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(c) It would be desirable to ascertain the actual administrative practices of the Department of National Revenue in valuing inventories to be sure that the L.I.F.O. practice was not being permitted in some cases. If the appeal were won and it was decided then to allow the L.I.F.O. system, properly safeguarded, there might not be any serious difficulty. If, however, the appeal were lost and legislation had to be enacted which would, in effect, reject or seriously limit the use of L.I.F.O., it would be embarrassing to find that it had already been permitted in practice. The government had to be sure that it was not sanctioning the L.I.F.O. principle in some cases unknowingly.

(d) There was an implication in the judgment that the concept of profit varied over the years with changes in accounting practices. That concept had never been very clear, in any event, and it had been further confused by the recent Supreme Court judgment.

(e) It would not be desirable to delay seeking leave to appeal. The firms affected by the decision wished to know where they stood and any delay would create the unfortunate impression on their Lordships in the Privy Council that the government had not been able to make up its own mind. Leave to appeal should be sought now and at the same time a serious study begun to find just what accounting and taxing procedures in regard to inventory valuation had been applied in the Department of National Revenue.

68. The Cabinet agreed:

(a) that leave for appeal to the Judicial Committee of the Privy Council be sought with respect to the judgment of the Supreme Court in the case of the Crown against Anaconda American Brass Limited on inventory accounting methods; and,

(b) that the Department of National Revenue examine and report upon its procedures to determine if, in fact, it had applied or allowed this use of the L.I.F.O. principle in valuing inventories; and,

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