

tion of railroad work. It will probably take a long time to overtake what has been postponed during the war and postponement cannot be continued indefinitely. This factor should have a fairly important bearing upon general industrial conditions at that time, and upon engineering employment conditions.

BUSINESS PROFITS TAX.

The new war tax on business profits is now in operation. It is a tax of 25 per cent. of all profits made since the war commenced in excess of 7 per cent. in the case of incorporated companies, and 10 per cent. in the case of firms, individuals and partnerships. Assessment will be made at Ottawa before September 1st and payment of the tax must be made before November 1st. Without doubt, every engineer, contractor and manufacturer will find it desirable to be well posted on all phases of this new tax, so as to avoid unnecessary friction, and also so as to avoid paying more than the Act is really intended to demand.

Clause 7 of the Act states: "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." A correspondent inquires if goodwill is an asset under this head and if so, whether there is any basis upon which its value can be estimated for the purpose of a tax.

Goodwill, as a general rule, will not likely be considered by the finance department as an asset under that head. Goodwill has always been a much-discussed item in the balance sheet. Some companies have included it in their financial statements as representing the value of \$1. In other statements, it has been put at \$1,000,000 and sometimes more. Each case will be given separate consideration.

Provision is being made for the valuation of new capital issues after February, 1916, but outside of that, "will the amount of capital employed in the business as on January 1st, 1915 (being the cash value of the capital stock plus reserve and rest at that date) remain unchanged throughout the three-year period of taxation as the basis for a 7 per cent. allowance?" The reply is that the amount of capital will remain unchanged throughout the three-year period of taxation.

A third question of interest is this: "Will the income tax charges for the first and second years be admitted as legitimate deduction from the profits of the second and third years respectively?" The answer is "No."

A charge for salaries reasonably representing the value of services rendered will be recognized by the commissioner of taxation as a legitimate expense. In some cases partnerships do not pay management salaries but instead, apportion profits at the end of the year. Some private corporations pay only nominal salaries. These practices tend to show larger profits than properly should be shown. Consequently business will be subjected to heavier taxes. Therefore, a reasonable charge for salaries will be admitted.

Unimpaired reserves or accumulated profits which have been put back into the business may, according to the act, be included in determining the amount of capital employed. Private corporations should take credit for everything for which they are entitled in the way of capital, as all such capital is entitled to earn 7 per cent. before the tax begins to operate.

Several firms are carrying business or partnership insurance; that is, insurance on the lives of their managers, directors and chief executive officials. They ask as to how the premiums paid on such insurance policies should be treated in making returns to the government under the Act. The premiums paid on such policies are regarded as an asset and, therefore, cannot be deducted as an expense from gross profits. At the commencement of the accounting period following the period in which the premium was paid, the amount can be treated as rest and added to capital for the purpose of the Act.

It is useless to submit hypothetical questions to the department of finance in regard to the operation of this act. They refuse to answer any excepting specific and definite inquiries. The act will be administered in a commonsense way and each knotty point will be considered separately and solely upon its merits.

The notices which have been mailed to companies in regard to the new taxation include a copy of the act. Copies may also be obtained at the head office of *The Canadian Engineer*, as a supply has been furnished to us for the benefit of our readers.

PROPOSED SPECIFICATIONS FOR DOUGLAS FIR BRIDGE AND TRESTLE TIMBERS.

(Continued from page 57.)

each of the four sides, measured across the sides anywhere in the length of the piece. It shall not have in volumes 1 and 2 (Fig. 1) knots greater in diameter than one-fourth the width of the face in which they occur with a maximum of $1\frac{1}{2}$ in. in diameter. It shall not have in volume 3 (Fig. 1) knots larger than one-third the width of the face in which they occur, with a maximum of 3 in. in diameter. Knots within the centre half of the span shall not exceed in the aggregate the width of the face in which they occur. Diagonal grain in volumes 1 or 2 with a slope greater than 1 in 20 will not be permitted. When stringers are of two-span length they shall be considered as two separate pieces and the above restrictions applied to each half. The inspector shall place his stamp on the edge of the stringer to be placed "up" in service.

IV. **Caps and Sills.**—4. The timber shall show 85 per cent. of heart on each of the four sides, measured across the sides anywhere in the length of the piece, and shall be free from knots larger than one-fourth the width of the face in which they occur, with a maximum of 3 in. in diameter. Knots shall not be in groups.

V. **Posts.**—5. The timber shall show not less than 85 per cent. of heart on each of the four sides, measured across the face anywhere in the length of the piece, and shall be free from knots larger than one-fourth the width of the face in which they occur, with a maximum of 3 in. in diameter. Knots shall not be in groups.

VI. **Longitudinal Struts or Girts.**—6. The timber shall show all heart on one face; the other face and two sides shall show not less than 85 per cent. of heart, measured across the face or side anywhere in the length of the piece, and shall be free from knots over 2 in. in diameter.

VII. **Longitudinal X-Braces, Sash Braces and Sway Braces.**—7. The timber shall show not less than 85 per cent. of heart on two faces and shall be free from knots larger than one third the width of the face in which they occur, with a maximum of 2 in. in diameter.

VIII. **Branding.**—8. The inspector shall brand each timber which conforms to the above requirements "Selected Structural Douglas Fir."