

number. This included written and oral communications to the department and it was indicated that less than one half were from the province of Saskatchewan. Consequently, it would appear that this is not a serious problem or argument.

In looking into this matter closely, I find that the Department of National Revenue is applying the strictest interpretation to the exemption provisions under the Excise Tax Act. In relation to the equipment referred to, the act exempts any such equipment which has a price of over \$500 and is especially designed for use directly for roadmaking, road cleaning or firefighting, but not including automobiles or ordinary trucks.

The words used in the exempting provision are far from high examples of clarity. Is a tractor equipment which is "specially designed" for roadmaking, as distinct from road maintaining? I should like to stress this, Mr. Speaker. It is just as well designed for road maintenance, and yet the Department of National Revenue has gone so far as to take the position that such equipment could not be used for road maintenance. For instance, is the Caterpillar or Champion grader patrolling the municipal roads and trimming the shoulders building up the road and therefore making the road, or is it only maintaining it? Just how ridiculous can the government officials get at times, Mr. Speaker. Every reeve and counsellor who is concerned with this subject will know that in the great majority of cases involving the use of such equipment, it would require a great deal of hair splitting to establish any difference, and the line between the two in most cases would be most difficult to draw.

To cite one more specific example of the ambiguity of some departmental decisions, there is the case where a municipal council had hoped to use their municipal road equipment for levelling a licensed airfield which was owned and operated by the municipality. The Department of National Revenue customs and excise investigation section gave the municipality a flat "no". In yet another case, the municipality was confronted with the question of the application of the federal sales tax to its equipment when used to do custom work for another rural municipality.

Here the situation is the same on a very strict interpretation of paragraph (c) subsection (4) of section 27 of the Excise Tax Act. If the equipment is used for other than permitted uses, that is roadmaking, road cleaning or fire fighting, the sales tax may be levied whether the equipment is applied to such use in the municipality which was the first purchaser of the equipment or in another municipality. This seems to be an irrational policy on the part of the Department of National Revenue. Where the use is a permitted use within the meaning of section 27 (4) of the Excise Tax Act, and where the equipment is employed in another rural municipality in a permitted use, that is roadbuilding, this consequence should not follow as a matter of commonsense.

An example in point would be where, for instance, municipality A has its own equipment working on a north-south road forming its western boundary and municipality B immediately to the west must replace a culvert, say, or repair approaches to a bridge on an east-west road very near to where the road equipment of

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municipality A is working. On a strict application of the act the equipment of municipality A could not be taken across the road into municipality B to make repairs without leaving itself open to levy of the federal sales tax on that equipment. Strictly speaking, municipality B would have to bring its equipment for perhaps 20 or 30 miles to make these minor repairs.

Another common discrepancy is the case of ratepayers within the municipality approaching their council with the request to plough out snow from their driveways in the winter after the municipality has purchased a new motor patrol with a snow wing in order to clear their main grid roads of snow in the winter.

Numerous requests as I said earlier, have been made to the government to amend this section of the act in question. Both the Minister of National Revenue and the Minister of Finance (Mr. Turner) have promised to give serious consideration to remedying this particular complaint, as it so seriously affects our municipal governments according to the correspondence I have on file, but so far no action has been taken. It should be said in all fairness to the officials who have to administer this act that it is not they who determine the policy and that they are responsible only for the administration. The remedy lies with the Minister of National Revenue and the Minister of Finance and ultimately with parliament.

This afternoon I have purposely kept my comments very brief because in dealing with this subject and in discussing it with some of my colleagues on both sides of the House, I know that they would wish to support the intent of this motion. To this end, I urge most strongly these ministers, and the government of which they are part, to amend the Excise Tax Act in order to broaden the range of permitted uses for municipal equipment beyond the area of road making, road cleaning and fire fighting, and to remove the other unnecessary and anachronistic restrictions on the use of municipal equipment.

• (1710)

Mr. Judd Buchanan (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the motion of the hon. member for Qu'Appelle-Moose Mountain (Mr. Southam) is related to situations where a municipality has purchased an article free of federal sales tax but subsequently diverts the article to a use which does not qualify it for tax exemption.

The Excise Tax Act provides that sales tax is not payable in respect of certain specified articles when sold to or imported by municipalities for their own use and not for sale. This exemption includes:

—equipment, at a price in excess of five hundred dollars per unit, specially designed for use directly for road making, road cleaning or fire fighting, but not including automobiles or ordinary motor trucks.

If a municipality purchases this equipment free of sales tax and then permits it be employed in work that is not for the use of the municipality, or that is not a use that qualifies for exemption, the municipality becomes liable for the sales tax. This is required by section 27(4) of the Excise Tax Act which reads as follows:

Where a motor vehicle or tractor or a machine or tool for operation by a motor vehicle or tractor