

it should not be liable to taxation under this Act, being taxable in other countries.

The next section deals with something about which you gentlemen have doubtless had some experience, that is, Depreciation. If I mistake not, prior to the coming of this Act the Chartered Accountants of this Dominion were chiefly concerned in urging upon their clients the necessity of making adequate provisions under this head. I understand you have not had any trouble on that point since. More recently in the administration of the Act the question of appreciation and depreciation of securities has been raised; the Department holds that appreciation or depreciation based on stock exchange quotations of securities cannot be taken into consideration in determining profits for the purposes of this Act. The same principle applies to land. Many persons claim depreciation on lands, especially western lands. The Department takes the position that so-called profits or losses of this nature cannot be taken into consideration until the investments have been disposed of.

In the administration of these Taxation Acts the desire and endeavor of the Department has been to look at questions from the standpoint of the tax-payer as well as of the collection of revenue, and if there is a doubt the policy has been, as laid down in the Customs Act, that the benefit of the doubt must be given to the tax-payer. Therefore when the question came up as to how the tax paid under this Act should be treated, the Department after careful consideration decided that the tax paid under the Business Profits War Tax Act should be considered an expense of the accounting period following that during which it accrued. Now, whether it appears in the accounts of the tax-payer or not, in the preparation of the assessment at Ottawa the tax paid is always so treated.

Donations to patriotic funds, etc., may be considered as an expense, and not a deduction from the tax payable. Many letters were received by the Department contending that contributions to the Patriotic Fund, Red Cross, etc., etc., should be allowed as deductions from the tax payable. If that were allowed, you gentlemen will readily see what the result would have been—there would have been no tax collected at all.

Another point in respect to profits came up; and in some cases I have no hesitation in saying that it results in what seems a hardship; that is, that losses incurred in one period cannot be allowed as a reduction against profits of a succeeding period; the Act sets forth clearly that "such tax shall be levied against and paid by the person owning such business for each and every accounting period ending after 31st December, 1914." The powers of the Department are administrative only, and where