

tration of this Act the Department desires to deal fairly with the taxpayer.

Q.—I am convinced of that; I think, however, the solution depends on whether or not this tax is to be a continuing measure; if it is only for a three year period, and if at the end of that time the dealer is still carrying a stock at prices much above normal and so facing a future loss that is not provided for in assessing his tax.

A.—That statement is correct; all I can say is that the taxpayer must trust to the fairness of the Department when it makes his assessment for the next year. No rule can be made in advance setting forth any exact rate that would be allowable, it would depend on many factors, the Department must be the judge; subject, of course, to the taxpayer's right of appeal if he sees fit.

Q.—It may be of interest to point out that the English authorities have passed legislation allowing two years after the cessation of hostilities within which loss on stocks carried over may be adjusted and deducted from the tax.

A.—There is no such provision here.

Q.—No. The point is you do not regard this as a continuing tax.

Q.—You have given a number of important rulings. Is it possible to get these in a shape to be available?

The President.—That is dealt with in the President's address.

Q.—In regard to inventories and goods that have gone out of fashion or become shopworn, is it expected that the merchant (I speak with special reference to the small trader) shall take these goods at cost price and a deduction made at the foot of the inventory and that deduction set out on his return? Generally a merchant in taking stock prices such goods at what he considers them worth to him, and in fixing his selling price he bases it on the last current inventory price, so unless he used two columns of prices he would not know just what he had taken off. Would he be accused of an evasion of the Act by taking them at the price he considers them worth?

A.—Where the market value of merchandise is less than its cost, owing to being out of fashion or for other reasons, a merchant in my opinion would be justified in taking it in at what he thinks its fair value at the time the inventory is taken. That is subject to the approval of the Department as to the price being reasonable.

One other point in respect to the Business Profits War Tax Act. Many taxpayers, and by that I mean taxpayers as defined by the Act, sec. 2, are inclined to decide for themselves as to whether or not they are taxable, and so neglect to file returns.