

All accounts receivable on the books of the taxpayer at that date are capital. Now we only want to tax the income that has properly accrued for the 1917 accounting period, the net profits for that period are what is taxable, and against the sales of that period they should set aside sufficient reserve to meet the bad debts of that period.

Q.—Certain legislation was enacted by which certain industries were practically ruled out of business, the distilleries, the breweries; how would you propose to deal with the depreciation down to the vanishing point of the investment in those industries?

A.—I wish to say that conditions that prevail, say in B.C., are entirely different from conditions in Quebec, the breweries are still doing business in Quebec. The Act provides that the profits made during each and every accounting period shall be taxable. Each accounting period must be taken by itself. But I can understand a brewer, or even a merchant engaged in the wine and spirit business, having a great many accounts on his books which would have been perfectly good if the business had continued, but which as a result of the prohibition legislation have become worthless. In the adjustment of the assessment those worthless accounts must be considered.

Q.—But as to land, buildings and plant?

A.—The plant has to be depreciated by a reasonable amount, there is a certain residual value. That is a question of fact in each case, you cannot make a general rule.

Q.—Have you in mind in that connection the depreciation allowed persons who created works for the manufacture of munitions of war, where the Government allowed such a price for the product as would enable them to write off the whole plant, besides a reasonable profit?

A.—Well, that arrangement was by the Imperial Munitions Board, not the Dominion Government. According to rumor they had two classes of contracts. One was at a certain price which included the cost of installing the machinery; the other did not.

Q.—Referring to the business profits tax, a partnership is subject to the normal and super-tax?

A.—No, that is under the Income Tax Act.

Q.—Yes, a partnership is subject to both normal and super-tax; a company is not; and in the discussion before the House it was stated that you propose to equalize that by taxing the man who receives the dividend. How do you propose to overcome the possibility whereby under that state of things the company can undersell a partnership to the extent of the difference?

A.—The question you raise is one with respect to legislation; I am only dealing with the administration of the Act. But