reduction on dispersal sale. It applies to the man who may wish to disperse half of his herd in one sale.

Mr. STIKEMAN: When a man is in the business of raising and selling livestock and sells half his herd at a dispersal sale, how do you determine whether he is taking advantage of a good market or dispersing his herd?

Mr. HANNAM: I do not think it would matter as I see it, Mr. Chairman, as long as he properly establishes his basic herd—if he carries forward his basic herd. An allowance would have to be made if he put additional animals into his basic herd, and if he has not capitalized them in his herd then they are income.

Mr. STIKEMAN: That amounts to treating his herd as inventory; taking the value of the gross inventory, and the cattle remaining at the end of the year, would determine the number disposed of during the year, on which he would be taxed. But, if he ate into his basic herd, then to the extent that his sales decreased that basic herd you would not tax the sale of those cattle. Is that the picture?

Mr. HANNAM: I think it would work automatically. For instance, a farmer has a basic herd of 30 cows, he sells 5 cows and he wishes to consider those 5 cows as return on capital. He automatically reduces his basic herd to 25. He can make his choice. He can regard the cows as income and pay taxes on them, if he wishes to, but he still has a basic herd of 30.

Mr. STIKEMAN: Take for example a rancher had a basic herd of 50 cows when he started in business ten years ago, and gradually built up his herd to a thousand head of cattle. He then sold 500 head of cattle, which is half his entire herd. You would tax him either on the whole 500 or on the 450, at his option; but, if you taxed him on the 450 head, then he would no longer have the basic herd when he finally closed out. Is that understanding correct?

Mr. HANNAM: At the time of his sale of 500 head the farmer would regard so many of them as income, depending upon how many he capitalized by his past operations, in making his past returns for taxes; that would establish how many he would have in his basic herd. If he had actually qualified for only 100 of a basic herd, he would have to pay income tax on 400.

Mr. STIKEMAN: The example I gave was that he started with 50 head and gradually increased to one thousand, selling 500. I understand he has the option of capitalizing 50 in which case the tax would be on 450, and he would be left with 500, all of which would be taxable when he chose to sell them.

Mr. HANNAM: Each year as his herd increased, he would be under an obligation to decide what he was going to do with them. Supposing he had in any one year 25 heifers growing up; if he wished to put into his basic herd the 25 heifers and increase it to 75, he would have to pay taxes on the 25, because they represented income as he sold them to himself as capital.

Mr. STIKEMAN: That is very clear.

Mr. HANNAM: I have two sentences here that I think state it fairly clearly. When animals are sold to reduce the number below the basic herd, the taxpayer may elect to consider such receipts as capital, but if he does so, the size of his basic herd is reduced accordingly. Additions and purchases from outside will not be allowed as an expense if the basic herd is increased accordingly. If the home grown stock is added to the basic herd, their normal value must be considered income of the year and the taxes paid accordingly.

Mr. STIKEMAN: Does the farmer depreciate the herd as a unit, or only depreciate the basic herd?

Mr. HANNAM: I think I have not considered the implications of that. Perhaps I should say at the moment that I do not know.

Hon. Mr. CRERAR: Mr. Stikeman, would you repeat that question?

Mr. STIKEMAN: I asked Mr. Hannam if the farmer seeks to depreciate the entire herd, including the basic herd, or only the cattle representing the basic herd, which is his capital asset.

Hon. Mr. CRERAR: What do you mean by "depreciate"?

Mr. STIKEMAN: I imagine that the farmer would keep up a reserve on profits on his livestock for the depletion of his herd.

Hon. Mr. CRERAR: Against decline in the future?

Mr. STIKEMAN: Yes.

Hon. Mr. HAIG: Depending on whether it was on a cash or value basis.

Mr. STIKEMAN: Mr. Hannam would be on an accrual basis. He is treating the herd as inventory.

Hon. Mr. HAIG: I think the farmer runs on a cash basis.

Mr. HANNAM: This is a modified inventory plan that can be used by the farmer on a cash basis.

Mr. STIKEMAN: But it puts him in fact on an accrual basis by valuing his gross inventory in terms of herd.

Mr. HANNAM: It does in respect to one item on his farm, that is his breeding stock.

The CHAIRMAN: On the specific question, Mr. Hannam prefers to say he does not know.

Mr. HANNAM: On the other hand, if you wish me to answer, I would think that in case depreciation is allowed on the breeding herd, at least in this connection it would be on the basic herd.

Mr. STIKEMAN: Only?

Mr. HANNAM: Only. It respects his income.

Mr. STIKEMAN: It respects the inventory.

Hon. Mr. BENCH: Depreciation is presently allowed on livestock, as I understand it?

Mr. HANNAM: Yes.

Mr. STIKEMAN: Mr. Chairman, that is the extent of my question.

Hon. Mr. HAIG: There is one question I would like to ask Mr. Stikeman. Mr. Hannam said that the farmer was not allowed the exemption of \$1,200 before he is taxable.

Hon. Mr. HAYDEN: That was not what Mr. Hannam said.

Hon. Mr. HAIG: Well let us clear that up.

Mr. STIKEMAN: I did not get the full import of that question.

Hon. Mr. HAIG: I understood Mr. Hannam to say in connection with the farmer and his family that they are not allowed the exemption of \$1,200 that is enjoyed by wage earners.

Hon. Mr. ASELTINE: He said that the farmer did not have a loss until the \$1,200 exemption was absorbed.

Hon. Mr. HAYDEN: There was no loss until he made \$1,200.

Hon. Mr. ASELTINE: Is that correct?

Mr. STIKEMAN: That would be true in individual cases because the extent of exemption is \$1,200, therefore he would pay no taxes on income up to that point.

Hon. Mr. HAIG: I am not trying to cross-examine Mr. Stikeman but I want to be clear on this point. Take for example, a farmer on your four-year basis, in the first year the farmer has a profit of only \$800, but he is entitled to an exemption of \$1,200.

Mr. STIKEMAN: Yes.

Hon. Mr. HAIG: When you put that on a four-year basis does the farmer lose on the basis of the \$400?

Mr. STIKEMAN: No; I think there is a certain confusion of terms there. The loss Mr. Hannam was speaking of was not the loss in terms of individual exemption from taxes, but a loss in terms of going into the red on your books of account.

Hon. Mr. HAIG: I would like to ask Mr. Hannam a question. Take a farmer, a married man, at the end of the year he has \$800 net income, but he is entitled to \$1,200 exemption. Is he \$400 in the red, on your four-year basis?

Mr. HANNAM: No. I do not wish to connect the four year averaging period with this matter. I do not think they are related in this sense. Our present basis of computing taxes on the farmer is that that \$400 you mention would not be registered as a loss. If he had an income of only \$2 for the whole year, he cannot show a loss on his income tax return.

Hon. Mr. ASELTINE: That is correct.

Hon. Mr. HAIG: I know that, unfortunately, all too well, but what I do want to know is, with your five-year averaging plan, would the \$2 or the \$1,200 be taken into account to make up for the other years? I suggest to you, Mr. Hannam, that is a very important question.

Hon. Mr. BENCH: Would the farmer not get his exemption in five years when he made the return and paid the tax?

Hon. Mr. HAIG: No, he has a net profit of \$400, but is entitled to \$1,200 exemption; he cannot get \$1,200 for the year's work for himself and family.

Hon. Mr. BENCH: Yes, but he does not pay taxes. When he comes to the end of the five years, he averages out and gets what he is entitled to.

Hon. Mr. HAIG: But what I am getting at is, he has a \$1,200 exemption for five years.

Hon. Mr. HAYDEN: Are you asking that the Crown guarantee him \$1,200 a year?

The CHAIRMAN: Let the witness answer the question if he can.

Mr. HANNAM: I would say, Mr. Chairman, if Senator Haig's proposal were carried out that would be absolutely equitable to the farmer.

Hon. Mr. HAIG: That is the answer I wanted.

Hon. Mr. CAMPBELL: Mr. Hannam, in presenting your brief and dealing with its particular points, you were suggesting an average of income and not an average of taxable income?? Is that not correct?

Mr. HANNAM: I was averaging the taxable income.

Hon. Mr. CAMPBELL: If you are speaking of averaging the taxable income, you are dealing with the matter that Senator Haig has suggested. I am suggesting to you that you had in mind, when you prepared your brief, the averaging of income over a period of five years.

Mr. HANNAM: I see what you mean. We use the term averaging income over a period of years for income tax purposes. When we spoke about a movable average, we referred to the average taxable income, and the average tax of that average taxable income.

The CHAIRMAN: I wonder if Mr. Elliott might care to make any comment on this rather complicated question.

Mr. ELLIOTT: Mr. Chairman, to answer the question specifically, I would say no, I do not wish to make any comment. In order to comply with your request may I say the situation in respect to the plan that I understand the witness is putting forward, is a plan that is nebulous in our minds as yet; therefore, we will always find difficulty in creating something out of a nebulous beginning.

But, for instance, take the case of the \$800 profit and the \$1,200 exemption which actually does not appear in the Act at all. There is \$150 which converted into a revenue statement is the equivalent to \$1,200; but, the plan of five years, if I understand it, is that the ordinary accounting method is always followed. If the farmer had a profit the first year of \$800 it would have no relation at all to \$1,200, and the item of \$400 would not appear in the picture at all, although you can think about it and raise the question, is that \$400 going to be a loss to him forever. The answer is no. In the first year he simply had a net profit of \$800; when he goes into the four succeeding years, depending on whether he had a profit of loss, he wants to average that \$800 net profit against a rise say to \$2,000 profit in the second year and add the two of them together. You then get the figure of \$2,800 and you take half of that until you build up your whole five years in profit or loss. All you do is average over five years net profits and net losses without regard to whether the farmer is married, single or whether he has ten children or one child. The \$1,200 is the minimum for a married man without dependents. If he had more dependents, it would be necessary to find the value of the tax exemption for his dependent child, and convert that into revenue value. It all means that you do not consider these exemptions at all in this five-year average plan; after five years you simply take his average net income, and then apply the extension to that average. That is as I understand it.

The CHAIRMAN: Do you regard that system if it were adopted, as very complicated from the viewpoint of the Income Tax Branch?

Mr. ELLIOTT: Any system that takes in more than one year becomes complicated. I think that speaks for itself. If you took two years it would take that long to have the business completed; take five years and you have to keep the returns for five years; the same would apply to a period of ten years. The answer is clearly that it is administratively difficult.

Farmers are notorious for two things: one, they do not keep accounts in the regular manner at all even for one year. Therefore, if you extend this plan over five years, I would suggest that the farmer would have no record five years back; and would not be familiar with the figures, and he would wish the accounting to become the problem of the Income Tax Division.

Hon. Mr. ASELTINE: He would file a return every year.

Mr. ELLIOTT: He would file a return, but would probably lose his own copy and depend upon the Income Tax Division to keep his returns for five years. We would become the house of accounting for multiple farmers across the country. He having lost his return will come in and ask us for our record.

It is not desirable to have the Crown become an accounting house on a five-year plan in order to give alleviation to the farmer on the belief that one year's profit is improper and unfair to tax. However, one year's profit is in many cases not unfair. If you relieve the situation in regard to dispersal sales I do not know that the farmer's average is to be desired. Certainly the five-year plan would give us a great deal of administrative difficulty, Mr. Chairman, and three years would give us less.

I mention three years for this reason, that we in our system put in the individual file of each taxpayer the tax returns for the past three years. Our system is to take out the fourth year's return and put it in the cellar, because when you get as high as two and a half million returns each year, they require a great deal of floor space and considerable cabinet and drawer space and cannot be readily referred to in that way. It is necessary to take the fourth year's return out and put in the incoming return in first place; that leaves always three returns on the file. In this suggested system we would have at least to keep five years returns for the farmers and probably six. That would require a great increase in floor space, for cabinet and records.

I refer again to our three-year scheme because that is the way we handle our present affairs to keep our files reasonably clear. That again, Mr. Chairman, is an answer to the question, would it be more difficult from an administrative standpoint. The answer is definitely yes.

Hon. Mr. CRERAR: There is another point, Mr. Chairman, if I may ask Mr. Elliott—

The CHAIRMAN: It is open for discussion.

Mr. ELLIOTT: I can see, Senator Crerar, that I made a mistake in coming into this meeting.

The CHAIRMAN: We want you here as much as possible.

Hon. Mr. CRERAR: We are trying to explore what is a very difficult problem.

Mr. ELLIOTT: Yes, I agree with you.

Hon. Mr. CRERAR: It is probably more difficult than any other form of taxation. May I cite a practical illustration. I know of my personal knowledge of a farmer, a wheat grower out on the Prairie who had four crop failures in succession, and his taxes got behind.

Mr. ELLIOTT: If he had failures there would be no taxes.

Hon. Mr. CRERAR: I am using this for the moment merely as an illustration. In the fifth year that farmer might have forty bushels of wheat to the acre and he might sell at a net price of \$1 per bushel. In that year he would make a very substantial profit. Now, if you do not average that over four years, are you not doing him an injustice?

Mr. ELLIOTT: Well, I will tell you a story first, Senator, and then I will have to answer your last question by saying that there is a great deal of equity in giving the farmer some consideration for his four years' losses against his one year bumper crop and bumper prices. The story is that years ago we had a chap in the west who would not file a return. We kept after him and five years went by. Finally he apparently became apprehensive as to what powers we might be able to exercise, so he wrote a letter, which I think is the most literary document I have ever read. The man spoke from the heart. He said: "Dear Sir, you want an income tax return from me. Well, in the first year I was burned out; in the second year I was eaten out; in the third year I was flooded out; in the fourth year I was frosted out; and in the fifth year, which is the present one, God knows, may be." We looked at that letter in a practical way and said: "There is a five years' return in one. Do not bother him any more." I have really answered your question as to why he should not have

more averaging. It has already been taken care of in some degree. That is, we take his losses one year back and charge them against the forty-bushel crop sold at a good price.

Hon. Mr. ASELTINE: But take a case where the farmer breaks even for four years and then has a good crop. That happens frequently in the wheat-growing area.

Mr. ELLIOTT: One fault of the averaging is that you are moving your breaking point in from the profit and loss statement up into the exemptions to which he was entitled over those five years. He could accumulate his exemptions and charge them all in one sum against the profit of the fifth year. That is a brand new idea and I doubt if it would be acceptable.

The CHAIRMAN: Why would that not apply just as well to any other line of business?

Mr. ELLIOTT: Well, it could, I suppose. If a man had ten children he would be entitled to fairly high exemptions, and if he did not earn enough to make him taxable for a number of years, then one year when he did earn a taxable income he could accumulate his exemptions for the last four or five years. That could be carried on to a degree where the Crown would not get anything out of it at all. The idea of taxation, of course, is to bring in revenue.

Hon. Mr. CERERAR: Take again the illustration I gave, a man having four crop failures and in the fifth year making a profit, say \$5,000. For three years before, let us say, he has been unable to pay the interest on the mortgage on his farm, and he may have got a few years behind in taxes. Can he charge those payments as an expense up against the \$5,000?

Mr. ELLIOTT: No. He can charge the interest and the taxes only for the year in which he made the profit.

The CHAIRMAN: That is true of everybody else.

Hon. Mr. DAVIES: May I ask with regard to a dispersal sale? What happens if a farmer sells his business as a going concern? If a grocer or hardware man sells out his business as a going concern, what he gets for the business is treated as capital. But if a farmer sells his business as a going concern, is the livestock on his farm treated as capital for income tax purposes or not?

Mr. ELLIOTT: I suppose, Mr. Chairman, I am again elected to answer the question. You were in error in part of your statement, Senator, with regard to a hardware man. We frequently have the problem of a hardware man who sells out his business lock, stock and barrel. If he has an inventory—which he will have, because he is a going concern—he must show the profit which accrues to him by selling that inventory. That is an income profit. The price he got for the location, his goodwill, his name, his buildings, his machinery and his equipment, is capital. Of course the question that comes immediately to mind is: if it be a lump sum sale how do you determine how much applies to inventory and how much to capital? That is a matter which you must adjust. But you will usually find that when a man buys a business he asks for an inventory. Then you say to the man who sold out, "Well, now, if you had sold those articles in the normal way, your normal profit would have been 25 or 30 per cent, whatever it is." We are forced to make a split of the total amount received into so much for revenue and so much for capital. Instead of selling his goods piecemeal, he has sold them en bloc. The profit when he sells en bloc is usually not as high as when he sells piecemeal. You have got to think about the purchaser, who will have to make something on that inventory.

Hon. Mr. DAVIES: What happens to the farmer?

Mr. ELLIOTT: The farmer has cattle. That is his inventory. His land, buildings, and equipment are capital. When a farmer sells en bloc, everything that I said about the hardware merchant would apply to the farmer. What

would he make on those cattle if he sold them in the usual way? If it were on a cash basis, you would have to put the price on the cattle and say that is his income.

Hon. Mr. HORNER: Would not a certain number of the farmer's cattle be taken as capital?

Mr. ELLIOTT: No, because generally they are on a cash basis. Senator Crerar a little while ago made that comment, I think. At any rate, that is correct. Most farmers are on a cash basis. They like that best, we have found, up to the point where they make an en bloc sale.

Hon. Mr. McRAE: Mr. Elliott, I would like to ask a question about the hardware merchant. If he sells his real property and goodwill, that is capital. As to his inventory, that is probably sold at less than cost, as so much on the dollar. Seldom if ever is a profit made on the inventory. Would the hardware merchant be liable for taxes if he sold his inventory at actual cost and made no profit?

Mr. ELLIOTT: No, if he made no profit. If the deal were that the purchaser agreed to pay the cost of the inventory and no more, and the papers are so drawn up, we are not going to say there was any profit.

The CHAIRMAN: That inventory then would be capital?

Mr. ELLIOTT: No, not quite. It is not capital; it is still inventory, but it was sold without profit.

The CHAIRMAN: But inventory can be part of his capital, surely.

Mr. ELLIOTT: Well, now you are going into the larger sense, that what a man owns is his capital. The answer is "Yes," but not in an income tax sense.

Hon. Mr. LAMBERT: Mr. Chairman, I would like to ask the witness, Mr. Hannam, a question regarding wartime depreciation, with which he deals on page three of his brief. Is there any accurate data that would give one an idea of what expansion of plant there has been in connection with the increase in hog production as a result of the war?

Mr. HANNAM: No, we have not any accurate information on that. It would be very difficult to get it. But a few years from now we will likely find ghost buildings all over Canada which were set up for poultry or hogs.

Hon. Mr. LAMBERT: I think the point you have raised is a very important one. Alberta within a very short time became the largest hog-producing province. I have the impression that the extension of plant involved in that increase represents a relatively small item, when you take all factors into consideration—the facility with which the hog population reproduces itself, for one thing, and the climatic conditions in Alberta, as compared with that of other parts of the country. I think the argument for wartime depreciation should be based on a more accurate statement.

Mr. HANNAM: It might be difficult to get a more accurate statement for hog production. But perhaps a statement on poultry production—

Hon. Mr. LAMBERT: That would be easier to get, I should think.

Mr. HANNAM: Yes. We are not thinking of what might have been the normal expansion on any farm. The fact is that we did have wartime expansion for a few years, and if buildings and equipment acquired for wartime expansion are going to be discarded, the farmer is entitled to accelerated depreciation. We know that heavy depreciation—as much as 50 per cent in some cases—has been allowed on wartime buildings that are going to be discarded. Well, the farmer has never received any consideration of that kind as yet.

Hon. Mr. LAMBERT: I think it should be made clear that the reason for that is not the refusal of the authorities to give such consideration, but the impossibility of getting agriculture placed on a basis on which depreciation

could be calculated, as in any other industry. I think it is up to the farmers' organizations to attend to this. I am speaking now from experience acquired in an attempt to put farmers on a proper basis in this regard about twenty-five years ago.

The CHAIRMAN: In order to give every member of the Committee an opportunity to ask questions, I propose to call the name of each member proceeding from left to right. Have you any questions, Senator Sinclair?

Hon. Mr. SINCLAIR: No.

The CHAIRMAN: Senator Hayden?

Hon. Mr. HAYDEN: No.

The CHAIRMAN: Senator Buchanan?

Hon. Mr. BUCHANAN: Mr. Hannam, would you put the expanded buildings and equipment on farms in the same category as annexes and other additions to elevators that were made necessary during the war years?

Mr. HANNAM: Certainly not all increases. I would say that a great deal of expansion in farm buildings must be considered as normal expansion. But when we can show that certain expansion was definitely wartime expansion, why should there be any difference between agriculture and industry?

Hon. Mr. LAMBERT: I think it is a question of your basis.

Hon. Mr. BUCHANAN: When you speak of dispersal sales of livestock, are you thinking of farmers' livestock only or are you including ranches in this brief?

Mr. HANNAM: I think that a large ranch is likely to be on an inventory basis? Is that not so, that it would likely be already on an inventory accrual basis?

Hon. Mr. CRERAR: Not all.

Mr. HANNAM: If they are large businesses the probability is that they are on that basis. If they are not, this basic herd plan could apply to them.

Hon. Mr. BUCHANAN: The Western Livestock Association was proposing very much the same thing as you are. I want to know whether you are thinking only of the farmers or whether you are including the ranchers.

Mr. HANNAM: We think it is a fairly satisfactory plan for handling inventory, using the numbers of the basic herd rather than the value as you do in a business inventory. We see no reason why it should not be worked out for the rancher as well as for the livestock farmer.

The CHAIRMAN: Senator Crerar?

Hon. Mr. CRERAR: Am I right in assuming that in the preparation of this brief you have had in mind the average farmer rather than the specialized farmer?

Mr. HANNAM: Right.

Hon. Mr. CRERAR: How many of what might be termed the average farmer—that is the fellow who grows some grain and sells some hogs and some cattle each year, and perhaps a little butter and cream—how many farmers like that do you think take off what could be described as a proper balance sheet each year?

Mr. HANNAM: A very small percentage.

Hon. Mr. CRERAR: I should think, not one in ten thousand.

Hon. Mr. ASELTINE: Oh!

Hon. Mr. CRERAR: I am correct.

Mr. HANNAM: As a guess I should think it would be higher than that.

Hon. Mr. CRERAR: I mean, where they take off a balance sheet, showing additional capital, whether that be the putting up of a fence or breaking of new land, or anything like that.

Mr. HANNAM: Do you mean on an inventory basis?

Hon. Mr. CRERAR: On a proper balance sheet basis.

Mr. HANNAM: Then probably your figure may be about right.

Hon. Mr. CRERAR: I want to ask a question about the hired man on the farm. He should, of course, pay his proper share of taxes the same as everyone else. If I may make an observation as an aside, I think everyone should be treated equally before the law, and that everyone who is liable should pay his proper share of taxes whether he be a farmer or a labourer or anyone else. But there are great difficulties in the way of getting at the farm labourer. Do you think it would be practicable to make a deduction off the labourer's wages and send that to the Receiver General every month or every three months, whenever the wages are paid? If that were done the hired man could of course claim a refund if his tax was overpaid.

Hon. Mr. ASELTINE: That is the law. That is what is done now.

Hon. Mr. CRERAR: I take it that you are objecting to that, Mr. Hannam?

Mr. HANNAM: It has not worked out, Senator Crerar; it just is not working.

Hon. Mr. CRERAR: It does not work out, perhaps, for one of the reasons you have stated, that if there is a farmer who legitimately tries to observe that law the hired man may say, "If you are going to take that amount off my wages each month, I will not work for you," and he will leave and go to work for somebody else.

Hon. Mr. ASELTINE: There is a row every time the farmer does it.

Hon. Mr. CRERAR: Is that the practical objection?

Mr. HANNAM: Yes.

Hon. Mr. CRERAR: Are there any others?

Mr. HANNAM: Another objection is that a large percentage of farmers do not know how to make out income tax returns. If they can be personally helped to do it once or twice they are all right. But most of us who have a better chance than the average farmer has to learn how to fill out income tax returns, know that it is not a simple matter. With a mixed farm it is particularly difficult; the farmer does not know where to begin, he does not know where he is at. If deductions were made for the hired man's tax, that would be a further complication.

Hon. Mr. CRERAR: I think there is still another consideration, that whether we like it or not, farm workers as a group are the lowest paid in our society.

Mr. HANNAM: Usually.

Hon. Mr. CRERAR: And the least efficient.

Mr. HANNAM: Yes, very many of them; but they are the lowest paid group in our society. I think they have the least amenities of life of any group.

Hon. Mr. HAIG: Hear, hear.

Mr. HANNAM: Actually we would not be giving them any preference so far as I can see if we forgot about them altogether in regard to tax deductions.

Hon. Mr. DAVIES: You are speaking of farm labourers?

Mr. HANNAM: Yes.

Hon. Mr. BENCH: Would it not be better to improve the situation and see that they get a higher wage return?

Mr. HANNAM: We would certainly be delighted with that. That is one of the real purposes of the Canadian Federation of Agriculture and the organization of farmers to put their industry on the basis where it ought to be.

The CHAIRMAN: As a matter of practical information, do farm labourers pay any income tax, Mr. Elliott?

Mr. ELLIOTT: If they are taxable, yes.

The CHAIRMAN: Are they taxable as a general rule?

Mr. ELLIOTT: They are, certainly.

The CHAIRMAN: I think Mr. Hannam is right in saying that no farm labourers pay any income tax.

Hon. Mr. ASELTINE: Some of them engage in seasonal work: they are on the farm during harvest time, in the woods during the winter, and at some other place in the spring. Their total earnings bring them within the income tax bracket if they are single men.

Hon. Mr. CRERAR: Going back to the years prior to the war, say before 1939, could you give us any idea of the average wage for farm labourers?

Mr. HANNAM: I cannot give it to you offhand, Mr. Crerar, but those figures are available. Their wages were very low. In the years before the war \$30, \$40 and \$50 a month was the general wage.

Hon. Mr. HAYDEN: Plus living.

Mr. HANNAM: Yes, plus board.

Hon. Mr. HAIG: But that was only seasonal.

Mr. HANNAM: I suppose the greater part of them were engaged on seasonal work but some of them worked the year round.

Hon. Mr. CRERAR: My recollection is that the labourer who hired on the farm the year round would not average more than \$30 a month.

Hon. Mr. McRAE: In British Columbia the average is \$35 the year round.

Hon. Mr. FARRIS: And board.

Hon. Mr. McRAE: Yes.

Mr. HANNAM: The figures are available from the Bureau of Statistics.

The CHAIRMAN: Any other questions, Senator Crerar?

Hon. Mr. CRERAR: No.

The CHAIRMAN: Senator Haig?

Hon. Mr. HAIG: No.

The CHAIRMAN: Senator Aseltine?

Hon. Mr. ASELTINE: Yes. I have a question on something that does not appear in the brief. I should like to know whether the federation has considered any other method of taxing farmers, such as a production tax. As you know, we have the Prairie Farmers Assistance Act, which works out very satisfactorily. Each farmer when he sells a load of wheat has 1 per cent deducted at the source, and that is remitted to the Department. It seems to me it would solve the whole question if every farmer when he sells a load of wheat, or some cattle or hogs, or anything else, had a certain percentage of the proceeds deducted at the source and remitted to the Department. If we have an agricultural income of a billion dollars a year, and 5 per cent of that was deducted at the time of its receipt, far more income tax would be collected from the farm industry than is collected at the present time.

The CHAIRMAN: A sort of sales tax.

Hon. Mr. ASELTINE: A production tax.

Mr. HANNAM: No doubt we would collect a great deal more tax, but we would be collecting tax from large numbers that have no right to be taxed on the income tax basis. We think the income tax is one of the most equitable taxes, because it is collected from people who have the ability to pay. But we do not want to tax single or married citizens up to the amount of their present exemption. The State does not wish to take away purchasing power from them below those low exemptions. That is the objection to a turnover tax.

Hon. Mr. ASELTINE: At the end of the year every farmer would file his income tax return, which he does not do at the present time. If he had not had his exemption, he would get a refund from the Department. I believe that the farmers of Saskatchewan pay most of the income tax for all the farmers of Canada.

Hon. Mr. HAIG: They do.

Hon. Mr. ASELTINE: From a return brought down to the House it appears that most of the farm taxes were paid in the Rosetown district.

Hon. Mr. HAIG: Mr. Elliott, can you give us figures by provinces of what the farmers of Canada paid in income tax last year?

Mr. ELLIOTT: I do not remember what the farmers paid, but certainly we can produce the statistics. We shall be glad to file a statement.

Hon. Mr. HAIG: Thank you.

The CHAIRMAN: Senator Campbell?

Hon. Mr. CAMPBELL: Mr. Hannam, under the paragraph headed "Dispersal sales of livestock" you refer to the uncertainties arising from the regulations passed under the Act. What specifically have you in mind there?

Mr. HANNAM: I had in mind what happens when a man has a dispersal sale. All the receipts from his sale is cash income of this year, and under the Act that is all taxable. In practice the farmer does not pay on all of it, because he goes to his Inspector of Income Tax, and that inspector makes an adjustment. He follows some plan which is due to the instructions he receives from his Department as administered by Mr. Elliott and his men. He sits down with the farmer and says, "All right, so much of this will be capital and so much will be income." But our point is that different inspectors may do it in different ways. The other point is that the farmer is liable for the whole of it. He knows that when he goes to negotiate, so he must accept what is given him. If the regulations are uniform, but the inspectors do not apply them uniformly, then the results can be very unfair. We think part of the sale of his livestock is rightly capital, and part is income; but that should be established in the Act.

Hon. Mr. CAMPBELL: You say in practice certain relief is given to farmers who make representations to the Income Tax Inspectors, but you think there should be some plan which would make that practice uniform?

Mr. HANNAM: Right.

Hon. Mr. CAMPBELL: In pursuance of the law.

Mr. HANNAM: Right.

Hon. Mr. CAMPBELL: That would necessitate, I suppose, the establishment of what you term a basic herd plan, and you refer to it in your brief. Have you a copy of the plan, or would there be a copy available for filing?

Mr. HANNAM: We could have a supplementary statement filed to show the working of that plan.

Hon. Mr. CAMPBELL: You say on page 3 of the brief, "A plan has been presented to the Minister of Finance, which might be termed the 'basic herd' plan." Is that memorandum in writing?

Mr. HANNAM: Yes, that has been presented to Mr. Ilsley.

Hon. Mr. CAMPBELL: That is available?

Mr. HANNAM: Right.

Hon. Mr. CAMPBELL: I am suggesting to you that it might be helpful if that were filed as part of your evidence here.

Mr. HANNAM: I am sure we can get that.

The CHAIRMAN: Will you do that, Mr. Hannam?

Mr. HANNAM: Yes, I will.

Hon. Mr. CAMPBELL: That would necessitate the establishment of an inventory basis, would it not?

Mr. HANNAM: It does.

Hon. Mr. CAMPBELL: Then you refer to the increase in value as that basic herd is added to.

Mr. HANNAM: Increased in numbers.

Hon. Mr. HANNAM: Yes. In other words, assuming that a farmer started with a basic herd of fifty, and he added ten heifers the first year, he could elect to pay a tax on the market value of those heifers?

Mr. HANNAM: Yes.

Hon. Mr. CAMPBELL: Is that readily determined?

Mr. HANNAM: I think it would not be difficult. There is a fairly standard rate from year to year.

Hon. Mr. CAMPBELL: So it would be on a yearly basis, say, at a certain value?

Mr. HANNAM: Right.

Hon. Mr. CAMPBELL: He would treat that as income in that year?

Mr. HANNAM: Yes.

Hon. Mr. CAMPBELL: Therefore his cattle would increase to the extent of adding those ten heifers to his fifty and making them sixty.

Mr. HANNAM: Yes, from that time his basic herd is sixty rather than fifty.

Hon. Mr. CAMPBELL: Could you say from investigations you have made whether that would be an acceptable plan to the average farmer?

Mr. HANNAM: I believe it would be acceptable.

Hon. Mr. BENCH: They would have to keep books.

Hon. Mr. CAMPBELL: Farmers are mostly on a cash basis to-day as against an inventory basis.

Mr. HANNAM: The inventory basis is very much more difficult.

Hon. Mr. CAMPBELL: Your suggestion is that the plan would simplify matters?

Mr. HANNAM: Yes. This basic herd is simply the idea of breeding stock which could be used on a cash basis. It would be applied and the farmer could go on making his return on the cash basis.

Hon. Mr. CAMPBELL: Is not that the practice followed in the United States?

Mr. HANNAM: No.

Hon. Mr. CAMPBELL: Are they not permitted there to add to their herds annually and pay tax?

Mr. HANNAM: I cannot say; perhaps Mr. Elliott can.

The CHAIRMAN: Anything further, Senator Campbell?

Hon. Mr. CAMPBELL: No.

The CHAIRMAN: Senator McRae?

Hon. Mr. McRAE: Mr. Hannam, referring to the second section of your brief, headed "Deductions of tax from farm workers' wages", I am entirely in agreement with that paragraph. I have had experience identical with what you report. Could you give the committee an estimate of what percentage of farm labourers have had their tax deducted at source? That would be a guess, but I should like to have it.

Hon. Mr. HAIG: I think it would be a pretty wild guess.

Hon. Mr. McRAE: No. I know of only two in the province of British Columbia. I believe in every man paying his own tax, but on occasion I have had to advance wages to pretty well offset the tax. I think Mr. Hannam can give me a guess—and it will not be a wild guess either, as to how many farmers have made returns for deductions of income tax from their employees, what percentage of them?

Mr. HANNAM: If you insist that I make a guess—I might say first of all, it seems to me I have run a cross fifty farmers in Ontario who do make deductions; that is personal.

Hon. Mr. ASELTINE: Do they file those four returns, or just show them on the blue form?

Mr. HANNAM: No, they just show it on the blue form. But if you want me to guess what the percentage would be, I would be prepared to put it at a half of one per cent. That is just a guess.

Hon. Mr. McRAE: That is the reason that so far the Act has failed very seriously. It does not seem to me that the returns from it are sufficient. Now, with respect to form T.D.1, I think that is required to be filed monthly, is it not? I wonder if it could not be simplified by providing for an annual return by the farmer of what he has paid for wages and to whom during the year. Would not that annual return be sufficient instead of a monthly return?

Mr. HANNAM: I do not know what the policy of the Department is, but it is my impression that the Income Tax Department does accept an annual return in many cases.

Hon. Mr. McRAE: They demand it in the form of monthly returns, as I remember.

Mr. HANNAM: It is my impression that they accept an annual statement.

The CHAIRMAN: Mr. Elliott could tell us that, I should think.

Mr. ELLIOTT: I shall be very happy to file the information. Farmers who have employees pay them on a monthly basis, and then they must deduct according to the table of tax deductions the appropriate amount having regard to the material status and so on and the wage paid. The table of tax deductions will show what should be deducted. The farmer who deducts that amount will send it to us within one week of its deduction. If the employee is taxable, that plan is highly desirable, because the very name of the employee the farmer pays is on record. The table of tax deductions in the main only requires the deduction because the man is paid at a rate which, if continued through the year, would make him taxable. At the end of the year the farmer must make a statement of all wages he has paid and the amount deducted, just the same as anybody else who is an employer, and that the money has been transmitted to the Receiver General of Canada. We get the names of the persons from whom the deductions were made, in order that we may credit to those employees, when they file their returns, the amount paid by their employers on their behalf. The farmer must file his own income tax return. In making up his net income, naturally he shows the wages he has paid. That would tie in also with his annual statement of amounts deducted from his various employees.

Hon. Mr. McRAE: You must have a great many refunds of those deductions, because many farm employees do not earn to the extent of \$1,200 a year.

Mr. ELLIOTT: That is why in my evidence I stated there were so many refunds in a year. That includes farmers and all kinds of workers that have suffered tax deductions, but annually they are not in receipt of enough to make them taxable at the end of the year. Those deductions, as honourable members will recall, were a little over a million a year.

Hon. Mr. McRAE: To make this a little more workable, have you such a thing as a standard cash book for farmers in which to keep their cash accounts? If there is not such a book it seems to me it would be very easy to prepare a cash book and to have printed on the covers the tax exemptions and that sort of thing, so the farmer would have a record from year to year.

Mr. HANNAM: There are half a dozen of such books available. They are very simple books. The Department of Agriculture has one. Those books are available. It is not a case of a simplified book not being available. The trouble is that it is not the habit of farmers to keep track of every sale and every purchase. As yet the average farmer has not made a practice of doing that.

Hon. Mr. McRAE: That is true. It would be a very simple matter to do that.

Mr. HANNAM: Yes, and it would be better if he would.

Hon. Mr. McRAE: Is that because the farmer does not wish to pay the dime or twenty-five cents for the book?

Mr. HANNAM: No.

Hon. Mr. McRAE: I have one further question to ask Mr. Hannam: Mr. Elliott explained to us why it was more difficult and inconvenient for the Department to work on more than a three-year period. Did you not suggest four years? I think the question of five years came out during the discussion.

Mr. HANNAM: This plan that has been submitted to Mr. Ilsley for a moving average is on a five-year basis.

Hon. Mr. McRAE: That is a moving average.

Mr. HANNAM: Our Canadian Federation previously asked for a four-year period.

Hon. Mr. McRAE: A four-year period would be satisfactory.

Mr. HANNAM: Yes.

Hon. Mr. McRAE: Would that period be movable back and forth, and how far?

Mr. HANNAM: We mentioned this one plan that had been proposed to Mr. Ilsley, but we did not say that we endorsed it. We said this is an indication of what can be done. Perhaps it is too complicated. If that is so, no doubt a simpler form could be discovered. But in the case of the plan we mentioned it was a moving average.

Hon. Mr. McRAE: Could you give the committee a copy of that plan?

Hon. Mr. HAIG: He has promised that.

Mr. HANNAM: The plan was on the basic herd; yes, we can supply the plan. The point I wish to make clear, however, is that a Canadian Federation of Agriculture is not putting the scheme forward; we have not endorsed it, we are not putting it forward as the plan to be adopted.

Hon. Mr. BENCH: If I may, Mr. Hannam, I should like a little help from you on item No. 1 in your brief. The proposal is that the income of farmers for income tax purposes be averaged over a period of four years. First of all, may I ask if that proposal contemplates a cycle in which the first three years are losses and the fourth year is a profit year?

Mr. HANNAM: No, not at all. A moving average would apply equitably whether there are gains or losses.

Hon. Mr. BENCH: The conditions in which it would be most helpful, may I say, would be in such a cycle in which the first three years were loss years and the fourth a profit year?

Mr. HANNAM: It would be more helpful.

Hon. Mr. BENCH: It would be most helpful.

Mr. HANNAM: Yes.

Hon. Mr. BENCH: I assume you are familiar with the provisions of Section 5, Subsection 1, paragraph (p) of the Income War Tax Act which provides that:

"Income" as hereinbefore defined shall for the purpose of this Act be subject to the following exemptions and deductions:—

Business losses including farm losses (p) amounts in respect to losses sustained in the three years immediately preceding and the year immediately following the taxation year.

The provision of course is subject to certain limitations.

I am wondering why that provision, which is really a provision to allow one to average out losses against profits over a period of five years, does not really meet the situation.

