

## THE LEGISLATIVE ASSEMBLY OF MANITOBA

8:00 o'clock, Monday, April 3, 1967

MR. CHAIRMAN: We were on (g).

MR. EVANS: I am advised that this would be the place if my honourable friend wants to propose an amendment with respect to municipalities.

MR. MOLGAT: Thank you, Mr. Chairman, and thank you, Mr. Minister. I would like to move therefore that subsection (g) of Section 2 be amended by adding thereto the following words: "but does not include any municipal corporation, school, school district or school division, local government district, hospital, alternate care facility, or elderly person's home".

MR. EVANS: It's been very clearly stated, Mr. Chairman, unless the Honourable Leader would like it read again. I'd say that I can't accept the amendment because the whole taxing measure has been built up on the basis of the goods to be taxed and not the people who are going to be paying the tax, and this does tend to set aside certain classes of people who are not to be taxed under certain of the provisions of the tax Act, and for that reason I would not be able to vote for the amendment.

MR. PAULLEY: I think that the amendment that has been proposed by the Leader of the Opposition is a very timely one, one that is very valid. My honourable friend the Provincial Treasurer indicates that it would violate, at least in some degree, the principle of the Act which is the taxation of goods rather than people. I think that we have an exception to this right from the offset in the application of the tax itself. The exemption is extended to children and certain sized clothing, which certainly indicates a difference in my honourable friend, and of course the principle behind the resolution proposed by my friend the Leader of the Opposition deals with double taxation which would occur if municipalities and the other organizations and agencies were taxed in addition to that. That's my comment at this time, Mr. Chairman.

MR. MILLER: Mr. Chairman, on this motion before us, I can't frankly accept the explanation of the Minister that it would somehow be contrary to the spirit of the Act. We are exempting farm implements and farm machinery, yet we are going to tax buses used in rural school areas to transport children, to take them to school. We are exempting railway rolling stock. I can't see why they are being exempted and why a Metro Transit bus cannot be exempted. The same applies to fishing boats, fishing nets and so on. To argue that these are for certain types of industries and therefore it requires exemption, and to ignore the fact that the municipalities too are performing a service at cost - they are not a profit organization, they operate the services, what they are, at a cost - and I can't frankly see why they should be taxed for the service they are giving people. And this an essential service; it isn't a service that one can do without. To suggest that one needn't remove the snow from the streets in the winter or to open the highways is completely ridiculous, and so I suggest, Mr. Speaker, that if we are going to exempt certain equipment or certain implements for use on the farm or railway rolling stock or any of these things, then certainly we should give consideration to exempting the equipment used by the municipalities for use in maintaining and operating our cities and towns, and generally the rural areas of our province.

I think we should support this and let's not continue to use artificial pretexts, I feel, to avoid what I think has become very essential, that is to get away from this double taxation which we seem to be imposing on the people of Manitoba, imposing a sales tax on one hand to relieve the property tax and then to impose a sales tax on the municipalities so that they in turn have to charge it against the property tax to collect.

MR. HILLHOUSE: Mr. Chairman, it may be true that the basis of taxation is on goods but the payer of these taxes are the people, regardless of whether that tax is imposed upon a municipal corporation or where it is imposed. The amount of tax paid by that municipal corporation has got to be reflected back onto the taxes that that corporation collects from its people, and to me it seems to be absurd in one hand to say that we are putting into effect a new Foundation Program in respect of education and that we are going to give the realty taxpayer a break in that respect, then we turn around with this particular Act -- and in the City of Winnipeg alone I understand that their purchases annually amount to approximately \$8 million. Now if that \$8 million worth of goods which the City of Winnipeg is purchasing annually is going to be subject to a 5% tax, you can see how that tax has to be collected from the people, and the only way that it can be collected is by transferring it onto the only revenue that you can get from people and that is taxation of realty. So I think it's short-sided to look up this - true,

(MR. HILLHOUSE cont'd)...it's a tax imposed upon goods - but let's not forget the fact that the tax is paid by people.

