

Excise Tax Act

Mr. Fleming (Eglinton): Fortunately, the minister has no corns.

Mr. Benidickson:—but I know there have been some sensitive spots of taxation as between the provinces and the federal government. I wonder whether this is another area in which, if we pass this particular item, there might be an element of further annoyance on the part of the province of Ontario and in particular on the part of the crown entity Ontario Hydro. Does a crown company like Polymer or Eldorado operating in Ontario pay taxes such as a gasoline tax imposed by the province of Ontario? Do they pay that tax? I think the matter has some relevance to the question of whether we should impose a tax on a ship that might be purchased by or built to the order of Ontario Hydro.

Mr. Fleming (Eglinton): I think the hon. member has overlooked the fact that there has been a provision in the act all along. The only change this amendment makes is to delete the word "construction" from the present exemption. On June 8 I gave at some considerable length the reasons for the removal of the word "construction". They are to be found at pages 4681 and 4682 of *Hansard* of June 8. That is the one change that is involved here, namely taking out the word "construction".

Mr. Benidickson: On June 8 I was grateful for the minister's explanation in this regard. Now I have a new question, and it is this. If we accept this amendment, would a ship constructed at the instance of Ontario Hydro be subject to the 11 per cent sales tax?

Mr. Fleming (Eglinton): The situation would be just the same as it was before the amendment was introduced.

Mr. Benidickson: I quite agree; but what are the facts? I am ignorant of the facts. I think the minister is much better informed than am I. He has in front of him two very knowledgeable officials who are in the taxing department. I wonder whether he would indicate just what are the facts.

Mr. Fleming (Eglinton): I think I have already pointed out that in that case sales tax would be levied unless the ship was to be used in the coastal trade or was acquired for the use of fishermen.

Mr. Benidickson: In other words, it is possible for the federal government to impose an 11 per cent sales tax on a crown company that is an entity of a province. In order to decide whether or not this procedure is fair or whether or not this provision should be amended to prohibit that procedure, perhaps the minister might indicate whether or not,

[Mr. Benidickson.]

on the other side, our federal crown companies such as those I have indicated—let us say Eldorado which operates in Ontario or Polymer which operates in Ontario—are assessed and pay a provincial tax such as a gasoline tax?

Mr. Fleming (Eglinton): The hon. member is aware of the fact that the provincial gasoline tax is a different type of tax altogether. It is not a tax that involves an assessment at all. So far as crown corporations are concerned, the only ones from which any attempt could be made to collect such a tax would be those that operate vehicles on the highways of the province in question. I do not wish to speak too generally concerning all the crown corporations. Some crown corporations undoubtedly have been affected by the sales tax but others obviously are not affected.

Mr. Benidickson: I think this is a matter of some consequence. We sometimes hear from the minister in other debates that everything is peace and harmony between the Conservative government at Ottawa and the Conservative government at Toronto. Then we read that, on the contrary, there is a real conflict in that there is a great dispute between these two governments as to which has the right to impose taxes on crown companies pertaining to the other. Here for instance, is a case in which the Ontario Hydro might be commandeering or building a ship. I want to know whether they would be taxed or whether the minister wants to tax them. I understand that the treasurer of Ontario takes very strong objection to paying certain sales taxes in connection with Ontario Hydro in respect of other purchases that Ontario Hydro has been making in recent years. I understand that similarly some of our federal crown companies think they should not pay the gasoline tax. I wonder whether this matter is being resolved and should like to get some information before we pass this schedule which, without amendment, might apply to the purchase of a ship by a province as much as by an individual.

Mr. Carter: I was going to express gratitude to the minister for this amendment but when he explained to the hon. member for Kenora-Rainy River that the only change in the wording is that the word "construction" has been dropped I am at a loss to know whether or not I should be grateful to him. It looks as though this legislation is now taking a bigger crumb and giving us a smaller one in return.

First of all, I want to point out to the minister the difference in the way in which