

Sales Tax on Equipment

Mr. Deputy Speaker: Is it the pleasure of the House to adopt the said motion?

Some hon. Members: Agreed.

Motion agreed to, bill read the second time and the House went into committee thereon, Mr. Honey in the chair.

The Chairman: Order. It being five o'clock I now resume the chair.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Deputy Speaker: Order. It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: The hon. member for Hillsborough (Mr. Macquarie)—External Affairs—Request for representations on behalf of oppressed Ukrainians—Effectiveness of Canadian action; the hon. member for Winnipeg North Centre (Mr. Knowles)—Canadian National Railways—Retired employees' pensions—Request for annual escalation and change in basis of calculation—Representations by minister; the hon. member for Richmond (Mr. Beaudoin)—Unemployment Insurance—Payment of benefits delayed—Proposed steps—Advisability of decentralizing Montreal services.

PRIVATE MEMBERS' MOTIONS

FINANCE

PROPOSED REMITTANCE TO MUNICIPALITIES OF SALES TAX PAID ON EQUIPMENT

Mr. R. R. Southam (Qu'Appelle-Moose Mountain) moved:

That, in the opinion of this House, the government should consider the advisability of remitting to municipalities, pursuant to section 22 of the Financial Administration Act, all consumption or sales taxes paid or payable by or to be paid or payable by such municipalities, in the five years immediately preceding January 1, 1972 and in subsequent years commencing with that date, in respect of municipal equipment, otherwise exempt from such tax, but so taxed or liable to be so taxed by reason that such equipment has been or may be applied to any use as described in paragraph (c) of subsection (4) of section 27 of the Excise Tax Act.

• (1700)

He said: Mr. Speaker, I welcome the opportunity to rise on this occasion to speak to my private member's notice of motion appearing on the order paper as motion No. 2 dated February 23, 1972. It might be well to recall, for the sake of the record, and for those in whose interest this motion has been sponsored by myself, that this motion appeared in my name on the order paper last session as item No. 40. However, because of the large number of private members public bills and members motions, my

[Mr. Deputy Speaker.]

motion No. 40 did not quite reach the top of the list before the session finished.

The motion just read by Mr. Speaker refers to a very controversial situation which has existed in the province of Saskatchewan for several years with respect to the federal Department of National Revenue's application of the sales tax to certain municipal machinery, and from my information it has been a burning question in both the provinces of Alberta and Manitoba. There seems to be a definite opinion on the part of municipal officials that the Department of National Revenue has been coming down far too hard lately upon municipalities when municipal equipment has been used to do custom work for ratepayers or do minor street repairs for a village within the outer boundaries or minor jobs for school units, which for the most part are done gratis.

Other examples can be given, such as a municipal snow-plough being called in to clear the small runways that have to be provided by villages and towns in outlying areas with small hospitals so that the Saskatchewan air ambulance can land to pick up emergency cases in order to fly them into some large centre such as Regina or Saskatoon. At other times in the dead of winter a piece of municipal equipment may be called to open up a section of roadway upon which a school bus may be stalled with a busload of schoolchildren. In any event, it seems that the Department of National Revenue is far too keen on applying the federal sales tax to municipal equipment that may have been used for purposes that I have cited, even to the point that it has in some cases been called utter discrimination.

The department has at times sent investigators to municipalities in various parts of the province for the purpose of checking municipal records to discover the extent of such uses. Where these investigators decide that there has been a diversion of the use of equipment, they treat the equipment as having been sold on the date of such diversion and levy the federal sales tax on the value of the equipment at the date of the diversion. Needless to say, the councils of the municipalities which have used municipal equipment to help out a school unit or small village have been very much disturbed at this approach by the federal government.

The problem has brought forth a number of requests from municipalities to have the law clarified and more fairly applied. Mr. S. J. Safian, Q.C., legal counsel for the Saskatchewan Rural Municipal Association has put the case very strongly to the government. The Hon. Darrel V. Heald, former attorney general of Saskatchewan, on April 6, 1971, made a strong plea by letter to the former minister of finance suggesting that he and his colleague, the Minister of National Revenue (Mr. Gray), should take some action to amend the law. At that time, the minister of finance in his reply took the side of the Minister of National Revenue and the bureaucrats by indicating that private contractors would be hard done by. It should be interesting to note at this point that Mr. Safian made a special investigation into these so-called complaints of private contractors and was informed by Mr. L. Ramsden, district chief of the investigations section, customs and excise, that the total complaints received from the two provinces of Manitoba and Saskatchewan did not exceed 12 in