MR. EVANS: I wonder if my honourable friend will just answer one question. The \$8 million worth of purchases, does that refer to the City of Winnipeg proper or does it include its corporations?

MR. HILLHOUSE: All I heard tonight was Alderman Slaw Rebchuk referring to the fact that he had met with the Honourable Provincial Treasurer to try and get an exemption from this tax for the City of Winnipeg, and he mentioned the fact during his interview on CBW that the annual purchases by the City of Winnipeg were \$8 million.

MR. EDWARD I. DOW (Turtle Mountain): Mr. Chairman, I feel that this tax is a tax on tax and I don't think it's consistent, particularly with our senior governments inasmuch as they do exempt sales tax for these various particular organizations. Hospitals are exempt from sales tax, municipalities are exempt from sales tax practically in everything they do - there are one or two articles that they are not, but in general they are - and I think that when you stop to figure it out this comes to, on the average in Manitoba, a fairly substantial tax in that it could be on the average roughly about 1/2 mill across Manitoba. When you consider the fact that we are living in an age where the cost of machinery that municipalities have to buy for the building and equipping and maintaining of roads, that municipalities are looking after utilities and the expense is getting greater each year, I think this is a straight case that we're not going to cement relations between the organizations. I think that here we have an opportunity that I think this Legislature should take into consideration.

When you stop, Mr. Chairman, to take a look at, say, alternate care, elderly care housing, all of these expenses that come back to the Provincial Government just mean a higher burden on the people paying their way within that particular organization. It increases the cost in hospitals and increases the costs of municipal administration. I think this is one amendment that the government should take a good look at and agree with.

MR. DESJARDINS: Mr. Chairman, I also certainly support this amendment. It's senseless to raise taxes that will have to be paid by a double tax, a triple tax. We're going to take the hospitals, for instance, you have a certain piece of equipment - a piece of equipment in St. Boniface Hospital for heart patients valued at \$300,000 - do you mean to tell me that they'll have to pay taxes on that? If they're not exempted they're going to be taxed on linen and on all these things. This is senseless. Then you're going to turn around and -- maybe the idea behind this is that you feel, well all right, the Federal Government is paying half of it anyway so you're going to just give the hospitals a larger grant, that you'll get half of it more from the Federal Government, but how long do you think it's going to take the Federal Government to catch on to this, and what happens when they start charging taxes and that the provinces will have to do to pay taxes? This certainly makes no sense to tax the hospitals. What will happen to their budgets? I asked the Minister of Health. I hope he's going to defend this. What are they going to do with their budgets? Their budgets are all in now and some of them are approved, I think, or tentatively approved. Are you going to give them a chance to ask for the five percent? This will have to be paid for.

And what about the alternative care institutions? What's going to happen to this? Who's going to pay for this again? Many of them are the older citizens of Manitoba. This is supposed to be a tax that is supposed to go easy, to help us go easy on the people of Manitoba, the ordinary poor little taxpayer. This is certainly not the case at all with the way we're taxing these hospitals and so on.

And then the transit of Metro is already being subsidized by the people, they're already paying an awful lot of taxes for their gas, and now we're going to tax them to purchase buses and so on. Where will that money come from? You'll have to turn around and get it from the municipal taxes. You'll have to turn around and get the hospitals a grant from the Consolidated Fund. One of the Ministers said that this five percent tax will -- he feels that with this five percent tax you're going to go down; you're going to lower the taxes of the municipalities. I can't see how that's going to be done.

And then on the schools, the big No. 1 priority are the schools, and this at one time was called the education tax. Now we're going to turn around and tax the schools, to turn around and give them more grants. This doesn't make any sense at all.

