

*Excise Tax Act*

urban areas where there is no longer any major road building left to be done and where the major items of fire fighting equipment already have been purchased. By far the greatest expenditures today are for the purchase of automobiles and small trucks for the use of the various departments of the municipalities.

I believe that if this government was sincere in its repeated expressions of sympathy for the municipalities it would have seen fit to extend this concession to them. The argument used by the minister is an old one which was also used by the former minister and I do not think he has readily given this problem very serious consideration. I sincerely hope he will do so before long.

**Mr. McMillan:** Mr. Chairman, under municipalities there appear the words "goods for use as part of a sewage and drainage system" and it says that the minister might name any agency to act on behalf of the municipality, which agency, I presume, would recover the sales tax. I may say in connection with sewer systems that there are different sizes of cast iron pipes—4 inches, 6 inches and 8 inches—that might be utilized. They also use pipes of these sizes in water systems, and I take it there is a sales tax payable on water pipes. How does the minister presume to differentiate between the use of these two different pipes when made to serve as water pipes or sewage pipes?

**Mr. Winch:** Mr. Chairman, I also am in the position of not quite understanding why the Minister of Finance will not give complete recognition to the principle that goods which are purchased solely for the purposes of municipalities ought to be exempt from taxation. I want to commend what the minister said a few moments ago, and support such steps as he now intends to take. But there appear to me to be a number of anomalies. For example, if a municipality purchases a fire engine, which lasts 10 or 15 years, they will be relieved of taxation of this kind, but I would point out that one of the larger expenses of a municipality is the purchase of cars and trucks, and these only last two or three years. Take, for example, the city of Vancouver and its requirement to purchase large numbers of vehicles for the use of the police department. These vehicles are all bought for a municipal purpose, and in Vancouver, as far as I know—and I think I know the situation fairly well—every time they purchase a new car for police purposes another car is turned in in exchange. In the long run all purchases

[Mr. Regier.]

made by a city or municipality are for the purposes of that city or municipality itself, and I am not able to understand the minister's argument that he cannot extend the policy which is exemplified in this bill to the point of removing sales tax on all municipal purchases.

**Mr. Fleming (Eglinton):** This is a very long subject. For one thing, we have a deficit this year of \$648 million. For another, one would have to go very far in examining the different types of goods which are used by the municipalities. There are very great difficulties in applying the ordinary safeguards which it is the responsibility of the Department of National Revenue to apply in dealing with exemptions when goods of certain kinds are purchased by municipalities.

We have gone a considerable distance this year; we have gone that distance in seeking to create more exemptions for municipalities. The exemptions that are created by this bill in favour of the municipalities will be worth \$5 million to the municipalities of this country in a year. We think that is a very substantial measure of assistance to municipalities, and we have moved in the direction of exempting goods of a nature with respect to which it is possible for the Department of National Revenue to exercise a proper degree of control. The department has, of course, the responsibility of policing the exercise of these exemptions and making sure that the exemptions are not being abused. We have made these exemptions in directions where we can be sure that it is the municipalities and the municipalities alone which will derive the benefit, and where we are not at the same time creating unfair discrimination.

**Mr. Benidickson:** The minister would agree that there is no restriction on exemption for sales tax with respect to hospitals? He accepts that there is full exemption in the case of public hospitals.

**Mr. Fleming (Eglinton):** And the same applies to the provinces. Goods purchased by a province are not subject to sales tax. But then it is so much easier to police the purchases made and to see that the act is being properly administered. You have 10 provinces in this country, but you have nearly 5,000 municipalities. It is an entirely different matter.

I have to point out in this connection, arising from the hon. member's remarks, that in the case of the provinces which impose a provincial sales tax they do not, I think, exempt the purchases made by municipalities.

Here we have gone a very long distance in a direction which will, I hope, commend itself