Mr. HANNAM: That is a measure of what we are asking, and we do appreciate that provision. As I mentioned before, the farmer is not allowed to charge any wages for his services. He and his family must have worked all year for nothing before he goes in the red.

Hon. Mr. BENCH: Frankly, I do not see how this has any bearing on this proposal at all. I would rather regard that as a suggestion that the Act should contain some provision that the farmer himself should be permitted an allowance for his own wages, which amount would be deductible from the taxable income, or from his income.

Mr. HANNAM: If that were done, this proposal of carrying forward the losses would be much more beneficial to the farmer.

Hon. Mr. BENCH: In other words, if the Act contained a provision that the farmer be allowed a salary, according to his standards, he should be permitted to deduct that from his farm income for the purposes of determining what in his taxable income. The existing provisions of Section 5, subsection 1, paragraph (p) already meets the situation that you have in contemplation.

Hon. Mr. CAMPBELL: Then he turns around and adds the income to his farm income, and he is back in the same place.

Hon. Mr. HAIG: But he does not pay any taxes on that.

Hon. Mr. CAMPBELL: He has had his wages out of the same pocket.

Hon. Mr. BENCH: Will you please clear up this proposal for the averaging of income over a four year period, as opposed to the provision which is already contained in the Act.

Mr. HANNAM: Permit me to answer it in this way. Where the farmer has a severe loss in one year, or where he has two or three years of serious losses and is allowed to carry those forward into the good year; that provision is very very helpful to him. However, it does not get away from the fundamental contention that we made in this paragraph, and that is where the farmer has a variable income over a period of five years, equal to we will say \$10,000,

and compare him with a wage earner with an income of \$2,000 every year for five years, you will find the farmer pays about double the income tax. In discussion with two of the senior members of the department on one occasion we worked out a case on that basis, and it came out that the farmer with the variable income paid more than 50 per cent above the man on the stable salary.

Hon. Mr. BENCH: I do not understand why that is so, but I gather you are suggesting that is because the farmer is not entitled to charge against his farm income as such any salary that represents the labour he has put into the production of that income.

Mr. HANNAM: And there is no salary for his wife either.

Hon. Mr. BENCH: Will you tell me in what sense he is different from a surgeon who earns his living by opening up abdomens?

Hon. Mr. HAIG: His income average is very much greater.

Hon. Mr. FARRIS: He has as many abdomens to operate upon in one year as another.

Hon. Mr. BENCH: The point is, a surgeon has no permanent annual income except his professional income.

Mr. HANNAM: I would say there is quite a difference between the income group that a surgeon is in and the one in which the farmer is, and I think that has a lot to do with it.

Hon. Mr. BENCH: I can think of a good many surgeons who would dispute that attitude. But, as has been pointed out to my left, that does not answer my question.

Hon. Mr. HAIG: Senator Bench, will you let me give you an illustration. A farmer has a property that he has operated for four years and has just broken even. In the fifth year he has a profit of \$10,000. Under the existing law he takes \$1,200 off his \$10,000 and pays taxes on his \$8,800.

Hon. Mr. BENCH: That is a most unfavourable or favourable position in which the farmer can find himself, depending on what view one takes.

Hon. Mr. HAIG: Supposing I am a clerk in a store, and I make \$2,000 a year, that is \$10,000 in the same five-year period. I take off my \$1,200 exemption and pay taxes on \$800 for the five years. The farmer pays taxes on the \$8,800 and pays a lot more taxes than I do.

Hon. Mr. ASELTINE: That happens frequently in the wheat-growing country.

Hon. Mr. HAIG: It happens all the time.

Hon. Mr. BENCH: I suggest to Mr. Hannam that what he is really seeking is some amendment to this legislation to permit the farmers to charge up against farm income some salary representing the labour which he puts into his produce.

Hon. Mr. HAIG: It is not salary; it is exemptions.

Hon. Mr. FARRIS: Will you explain why the section that Senator Bench mentioned does not cover that situation?

Hon. Mr. HAIG: Here is the difference: if there was a loss in that period, you could charge it up, but my proposition is that the farmer is breaking even for four years.

Hon. Mr. BENCH: Not if he is permitted to charge up salaries.

Hon. Mr. HAIG: Leave salary off; get it out of your mind entirely.

Hon. Mr. BENCH: You want to have your cake and eat it too.

Hon. Mr. HAIG: No, I do not. I am saying that for four years the farmer broke even—he just got his living—then in the fifth year he made a net profit of \$10,000. From that \$10,000 he can deduct \$1,200, and then he is obliged to pay income tax on the \$8,800 in that one year. Say a young man in my office is

getting \$2,000 a year, he is obliged to pay income tax on \$800 each year for five years. That young man has made the same amount as the farmer, \$10,000, but the farmer has to pay a lot more money in income tax.

Hon. Mr. DAVIES: But the farmer has had his living at the same time.

Hon. Mr. HAIG: That is added to income.

Hon. Mr. BENCH: Mr. Hannam, let us take the example of Senator Haig and examine it for a moment. I do not wish to take too much time on this, and I feel I am already transgressing. The farmer breaks even for three years, and if he were entitled to charge up a salary against his farm income for those three years, it would have the result of his having a loss, would it not?

Mr. HANNAM: Yes.

Hon. Mr. BENCH: If that situation actually obtained, the farmer would be able to carry those losses into the fourth year, under the section as it now stands, and deduct them from his then profits for the purposes of determining income tax. Is that correct?

Mr. HANNAM: Right.

Hon. Mr. BENCH: Similarly, if he breaks even, independent of his salary in the fifth year, but were permitted to charge his salary against income, he would be in the same position. I suggest to you, that what you are really seeking is some provision in this law which would permit the farmer to charge against his income, before taxing, a salary or wage representing the labour which went into the producing of his revenue. Is that correct?

Mr. HANNAM: That is another way of accomplishing the same thing.

Hon. Mr. BENCH: Having regard to the position in which the law now stands, is that the solution you are asking?

Hon. Mr. HAIG: He has not gone that far.

Mr. HANNAM: I am not going that far. The Income Tax Department will say that if we put forward that proposition they will have to allow every individual operator in Canada, in farming or any other business, the opportunity of putting in his salary and saying what is his salary.

Hon. Mr. BENCH: That is so, but I suggest that it should be extended to the profession I have mentioned, that of the surgeons.

The CHAIRMAN: How about the lawyers?

Hon. Mr. BENCH: I did not like to say that outright.

Mr. HANNAM: Take this present example before us: four years the farmer breaks even—I do not know just what you mean by breaking even.

Hon. Mr. HAIG: No wages at all.

Mr. HANNAM: No wages at all. He certainly does not break even because you say he has no income at all for four years.

Hon. Mr. BENCH: Let us take for three years, because that is what the Act now covers.

Mr. HANNAM: All right, let us take three years. According to the interpretation of the Income Tax Act, we are prepared to allow a married man an exemption of \$1,200; in other words, we will allow him \$1,200 for his work.

Hon. Mr. BENCH: You mean that is the effect?

Mr. HANNAM: That is the effect of it. At the same time in the city today the wife of a wage-earner can earn \$660 without any tax. If you gave the farmer and the farmer's wife \$1,200 and \$660 totalling \$1,880 each year for three years, which represents their loss and then put it against the good year, the farmer would be very well satisfied with that arrangement.

Hon. Mr. BENCH: I suggest that you are only saying what I thought you were saying. I do not wish to argue it any further. Just before we leave that particular subject do you propose that there should be credited against this \$1,200 and \$660 exemptions of any amount covering the benefit takes off the land in the way of living expenses.

Mr. HANNAM: That is already provided for.

Hon. Mr. BENCH: There is one other question I wish to ask you under this heading.

Mr. HANNAM: Pardon me, may I say that the produce that is consumed on the farms in the United States is not regarded as income.

Hon. Mr. BENCH: In paragraph 2 of your item No. 1 you say:

One point we desire to emphasize particularly, it that the farmer who has an average taxable income of a certain figure over a period of years—with considerable variation in the taxable income from year to year—is required to pay a substantially higher total income tax over the period of years, than would a man with a fixed annual taxable income of the same figure during the same period of years. This is perhaps the most inequitable feature of the one-year accounting period for assessing farm income tax.

I suggest to you, Mr. Hannam, that in making that statement you had in mind the condition which has obtained in the last four or five years in which rates were on an increasing scale.

Mr. HANNAM: I would not say particularly. It is more severe when you have low exemptions and rapidly increasing rates in the higher brackets.

Hon. Mr. BENCH: I do not think that is a quite satisfactory answer to my question. Let me put it another way. Would this statement in paragraph 2 of item No. 1 in your brief apply in a period when the rates were decreasing annually, as we sincerely hope they will be?

Mr. HANNAM: It would still apply, but it would not be so severe. I am quite sure it would still apply.

The CHAIRMAN: Senator Leger?

Hon. Mr. LEGER: No question.

The CHAIRMAN: Senator Lambert?

Hon. Mr. LAMBERT: No question.

The CHAIRMAN: Senator Beauregard?

Hon. Mr. BEAUREGARD: Is there any provision for deducting from the farmer's taxable income the wages he pays to his wife and grown-up children?

Mr. HANNAM: No, there is no provision made for the farmer to pay his wife a salary and be able to claim it as a deduction.

Hon. Mr. BEAUREGARD: There is provision for deducting what he pays to his grown-up children?

Mr. HANNAM: Yes, if he actually pays over the money to them.

Hon. Mr. BEAUREGARD: As a matter of experience do you know if any farmers do pay salaries to grown-up children?

Hon. Mr. ASELTINE: They can pay up to \$400 including board and lodging.

Mr. HANNAM: I cannot say whether it is done.

Hon. Mr. BEAUREGARD: Do you know if the average farmer takes advantage of his rights to pay a salary to his grown-up children and deduct it from his income tax return?

Mr. HANNAM: Mr. Elliott could probably give you a better answer on that than I can. I do not think it is generally done, although I know it is done in some cases. The farmer not only has the right to pay his grown-up children a salary, but he can charge them board.

Hon. Mr. BEAUREGARD: If in your opinion that provision is not taken advantage of, can you give us the reason why that is so?

Mr. HANNAM: Largely because I believe a great many farmers do not know that they can do it. It is a more recent provision; it has only been permitted in recent years.

Hon. Mr. ASELTINE: Would this not be the reason, that in a year where the farmer had a loss or not very much profit, he could not pay any salaries to his children?

Mr. HANNAM: That is one reason.

Hon. Mr. HAIG: The real truth is that the farmer does not know about it.

Hon. Mr. ASELTINE: In making up returns for farmers in the west my office makes the deduction of \$400 if the farmer has the money to pay the wages. That amount includes board and lodging. That is, if \$260 is deducted for board and lodging, he can then take off the balance of the \$400 for wages.

Hon. Mr. BEAUREGARD: Do you consider that a farmer who has not paid salaries to his grown-up children is embodying those salaries in his own?

Mr. HANNAM: Yes, and he is paying the tax on that.

Hon. Mr. BEAUREGARD: His income return would show the combined income of himself and of his children?

Mr. HANNAM: Yes.

The CHAIRMAN: Senator Farris?

Hon. Mr. FARRIS: No question.

Hon. Mr. CRERAR: Mr. Chairman, may I ask another question?

The CHAIRMAN: All right.

Hon. Mr. CRERAR: A little earlier we were talking about the average farmer. Would you venture an opinion as to how many of them operate bank accounts, that is deposit money and pay by cheque.

Mr. HANNAM: I would think a very small minority, Senator Crerar.

Mr. Chairman, may I call the attention of the Committee to a statement made by the Minister of Finance in his Budget speech on October 12? I imagine most of you have seen this. It is on page 1045 of the House of Commons Debates:

I have received strong representations in favour of a change in the law which would allow the acceptance of the average income over a period of years as the taxable income of farmers and fishermen whose incomes are subject to great variability on account of weather as well as markets. I have been impressed with the reasonableness of the requests, though hitherto the proposals made have involved collecting a tax from farmers and fishermen in bad years in which they might actually have had a loss. I am hopeful, however, that a solution can be found to the problem and I am prepared to give the most sympathetic consideration to the inclusion of a provision of this sort in a revised income tax law.

The CHAIRMAN: That completes the questions by members of the Committee. I might say that any other senators who are here but who are not members of the Committee are free to ask questions if they desire to do so. Are there any questions? There appear to be none.

Hon. Mr. BUCHANAN: Mr. Chairman, I would like to clear up one point that I overlooked. In your brief, Mr. Hannam, you say that taxation authorities in both Great Britain and the United States have recognized the capital nature of breeding stock. Have you any further information on that general statement?

Mr. HANNAM: No, I am sorry I have no detailed information.

Hon. Mr. BUCHANAN: But you know it is the practice to recognize breeding stock as capital?

Mr. HANNAM: Yes; we have that information authoritatively. In any case, I suggest that information can be easily obtained.

The CHAIRMAN: Gentlemen, do you wish to proceed further now? We have two other organizations to hear from.

Hon. Mr. HAIG: I suggest we adjourn until this afternoon.

The CHAIRMAN: It was suggested the other day that perhaps we should have hearings between sessions, and in that case it would be advisable to have the quorum reduced. I have before me a motion, which reads as follows:

That the Committee report to the Senate recommending:—

1. That the quorum of the said Committee be reduced to five members.
2. That the life of the Committee be continued and that it be authorized to hold meetings and hear witnesses during the recess of Parliament.
3. That the Committee be authorized to adjourn from place to place.

If that meets with the approval of the Committee, I would be glad to have someone move a motion.

Hon. Mr. HAIG: Mr. Chairman, Senator Vien is not here at present, but I would suggest that the amendment he made to the order of reference should be moved.

The CHAIRMAN: That is the motion to amend the order of reference by inserting, after the words "collection of taxes thereunder," the words, "and the provisions of the said Acts by redrafting them, if necessary."

Hon. Mr. HAIG: I held that up when it was suggested by Senator Vien. I will make that motion.

The CHAIRMAN: I think that was a suggestion made by Mr. Elliott in the first place, but Senator Vien put it in the form of a motion.

Hon. Mr. HAIG: I held it up, and I would move it now.

The motion was agreed to.

Hon. Mr. SINCLAIR: What is the other motion?

The motion was then read by the Clerk as follows:

That the Committee report to the Senate recommending:

1. That the quorum of the said Committee be reduced to five members.
2. That the life of the Committee be continued and that it be authorized to hold meetings and hear witnesses during the recess of Parliament.
3. That the Committee be authorized to adjourn from place to place.

Hon. Mr. SINCLAIR: I think those last two recommendations are unnecessary. How are you going to meet during mid-winter?

The CHAIRMAN: All the members of the Committee cannot attend, so the proposal is to reduce the quorum.

Hon. Mr. SINCLAIR: But the recommendation is to travel about from place to place.

The CHAIRMAN: Why not have the authority, in case it is necessary?

Hon. Mr. HAIG: You might want to go to Montreal or Toronto.

The CHAIRMAN: Shall the motion carry?

Some Hon. SENATORS: Carried.

Hon. Mr. SINCLAIR: Nay.

The CHAIRMAN: We have two other organizations to hear to-day. Mr. Bengough is here to represent the Trades and Labour Congress; and Mr. Davies, to represent the National Life Assurance Company. The leader of the Government has just told me that there will be almost no business before the Senate this afternoon. So perhaps we could meet as soon as the Senate rises.

Hon. Mr. CAMPBELL: Mr. Chairman, there is a meeting called for five o'clock to deal with a matter of some urgency.

Hon. Mr. LAMBERT: The Joint Committee on the flag question meets at four o'clock.

The CHAIRMAN: Then perhaps we could meet at two o'clock.

Hon. Mr. HAIG: Carried.

The Committee adjourned until 2 p.m.

The Committee resumed at 2 o'clock.

The CHAIRMAN: Gentlemen, Mr. Davies, General Manager of the National Life Assurance Company of Canada, was supposed to appear next, but he has very kindly yielded priority to Mr. Bengough, President of the Trades and Labour Congress of Canada. Mr. Bengough.

Mr. PERCY R. BENGOUGH (President of the Trades and Labour Congress of Canada): Mr. Chairman and gentlemen, the Trades and Labour Congress of Canada representing 47 Trades and Labour Councils established in Canadian cities and 2,286 locals of affiliated International, National, Provincial, and directly chartered unions throughout the Dominion, has made requests and recommendations to the Dominion Government dealing with matters of re-establishment, rehabilitation and reconversion, which, in our opinion, are necessary for the full employment of the citizens and the development of our country. We fully realize that those undertakings cannot be accomplished without the expenditure of Government funds. We believe direct taxation on incomes is the fairest method of raising the necessary moneys, for the reason it is in conformity with the ability of the citizen to pay.

The last convention of the Trades and Labour Congress of Canada, held in Toronto in the Fall of 1944, recommended that the present exemption should be raised to \$2,400 per year for married persons and \$1,000 per year for single persons. It is our considered opinion that incomes below these amounts for the citizens specified are fully required in order to meet their financial obligations in maintaining themselves and their families in balance with present day standards of living in Canada, and therefore should not be taxable.

Now that relief of taxation has been accorded to those participating in excess profits, it is natural to expect an increased resentment from those in the lower brackets to whom little consideration has been given.

In view of the fact that the burden of taxation has now been lessened on those with the ability to carry it, we urge your consideration on behalf of the citizens of Canada in the lower brackets now being taxed into a sub-standard of living.

The only other question that has been raised by our membership is that of consideration to exemption on dues paid into trade unions which are allocated to superannuation schemes, sick and mortuary benefits. Many affiliated organizations feel that the same provisions should be extended to those payments as are now allowed for charitable and other expenses.

The CHAIRMAN: I propose that we proceed in the same fashion as we did this morning. I will call first on Mr. Stikeman.

Mr. STIKEMAN: Mr. Bengough, I do not believe I can put any questions to you on your statements on page 1, as they would appear to fall into the category described by our chairman at one of our earlier meetings as being questions of policy rather than questions for our consideration. However, on page 2 I note in the second paragraph you give some consideration to the allegation of payments in to trade union funds by way of superannuation schemes or plans. I should like to ask you whether in your opinion the law as presently enacted in section 5 (1) (g), is not sufficiently wide in this connection, where it says:

Income as hereinbefore defined shall for the purpose of this Act be subject to the following exemptions and deductions:—

(g) in respect of amounts for superannuation or pension funds or plans approved by the Minister for the purposes of this paragraph

(i) an amount not exceeding three hundred dollars in the taxation year, actually retained by the employer from the remuneration of the taxpayer for an employees' superannuation or pension fund or plan in respect of services rendered in the taxation year or—

And this is my point:—

—paid by a taxpayer who is a member of a trade union as part of his union dues.

In your estimation the law as now enacted is insufficient to cover the objections that you now raise?

Mr. BENGOUGH: Well, it happens to be—in my estimation it is sufficient.

Mr. STIKEMAN: It is sufficient?

Mr. BENGOUGH: That is in my opinion, yes. The question was raised, but frankly I am not presenting it very strongly, the number affected and the amount involved are very small.

Hon. Mr. HAYDEN: I might interject a question here. If you had a pension plan which was not a pure pension plan there is an income tax ruling at the present moment which would prevent you from claiming as a deduction any payment on that account. So that there may be more in what you have read from your brief than what you think yourself. You may have a practical difficulty there unless the ruling or the law is changed.

Mr. BENGOUGH: The trouble is it bulks in the dues paid.

Hon. Mr. HAYDEN: It is not a question of the dues paid. If some part of the money is paid for a pension plan or superannuation benefit, but included in that plan or benefit are other elements of insurance, then the income tax people won't recognize the payment as for a pension plan unless you prove the pension plan stands absolutely by itself.

Hon. Mr. FARRIS: Is it not easy to split the payments in two?

Hon. Mr. HAYDEN: It is not that; you would have to split the plan.

Mr. STIKEMAN: In addition to Senator Hayden's interjection, Mr. Bengough—which I think is very well taken—can it not be read into the question that you would like to see the present law extended to permit payments directly made for sick and mortuary benefits—payments which now would be excluded?

Mr. BENGOUGH: That is so.

Mr. STIKEMAN: In the last sentence of that paragraph you state:

Many affiliated organizations feel that the same provisions should be extended to those payments as are now allowed for charitable and other expenses.

What are your other organizations and what is meant by "other expenses"?

Mr. BENGOUGH: What I had in mind at the time was that in some lines of business there was relief given to funds paid into trade organizations, and we think trade union dues should have the same consideration.

Mr. STIKEMAN: On the theory that the membership in a trade union would increase its productive capacity in the same way as membership in a trade organization?

Mr. BENGOUGH: Yes.

Mr. STIKEMAN: You state in the opening of that paragraph, that this is the only question which has been raised by your membership in addition to the other questions. Does this cover your entire points of difference in regard to the present tax structure?

Mr. BENGOUGH: Yes, I think this covers all that is sufficient.

Mr. STIKEMAN: That is very flattering.

The CHAIRMAN: We shall have to assume that we have everything in your brief.

Mr. STIKEMAN: That is all my questions.

Hon. Mr. CRERAR: The recommendation in the second paragraph is that exemptions be raised to \$2,400 for a married man and \$1,000 for a single man. That would of course apply all across the board.

Mr. BENGOUGH: Yes.

Hon. Mr. CRERAR: It is quite apparent that the demands on revenue are going to be very heavy in the future years, by reason of increased old age pensions, family allowances, interest on war debt and many other expenses of the Government. These items will, I should think, raise the revenue requirements to at least three times what they were before the war. I think I am correct in saying that of the personal income tax collected in 1944 almost half of it came from individuals with income under \$3,000 a year. If the exemptions are raised in the way suggested here it will result in a very substantial loss of revenue. Have you any suggestion as to how that might be made up?

Mr. BENGOUGH: Our suggestion would be that you take it off the bottom and put it on the top.

Hon. Mr. CRERAR: You say, "put it on the top." I have not the figures before me, but incomes in that bracket are very heavily taxed to-day. You referred to the excess profits tax, for instance, and suggested some reduction in them. Do you think the excess profits tax should be retained during the peace years?

Mr. BENGOUGH: We think so, yes.

Hon. Mr. CRERAR: What effect would that have, Mr. Bengough, on employment and on industrial development, on the ability and capacity of employers to expand their businesses and give more employment?

Mr. BENGOUGH: I could not say. You suggest that it might cause heavy burdens on those in the higher brackets?

Hon. Mr. CRERAR: Yes.

Mr. BENGOUGH: I would say the people in the lower brackets do not receive sufficient income, and it is relatively a heavier burden on them.

Hon. Mr. CRERAR: Please understand me, I am not passing any judgment or opinion on the matter. I am simply trying to explore the whole problem, and it is a very difficult problem and will be more difficult in the future years.

Hon. Mr. FARRIS: Mr. Chairman, are we going into the question of policy?

The CHAIRMAN: We are not really supposed to.

Hon. Mr. CRERAR: Do my questions trench on the question of policy?

Hon. Mr. ASELTINE: The brief does.

The CHAIRMAN: Yes, the brief itself does.

Hon. Mr. CRERAR: I was simply basing my questions on the representations in the brief. A further question I was going to ask Mr. Bengough is this, it is agreed that taxes are a very disagreeable matter, but is it not a problem of finding out the starting point at which to tax individuals? It is my thought that since a large revenue is required, the burden should be distributed equitably over all the people. The thought that is in my mind is that we may depart a little from that policy on your recommendations. For instance, a married man with an income of \$8,000 is taxed very heavily and, yet you let a young man with \$2,500 off.

Mr. BENGOUGH: Yes, he needs the whole of it.

Hon. Mr. CRERAR: I am not prepared to subscribe to that principle.

The CHAIRMAN: I think Senator Crerar intimated that if you kept the high taxes, for instance excess profits tax, it might reflect itself on employment. Mr. Bengough's thought in that matter was that it should be taken off the bottom and put on the top. The question was asked whether that would be a fair way of dealing with it, and he said he thought it would be. Is that substantially your answer?

Mr. BENGOUGH: Yes.

Hon. Mr. HAIG: In view of the objection taken by the senator from Vancouver there is nothing to be asked in this brief. I should like to ask some questions about the statement made on the first page, because I am persuaded Mr. Bengough's people do not know all the facts of the case.

The CHAIRMAN: Gentlemen, I do not wish to rule too arbitrarily on this point. I should like to have the discussion as free as possible. We want to get the information and it is up to the Committee, whatever their view in the matter is. Do you wish to allow questions to be asked which trench on the subject of policy?

Hon. Mr. HAIG: I shall not trench very much on the question of policy. May I state the question, Mr. Chairman? You can rule whether it has to do with policy or not. Mr. Bengough has said in his brief objection is taken because of a reduction in excess profits tax. May we take the Massey-Harris Company as an example. They have been taxed 100 per cent on excess profits over a basic period; 20 per cent to be returned some day. Now it has been cut down to 60 per cent and the extra money goes into the treasury of the Massey-Harris Company.

Hon. Mr. HAYDEN: If they make it.

The CHAIRMAN: This 20 per cent refundable is also cut off.

Hon. Mr. HAIG: We will assume for the purpose of this argument, the company will make the money. That total of 40 per cent will be used, generally speaking, in two ways: either by extending the plant and its facilities or in the paying of larger dividends to the shareholders?

Mr. BENGOUGH: I suppose that is correct.

Hon. Mr. HAIG: I mean the extension, improving and reconditioning of the plant and for the building of additional plants. Now, if it is used to extend the plant that means more employment to everybody. If it is used to pay dividends, dividends go into the hands of somebody who pays income tax on them. It does not get away. We have double taxation.

The CHAIRMAN: The individual pays it in income tax.

Hon. Mr. HAIG: I may say to you, I am in entire accord with the policy of reducing the excess profits tax for the reason that in the last four or five or six years there has been no reconditioning of my plant or no extension of its facilities and this money will give me a chance to have these things done.

The CHAIRMAN: That is the declared policy of the Government now.

Hon. Mr. HAIG: I agree with the Chairman, but I would like to know if there is any answer to that question.

Mr. BENGOUGH: There is of course a general feeling—I do not know that we have gone into all of the ramifications—but some relief was given to those in the higher brackets and very little to the others.

Hon. Mr. HAIG: Do you know how much taxes are paid by a man who has an income of \$1,000,000 under the present system?

Mr. BENGOUGH: No, I do not.

Hon. Mr. HAIG: He is left with less than \$60,000 a year.

The CHAIRMAN: May I interject. There was an incident the other day where someone was earning something less than \$200,000 a year—which is a lot of money I will admit—but all that was left to the receiver of that income was \$18,000.

Hon. Mr. HAIG: You have to take the extreme if you are going to get a proper comparison. If you cut down the exemptions on some, and increase other exemptions to \$2,400 and let half of the people out of paying income tax, how are you going to raise the necessary money?

Mr. BENGOUGH: I would take it that the amount would be raised to the necessary sum by those who could afford it.

Hon. Mr. HAIG: Where is it to come from? Here is a million dollar man who gets only \$60,000.

Mr. BENGOUGH: Still you cannot justify taxing people who are not getting sufficient money to maintain themselves.

Hon. Mr. HAIG: It all gets back to what the basic income should be.

Mr. BENGOUGH: In our opinion it is \$2,400 for married men and \$1,000 for the single men.

Hon. Mr. ASELTINE: In that case the Government will have to spend less money for social services.

Mr. BENGOUGH: They realize that.

Hon. Mr. ASELTINE: I would like to give an example from the province of Saskatchewan. At one time if a man had an income of \$1,000,000 he paid \$1,200,000 in taxes. He had to draw on his capital in order to pay the taxes. The situation is almost as bad right now.

The CHAIRMAN: He was taxed by both Dominion and Province?

Hon. Mr. ASELTINE: No, that was the Provincial tax alone and he had to pay the Federal tax in addition to that.

Hon. Mr. McRAE: I would like to ask Mr. Bengough one question. How do your members feel about deducting the tax at its source?

Mr. BENGOUGH: They are fully in accordance with it; they believe it to be the best method.

Hon. Mr. McRAE: Have they any complaints about the forms they have to fill in?

Mr. BENGOUGH: Not now; they did have, but the forms have been simplified.

Hon. Mr. McRAE: They are quite content with that situation?

Mr. BENGOUGH: Quite content.

Hon. Mr. BALLANTYNE: I am not a member of the Committee but I would like to say just a word or two. I should like to ask for Mr. Bengough's opinion on the excess profits tax. I am sure he is aware that next year the United States are going to remove the excess profits tax entirely; and I am sure he also understands thoroughly that the Canadian industrialist even in peacetime has great difficulty competing with large industries across the line—highly specialized and mass production. If Canada wishes after the war to increase her production and increase her revenue, do you not think that her industries are going to be seriously handicapped with 60 per cent excess profits tax and 40 per cent corporation tax? How are they going to compete to the extent that they should with our American friends?

Mr. BENGOUGH: Of course what we are more concerned about is the taxes in the lower brackets on people who need the whole of it to live on properly. Beyond that we have not gone into the question.

Hon. Mr. BALLANTYNE: You have not got any opinion that if the excess tax was removed, it would mean more jobs and more industry here in Canada?

Mr. BENGOUGH: We have not gone into that.

Hon. Mr. BENCH: Mr. Bengough, your Trades and Labour Congress, I assume, has made some study as to what is the minimum annual amount required to be earned and retained by a single person and by a married person with any number of children in order to enable that individual to maintain the minimum standard of health and decency?

Hon. Mr. HAYDEN: He has answered that, I think. You said, Mr. Bengough, \$2,400 for married and \$1,000 for single would be the basic.

Mr. BENGOUGH: While that is the recommendation on that, we have gone on record as very definitely showing a minimum of \$1,500.

Hon. Mr. HAIG: Is that for a married person?

Mr. BENGOUGH: No, for a single person. We never went into what was required for a married man, because employees are not paid as to their status; but we do set a minimum of not less than \$1,500 for anyone.

The CHAIRMAN: I suppose you would not say that a working man should receive only such an amount as would enable him to live on a minimum standard. He is entitled to a little more than that.

Mr. BENGOUGH: A little more than that.

Hon. Mr. HORNER: I suppose, Mr. Bengough, you would admit that a greater amount of money in the hands of labourers would give a greater purchasing power and thereby assist industries?

Mr. BENGOUGH: Undoubtedly. We have not gone into that phase of it in this brief.

Hon. Mr. McGEER: Mr. Bengough, you made some remark in respect to the excess profits tax, as to taking it off the bottom and putting it on the top.

Mr. BENGOUGH: I merely made reference there in regard to the fact that the change had been made and it would naturally cause more resentment. Prior to any changes being made in excess profits tax, the conclusion reached at one of our conventions was that the exemption should be raised.

Hon. Mr. McGEER: The benefits extended this year to the man in the highest income bracket, say an income of \$15,000, \$18,000 or \$20,000, is very substantial, whereas it is a pretty small amount to the wage-earners.

Mr. BENGOUGH: We realize that.

Hon. Mr. McGEER: Have you any estimates of the average earnings of various trades and workers in Canada as compared with similar tradesmen in the United States?

Mr. BENGOUGH: I have all those figures.

Hon. Mr. McGEER: Roughly, how do the wage standards in Canada compare with those in the United States?

Mr. BENGOUGH: They are about three-quarters; anywhere from 50 per cent to 75 per cent.

Hon. Mr. McGEER: That is higher in the United States than in Canada?

Mr. BENGOUGH: Yes.

Hon. Mr. McGEER: Have you any idea of the relative tax levied on workers in United States as compared to Canada?

Mr. BENGOUGH: Not very full.

Hon. Mr. McGEER: I understand this year a million people in the lower income bracket have been exempted from taxation in the United States.

Mr. BENGOUGH: There has been some relief, but I couldn't tell right off-hand what it is.

The CHAIRMAN: You are referring to the excess profits tax. I take it that theoretically at least that tax was imposed in order to prevent any one from making money out of the war?

Mr. BENGOUGH: Yes.

The CHAIRMAN: The war being over, would it then logically follow in your opinion that the excess profits tax should no longer apply, but that the regular income tax should apply to producers and manufacturers even though they are making very large profits?

Mr. BENGOUGH: The income tax would apply, in the high brackets, yes. We have not gone into the allocation.

The CHAIRMAN: Your real argument is this, that the tax bears heavily upon the small man?

Mr. BENGOUGH: Yes.

Hon. Mr. HAYDEN: The witness has made use of the expression "the high brackets". Could we get an explanation of what he means by that? Where does it start?

Mr. BENGOUGH: Well, we want it to start from \$2,400 for a married man and \$1,000 for a single person.

Hon. Mr. HAYDEN: Anything above \$2,400 would be in the high brackets?

Mr. BENGOUGH: It would be in the higher bracket.

Hon. Mr. HAYDEN: That is obvious. But you have been using the expression "the high brackets", and I would like to know what you mean by that.

Hon. Mr. McGEER: Have you any idea of the effect of taxes on production? For instance, I have had some very definite reports from Vancouver that for some reason or other there is not a sufficient amount of production coming out of the day's work there to justify continued ship building in that community. That is a very serious thing for the Pacific coast if it applies generally. Do you know anything about that?

Mr. BENGOUGH: No. I have heard a lot about it, but frankly I have no information on it. I have heard of only one or two isolated cases of workmen who have actually laid off work or dodged work so as not to get into a higher bracket and get taxed. I do not think that is general.

Hon. Mr. McGEER: Labour has been making a demand for increased wages, has it not?

Mr. BENGOUGH: Yes.

Hon. Mr. McGEER: That trend is going to continue?

Mr. BENGOUGH: Undoubtedly.

Hon. Mr. McGEER: What is the effect of taxation on wages under those circumstances? Is it not to intensify the demand for increased wages?

Mr. BENGOUGH: Well, if the wages are raised I presume more taxes will be paid.

Hon. Mr. McGEER: If the wages go above the exemptions you have been speaking of, \$1,000 and \$2,400?

Hon. Mr. BENCH: Then, of course, up would go the minimum amount of the wages which you consider a man should have in order to maintain a minimum standard of health and decency?

Mr. BENGOUGH: I am not sure about that. We might be satisfied with that and leave it there. I could not say.

Hon. Mr. McGEER: What do you think about the paying of a family allowance to a workman's family and taxing the workman at the same time?

Mr. BENGOUGH: I do not agree with that. It ceases to be any advantage at all then.

Hon. Mr. McGEER: To my mind there is not only that objection, but it seems to be a duplication of taxation. One group is handing out family allowances and another group is taking them back. I do not know of anything more ridiculous than shovelling the allowances out of one door and shovelling them in another.

Hon. Mr. FARRIS: Is that not merely a method of equalizing the thing?

Hon. Mr. McGEER: It may be, but it is certainly not an economical method.

Hon. Mr. LAMBERT: Senator McGeer was asking about labour and taxation, about certain comparisons. I think he should have asked how the cost of living index in Canada compares with that in the United States. Perhaps that is not hardly relevant to the question we are discussing.

Mr. BENGOUGH: It is a little higher in the states.

Hon. Mr. LAMBERT: Considerably higher, is it not?

Mr. BENGOUGH: There is a greater spread between the wages paid in the United States and those paid in Canada than there is between the increase in the cost of living in the United States and the increase in the cost of living in Canada.

Hon. Mr. McGEER: And there is a very much higher level of farm prices in the United States than in Canada?

Hon. Mr. HAIG: And much lower taxation in the United States than in Canada.

Mr. BENGOUGH: Yes.

Hon. Mr. HAYDEN: And a very much lower cost of living in Canada.

At 2.50 p.m. the Committee adjourned to meet again when the Senate rises.

At 3.35 p.m. the meeting was resumed.

The CHAIRMAN: Order please, gentlemen. Mr. Davies, the General Manager of the National Life Assurance Company, desires to present a brief.

Mr. G. FAY DAVIES, General Manager, National Life Assurance Company of Canada: Mr. Chairman and gentlemen, with your permission I should like to read what I have here and follow it with one or two remarks:

On March 2nd, 1945, on behalf of the President and Directors of The National Life Assurance Company of Canada, I addressed a letter to C. Fraser Elliott, K.C., Deputy Minister of National Revenue for Taxation. This letter, in brief, requested information with respect to taxation of amounts received for values granted in the event that the shareholders and policyholders should convert the Company and put it on a mutual basis. This transaction would require a special Act of Parliament to amend the aforementioned Company's Act of Incorporation and the question was whether, in the event of such an Act being passed and in the event that such a transaction were completed, would the proceeds payable to the shareholders arising out of such transaction be subject to income tax.

On October 16th, 1945, the Deputy Minister of Revenue for Taxation replied stating that, in the event of the proposed transaction being consummated, certain of the moneys received by the shareholders under such a plan would be deemed to be subject to taxation. It is presumed that this ruling was made in the light of Sections 17, 19 and 32A of the Income War Tax Act, as amended.

The CHAIRMAN: Is that last statement a quotation from Mr. Elliott's letter?

Mr. DAVIES: No; that is my own statement.

The ruling has the effect of making it very difficult, if not impossible, to effect the mutualization of any life insurance company.

It is our contention that this situation is not in the public interest. This ruling of the Deputy Minister of Revenue for Taxation places the policyholders of life insurance companies which have capital stock who are contemplating mutualization in a quite different position from ordinary prospective shareholders of these same companies. In other words, nine or any number of persons can join together to purchase all or a portion of the stock of a life insurance company and no tax liability will arise irrespective of the price paid as the proceeds of such sale. On the other hand, if these same persons represent, as trustees, the policyholders of the life insurance company and event if funds in the participating account not otherwise subject to taxation are used to purchase such shares, than a taxation liability arise. In other words, the persons who represent only themselves in the purchase of the stock of a company may, either before or after such a sale, if they so wish, transfer all non-participating funds into the participating account and may subsequently pay it out in policyholders' dividends in cash or may disburse it otherwise for the benefit of the policyholders as, for example, to purchase the whole or part of the participating business of another life company, and no tax liability upon the purchase price paid for such shares will be deemed to exist. On the other hand, if these same persons represent the policyholders as trustees and if they consummate the same transaction, the proceeds are then held to be in quite a different category and are held to be subject to taxation. It is our belief that such an anomalous situation constitutes discrimination which was not intended by the Act.

It is not an uncommon practice for the shares of life insurance companies to pass from the hands of one person or one group of persons to another person or other groups of persons and any appreciation in value over and above the paid-in value, whether brought about by reason of accumulated surplus or otherwise, is not deemed to be subject to taxation. However, by virtue of the

ruling arising presumably from the sections of the Act heretofore referred to, the policyholders, in the event that they wish to purchase the interest of the shareholders, are placed in an entirely different position.

It must be pointed out that in the case of The National Life Assurance Company of Canada and, so far as is known, in the case of all other life insurance companies in Canada incorporated under the laws of the Parliament of Canada, no plan of mutualization can be accomplished without special Acts of Parliament and, in consequence, any such plan, which upon investigation appears to be designed to avoid taxation could, and presumably would, have this fact brought to light during consideration of such petitions for change in status. Therefore, any proposed amendment to the Income War Tax Act accomplished as a result of this petition would not in any way open the doorway to the possibility of any evasion of taxation.