But there is one thing specially, there is one group that are - maybe you should call them the second-class citizens of Manitoba, and I'm going to bring this again - what about the people from private schools, or separate schools? Sure, you can say, but what's the difference;

(MR. DESJARDINS cont'd)...what's the difference. We'll give the bigger grants to the municipalities; we'll give bigger grants to the hospitals. I know the hospitals will have to come back to you. I know that. And the schools will have to come back to you. But what about the separate schools? We now do not get anything at all. They have to pay their taxes; they might even have to pay that selective tax in certain municipalities to pay for frills in the education of certain people before they even start paying down on their own, and now they're going to be taxed on this? Where will they get this money back? The public school system doesn't care. It's going to be easy for them, they're going to get the grants back, but I think there's a damn limit where we're going to go in this school business. I mean you take so much --(Interjection)-- Yes, that what I said and that's exactly what I mean. I think you can take so much. It's all right to be a second-class citizen but when you're starting to be a third, fourth and fifth class citizen, I think it's time to stop. This is discrimination going a little too far. I think that these are the people that are going to be affected more than anybody else because it costs so much -- if you need more money for the schools you can always -- the public schools -- you will give them the grants, added grants; you'll do the same thing to the hospitals because they'd just throw it back in your face and say all right, you run the hospital. This is what you were told at the General Hospital and they'll come back with another change in their budget, but certain people who are not getting, who are ignored completely, you're going to tax them now. I think that this is getting to be quite cruel and senseless.

I certainly hope we'll think about this amendment, and if the Minister feels that this is going to be difficult to collect again well I think he should -- we shouldn't pass this item and the Minister can have another look at it and come in with some decent suggestions because I think that this is unreasonable and especially, as I said, for these separate schools. If you don't want to give them anything, at least quit over-doing it with these taxes. How many times do you want these people to pay taxes and how many taxes do you want them to pay? This is the thing. If this is what you want, come clean. If you want to close these schools, come clean and tell them and close them, but not in this way.

MR. CHAIRMAN: I have the motion here by the honourable member the Leader of the Liberal Party for consideration. I have not put the motion. In May's 573, "Charges on the People" comes under inadmissible amendments. "A further important restriction upon the amendments on consideration prohibits the moving of any clause or amendment which imposes a tax or charge upon the public revenue or upon local rates or varies the incidence of rates; (c) or which increases any charge beyond what was agreed to in Committee even if covered by a money resolution." I think that on considering this citation that I have to rule the motion by the member out of order.

MR. MOLGAT: Well, Mr. Chairman, I think you just read the rule there that said, "anything that was agreed to in Committee." Isn't that what we're doing right now, agreeing to in committee? And we haven't agreed to in committee.

MR. CHAIRMAN: My understanding is that it requires a message from His Honour.

MR. MOLGAT: Mr. Chairman, then it's a waste of time to be discussing the Bill if we are not going to be able to move amendments. I cannot word an amendment to a Bill by preceding it with the normal terms that we use of considering the advisability of it. At least I don't know how I could word an amendment to this particular section for example to put into words what obviously a good number of members of the House agree to, and if we are to follow this rule it would simply mean that we are precluded from moving any amendments of this type. Now I think if you go back to what you read there it said something that had been agreed to in committee. Well now this is committee and we have not agreed to any such section; we're in the process of discussing it.

MR. CHAIRMAN: I was there referring to section (c) which probably does not apply to the motion that I have at hand here. I read again: "Charges upon the People - A further important restriction upon the amendments or consideration prohibits the moving of any clause or amendment which imposes a tax or charge upon the public revenue or upon local rates or varies the incidence of rates." I think this is...

MR. FROESE: Mr. Chairman, if I understand it correctly, we're not moving any taxes here. We're -- are we? This is just a matter of relinquishing taxes from some of the government bodies which will be double taxed from here on the way I understand it.

MR. PAULLEY: The point, Mr. Chairman, if I understand you correctly, in your last citation you mentioned about changing the incident of rates and I would suggest the motion does not of necessity alter the incidence or the amount of the rate itself because the Honourable the

(MR. PAULLEY cont'd)... Provincial Treasurer doesn't know collectively what the whole tax proposition is going to bring into the coffers of the Provincial Government. He did make some estimate some time back that he hoped that it would bring in somewhere in the neighbourhood of \$33 million. He did bring in an amendment this afternoon which did change - I appreciate the amount that he anticipated receiving in some respects but I don't think that this particular motion of itself will change the incident of rate at all. It may somewhere along the line have the effect of not having the same amount of money accrue to the treasury by this exemption but there's certainly no changing of the rate in accordance with the citation that you read to us. Was that May you read from?

