

### *Sales Tax on Equipment*

with private contractors is stretching things a little farther than I am prepared to accept.

The question he has opened up today is one that is certainly worthy of a lot more consideration by the government. The whole question of whether municipal equipment should be exempt from sales tax while other equipment should not be exempt I feel should also include the question whether or not sales tax should be eliminated altogether on such equipment. Inquiries I have made in my department in this regard have not convinced me that this is a realistic proposition at the moment.

The trouble lies not so much with the larger items, which are easily identifiable and can be controlled fairly easily in that they can be traced quickly and efficiently to the manufacturer, but rather it lies with the smaller items that are purchased from storekeepers or dealerships. Here the problem is much more complicated.

As the hon. member is aware, it is necessary for a municipal purchaser to supply an end use certificate for items put to municipal use which are eligible for exemption. This process is a relatively simple one, I am told, when large items such as sewer pipes are involved. But when it comes to nuts and bolts and minor items which, though eligible, are purchased from small dealerships, this end use certificate procedure becomes complicated. The Department of National Revenue, which is responsible for keeping track of these certificates, spends a large number of man hours per fiscal year checking these very small purchases. In theory, one could suggest that it might be simpler to abolish sales tax procedures completely for municipalities, and undoubtedly this would be of major assistance to most municipalities. However, the amount of additional paper work involved, especially for small items, would be enormous.

If a different method of auditing could be worked out with the provinces whereby a better and more efficient check could be made of municipal expenditures for both small and large items of equipment—again I am talking about the theoretical situation where sales tax is abolished completely—then conceivably it might be possible to consider the hon. member's proposal, at the same time maintaining the safeguards which I am sure all hon. members would agree are necessary to prevent abuse. In view of the number of municipalities in this country, I am sure the procedure would be open to abuse if the doors were thrown open completely by eliminating sales tax on all items purportedly for municipal use eventually.

The question of municipal financing is one that concerns me particularly since I represent a constituency just across the river from Montreal. It is a bedroom or dormitory-type constituency that has doubled in size as well as population in the last 10 or 12 years. Although we see particularly the growing municipalities making mistakes that we all know how to avoid, mistakes that have been made elsewhere in North America, we are still repeating these mistakes.

Municipal finances are getting into an absolutely deplorable state today. I have letters from some of my constituents complaining about taxes amounting to \$800 or \$850 a year on houses worth no more than \$12,000 to \$13,000. I am sure few members of this House have constituents who are in such a deplorable situation. Anything

[Mr. Watson.]

that would help relieve the municipalities in my area of their burden would be welcome. However, the suggestion implied in the hon. member's notice of motion, I feel, does allow for certain abuse which, on reflection, I am sure he would not want to see. However, the opportunity he has given us to discuss this matter is appreciated.

**The Acting Speaker (Mr. Laniel):** Order, please. The hour appointed for the consideration of private members' business having expired, the House will revert to the business it was considering in committee.

## GOVERNMENT ORDERS

### INCOME TAX ACT

The House resumed consideration in committee of Bill C-169, to amend the Income Tax Act—Mr. Turner (Ottawa-Carleton)—Mr. Laniel in the chair.

**The Deputy Chairman:** It being six o'clock, the committee will now adjourn till eight o'clock tonight.

At six o'clock the committee took recess.

### AFTER RECESS

The committee resumed at 8 p.m.

**The Chairman:** Order, please. House again in committee of the whole on Bill C-169, an act to amend the Income Tax Act.

On clause 1—*Additional deduction from tax.*

**Mr. Lambert (Edmonton West):** Mr. Chairman, I do not think there is any need for me to traverse in great detail what was said in the debate on the companion bill to this one which applied to tax in 1971. At that time I indicated that I would support some limitation in the amount of the reduction. I would think that a limit of about \$60 would be right. That would represent a reduction of approximately 3 per cent on \$2,000 of tax payable. A man earning \$10,000 or \$11,000 would pay in the neighbourhood of \$2,000 in income tax. I do not have exact calculations in front of me. It seems to me, however, that we should be able to work on this basis. Bearing in mind the incomes that are earned today, I suggest that \$10,000 or \$11,000 a year embraces a large part of the working force.

Last December a representative of the NDP, the hon. member for Oshawa-Whitby I think, moved to impose a limit of \$40 in the amount of the reduction.

**Mr. Jerome:** The hon. member is referring to tax dollars?

**Mr. Lambert (Edmonton West):** Tax dollars, yes. At that time I suggested that was not enough because such a low limit eliminated a large group of people who today are known, shall we say, as the solid core of working people. After all, today it is not uncommon for a married man