Q.—An industrial company holds real estate, and sells for cash a part of its land not required for its business. Many companies in B.C. are like this. The company declares a dividend out of this special profit in real estate. This dividend I claim is not subject to tax, but how does it affect the shareholders liable to the supertax?

A.—The receipt of that dividend by a shareholder would be a return of capital largely; it is only actual income that would be taxable. The Act provides that there shall be an allowance made for depletion of mines, etc. The same principle has to be extended to timber limits, and the depletion of real estate, etc. It is a question of fact what proportion of that is income and what proportion return of capital.

Q.—A large company holds a big line of war bonds and declares a stock dividend out of the interest received thereon by buying and distributing further war bonds. It is presumed that this dividend is not subject to income tax.

A.—If the bonds have been issued by the Dominion Government tax free, the Department cannot tax the income derived from them, whether paid in cash, or stock dividend, or however paid.

Q.—In case of a concern selling their product on long deferred payments, such as a retail piano business, is it your ruling that the taxable profits consist of the surplus added as a result of the sales during the accounting period, or of the realized profits actually received, whether the sales were made during that period or in earlier years?

A.—It is the profit made during the accounting period that is taxable. A merchant engaged in that business should set aside a reasonable reserve for bad debts, and it is net profits that are taxable.

Q.—I happen to know that your ruling is different from that of the U. S. Government.

A.—We are not guided by that.

Q.—Is that a ruling of the Department, or have I only got that ruling from the local office?

A.—If the local officer gave a ruling such as I have now stated, he will be sustained.

(Oral questions.)

Q.—That matter about provision for future losses. Now, the case of the piano dealer who has the sale notes on his books, and who wisely makes provision for the losses he may sustain on the notes taken that year. Is that a provision for future losses?

A.—That is a current loss; it is the amount applying to that period. The Income Tax Act came into force January 1st, 1917.