specific provisions are set forth the Department has no power to change them.

Another question of vital importance to those engaged in business at the present time is that of inventories. Owing to the very high prices now prevailing, and the practical certainty of a drop when normal conditions return, the Department has ruled that inventories of merchandise shall be taken at cost, or at market values if less than cost. It is no business of the Department if a company sets aside a reserve against the contingency of a future fall in prices. But whether any part or the whole of that reserve will be allowed as an expense can only be determined after scrutiny of the returns for assessment purposes, and consideration of the conditions that have arisen after the setting aside of that reserve; the Department cannot settle that question in advance.

Now as to the collection of the tax, there seems to be some misunderstanding among the business community and the newspaper fraternity. Take the 1917 period; many persons say, "Well, you have not collected for 1917 yet." True—and why? Under the Act 1917 returns do not have to be submitted until July 1, 1918, and the Act as originally passed provided that no assessment for 1917 should be made until 1st September, 1918. In making the assessment the Department must be a year to a year and a half behind.

Another question which affects corporations largely is the treatment of life insurance premiums paid. The Department has held that corporation life insurance can not be regarded as an expense, it is rather an asset; and on the same principle the proceeds that will be realized from such policies will not be treated as profits. We consider that that is a fair ruling. Otherwise, if the persons insured die, under the present rate of taxation, if the profits of the company amounted to 20%, it would mean that the Government would be taking practically 75% of that insurance instead of the company.

Question—In the case of term insurance, a policy taken for five years, say, where there is no surrender value, the premiums paid are absolutely gone; does that make any difference?

Answer—In my opinion it is much better for the company to have the payment treated not as an expense, for the premium paid would be small, while if it were treated as an expense the proceeds received in case of death would have to be treated as a profit and taxed accordingly. Treat the payments as capital, and you get credit as capital if the policy is paid.

Q.—But in the event of no death it is a straight expense?

A.—It would be in that case, but in respect to an endowment policy or tontine or any policy where there is a surrender