

the method of valuation for tax is based on establishing equity between manufacturers and is arrived at through confidential information obtained from the manufacturers and their competitors, it has been extremely difficult to devise an appeal which would not reveal the confidential information of one to competitors. The department is still studying this problem and is working closely with taxpayers and Associations of taxpayers, to endeavour to find an acceptable solution.

Reference 3. The reference here was to examine the problem arising under sales and excise taxes with regard to the tax payable by importers of goods and that payable by manufacturers in Canada of goods of like value. The department has already arrived at certain recommendations to meet this problem.

Reference 4. More changes have been made in the statute under the terms of this reference than any other. Reference 4 called for the examination of the system of exemptions for goods, based on the use of such goods. Although the recommendations made in this part of their report pertained to exemptions which were already in the statute, they provided by way of corroboratory suggestions for the wording of whatever future exemptions the government might see fit to grant. In certain areas, for instance, that of building materials, the committee believed the exemption to be unduly restricted. Since then, there has been a broadening in this and other areas, mostly in line with specific recommendations of the committee. Other amendments were made simply for the purpose of clarification, as for instance, the defining of the term "ship", to which the committee drew particular attention. The committee also placed emphasis on the need of broader publication of departmental rulings. As I have indicated, this is already in progress. The committee also made a recommendation with respect to responsibility in regard to exemption certificates. The department has already prepared its recommendations on this problem.

*General.* It should be remembered that the work entailed in the extensive revision called for by the committee is work added to the normal workings of the excise tax administration. In effect, it necessitates the review of the analysis of over twenty-five years of operations of administration for the purposes of codifying the departmental practices and formulating satisfactory law. So far the work done has been limited to administrative studies and the time is now approaching when the department will be consulting with the department of Justice and the Department of Finance for purposes of drafting the necessary statutory amendments.

The CHAIRMAN: Thank you, Mr. Sim. Are there any further questions?

Mr. BELL (*Carleton*): I would like to reserve further questioning on that point until I have had an opportunity to read the statement more fully.

Mr. HELLYER: I have a question, Mr. Chairman, with respect to building materials. There are quite a number which are exempt from taxes when used in the construction of new housing. Some of the materials, if they are prefabricated, such as kitchen counters, are subject to taxes. Has there been any change in that recently, or is it still the practice to apply the tax?

Mr. SIM: I think what the hon. member is thinking about is that there is an exemption if say, a kitchen cabinet is built on the job by a carpenter, whereas a cabinet that would be built elsewhere in a manufacturing establishment would be getting closer to furniture and would be taxable. That is a subject that has come up and there is no easy solution to it because say, a handyman with a saw and a hammer, on the job could do a lot of prefabrication that is very close to being furniture. There has been a suggestion of unfairness from the manufacturers who found themselves in competition with that sort of operation. I do not think there is anything new I can say in regard to this.