What is sought, as a result of this petition, is a clear-cut statement in the Income War Tax Act, as amended, to the effect that the provisions of Sections 17, 19 and 32A do not apply in the case of the mutualization of life insurance companies who seek amendments to their Acts of Incorporation in order to provide for the purchase of shareholders interest by the policyholders of such life companies. When this proposed amendment to the Income War Tax Act has been made, then and then only, will life companies be able to carry through mutualization plans however unanimously or eagerly such plans may be sought by all parties concerned.

We wish further to submit that any proposal to effect mutualization of a life company constitutes such a final and irrevocable step that it is not likely to be entered into lightly by the shareholders and certainly the basic purpose of any such step must inevitably be the mutualization of the Company.

It is respectfully submitted that the principle of the mutual operation of life companies is well accepted and the doorway to further extension of this mutualization principle should not be closed by reason of provisions in the Income War Tax Act which presumably were not meant to cover this type of transaction.

I would like to say that we present this brief with the thought of remedying a situation with respect to which all parties concerned share the same views. In other words, we believe that even the Income Tax Department shares our views—the Department can, of course, speak for itself—we believe that it shares our views about the inequalities involved, but is unable to do anything about it because of the way the Act reads.

I should like to say further that I am speaking only for our own company, although I refer you in this brief to its effect on other life insurance companies, and perhaps those companies may be interested in the same thing.

I will give an example. Let us say that a group of persons approach the shareholders of a life company, and they want to buy the shares in that company for a certain price, let us say \$100 a share. The existing shareholders are considering the offer, and they confer one with the other and say, "If we are going to dispose of our shares, why not dispose of them to our policyholders and complete the mutualization of the company?" They find that in the case of the first transaction there is no tax liability; in the case of the second transaction there will be a definite liability.

I would point out also that it is doubtful whether the fact that life companies must seek amendments to their act of incorporation before they can complete these transactions has been fully realized by the Income Tax Department, or were thought about when these provisions were so interpreted. It means in effect that any mutualization plan which is carried through must be separately investigated and passed by the Banking and Commerce Committee. The exact

provisions of each transaction would be carefully investigated and passed upon separately. It seems rather unjust that a blanket provision in an Act should prohibit and prevent these separate individual amendments.

I would point out too that even if that Act of Incorporation were to make definite provision that no tax liability would arise, the Income Tax Department has stated that it will rule on the Income Tax Act as such, and not on any amendment to the Act of Incorporation. Consequently the shareholders would be subject to the presentation of an income tax bill subsequent to the legislation, and irrespective of the outcome it would prevent any such transaction being consummated.

It seems to us that it would be in the public interest to remove these inequities. I would suggest that any amendments which might be proposed might provide as a safeguard that only mutualization plans carried forward by amendments to Acts of Incorporation passed by Parliament should remain exempt to the provisions of these sections.

The CHAIRMAN: Would you like to speak first, Mr. Stikeman?

Mr. STIKEMAN: Mr. Chairman, I should like to ask Mr. Davies whether the contents of his brief in this connection are intended to be applicable to all classes of taxpayers, or merely to life insurance companies seeking to become mutual in form?

Mr. DAVIES: It was intended that our presentation should cover only the specific instance mentioned here—payments made to shareholders after the mutualization of a life insurance company, and after an amending Act has been passed by the Parliament of Canada providing for such mutualization. It was intended that it should cover an extremely narrow field.

Mr. STIKEMAN: You would not advocate such a practice for the mutualization of any commercial enterprise in a corporate form?

Mr. DAVIES: No, sir.

Mr. STIKEMAN: Without knowing the precise details of the capital structure, I must assume from your reference to sections 17, 19 and 32A of the Income War Tax Act that your concern had a distributing or earned surplus before the contemplated mutualization: is that a correct assumption?

Mr. DAVIES: Yes, our company has a surplus. Section 4 (g) provides:—

The following incomes will not be liable to taxation hereunder:

- (g) the income of mutual corporations not having a capital represented by shares, no part of the income of which inures to the profit of any member thereof, and of life insurance companies except such amount as is credited to shareholders' account.

It specifically provides in the case of taxation of life insurance companies that the only earnings taxable are those amounts which are credited to shareholders' account. Therefore earned or distributable surplus has a different meaning for a life company than it perhaps has in the case of an ordinary company.

Mr. STIKEMAN: Since you refer to section 17, may I ask whether you have preferred shares which are redeemable at a premium?

Mr. DAVIES: No, all of the shares are common shares.

Mr. STIKEMAN: What then is the purpose of your reference to section 17?

Mr. DAVIES: Prior to the writing of the letter a conference was held with some officials of the Income Tax Department, and a general discussion ensued with respect to our plans and what might happen as a result of those plans. In view of the nature of the discussion I do not think it proper for me to quote anybody or make any remarks in reference to it; the Income Tax people are

quite capable of doing that themselves; but I can say that during the course of the discussion reference was made to sections 17, 19 and 32B. That is the reason why these specific sections are mentioned in our presentation.

Mr. STIKEMAN: In essence, I understand your representations to be that a life insurance company which has the peculiar kind of undistributed or earned surplus under the provisions of 4 (g) should be permitted to mutualize its activities and retain the benefits of that capital sum in its corporate form as a mutual company, without the shareholders paying tax on any of that surplus on account of the change from one kind of entity to the other. Is that the substance of your submission?

Mr. DAVIES: Yes. We made a specific suggestion that in the case of our plan of mutualization we would arrange to use only funds in the participating account, which according to section 4 (g) are in any event non-taxable, and since these are policyholders' funds exclusively, and under the present provisions of the Act are not taxable in any shape or form, they could be expended by the policyholders through their trustees to purchase from the shareholders the interest accruing to the shareholders. We were told subsequently, however, that the provisions of 4 (g) could be overruled by other sections of the Act, and these otherwise untaxable amounts would then become taxable if they were used for this purpose. That is what creates the inconsistency.

Mr. STIKEMAN: Is it not true, however, that the income exempted under 4 (g) is the income of the life insurance company, and not the income distributed in any form whatever to a shareholder of that company.

Mr. DAVIES: 4 (g) so far as life companies are concerned merely says what shall be taxed.

Mr. STIKEMAN: To the company?

Mr. DAVIES: Of course in that event by the company.

Mr. STIKEMAN: And your plan would involve payment to the policyholders in stock?

Mr. DAVIES: That is right.

Mr. STIKEMAN: Which would appear to be another question entirely from the one whether that surplus is taxable to the company or not. I think probably we shall hear from Mr. Elliott in due course. But from the facts which you have put forward, it seems to me you are asking that life insurance companies should be permitted to distribute to their shareholders funds, which in the hands of a commercial company would be considered earned or undistributed surplus, without incurring any tax upon their shareholders. You prefaced your remarks by saying that you wish your brief confined to life companies, from which I can only deduce that you would not wish this rather broad exemption to apply to the shareholders of ordinary commercial concerns: is that a correct interpretation of your remarks?

Mr. DAVIES: No, I would say your interpretation is incorrect on two points. First, we are not suggesting that distributable income should be exempt from taxation. We are suggesting that only funds which in any event are not taxable should be permitted to pass into the hands of shareholders without taxation either before or after the event of such payments. Certainly, we are not asking for a broad exemption as you suggest; we are asking for what I consider to be a very narrow exemption. The exemption would apply only in the case of mutualization plans, preceded by Acts of Incorporation,—Acts of Incorporation which have been passed upon by this Parliament.

Mr. STIKEMAN: Let me consider your first question. You say you are attempting to maintain an exemption of funds in the hands of shareholders which in any event, you say, are exempt. When you say they are exempt

in any event, I take it you can only be referring to the exemption granted in 4 (g), which exempts only those moneys in the hands of companies. Therefore, according to your own statement, it does not grant exemption to funds passed on to shareholders.

The CHAIRMAN: If I may interrupt you, Mr. Stikeman, I have just been informed that Mr. Elliott is unavoidably called away, but before he leaves he can give us two or three minutes for an expression of his view on what we have just been discussing.

Mr. ELLIOTT: Insurance business, I suppose, in any form is designed to make profits for its proprietors. The proprietors usually appear in the form of shareholders. The shareholders of this business have apparently carried on for a number of years with some success. They have accumulated a surplus, which is theirs through the medium of their shares. That is their equity. The surplus amounts, let us say, to \$200,000. I may say I am not using exact figures, but \$200,000 is very close to the actual amount. The purpose now is to convert this company into a mutual company. The surplus in that company, over and above the original share capital which the shareholders are personally entitled to, is \$200,000. This \$200,000 is not going to be given away to the policyholders who are participating; that is not common sense.

Now, under the income tax law, we have said to a life insurance company that, as a company, it will be taxed only on its earnings to the extent that they are actually transferred to the credit of shareholders' account. That is the actual wording of the Act. The amounts transferred to the credit of shareholders' account will be taxed to the shareholders. In other words, credit can be evidenced in many ways. The most usual business way is an entry in a company's books that so much has been set aside for the benefit of shareholders. But there are other ways of getting that credit into the hands of the shareholders; an entry is not necessary; a resolution may be passed to set so much aside. If you wound up the company altogether the entire \$200,000 accumulated surplus would go to the credit of the shareholders. It belongs to them; you do not need to make an entry, you just make a complete distribution.

Hon. Mr. HAYDEN: Would it be convenient to ask a question there?

Mr. ELLIOTT: Certainly.

Hon. Mr. HAYDEN: If you issue participating policies, they are issued against the company, not transferred to the benefit of shareholders. So how can you say the benefit is related back to the shareholders? That money could not go back to the shareholders unless the policyholders gave up their participating rights.

Mr. ELLIOTT: They have been. These are surplus moneys in which no policyholder has a right.

Hon. Mr. HAYDEN: All right.

Mr. ELLIOTT: So if they wind up the company that \$200,000 can only go to the proprietors, who are the shareholders. Therefore it will become subject to tax; likewise when the shareholder gets it as the fruit of his activities for the past years he also would be liable to tax.

This company now states: We want to convert from a non-participating into a mutual company. But the shareholders must get some value for the \$200,000 in the company that belongs to them. Section 19 of the Income War Tax Act provides that when a company winds up, reorganizes or discontinues business the distribution in any form of its property shall be deemed to be payment of a dividend to the extent of undistributed income on hand.

Here is a company that is going to reorganize, and the surplus of that reorganization will find its expression in the hands of the shareholders in some form which the witness has not yet told us about, but the shareholders are not

giving up \$200,000 of their value. That is common sense. Therefore we say that on the winding up or reorganization of any company, commercial, manufacturing, life insurance, or whatever it may be, to the extent that it has on hand undistributed income, the shareholders shall pay tax on that undistributed income. If you did not do that with this insurance company, you would be giving the shareholders a \$200,000 present, no matter how they are going to get it.

That is the basic scheme in the Income Tax Act. Pay out your surplus as you go along if you wish; if you do not wish to do so but use it to strengthen the business, very well. But if there comes a time when you wish to pay it out in the way of dividends or to wind up the company you must pay on that surplus some time.

With the \$200,000 surplus there is no doubt that the shares of this insurance company are now worth more than \$100 each. A shareholder can sell his share to you or me in the open market, and we would buy that share subject to all the incidence of taxation which I have just outlined; but in that case the vendor simply sells his share as an individual and pays no tax. But that is common to all commercial companies: you pay a price for shares realizing there is the possibility of income tax in respect of dividends.

The CHAIRMAN: But the man who buys a share from another shareholder, and the company is accumulating a surplus, pays more on that account than if the surplus was not present, and that is capital for him.

Mr. ELLIOTT: Yes, that is capital for the vendor; but the purchaser pays less because he knows he has got to pay income tax in respect of the accumulated earnings as and when they are paid out directly or by winding up of the company.

Hon. Mr. FARRIS: He pays less by reason of the final liability.

Mr. ELLIOTT: Precisely. For our part we see no difficulties in that set-up for commercial or life insurance companies. Hence the letter he got was to intimate, Yes, there will be liability for income tax if you reorganize this company and the shareholders get this value. I will say that the law is not as precise and clear as one would like to have it, because section 19 is a wide section. We should like to make it so clear and simple that one might say, He who runs may read.

Hon. Mr. CAMPBELL: Prior to the passing of 32A had it not been the policy of the Department, Mr. Elliott, to apply the same principle in respect to the mutualization of companies?

Mr. ELLIOTT: That is so.

Hon. Mr. HAYDEN: You mentioned something about surplus. An insurance company could not pay out its surplus in the form of dividends without being taxable; but a mutual company could pay out its earned surplus without being taxable qua company.

Mr. ELLIOTT: That is right.

Hon. Mr. HAYDEN: Afterwards, if they want to go ahead with their mutualization, they could do so.

Mr. ELLIOTT: That is a very good way of putting it.

Hon. Mr. FARRIS: When these companies become mutual they are not liable for income tax.

Mr. ELLIOTT: Yes, that is right. It is covered by section 4(g) of the Act.

The CHAIRMAN: Yes, Mr. Davies.

Mr. DAVIES: There are two points, honourable senators, that I should like to point out. Mr. Elliott has made a broad assumption that companies accumulate a surplus for the purpose of distribution to shareholders, and he referred—specifically I presume—to the moneys that accrued to shareholders under our Acts of Incorporation. I think you are aware of what it is. All the earnings from non-participating account and 10 per cent of all earnings in the participating account may be used for the benefit of the shareholders. However, by common practice companies must build up a surplus—I see some of you here are insurance company directors—and they must maintain a surplus. I think it is incorrect to say that all surplus accumulated by life companies is even eventually distributable. To lay a burden on any group of people as to how they would distribute money that they never intended to distribute is attributing motives to people. That is a practice which should not be followed. It is not followed in our courts of law. Why should the Income Tax Department have authority that the law has not? It is as if when a man approached the wicket to cash a cheque the bank on mere suspicion of his bona fides had him thrown into jail, whence he would have to get himself bailed out.

The second point I wish to make is that however right Mr. Elliott may be with respect to administration, generally I do not think at this point he is doing the right thing. The company, the National Life Assurance Company of Canada, is quite prepared to argue with Mr. Elliott before the Banking and Commerce Committee at the time that we seek an active amendment as to the justice or injustice of the statements which he has made. We are quite prepared to adjust or amend any such agreements between the policyholders and shareholders that may result from such an inquiry after Mr. Elliott and members of his department have given evidence and after members of the Insurance Company have given their evidence, and after the Department of Insurance has testified. We do not think it is good practice just to go through that procedure only to find out that the Income Tax Department is sitting afar off and will overrule all these things that have been done by the Parliament of Canada. We think at some point the Acts and amendments passed by the Houses of Parliament should be exempt from any further encroachment.

Hon. Mr. HAIG: May I ask you a question. You have so many shareholders in the company and you have \$200,000 surplus. From the sale of this stock we will say, for argument's sake, you would get \$175. If you did not have \$200,000 surplus you would probably only get \$100 for those shares.

Mr. DAVIES: Perhaps.

Hon. Mr. HAIG: Whatever the market price is, you get over par.

Mr. DAVIES: Yes, that is correct.

Hon. Mr. HAIG: But only by mutualizing can you get that \$75 out without paying income tax.

Mr. DAVIES: Yes, Senator Haig.

Hon. Mr. HAIG: You cannot pay it out in dividends.

Mr. DAVIES: You can sell it.

Hon. Mr. HAIG: You can only sell it to someone who wishes to make that kind of investment and is prepared to take the risk.

Mr. DAVIES: Except that he be a policyholder. If he be a policyholder and wants to make that kind of investment and wishes to keep his money in the company it is taxable. That is what we object to.

Hon. Mr. CAMPBELL: Is it not true that a policyholder can purchase, but he cannot use the company's money to purchase it?

Mr. DAVIES: When you say "company's money", that is a misnomer.

Hon. Mr. CAMPBELL: Just a moment please. In the first instance you say you may sell the shares to any other person desiring to buy, excepting to policyholders. I am suggesting to you now that a policyholder may use his own money apart altogether from the interest he has in the insurance company to buy. It is correct, is it not, that policyholders may form themselves into a group and buy the shares, and then be in the same position as the present shareholders are to-day?

Mr. DAVIES: They could, yes, provided they did not use money that was extended to their credit in the company.

Hon. Mr. CAMPBELL: What you are suggesting then is that policyholders should be able to use funds that are in the insurance company to buy the shares in order to effect mutualization?

Mr. DAVIES: He should be put on an equal basis with anybody else using his money for the purchase of these shares, and there should be no prohibition against him by reason of the tax applying to the receiver of that money when there is no tax if he be not a policyholder.

Hon. Mr. CAMPBELL: Mr. Davies, you are trying to distinguish the position of insurance companies against commercial enterprises. It seems to me that you have to be able to do that in order to make your case. You say these earnings had been accumulated for the purpose of building up the assets of the company, and not for the purpose of necessarily distributing them by way of dividends. Is not that a comparable situation to a corporation building up an earned surplus and investing it in buildings of brick and mortar, which obviously can never be distributed to the shareholders? What is the distinction?

Mr. DAVIES: Senator Campbell, the distinction is this: all life insurance companies, or all stock companies are to a large extent mutual already. The policyholders of so-called stock companies must have maintained for their benefit a complete set of books of the business entirely separate from the participating policyholders; and all moneys or all profits accruing to that account go into what they call a participating account. The only amount of those funds that is available for shareholders is one-tenth of the amount paid to policyholders as dividends—actually one-ninth is paid in policyholders' dividends. If the policyholders were a mutual company, or under a strict mutual organization, and not attached as part of a stock company, they could dispose of those funds; they could buy the other business out, and there would be no tax payable by the recipients of the money. On the other hand, when they are attached to the stock company, they are in a different category and therein is the injustice of the Act.

What we are seeking—and I think Mr. Elliott need have no fear—is the very narrow provision which provides that these sections of the Act shall not apply to the plan of mutualization, which involves the Act or the amendments passed by this Parliament of Canada.

Hon. Mr. BENCH: Mr. Davies, excuse me for interrupting. Following the question of Senator Campbell a few minutes ago, is not this the ultimate result of taxable transactions you are postulating here—that the policyholders take the surplus account and apply it in whole or in part to the acquisitions of the holdings of the shareholders. Is that right?

Mr. DAVIES: Slightly more than that.

Hon. Mr. BENCH: I am partly correct, am I?

Mr. DAVIES: That is right.

Hon. Mr. BENCH: Then that surplus is reflected, as you have told us, in an increasing value of the shares in the hands of the vendor shareholders. Is that not correct?

Mr. DAVIES: To start with, you say the policyholders are going to purchase—

Hon. Mr. BENCH: The policyholders are going to purchase, using this surplus. I suggest to you that when the surplus is used, it is used for the purpose of purchasing the shares, which is clearly reflected in the increased value of the shares of the vendor shareholders.

Mr. DAVIES: That is correct.

Hon. Mr. BENCH: If that surplus were left in the company, it would not be liable to taxation. Is that right?

Mr. DAVIES: That is right.

Hon. Mr. BENCH: If you had disbursed it to the policyholders, it would become liable to tax?

Mr. DAVIES: No.

Hon. Mr. HAIG: You mean to the shareholders?

Hon. Mr. BENCH: I am sorry, I mean the shareholders. If you disburse it to the shareholders it becomes liable to tax.

Mr. DAVIES: That is right.

Hon. Mr. BENCH: Is it not clear then if you go along with the suggestion that you think should be authorized, that the result would be the shareholders would escape tax on their respective equities in the surplus account.

Mr. DAVIES: Why should they be able to excuse the same transaction with another individual?

Hon. Mr. BENCH: You mean over the counter.

Mr. DAVIES: And not be able to do it with respect to policyholders.

Hon. Mr. HAYDEN: It is on that basis that the purchaser of shares is capitalizing the value of the surplus, and he recognizes that the shares that he is buying have an added value because of the surplus which remains in the company and therefore pays more for them. The vendor in that case gets an added capital value out of the purchase rather than out of the company.

Hon. Mr. BENCH: May I say that there is another reason why it is different. In the example which you have just now put, a stranger buying shares, the surplus remains intact and is still liable to taxation.

Mr. DAVIES: Only if distributed.

Hon. Mr. BENCH: But in the case you put here, it is distributed and there is no tax collected.

Mr. DAVIES: Let us assume Senator Hayden and Senator Bench, that we have, as we have to-day, a group of people who do not wish to receive dividends. In many instances we have people who do not wish to receive dividends; they prefer to have them accumulate. Let us assume we have a group of people in that category and we let this income accumulate. A second group of shareholders wish to get their money and they sell out to another group who does not feel as they do. As far as I know it is a perfectly acceptable practice, and no taxes are payable; such a situation is beyond criticism, except if it is policyholders of the company who wish to make such a transaction.

Hon. Mr. CAMPBELL: Out of the company's money?

Mr. DAVIES: Out of whatever money they wish to use.

Hon. Mr. HAYDEN: There is one point upon which I was not clear. The money intended to be used in this instance to purchase shares was funds to which the participating policyholders only had a right?

Mr. DAVIES: That is right.

Hon. Mr. HAYDEN: Funds created out of earnings of the company set aside for policyholders and in addition to that earned surplus of the company?

Mr. DAVIES: The proposal that we made was that payments to the shareholders should be made entirely from the participating funds of the company.

Hon. Mr. HAYDEN: Then the earned surplus of the company would remain in the company. Is that correct?

Mr. DAVIES: There would have to be some surplus remain in the company naturally, for protection.

Hon. Mr. HAYDEN: There are two distinct features: there are the funds you are going to use to buy the shares to which only the participating policyholders are entitled; and secondly, you have in the company an earned surplus as well?

The CHAIRMAN: Which belongs to the shareholders?

Mr. DAVIES: That is right.

Hon. Mr. HAYDEN: The funds you propose to use are policyholders' funds?

Mr. DAVIES: That is right.

Hon. Mr. HAIG: That is not correct, because he is going to transfer participating policyholders' funds over to keep the guarantee up.

Hon. Mr. HAYDEN: You are going to use the policyholders' funds to purchase shares. Having purchased the shares, the earned surplus in the company which formerly belonged to the shareholders would then belong to the policyholders?

Hon. Mr. HAIG: That is right.

Mr. STIKEMAN: Mr. Davies, to reduce the matter to simple terms are you not seeking exemption, or extension, on 4 (g) in order to have the exemption apply not only to mutual life insurance companies, but to have it apply to income distributed in any form to shareholders?

Mr. DAVIES: No; I think, Mr. Stikeman, that you are carrying my reply too far. We are not seeking any change in 4 (g) nor in 17, 19 or 32 (a). We are merely saying in effect that we would like to deal with this taxation problem in just one place; we would like to deal with it at the time that our mutualization plan is up for consideration in the Banking and Commerce Committee. If we got that, that would be satisfactory. I think you can see the importance of that matter. It would be senseless for us to plan a mutualization arrangement, to work out all the details with the shareholders and policyholders, to appear before the Banking and Commerce Committee, to secure agreements from all parties concerned on the soundness and reasonableness of our proposition, then only to find that the whole thing was thrown overboard by some clause in this act that was not intended to apply at all.

Mr. STIKEMAN: You do seek to cure that tax problem in a way which no other commercial company could cure a similar problem?

Mr. DAVIES: No, I do not think so. We seek to have our interpretation made by the Banking and Commerce Committee, and not on independent rulings by the Income Tax Department.

Hon. Mr. HAIG: How does the Government ever tax that \$200,000 that belongs to the shareholders?

Hon. Mr. HAYDEN: They taxed it before it went in there.

Mr. DAVIES: If it was in the shareholder's account,—which it is not—it would have been taxed when it went in there. You asked the question, when will the Government ever tax that amount. I think I can make a rather definite statement on that: I do not think they ever will tax it.

Hon. Mr. HAIG: The shareholders will never get it?

Mr. DAVIES: I do not think the shareholders will ever get it. I hope that the company will continue to grow, and I hope that our surplus in ten or fifteen years will be much greater than it is to-day.

Hon. Mr. FARRIS: If this were permanently wound up and then the assets distributed, you would not dispute the rights to tax this surplus?

Mr. DAVIES: We have no petition to make with respect to winding up at all.

Hon. Mr. FARRIS: This is just a theoretical question. If there was an insurance company—not your company, but some other—with \$200,000 surplus and it decided to wind up, to distribute its assets, would you say that the shareholders should pay income tax?

Mr. DAVIES: I think that they should pay income tax on the funds that are ordinarily distributable at that time.

The CHAIRMAN: It has been said here that the shareholders will never get his share of that surplus. I think it is very easy for him to get it. Suppose he buys his stock at par and pays \$100 for it, and by reason of the surplus earned by the company and transferred to the credit of the shareholders the stock increases in value, goes up to \$120 or \$150—in some of these companies it has gone over \$200; I know of one in particular. Then somebody comes along and wants to buy that stock and he buys at the increased value. Let us say he pays \$150. The man who is selling it gets \$150, and on the \$50 which he gets over and above what he paid in the first place he does not pay tax. If a man wants to get his part of the surplus out, he just sells his stock at the increased value.

Hon. Mr. FARRIS: That applies to any company.

The CHAIRMAN: I am just trying to answer the argument that he never will get his share of the surplus without being taxed. But he will. He merely sells his shares.

Mr. DAVIES: What I intended to say to Senator Crerar was that the funds would not be distributed. You are referring to the value, Mr. Chairman.

Hon. Mr. HAIG: He only gets part of it, if he takes account of the time his money has been in and adds interest on it. Likely the Chairman put his money into a good company. But what about the suckers who put their money into poor companies?

The CHAIRMAN: They say, "Never give a sucker a break."

Hon. Mr. HAYDEN: Mr. Davies, is it your idea that section 19 should be amended to provide that a plan of mutualization shall not be regarded as a reorganization within the meaning of that section?

Mr. DAVIES: I have not thought particularly about the exact words, but perhaps the matter could be covered by some such wording as this in section 32A: "The provisions of this section shall not apply in the event of moneys paid as a result of plans of mutualization involving amendment to acts of incorporation of life insurance companies incorporated by the Parliament of Canada."

Hon. Mr. HAYDEN: You are saying that it shall not be considered a reorganization, because Mr. Elliott made section 19 applicable on the basis that a plan of mutualization was a reorganization?

Mr. DAVIES: If Mr. Elliott wants to come to the Banking and Commerce Committee and make his recommendations about what should and should not be taxable, we are quite prepared to meet him.

Hon. Mr. HAIG: Instead of submitting to Mr. Elliott's judgment you would be submitting to the judgment of the Banking and Commerce Committee.

Hon. Mr. HAYDEN: In one case the door is closed, but before the Committee can argue his case.

Hon. Mr. BENCH: I have been wondering about this particular point. Mr. Davies gives me the impression that he is afraid that if he comes to Parliament with a bill designed to convert this company into a mutual company and seeking to employ its surplus as his brief indicates the company desires to do, that he will be met with the provision in the Income War Tax Act which is insurmountable. Do I understand you correctly, Mr. Davies?

Mr. DAVIES: I think, Senator Bench, that it is more than fear I have. We have been told that it will happen.

Hon. Mr. BENCH: I suggest to you that if Parliament so decides when dealing with your bill designed to amend your constitution, that it should declare that the surplus being used in this way shall be free of tax, notwithstanding sections 17, 19 and 32A of the Income War Tax Act, that that would be perfectly within the competence of Parliament. It also seems to me that the place and time to argue this particular point is when you come with your proposed bill to amend the constitution of your company.

Hon. Mr. HAIG: He would have all the expense of that application and of the fight that he would be up against. He is in the right church.

Hon. Mr. HAYDEN: Certainly he is.

Mr. DAVIES: Here is the situation, Senator Bench. Suppose that was put in our Act that our scheme or plan was exempt from taxation and that the provisions of these sections did not apply, if the Income Tax Department took a different view they would present our out-going shareholders with a bill. Then we would be subject to a law suit.

Hon. Mr. BENCH: I should say that you would be on perfectly safe ground.

Mr. DAVIES: Maybe, but we do not want to have to go through litigation to prove our case.

Hon. Mr. HAIG: I do not think any committee would make the thing final for you. We would be just as likely to give you as much as any other committee.

Hon. Mr. HAYDEN: The Senate could not give anything that would mean a release from taxation.

Hon. Mr. HAIG: He wants us to recommend that the income tax law be amended so as to permit the company to do that kind of thing.

Hon. Mr. FARRIS: A question that we have to consider is on what basis a company should be facilitated in making a reorganization that would free it from taxation for ever afterwards.

Mr. DAVIES: This is a very serious question for you to decide, because it is my considered opinion—and I think it is easy to get support for it—that as the Act now stands no life insurance company in Canada can accomplish mutualization.

Hon. Mr. HAIG: Did the North American Life pay the tax?

Mr. DAVIES: In its original act of incorporation the North American Life had a clause permitting it to mutualize. So far as I know, no other company has that.

Hon. Mr. HAYDEN: Maybe you should first get an amendment to your act of incorporation giving you the power to mutualize.

Hon. Mr. BENCH: Did the North American Life, by reason of its original act of incorporation containing a clause permitting it to mutualize, escape the incidence of tax on its surplus?

The CHAIRMAN: Yes, it did. Let me give an illustration. Take, for example, a life insurance company. In the first instance the shareholders invested, say, \$100 per share. By reason of profits made by the company during the years the shares have become worth, let us say, \$200. Now there is a desire to mutualize, and the policy holders would be quite willing to pay \$200 a share, but it is found that \$100 of that \$200 would be taxable. Well, no shareholder is willing to mutualize under those conditions, because it would take practically all his profits to pay the income tax. So the shareholders simply will not do it. I know of a typical case. I happen to be on the board of a company similar to Mr. Davies' company and it would like to mutualize. I think the principle of mutualization is a very good one and I think it would find favour pretty much throughout the country. But under conditions as they are now, if that portion of the selling price of a share which is greater than the amount paid in the first place is taxable, the thing just becomes impossible. And then you have to remember besides that many of these shareholders have changed during the years, and that some of those who hold shares at present have paid \$200 or perhaps more for them. They cannot afford to mutualize, because if they did mutualize they would be taxed on the amount of \$100 or so per share, and to that degree they are being taxed on capital.

Hon. Mr. HAIG: I think we should thank Mr. Davies for coming here and making his representations.

Mr. DAVIES: Thank you, Mr. Chairman and gentlemen.

The CHAIRMAN: At our next meeting we expect to hear the Canadian Federation of Labour, the Certified Public Accountants Association of Ontario and the Income Tax Payers Association.

The Committee adjourned until Tuesday, December 11, at 10.30 a.m.

1945

THE SENATE OF CANADA



PROCEEDINGS
of the
SPECIAL COMMITTEE

Appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

No. 6

TUESDAY, DECEMBER 11, 1945

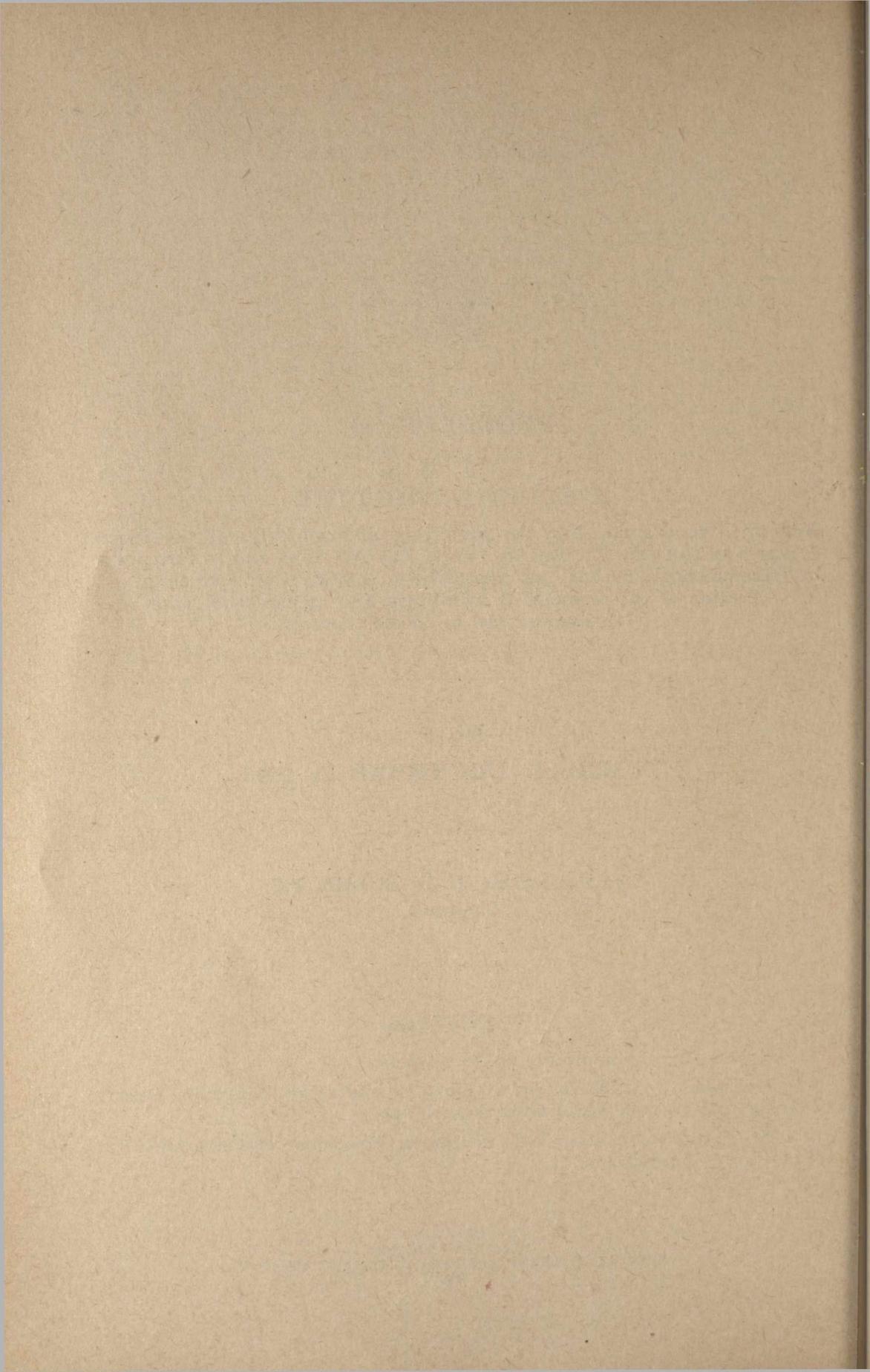
The Honourable W. D. EULER, P.C.
Chairman

WITNESSES:

Senator the Honourable A. N. McLean.

Professor J. L. McDougall, Queen's University, Kingston, Ontario, representing Income Tax Payers Association.

Mr. G. S. Thorvaldson, K.C., Winnipeg, Manitoba, representing Income Tax Payers Association.



ORDER OF REFERENCE

(Extracts from Minutes of Proceedings of the Senate for October 24, 1945)

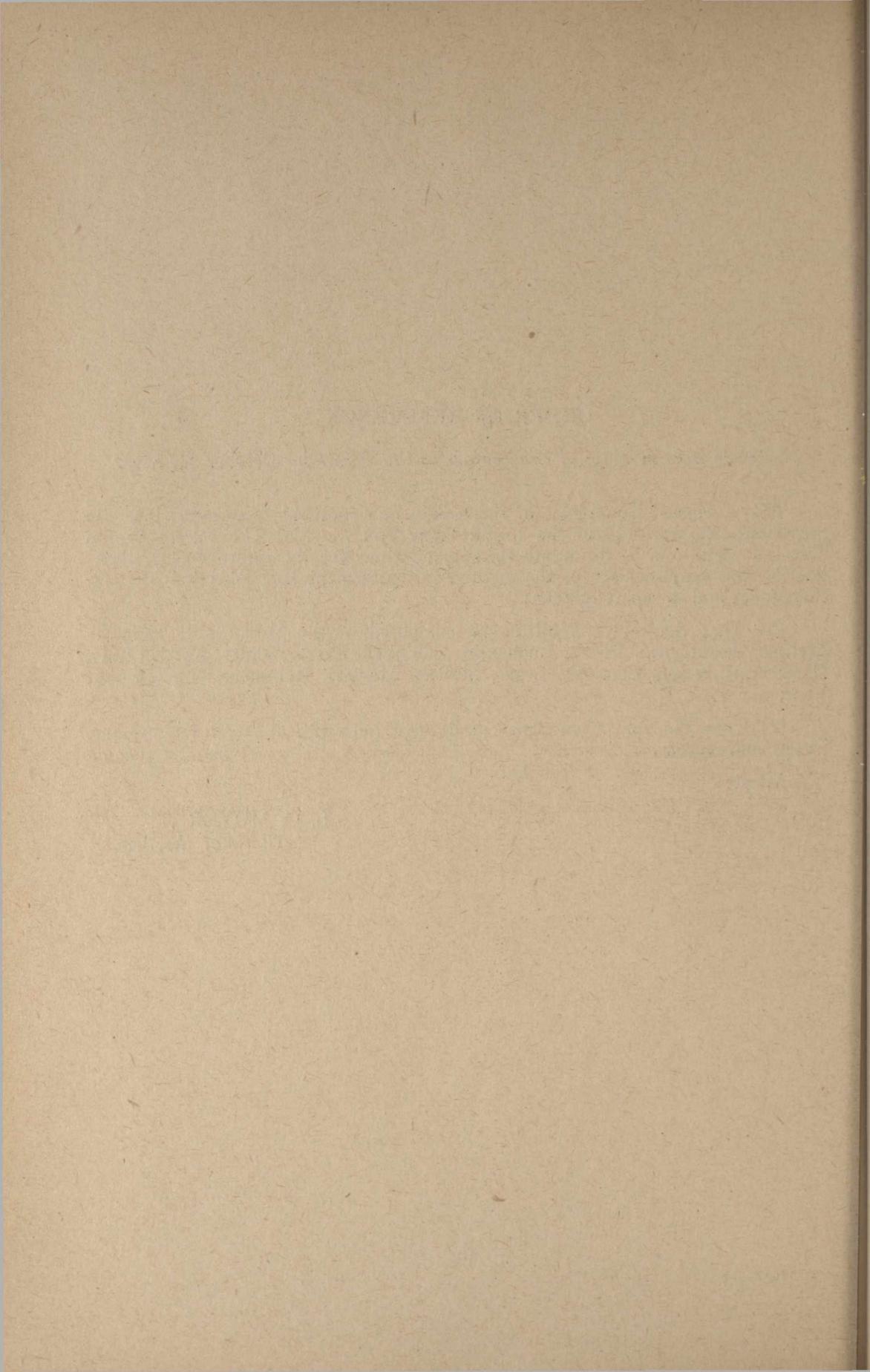
That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon;

(2) That the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud, Robertson, Sinclair and Vien;

(3) That the said Committee shall have authority to send for persons, papers and records.

Attest:

L. C. MOYER,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

TUESDAY, 11th December, 1945.

Pursuant to adjournment and notice the Special Committee appointed to examine into the provisions and working of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 10.30 a.m.

Present: The Honourable W. D. Euler, P.C., Chairman, and the Honourable Senators Beauregard, Bench, Buchanan, Campbell, Crerar, Haig, Hayden, Lambert, Léger, McRae, Robertson, Sinclair and Vien.

