

The motion was agreed to, and the bill was read the second time, on division.

THIRD READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Macdonald: I move the third reading now.

The motion was agreed to, and the bill was read the third time, and passed, on division.

EXCISE TAX BILL

SECOND READING

Hon. Salter A. Hayden moved the second reading of Bill 450, an Act to amend the Excise Tax Act.

He said: Honourable senators, this is an amending bill which comes before us each year incorporating changes in rates and other items. I propose dealing first with the various tariff items which are affected, and then with the item that creates Part II of the Excise Tax Act and which has come to be known as the magazine tax.

If you look at section 1 of the bill you will see that we have had and will have until this bill becomes law a premium tax of 2 per cent under the Excise Tax Act, which goes to the federal treasury. That is a tax on the premium income received by all fire, life and casualty companies other than marine. This amendment proposes the repeal of that provision. I should state, although it does not appear in this bill but appeared in an earlier bill dealing with federal-provincial tax relations, that this item of premium tax is being left available for the provinces to use, if they so wish, and under the so-called tax agreements the premium tax, if utilized by the province, is defined in such a way as not to be a corporation tax for purposes of that agreement. I understand only one province in Canada, namely Quebec, imposes a premium tax at present.

Section 2 retains the premium tax of 10 per cent. It is a tax that is payable by an insurer on the amount of the premium that he pays for insurance which he places with a company not licensed to do business in Canada. Now, that is an existing provision in our law and it has been there for years. Section 2 makes it clear that the repeal of the 2 per cent premium tax does not affect this 10 per cent tax. Then there are incidental amendments for the purposes of clarity in the application of the 10 per cent tax. As to just how valuable or effective some of the efforts contemplated in this section will be in enabling the Government to collect the

10 per cent, I do not think it is necessary for me to express any opinion at this time.

If we pass on to the top of page 4 of the bill, we see that section 4 provides for an amendment to one of the sections in the present Excise Tax Act. It is a section which describes how to arrive at the basis of value of an article for purposes of calculating sales tax, and it also provides for the insertion of a third item. The other two items now in the act are by way of additions to the price. This third item is by way of a reduction in the price, in that to arrive at the value you are entitled to exclude certain fees paid by the manufacturer to the Government for inspection, marketing, stamping or certification thereof in respect to capacity, accuracy, standard or safety, if such fees are shown as separate items on the manufacturer's sales invoices.

Section 5 of the bill simply adds several more items to a list of articles that are made specifically exempt from sales tax. The new section 32 (3) provides for the exemption of articles which are of the character of casual donations. For example, some person from outside Canada may send to a person, or may order to be delivered to some person in Canada something by way of a present, and if the value does not exceed \$10 the goods are exempt from sales tax.

The other tariff item deals with articles for exhibit in public museums, libraries and schools, and violins manufactured over one hundred years ago. I am sure that is an item which will be very often used!

Hon. Mr. Hackett: In the Senate?

Hon. Mr. Hayden: Also antiquities produced prior to 1847. Tariff item 705 covers settlers' effects. These are items that are added to section 32 of the Excise Tax Act as a further list of exemptions from sales tax.

Section 6 deals with schedule I. It provides a long list of items which are made subject to special rates of excise tax. Section 12 of schedule I is repealed and re-enacted, although the only change is that which is underlined towards the bottom of the page. Under Schedule I as it now stands, in section 12, subparagraph (c) (iii), articles of china, porcelain, earthenware, etc., are subject to a 10 per cent excise tax except where they are sold or imported for use exclusively in the manufacture of electric lamps or where they are for use in the preparation or serving of food or drink. In subparagraph (c) (ii), immediately preceding, articles of cut glassware, crystal glassware, cut or not, etched glassware, or metal-decorated glassware, were dealt with, and there was no exception; that is, the 10 per cent excise applied in all cases.