

Now to deal with the sales tax, it might be useful for me to outline briefly the sales tax treatment of pharmaceuticals under the Excise Tax Act. That is the Act that imposes the sales tax as such.

At the present time, there are 714 persons, firms or corporations licensed under the Excise Tax Act as manufacturers or producers of pharmaceuticals. Some years ago, it became apparent that Canadian manufacturers of pharmaceuticals were at an extreme disadvantage because these products could be imported in bulk and tax paid on the duty paid value. In 1959, it was decided to amend the Act to take care of the situation and to provide, among other things, that those importers who repackage for sale would be regarded as manufacturers and responsible for payment of the tax at time of sale rather than at time of importation. This necessitated a definition of pharmaceuticals which is now to be found in Section 2(1)(cc) of the Excise Tax Act. And here pharmaceuticals are defined as follows: "pharmaceuticals means any material, substance, mixture, compound or preparation, of whatever composition or in whatever form, sold or represented for use in the diagnosis, treatment, mitigation or prevention of a disease, disorder, abnormal physical state, or the symptoms thereof, in man or animal, or for restoring, correcting or modifying organic functions in man or animal."

I should point out that this definition is much broader than that of drugs in the Food and Drugs Act because it also covers proprietary, vitamins and medicines as well as pharmaceuticals for animals. In case it may be useful to the committee I will table a copy of a listing of the pharmaceuticals which we deem to be under our Act, and if more copies are necessary I will be happy to supply them. I think this is important because some of the figures I mention later on as being applicable to revenue derived from this source and the tax applied include a much broader range than the drugs which are defined under the Food and Drugs Act and which are considered basically for human consumption.

Other amendments, of course, were required to include as manufacturers or producers not only those persons who repackaged pharmaceuticals prior to sale but also those persons who sell pharmaceuticals under their own trade name. These amendments, however, did not include retail stores. It is to be noted that retailers who repackage in their retail stores are not regarded as manufacturers or producers.

Generally speaking, pharmaceuticals are marketed by manufacturers through all levels of trade so that we have manufacturers who sell to wholesalers only, others sell to wholesalers and to retailers, others to retailers only, and still other manufacturers who sell only directly to the consumer door to door. In saying this, one must understand what I have pointed out before, the much broader definition of pharmaceuticals that we have than is under the Food and Drugs Act.

In order to ensure that sales tax is not a determining factor in competition by reason of the method of distribution those manufacturers who regularly sell their pharmaceuticals to bona fide independent wholesalers in representative wholesale quantities are permitted to account for sales tax on sales to retailers, physicians, veterinarians and users on the same basis as if the sales had been made to wholesalers. The sales tax of course is applied at the manufacturers level.

Where a manufacturer does not sell in representative wholesale quantities to bona fide independent wholesalers, such manufacturers are permitted to account for sales tax on sales to retailers, physicians, veterinarians or users calculated on the determined whole-