

*Special War Revenue Act*

municipality in relation to such matters. I have prepared an amendment, but really I have no very strong views on it; the administrative department is much more concerned than I am from the standpoint of revenue. The amendment is to substitute "crushed stone or crushed gravel purchased, produced or manufactured by any municipality exclusively for use in building and maintaining its roads or sidewalks, and not for sale." I should like an expression of view from the committee on that. The revenue involved is not considerable, but there is the fairly difficult problem of administration if the provision is widened to this extent.

Mr. GREEN: In British Columbia a large majority of the people live in municipalities or in cities, and it would be rank discrimination if they were not given that exemption. Is it the idea of the amendment that all gravel and stone used on municipal roads shall be exempt from sales tax?

Mr. DUNNING: The word "purchased" involves just that.

Mr. McGEER: I am trying to draw attention to the fact that an exemption has been extended on gravel used on provincial, county and township highways. I do not think there can be very much more difficulty in administering that tax if it is applied to a municipality than there will be in connection with a township. I notice that a number of townships in the east include places that normally would be municipalities. In the part of Ontario from which we have just returned there is a town called Kirkland Lake with a population of 18,000 which is within a township. If you are going to exempt what are obviously cities located within townships you can hardly be confronted with any administrative difficulties in a simple municipality, and you will straighten out this discrimination. I do not think it makes a great deal of difference to the municipalities, but as a matter of discrimination I think this amendment should be accepted.

Mr. ILSLEY: I would move the amendment to which the Minister of Finance referred.

Mr. DUNNING: This is not an amendment to the section before the committee but to the other provision already in the law with relation to municipalities.

The CHAIRMAN: The amendment reads:

Resolved, that it is expedient to amend the resolution proposing amendments to the Special War Revenue Act introduced on the first day of May, one thousand nine hundred and thirty-

[Mr. Dunning.]

six, to provide that schedule three to 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.

And substituting therefor the following:

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

Mr. BENNETT: Cannot the minister accomplish his purpose by merely taking the item that is before the committee and adding a single word to make it read:

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

Mr. DUNNING: No, because there is already an item which requires to be repealed.

Mr. BENNETT: Then just rescind that provision. This amendment, as it stands, involves the consideration of many factors which I do not think should enter into this discussion. If you just add the word "municipal" after the word "provincial" and repeal the provision concerning their own plants you have the matter settled.

Mr. McGEER: All that would be involved now would be this: If a municipality made a contract which involved the use of crushed stone, under this item the municipality would have to buy that stone as a separate item in the contract, in order to avoid payment of the sales tax. If a contractor bought it and used it on a municipal road it would not be exempt under the proposed amendment, but if a contractor buys gravel to carry out a contract made with a township, a county or a province he is not required to pay the sales tax. I think the suggestion of the right hon. leader of the opposition is the happier one, because it would completely eliminate all suggestion of discrimination.

Mr. DUNNING: Of course the distinction is the one to which the hon. member for Vancouver-Burrard draws attention. Under the amendment as proposed the municipality would have to be the purchaser of the gravel. From an administrative point of view this would be much easier to administer if we had an exemption from sales tax on gravel purchased or produced by the municipality, instead of trying to dig out the actual gravel factor involved in a contract with a city. We admit at once that with respect to these smaller towns it is very difficult to apply the provision in the same way, and that is why we are asking for two separate sections. Surely it will not be a hardship on the larger muni-