In attendance: The Official Reporters of the Senate
Mr. H. H. Stikeman, Counsel to the Committee.

Senator the Honourable A. N. McLean presented a brief and was questioned by counsel.

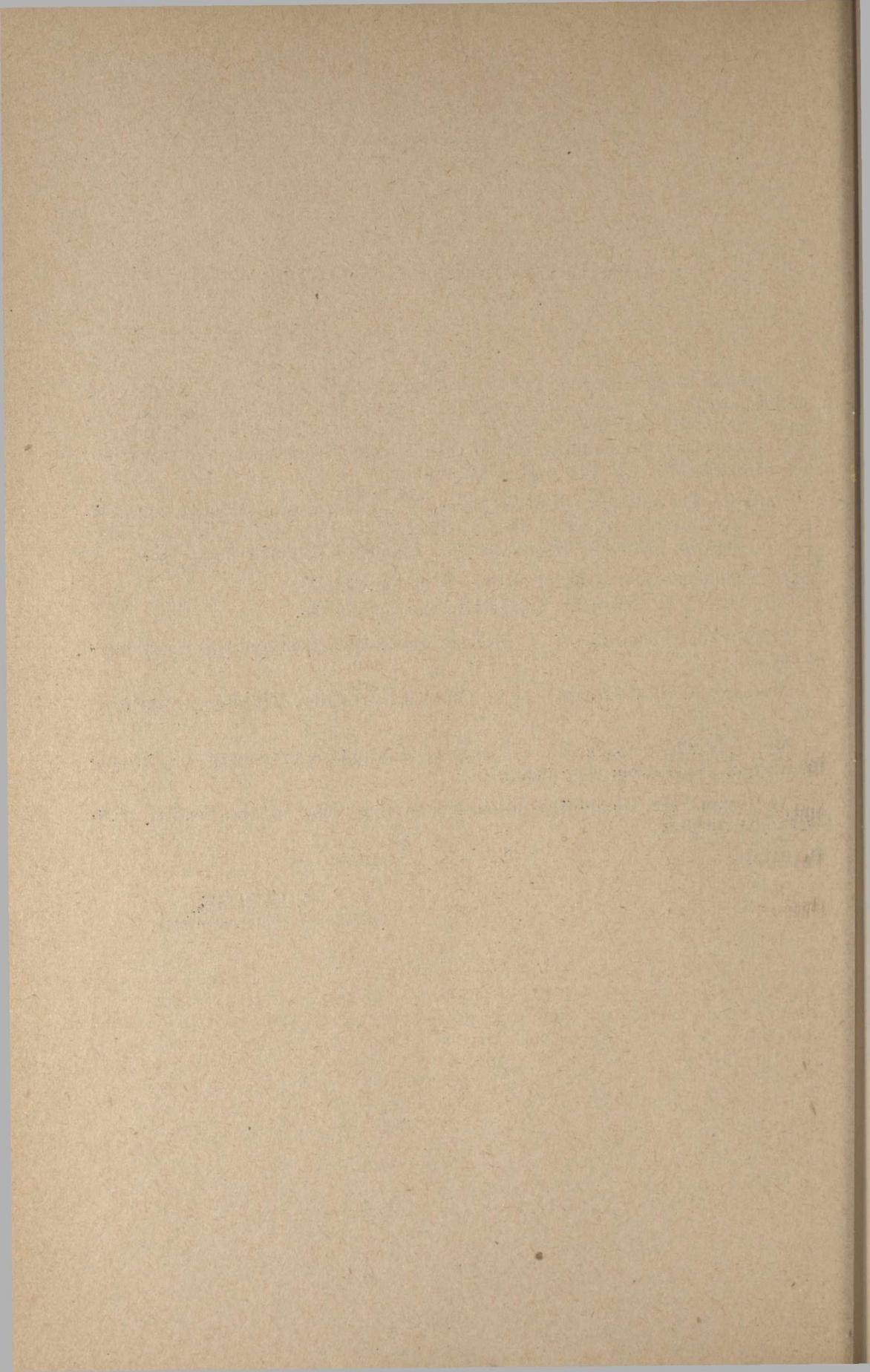
Professor J. L. McDougall, M.A., Queen's University, Kingston, Ontario,—
and

Mr. G. S. Thorvaldson, K.C., Winnipeg, Manitoba, representing the Income Tax Payers Association, were heard.

At 1 p.m., the Committee adjourned to the rising of the Senate, 12th December, instant.

Attest:

R. LAROSE,
Clerk of the Committee.



MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, December 11, 1945.

The Special Committee of the Senate to consider the provisions and workings of the Income War Tax Act, etc., resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Please come to order, gentlemen.

We had expected to have three or four briefs presented today, but there will be only two. I understand that the Canadian Federation of Labour desires to be heard to-morrow, but I do not know whether that will be possible.

This morning Senator McLean is ready with a short brief. The Income Tax Payers Association is represented by Mr. Thorvaldson, K.C., of Winnipeg, and also by another gentleman whom he will introduce. I would suggest that we go on with these briefs. Afterwards I think the committee should discuss a few matters which have come up since our last meeting. I will call on Senator McLean.

Hon. A. N. McLEAN: Mr. Chairman and honourable members of the committee,

In the statement made by the Deputy Minister of Taxation—time and again Mr. Elliott stressed the great amount of detail work there was to be done by the staff of the Income Tax Department and how difficult it was to get trained men to carry out such work. The Income Tax Department has a staff of 6,887 at the present time, we are told, and millions of income tax returns have to be checked over and assessed annually, which of course, is a huge and difficult task. Now if the number of returns could be cut down substantially, a great deal of labour could be saved and staff difficulties would be greatly lessened making it much easier to keep the work-up-to-date. Checking on the number of tax returns as published for last year, there were 2,450,000 taxpayers or tax returns, but the great majority of these returns came from people within the very low brackets.

There were 385,000 persons who filed returns whose income was between \$660 and \$1,000 per year. There were 1,290,000 persons who paid taxes on an income between \$1,000 and \$2,000 per year. In other words, 1,675,000 of the returns received last year came from people who earned \$2,000 a year or under. The total amount collected from these people was less than two hundred million dollars (\$200,000,000) for the year out of a total amount collected of seven hundred and fifty-six million dollars (\$756,000,000), although those who came within the brackets under \$2,000 a year numbered over two-thirds of the total taxpayers. Therefore, it is apparent that a large portion of the time of the staff of the Income Tax Department is being taken up with lower bracket returns. While these returns are often not as complicated possibly as the returns of those in the higher brackets, nevertheless I am told that the majority of the rebates go to those in the lower brackets which means a lot of work.

Now it has often been stated that these very low bracket returns are hardly worthwhile, and after examining the situation at first hand, I am convinced that such is the case, and if those who advised the statute taxing single persons down to \$660 per year and married people down to \$1,200 per year had gone through the country as I have done and watched the effect of this low bracket tax legislation on many basic industries, the Act I believe would have been altered long ago by granting greater exemptions to low wage earners. In this connection England, in their recent budget, increased their exemptions on single persons 37% and on married persons 30%, and the statement was made by a high authority in England that it had been found that taxing people in the lower brackets to below a decent living standard, caused absenteeism and a consequent loss in production.

In the United States recently twelve million people in the lower brackets were relieved of income taxes according to dispatches from Washington. This means, of course, there will be twelve million less returns for the Income Tax Department of the United States to examine next year, which lessens their work very considerably.

It was customary in our seasonal industries before the war to often work a sixty hour week or even more, when the season for gathering in a certain commodity was at its height—harvesting the potato crop or apple crop, cutting pulp wood, box wood, cord wood or other lumber products, fish processing plants, etc. The season, of course, often lasted only a few months but the peak load could be carried efficiently only by working long hours at certain times of year. In the fishing industry for instance, if the fish are not caught and processed when the schools of fish are running, they will stay in the sea. To keep production normal often means many hours of work per week at certain seasons.

Now the effect of this low bracket taxation has been to place these seasonal industries on a forty hour week basis or less, whether the season for the commodity is at its height or not. I have looked over the payrolls of these industries time and again and while the first four days of the week attendance may be pretty fair, when it comes to Friday and Saturday, there is a big falling off in workers and payrolls slip to less than one half; and as far as overtime goes, there practically is not any done in the great majority of these industries, so a tax on overtime is simply a deadhead. I have had reports from industries that did not average four usual days per week. Managers of these industries have told me many times that the cause for so much loss of time was our income tax methods of taxing those of small incomes in a way that the more they worked in any week the more they paid on a graduated basis—thus destroying incentive, and when Friday and Saturday placed workers in a higher bracket, absenteeism was generally the result.

I hesitate to mention Germany, but it has been stated in the American press on several occasions that Germany excelled at getting production during the war. I looked up the *International Labor Almanac* and I found Germany never taxed overtime. The basic week was forty-eight hours and taxes were collected on that basis. Any person working hours over and above the basic week received time and a half for overtime and there were no taxes on the extra time. This, of course, gave the worker a greater incentive. Encouraging people to work overtime is a great aid against inflation for we all know that the remedy for inflation is more production. If a worker labours five or ten hours extra per week in a productive capacity he creates that much new wealth. It is true he will earn some extra money but the spending power of such money will be covered on the average several times by the new wealth created. Therefore, any regulation that is made that discourages production stimulates inflation and our taxing methods as they affect the low brackets are discouraging production all over the country in our seasonal industries.

A table has been shown me by an industry, where three hundred and nine individuals during the season paid around \$6,000 in taxes. As none of these people earned more than \$700 per annum practically all this money had to be rebated which takes an immense amount of time and work. Moreover these seasonal workers are small wage earners and need their money when it is earned, and it is very discouraging having it held back. More recently I understand steps have been taken to partially remedy such a situation as I have just described.

At present a workman in our seasonal industries is better off financially working around home or in his garden one or two days a week than he would be staying on the job, especially if Saturday counts as overtime. Labour is still scarce in the small towns and rural districts—there are no handy men to do chores. Therefore, it pays a worker to do his own work such as minor carpentry work, cutting wood etc., and advantage of this situation is being taken by workers on account of our taxing methods.

After first hand investigation I know we are losing hundreds of thousands of man-hours per day through absenteeism and lack of interest in overtime. The whole tendency of our taxing methods as it affects the low brackets are to reduce working hours very substantially as far as our primary industries go, which are seasonal. Such a situation is deplorable as there never was a time in our history when there was such a tremendous need for food, shelter and clothing. Take, for instance, if the Government collects \$5,000 in taxes from the employees of an industry in a given time, but owing to the method by which it is collected the production of the industry is decreased by an amount equal to twenty thousand dollars (\$20,000), then the country is twenty thousand dollars (\$20,000) poorer and there is no way out of it. This is what is taking place in our seasonal industries in many parts of the country. Money without production to give it value is simply worthless pieces of paper. Losses in production amounting to hundreds of millions of dollars have taken place the last few years in the way I have described, and it can be attributed to our faulty taxation methods as it affects the lower brackets.

If inflation means anything it means rising costs and scarcity—therefore any regulation or system that discourages production creates more scarcity and in this way the regulation defeats its purpose. Production and more production is the key to our present problems—financial problems as well as our other problems.

Having spent years on the production line, I know from experience, that incentive and not discouragement is absolutely essential for full production. If we raised income tax exemptions on those in the lower brackets, the increased production would far more than pay for any monetary loss to the country. In fact it would be made up several times and there would be the sales tax plus the tax paid by manufacturers, wholesalers and retailers on this increased production as it passed through the channels of trade and the country would get the benefit of increased production at a time when the need is so great. Certainly after a man works the customary week, there should be no tax on overtime. It often requires a considerable effort for the man to work ten or fifteen hours overtime after he has done the usual week's work, and there should be a strong incentive to encourage him to do the extra work. Coal mining for instance has been seriously affected by taxes on overtime. Taxing such overtime simply places a penalty on initiative and is it any wonder so little overtime is worked in our seasonal industries?

I would strongly suggest that this Honourable Committee include in their recommendations that exemptions be raised on those who come within the very low brackets and that the tax be taken off overtime, and as a production

man I know the country as a whole will be largely benefited by greatly increased production in our primary and seasonal industries, and such production is sorely needed at present.

Also if the income tax, as it affects the very low brackets, is adjusted along the lines I have pointed out, then the income tax staff will have much more time to carry out their work promptly and efficiently.

In closing, I would like to refer to a letter published in the *New York Times* recently and written by Mr. Bernard Baruch, Elder Statesman and Advisory of Presidents, in which Mr. Baruch stated in the strongest terms that maximum production at this time meant everything, and all handicaps on production be removed except the rules of conservation, otherwise the United States would encounter extreme trouble leading to chaos. Here in Canada the time is long past due when the serious handicap of bad taxation methods, as I have described and which has proved a ball and chain on production, should be removed.

There is another phase of our taxation system to which I would like to call the attention of this Honourable Committee and that is in connection with companies operating in Canada and which are wholly or partly owned outside the country by a parent corporation. Most of the so-called cartel companies belong to this class. Our tax system encourages shareholders to live outside of Canada, which is no way to build up a country.

This is the way taxation on foreign held companies works out according to Canadian tax methods. I understand that in practice if a subsidiary company is considered wholly owned outside Canada this means 90 per cent is held abroad, leaving 10 per cent to qualify Canadian directors who I would consider in the majority of cases would really be front men. Then, there are no income taxes collected at all when dividends, which we know are substantial, are paid by the Canadian company to their owners abroad. Now a parent company or outside owners can conveniently keep these dividend payments in their treasury and avoid taxation, or if they pay same out to shareholders they escape the double dividend tax like we have it in Canada. Europe encourages foreign investments and shareholders get credit for the income tax already paid by corporations or parent companies and they themselves, i.e. the shareholders, do not have to pay a tax on dividends at all unless in exceptional cases where a shareholder has a very large income, then they pay the difference between the rate of tax of the company and their own bracket tax. In other words, for instance, if a company tax in England was 40 per cent and a shareholder bracket tax was 50 per cent, then only 10 per cent would be paid by the shareholder. This is quite different from the way we collect tax on shareholders' dividends. It is easily seen how our tax system treats investors abroad much more favourably than we do our own citizens.

Furthermore, our tax system encourages the setting up of so-called front men for directors in Canada instead of real working directors with a substantial interest in the company. Had we the latter kind of directors in some of the cartel companies operating in Canada, but owned abroad, I am sure the brakes would have been put on some of the infamous trade practices which the cartel report tells about.

Then again, take the case of Canadian companies which are less than 90 per cent held outside Canada, a flat tax of only 15 per cent is charged on dividends going outside Canada. This is something, of course, but it does not seem to be enough when these dividends are going to a parent company abroad.

The CHAIRMAN: Senator McLean, you mentioned that in Canada we have double taxation. That is, a joint stock company pays tax on its profits, and when the profits are distributed to the shareholder, the shareholder again pays taxes.

Hon. Mr. McLEAN: Yes, he again pays income tax.

The CHAIRMAN: Is it the same practice in the United States?

Hon. Mr. McLEAN: I think it is, but it is not nearly as steep as in Canada.

The CHAIRMAN: They do not make exemption for the fact that the company has already paid a tax?

Hon. Mr. McLEAN: No, that is not considered.

Hon. Mr. HAYDEN: In England they do consider it, but not in the United States.

The CHAIRMAN: In Canada the shareholder used to get an allowance for what his company had already paid. I think it was something like 8 per cent. However, that was done away with some years ago.

Hon. Mr. CRERAR: Senator McLean, you mentioned the fact that in the recent British budget a large number of people in the low income bracket were exempted?

Hon. Mr. McLEAN: Yes sir.

Hon. Mr. CRERAR: Where does England start to tax?

Hon. Mr. McLEAN: Their tax was a little lower than ours before they raised it to this 37 per cent on single people and 30 per cent on married.

Hon. Mr. CRERAR: It is substantially lower?

Hon. Mr. McLEAN: Yes, but subsidies were very heavy, keeping the cost of living down.

Hon. Mr. CRERAR: I think the exemption in the lower income bracket is not as high in Britain as in Canada.

Hon. Mr. HAYDEN: That is correct.

The CHAIRMAN: You mean on lower incomes?

Hon. Mr. CRERAR: Yes, on lower incomes.

Hon. Mr. McLEAN: Yes, that is correct, they give greater exemptions; for instance, a man with two children has to make over \$2,000 before he is taxed.

Hon. Mr. CRERAR: Mr. Stikeman, do you know where they start to tax in Britain at the present time?

Mr. STIKEMAN: I believe it is \$400. I believe it was a little higher than our base of \$660. They came down from \$725 to \$620 and now at \$400 I believe.

Hon. Mr. McLEAN: In the recent budget they raised that to 37 per cent for single men and 30 per cent for married men. The Chancellor said the reason they were doing that was because they had so much absenteeism, and its effect upon production was very serious.

Hon. Mr. CRERAR: We can ascertain just how we stand compared to both Britain and United States. If you increased the exemption to the point suggested what loss in revenue would that mean?

Hon. Mr. McLEAN: According to the figures I took from the *Financial Post* for last year around \$200,000,000.

Hon. Mr. McRAE: Mr. Chairman, when Mr. Elliott was before us I wished to ask him that question but was not present. I asked him the question personally and I think he has the information. If we increased the exemption for single men to \$1,000 and married men to \$2,000, how many people would that eliminate from those two and a half million returns and what would be the effect on revenue.

Hon. Mr. McLEAN: My information is two-thirds.

Hon. Mr. McRAE: I think Mr. Elliott can give you those figures definitely.

Hon. Mr. McLEAN: I took the figures from a table published in the *Financial Post*.

The CHAIRMAN: Did you say the reduction would be about \$200,000,000?

Hon. Mr. McLEAN: Mr. Elliott has just sent me a note and he said it would be nearer \$300,000,000. I am talking about the figures for 1944, I do not know about 1945.

Hon. Mr. CRERAR: The United States are taking some 12,000,000 people out of the tax bracket?

Hon. Mr. McLEAN: If this Act goes through, and we have every reason to believe it will, 12,000,000 people who paid taxes last year will you not pay taxes in 1946.

The CHAIRMAN: I understood you to take exception, Senator McLean, to the 15 per cent that we deduct from dividends that go to foreigners. Am I correct in assuming that you thought that figure was not high enough?

Hon. Mr. McLEAN: I do not think it is high enough.

The CHAIRMAN: If I remember correctly, it was 5 per cent reciprocal at one time, then was raised to 15 per cent; the United States promptly raised to 17½ and then to 27½ per cent; then we repented and got together and made it 15 per cent reciprocal. Do you think that is not high enough?

Hon. Mr. McLEAN: I certainly do not object to it, but I think we should get more.

Hon. Mr. VIEN: Do you not think capital investments in Canada are discouraged?

Hon. Mr. McLEAN: Some kinds of capital invested in cartels here should be discouraged.

Hon. Mr. VIEN: As related to cartels, I entirely agree. But a young country must necessarily have capital to develop her natural resources.

Hon. Mr. McLEAN: When you borrow capital you are borrowing production from the other country. We have great potential production in this country, and we want to develop it.

The CHAIRMAN: I suppose it is your thought that if it went back to 27½ per cent that it would discourage Americans putting their money in Canada and likewise discourage Canadians from putting their money into American enterprises?

Hon. Mr. McLEAN: It would work both ways.

The CHAIRMAN: I think there is a predominance of American capital in Canada over Canadian money in the United States.

Hon. Mr. McLEAN: Yes, much so.

Hon. Mr. CAMPBELL: It was your feeling that there should be a distinction made between the treatment of a parent company in the United States receiving dividends from a fully-owned Canadian subsidiary free of tax as against, say, a company who carries on business in Canada and has a wholly owned subsidiary in Canada and draws dividends free of tax. You made that point, but perhaps not in that way.

Hon. Mr. McLEAN: Yes, I felt that shareholders living in the country should come out as well in the final analysis as people living abroad. We are really encouraging shareholders to live abroad, under the present set up.

Hon. Mr. CAMPBELL: Dealing with corporations, do you feel that there should be tax imposed on dividends paid by a wholly owned Canadian subsidiary of an American company to the parent company?

Hon. Mr. McLEAN: Yes, I certainly do.

Hon. Mr. CAMPBELL: You realize that you would be treating that company different from a parent company resident in Canada under our laws?

Hon. Mr. McLEAN: Yes, I think the tax should be on where the money is going out of the country.

Hon. Mr. LAMBERT: If you had a Canadian company and the stock was owned in Great Britain or the United States, whether it was a main company or not, the imposition of 15 per cent or more would be the same as if it was a branch. The point you made about a branch company would apply to the parent company?

Hon. Mr. CAMPBELL: Yes, but you must distinguish between individual shareholders and corporation shareholders of wholly owned subsidiaries.

Hon. Mr. McLEAN: I think in Canada it is hardly practical because there are so many companies set up for bookkeeping purposes. If there was a tax problem they would amalgamate with the parent company.

Hon. Mr. VIEN: Senator Campbell, why should there be a difference between the tax charged and the dividends paid either to parent companies or wholly owned subsidiary shareholders? For instance, a company is incorporated with a capital of \$100,000 and declares a dividend of 5 per cent or 10 per cent. Whether the dividends are paid to the parent company or to individual shareholders in the United States, what is the difference?

Hon. Mr. CAMPBELL: There is a difference.

Hon. Mr. VIEN: Why should there be a difference in the treatment of the tax charged on dividends, whether to the parent company or to the shareholder?

Hon. Mr. BENCH: In reply to a point raised by Senator Vien, is there not a reciprocal arrangement exempting from duplicate taxes these individual shareholders? I understand the result is that individual shareholders pay only one tax.

Hon. Mr. HAIG: Mr. Chairman, I suggest Mr. Stikeman ask some questions of Senator McLean.

Mr. STIKEMAN: I would like to ask Senator McLean whether he would give every worker a specific additional exemption which would measure his overtime, or in what manner he would propose to exempt overtime.

Hon. Mr. McLEAN: I should think there should be a base week; there should be a flat tax based on a week of forty-four hours, forty-eight hours, or whatever you want to make it. Then if a man wants to work sixty hours, seventy hours, or seventy-five hours his work beyond the base week would not be taxable.

Mr. STIKEMAN: You would not tax him on that portion?

Hon. Mr. McLEAN: No tax whatever.

Mr. STIKEMAN: How far up the working scale would you go? Would you apply that theory to salaried people?

Hon. Mr. McLEAN: Well, most provinces have a base week for labour. I did not go into the salaried scale; I am talking about labour.

Hon. Mr. CRERAR: Will you apply that to Cabinet Ministers?

Hon. Mr. McLEAN: They can look after themselves.

Mr. STIKEMAN: Would you apply that to piece workers?

Hon. Mr. McLEAN: Piece workers practically get the same rates. I would apply it to these workers if they were put on a base week, and they wanted to work overtime.

Mr. STIKEMAN: How would you measure their overtime?

Hon. Mr. McLEAN: They would be governed by the base week.

Mr. STIKEMAN: The base week might vary from province to province?

Hon. Mr. McLEAN: Yes.

Hon. Mr. HAYDEN: It would depend on their regular rate of pay. If they became entitled to any extra that would be for overtime.

Mr. STIKEMAN: Take for instance the man who works slowly and is inclined to work overtime to get a greater portion of his income exempted from tax?

Hon. Mr. McLEAN: You mean that he slowed down from the regular time?

Mr. STIKEMAN: Yes.

Hon. Mr. McLEAN: Well, in seasonal industry if he slowed up he would be fired. I never knew an incident of slowing up in seasonal industry.

Mr. STIKEMAN: But if you gave a man the advantage of having part of his income tax free, surely he would be tempted to slow down.

Hon. Mr. McLEAN: I hesitate to bring Germany into this discussion again but if you look up the years 1936, 1937, and 1938, they made a very exhaustive test at that time.

Mr. STIKEMAN: I think there was more incentive to work in Germany than the question of tax.

Hon. Mr. McLEAN: They had a forty-six, forty-eight and a fifty-four hour week. When the war started, they threw it all into a forty-eight hour basis. While they had no love for certain foreign people in Germany, working for them, they also gave this foreign element the same deal as their own people. It was not because they liked the Poles or any other race, but after six months trial with their own people they called in the foreign labour and said, "If you want this here, you can have it." The scheme must have produced greater production.

Mr. STIKEMAN: The term "overtime" is really a misnomer. There is no tax directly aimed at overtime. It is merely overtime pay which is added to the total of the worker's income and makes him subject to the rate of tax on that amount of money. Therefore, it would seem to me to be very difficult to exempt overtime.

Hon. Mr. McLEAN: Conditions are different in different Provinces. I think every Province really has a base week. I would be guided by what the laws of the Province are. Let me give a concrete case. A warship comes into the port of Saint John on Saturday afternoon and wants 60,000 pounds of coffee ground and got ready by Sunday noon. Well, that means that some of these workers have to work all Saturday afternoon and Saturday evening. Some of them probably have their homes in the suburbs, and they have to buy their evening meal in town. Then they have to work Sunday morning and are kept away from church.

Hon. Mr. DUFF: They should go to church.

Hon. Mr. McLEAN: Good wages are paid, but after the foreman is taxed on the overtime he gets \$3. The rest of the staff get less than \$2. Aside from patriotism there is no incentive for people to work overtime when they are treated in that way.

Mr. STIKEMAN: The same tax, however, would apply to all their income.

Hon. Mr. McLEAN: The overtime puts them in a higher bracket.

Hon. Mr. McRAE: Senator McLean, in view of the unemployment which we may have to face, would you not confine your remarks to seasonal workers, such as fishermen and others, that you have referred to? I know that fishermen have to work long hours when the fish are running. We can justify that, I think. But if you get into the broad field of overtime, in view of the question of unemployment I do not think I would hold with you on that.

Hon. Mr. McLEAN: I am agreeable to that. An industry that has its raw material coming in every morning at eight o'clock, and the employees working until five every day, is not in nearly the same position as a seasonal industry. An ordinary industry of that kind has a regular week, but a seasonal industry has to take care of a peak load. There is a maldistribution of employment to-day, as I see it. War industries resulted in the transfer of large numbers of people from certain parts of the country to other parts. Train loads left the Maritime Provinces and went to centres like Windsor, Montreal and Toronto. Those people really do not belong there. The cities where they have gone will do well if they can take care of their normal population. But those people have not come back to the east, to the pulpwood and the lumber industries. They have remained in those cities, and I understand a good many of them have gone on unemployment insurance. Tens of thousands of people are needed in the east right now for cutting pulpwood and boxwood and for fish processing and for farming. The people who ordinarily would have been available for this work were attracted to the war industries elsewhere where they were paid big wages, much more than we can pay them in the east.

The CHAIRMAN: And that accentuates the housing shortage.

Hon. Mr. McLEAN: Yes. We say we are building houses for veterans. Go along certain streets in the big cities and you see these small houses. I remember the unemployment commission checked up and found eight and nine persons living in a room in some cities. Well, the people have got spread out and when the veterans come back there are no houses for them. We would not have to build houses for veterans if the other people had remained living under the conditions in which they lived before the war.

Hon. Mr. VIEN: How do you suggest we should proceed to urge those people to go back to their former occupations?

Hon. Mr. McLEAN: Well, we might perhaps provide a substantial transportation allowance and build a few houses in the small towns back home. If people were guaranteed transportation back to where they came from, and housing there, that would be a good deal better than going on the unemployment insurance in the big cities.

Hon. Mr. VIEN: Are those jobs in the Maritime Provinces sufficiently advertised?

Hon. Mr. McLEAN: Yes, we have ads about the jobs in the pulp and paper industry and so on right along, but the wage is not nearly as high as these people have been used to getting in war plants.

Hon. Mr. PATERSON: Mr. Chairman, may I ask Senator McLean a question? He mentioned that the taxation brackets included 1,300,000 people who have an income of a thousand dollars a year or less.

Hon. Mr. HAIG: No, an income between \$1,000 and \$2,000.

Hon. Mr. PATERSON: He suggests that those people be excluded. If that were done the country would lose about \$200,000,000 of taxes. How would that amount be made up? Would it have to be added to the taxes paid by people in the higher brackets?

Hon. Mr. McLEAN: You speak of the tax receipts. The real wealth of this country is what we produce from the land and the sea. Anything that slows up production slows up our flow of wealth. I know from experience that if you gave tax relief to people in our seasonal industries the amount would be many times covered by the increased production. Once commodities are taken from the land and sea they enter into trade, and become subject to the sales tax, the various taxes on processors and retailers and so on. You would have that much new wealth, so the tax exemptions would be easily made up.

Hon. Mr. PATERSON: It might be all right if you could persuade Mr. Fraser Elliott of that.

Hon. Mr. BENCH: It might be more important to persuade Mr. Ilsley.

Hon. Mr. CAMPBELL: From your experience can you say that production has fallen off in seasonal industries since the workmen in these industries have been taxed?

Hon. Mr. McLEAN: I know it has fallen off in certain seasonal industries. Great efforts have been made to increase production, but it would have increased far more. If you remember the years leading up to the war you will remember that a good many of the seasonal industries engaged in primary production were not very busy then.

Hon. Mr. BENCH: Was it not by reason of the very situation you are speaking about that the Government found it necessary to increase the exemption on earnings of married women during wartime? As I recall, it was found in war industry that as soon as married women had earned \$660 they left their employment and went back to their homes until the beginning of the next calendar year. That meant a decline in production, and as a result the Government found it necessary to increase the amount which a married woman could earn before being subject to tax to something like \$750, I think. Am I correct in that?

Mr. STIKEMAN: The Government prevented the husband from losing his marriage exemption, and that had the same effect.

Hon. Mr. BENCH: But I suggest the basic reason for increasing the exemption on the income of married women was the same as Senator McLean's reason for advocating exemption of tax on overtime earnings.

Hon. Mr. HAIG: Mr. Chairman, this is a very interesting discussion, and Senator McLean has made a real contribution, but he is here with us all the time, and I think we should proceed to hear others who are not remaining with us. We are not going to lose Senator McLean.

The CHAIRMAN: We are going to lose him as soon as this Committee is dissolved, which will be on prorogation. He will not be available to us for two months or so after that.

Hon. Mr. HAIG: I think we ought to go on with the next presentation.

The CHAIRMAN: I do not like to shut off discussion. Is there any other question?

Hon. Mr. DAVIES: Mr. Chairman, I was a little late getting in and I did not hear Senator McLean's presentation. I gather from some questions that Senator McLean was advocating that dividends paid from a parent company to a subsidiary company be taxed.

Hon. Mr. McLEAN: No, I am not advocating it. It would not be practicable in this country, because we know that some subsidiary companies are set up for book-keeping purposes.

Hon. Mr. DAVIES: On the other hand, in some cases are there not shareholders of subsidiary companies who are not shareholders of the parent company? And is it not a fact that these shareholders may have to pay taxes, whereas the subsidiary company whose controlling interest is probably owned by the parent company does not have to pay taxes?

Hon. Mr. McLEAN: Quite right.

Hon. Mr. BENCH: One question on the point which has been raised by Senator Davies. I understood Senator McLean to say that exemption of dividends paid by a wholly-owned subsidiary to a United States parent company encourage the emigration, shall I say, of capital and shareholders from Canada.

Hon. Mr. McLEAN: Not necessarily of capital, but of shareholders. Shareholders living outside the country have to pay less taxes.

Hon. Mr. BENCH: You say, as I understand it, that a person holding shares in a United States parent of a wholly-owned subsidiary would have an incentive to move to the United States because the rate of tax which he is called upon to pay on the earnings of the wholly-owned subsidiary is less in the United States than in Canada?

Hon. Mr. McLEAN: No, it is in Europe where they do not have the double dividend tax. Many of these companies are controlled in Europe. Their stocks are on the Amsterdam and London exchanges—or rather, I should say that they were; most of them are probably on the London exchange alone now. Europe encourages foreign investment. Say I am a shareholder in Canada holding stock in some company here—it might be the Booth Company or the Eddy Company—and I move over to London, I am not taxed the same as if I had stayed in Canada. I make a gain, I have an advantage, although my investment is in the same company, because Europe does not have the double dividend tax. But the United States has, although it is not nearly as heavy as it is here.

Hon. Mr. BENCH: Does the exemption between a wholly-owned subsidiary and its parent apply regardless of the residence of the parent company?

Hon. Mr. HAYDEN: Between one Canadian company and another it is a matter of law, but where the international element comes in it is a matter of convention.

Hon. Mr. BENCH: If you were a resident of Holland holding shares in a Dutch parent of a wholly-owned Canadian subsidiary, you would not get the benefit that you suggest, would you?

Hon. Mr. McLEAN: You would be subject to the laws of Holland, whatever they are. At the present time I do not know whether Holland has the double dividend tax that we have.

Hon. Mr. BENCH: But the wholly-owned Canadian subsidiary would have to deduct at the source the tax that it was paying to the Dutch parent, would it not?

The CHAIRMAN: Perhaps Mr. Stikeman should answer on that point.

Mr. STIKEMAN: In certain cases the Canadian wholly-owned subsidiary would be required to deduct the tax going to the parent in Holland, assuming that Holland has not got a reciprocal arrangement with us for exemption, and assuming that the Canadian wholly-owned subsidiary is the kind of company which we call a non-resident-owned investment corporation. Section 9B, subsection 12 (a) of the Income War Tax Act says:

Dividends paid or deemed to be paid by Non-Resident-Owned Investment Corporations

That is, Canadian wholly-owned subsidiaries.

shall not be taxed under subsection 2 of this section,

That is the subsection which imposes a tax of 15 per cent on dividends that go out of Canada.

provided that there has been paid in respect of the income earned between the 1932 fiscal period and the fiscal period first taxed by reason of election under subsection 4 of section 9 of this Act, or in respect of dividends equal in amount to the said income, an amount of tax equal, in the aggregate, to 5 per centum of the said income.

Hon. Mr. BENCH: What does that mean in plain language?

Mr. STIKEMAN: This means that dividends paid outside of Canada by a Canadian company which is of the kind defined as Non-Resident-Owned Investment Corporation by Section 2 (1) (p) of the Income War Tax Act, which, I

believe, approximates Senator McLean's description of a company as being one incorporated in Canada at least 95 per cent of the shares and bonds of which are beneficially owned by non-residents of Canada, and whose gross income is derived from dealing in securities, lending money or from estates and trusts, are not subject to the 15 per cent tax at the source imposed by section 9B subsection (2) under certain conditions. These conditions are that the Non-Resident-Owned Investment Corporation must have paid tax in Canada equal in the aggregate to 5 per cent of its income which it earned between 1932 and the date of its election to be treated as a Non-Resident-Owned Investment Corporation. Once the election has been made and accepted by the Department such a company is taxed under Schedule E of the First Schedule to the Income War Tax Act at a rate of 22½ per cent per annum only.

Another example, as the Honourable Senator Campbell points out, of dividends paid abroad by a Canadian company which are not subject to the 15 per cent tax at the source is found in subsection (11) of section 9B under which dividends are not taxed which are paid to a non-resident company by a Canadian company, all of whose shares (less directors qualifying shares) which have under all circumstances full voting rights, are beneficially owned by such non-resident company. There is a proviso in this case, however, which further narrows the exemption that not more than one-quarter of the gross income of the Canadian company must be derived from interest and dividends other than interest and dividends received from any wholly-owned subsidiary company.

The Honourable Senator Hayden has put his finger precisely on the point in his reference to the two sources of the law in this connection:—the law as found in the statute and that found in International Conventions or Agreements. Under the statute the basic principle is that dividends paid to shareholders abroad by a Canadian company are subject to deduction of 15 per cent at the source. There are a number of exceptions to this, two examples of which I have given in my earlier reference to subsections (11) and (12) of section 9B. In addition, however, the basic principle may be set aside or modified by the incidence of unilateral international agreements of a reciprocal nature, such as the Canada-United States Convention for the avoidance of double taxation, or by what are in effect multilateral undertakings to recognize reciprocal exemptions of dividends and interest under certain specific cases. Thus, to say what tax may be borne by dividends paid by a wholly-owned Canadian subsidiary to its parent company in the Netherlands, according to the example given by the Honourable Senator, would require a knowledge of the class of company into which the Canadian subsidiary falls under our taxing statute as well as a knowledge of the current conventions or agreements which may exist between the Netherlands and Canada.

HON. MR. CAMPBELL: Subsection (11) also applies.

THE CHAIRMAN: Unless someone else is particularly desirous to ask Senator McLean questions, I think we should accept Senator Haig's suggestion and proceed to hear the next presentation.

Next is the Income Tax Payers Association represented by Mr. G. S. Thorvaldson, K.C., of Winnipeg.

MR. THORVALDSON: Mr. Chairman and gentlemen, I wish to express the appreciation of the Income Tax Payers Association for the opportunity of appearing before this committee. Our submission is in two parts. When this committee was appointed the Association retained Professor McDougall, Associate Professor of Commerce at Queen's University, to prepare a brief, which will be the first part of our submission. I would ask that he be heard now.

MR. JOHN L. McDOUGALL, (Associate Professor of Commerce, Queen's University): Mr. Chairman and members of the Committee,

I have been asked by the Income Tax Payers Association of Canada to make a study of the income from commercial operations carried on in

Canada which is currently exempt from Income and Excess Profits taxes under the exemptions set out in those statutes, to make estimates of the amount of tax revenues lost to the Dominion in 1944 by reason of those exemptions, and to submit those estimates to your Committee with such comments as I feel to be justified by that study.

This is that report. It does not deal with all tax-exempt organizations, but is confined to those whose primary functions are business activities—the Canadian National and its subsidiaries, the liquor control boards, electric power, telephone and street railway ventures owned by provinces or municipalities, and the great trading co-operatives. These are all of them business activities, not specifically governmental activities; but under the law as it now reads they are all of them exempt from the income taxes to which other trading ventures, some of them competitors, are subject.

It leaves entirely to one side all charitable and non-profit organizations, some of which enjoy substantial investment incomes.

Within the narrower range that is left, no attempt is made at an approximation to the amount of the exemptions received by tax-exempt organizations on the basis of the aggregate sales volume of all such in a particular field, or otherwise. No organization's income is included in Table 1 below unless a full set of its annual published reports for the relevant years, (normally 1936-39 and 1944) was available.

This rigid limitation explains why no estimate appears herein for the income of co-operative merchandising corporations. Scattered reports are available for some of them for certain years, but it did not prove possible to get full and detailed reports for any one of them for the whole period. Therefore none is included herein, even though the recently published *Report of the Royal Commission on Co-Operatives* shows that they have an aggregate sales volume in the order of \$260,000,000, excluding grains and seeds, presently escaping taxation.

In justification of that \$260,000,000, the value of commodities marketed by co-operative organizations in Canada in 1944 was \$459,537,000. In addition there were merchandise and supplies purchased by co-operative organizations to a total of \$65,509,000. These give a total of \$526,046,000. I managed to cover the three western pools in Table 1. Therefore I deduct all grains and seeds marketed, \$264,201,000, leaving a balance which I do not cover of \$260,845,000. This may seem regrettable, but it was judged better to produce a total which was clearly an underestimate, both because each of its components was almost certainly an under-estimate of the true tax liability of that organization, and because many organizations, and even whole groups of such organizations, are excluded, than to aim at an inclusive estimate some of whose parts would be weak.

