

and they claimed that half the profits should be treated as capital from July 1st. It was submitted to this company's solicitors that if that principle were followed the company would have a right to go farther, and claim a daily balance. You can see what the result would be. (A member—The Accountant would get the money instead of the Government.) So the Department ruled that profits made during the accounting period cannot be classed as capital.

Another ruling is that insurance taken as a sinking fund for payment of a mortgage is not considered as an expense.

It was surprising the number of firms in Canada, especially in respect to close corporations and private firms, where very small or no salaries were paid to the partners or members who conducted the business of the concerns. In some cases the Department was called upon to determine what was a proper allowance to make to these individuals. Now that could not be done by correspondence, it practically had to be done by personal interview, chiefly by the officials in the different districts where the tax-payers reside. The Department has ruled that a reasonable reduction should be made for salaries where no allowance has been made.

The next section has certainly been a bone of contention, that is, the question of capital—what is capital? The first subsection sets forth—capital shall be the amount paid up on its capital stock. Bonds or borrowed money cannot be classed as capital, but the interest paid thereon is considered as an expense of the business. "For the purposes of this Act the amount paid up on the capital stock of a company shall be the amount paid up in cash. Where stock was issued since January 1, 1915, for any consideration other than cash, the fair value of the stock at the date of issue shall be deemed to be the amount paid up on such stock. In estimating the value of stock issued for any consideration other than cash, regard shall be had to the value of the assets, real and personal, movable and immovable, and to the liabilities of the company at the date as of which such value is to be determined."

The Department holds that where a trade or business has been converted into a company and the shares in the company are wholly or mainly held by the person or persons who were the owners of the trade or business, no value shall be attached to such shares so far as they are represented by "goodwill" or otherwise than by material assets of the company unless special circumstances warrant consideration. But patents and secret processes shall be deemed to be material assets. I may say the ruling I have just quoted is in conformity with the ruling in Great Britain. Another point that has arisen on which the view of the