

## THE BUSINESS PROFITS AND INCOME WAR TAX ACTS.\*

By R. W. Breadner, Commissioner of Taxation, Ottawa.

WHEN our mutual friend Mr. Hutchison asked me to address you, I at first hesitated, but on considering his request I thought it was due to you gentlemen, with whom the Department is so closely associated, especially in the administration of the Business Profits War Tax Act of 1916 and the Income War Tax Act, 1917, to comply, if I could be of any assistance to you.

I will speak first concerning the provisions of the Business Profits War Tax Act. I do not intend to enter upon any discourse as to the reasons why such an Act was placed on the statute books, but to deal with the administrative features of it. The Act became law on the 18th day of May, 1916, but it relates to any accounting period ending after December 31, 1914. A good many persons, especially tax-payers, have the idea that the Act applies only to profits made after that date; now the Act does not say that, it specifies that it shall apply to each and every accounting period which ended after the date stated, and that it would apply to a period of not less than 36 months. In other words, if the accounting period of a company was the calendar year, the profits made between the 1st of January, 1915, and the 31st of December, 1917, were to be taxable. At the last session of Parliament the Act was extended for another year. If the accounting period ended 31st January the Act would apply to profits made between February 1st, 1914, and 31st of January, 1917, and since extended to 31st of January, 1918. In other words, each company that was in existence prior to 1st of January, 1915, and has not changed its accounting period since that time, will be liable for taxation for 48 months, irrespective of the date when the accounting period starts.

Another question is as to the interpretation of "each and every accounting period." Many institutions prepare monthly statements, or quarterly, pay quarterly dividends, etc., but their accounting periods are not in my opinion monthly or quarterly. The ruling given on that point is that accounting periods may be considered as annual where the custom has been to submit

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