A further reason for the shortness of the list of organizations covered is that some tax-exempt organizations provide reports which are in the highest degree voluminous, but which do not provide a full statement of their income. The Hydro-Electric Power Commission of Ontario, for example, has issued a report of 370 or more pages in each of the years 1939-44. It provides the fullest of information upon many aspects of its own and of its member municipalities' activities; but it does not give a full statement of its income. It shows the financial results of its electric operations only and refuses to divulge the amount of its investment income, which is very substantial. For that reason it could not be included in the main estimate. Certain details upon it, together with copies of the correspondence in which that refusal to give an income statement is made, are given in Appendix I.

Net income as reported by the organizations in question is normally taken as the taxable profit or gain, and adjustment is made to that figure

only when it is completely clear from the published statements that some item (or items) is clearly not an expense at all but part of the profit or gain of the year. For example, sinking fund for the retirement of the debt of an organization, which is also providing generously for the depreciation of its tangible assets, is clearly not an expense of operation but an increase in the total owned capital.

Obviously such adjustments are a small fraction only of the adjustments which would be made by an accountant employed by the Department of Internal Revenue (Taxation) with full power to call for the production of books and papers and to examine the original vouchers.

The estimate of the income of tax-exempt organizations which follows, and of the tax which is not collected by reason of exemptions given, is therefore a minimum estimate only, on two counts:—

(a) wide areas of the tax-exempt field are omitted because the reports

- (i) could not be had
- (ii) were in such form as to be beyond analysis unless supplemented by detailed examination of the supporting accounts.
- (iii) were otherwise unavailable.

(b) even for the limited few organizations whose reports were available and in acceptable form, the estimate of the tax which would have been due on 1944 operations is clearly an underestimate of the amount which would be found by an accountant operating under the powers of the Department.

Table 1 which shows these results in condensed form follows below.

TABLE 1

TAX-EXEMPT INCOME AND THE INCOME AND EXCESS PROFITS TAXES WHICH WOULD OTHERWISE HAVE BEEN PAID UPON SUCH INCOME OF CERTAIN CANADIAN ORGANIZATIONS WHOSE PRIMARY FUNCTIONS ARE BUSINESS ACTIVITIES ON THE RESULTS OF THEIR 1944 FISCAL YEARS

Organization	Income (a)	Income and Excess Profits Taxes thereon
	\$	\$
1. Liquor Control Boards of the Provinces of Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia, not including permit revenues or law enforcement expenses when charged to the Board.....	53,023,692(b)	37,433,705(b)
2. Organizations controlled by the Dominion Government—		
(i) Canadian National Railways.....	23,026,924(c)	9,671,308(c)
(ii) Trans-Canada Airlines.....	237,409	94,964
(iii) Canadian National (West Indies) Steamships, Ltd.....	1,452,633	1,199,614
3. Toronto Transportation Commission.....	7,197,134(d)	4,331,907(d)
4. Hamilton Street Railway.....	671,979	563,915
5. Municipalities, members of the System of the Hydro Electric Power Commission of Ontario, on a consolidated basis and covering their own operations only. Changes in their equity in the Commission itself are excluded.....	7,155,544(e)	3,300,290(e)
6. Manitoba Telephone System.....	2,417,518	1,522,138
7. Department of Telephones of the Province of Saskatchewan...	1,162,070	701,626
8. Alberta Government Telephones.....	2,541,342	1,521,886
9. Quebec Hydro-Electric Power Commission.....	13,648,511(f)	5,328,401(f)
10. The three wheat "pools"—		
(a) Manitoba.....	2,546,890	1,018,756(g)
(b) Saskatchewan.....	7,883,326	3,310,997
(c) Alberta.....	1,512,751	605,100
	124,477,723	70,604,607

Obviously a statistical table is as good as the assumptions made upon it and the work which underlies it, and that page is followed by two and a half pages of notes, which explain it rather fully.

NOTES TO TABLE I

(a) All figures are rounded to the nearest dollar.

(b) The permit revenues are clearly something which the province might, under the law, collect whether or not they take over a monopoly control of the sales of alcoholic beverages. Equally clearly, it is a source of revenue which could not be policed unless it were based upon such monopoly control.

If such permit revenues had been taken as commercial revenues, then the total income would have been increased to \$62,923,104, and the total tax to \$42,867,840. Practically the whole of the difference is concentrated in the accounts of the Provinces, of Quebec, Ontario and Manitoba.

(c) Any computation of the income of the Canadian National Railways as a commercial organization must rest squarely on assumptions which are at least open to question, because it was so clearly not run on a commercial basis before the war. In the years 1936-39 it earned only a very slight part of its interest and fixed rental charges payable to others. The Dominion government kept it in being by appropriating money each year to cover its deficit. In 1944 it covered the whole of its interest charges payable to the public and some \$23,000,000 beside and in 1943 it earned over double the amount of its interest charges.

The above calculation leans over backward to assume that the whole of the interest charges are an expense. It would be equally plausible to argue that whatever the form of words used to describe it, the debt of the Canadian National payable to the public (including therein that amount payable to the Dominion itself in respect of securities formerly held in the United Kingdom, but which were taken over by the Canadian government as part of the general scheme for the financing of exports to Britain during the war) and totalling \$1,291,329,758 at December 31, 1944, is in fact part of the general debt of the Dominion government. Without the Dominion government as their guarantor, express or implied, the presently outstanding securities would clearly all become highly speculative.

If that assumption is made and the whole of the "net income available for payment of interest" reported by the Company in 1944 is treated as earnings on the proprietor's equity then the tax becomes \$29,860,557.

If the calculation is made instead on the "income available for fixed charges" (for which, see *Canadian National Railways 1923-1944* (Ottawa: Dominion Bureau of Statistics, 1945), table 1), the tax becomes \$30,858,968.

(d) There is a logical problem in the handling of the accounts of any government trading venture which was brushed in the case of the Canadian National, and which to some extent affects them all. When the government concerned advances funds on open account to finance their trading activities it is easy, and seemingly logical, to treat those advances as the capital employed by the organization. This was done as a matter of course in relation to the several liquor control boards. But it is equally possible for the government to guarantee the bonds to be issued and for the organization then to treat the interest upon such bonds as an expense.

In this case it seemed proper to follow the first course as had been done with all the other organizations owned by the provinces and municipalities and to treat it as a venture of which the city of Toronto was the equity owner. Had the reverse decision been made, and the interest charges been treated as an expense, it would have reduced the amount due under the Income Tax, but would have increased the amount subject to 100 per cent levy under the Excess Profits Tax. The net change would have been a reduction in the total levy to \$3,809,945.

(e) These municipalities are, of course, independent of each other; but the opportunity to save labour by using the consolidated statements in the annual reports of the Commission was so great that it just couldn't be avoided. It is highly probable that the end result is not greatly different from what would be found if the statements of each municipality were analyzed separately.

(f) The properties of the Montreal Light, Heat and Power Consolidated and its electric subsidiaries were expropriated at April 15th, 1944. There was, therefore, no full year's statement from which to estimate the tax liability. Rather than make adjustment, with all the errors to which it would be subject, it was decided to take the actual results of 1943 and to decrease both the income and the taxes by the amount of \$1,500,000, being the estimated amount of the rate reductions made by the Commission in 1944.

It will, of course, be noted that the Company paid \$6,828,901 in taxes in 1943 and that the sharing of the gain by tax exemption in this first year is one-quarter to the consumers, three-quarters to the government.

(g) Owing to the fact that the operation of an elevator system in Western Canada was probably a depressed industry in the standard period, within the meaning of the Excess Profits Tax Act, and especially to the fact that the accounts of these organizations are cast in a form which makes analysis difficult and uncertain, there seemed only one thing to do, namely, to make the estimate of 1944 tax liability so low as to an extreme understatement. The total amount shown, \$4,934,853, is probably too low by some \$3,000,000, and possibly more.

This table shows that a few large organizations escaped the payment of a minimum of \$70,600,000 in income and excess profits taxes by reason of their ownership only and not of the nature of their activities. Inevitably it gives rise to the question—What is the sum total of the tax-exemptions granted?

It is a question which an official body alone could answer with accuracy after having collected the necessary information returns. Even without that power, there are a great number of glaring omissions in Table I; tax-exempt trading organizations with substantial income. Furthermore, in many of the organizations studied the reported income was taken at its face value even though the concealment of earnings was obvious.

An answer to that question now by any one, involves a guess rather than an estimate; but I suggest that \$100,000,000 is probably the lower limit. How

much higher it might go is a much more difficult question to answer, but the upper limit could hardly be less than \$125,000,000.

For the purpose of this Committee in making recommendations to Parliament, the significant figure is not the estimate of \$70,600,000 based on a few organizations only, but the aggregate of \$100—125,000,000.

THE CONSEQUENCES OF TAX EXEMPTION

Any realistic examination of the consequences of tax-exemption must run in terms of the existing revenue needs of the Dominion government and of current and prospective tax rates. The only estimate¹ yet published of the Dominion's "normal" expenditures in the post-war period, after all costs of demobilization and of reconstruction have been met and disposed of, provides for annual expenditures in the order of 1·9 to 2·0 billions of dollars. This figure gives effect to the new expenditures proposed to the Dominion-Provincial Conference, 1945. It also leans over backward to assume a continuance of the 1935-39 price level, even though the wholesale price index, with present controls, is about 33 per cent above the 1935-39 level and the index of hourly wage-rates was already about 45 per cent up in 1944.

It is therefore clear that this estimate of the prospective level of expenditures—a level which the Dominion is presently pledged to maintain—is a conservative one. It may well be increased as a result of price changes which have already occurred and without the assumption by the Dominion of any new responsibilities.

Unless the Government is to supplement its tax revenues—deliberately and as a matter of set policy—by deficit financing, it must balance those expenditures by corresponding tax revenues. Such collections would be in the order of 3½ times as great as 1939 collections.

Under that condition, the government cannot forgo any dependable source of revenue. Even if it would gladly do so, it dare not. It must raise all the revenue it can, even at the risk that some part of its collections will diminish the national income by reducing the incentives of individuals to work because of the weight of personal income tax upon the final increments of their income, and by choking off some desirable and employment-creating capital investments because the corporate income tax increases the risks of venture capital.

The corporate income tax (including therein the Excess Profits tax which is merely a surtax upon income—one with a special method of assessment, but presenting no difference in principle) has become one of the most productive of all the taxes collected by the Dominion, supplying currently some 26 per cent of the total revenues. Therefore it cannot be lightly surrendered. It will be retained, regardless of the objections to it, because of its productivity.

But if it were applied fairly and uniformly over the whole range of corporate income it would be possible to lower the rates and still raise the same amount of revenue. Alternatively it would be possible to reduce some other taxes without any reduction in the total of public revenue. For example, if the corporate income tax, *uniformly applied*, had raised an additional \$100,000,000 in 1944 it would have produced as much revenue as the Department of National Revenue expected to collect from the 1,069,000 personal income tax-payers with incomes of \$1,550 or less. If it had raised \$125,000,000 it would have equalled the personal income tax on the 1,423,000 tax-payers below \$1,800.²

¹ Namely that of Gilbert Jackson and Associates, *The Burden of Taxation: Pre-War and Post-War* (Toronto: Ambassador Books, 1945). Price 50 cents.

² These data are drawn from Dominion Bureau of Statistics, *Dominion Income Tax, Excess Profits Tax and Succession Duty Statistics* (Ottawa: Mimeo 1944) Section II, Table A. This table presents an estimated distribution of personal income tax-payers classified on the amount of their income and regardless of the number of dependants. A second table cross-classifies tax-payers by the amount of their income and by the number of their dependants.

These may seem to be extraordinary figures. In fact they are extraordinary figures. They are, respectively, 43.6 and 58 per cent of the estimated total of personal income tax-payers in the country. But the conclusion from them is inescapable. The longer exemptions to the corporate income tax continue to be granted, the less likely is an easing of the burden upon other sources of tax revenue.

If the comparison be kept within the corporate field, it may be noted that \$100,000,000 and \$125,000,000 are respectively 41.6 and 77 per cent in excess of the 70.6 million dollars of taxes which failed to be collected from the organizations named in Table 1. Applying the lower percentage only to the parallel income figure (namely, 124.5 million dollars) produces an estimate of \$176,000,000 of income presently escaping taxation. This equals 31.5 per cent of the aggregate profits reported by the companies in the Bank of Canada sample of 665 companies, which includes all companies operating in Canada with assets of \$200,000 or more in 1941.

(The reference there is the Bank of Canada Statistical Summary, August-September 1944, page 72).

There is a second consequence to these exemptions which must be faced. So long as corporate income taxes of anything approaching the present level are maintained, and the present exemptions are granted, so long will tax-paying private enterprise be impossible in the long-run, where public ownership is possible; so long will tax-paying private business be impossible where a tax-exempt co-operative business can once gain a foothold and then crowd the tax-paying business to the wall by the re-investment of its tax-free earnings.

This process has already gone very far in the last five years when public attention was riveted on the war; it is likely to go much further and to proceed faster in the next five years as the full implications of the present situation are brought home to governments and to others. That some have already contemplated it is proven by the following quotation from the submission of Premier Garson, speaking for the Province of Manitoba at the second plenary session of the Dominion-Provincial Conference:—

Last year three Manitoba government enterprises, commercial enterprises, earned net profits after the payment of all fixed charges of nearly \$6,000,000.00. A substantial part of that profit arose because under our constitution the provincial Crown does not have to pay taxes to the federal Crown. That same immunity is the basis of the substantial decrease in the power rates which the Quebec Hydro Commission was able to announce within a few weeks after taking over the Montreal Light, Heat and Power Company. This substantial decrease equals only a minor fraction, I understand, of the federal taxes normally paid by the latter corporation. Thus if Manitoba is to be denied any adjustment in Dominion-Provincial relations which will assure us as Canadians of some measure of fiscal justice and equality, we shall be faced with a dilemma—a choice between, on the one hand, having our provincial post-war programme aborted, our treasury placed in a precarious position, our province placed at a disadvantage in the matter of attracting business investment and residents, and on the other of extending our successful tax-free ventures into other forms of business until by their profits, sufficient additional provincial revenues can be secured to provide us with provincial services paid for by a provincial tax burden,—equal in each case to the provincial average.³

With that authoritative statement on the record, what further proof is necessary to show that a heavy corporate income tax and broad exemptions

³ *Proceedings of the Dominion-Provincial Conference on Reconstruction*, Tuesday, August 7, 1945, (Ottawa: The King's Printer, 1945), p. 138.

from its burdens are mutually incompatible? The option before Parliament is either to revise the law or else to see one of its chief sources of revenue shrink under the pressures generated by that incompatibility.

Most important of all, a failure to correct the existing situation will tend to throw a constantly increasing share of the real resources of this country into the hands of those who have tax exemption rather than into the hands of those who can demonstrate a capacity to use those resources effectively.

RECOMMENDATIONS

Two recommendations appear to be clearly justified by the foregoing study.

The first is that exemptions granted to organizations whose primary functions are business activities ought all to be cancelled. They were granted when tax rates were so low that their evil consequences were latent only and not active. Tax rates have since been advanced greatly without any review being given to the effect of the exemptions under the new conditions.

Their present effect is to penalize all tax-paying businesses to the advantage of tax-exempt competitors, and, in many cases to penalize the customers of such tax-paying businesses also. This produces gross inequality and injustice as between those communities with and those without public ownership of the local utilities. The latter are compelled to pay tax to the Dominion upon the income earned by the company supplying such service because it is one of the costs of the operation. The former go scot free.

This is more than an injustice. It is also an unwisdom. The great end of economic policy ought to be the application of the community's resources in the most productive fashion. That end cannot be attained so long as the comparisons are upset by the unequal incidence of taxation upon different employments of capital. So long as those tax irregularities exist there will be a powerful incentive toward over-investment in the tax-exempt institutions. Capital so invested may yield a relatively high rate of return to its owners because, under the law as it now stands, the whole of the gain arising from its employment is retained by those owners.

In a tax-paying business that is not so. The net gain arising from the employment of capital is divided between the owners and the state. Therefore the private gain to a tax-paying business is at all times less than the private gain to a tax-paying business institution making an equally effective and intelligent investment of resources.

If publicly owned utilities are to have the active encouragement of the Dominion government, that end should be pursued directly. The matter can be discussed in Parliament and elsewhere and the requisite statutes passed to accomplish it. If tax-exemptions discriminating against privately owned utilities are a necessary means, that fact ought to be faced squarely. But it is in the highest degree improper to perpetuate such discriminations as crept into the taxing statute when rates were so low as to be nearly negligible, into a period such as the present when the tax rates are so high as to be a crucially important factor in the operation of any and every business. Nor should these discriminations be allowed to continue because they have been in existence for some time. Why should the Dominion dragoon communities which wish to leave their utilities in private hands into assuming the risks and responsibilities of ownership? Yet, with exemptions so important as they presently are, no other course open to the municipality promises such quick, easy, and certain profits.

What has been said concerning utilities applies, with appropriate changes to co-operatives. If they are encouraged it should be done by direct subsidy and not by tax advantages of undetermined amount.

Secondly, as long as any exemptions remain, they ought to be explicitly recognized in the public accounts, being shown as revenue received with a contra item on the expenditure side of the account. In that way the amount of the

grant made in each year will be clearly stated and recorded. The precedent for such treatment is, of course, the creation of the Canadian National Securities Trust which aims to provide a similar record of the total contributions to the Canadian National.

This involves the filing of information returns by the exempted organizations so long as such exemptions remain. Indeed, regardless of what action is now taken, that requirement seems inevitable; for it is surely an anomalous situation that this Committee, dealing with the source of some 60 per cent of all the revenue of the Dominion, should have no better estimate of the amounts of income presently slipping through the taxation net by exemption than the admittedly very imperfect one presented herewith.

This is not a novel suggestion. It is one which already has been acted on by the Congress of the United States¹ and the statistics for 1943 have already been published.² Until the same course is followed in this country the true dimensions of the problem cannot be known.

The CHAIRMAN: If the Professor will remain, there may be some questions.

Hon. Mr. HAIG: Does Mr. Stikeman wish to ask any questions?

Mr. STIKEMAN: No, Mr. Chairman.

Hon. Mr. CAMPBELL: Are there any statistics compiled in Canada similar to those of the United States showing the total income derived from the corporations which are not taxed?

Mr. McDUGALL: Not to my knowledge, sir. So far as I know this is the only thing available and it is rather weak, because I have not the power to command information.

Hon. Mr. CAMPBELL: The United States have officially compiled some statistics?

Mr. McDUGALL: Yes, sir. Supplement to statistics of income for 1943, part 2, is available from the United States Treasury on request.

The CHAIRMAN: Would that be utilities owned by municipalities, such as gas, electricity, light, water and so on? Would such corporations constitute a very large share of tax exempt utilities of which you speak?

Mr. McDUGALL: It is a corresponding amount, sir. It represents organizations such as agriculture, horticulture,—

Hon. Mr. HAIG: They are left out?

Mr. McDUGALL: This covers the total. I am sorry this is non-business activities. I have here a list that covers two pages. Shall I read it?

The CHAIRMAN: Just give us the outstanding ones.

Mr. McDUGALL: Mutual Savings Bank, Building and Loan Association, Beneficial Life, Cooperative Mortgage, Corporation Finance, Credit Union, Savings and Loan Intermediate Credit Bank.

Hon. Mr. HAIG: Those are in the United States.

Mr. McDUGALL: Yes, sir.

Hon. Mr. DAVIES: Mr. McDougall, would not the taxing of Ontario Hydro Electric increase the cost of power to the various municipalities operating under it? Would not that be another way of taxing the people? While the taxpayer might be relieved in one respect he would have to pay considerably more for his light, heat and power, and it would amount to a tax in that way?

Mr. McDUGALL: It would be one cost of business; but, speaking now as a citizen of Ontario, I cannot quite establish a ground on which I should go free when residents in other provinces are presently paying taxes, and they feel they are now compelled to follow the same practice in order to escape this power tax.

The CHAIRMAN: That is what the province of Quebec did, and why it took over the Montreal Light, Heat and Power.

Hon. Mr. VIEN: There seemed to be very little criticism of that incident until Quebec came into the question. The criticism is very active since Quebec followed suit and adopted the same rule. Now it seems to be a public scandal that a public utility should go tax free.

Hon. Mr. HAIG: What the Professor said is quite true. Those things did not amount to much until the higher taxes came in, and that only happened in 1939.

Hon. Mr. VIEN: I am all in favour of what the learned Professor has said. I am in favour of all public utilities being taxed. If we depart from that fundamental principle we do not know where to draw the line. It is necessary to establish a foundation and remove all tax exemptions granted by statute, then let every taxpayer report his exact revenue whether he be corporation or individual; let him show in the debit balance of his account his total income. If he has, for instance, depreciation, let him show it in distinct figures. I am not divulging any secrets—everybody knows it—when I say that large corporations when they come to their accounts receivable, which are \$100,000,000 they will put it down to \$80,000,000. They do that because there is a certain amount of bad debts in that. But who is to draw the line between bad debts and accounts that are truly receivable? It is left to a kind of rule of the thumb. Let the taxpayer show accounts receivable at \$100,000,000 and the provision for bad debts of \$20,000,000; it would be much easier for those concerned to determine whether that margin of \$20,000,000 is sufficient or not. Take for instance an insurance company or a trust company, they have \$100,000,000 of investments and they write them down to eighty, sixty or even fifty million dollars. In the case of a margin provided for the shrinkage of inventory or stock of value, it is necessary to publish an account openly. In the other instance cited accounts are not published. If such were done, it would give the Income Tax Department some definite policy, and would not leave the matter in a haphazard condition.

Hon. Mr. DAVIES: Mr. Chairman, if we are going to follow this matter out to its logical conclusion, we should tax churches and educational institutions. Mr. McDougall comes from my own city and knows Kingston very well. If we are going to tax all tax-exempt institutions and organizations at the present time, why should we not tax churches too? I think Mr. McDougall will agree with me when I say 50 per cent of the people in Kingston support the churches and go to church. Why should those who do not support the church and who do not wish to join the church—perhaps they are atheists—why should they be forced to keep up the church in which I worship?

Hon. Mr. HAIG: They are not commercial enterprises.

The CHAIRMAN: Have they any income?

Hon. Mr. DAVIES: They are not commercial enterprises.

Hon. Mr. HAIG: I object to the honourable senator addressing this committee and using an illustration that is not correct.

The CHAIRMAN: I will have to rule that Senator Davies can make his presentation; if you wish to criticize you may do so after.

Hon. Mr. DAVIES: I am not a member of the committee.

The CHAIRMAN: You have a right to speak. Go ahead.

Hon. Mr. DAVIES: Queens University is an educational institution and it does not pay taxes—perhaps some nominal municipal tax, but not very much. Take University Avenue, a street that Professor McDougall knows very well. Queens University is taking up the residences on University Avenue which

were formerly paying very heavy taxes. The minute they are sold to Queens University and become residences for the university which are in competition with the boarding houses, they pay no taxes.

Hon. Mr. HAIG: The honourable gentleman knows as well as I do that educational institutions are not profit-making businesses. All the professor is advocating in his brief is that any enterprise that is a commercial profit-making institution, whether for the people, the municipality or the city, it should be taxed. My honourable friend suggests that Ontario should not pay taxes on the Hydro Electric while the people living in Saskatchewan have no hydro electric and have to pay more taxes because Ontario Hydro does not pay its proper share. The same thing applies to Quebec. The reason my honourable friend from Quebec has not heard any criticism is because up until four years ago taxes were so low—we knew Ontario was getting away with murder, but the tax was so small it did not make much difference. But now, if Quebec is depriving the Government of \$8,000,000 by the Montreal Light, Heat and Power, then Ontario should have about \$50,000,000. If this province paid its \$50,000,000 for hydro, there would be less taxes for us in Manitoba and Saskatchewan to pay.

Hon. Mr. VIEN: If my honourable friend will permit me to say, Montreal Light, Heat and Power came on various pilgrimages and never got anywhere.

Hon. Mr. HAIG: I quite admit, selfishly, the province of Manitoba is not so badly off, because we have a large hydro electric development owned by the city of Winnipeg that nets us approximately \$800,000 profit a year.

The CHAIRMAN: I quite agree with my honourable friend that these organizations should be taxed, but may I ask him if the question of taxation is not the reason the city of Winnipeg wants to acquire the Winnipeg Power Company.

Hon. Mr. HAIG: Absolutely, there is no other reason in the world. The City of Winnipeg wants to acquire Winnipeg Electric for tax reasons. We are going to buy it whether the Winnipeg Electric want to sell it or not and whether the city of Winnipeg think they want to buy it or not. If the system we have now continues, we are certainly going to buy it. That is the reason why stock in that company has gone up so much in the last two weeks. Labour men in our city are advocating that the city buy the Winnipeg Electric. The brief that is presented to us does not mean that universities should pay taxes. But why should some institutions carry on a profit-making business and not pay taxes? That is why we have the Dominion-Provincial Conference. We in Manitoba do not ask for as high a standard of living as perhaps is required in the province of Ontario, but we should like to go part way up the ladder. That is why we are here, and that is why the Conference is being held.

Mr. Chairman, I do not wish to take much more time, but I do want to say that I think Mr. McDougall has expressed some fine ideas and has done us a real service. However, I quite candidly admit I did not know this committee was going to deal with this type of argument. I think each senator should be asked to state his views on Mr. McDougall's report so that he may hear them. We are not often honoured by a Professor from Queens University appearing before this committee.

The only reason I spoke was that the honourable gentleman from Kingston drew a red herring across the trail when he suggested that universities should pay taxes. It is said that if hydro was taxed, the taxpayer in Ontario would have to pay more taxes. Why should he not? In the province of Manitoba we cannot get hydro and we have to pay the taxes.

The CHAIRMAN: If for example Queens University had a profit should it not pay taxes?

Hon. Mr. VIEN: They do not pay dividends.

The CHAIRMAN: That is true, but there are companies who have profits but do not pay dividends.

Hon. Mr. HAIG: I know that but this is an educational institution and education is one of the problems of the state. Education is not a profit-making enterprise, and does not interfere with industry.

The CHAIRMAN: Queens University would be in competition with other universities.

Hon. Mr. HAIG: They are not operated for profit.

The CHAIRMAN: Assuming they are making a profit, should they not pay taxes?

Hon. Mr. HAIG: If it is a commercial industry, yes; but universities are not commercial industries.

The CHAIRMAN: Then there is nothing to argue about if they do not make a profit.

Hon. Mr. HAIG: Universities have to go to the Government to get money to carry on—that is one of the great problems.

I want to say to Senator Vien that we are not taking this position just because Quebec came into the picture two or three years ago and some eight or nine million dollars in taxes are being lost. No; we have had the idea right along.

With all respect, Mr. Chairman, I think we should question this witness on statements he makes in his brief, and see what is back of those statements.

Hon. Mr. LAMBERT: Hear, hear.

The CHAIRMAN: I would like to ask Professor McDougall a question. Perhaps he dealt with the matter in his brief, but I do not remember it. Professor McDougall, have you estimated how much tax is withheld from the Dominion Government because of those exemptions?

Mr. McDougall: \$125,000,000 as a reasonable average.

Hon. Mr. McRAE: Mr. Chairman, I am not going to make a speech. If I did I would have to confess that in my Province we are following the example of Toronto and Montreal, because we are in the process of taking over a private electrical enterprise, and the argument in favour of doing so is the exemption of taxation. I assume that this plan of exemption, which is being taken advantage of from one end of Canada to another, is a subject that might well come up at the Dominion-Provincial Conference. I wanted to ask Professor McDougall whether he thought we had made such progress along this line now that this is practical to discard the plan and put everything back on taxation again?

Mr. McDougall: It is practical, yes.

Hon. Mr. McRAE: There would be tremendous opposition.

Hon. Mr. HAYDEN: I suppose you prepared this report before the report of the Commission on Co-operatives came out?

Mr. McDougall: Yes, sir.

Hon. Mr. HAYDEN: You have not had any opportunity of trying in your brief with that report?

Mr. McDougall: Except that I saw the statistical tables on which I based the \$260,000,000.

Hon. Mr. HAYDEN: To the extent that the report on co-operatives recommends taxation it is in agreement with the views expressed by you?

Mr. McDougall: Yes, sir.

Hon. Mr. HAYDEN: Have you given any thought as to how much the cost of living of the individual would suffer if you exposed all public services to taxation?

Mr. McDougall: I do not think it would change at all. It would merely mean a transfer as between various divisions.

Hon. Mr. Hayden: The individual would not get the reduction in rates that he might get if the utility did not have to pay taxation.

Mr. McDougall: It is a transfer, not a reduction.

Hon. Mr. Hayden: What you are suggesting is that if you tax public utilities and the public services generally you would contribute more in taxes to the treasury?

Mr. McDougall: Yes.

Hon. Mr. Hayden: Are you suggesting then that the taxes on individuals might be lowered in those circumstances?

Mr. McDougall: The effect of tax changes elsewhere would counter-balance, yes.

Hon. Mr. Hayden: You have not worked that out?

Hon. Mr. Haig: Yes, it is in his brief.

Hon. Mr. Crerar: Would that not be merely temporary? Assume that in a province there is \$500,000,000 privately invested in public utilities of one kind or another. Some city takes over a utility because thereby taxation can be avoided and the cost of services reduced to those who use them. Suppose that example spreads until finally the whole \$500,000,000 of utilities are publicly owned and escape taxation. Now, by that process the Province loses a very substantial revenue. Its needs for revenue do not decline; they probably increase. Then the province commences to utilize these utilities as profit-making institutions, and in the end the user probably pays more for the service than he would if the utility were privately operated. Is that your argument?

Mr. McDougall: That is it, yes, sir.

Hon. Mr. Vien: Furthermore it is extremely difficult for the Dominion Government to meet out fair and just treatment to all the people in Canada, because in some districts some people benefit from services for which other people pay.

Hon. Mr. Lambert: I think this brief is valuable as it applies to the economic aspect of our taxation problem in Canada, but only indirectly does it apply to the object which this Committee has in view, namely, the clarification and codification of our income tax law. Your brief indicates that if the discrimination which has been practised in the past in relation to co-operatives and publicly-owned institutions were eliminated in the future, the country would receive \$70,000,000 to \$125,000,000 additional taxes. But in the light of Canada's prospective annual budget of around two billion dollars I would like to ask you if the adjustment of taxation in Canada—even granting that you could increase the contributions to the federal treasury by \$125,000,000—I would like to ask you if the adjustment of taxation in Canada would in your opinion enable this country to carry a budget of two billion dollars a year without deficit financing. Have you estimated or calculated any system of taxation for this country from an economic point of view?

Mr. McDougall: I have speculated on the problem.

Hon. Mr. Lambert: Yes, I know. I have read your papers.

Mr. McDougall: I cannot say that it is anything more than a speculation. I gravely doubt it, but I cannot say definitely No. I cannot see how we can raise that much money by taxation.

Hon. Mr. Haig: I want to clear up a question that Senator Hayden asked. Referring to the bottom of page 10 of your brief, I understand that if the taxes that you suggest there were applied, \$100,000,000 of new tax money would come in?

Mr. McDougall: Yes.

Hon. Mr. Haig: Thereby a million people with incomes of \$1,550 or less would be exempted from taxation?

Mr. McDougall: They could be completely exempted, yes.

Hon. Mr. Haig: And if the increased tax revenue was \$125,000,000, then 1,423,000 taxpayers with an income of \$1,800 would be exempted?

Mr. McDougall: Yes. That is based on an estimate of the distribution of individual taxpayers in a publication of the Department of National Revenue.

The Chairman: May I ask a question? As I understand it, the report of the Commission on Co-operatives suggests that co-operatives be taxed?

Mr. McDougall: Yes.

The Chairman: But I think the Commission suggests also that what is called patronage dividends should not be taxed. Am I right in that?

Mr. McDougall: Yes, so I understand.

The Chairman: Do you agree with that?

Mr. McDougall: Well, the Commission suggests that patronage dividends shall not be taxed, whether paid by a co-operative or another institution. That seems to me formally equal and actually unequal, because the people who deal with a co-operative and the owners of it are the same group.

Hon. Mr. Hayden: Not necessarily. There might be more people dealing with a co-operative than those who are entitled to a patronage dividend.

Mr. McDougall: But it ceases to be a co-operative if it goes very far in that direction.

Hon. Mr. Vien: Where is the line drawn between patrons and dealers—that is between those who deal with the co-operative and those who are patrons entitled to dividends?

Hon. Mr. Paterson: There is no line, Senator. They are all treated alike.

Hon. Mr. Vien: Senator Hayden pointed out some difference between patrons and people who deal with the co-operative. I did not know there was any difference.

Mr. McDougall: There may be, sir, depending on the particular co-operative you are dealing with.

Hon. Mr. Hayden: You may very well have two different groups.

Hon. Mr. Bench: As I understand it, the Commission report recommends there should be no difference as regards the payment of patronage dividends?

Mr. McDougall: Yes.

Hon. Mr. Hayden: You have made an estimate of additional taxes that would come from the taxation of the profits of these public utilities and publicly-owned services. Of course, that is based on the assumption that those services would continue to earn profit and not reduce their rates?

Mr. McDougall: Yes.

Hon. Mr. Hayden: If they reduced rates the profits would, of course, not be available at all.

Mr. McDougall: But is not the same problem present in the case of a limited company? You tax income if it is earned and you do not tax something that is not earned.

Hon. Mr. Hayden: But a limited company has a different incentive than a publicly-owned institution has. If a utility were taxed on its profits the tendency would be to lower the rates for its services rather than to make a contribution in taxes, would it not?

Mr. McDougall: Yes, to some extent, but there are very sharp limitations to how far you can go in that direction.

Hon. Mr. HAYDEN: What limitations are there?

Mr. McDUGALL: There is the element of risk, because you cannot forecast the amount of your income. Normally your expenses are more flexible than your income.

Hon. Mr. HAYDEN: What would take care of the element of risk? What factor would you put in your rate to take care of the element of risk involved in operating, say, a publicly-owned electric service utility?

Mr. McDUGALL: Do you mean an addition to the monthly bill?

Hon. Mr. HAYDEN: Yes.

Mr. McDUGALL: I should think in the order of five to ten per cent.

Hon. Mr. HAYDEN: If the risk did not materialize, at the most the five or ten per cent might be available as profit and be subject to tax, is that right?

Mr. McDUGALL: Yes. But in the appendix to this report I show how the Ontario Hydro has been accumulating in its depreciation and other reserves rather extraordinary amounts

Hon. Mr. HAYDEN: Possibly the Hydro has been making those accumulations because it is not subject to tax. Its method of approach in the conduct of its business might be entirely different if the possibility of taxation was ever present?

Mr. McDUGALL: Yes.

Hon. Mr. BENCH: You mean the Hydro might then be induced to lower its rates?

Hon. Mr. HAYDEN: Yes. If it was taxed in the future it might very well pass on its savings to the public instead of paying them to the treasury in taxes.

The CHAIRMAN: In my home city the utilities, including the water works, are municipally owned, and every so often the users of water receive a bill which is marked "Paid".

Hon. Mr. LEGER: You are very lucky.

The CHAIRMAN: It is a good city. If the Hydro were taxed on its profits, I should think that after it had built up a sufficient reserve against contingencies it would lower the rates so that there would be no future profits.

Hon. Mr. HAIG: The districts not served by the Hydro would not want that done. They would want the Commission to earn profits and make contributions to the public treasury.

Hon. Mr. VIEN: Professor McDougall, did Senator Haig properly construe your brief in stating that it applied only to commercial undertakings?

Mr. McDUGALL: Yes, sir.

The CHAIRMAN: Unless there are further questions we can let Professor McDougall go.

Hon. Mr. HAIG: I am sure we appreciate his brief very much.

The CHAIRMAN: Yes. We thank you very much, Professor McDougall, for the valuable contribution you have made.

Mr. THORVALDSON: Mr. Chairman and gentlemen, for the reason that the objects of the Income Tax Payers Association are linked very closely to the work of this committee, I have set them out in this memorandum:

1. The Income Tax Payers Association was formed with objects, among others:—

(a) To investigate and study the incidence of Income Tax, both generally and as it may affect any particular trade, industry, business or class of individuals;

(b) To seek and obtain the simplification of Income Tax laws;

(c) To inform members of the association from time to time of the provisions of any income tax legislation and of any new development in Income Tax law;

(d) To afford Income Tax payers an opportunity of acting unitedly in making representations to the proper authorities to secure relief from inequalities in Income Tax law or administration; and to give publicity to such inequalities with a view to obtaining the redress thereof.

2. In pursuance of these objects this association, on September 7th last wrote to the Hon. J. L. Ilsley, Minister of Finance, the following letter:—

The Hon. J. L. Ilsley, Esq., K.C.,
Minister of Finance,
Ottawa, Ontario.

300 LOMBARD Building,
Winnipeg, Manitoba.
September 7th, 1945.

Dear SIR:

The Income Tax Payers Association desires to urge the necessity of the immediate revision of the Income Tax law and its administration. Our proposals are:

TAX REDUCTIONS

1. Provision for an increase in the tax exemptions to single and married taxpayers and repeal of the 7% and 9% "Normal" tax.

2. Repeal of the Excess Profits Tax in order to open the way to the reconversion and expansion of business and industry.

3. Provision for the taxation of the incomes of all forms of business enterprise including Crown companies, government and municipal owned enterprises and co-operative and mutual organizations. The principle of "ability to pay" is the only satisfactory one for apportioning the tax burden.

4. Repeal of the 4% surtax on investment income. The present graduated tax constitutes sufficient differentiation between earned and investment income.

5. Provisions carrying out the recommendations of the Ives Commission relating to the taxation of annuities and family corporations.

REVISION OF ACT

6. Complete revision of the Income War Tax Act with a view to restoring the taxing power to Parliament. The principle that no tax should be levied or imposed until it has been agreed to by the House of Commons and received statutory sanction, should be honoured. This means the repeal as far as possible of the grants of discretionary power now in the Act. Where a discretion must be given the exercise should not be final but subject to appeal.

ADMINISTRATION

7. Abolition of the office of Deputy Minister of National Revenue for Taxation (formerly Commissioner of Income Tax) and decentralization of Administration by conferring power on the District Inspectors of Income Tax throughout the Dominion to perform his functions. District Inspectors to exercise—but subject to revision or appeal—any discretionary powers that may have to be given.

Under the present system all questions must be referred to the Deputy Minister at Ottawa and this has resulted in long delay, loss of revenue and injustice to taxpayers.

APPEALS FROM ASSESSMENT

8. The establishment of a permanent and independent Board to be called the Commissioners of Income Tax consisting of a Judge, a chartered accountant, and a business man, to whom all appeals from the initial assessments made by the District Inspectors may be made. Members of the Board to have security of tenure, in order to remove them from the sphere of politics. The Commissioners of Income Tax to have no administrative jurisdiction over the District Inspectors.

9. Provision for sittings of the Commissioners of Income Tax throughout the Dominion.

10. Knowledge of the practice of the Inspectors of Income Tax with regard to interpretation and exercise of any discretion vested in them to be available to taxpayers as of right.

