

company, but on the Department. And as to that, I consider that it is far better for the Department to be sure and to get the full amount of tax that is rightfully payable rather than hastily fix an arbitrary amount which may be much below what it should be, or on the other hand, to have to deal with an appeal case; by that course the administration will be ahead much more than the small amount of interest lost; besides which we have also the good-will of the tax-payers, which is very essential, where we are covering, from a centre at Ottawa, the whole Dominion. The assessment of a municipality is an entirely different matter. There the Assessor can come in contact with the taxpayer at once. The maximum staff employed throughout the whole Dominion during any one year, including the staff at Ottawa, in the administration of the Business Profits War Tax Act, was forty, half of whom were stenographers and typists. Often it was much less. The principle we followed was that this was a temporary Act. The Department could have put on a large staff, run up a heavy expenditure and completed the work in four or five months, and for the rest of the year the staff would have been idle, or else we would have had to release them and hire a new staff for the next year, resulting in lack of uniformity. It was considered more advisable to have a permanent organization for the three years and preserve uniformity of administration. The Department expects that the tax payable during the three years the Act was originally intended to cover will be collected by the close of the fiscal year.

Q.—I would like to ask a further expression as to the attitude you propose to take with respect to inventory reserves. I understand your position is that the taxpayer may set up whatever reserve he deems advisable, but you reserve the right to disallow that or deal with it as you think fair. Suppose an inventory so taken, the goods have since been sold at a profit, will you say that is a taxable profit even though the taxpayer had to turn around immediately and invest a still larger amount in goods at prices still further enhanced and so has still in prospect a future loss?

A.—If there has been no loss incurred at the time the returns are scrutinized, why should any allowance be considered? It is a question that must be left largely to the judgment of the officials dealing with the matter, we cannot lay down any set rule. We had a case not long ago of a company handling a line of goods in which there was a material drop in prices. At the date of the returns the stock was set forth as being worth a certain amount. In determining the assessment six months afterwards those factors were taken into consideration. I cannot impress upon you too strongly, gentlemen, that in the adminis-