

Mr. SIM: I would be pleased to place a statement on the record if the committee will listen to it. This has been prepared by Mr. Labarge, the assistant deputy minister in customs and excise. You will recall that Mr. Labarge accompanied the Carter commission as far as Australia in the course of their inquiries into the sales tax structure. I will read this.

The CHAIRMAN: Gentlemen, would you like to hear the report?

Some HON. MEMBERS: Yes.

Mr. SIM:

Since the submission of the sales tax committee's report to the Minister of Finance in 1956, continued attention and study has been given to it and a number of recommendations already implemented. The following notes by way of a progress report are divided according to the main headings of the sales tax committee's terms of reference.

It should be recalled that this committee's findings indicated general agreement that the administration of the Excise Tax Act has been fair and equitable but that this has resulted from practices for which there appears to be no statutory law. The report essentially recommends that these practices be not altered but that they be incorporated into the statute. Obviously a large part of the administration's success in reaching fairness and equity has been due to the flexibility with which it has been able to deal with a great variety of tax problems. The tax foundation, amongst others, has signalled the danger of this flexibility being lost in the process of spelling out administrative powers in statutory form.

The department's initial work, therefore, was to study and codify its practices. To do this, it began its studies at the most extreme end of its operations, namely, the issuance of rulings and of regulations, including the "C" circulars, which deal with values for tax purposes. It has already revamped the style of its circulars, with a view to their being more clearly understood and has added detail for their application to as many foreseeable situations as possible.

A small unit has been reviewing all application rulings for the purpose of publishing and distributing them to both taxpayers and tax officers. Meanwhile, the department has recommended and will be recommending to the responsible ministers, modifications which can be made in the statute in line with the committee's representations. A number of these changes have already been made in the act in certain areas for the purposes of clarification and certainty, despite the fact that many of them resulted in tax relief and reduction of revenue. Those recommendations which have been or are being considered for amendments to the act before a general revision is made, are amendments which can stand on their own without having repercussions on other sections of the act. In other words, they are those which do not have a chain reaction.

Therefore, under reference 1, we merely report progress. This reference deals with the problems arising under sales and excise taxes where manufacturers sell to consumers at different levels in the marketing process. It calls for the setting up of a definition of a tax basis for a statutory method of administrative practice designed to equalize approximately the tax payable on like goods.

Reference 2 deals with the subject of appeals and mentions specifically appeals on (1) values (2) non-arms-length transactions (3) exemptions (4) status of manufacture (5) penalty assessments. Here again, progress has been made and certain recommendations prepared for the drafting of new law. The question of the appeal on values is undoubtedly the most difficult to answer. Apart from the principle of providing a right of appeal, the committee did not make any practical recommendation as to appeal procedures. Since