11. All decisions and rulings of the Commissioners to be issued in printed reports and all hearings to be public except where the taxpayer or the Minister requests a secret hearing. Reports of decisions and rulings in cases heard in secret not to disclose the name of the taxpayer.

12. Provision for all regulations under the Act to be made by the Commissioners, subject to ratification by Parliament.

13. Each District Inspector of Income Tax to prepare annually for the Minister a report showing the taxes collected in his districts, delinquent taxes and such other particulars as the Minister or Parliament may require; the Minister to submit this report to the House of Commons.

INITIATION OF REVISION

14. We suggest that reform of the income tax law be begun by the appointment of a Committee of the House of Commons to deal with the matter; the Committee to invite representations from all classes of taxpayers and from professional and business organizations. We submit that the principle governing the new law throughout should be that as far as is reasonably possible no tax should be imposed and no exemption should be granted except by express Parliamentary enactment; and that the power to tax or exempt should not be delegated or left to Ministerial or Administrative discretion. This principle is the only safeguard the taxpayer has against uncertainty and arbitrariness.

CONCLUSION

Our suggestions provide for an all round reduction in tax, the elimination of double taxation, and the more equitable apportionment of the tax burden. These matters are of great importance; and of equal importance, in our view, are the proposals for administrative reform by new legislation giving the taxpayer a real right of appeal, and repealing the large discretionary powers contained in the present Act. Both the hearing of appeals and the discretionary powers are at present vested in the Minister; but in actual practice these powers are exercised by the Deputy Minister of National Revenue for Taxation. We submit that there is no good reason under present conditions for leaving such large and arbitrary powers to a Minister or Deputy Minister. It cannot be denied that the existing provisions for appeal to the Minister and the delegation to him of the power to tax or not to tax, are wrong in principle and have proved unsatisfactory in practice. Both the exercise of a discretion and the hearing of appeals in tax matters

are judicial functions involving the property of the subject; such functions should be exercised by persons that are independent of the Government and do not hold office at the pleasure of the Government.

Yours very truly,

INCOME TAXPAYERS ASSOCIATION

HERBERT ADAMSON,
Secretary.

A copy of this letter was sent to the membership of this association—comprising now more than 7,000—and at the association's annual meeting its contents were approved.

3. Also upon the appointment of this committee the association conducted a survey of its membership in respect to income tax matters. Resulting from this, we have received a great number of letters, some of them complete briefs, in respect of income tax problems of general application which particularly affect our membership. It is largely on the basis of this survey that the material in this memorandum is founded.

4. We approach this subject also in the knowledge that the Canadian income tax system that we have today is essentially a wartime taxation structure. The original Act was, of course, passed during the first great war. Between the wars it became a patchwork of amendments and then during the last war this tax collecting structure was further patched by piling amendment on top of amendment and by pyramiding taxes ever higher and higher. Naturally little if any consideration could under the circumstances be given to fairness, equity or justice in this structure. The time was too critical for that. Also our Income War Tax Act and Excess Profits Tax Act, besides being required to produce the maximum amount of revenue, were designed as price control, anti-war profiteering and anti-inflation measures.

5. Hence we approach this task, as we presume this committee does, not so much in the spirit of criticism of what has been done under pressure of desperate circumstances but rather from the point of view of how best to formulate an income tax law for Canada which will be just, fair and equitable as between taxpayers and classes of taxpayers, which will not be repressive of business and enterprise, yet will yield a revenue to the government consistent with the needs of our peacetime economy.

RESTORE TAXING POWER TO PARLIAMENT

6. We are concerned here mainly with the vexing problem of so-called ministerial discretion.

I refer to the evidence which has been presented to this committee, particularly by Mr. Elliott.

7. Much has been said to the committee concerning the method and manner in which powers of discretion are exercised. But the fact appears undisputed that there is, in Canada, immense public dissatisfaction over the near unlimited discretionary powers that are given to the Minister and his officials by various provisions of the Income War Tax and Excess Profits Tax Acts.

8. We desire first to emphasize the point that in time of National emergency such as war when the certain and expeditious collection of taxes is an important factor in National survival, the grant of dictatorial powers to this end can be tolerated and perhaps excused. But the grant of such powers in wartime is not a reason for their perpetuation in peacetime.

9. Likewise, large powers of discretion in hands of individuals might be tolerated in respect of a taxing system which affected a comparatively small fraction of the National income, such as was the case of the income tax prior to 1940. An entirely different point of view applies however in the post-war period where the income tax must be expected to affect a much larger proportion of the National income than in the pre-war. These, we maintain are strong reasons for a general revision of our whole income tax structure.

10. It has been suggested to the committee that discretionary powers are not as widely granted as is popularly believed. We refer you however to the schedule on page 669 of the Canadian Bar Review, Volume 22, (1944) (following an article prepared by Mr. Leon H. Ladner, K.C., Vancouver). There are listed here 97 sections or parts of sections of the Income War Tax Act and Excess Profits Tax Act wherein either the Minister or the Treasury Board are granted discretionary powers. This list, too, does not include the grants of discretionary authority in respect of forms, regulations, etc. which particularly pertain to matters properly regarded as purely administration.

11. The fact is that many of these powers are purely judicial functions. It is true that Parliament determine the rates of tax, but in other matters such as exemptions and deductions, the persons liable to tax, and matters affecting the distribution of undistributed income, etc.—all matters of great importance—the taxpayer is largely in the hands of the Deputy Minister and his officials.

12. As proof of that, we might refer you to the evidence adduced by the Deputy Minister on page 67 of the proceedings. Therein he says that in the fiscal period ending March 1945 assessments were increased over the amounts declared by the taxpayers in their returns by \$38,000,000. Of this, the increased tax on individuals was, he says, \$23,000,000, on corporations \$15,000,000. It surely can be presumed that in the cases of most of these corporations returns, they were prepared by competent accountants and auditors. The same applies in respect of many of the personal returns. Can it not be inferred that the fact of discretionary powers played a large part, both in precluding the possibility of accurate and exact income tax returns as well as, perhaps unfairly in many instances exacting this additional 38 millions from Canadian taxpayers? In this case, individuals and corporations did not know their position to the extent of \$38,000,000 for one year only. Can you not feature all the cases wherein taxpayers had a sense of grievance, feeling that they had been dealt with unjustly by administrative officials?

13. The expressions used in conferring discretion are as follows: "In the opinion of the Minister" (11); "Shall be final and conclusive," (14); "In his discretion to determine or allow" (22); "Power to determine or shall or may determine or apportion" (19); "Approved by the Minister" (not including references to forms or regulations) (1); "The Minister shall be the judge" (1); "May or may not give effect to" (2); "If the Minister is satisfied" (18); "The Minister may allow" (3); "The Minister may prescribe or direct" (2); "May be adjusted" (1).

The numbers in brackets indicate the number of times the various expressions appear in the Act.

On top of all these sections where so-called ministerial discretion is granted, section 32A gives to the Treasury Board the widest possible discretionary authority prefixed by the phrase "Notwithstanding any of the provisions of this act."

14. May we recall in this connection the famous saying of the Middlesex rebels, "Where discretion begins, law, liberty and safety end."

15. The basic principles of our income tax law should be the same as in Great Britain. As stated in Konstam's "The Law of Income Tax", 7th Edition, page 6, "Many of the cardinal principles on which the liability to income tax is based (e.g. in Great Britain) and by which the amount of that liability is measured are left unexpressed in the Income Tax Acts and are to be found only in the decisions of the Courts and of the House of Lords, which are based upon inference drawn from 'the general scheme' of the Acts."

That refers to the "general scheme" as a taxing Act on income, not on capital.

But, in Canada, one of the results of the multiple discretionary powers contained in our two Acts render the application of most judicial decisions and some of the vital principles of income tax law for the protection of the taxpayer, completely ineffective.

In explanation of that paragraph, let me say I think you will find that practically all the legal decisions given by the Exchequer Court, both at present and in the past, are largely on the question whether the Minister exercised his discretion properly or not; very few of the decisions relate to the substance of income tax law. The current volume of the Canadian Bar Review refers to the Nicholson case and other decisions in the majority of which the only matter involved was whether the discretion of the Minister was properly exercised. I believe it was stated in evidence that there is very little litigation, only 134 cases having reached the courts. The reason is obvious: there is nothing to litigate except whether the minister exercised his discretion properly. In the Peerless Laundry case I think the courts held the discretion had not been properly exercised, and the case went to the Privy Council. That is why I say that whereas in England there has been built up a volume of income tax law to which lawyers can refer when advising their clients, there is no similar body of law in Canada because there is no law involved; it is administrative discretion. Of course, in such cases one taxpayer does not know how another case was settled by discretion. That is really what this last paragraph refers to.

16. How is discretion exercised? Normally it is given to the Minister. In practice it is in the hands of the Deputy Minister and through him it is frequently exercised by other officials including junior assessors. Junior assessors first deal with and report on income tax returns. These reports go to head office and are there either confirmed or overruled by more senior officials. It is reasonable to believe that only the more important or "larger" matters ever reach the desk of even the Deputy Minister—and perhaps never the Minister. The fact is therefore that, ministerial discretion is exercised, never by the Minister, in a few instances by the Deputy Minister but in the main by various clerks, assessors, other officials of the income tax service. One can well realize that the only safe decision for assessors and clerks to make is against the taxpayer.

17. In the result, we have in our two income taxing statutes, many parts which are contrary to all our accepted principles of British law, namely the power of confiscation given to civil servants without recourse by the citizen to the Courts. Furthermore, under this existing state of the law it is impossible for a business man, planning an investment with some risk attached, to know what the result of the investment will be. No adviser, either lawyer or accountant, is able to advise a client what his liability to tax may become.

18. Fundamental principles in this regard, taxation and constitutional, are too well known to require extended reference to them. The second principle of taxation is stated by Adam Smith in the following words:

- (2) "The tax which each individual is bound to pay, ought to be certain, and not arbitrary. The form of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person."

19. The provisions of the Income War Tax Act and Excess Profits Tax Act granting large and numerous discretionary powers to the Minister and to the Treasury Board disregard this principle of taxation to a remarkable extent.

20. These large grants of discretionary power by Parliament to the Executive are likewise contrary to well-established constitutional practice, the principles of which are stated in the following words in 6 Halsbury, page 452:—

The Crown or its ministers may not impose direct or indirect taxes without parliamentary sanction. It is enacted that no man shall be compelled to make or yield any gift, loan, benevolence, or tax without common consent by Act of Parliament; and that money may not be levied to or for the use of the Crown by pretence of prerogative without grant of Parliament for longer time or in other manner than the same is or shall be granted. In fact no exercise of the prerogative which involves the imposition of a charge upon the people can take full effect without parliamentary sanction.

21. The foregoing statement gives the effect of the Petition of Rights and the Bill of Rights.

22. It seems strange, to say the least, that to-day our Parliament should voluntarily divest itself of and confer on Ministers of the Crown the very powers which the Mother of Parliaments won from the Crown only after a long and bitter constitutional struggle.

23. The constitutional principle with regard to the initiation of taxation is stated in 24 Halsbury at page 332 as follows:—

No tax may be levied or financial burden of any kind imposed upon the people, unless it has been agreed to by their representatives in the House of Commons and has received statutory sanction. All the supplies for the public service, therefore, and any sum or sums of money out of the public revenue which may be required for any purpose by the executive Government must be authorized by statute.

24. In this connection we would also refer to Section 53 of the British North America Act which provides:—

Bills for appropriating any Part of the Public Revenue, or for imposing any Tax or Impost, shall originate in the House of Commons.

25. Although the authorities just cited deal with the initiation of taxation and money bills it is obvious that these grants of discretionary powers on the subject of taxation really amount to a delegation by Parliament of its powers of taxation, and we submit that such powers should only be delegated in cases of absolute necessity.

26. We strongly urge therefore that the taxing power be returned to Parliament where it belongs and that ministerial discretion be limited to administrative acts only, such as the prescribing of forms, the specifying of dates for filing and similar powers which pertain rightfully to the Minister's duties as an administrator. In cases where it appears that it is impossible to avoid the granting of some judicial or semi-judicial functions to the Minister or his officials, the exercise of discretion by them should never be final but

should be subject to appeal to an independent appeal tribunal in the manner hereinafter referred to in respect of appeals.

The CHAIRMAN: May I interrupt Mr. Thorvaldson for a moment to say that it would appear to be impossible to complete his brief and the questions which will likely follow by one o'clock.

Hon. Mr. VIEN: I would suggest that if the Senate rises before 5 o'clock to-morrow afternoon we should meet at that time, otherwise the Committee might sit at 8 o'clock to-morrow night.

The CHAIRMAN: I should like to make a statement while we are still in Committee, in connection with the report I submitted to the Senate the other day. The statement was made and I think it is correct, that this Committee has no authority to meet after prorogation. If that be so, I had in mind this afternoon withdrawing the report because if the committee cannot sit, the report is of no value.

Hon. Mr. BENCH: Is there going to be a prorogation or merely an adjournment?

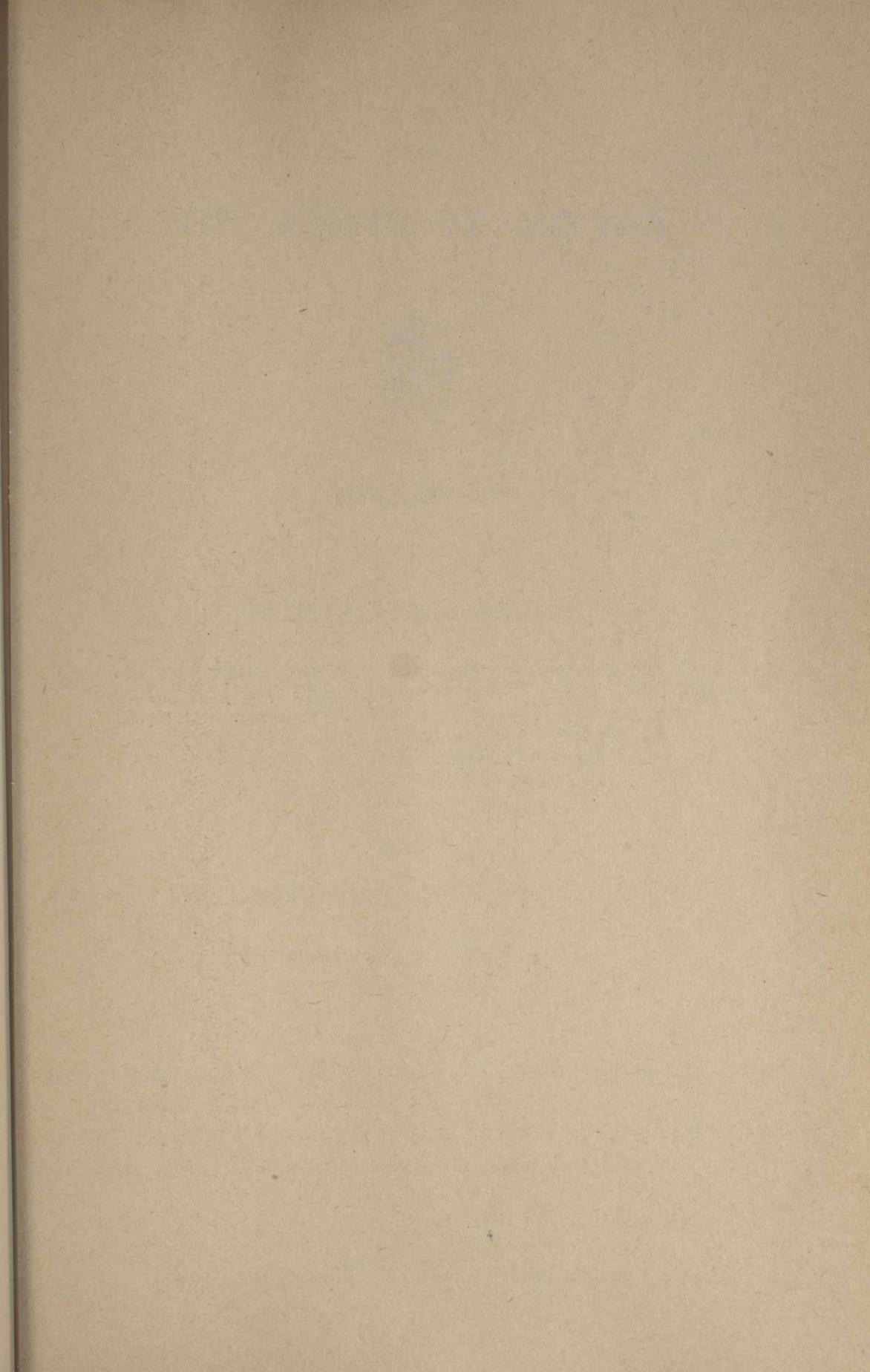
Hon. Mr. LAMBERT: Prorogation.

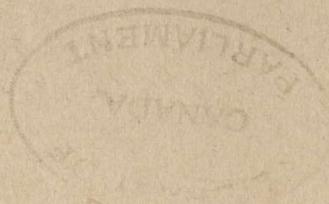
The CHAIRMAN: I imagine it will be prorogation. If the members of the Committee are satisfied I will withdraw the report this afternoon.

(Carried)

The CHAIRMAN: The Committee will now adjourn to meet to-morrow afternoon if the House rises before 5 o'clock, otherwise to meet at 8 o'clock in the evening.

The Committee adjourned until to-morrow, December 12.





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PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon.

No. 7

WEDNESDAY, DECEMBER 12, 1945

The Honourable W. D. Euler, P.C.
CHAIRMAN

WITNESSES:

- Mr. G. S. Thorvaldson, K.C., Winnipeg, Manitoba, representing Income Taxpayers Association.
- Mr. W. T. Burford, Secretary Treasurer, Canadian Federation of Labour.
- Mr. Allan Meikle, President, Canadian Federation of Labour.

ORDER OF REFERENCE

(Extracts from Minutes of Proceedings of the Senate for October 24, 1945)

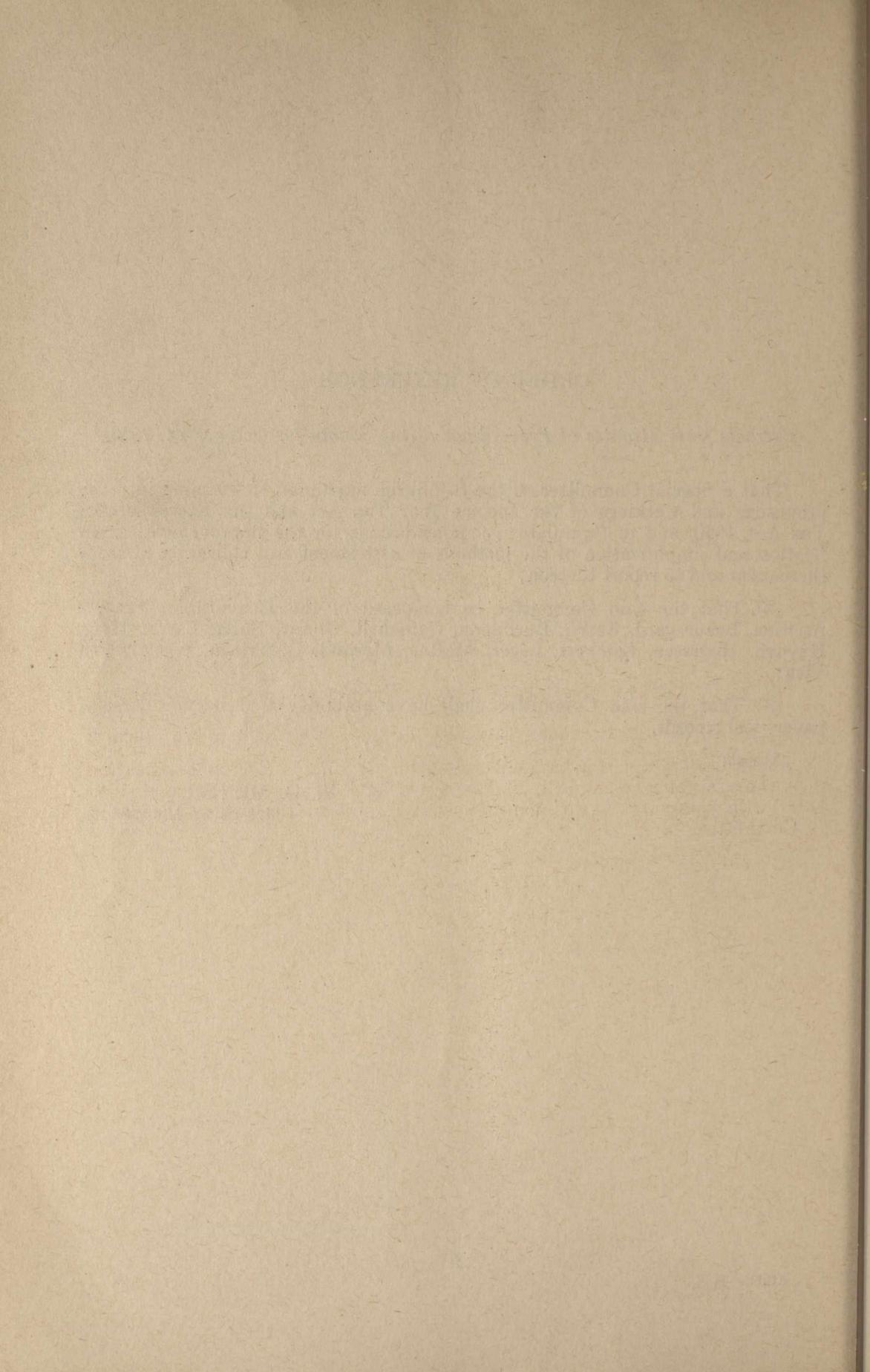
That a Special Committee of the Senate be appointed to examine into the provisions and workings of the Income War Tax Act and the Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder and to report thereon;

(2) That the said Committee be composed of the Honourable Senators Aseltine, Beauregard, Bench, Buchanan, Campbell, Crerar, Euler, Farris, Haig, Hayden, Hugessen, Lambert, Léger, McRae, Moraud, Robertson, Sinclair and Vien;

(3) That the said Committee shall have authority to send for persons, papers and records.

Attest:

L. C. MOYER,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

WEDNESDAY, 12th December, 1945.

Pursuant to adjournment and notice the Special Committee appointed to examine into the provisions and workings of the Income War Tax Act and The Excess Profits Tax Act, 1940, and to formulate recommendations for the improvement, clarification and simplification of the methods of assessment and collection of taxes thereunder, met this day at 8 p.m.

Present: The Honourable W. D. Euler, P.C., Chairman, and the Honourable Senators Beaugard, Bench, Buchanan, Campbell, Crerar, Haig, Hayden, Léger, McRae, Sinclair and Vien—12.

In attendance: Mr. H. H. Stikeman, Counsel to the Committee.

Mr. G. S. Thorvaldson, K.C., Winnipeg, Manitoba, representing the Income Tax Payers Association, resumed the presentation of his brief and was again questioned by counsel.

Mr. W. T. Burford, Secretary Treasurer, Canadian Federation of Labour, and

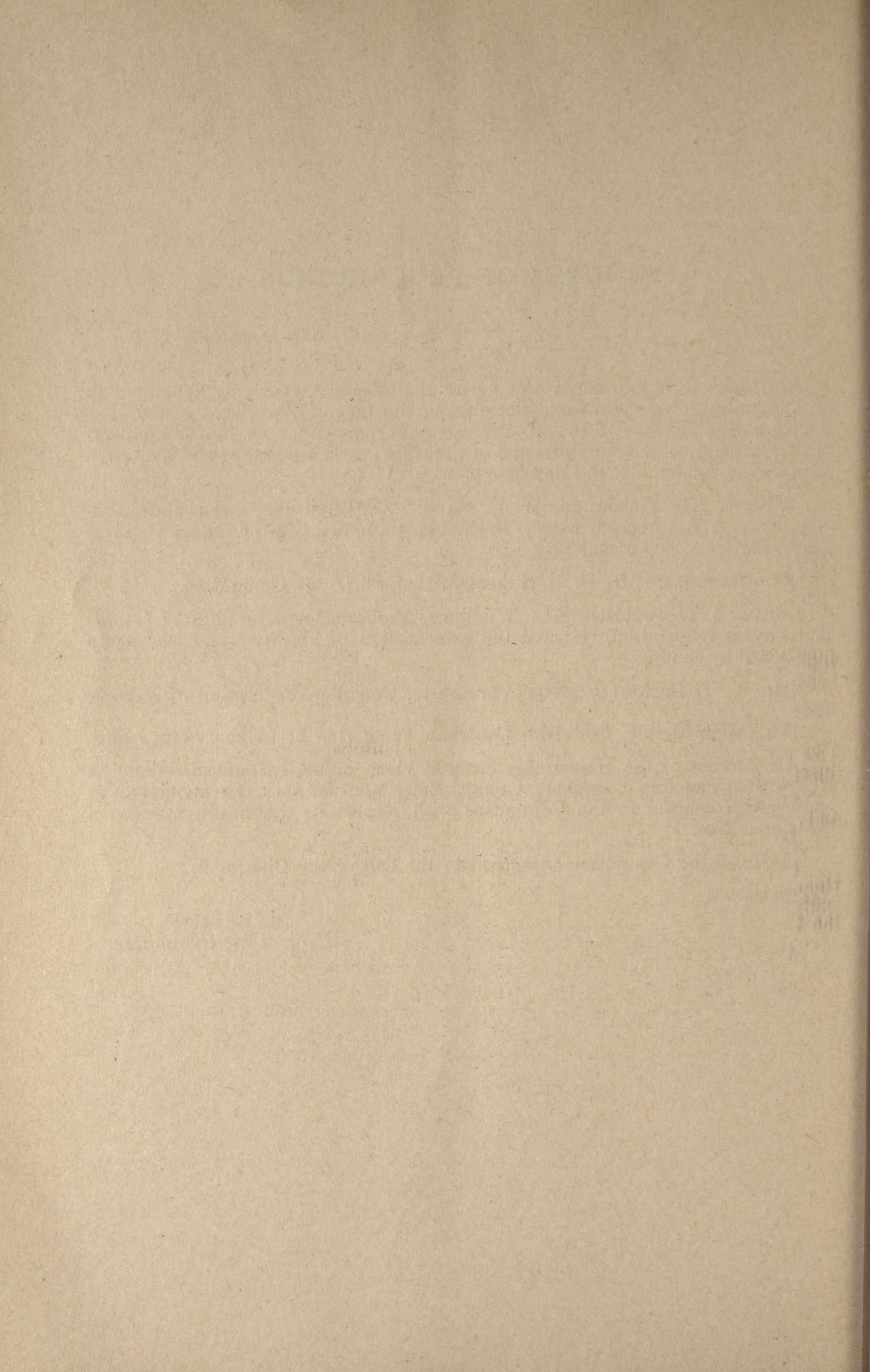
Mr. Allan Meikle, President, Canadian Federation of Labour, were heard.

On Motion of the Honourable Senator Vien, it was,—*Resolved*,—that the Honourable Senators Campbell, Crerar, Euler and Lambert be appointed to confer with counsel to the Committee with respect to the future agenda of the Committee.

At 10.15 the Committee adjourned to the call of the Chairman.

Attest:

R. LAROSE,
Clerk of the Committee.



MINUTES OF EVIDENCE

The SENATE,

WEDNESDAY, December 12, 1945.

The Special Committee of the Senate to consider the provisions and workings of the Income War Tax Act, etc., resumed this day at 8 p.m.

Hon. Mr. EULER in the chair.

The CHAIRMAN: When we adjourned yesterday Mr. Thorvaldson had not finished his brief. Will you proceed, Mr. Thorvaldson?

Mr. G. S. THORVALDSON, K.C.: Mr. Chairman and gentlemen, I was at the bottom of page eleven of my brief, paragraph 27. That deals with administrative procedure. You will recall that the subject I was dealing with particularly yesterday was administrative discretion.

27. The administration of the Income War Tax Act is substantially in the same form now as it was when enacted. There is this difference, however, that greatly extended discretionary authority, has, throughout various amendments since 1917, been granted to the Minister, which has, in time, been delegated to the Deputy Minister, and is exercised by him and his officials. Following that, there should be a recognition of the fact that no proper appeal procedure exists before which any but the wealthy taxpayer is enabled to appear to lodge his protest against the acts of administrative officials. Even in the case of comparatively well-to-do taxpayers, after the exercise of the various discretionary powers granted to officials, very little remains in respect of which any court is competent to make a pronouncement.

28. A main complaint therefore in respect of administration of income tax laws in the vast amount of authority and also responsibility centralized in one person, namely the Deputy Minister of National Revenue for Taxation.

29. The committee will recall the testimony of the Deputy Minister on page 6 of the proceedings. He remarked that he had been in charge of the Department for 13 onerous years; that he had never reported to a board of directors; that he had never had the cumulative advice of multiple minds. Then he said, "I am alone in the Department." He also urged that some committee such as this might act as a Board of Directors, to which he could report and which could make an annual review of the workings of the Department.

I would just like to quote briefly from what the Deputy Minister said, as reported at page 6 of the proceedings:—

Of course one is surveyed and checked by internal auditors, by the Auditor General and his staff. But as Deputy Minister, for better or for worse, it is your own responsibility. In the course of building up one's activities he receives no advice from anybody, other than his own staff. He stands isolated and alone to a remarkable degree. I have often felt during this war when I had to do major things that infringed in an onerous manner upon large sections of our people who were already overburdened with the war problems, that I should have liked to have had the cumulative advice of many skilled persons. But time and circumstances during war do not permit that.

Gentlemen, our argument is that, the war being over now, time and circumstances do permit of something better than we have.

30. In the view of this association these statements correctly set forth the present position in this regard. We fully agree with them. We have for some time urged that changes in conformity with these ideas be made in this Department, and we believe, in fact, that a change is long overdue in the administrative system under which the income tax division is operated.

31. If the committee will study the administrative set-ups in respect of income tax in both Great Britain and the United States, we believe that it will find, that although in both those countries income tax legislation has developed to a point where it is perhaps more complicated than in Canada—in fact, it is more complicated—nevertheless there is in neither country the centralization of authority that there is in Canada. In fact, from what I have been able to learn, I do not think there is any comparison between the centralization of authority in the Canadian system and the decentralization of authority in both the English and American systems. No one individual in those countries has the immense power or responsibility which is reposed here, nominally in the Minister but actually in the Deputy Minister.

32. The following passage, taken from the Dominion of Canada Taxation Service page 69-1 of the loose leaf volume dealing with the Income War Tax Act refers to a most serious defect in our administration. Here I make an acknowledgement to our learned friend, Mr. Stikeman. The editorial material for this publication is, according to a publisher's acknowledgement, especially prepared by Mr. H. Heward Stikeman, B.A., B.C.L., Barrister-at-Law of the Quebec Bar and Assistant Deputy Minister of the Department of National Revenue for Taxation (Legal). I quote what Mr. Stikeman said because we approve of it fully. That is, we maintain these are the facts. This is what Mr. Stikeman says:

Appeal against any assessment made under the provisions of the Act must be made to the Minister who is also charged with the making of the assessment. Thus, in effect, the appeal is to the person who has imposed the tax. This is an anomalous condition which apparently exists only in Canada. In other English-speaking countries provision is made whereby an appeal may be made to an independent board.

I think that is the case in the United States, Great Britain, Australia, and, so far as I know, other English-speaking countries as well. Mr. Stikeman goes on:—

In practice it appears to have worked out satisfactorily—

I disagree with that. Our system may have worked out satisfactorily for the Department, but certainly not for the public. However, this is what Mr. Stikeman says:—

In practice it appears to have worked out satisfactorily, although some disparaging comment was made on the procedure in the judgment in *Morrison v. Minister of National Revenue*, (1928) Ex. C.R. 75 at page 77.

33. Audette J. said in the *Morrison* case:—

“While I am disposed to agree with the appellant's counsel,

The CHAIRMAN: Are you still quoting Mr. Stikeman?

Mr. THORVALDSON: This is an extract from a judgment by Mr. Justice Audette, but it was quoted by Mr. Stikeman:

While I am disposed to agree with the appellant's counsel, in recognizing the impropriety of placing an officer in what he called such a "grotesque" and objectional position which (besides making of it a parody of administration of justice) is subversive of judicial tradition,—on purely legal grounds I am not prepared to accept his view with respect to the decisions on appeal in the present case. I would, however, in the interests of public policy, earnestly recommend an amendment of the statute to cure the impropriety without delay.

That judgment was delivered in 1928, and since then nothing has been done to attempt to cure what the learned judge called "the impropriety".

Hon. Mr. LEGER: The learned judge made a recommendation?

Mr. THORVALDSON: The learned judge recommended that there should be a proper form of appeal under the Income War Tax Act.

Hon. Mr. CAMPBELL: May I interrupt you? What was the issue in that case? Did the appeal involve the exercise of discretion?

Mr. THORVALDSON: Mr. Morrison, as you know, is of the Grain Exchange in Winnipeg; he is a grain broker. If I remember rightly, he had made speculative profits from trading, and the question was whether those were business profits or capital gains. Is that not so, Mr. Stikeman?

Mr. STIKEMAN: He had had 267 transactions on the exchange, and the question was the degree of business carried on.

Hon. Mr. CAMPBELL: Was the decision made by the Minister in the exercise of his discretion?

Mr. THORVALDSON: No, I do not think this concerned any exercise of discretion. The case was on the interpretation of a section of the Act.

Hon. Mr. CAMPBELL: There was a straight assessment and an appeal from the assessment to the Minister?

Mr. THORVALDSON: Yes.

Hon. Mr. CAMPBELL: And this was an appeal to the Exchequer Court?

Mr. THORVALDSON: To the Exchequer Court, yes.

Hon. Mr. CAMPBELL: I am just at a loss to understand why those remarks were made.

Mr. THORVALDSON: I think the remarks were made because our first appeal is to the Minister; under the Act the Minister is really the first appellate court.

Hon. Mr. CAMPBELL: And the learned judge was criticizing that procedure?

Mr. THORVALDSON: Yes. Later on I refer to that as not being an appeal at all. I maintain that what we call an appeal to the Minister is merely a review. My brief continues:

34. The learned judge might have added that such a procedure is contrary to natural justice and to the principle of constitutional law stated in 6 Halsbury, page 392, in the following words:

The right of the subject to have any case affecting him tried in accordance with the principles of natural justice, particularly the principle that a man may not be a judge in his own cause—

We maintain that the Minister is a judge in his own cause.

Hon. Mr. LEGER: It is not exactly his own cause.

Mr. THORVALDSON: It is the cause of the Crown.

The CHAIRMAN: The complainant and the judge are the same person, is that it?

Mr. THORVALDSON: Yes. Then the brief says:

35. We therefore urge:

(a) That the office of Deputy Minister of National Revenue for Taxation be abolished and that the administration of income and corporation tax laws be vested in a board, which might be known as "Board of Income Tax Administration" and of which one person would be chairman. The functions of this Board should be purely administrative, namely, to administer the income tax law and the rules and regulations made thereunder.

(b) That returns be filed in the offices of the District Inspectors as at present; that assessments to tax be made directly by the District Inspectors; that all assessments to tax be made directly by the District Inspectors; that all assessments be subject to appeal either by the Crown or the taxpayer.

Hon. Mr. LEGER: Excuse me, but should the assessments made by the District Inspector not be subject to review by the board?

Mr. THORVALDSON: Yes, we would make everything subject to review, that is upon appeal. For instance, if the District Inspector made an assessment that the administration at Ottawa did not approve of, the Minister would have a right of appeal. I think we will come to that later on.

The CHAIRMAN: You recommend that assessments to tax should be made directly by the District Inspectors. Do you say that they do not make any assessment at all now?

Mr. THORVALDSON: Returns are filed in the offices of the District Inspectors, but I think I am right in saying that the actual assessments are made only after the tax returns are sent to Ottawa.

The CHAIRMAN: Are the assessments not made in the district offices and confirmed by Ottawa?

Mr. STIKEMAN: Only where the taxpayer earns more than a stated amount of money—I think it is \$10,000 and over in the case of individual taxpayers. Otherwise it is all done in the district office. The assessment is actually issued from the District Inspector's office in every case.

Hon. Mr. HAIG: After he gets word from Ottawa?

Mr. STIKEMAN: No, he does not get word from Ottawa.

Hon. Mr. HAIG: He gets word from Ottawa in every case where the income is \$10,000 and over?

Mr. STIKEMAN: Yes.

Hon. Mr. HAIG: And no tax assessment is issued until he gets that word?

Mr. STIKEMAN: That is so.

Hon. Mr. HAYDEN: The central authority at Ottawa is, of course, represented in all rulings and regulations made by every district office.

Mr. THORVALDSON: Oh, yes. The rulings and regulations must come from one central authority. There must be a certain amount of centralization, undoubtedly, but we maintain that the centralization in Canada is too great.

Our next recommendation is:

(c) That all rules and regulations made under the Income Tax law should be published in the *Canada Gazette*; they should only have effect until the next ensuing session of Parliament when they would require the approval of Parliament.

Hon. Mr. HAIG: Hear, hear.

Mr. THORVALDSON: In other words, we maintain that we should make effective the constitutional principle that no one should be taxed except with the direct approval of Parliament. Our next recommendation is:

(d) That there be created a permanent appeal board (or boards) which might be called "Commissioners of Income Tax." The members of this Board should have security of tenure in office and should consist of a judge (chairman), a chartered accountant and business man (economist). This Board would hear appeals in Ottawa and would also go on circuit and hear appeals throughout Canada. The Board and its members should have no administrative jurisdiction and be wholly independent of the administrative side. It should stand between the Crown and the taxpayer.

If one board was not sufficient to handle the volume of work, there might be more than one. I think the United States Tax Court consists of sixteen judges, who go on circuit.

Hon. Mr. VIEN: Do you not think it would be preferable to have one court, of the necessary number of members, so as to maintain a uniformity of jurisprudence?

Mr. THORVALDSON: That may be.

Hon. Mr. VIEN: The Interstate Commerce Commission in the United States is an example of that kind of body.

Mr. THORVALDSON: The brief continues:

36. We recommend also that all employees of the Income Tax Administration become a part of the Civil Service of Canada.

Hon. Mr. BUCHANAN: What is your argument on that?

Mr. THORVALDSON: We see no reason why the employees should not be part of the Civil Service.

Hon. Mr. BUCHANAN: Do you think the income tax service would be improved if the employees were Civil Servants?

Mr. THORVALDSON: Yes.

Hon. Mr. HAIG: They could not be removed if they were Civil Servants, but they can be removed now.

Hon. Mr. HAYDEN: Maybe that is a good thing.

The CHAIRMAN: Civil Servants can be removed for cause.

Hon. Mr. HAIG: For cause, yes. But income tax employees can be removed by any new government that comes in and wants to remove them.

Hon. Mr. BUCHANAN: I am wondering whether the Income Tax Service would be improved if the employees were selected by the Civil Service Commission.

Hon. Mr. HAIG: We shall be here all night if we get into an argument on that.

Hon. Mr. LEGER: The employees would feel more independent if they were civil servants.

