

*Special War Revenue Act*

same concern presents an administrative difficulty in the lesser activity of supplying gravel to a municipal road it cannot possibly be an administrative problem as great as that involved in its activity on the general provincial account. So there can be no justification for continuing the discrimination on the ground of administrative difficulty. It is something that is not of great importance, and if the suggestion of the leader of the opposition were accepted and the word "municipal" added and the other provision exempted, that would bring everything on the same basis.

Mr. DUNNING: All right; I at any rate am convinced, and as I am not the administrative department I can the more easily accede to the proposal. That would involve an amendment to the printed resolution inserting the word "municipal" after the word "county."

Mr. BENNETT: The amendment as it stands would be all right down to the substituted part.

Mr. DUNNING: The printed copy would then read:

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county, municipal or township roads.

If that is agreeable, the proposed amendment being withdrawn I will ask my colleague now to move:

That the item reading as follows in the existing law be now struck out:

Crushed stone produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks and not for sale.

That would be entirely unnecessary after the insertion of the word "municipal."

Mr. MacNICOL: Would this item include stone and gravel used in the construction of street railways? For instance, in Toronto the Toronto Transportation Commission, I understand, builds the roadways and lays the tracks but does so at the expense of the city. Would this include gravel and stone used in that kind of work?

Mr. DUNNING: If it is used in the building or maintenance of a provincial, county, municipal or township road it would be exempt. The item does not mention railways but I do not anticipate that there would be any difficulty. It would be difficult for the department to claim that that

[Mr. McGeer.]

part of the gravel which was under the street car tracks was taxable while the rest was not. As a practical matter I have no doubt about it.

Mr. BENNETT: What in practice is the fact now? Do they collect sales tax on that?

Mr. DUNNING: In practice such municipalities come under the other section.

Mr. BENNETT: I understood as an administrative matter that where contractors are working on some of our roads it was ruled by the department that they were not called upon to pay this tax, and in other cases they were. I want to know what the practice of the department is.

Mr. ILSLEY: Up to the present, if a contractor purchased the stone it was taxable, as in such cases it would not be sold to the province.

Mr. BENNETT: Suppose he used it on a provincial road, does he pay tax?

Mr. ILSLEY: Legally he was taxable.

Mr. BENNETT: Some, I think, escaped.

Mr. ILSLEY: There are some border line cases with which I am familiar.

Mr. DUNNING: There will not be any under the amendment.

Mr. ILSLEY: I see this difficulty under the amendment. The hon. member for Davenport (Mr. MacNicol) has raised the point whether stone and gravel purchased by a street railway company for use in its railway on a city street is taxable. I should say it was. If there is any administrative trouble about the matter we may have to reconsider it, because it is certainly the intention of the department to collect the tax in such a case. With the amendment first proposed that difficulty could not have arisen because the crushed stone would have to be sold to the municipality or be produced by the municipality before it was exempt.

The CHAIRMAN: The proposed amendment is:

Resolved, that it is expedient to amend the proposed amendment to the Special War Revenue Act, introduced May 1, 1936, to provide that schedule III of the said act shall be amended by striking out the item reading as follows:—

Crushed stone produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks and not for sale.