

If they have any reason to doubt the accuracy of any return, it is for them to investigate and make an assessment. Reports of mercantile agencies will be available to them, and I think that they will be able to make their assessment, first, by calling for the return, and afterwards by carefully checking it up.

Mr. A. K. MACLEAN: Will the minister outline the form of departmental organization he has in mind to carry out these resolutions?

Sir THOMAS WHITE: I have not settled the details, but the organization which I have in mind is after this fashion. The assessments will be made from the department here. Returns will be made to the department, and the assessments as finally determined will be sent out from here by registered letter, under the provisions of the Act. We shall have to somewhat enlarge our staff here, which will be, so to speak, the Ottawa departmental staff. Then we shall have to have an organization, not very extensive, in each province, or in each area of the country, for the purpose of obtaining information as to those thought to be liable for the tax, and other information upon which we could call for returns and make the assessments.

Mr. MACLEAN: Will these appointments be made by the minister directly or by the Government?

Sir THOMAS WHITE: I had not thought that out, but I think they would be made by the Government on the recommendation of the minister.

On paragraph 10, sub-paragraph 2:

(2) So far as the capital consists of assets being debts due to the business the value shall be the nominal amount of those debts, except bad debts proved to be such to the satisfaction of the minister.

Sir THOMAS WHITE: I would ask permission to strike this clause out. I think that its substance would be implied, and the clause would raise too many questions of detail in the administration of the Act. This is taken from the English Act. Undoubtedly, in estimating net profits of a business, proper allowance would have to be made for bad debts, and I do not think it necessary to provide in such detail that they should not be allowed unless the minister permits.

Amendment agreed to and sub-paragraph as amended agreed to.

On paragraph 10, sub-paragraph 3:

(3) Accumulated profits employed in the business shall also be deemed capital.

Mr. MACDONALD: Would the minister make a short statement of what is to be deemed as capital in the case of firms?

Sir THOMAS WHITE: The capital of a firm is the difference between its assets and its liabilities. In the accounts of a firm there would be, for example, office premises, goods in stock, accounts receivable, and any other assets that might belong to the business. The liabilities need no definition. If one subtracts the liabilities from the assets as I have defined them, the difference will be the amount of capital actually invested in the business. If private individuals or firms have accumulated profits over a course of years, and put them back into the business, of course they would appear as part of the assets of the business.

Mr. CARVELL: Suppose they put these profits in some outside investment, as many good business men do?

Sir THOMAS WHITE: We are assessing only businesses, and if a man has taken profits out of his business and invested them in something privately, in some other part of the country or of the world, unless that was an investment relating to his business it would not come under the provisions of this Act.

Mr. MACDONALD: Will this apply to firms of professional men?

Sir THOMAS WHITE: I think that professional men are not engaged in business in the ordinary acceptance of the term. I had thought of that, but I do not think it is important, as very few professional men will have \$50,000 invested in their business.

Mr. CARVELL: Very few would have it altogether.

Mr. NESBITT: This law comes in force on the 1st of January, 1914. If a partnership came within the \$50,000 provision and were liable under the Act, and had made a profit last year and had invested it in outside business, would that money be liable?

Sir THOMAS WHITE: If they make the profit they are liable, no matter what they do with it.

Sub-paragraph 3 agreed to.

On paragraph 10, sub-paragraph 4:

(4) Any borrowed money or debts borrowed or incurred in connection with the business shall be deducted in computing the amount of capital for the purposes of this section.