

Deductions Not Allowed in Computing Income.

12. (1) In computing income no deduction shall be made in respect of

General limitation.

(a) an outlay or expense to the extent that it was not made or incurred in gaining or producing income from property or a business,

Capital outlay or loss.

(b) an outlay, loss or replacement of capital, a payment on account of capital or an allowance in respect of depreciation, obsolescence or depletion except as expressly permitted by this Part,

Limitation re exempt income.

(c) an outlay or expense to the extent that it was made or incurred in gaining or producing exempt income,

Annual value of property.

(d) the annual value of property except rent paid in the taxation year for property used in the taxpayer's business,

Reserves, etc.

(e) an amount transferred or credited to a reserve, contingent account or sinking fund except as expressly permitted by this Act,

Payments on income bonds.

(f) an amount paid by a corporation other than a personal corporation as interest or otherwise to holders of its income bonds or income debentures unless the bonds or debentures have been issued or the income provisions thereof have been adopted since 1930

(i) to afford relief to the debtor from financial difficulties, and

(ii) in place of or as an amendment to bonds or debentures that at the end of 1930 provided unconditionally for a fixed rate of interest,

Corporation tax.

(g) a corporation tax, as defined by regulation, paid to the government of a province, or to a municipality, or

Personal or living expenses.

(h) personal or living expenses of the taxpayer except travelling expenses (including the entire amount expended for meals and lodging) incurred by the taxpayer while away from home in the course of carrying on his business.

Unreasonable expenses.

(2) Where a disbursement or expense or a part thereof is otherwise deductible, only such part thereof as is reasonable in the circumstances may be deducted in computing income.

Miscellaneous Rules for Computing Income

Chief business, office or employment.

13. The income of an individual for a taxation year shall be deemed to be not less than his income for the year from his chief business, office or employment.

Inventories.

14. (1) For the purpose of computing income, each item in an inventory shall be valued at its cost to the tax payer or its fair market value, whichever is lower, or in such other manner as may be permitted by regulation.

(2) In this section "an inventory" means a detailed list of property the value of which is relevant in computing the taxpayer's income from a business for the taxation year.