The CHAIRMAN: Suppose we allow Mr. Thorvaldson to proceed.

Appeal Procedure

37. Argument is not required to prove that the appeal provisions in the Income War Tax Act amount to a denial of access to the Courts for any except well-to-do taxpayers.

38. Even as to them, in the first place the grants of discretionary powers generally preclude the right to or at least the possibility of a successful appeal. In the second place the same officials, who made the assessment or ruling

complained against, become in the first instance both judge and jury. Such a proceeding does not deserve the name of an "Appeal". It is merely a review by the same officials of their own order previously made.

39. Then the Act provides for a further appeal to the Exchequer Court. A prerequisite is the deposit by the taxpayer of security for the Crown's costs in the sum of \$400.00.

40. We recommend that an inexpensive method of appeal be provided. In the first instance it should be to the Commissioners of Income Tax previously referred to. This Board would sit for the hearing of appeals both in Ottawa and on circuit throughout Canada. No security for costs should be required on the taking of an appeal to this Board and no costs should be assessed either against the Crown or taxpayer.

41. Thereafter both the Crown and the taxpayer should have a further right of appeal to the ordinary civil courts. Then a final right of appeal from the ordinary civil courts should be given to the Supreme Court of Canada. No security for costs should at any time be required from the taxpayer.

42. In the result, we should develop in Canada as has been developed in Great Britain, a body of income tax law on the basis of which both individuals and corporations would be able to seek and receive reasonably accurate advice in respect of the effect of income tax statutes on proposed or projected ventures.

Continuing Power of Assessment

43. Some alleviation in the former unlimited time for re-assessment was granted by the amendment to Section 55 of the Income War Tax Act in 1944. Prior to that time the power of re-assessment was unlimited. There are good grounds for giving power of re-assessment for an unlimited duration in cases of fraud or misrepresentation by the taxpayer. Apart from that however the 6 year period for other cases given by Section 55 (b) seems unduly long and should be, in our opinion, reduced to 3 years from the end of the tax year to which it relates. That is the period under the United States Internal Revenue Code—three years from the filing of the return. After that no re-assessment can be made in the United States.

The CHAIRMAN: Even for fraud.

Mr. THORVALDSON: No, I think there is an exception for fraud. The six year period does not begin to run until the date of original assessment and may therefore cover a period of 3, 5 or 10 years in addition to the six year limit referred to in the section. For instance in the case of a return filed in 1942 for 1941 income, if this is not assessed until say 1945, a re-assessment may still be made in 1951, namely 10 years after the tax year in question.

Refund of Overpayments

44. There appears to us no good reason why Section 56 providing for repayment by the Minister of an over-payment of tax should be permissive only and not mandatory. (The section commences: "The Minister, may, . . . refund . . . etc."). Furthermore, after assessment, is there any good reason for the taxpayer being firstly, required to make application in writing for a refund and secondly, having to do so within a 12-month period after payment or issue of the notice of assessment?

45. It should be mandatory for the Minister, without application therefor, to refund any overpayments of tax that come to the notice of the department. In any case it seems harsh and unjust that the taxpayer should lose his right to a refund after only 1 year.

Interest on Overpayments

46. It has been urged before this committee that substantial difficulties prevent the payment of interest on overpayments of tax.

47. We want to give you, however, some examples of injustices done to taxpayers by virtue of non-payment of interest on over-payments.

48. Our correspondent in preparing his returns for 1942 did not believe he was subject to Excess Profits Tax and hence did not file an Excess Profits Tax form. However, he overpaid his income tax by \$1,277.81. In due course of assessment this amount was transferred to his liability for Excess Profits Tax for 1942 and 1943. Nevertheless he was charged interest or penalty of \$34.41 in respect of his failure to file a return under the Excess Profits Tax Act for a time during which he had a substantial credit balance in his favour in the hands of the department. The amount involved was not large, but there was a real sense of injustice in his mind.

Various cases arise which cause real inequities to ensue as a result of the non-requirement to pay interest on credit balances, and hence a sense of injustice in the mind of the taxpayer.

49. Another type of case is the following: In the event of re-assessment by the Minister, should a liability for tax in certain past years be established, together with an over-payment in others, interest would be charged on the underpayments while the law makes no provision for interest being credited to the taxpayer on overpayments even though the two conditions may have resulted from a single adjustment (e.g. transfer of an item of revenue from one year to another year).

50. We therefore recommend:

1. That a nominal rate of interest, not in excess of the rate allowed on bank deposits (e.g. $1\frac{1}{2}$ or 2%) be allowed on voluntary overpayments.

That would be to prevent people making overpayments as an investment.

2. That in cases where overpayments become apparent only through later assessment or re-assessment, the same rate of interest should be allowed as is charged on underpayments in other periods.

Secrecy of Ruling and Decisions

51. A common complaint in respect of Canadian income tax administration is in respect of rulings or directives.

They have been referred to here as memoranda.

Which have a general application over all business, being given to assessors and not being made available to the public. It is probably correct to say that one may obtain information on a specific ruling by calling at an income tax office and giving the specific circumstances. One firm of chartered accountants however, write as follows: "A certain number of rulings are issued and made available to the Institute of Chartered Accountants. We are, however, satisfied that for every ruling made available through the Institute there are at least ten that are not made available, and which are applicable to business generally."

We have a great number of letters, particularly from accountants, complaining of this matter of rulings.

52. Similarly, in respect of decisions made by the Deputy Minister or his officials, based of course on discretionary powers, there is no way of knowing if the same principles are applied to one case as to another. Hence there is no body of authorities or precedents being developed here in respect of adminis-

trative rulings, which would, in course of time, produce knowledge and certainly both in the minds of taxpayers and their professional advisors, instead of the present confusion.

Equality in the Emposition of Income Tax

53. The Honourable J. L. Ilsley, K.C., the present Minister of Finance is reported in *Hansard* for April the 16th, 1943 at page 2289 as saying:

"In the Victorian period the avoidance of taxation was a polite, gentlemanly game. Taxation was low, and if a taxpayer could find a hole in the law and crawl through it, everyone laughed about it and tried to block up the hole. But it did not make very much difference... But when taxation becomes as heavy as it is to-day, when to a very great extent the people of this country are working for the state—and properly working for the state—then it is not an amusing matter, and is beyond the realm of a game. It becomes something—well, perhaps not exactly treason, but something considered most unpatriotic and unsocial."

54. The Finance Minister rightly stresses the responsibility resting on each citizen to carry his share of the burden of taxation; but such an attitude by the taxpayer can be excepted only in regard to an income tax that is fairly and equitably imposed. There is, therefore, a prior responsibility upon the Government to see that in the first instance the tax law is as fair and as free from uncertainty and arbitrariness as it can be made. The late Lord Stamp wrote (*Economic Journal* (1919) volume 29, page 407):

"It is useless to show that a proposed tax is practicable and innocuous in its legal effects, if it is inherently unjust, and the consideration of its equitable character must precede the treatment of other aspects."

55. The reason for the rule is obvious; inequality in the imposition of taxes will demoralize and undermine the collection and administration of the tax because no one feels compunction for evading a tax which he has reason to believe is unjust and discriminatory. A tax, therefore, that cannot be justified on sound principles of economics is bound to destroy public confidence in the tax and in its administration.

56. Having in mind the effect of the same upon administration and collection of the tax we should like to enumerate some of the inequalities and anomalies in the Income Tax Act.

57. The unequal taxation of corporations and Joint Stock Companies. The Income tax imposed by the Income War Tax Act viewed as a whole is a tax on the income of individuals. But in addition the Act imposes a tax on the income of certain kinds of business concerns, namely, business organized as Joint Stock Companies or Associations (see section 2 (h) and 3 (1) of the Act) As the income of business concerns organized in other ways are not subject to income tax the question arises why these particular kinds of business organization should be singled out of income tax? As originally imposed dividends were exempt from normal taxation in the hands of the shareholder. But since 1926 the profits of Canadian joint stock companies have been taxed as income of the shareholder. The drastic effect of this double tax on the trading corporation and particularly on the small trading corporation is only appreciated by those that are subjected to it.

58. Again other companies and associations are entirely exempted from tax, namely, the income of any company, commission of association not less than 90% of the stock or capital of which is owned by a Province or Municipality. And it would seem—it is the fact of course—also the corporations owned by the Dominion Government or Crown Corporations are exempt.

59. The taxation of co-operative associations and mutual associations has just been the subject of a Royal Commission report. If the recommendations of this report are carried out the income of co-operatives will be given special consideration firstly, in the recommendation that co-operative corporations be allowed to deduct from taxable income such amounts as are paid or credited to their patrons as patronage dividends, and secondly, in the proposal that new co-operatives shall be entirely exempt for a period of three years.

60. Personal Corporations—their income is exempt from tax (Section 21 (9)).

61. Family Corporations. If the recommendations of the Ives Commission are put into effect by the Government, Family Corporations—i.e. Private companies as defined by the Dominion Companies Act—will receive special consideration with regard to the capitalization or distribution of surpluses earned prior to the end of the 1939 Fiscal Year and on re-organization with regard to undistributed income.

62. We are of the view that these inequalities can only be removed by repealing the double taxation of company profits distributed as dividends and by allowing all companies to increase their capital by the payment of stock bonuses or dividends without such stock bonuses or stock dividends being taxed as income in the hands of the shareholder. In the United Kingdom of Great Britain and in the United States companies have had this right throughout the war—subject to certain conditions—and this does not seem to have rendered the tax any less effective.

Hon. Mr. CAMPBELL: What "right"?

Mr. THORVALDSON: In the United States—Mr. Stikeman probably knows more about this than I do—I understand that under the Internal Revenue Code or the law on the subject companies have the right to capitalize surpluses. I think the Pitman judgment goes into that matter.

Hon. Mr. CAMPBELL: You are speaking only of capitalization of surplus, not payment of dividends?

Mr. THORVALDSON: Oh, no; capitalization of surplus and the distribution of such surplus as capital by stock dividends. That right has been exercised in the United States and also in Great Britain throughout the war. According to my understanding, the judgment in the Pitman case held that this was a distribution of capital and not of income, and the 16th amendment, being the amendment by which the Federal Government of the United States assesses income tax, refers to income. Therefore under the constitution the Federal Government is able to tax income only, and since the courts held that certain of the distribution is capital, it cannot be taxed by the treasury authorities.

Hon. Mr. LEGER: There might be a distinction if the company is dealing with its own stock. There is a similar provision in our own company law.

Mr. THORVALDSON: That may be so. It is true the Ives Royal Commission dealt with this very point. But under the law now you cannot capitalize undistributed surplus and pay it out as stock dividends.

Hon. Mr. CAMPBELL: Except to an American company owning the shares.

Mr. THORVALDSON: Yes. Here in Canada the provisions of the Act relating to joint stock companies have the effect of placing all such trading companies in a straight jacket.

Hon. Mr. DAVIES: What do you mean by "personal corporation"?

Mr. THORVALDSON: That is a corporation owned wholly by the members of one family. Under certain conditions that corporation pays no corporation income tax; the tax is levied entirely on the individual. The personal corporation is selected for this tax privilege.

Hon. Mr. HAYDEN: Do you call that a tax privilege?

Mr. THORVALDSON: Technically it is.

Hon. Mr. HAYDEN: Whether the profits are paid out of the company or not, the individuals owning the company are taxed at individual rates on the full amount of the earnings. It may not be much of a privilege.

Mr. THORVALDSON: Perhaps not.

Hon. Mr. HAYDEN: The income tax authorities look through the structure and tax the individual.

Mr. THORVALDSON: I agree with you. I am just referring to that as one type of corporation being singled out for different treatment.

Hon. Mr. HAYDEN: It may be an inequality, but not of the kind you have in mind.

Mr. THORVALDSON: I am referring to it as a corporation singled out for particular treatment, just as we have singled out co-operatives and so on. That is what we criticize.

Hon. Mr. HAYDEN: That is not special treatment.

Mr. THORVALDSON: It is in a way. You single out the corporation and say that it shall not be taxed on a corporation basis.

Mr. STIKEMAN: You can scarcely say it is any benefit, because under the Act the corporation is not empowered to hold gains exempt from income tax; it must distribute them—in theory, anyway.

Mr. THORVALDSON: I am not criticizing that.

63. In this connection we would draw attention to the Memorandum of Reservations by Dr. D. A. McGibbon on the subject of granting special tax free privileges to Family Corporations, to be found on page 77 of the report of the Ives Commission. This association is in agreement with this Memorandum of Reservations. Our view is that there is in the majority report of the Ives Commission on Family Corporations an attempt to cure symptoms rather than the underlying cause of the trouble which the double taxation of the profits of corporations distributed as dividends.

64. Another example of double taxation is the combined effect of the gift tax and income tax on gifts between husband and wife (see Section 32 (2) of the Act).

65. The 4 per cent surtax on investment income in excess of \$1,500. This tax is discriminatory against savings and should be abolished. Any savings or capital accumulation which produces income has borne income tax in the process of being earned and the income therefrom is subject to tax. Many economists consider this double taxation. To place a third tax thereon in addition to the ordinary graduated tax is unjust. The present graduated tax constitutes sufficient differentiation between earned and investment income.

66. Farmers income. The apparent breakdown in the application of the provisions of the Act to the income of farmers as disclosed by statistics published by authority of the Minister of National Revenue is another case of inequality. The following table taken from these statistics has already been published in various newspapers across Canada.

Individual Income Tax Collections

Tax Year	No. of agrarian taxpayers	Per cent of all taxpayers	Taxes paid or assessed	Per cent to all taxpayers' payments
1936-37	921	.42	\$ 76,395	.22
1937-38	1,000	.42	78,081	.19
1938-39	1,309	.49	124,836	.27
1939-40	1,721	.59	151,549	.29
1940-41	1,869	.62	204,319	.39
1941-42	1,488	.38	150,103	.27
1942-43	3,569	.56	440,212	.38

67. We believe, however, that the percentage of farm returns and taxes paid for the tax year 1943-44 is somewhat higher than for the preceding year.

68. These figures are given here as additional evidence of the many inequities in any income tax system.

The CHAIRMAN: Do you call them inequities?

Mr. THORVALDSON: They are practically inequities. So many people talk about income tax being the perfect tax system. We maintain it is far from the perfect form of taxation claimed for it.

Hon. Mr. HAYDEN: Qua tax or the form in which it is carried out?

Mr. THORVALDSON: If you will permit me to continue my reading I think it will be answered. These figures are given here as additional evidence of the many inequities in any income tax system; namely, it bears most heavily on persons with fixed and known incomes such as wage earners and salaried persons and generally much more lightly on persons such as farmers, truckers and workers-on-their-own whose incomes are neither subject to easy computation nor the easy reach of the tax collector. I think we all recognize the fact that the income tax system bears harshly on a person such as salary earners whose income is easily computable.

Hon. Mr. HAYDEN: And also people receiving dividends.

Mr. THORVALDSON: Yes, receiving dividends, salary and so on. It naturally bears much less harshly on those whose income is hard to determine.

Mon. Mr. BENCH: Mr. Thorvaldson, on this phase of your presentation, will you tell me whether or not you have examined the order of reference from the Senate to this Committee?

Mr. THORVALDSON: Yes.

Hon. Mr. BENCH: What do you say as to whether or not there is any jurisdiction under that order of reference to examine into such matters as those touched in paragraph 68 of your brief?

Mr. THORVALDSON: I think that is perhaps beyond the terms of reference. For that reason we are really dealing with the subject very briefly. It is a tremendous matter in itself, but we are making a passing reference to it.

The CHAIRMAN: Senator Bench, are you protesting against this feature?

Hon. Mr. BENCH: No, but I would like it to appear on the record that presentations to this Committee dealing with incidence of taxes, rates of tax and policy with regard to matters have no place in the consideration of this body.

The CHAIRMAN: I quite agree. I have not interrupted Mr. Thorvaldson because the Committee seemed to be satisfied and are interested in getting all the information they can. I believe policy is involved in this question. It is in the hands of the committee and if no one definitely protests, I will permit Mr. Thorvaldson to continue.

Hon. Mr. BENCH: Be assured that I am not strongly protesting; there might be some merit in this phase.

Mr. THORVALDSON: If the terms of reference had been any wider our submission would have been much larger than it is. We have really tried to confine ourselves generally to the terms of the reference except for these last two or three pages and we refer to these matters just to indicate to the Committee—

Hon. Mr. CAMPBELL: Your feelings in the matter.

Mr. THORVALDSON: —that there are inequities in any income tax system.

Hon. Mr. BENCH: Mr. Chairman, I do not wish to be misunderstood either by yourself or by the witness. I suppose it is possible to make a presentation having to do with the workings and mechanism, or whatever terms are used in the order of reference, without infringing upon the matter of policy and inequalities of the tax rate. I do suggest with respect that we ought to have it more or less distinct in our minds that these matters are not a subject with which we can be concerned in our report.

The CHAIRMAN: I think you are quite right, and your remarks will appear in the report.

Hon. Mr. HAIG: I am sorry, but I do not quite share the view of Senator Bench.

Hon. Mr. HAYDEN: Neither do I.

Hon. Mr. HAIG: The question of the possibilities of inequities which the Act permits has nothing to do with policy.

The CHAIRMAN: Mr. Thorvaldson also adds what should be done, which I think would be policy.

Hon. Mr. HAIG: Not necessarily. His argument is simply this, that the white collared people, because they have fixed incomes pay more taxes than people who are truckers, farmers and other workers.

The CHAIRMAN: I am not objecting to that, but Mr. Thorvaldson brings in the question of double tax. He criticizes double tax. That is a matter of policy.

Hon. Mr. HAIG: Yes, but Senator Bench did not say a word about that phase of it.

The CHAIRMAN: I have no objection, so there is no purpose in arguing about it.

Hon. Mr. HAIG: Senator Bench's comment has been taken down, and I do not wish the matter to drop without the protest on my part that section 68 of the brief does not touch on the question of policy but touches on the Act, and says how the Act permits this to be done.

The CHAIRMAN: I do not know that Senator Bench was directing his argument against that particular paragraph.

Hon. Mr. BENCH: It was.

The CHAIRMAN: I do agree with him that towards the last of Mr. Thorvaldson's remarks they were verging on the subject of policy.

Hon. Mr. BENCH: I suggest that the whole of Professor McDougall's presentation was outside the scope of our reference. However I found it quite entertaining.

The CHAIRMAN: Does anyone object to this conversation appearing on the record?

Hon. Mr. HAIG: No.

Hon. Mr. BENCH: No.

The CHAIRMAN: We will let it go at that.

Mr. THORVALDSON: We have discussed what we deem to be the main deficiencies in our income tax laws. It is put that way because we do not wish it understood that we think these are the only ones. These defects cut so deeply into the very roots of our present Income War Tax Act that in our view, minor amendments now would merely serve to delay a necessary complete revision or redrafting of the Act. In such revision two matters in particular are of paramount importance: (a) the elimination of quasi-judicial and judicial discretionary power in the hands of officials and (b) the task of achieving decentralization of the present centralized and authoritarian control exercised in Ottawa.

70. When this task is commenced there are many, perhaps seemingly minor, but nevertheless important provisions, that this association would urge to have incorporated in such a statute and which have not been mentioned here. Only by a survey such as we have conducted can one discover how harshly present rates of tax bear on some classes in the community, and also how comparatively easy it would be to give substantial relief to these classes at very little cost to the national revenue.

In conclusion, gentlemen, I might say that it would be improper to suggest that behind this presentation are the views of only a few of the officers of the Income Tax Payers Association. Practically everything that appears in the brief is based upon a fairly thorough survey of Canadians from coast to coast. It is based upon material that we have received, letters and briefs from well over two hundred people.

Hon. Mr. BUCHANAN: Your organization is a Dominion-wide organization?

Mr. THORVALDSON: Yes.

The CHAIRMAN: Has your brief been approved by your organization?

Mr. THORVALDSON: Yes, the brief has been approved by the directors of the organization.

The CHAIRMAN: To follow our usual procedure, is it satisfactory to have Mr. Stikeman begin the questions?

Hon. Mr. CAMPBELL: Might I on the last point ask Mr. Thorvaldson a few questions about his association. Mr. Thorvaldson, you referred to the fact that you had 7,000 members?

Mr. THORVALDSON: Yes.

Hon. Mr. CAMPBELL: Is your association incorporated?

Mr. THORVALDSON: No, it is not incorporated; it is a voluntary association.

Hon. Mr. CAMPBELL: It is carried on for what purpose?

Mr. THORVALDSON: I think I referred to some of the objects on the first page of my brief, as follows:

1. The Income Tax Payers Association was formed with objects, among others:

- (a) To investigate and study the incidence of Income Tax, both generally and as it may affect any particular trade, industry, business or class of individuals;
- (b) To seek and obtain the simplification of Income Tax laws;
- (c) To inform members of the association from time to time of the provisions of any income tax legislation and of any new development in Income Tax law;
- (d) To afford Income Tax payers an opportunity of acting unitedly in making representations to the proper authorities to secure relief from inequalities in Income Tax law or administration; and to give publicity to such inequalities with a view to obtaining the redress thereof.

Hon. Mr. CAMPBELL: It is a membership organization?

Mr. THORVALDSON: A membership organization.

Hon. Mr. CAMPBELL: And it is carried on not for the purpose of gain?

Mr. THORVALDSON: Not for the purpose of gain.

Hon. Mr. CAMPBELL: Are these 7,000 people just members?

Mr. THORVALDSON: Just members.

The CHAIRMAN: They are paid members?

Mr. THORVALDSON: Paid members.

Hon. Mr. CAMPBELL: They are on a membership fee basis?

Mr. THORVALDSON: Yes; therefore, there is no canvass. They have simply sent in their membership and become members. There are no professional canvassers or anything of that kind.

Hon. Mr. CAMPBELL: An appeal was made when the association was formed, I would assume, to the people who might be interested in the tax question?

Mr. THORVALDSON: That is right.

Hon. Mr. CAMPBELL: And your headquarters are in Winnipeg?

Mr. THORVALDSON: They are in Winnipeg.

Hon. Mr. CAMPBELL: You have spoken of a survey, an exhaustive survey, that was made. I think it is rather important to deal with that question now. You created the impression that these 7,000 people from coast to coast generally endorsed what has been said. Do you suggest that the survey which you have made was to find objections to the Income War Tax Act, and the provisions and workings of it, or what type of taxation survey do you refer to?

Mr. THORVALDSON: In the first place, Senator Campbell, the letter which I read to you and which is included in our brief, starting on page 1, was sent to Mr. Iisley on September 7th and at the same time, or a week or two thereafter it was sent to every member of the association—the whole 7,000. It was sent to the membership with the notice of the annual meeting. There came back about a thousand or so proxies for the annual meeting, and a large number of letters from our membership approving that letter which was sent to Mr. Iisley.

Hon. Mr. CAMPBELL: That is the type of survey you carried out?

Mr. THORVALDSON: That was not the real survey which we made later.

Hon. Mr. CAMPBELL: That is what I am interested in.

Mr. THORVALDSON: Upon the appointment of this Committee we wrote a letter to our entire membership, and I would be glad to read it to you if you wish.

Hon. Mr. HAIG: I think it would be interesting.

Mr. THORVALDSON:

To Members:

A committee of the Canadian Senate has just been appointed for the purpose of making a complete and thorough investigation into Canadian income tax laws. As a result of this investigation it is hoped that some order will be produced out of this country's present chaotic income tax situation.

This action is wholly in accord with the views of your association as for a long time we have been urging that steps be taken by the government to completely revise Canada's income tax structure.

Your association therefore proposes to appear before this committee to present the views of our membership, and to otherwise assist the Senate Committee in its work.

Consequently we urge you now to write us immediately advising us of any particular income tax problems of which you are aware or of any such problems which either affect you personally, your company or your particular business or industry. Will you please let us hear from you?

This inquiry is one of the most important tasks undertaken by a parliamentary committee for a long time. It is therefore the duty of us all to do our share to make its work of value to the country.

Furthermore if you have problems in your business or industry which you think should be dealt with independently of this association, then we urge you to have such problems presented directly to the committee.

That letter went out over my signature.

The CHAIRMAN: What was the reaction?

Mr. THORVALDSON: The reaction was the receipt back of over two hundred letters and briefs from taxpayers across Canada. I brought a few of them with me that I could refer to.

The CHAIRMAN: Is the brief completely made up of the contents of those letters?

Mr. THORVALDSON: The letters, I would say, and the briefs that we received from the taxpayers touched on every point that we have referred to in our brief.

The CHAIRMAN: How many members are there in what we might call the executive committee of your association, who endorsed this brief?

Mr. THORVALDSON: Five members.

The CHAIRMAN: Are they all from Winnipeg?

Mr. THORVALDSON: Four are from Winnipeg and one is from Toronto.

Hon. Mr. CAMPBELL: Will you give us the names and occupations of those five persons?

Mr. THORVALDSON: Yes. There is myself as President, Morley Smith, K.C. of 92 Adelaide St. West, Toronto, Vice-President; Herbert Adamson of Winnipeg, Secretary; I. J. R. Deacon of Winnipeg and C. J. McLeod of Winnipeg. That is the board of five.

Hon. Mr. CAMPBELL: Have you a permanent staff?

Mr. THORVALDSON: No; we have one girl who looks after the membership records and that is the only staff.

Hon. Mr. CAMPBELL: You have not a statistician or anyone such as that?

Mr. THORVALDSON: No.

Hon. Mr. CAMPBELL: I rather gathered from the survey that there had been a little more of an organized survey than just the letters and representations that you got.

Mr. THORVALDSON: No, that is the only type of survey. I might say Mr Adamson, who is the Secretary of the Association, has been working on income tax matters for a great number of years. I think he is a very competent man. I myself have been doing some work on income tax matters for a few years; and this brief is made with the collaboration of the members and the executives, and of course with the aid of these letters and various briefs that we have received.

Hon. Mr. CAMPBELL: Do the letters speak of any hardship that the taxpayers have suffered as a result of the administrative set up of the Department?

Mr. THORVALDSON: Yes, very much so. As a matter of fact, I would like very much to read some of these letters to the Committee.

Hon. Mr. CAMPBELL: I suppose there would be no objection to making them all available?

Mr. THORVALDSON: No. We would be very glad to make them all available. As a matter of fact, in the last paragraph of our brief we suggest that we desire to make all these letters available to this committee, but we do not think that this is the time for it. In this brief we tried to deal with two main principles, but we do think that in these letters there is a great amount of material that should be made available to this Committee. That is why we should like to have an opportunity of making them available.

Hon. Mr. CAMPBELL: Probably I have covered the ground on organization. Mr. Stikeman may want to ask some questions.

Hon. Mr. BUCHANAN: On the question of organization, Mr. Thorvaldson, you spoke throughout Western Canada last year at meetings of boards of trade and so on. You did not attempt to form any branches of the Association in any of the cities or towns where you spoke?

Mr. THORVALDSON: No.

Hon. Mr. BUCHANAN: There are no branches?

Mr. THORVALDSON: No branches.

Mr. STIKEMAN: Mr. Chairman, I would like to ask the witness a number of questions to illustrate some of the statements which are of a rather general character, and to throw some light for the benefit of the Committee upon the examples and facts underlying those statements, if possible. For example, on page 6 of your brief, Mr. Thorvaldson, after referring to instances of the exercise of discretion you say, "The fact is that many of these powers are purely judicial functions". The powers referred to are the powers of the Minister. Could you give us some examples of what you consider purely judicial functions?

Mr. THORVALDSON: Power is given to the Minister, for instance, to determine conclusively what is an expense in doing business and what is not. I think that is a judicial function. That is the Rights' Canadian Ropes case and the Nicholson case, both of which are cited in the November issue of the Canadian Bar Review. I deem those to be judicial functions.

Mr. STIKEMAN: Both of those cases turned upon the determination of the quantum of the salary or commission which might be charged, not upon the substantive question of whether a salary or commission could be charged. That is, it was a question of fact rather than a question of law. Do you consider questions of fact come within the ambit of purely judicial functions?

Mr. THORVALDSON: I do, yes.

Hon. Mr. VIEN: Do you not, Mr. Stikeman? Judicial tribunals have to determine questions of fact as well as questions of law.

Mr. STIKEMAN: I am not taking issue with the witness, Senator Vien. I was merely asking him to give examples of judicial functions.

Hon. Mr. VIEN: When you make an appeal from an assessment you appeal to the Minister, and he gives a decision on the points covered by the appeal. That seems to me at least to be a judicial function.

Mr. STIKEMAN: That is a very good example, Senator.

Mr. THORVALDSON: In further reply to that I would like to refer to what is said by Mr. J. S. Forsyth in an article entitled "Taxation Rulings and Decisions," in the November issue of the Canadian Bar Review. I think this is definitely on the point as to whether these powers are judicial or quasi-judicial or merely administrative. This is what Mr. Forsyth says, at page 763:

There are said to be more than 100 instances in the Income War Tax Act and the Excess Profits Tax Act where the Minister has been given

discretionary power. These powers extend from those which are purely administrative, such as those enabling him to prescribe the form of a return (section 40), to the wholly judicial or quasi-judicial functions in the appeal procedure. A further power which is contained in section 47 of the Act is almost legislative in extent where it provides that in respect of any taxpayer, even if a return has been filed or has not been filed, "the Minister may determine the amount of the tax to be paid by any person." A consideration of this opens up the whole field of administrative law, an interesting subject but of some complexity and certainly one which is becoming of great importance in the everyday affairs of many persons.

I cite that because it is right on the point; and Mr. Forsyth is, I think, an authority upon the question.

Mr. STIKEMAN: On page 7 of your brief you make the following statement:

Can it not be inferred that the fact of discretionary powers played a large part, both in precluding the possibility of accurate and exact income tax returns as well as, perhaps unfairly in many instances exacting this additional 38 millions from Canadian taxpayers?

You were referring there to the statement by the Deputy Minister that his assessors had collected in one year \$38,000,000 more taxes than the returns of a large number of taxpayers showed that they though were due and owing. What precisely is the inference that you draw? Do you infer that this sum of \$38,000,000 was not chargeable under the law and that the use of the administrative discretion had permitted the Department to increase the assessments above the amounts which would have been charged under the statute if it were not for that discretion?

Mr. THORVALDSON: That question is nearly impossible to answer, because you refer to what the law allows, whereas what is really involved is the discretion of the Minister. Take the particular case that I suggested a while ago. A company has a certain expense of \$25,000. The Minister has complete discretion to determine whether that item of expense shall be allowed in whole or in part or not at all. Suppose he cuts it down to \$5,000. Then there is going to be taxation of that extra \$20,000, which is the result of ministerial discretion.

Mr. STIKEMAN: Your brief asks if it cannot be inferred that the use of discretionary powers played a large part in collecting the \$38,000,000. Have you any evidence that discretion was used in those assessments which were supplementary to the returns of the taxpayers?

Mr. THORVALDSON: I would not say I have any direct evidence, but as corporations particularly have their returns made out by competent auditors and accountants I think the fact of this tremendous increase can only be accounted for by the exercise of discretion in a large number of cases.

Hon. Mr. LEGER: *Res ipsa loquitur*.

The CHAIRMAN: Would you also say that some of the results are attributable to the fact that the taxpayer has not the ready access that you think he should have to means of appeal and that he often pays the tax rather than go to law?

Mr. THORVALDSON: Of course. We as lawyers have to deal with that every day. We never suggest that anybody take an appeal, because it is useless.

The CHAIRMAN: You state that a deposit of \$400 has to be made by anyone appealing in the Exchequer Court. Does that amount have to be deposited in every case, even when the sum involved is small?

Mr. THORVALDSON: Nobody can appeal in the Exchequer Court, no matter how little is involved, without putting up a bond for \$400.

The CHAIRMAN: So a man who has only \$200 involved will not take a chance?

Mr. THORVALDSON: No, he pays the tax.

Hon. Mr. HAIG: You would require a breakdown of the \$38,000,000 in order to see where the money was recovered from. Suppose a man is a real estate agent, and he buys grain on the Grain Exchange and makes \$10,000. That is a capital increase and he does not have to pay any tax on it. But suppose a farmer, who also did some business as a grain merchant, speculated in grain and made \$10,000. He might say to the Department, "I am a farmer." The Department might reply, "Oh, no, you are a grain merchant." In that event, under the judgment in the Morrison case, the \$10,000 would be income and taxable. Because of the discretionary power that the Minister may exercise, you cannot advise people at all.

The CHAIRMAN: Suppose a man is not in any particular business but makes investments. In what circumstances does he become a trader.

Hon. Mr. HAIG: I do not know.

The CHAIRMAN: If he is a trader, I suppose his profits are taxable?

Mr. STIKEMAN: Yes.

The CHAIRMAN: Where is the line drawn?

Mr. STIKEMAN: The line was drawn in the Morrison case because the taxpayer had 267 transactions. In a famous English case Lord Justice Scrutton said, I think in 1872, that if you do a thing once or twice you may not be carrying on a business, but if you do it three times or more there is a likely presumption that you are engaged in trade. But the English statute is much wider than ours, because in their definition in addition to the words "carrying on business" they have the words "engaged in trade or an activity in the nature of trade."

Hon. Mr. VIEN: There are three outstanding factors which may account for the collection of that additional \$38,000,000. First, the average taxpayer finds the law ambiguous and obscure. Secondly, individuals have not at their disposal expert accountants and auditors as the large corporations have. Thirdly, as pointed out by the Chairman, taxpayers are discouraged from appealing to the Exchequer Court by the fact that before an appeal can be launched a deposit of \$400 must be made; and by the further consideration that appellants who lose their cases are liable to have court costs assessed against them.

Mr. STIKEMAN: The witness answered a question asked by the Chairman when he suggested that a partial explanation for the increased tax payments of \$38,000,000 may have been that the taxpayers preferred to pay the amounts assessed against them than to take their cases to the court. It seems to me that the answer which the witness gave in that instance was also an answer to the question that I originally asked the witness—whether he did not infer that the \$38,000,000 had been collected by going beyond the actual terms of the legislation—because presumably they would want to appeal if that were not the case, or if they felt themselves to be in the right with regard to that discretion.

Mr. THORVALDSON: I do not want the inference to be drawn that I account for the \$38,000,000 completely by ministerial discretion. And I am not suggesting that the discretion was not legally exercised, because no doubt in every case it was exercised pursuant to the Act. Also I am not suggesting for a moment that there was any fault on the part of the Income Tax Division. I am blaming the Act.

The CHAIRMAN: You say the field of discretion is too large?

Mr. THORVALDSON: Yes.

Mr. STIKEMAN: I merely wanted to suggest that what gave rise to the \$38,000,000 was an improper appreciation of the law on the part of the taxpayers or their advisers. The amount may have been collected because of the technical difficulties in the statute rather than because of the exercise of discretion under the statute.

Hon. Mr. VIEN: Do you suggest that the discretionary powers should be completely eliminated, Mr. Thorvaldson?

Mr. THORVALDSON: No, Senator. I do not want to be taken as suggesting that, because it would be wholly impossible to have a taxing act without discretion. Undoubtedly there must be discretion in the exercise of properly administrative functions.

Hon. Mr. HAYDEN: And a proper exercise of discretion.

Mr. THORVALDSON: Yes. I do not think that under the income tax laws of Great Britain and the United States there is the vast discretionary authority that there is under our Act. We say that these discretionary powers have gradually drifted into our Act since 1917. In large part they have drifted in as a result of the impact of war, for in war-time you must collect taxes expeditiously and increase the matters that are subject to discretion.

Hon. Mr. VIEN: Could you furnish the Committee with the provisions of the law in Britain and the United States?

Mr. STIKEMAN: I have prepared a summary of the appeal provisions in the Commonwealth, the United Kingdom and the United States.

Hon. Mr. VIEN: Has that been filed?

Mr. STIKEMAN: It could be. I was going to read a portion of them tonight. I will have additional copies made and circulated among the Committee, if you wish.

Hon. Mr. VIEN: I would move that that be done.

Hon. Mr. CAMPBELL: The statement could be incorporated in the record.

Hon. Mr. HAYDEN: Mr. Thorvaldson, you would support a statement that any appeal from an assessment or order should involve the right to review the discretion behind the assessment or order?

Mr. THORVALDSON: Yes, that is what we suggest. Where discretionary powers must be given of necessity—there will be many cases of that kind—the independent tax tribunal that we propose could have authority to review the exercise of those powers.

Mr. STIKEMAN: Yesterday you indicated that a substantial number of the 120 appeals which have been taken to the Exchequer Court turned upon matters of ministerial discretion. Have you read the cases which have gone to the Exchequer Court?

Mr. THORVALDSON: I have read a lot of them. I think the three or four that are referred to by Mr. Forsyth in the November volume of the Canadian Bar Review were of that kind.

Mr. STIKEMAN: Only six of the 120 turned upon the straight question of discretion.

Hon. Mr. VIEN: Mr. Stikeman, could you give the Committee a list of all the cases that have been taken to the Supreme Court of Canada, and the decisions in each of them?

Mr. STIKEMAN: I have prepared a list, sir, broken down into appeals to the Exchequer Court, the Supreme Court and the Privy Council.

Hon. Mr. VIEN: Have you copies of that?

Mr. STIKEMAN: No. I can have copies made, or I could have it corrected and put into the records.

Hon. Mr. VIEN: It could be incorporated into the records. I so move.

Mr. STIKEMAN: On page 8 of your brief, Mr. Thorvaldson, you say:

But, in Canada, one of the results of the multiple discretionary powers contained in our two Acts render the application of most judicial decisions and some of the vital principles of income tax law for the protection of the taxpayer, completely ineffective.

What decisions of the courts have been rendered ineffective by the discretionary powers?

The CHAIRMAN: Some members of the Committee are preparing to leave. I think it is only fair to the witness that they should remain.

Hon. Mr. HAIG: We have had a long day, but I am prepared to stay on. If Mr. Thorvaldson has to leave Ottawa to-night, I would suggest that Mr. Stikeman put his questions in writing and send them to Mr. Thorvaldson at Winnipeg, and he could make a written reply.

Hon. Mr. VIEN: Those questions and answers could be incorporated in our records.

Mr. STIKEMAN: Very well, sir, I shall be pleased to do that.

Hon. Mr. VIEN: Before Mr. Thorvaldson retires, Mr. Chairman, I should like to put a further question to him.

On page 2 of your brief, Mr. Thorvaldson, you state:

Abolition of the office of Deputy Minister of National Revenue for Taxation (formerly Commissioner of Income Tax) and decentralization of administration by conferring power on the District Inspectors of Income Tax throughout the Dominion to perform his functions.

This is one of your suggestions made in your letter to the Minister of Finance. Don't you think we can make sure that the discretionary powers will be properly exercised if they are subject to review by a tribunal properly organized, without going to the length of abolishing the office of the Deputy Minister of Taxation? Even if you give greater powers to the various district inspectors there must be for the purposes of co-ordination some authority, administrative and quasi-judicial, in the central organization. I am not at all averse to appeals being made through administrative channels from the inspector to the Deputy Minister of Taxation. I believe that is quite proper because it will do away with the necessity for the taxpayer to appeal to a tribunal. There may be a few exceptions in certain cases, but on the whole I think you will find that the taxpayers generally are reasonably satisfied with the present administration.

