I would point out that to a certain extent that has been remedied; that in respect to the accouning periods of 1918 and thereafter the tax paid by the corporation will be 6% instead of 4%. 4% is the normal tax, and the shareholder will only receive credit to that extent, not for the 6%, so there is a difference of 2%.

Q.—As to the publication of the rulings of the Department and also whether anything has been done with respect to the issue of a primer on the income tax, such as that issued by the Treasury Department of the United States?

A.—Both of these matters have been considered by the Department; the rulings have been collaborated, and an Income Tax Primer has been prepared, but it was considered advisable, as the Income War Tax Act is a new Act, not to issue a primer or book of rulings until the Act had been in operation for a period. I expect both will be issued at an early date, and after that the rulings under the Income War Tax Act will be published monthly, and I shall see that the Secretary of the Chartered Accountants' Association receives a copy.

Q.—A lumber concern with a large plant, whose share capital is, say $100,000, with a bond liability of $75,000, secured by a mortgage on all their property except lumber and stock in trade, and with a large loan liability unsecured, a few years ago bought a portable mill for $50,000, used in the course of their business, and it of course came under this mortgage. They have since sold this mill for, say $150,000, which amount was appropriated to the liquidation of the unsecured loan. No depreciation has been charged against profit and loss for any of the years on fixed plant and machinery, and no dividends ever paid. Would this apparent profit of $100,000 be taxable?

A.—If the total assets were sold outright that is a sale of capital, it is not profits from operation. It is the sale of a capital asset.

Q.—Suppose the sale of capital assets produces a large profit, is that taxable?

A.—The profits taxable are profits earned in the operation of the business.

Q.—Suppose someone bought a boat for $50,000 and sold it for $200,000, is that profit taxable?

A.—Unless the business of the person is buying and selling boats, no. And that is in accordance with the decision of the Privy Council in Great Britain. Take the Hudson's Bay Co., they have a large area of land, they are selling it, the decision of the Privy Council is that they are a trading company and the profits made in respect of that land is not income for income tax purposes in Great Britain; it is the return of capital.