when the Senate adjourns today it do stand adjourned until Tuesday next, May 11, 1965, at 8 o'clock in the evening.

Motion agreed to.

EXCISE TAX ACT

BILL TO AMEND—SECOND READING

Hon. John J. Connolly: I have asked the honourable Senator Cook to move second reading of this bill.

Hon. Eric Cook moved the second reading of Bill C-96, to amend an act to amend the Excise Tax Act.

He said: Honourable senators, those of you who followed the proceedings in the other place during the passage of the supplementary estimates for the fiscal year ending March 31, 1965 will remember that there were two $1 votes which were not proceeded with by the Government at that time. These votes were the subject of some critical comment, not because of the purpose of the votes themselves, but because it was considered that what was to be accomplished should be done by way of separate legislation, and not by way of a vote in the supplementary estimates.

The Government accepted this view and in due course Bill C-96, which deals with one of these votes, namely Vote 3d, was passed in the other place without debate and without division.

Bill C-96 when enacted makes a quite simple amendment to the Excise Tax Act.

You will recall that the Excise Tax Act was amended in 1963 to provide that the sales tax exemption for production machinery and for certain building materials be withdrawn or discontinued. The 1963 amendment also provided that in the case of contracts entered into before June 13, 1963, a person who was obliged to pay the sales tax on materials called for by the contract, but who could not increase the price specified in the contract, would be entitled to relief. The period during which relief could be claimed ended on December 31, 1964.

It has now been brought to the attention of the Government that a few contracts were not completed by December 31, 1964, and it has been decided that to be fair a refund should be permitted in the case of these contracts on the same basis as for those completed before the December 31, 1964 deadline.

The legislation being amended is in two parts. One speaks of a "refund of tax" and the other part refers to a "payment of an amount equal to tax." This is necessary because contractors in a strict sense are not usually the taxpayers under the Excise Tax Act. They have to construct buildings or other structures under a contract, and to do so they have to buy building materials which became subject to sales tax on June 14, 1963. The taxpayer in the case of these building materials manufactured in Canada is the manufacturer of the materials. The contractor merely pays a higher price because the sales tax payable by the manufacturer has been added to the selling price of the goods he sells. However, the person caught between a firm price contract and additional tax-imposed costs is the contractor and he is the person to whom the law authorizes a payment of an amount equal to tax.

On the other hand, the manufacturer or importer of a machine, which under a contract he has to provide at a stipulated price, is a taxpayer under the Excise Act. The law authorizes that a refund of tax may be made to such persons caught between a requirement under a contract and the requirement to pay tax.

In all cases the firm price contract must have been entered into before June 13, 1963, and this is not being changed. The requirement that the goods must be sold and delivered before December 31, 1964 is now to be withdrawn.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Speaker: When shall this bill be read the third time?

Hon. Mr. Cook: Next sitting.

Hon. Mr. Roebuck: Honourable senators, is this bill not going to a committee? I think it ought to. It is not at all simple to me. I would like to see it referred to the Standing Committee on Banking and Commerce.

Hon. Mr. Connolly (Ottawa West): If the honourable senator feels it should be referred to committee, there is no objection whatever. I am sure Senator Cook will not object. This bill, as my honourable friend has said, deals with matters which were included in the supplementary estimates and which were subsequently withdrawn. If they had remained in the supplementary estimates they would not have gone to a committee. However, as I have said, if Senator Roebuck wishes the bill to go to committee, there is certainly no objection.

Hon. Mr. Roebuck: I think that should be done.