Mr. THORVALDSON: Well, senator, I will not agree with that, because our evidence is wholly to the contrary. I am not saying they are dissatisfied with the personnel of the administration at all, but I do think that the taxpayers across this country are wholly dissatisfied with the present power given to officials. That is fundamental and completely basic to this whole thing.

Hon. Mr. VIEN: We agree that it is fundamental that the persons who have made the decision should not be the persons to whom application should be made for review or appeal. We stressed that point at an earlier stage of this inquiry. We agree that the appeal to the tribunal should be divorced from the administrative function. Take, for instance, the Transport Board, formerly the Railway Board. It is completely divorced from the Canadian Pacific and Canadian National Railway systems and exercises administrative and judicial powers. Any taxpayer who feels that either railway has treated him arbitrarily may take his case before that independent tribunal for review. I am in favour of similar procedure in taxation matters.

Mr. THORVALDSON: That is substantially what we recommend, the creation of an independent tribunal.

Hon. Mr. VIEN: I would leave a lot of administrative power both in the district inspectors and in the headquarters officials.

Mr. THORVALDSON: We agree with that so far as administrative powers are concerned, senator, but we cannot possibly agree that judicial and quasi-judicial powers should be exercised by administrative officers. That is basic.

Hon. Mr. McRAE: This is a big Department and you could not discard the Deputy Minister. You must have somebody to run the show.

Mr. THORVALDSON: Yes. If you refer to the bottom of page 14 you will see that we recognize there must be an income tax administration, but we do think that what Mr. Elliott says himself at page 6 of his evidence is correct. He says he is alone in his Department. This surely implies that he should have help to advise him.

Hon. Mr. VIEN: Yes. He has competent experts at his disposal, and of course he must rely on them. But you go much further in paragraph 7 when you say that abolition of the office and decentralization should take place. There must be a certain uniformity in the rulings of the Department so that they may be applicable to Halifax as well as to Vancouver. If you decentralize too much and give too much power to the district inspectors you are likely to have a multiplicity of varying decisions on similar facts. You must have some co-ordination of the decisions rendered by those inspectors in order to get some degree of uniformity.

The CHAIRMAN: Senator Vien, Mr. Thorvaldson has made his representations, and we shall have to consider them. We may not agree with them. I do not wish to interrupt you, but I understand he wants to get away; and we are waiting to hear the Labour representatives.

Hon. Mr. VIEN: It is only ten minutes to ten.

The CHAIRMAN: One of our members has already left.

Mr. THORVALDSON: I should like to say one word in reply to the honourable senator as to uniformity and that sort of thing. We certainly agree that there must be uniformity, and of course there must be administration at the top. We have no doubt that your committee, Mr. Chairman, will study the systems in Great Britain and the United States. We do say that in those countries you will find that there is much more decentralization than there is here. Despite that, I do not think there is any doubt that they get just as much uniformity in both those countries as we do in Canada, without having centralized power in one official at the top, as we do here.

Hon. Mr. HAIG: I think we should thank Mr. Thorvaldson for coming down here and presenting his brief.

The CHAIRMAN: Yes. We appreciate your attendance here, Mr. Thorvaldson. We shall, I suppose, hear from you later.

Mr. THORVALDSON: Yes, Mr. Chairman.

The CHAIRMAN: We are now to hear from the representatives of the Canadian Federation of Labour. I understand, that Mr. Burford, the Secretary-Treasurer, is to present the Federation brief.

Mr. W. T. BURFORD: (Secretary-Treasurer of the Canadian Federation of Labour): I will read the brief, Mr. Chairman, and Mr. Allan Meikle, our president, will answer questions. I think that is a fair division of labour.

The CHAIRMAN: All right, Mr. Burford.

Mr. BURFORD: Mr. Chairman and honourable senators:—

The Executive Board of the Canadian Federation of Labour is gratefully appreciative of your invitation to contribute to your study of taxation methods. Without that invitation we would not have been inclined to appear before the Committee. We would have been deterred from doing so by doubt as to our competence to advise on such a highly technical subject and by the apparent exclusion of the incidence of taxation from the scope of your inquiry.

The Federation feels very strongly that there must be an easing of the burden of taxation on all incomes in what are called the lower brackets, in which the great mass of the workers find themselves. It is mainly in the hope that any improvement in the efficiency of the tax-collecting machinery will effect such an economy as may render a reduction of the tax on workers' incomes more practicable that the Federation's Executive Board is glad to take this opportunity to submit to the Committee a brief statement of its views and a few concrete recommendations.

First of all, we should like to dissociate ourselves from those who see some advantage in the complete exemption of small incomes from taxation. While it is clear that any tax levied on the very small incomes earned by some workers could be of only nominal amount, and hardly worth collecting by the present expensive method, we feel that it is against the public interest that any large number of citizens should believe that they are not expected to contribute to the cost of carrying out the functions of the national Government. This must be conducive to indifference on their part, and to some extent diminish their self-respect.

It must be clear that, wherever the level of complete exemption is fixed, there will be set up a line of pressure. All those below that level will find themselves arrayed against those who are above that level. There will be a constant pressure to raise the level of exemption. Therefore our stand is that there should be no level of complete exemption.

Our recommendation to the Committee is that an attempt be made to find a system of Income Tax assessment and collection which will permit the reduction of the rates on incomes at the lower end of the scale, and the collection of even a nominal amount on any income.

It would appear that these two objectives could be attained by providing for the collection of the entire tax on employment income at the source.

As the Deputy Minister of National Revenue for Taxation has pointed out, the present method of collecting tax at the source entails dealing with a very large number of claims for refunds. We suggest that this can be avoided, to no small extent, by providing that it shall be unnecessary for anyone to make an Income Tax return at all if his entire income results from his employment by one employer, on which tax is collected at the source (which is true of a great number of employed workers), or if his income from investments and other sources does not exceed, say, \$200 a year.

In this way the great majority of employed workers could have all their tax deducted at the source, and be relieved from making any return.

It might well be necessary to consider a change in the method of assessing and collecting, so that this could be done on the half-monthly basis instead of the annual basis. That is to say, the rate of tax, in case of employment income, would be on so many dollars' half-monthly earnings.

One advantage of this plan would be that it would permit a very fine gradation of the increase of tax rates as income rises, thus avoiding the difficulty which arises from the sudden jumping of the rate of tax from one bracket to another.

It is true that this arrangement of assessing tax by the half-monthly pay period instead of by the year would be disadvantageous to seasonal workers, who would pay more in this way than they pay when their income is assessed over a

year. It might therefore be desirable to permit a choice on the part of the taxpayer as to whether he would have all his tax collected at the source on the half-monthly basis or none so collected, leaving him in the position of making a return and paying the tax on an annual basis, after the manner of business and professional men and of those who draw their income from sources other than regular wage or salaried employment.

It would be necessary, if this plan were to be satisfactorily applied, to discontinue the exemption of charitable donations except where these exceed a certain amount yearly. This would not impose a hardship on anyone, for it is certain that the great majority of employed workers do not now claim any deduction for minor charitable donations.

Where the charitable donations exceeded the amount not accorded exemption, the taxpayer should be entitled to claim a refund, which he could do by furnishing the Government with a statement, which he could obtain from his employer at the end of the year, of the total tax which he had paid, accompanied by evidence of the charitable donations.

Of course, exemption granted for medical expenses could be dealt with in exactly the same way.

We believe that it is most important, in arranging any plan of this sort, that a system should be provided by which every taxpayer would be given, every pay day, evidence from his employer that the tax which he has paid has been collected on behalf of the Government and turned over to the Government, and to this end we suggest the use of a special Income Tax stamp, in various denominations, to be affixed to every pay cheque in an amount equal to the tax deducted at the source. This would provide a very ready method for the employer to pay the tax and at the same time to assure the taxpayer that the tax had been correctly calculated and actually turned over to the Government.

The average employed worker should be relieved of the necessity of making elaborate calculations as to the amount of tax which he has to pay. He should not be required to make an Income Tax return. Not only would this save a vast amount of worry for the individual taxpayer, but it would save millions of Income Tax forms, ensure complete collection, and greatly reduce the work of the Income Tax Branch. We are of the opinion that it would also mean great savings in the payroll departments of employing corporations.

The system which we have outlined seems to us to be one way of attaining the desired objectives. Perhaps some better system can be suggested. We do recommend that the most careful consideration be given to devising a system by which the ordinary salaried or wage worker will be able, when he receives his pay cheque, to know that his Income Tax up to that moment has been deducted, completely, and turned over by the employer to the Government.

We believe that, under a system of this kind, it would be possible to avoid exempting even the smallest salaries from Income Tax, while making very small amounts of tax collectible, so that the rate of taxation on incomes in the lower brackets could be eased.

The CHAIRMAN: Mr. Burford has suggested that his colleague, Mr. Meikle, will answer any questions, Mr. Stikeman.

Mr. STIKEMAN: I have only four questions, Mr. Chairman. I should like to ask Mr. Meikle whether he was present at the meeting of which the Deputy Minister spoke.

The CHAIRMAN: Very well.

Mr. STIKEMAN: Mr. Meikle, were you present at the meeting of November 30, 1943, with Mr. Elliott, when he met a number of the Labour leaders and employers to devise an effective method of evolving a simple tax return for taxpayers earning salaries of less than \$3,000 a year?

Mr. ALLAN MEIKLE (President of the Canadian Federation of Labour): No, I was not, sir.

Mr. STIKEMAN: Have you had an opportunity of reading the brief submitted this week by Hon. Senator McLean?

Mr. MEIKLE: No, sir.

Mr. STIKEMAN: The honourable senator suggested that the basic exemption be raised. I notice in your brief you suggest that there be no basic exemption, but merely an increasingly modified scale of tax.

Mr. BURFORD: I should like to say a word in reply to that, Mr. Chairman.

Our feeling in this matter is that no useful purpose is served by awarding exemption of income tax which does not effectually exempt. We feel that the pretence of exempting workers up to a certain limit is rather a shabby one, and that there is a good deal of demagogy about it. No matter how far you raise that exemption you are going to be under pressure constantly to raise it again. We are not in competition with organizations which are urging the lifting of the exemption, because we believe it is of great importance to the workers that they shall actually contribute, and know they are contributing to the Government, even though the tax may be only one or two cents on pay day. We believe that if the tax were made universal it would be possible to level out the tax rate in the lower brackets so that it would be only a nominal amount. We have tried to show the way whereby that nominal amount can be easily and inexpensively collected.

We are constantly under pressure, Mr. Chairman, from our constituent bodies to advocate this or that panacea, this or that measure, whereby there will be prizes for everybody and nobody will have to pay much. We could of course court a good deal of popularity by keeping up with those who suggest raising the exemption level from \$1,200 to \$2,000 and then to \$3,000, and so on. There is no end to the process, but it has got to stop somewhere. We believe that sooner or later the workers will realize that the total exemption they are supposed to receive is taken into account in the fixing of salary rates. The fact that a worker does not pay any income tax is apparently reckoned when his union is negotiating wages, and the exemption is more illusory than real.

That is why we take the stand that in order to combat the indifference on the part of some workers to proposals which involve heavy increased taxation that they should be brought to realize that they are paying a little of that tax. Of course, I would not tax a person who was getting \$10 fortnightly any more than one cent. I know that person would not pay that, but he would see on indication on his pay cheque that he would have gotten one cent more if he had not been taxed. It might make him think before advocating in favour of the scheme.

Mr. STIKEMAN: Do you feel that affixing a stamp to the pay cheque by the employer would increase the already heavy burden which the employer bears under the present system, or would it be a simplification from the employer's point of view?

Mr. MEIKLE: We feel that affixing a stamp would be a much more simple method of collecting taxes.

Mr. STIKEMAN: Simple for both parties?

Mr. MEIKLE: Yes, because there are so many people who have to make up forms from time to time and the company has to make certain deductions up to 95 per cent and then the worker at the end of the year is faced with the problem of making up income tax forms for himself. If the whole amount had been taken out of the pay cheque by the stamp method, he would have the feeling that he was through. I agree with Mr. Burford to a certain extent,

that the workers in general must realize that they are partners in the Government of this country. There are so many people to-day who are unfortunately well below the income tax brackets and they do not take very much cognizance of the fact that they are partners in running the affairs and controlling the expenses of their country.

Hon. Mr. VIEN: Are there many working in that income bracket?

Mr. MEIKLE: In the eastern part of Canada unfortunately that is true. We hope some day they will be raised to the higher level where they will be paying income tax towards a fair share of running the Government of this country.

Hon. Mr. VIEN: Is not the vast majority of workers above that level?

Mr. MEIKLE: Yes, I would say that the majority of the working class are above the \$1,200 level.

Hon. Mr. VIEN: I do not mean the majority, but the vast majority.

Mr. MEIKLE: I would agree with that. But our opinion is that the workers in general should understand that they are partners in the state, and they should pay willingly their share of the maintenance of that state. It makes for more responsible citizens.

Hon. Mr. VIEN: I agree with that principle.

Mr. STIKEMAN: Is it your opinion that the present T-1 Special Form, the simple form for taxpayers in receipt of earned income less than \$3,000, is still too complicated for the average worker?

Mr. MEIKLE: Yes, it is my opinion, and I think it is the opinion of the great majority of workers when they go to make up that form they have a great headache in making it up. I think you will agree with me that the average worker to-day if he is working for \$1,200 or \$1,500 a year, is not entirely capable of making out a form of that kind. It is a matter of put and take here and put and take there, with the result that he feels obliged to go to some lawyer or accountant, and hand the thing over to him and say, "This is it; I wish you would make that out for me." It might cost him \$2 or \$5. The papers are made out, and are sent in to the Department. After the income tax people consider the return he might get a notice that he is \$10 short on his tax return. This whole matter becomes a very great headache to him—the matter of making out the paper is a bigger headache to the worker than it would be if you dealt with stamps and he felt secure that his tax had been fully paid.

The CHAIRMAN: Are there any further questions?

Hon. Mr. McRAE: One suggestion has been made that rather appeals to me. I will give you a little personal incident. We had in our province one cent tax on employees. I had a girl, a Scotch girl, working for me. She was not interested in the Government or anything until she came to this one cent tax and it cost her 75 cents a month, as she was paid \$75 a month. She said to me when the election came around, "I am not going to vote for this Government, it is too extravagant." That bears out exactly the statement that has been made here.

Hon. Mr. CAMPBELL: I would not suggest that you deducted the tax deliberately?

Hon. Mr. McRAE: No, I never deduct tax on any of my employees. I agree with the principle enunciated, that everybody should contribute his bit. I never agree to pay taxes on employees but I will admit that I have raised salaries on account of taxes. I think it is a fine thing that everybody make his contribution to the Government.

Hon. Mr. CAMPBELL: Would the witness please tell us who the Canadian Federation of Labour represents?

Mr. BURFORD: The Canadian Federation of Labour is the original all Canadian body, formed in 1902 at Berlin, Ontario.

The CHAIRMAN: Where?

Mr. BURFORD: A very historic place, my birthplace. The organization has existed since that time.

Hon. Mr. VIEN: Where is its headquarters now?

Mr. BURFORD: The unions are scattered all over the country.

Hon. Mr. VIEN: Where are the headquarters?

Mr. BURFORD: In Ottawa.

Hon. Mr. McRAE: You left Berlin?

Mr. BURFORD: We left Berlin.

Hon. Mr. CAMPBELL: And your headquarters are now here?

Mr. BURFORD: Yes.

Hon. Mr. CAMPBELL: Does your brief speak authoritatively on behalf of all unions affiliated with you?

Mr. BURFORD: It was not possible to canvass them all on this question, Senator Campbell, but this is the opinion of our board which is elected from the unions.

The CHAIRMAN: How many does that represent?

Mr. BURFORD: There are five members of our board.

The CHAIRMAN: If there are no further questions I wish to thank you gentlemen very much for coming and appearing before us tonight.

This is probably the last meeting of the Committee before prorogation. The members are all aware that we cannot possibly meet between sessions. However, we have certain officials, such as Mr. Stikeman and his staff, and fortunately as I have just learned to-day the item of \$10,000 for which we had asked has been placed in the estimates. I think it will perhaps be in the House to-morrow. Our financial difficulties seem to be solved. As the Committee has no official standing whatsoever, after prorogation, I suppose it is the Committee's wish now that these people on our staff continue to be active.

Hon. Mr. CAMPBELL: May we hear a word from Mr. Stikeman as to what he has in mind for the interval?

Mr. STIKEMAN: Do you mean as to my activities during recess?

Hon. Mr. CAMPBELL: What do you think your staff could be doing during the interval?

Mr. STIKEMAN: It depends on what staff I am fortunate to employ. I would hope to employ a permanent full-time secretary, who is preferably an economist who would be in Ottawa all the time and who would do a great deal of the research required. I will then have to engage two or three girls who will card the material and keep the data in such a form to be looked up readily. I myself during the recess propose to rough out the draft of a report designed to meet certain limited objectives which can be presented to this committee when it reconvenes at the next session, for consideration by it. The report, I should think, should lead to some definite proposal with regard to the setting up of a board of tax appeals or the consideration of representations which have been made to us in that respect. I should like to correlate all the data, draft it into some form which can be readily assimilated by the Committee as a whole, and bring it to the Committee for discussion. I think I can most usefully employ the few months which elapse during the recess in that way. If any of the members of the Committee have ideas which would be constructive in this connection I would be very grateful to hear the suggestions.

Hon. Mr. VIEN: I think, Mr. Chairman, that sub-committee composed of the Chairman and a couple of members of the Committee, preferably those who live in Ottawa, such as Senator Crerar and Senator Lambert, should be empowered to continue and function during recess of Parliament, and they can be in contact with Mr. Stikeman.

The CHAIRMAN: Do you not think that is interfering with the Royal prerogative?

Hon. Mr. VIEN: It is with a view to advancing the work of this Committee in preparation for the reopening of the next session. I do not believe we can accomplish anything before the end of this session, but I suggest that there should be a committee composed of the Chairman and two or three of the members who could assist him in continuing the work and collaborating with Mr. Stikeman and the Department. A great deal of progress could no doubt be made during the recess and we would be ready at the opening of the next session to accomplish some valuable constructive work.

The CHAIRMAN: I think Mr. Stikeman and his staff will do that. We are not going to make any report to the Senate or anything of that sort; however, I do not think we would be arrested for doing some work on behalf of our country if we wish. I think your suggestion is a good one, but I do not think that there will be a great deal to do. Mr. Stikeman will have the work in hand. You suggested Senator Crerar and Senator Lambert?

Hon. Mr. VIEN: The Chairman, Senator Crerar and Senator Lambert. I think they would be quite enough to form a sub-committee during the recess. Perhaps Senator Campbell and Senator Bench could be added.

Hon. Mr. CAMPBELL: If you leave it at the Committee of three, and need assistance, we can be called upon.

Hon. Mr. VIEN: I think Senator Campbell should be on the Committee.

The CHAIRMAN: Mr. Hinds thinks it should be a sub-committee.

Hon. Mr. HAIG: Might I suggest the Chairman, Senator Crerar, and Senator Campbell, and second the motion to that effect?

Hon. Mr. McRAE: Will this sub-committee decide on organizations to be heard after the House meets?

The CHAIRMAN: I think Mr. Stikeman will have that all in hand.

Hon. Mr. CAMPBELL: I think Mr. Stikeman has that information in mind, and he might communicate with certain associations and indicate to them the nature of the material we wish them to prepare.

Mr. STIKEMAN: I have written every interested association, and have asked them for their briefs as soon as possible after the New Year. I should like to suggest that after the committee reconvenes, and has another legal existence, that we advertise in the newspapers similar to a Royal Commission, so that we may not be open to criticism that we have failed to give every taxpayer a chance to make whatever representations he wishes.

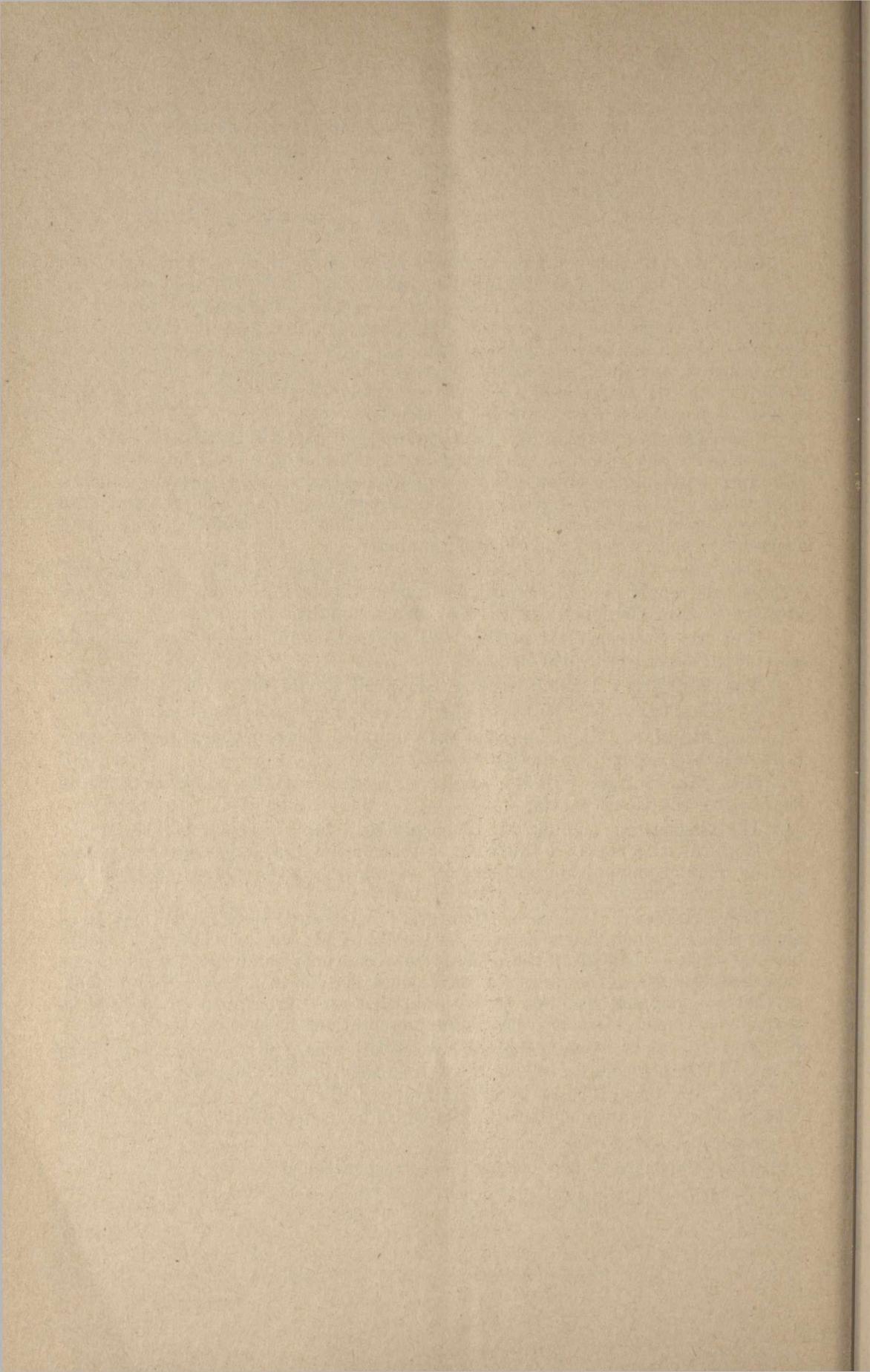
The CHAIRMAN: Before the Committee adjourns, and dissolves, I want to thank all the members for having made it so easy for the Chairman.

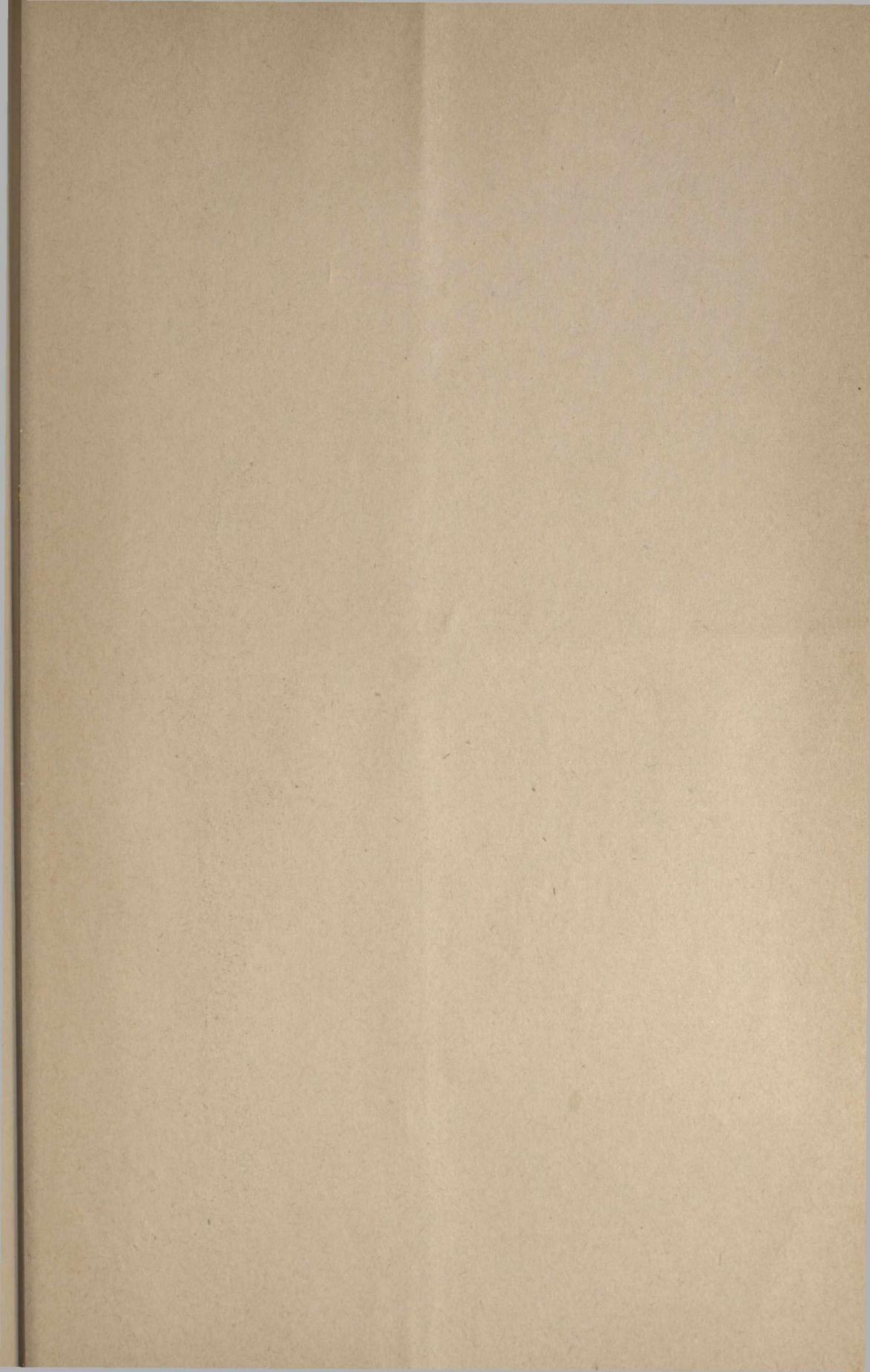
Hon. Mr. VIEN: Before we retire, I should like to pay high tribute to the Chairman for the extremely able way in which he has conducted our proceedings.

Some Hon. SENATORS: Hear, hear.

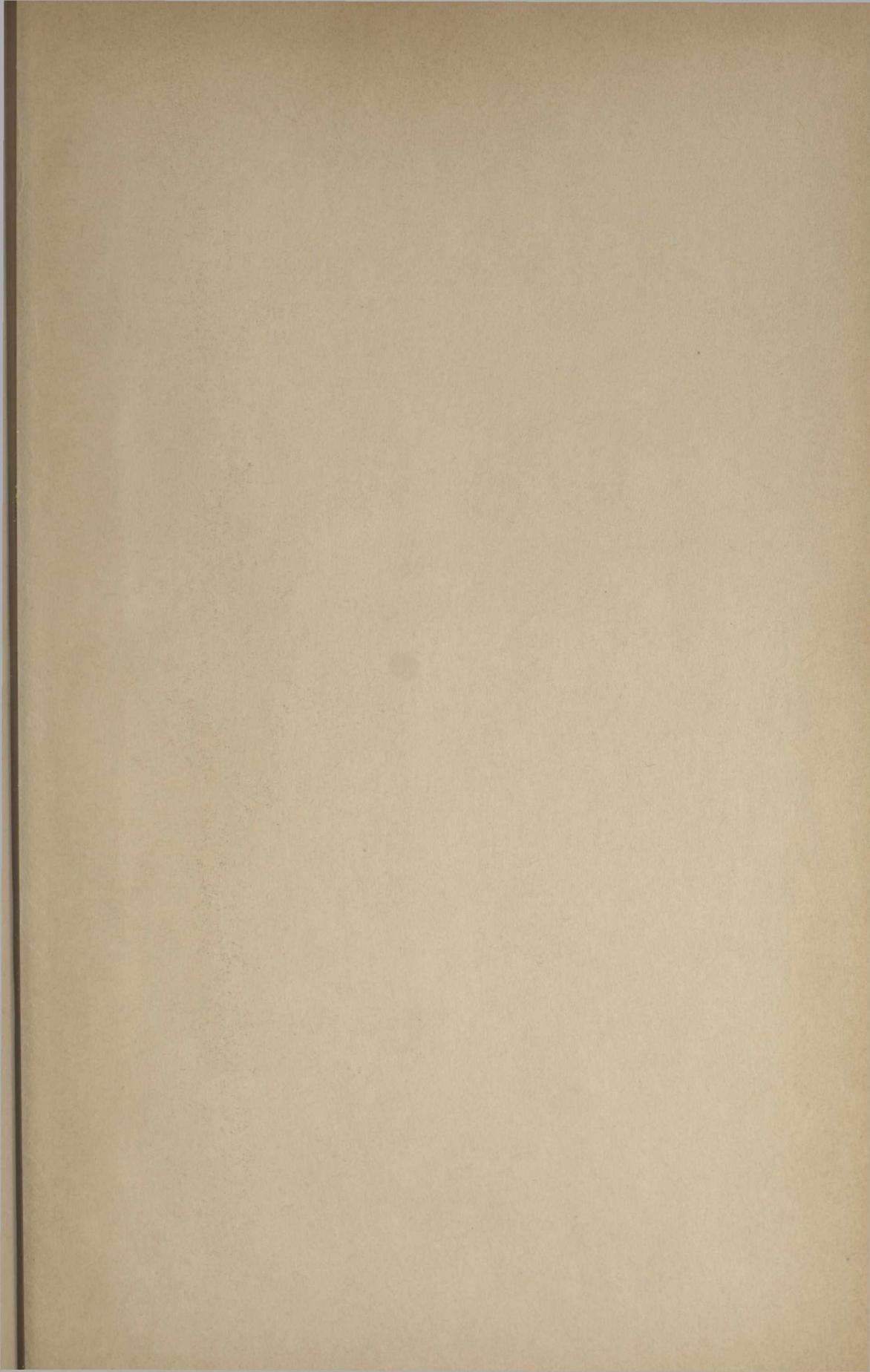
The CHAIRMAN: It has been a pleasure, gentlemen.

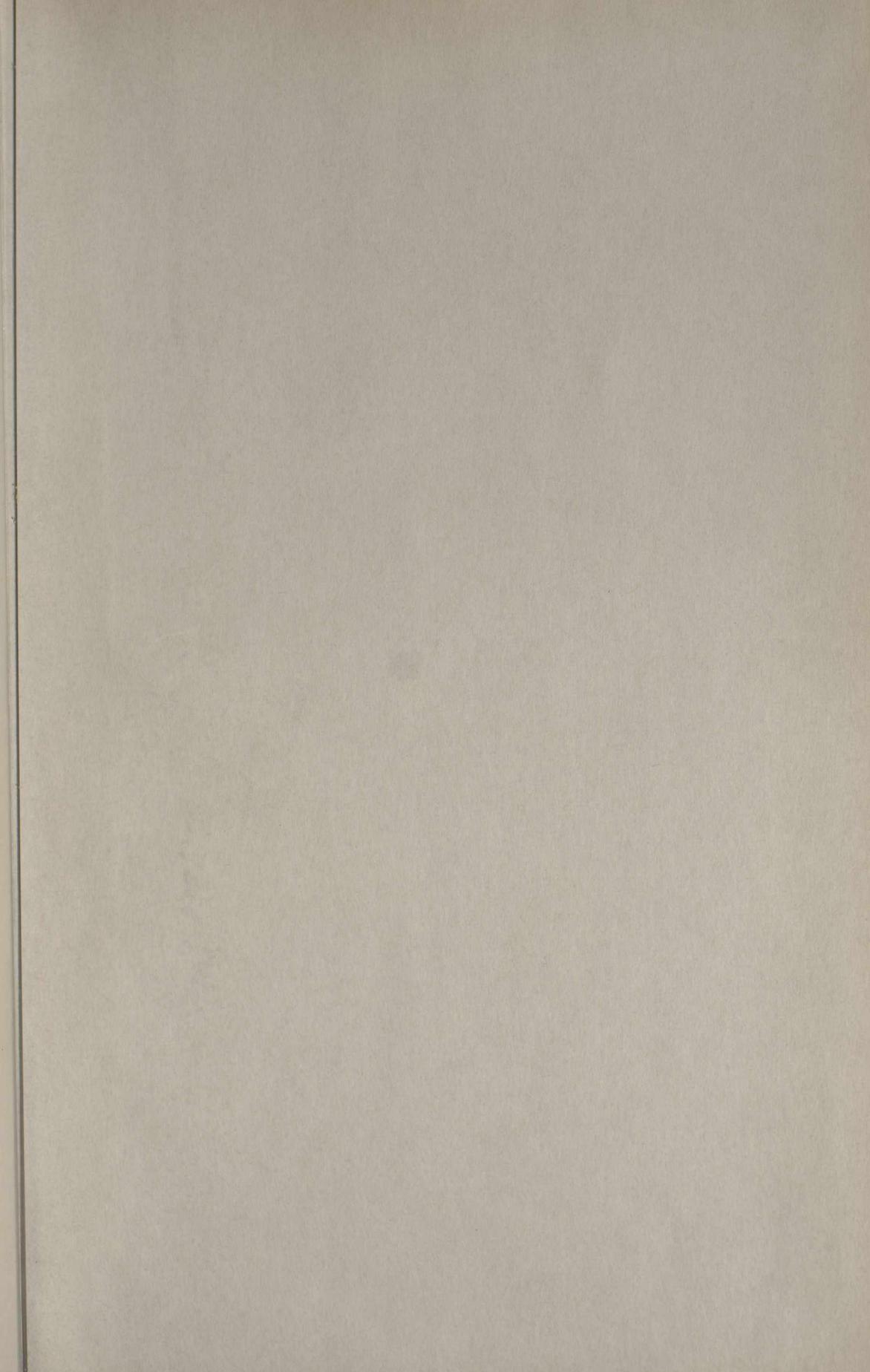
The Committee adjourned.

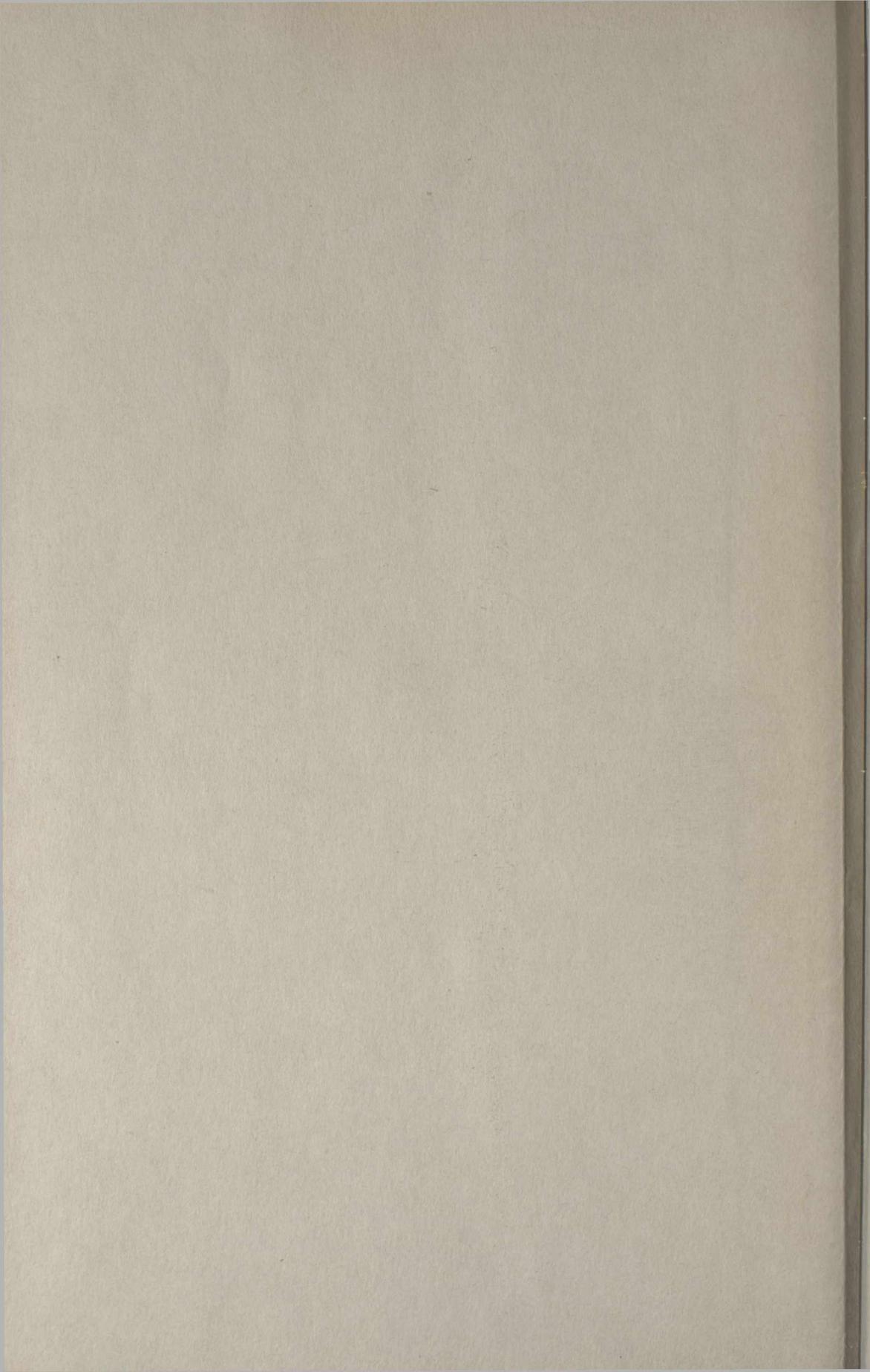












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