

*Special War Revenue Act*

up to the fifty per cent British empire content requirement, the same chance as the larger manufacturer would have. That is the idea of the board in making this recommendation. While the verbiage appears at first glance to be a little peculiar, I think when my right hon. friend examines it more closely he will find it carries out this idea.

Mr. COLDWELL: Have the 10,000 automobiles or chassis to be of one particular type or make or can they consist of all types made by one company?

Mr. DUNNING: All types made by a single manufacturer provided the content requirement is lived up to.

Mr. COLDWELL: If the government is giving a rebate of duty on account of tires of British content, should not that decrease the price of the automobile, if the tire on the original equipment is worth less on account of the reduction in duty? We hear so many complaints of the increased price of automobiles, and my observation has been that the price of tires is considerably less in the United States than in Canada.

Mr. DUNNING: We are not dealing at present with the tariff item. The tax which is referred to in this paragraph is a tax of two cents per pound by weight which tax now exists on tires, and three cents per pound on inner tubes. This is a cost reducing factor, taking it off under the conditions set out in the resolution. But as has been pointed out, there are other cost increasing factors. While it is perhaps premature to mention it, and while I do not desire to precipitate a debate on the tariff relating to automobiles, which we shall reach later, I should point out that the examination of the tariff board indicated that it would take some little time for the cost reducing factors to be really fully operative, but I will come to that later.

Mr. BENNETT: Is there any tax other than the tire tax covered by (iii) of schedule II?

Mr. DUNNING: No. Paragraph (iii) of schedule II relates entirely to the tire tax.

Mr. BENNETT: The tire tax applied only in case of imported tires, did it not?

Mr. DUNNING: All tires.

Mr. BENNETT: I was not quite sure about that.

Paragraph 5 agreed to.

[Mr. Dunning.]

On paragraph 6:

6. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax as enacted by section eighteen of chapter forty-two of the statutes of 1934 and amended by section seven of chapter thirty-three of the statutes of 1935, be further amended by adding to the said schedule the following:—

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process of the manufacture or production of taxable goods;

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

Printing paper and printing ink for use exclusively in producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound;

Liver extract for use exclusively in the treatment of anaemia;

Goods enumerated in customs tariff items 695b and 696a.

Mr. MacNICOL: Take them up one at a time, Mr. Chairman.

Mr. DUNNING: I suggest, Mr. Chairman, that each one be taken separately to facilitate discussion.

6. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax, as enacted by section eighteen of chapter forty-two of the statutes of 1934 and amended by section seven of chapter thirty-three of the statutes of 1935, be further amended by adding to the said schedule the following:—

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process of the manufacture or production of taxable goods.

Mr. DUNNING: This relates to an old bone of contention which, I know, will be remembered by many members of the committee. The consumable materials include driers, solvents and similar items which are used up completely in the process of manufacture of certain articles, but which, because they do not appear physically in the finished product, in the past have been taxable. By the granting of this exemption the administration of the sales tax will be simplified, and some double taxation will also be eliminated.

Mr. BENNETT: Yes, but this covers all materials. It reads, excepting lubricating or fuel oils.

Mr. DUNNING: "Consumed in the process of the manufacture or production of taxable goods." The department has considered this very carefully from the administrative standpoint, and is of opinion that consumable goods as defined here are now well enough understood, so that the clause can be administered in the spirit of the explanation I have just given.