

## Auditor General's Report—Part T

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AUDIT OFFICE, OTTAWA, November 12, 1895.

SIR,—In your letter of the 9th inst. you intimate that you had replied in part to my letter of the 2nd. I do not find that I have received any reply to that letter before that dated the 9th, now to hand.

I would like to have the statements asked for in my letter as soon as possible.

You state that the late Minister of Justice had informed the controller in your presence, that the power to make regulations respecting the manner in which tests for duty on spirits should be made, was fully vested in the department by sect. 1, cap. 23 of 53 Vict., and that the regulations proposed thereunder were submitted to him for his approval before being promulgated. I assume from this that you have no official statement to this effect, either from the late minister or his deputy. If you have any official approval, either by the minister or his deputy, of the regulations which you state were submitted to the minister for his approval, please let me have a copy.

I am, sir, your obedient servant,

The Commissioner of Inland Revenue.

J. L. McDOUGALL, A.G.

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AUDIT OFFICE, OTTAWA, November 18, 1895.

SIR,—I am inclosing herewith copy of a letter and statement in reference to deficiencies at distilleries, which I have sent to the Treasury Board.

I am, sir, your obedient servant,

The Commissioner of Inland Revenue.

J. L. McDOUGALL, A.G.

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AUDIT OFFICE, OTTAWA, November 16, 1895.

SIR,—On February 20, 1894, the Department of Inland Revenue issued Circular G. 412, and on March 6 following, Circular G. 142 a, amending the regulations as to the testing for duty on spirits. These circulars direct that all future tests for duty should be figured at a temperature of 40 deg. Fah., and that the tests made since the previous July 1, 1891—the date when the determination of duty by weight became compulsory, should be amended in accordance.

I received a few days ago, papers showing the reductions made through the effect of those circulars for the years 1891-92, 1892-93, and part of 1893-94, and I inclose herewith a statement of the results and of the corresponding diminution of the revenue. After the date of the Circulars the tests were figured at a temperature of 40 deg. Fah., and the effect of the new regulations cannot be definitely fixed, but the result is evident from the reduced amount of the deficiencies, and the fact that a surplus is in some cases produced.

Previous to the issuance of the Circulars, several distillers had paid duty on the differences of 1891-92, and to these the same quantity of spirits was issued duty free.

The result of figuring the tests for duty at 40 deg. Fah. in several cases, changed the deficiency into a surplus, which by direction of the Commissioner was carried to debit of stock book.

I questioned at the time, the authority of the Department to issue these Circulars, and the Commissioner stated that the oral opinion of the late Minister of Justice, that the authority rested with the Department, had been given.

I inclose herewith copies of the circulars and correspondence in reference hereto.

I am, sir, your obedient servant,

J. L. McDOUGALL, A. G.

The Secretary, Treasury Board.