MR. ROBLIN: Mr. Chairman, I think the point at issue is the question as to what the rule is with respect to the imposition, repeal, remission, alteration or regulation of taxation, and that is not open to anyone who is not a Minister who could produce a recommendation from His Honour to make those kind of changes in a tax bill, and if this amendment purports to do that then perhaps it is out of order, but you've got two legal luminaries beside you whom you might well consult, Sir, if you have any doubts on the matter.

MR. CLEMENT: On a point of order, just what can the opposition do? May I ask you which is going to be most embarrassing to the government, defeating this or this sort of a rigamarole. We might as well go home, pass the thing.

MR. ROBLIN: Our constitution provides that only the Executive Council can bring in measures which have to do with taxation. Now that happens to be the constitution, it's been that way since the beginning of time and I can't do anything about that, that's the way we always operate.

MR. SHOEMAKER: Then really what it means is we can talk about the Bill till the cows come home providing we don't move any amendments, because the minute you move an amendment it does in fact - or could in fact change the revenue that's coming into the province, so that it's quite in order for us to talk our heads off so long as we don't move any amendments.

MR. ROBLIN: There are, Mr. Chairman, a great many amendments that members can move, but just as it takes measures from His Honour to introduce a tax bill, so it does with any changes, and we have already seen that in today's procedure.

MR. MOLGAT: Well I'd be very happy, Mr. Chairman, to go out and discuss the matter with His Honour and see if he's willing to give us a message, but the fact remains that if this rule is going to be applied, then on many of the important items of this Bill where we believe there should be a reconsideration by the government - and on this particular one with the municipalities I think there's general agreement on this side of the House that the matter should be reconsidered - but there are many others in the same nature.

I spoke earlier today about the question of clothing for example, the question of the exemption of children's clothing, and it is certainly our intention in my group here to move an amendment to this because we don't believe that what is being done in this particular case is the right thing to do, but if this is the rule that's going to be applied we will have no alternative and cannot move such a motion.

My colleague the member from Emerson constituency discussed the other day when we were talking about the Bill on second reading the problem that exists for example with animal health products, where under the present Bill it is said that they are exempt if they are sold on prescription. The Minister had apparently agreed that he would make a change in this but today when the amendments came to us this is not included. Well unless there's an amendment made to the Bill, and we intend to move such an amendment, then there's no possibility of getting away from this prescription part because it's clearly in the Bill now. So, Mr. Chairman, we'll be in an impossible position insofar as this Bill. As my colleague says, we can speak about it but we can do nothing about it so what's the point - we may as well all go home.

MR. PAULLEY: Mr. Chairman, there's possibly another point we should consider, that there seems to me to be some confliction in the point of order. Objection apparently has been raised because of the motion that we have before us to absolve the municipalities from the payment of the 5 percent sales tax, and yet on this very Bill the other day we dealt with the question that would have - had it of passed - resulted in the Bill not being considered at all at this time. I'm referring to the question of the six-month hoist which was proposed by my colleague from St. John's, the effect of which would preclude the passage of the Bill in its entirety. So it seems to me to be a rather peculiar situation where the opposition can not move for the deletion of a particular clause because it might affect the revenue to be derived to His Honour and the government, to the Province of Manitoba, and yet at the same time it was perfectly in order to

(MR. PAULLEY cont'd)....move that the Bill be not read six months' hence, which would have a far worse affect on taxation in the province than the deletion of the -- or the increase of the exemptions as proposed by the Leader of the Opposition.

MR. HILLHOUSE: If the suggestion made by the Honourable the First Minister is correct, then I submit that we as members of this Assembly can't even vote against this Bill because we would be denying, to Her Majesty, revenue. --(Interjection)--Yes. Well, all right then, but I submit that we're governed by the rules of this House.

MR. CAMPBELL: Hear, hear.

MR. HILLHOUSE: General Rule No. 1. Proceedings in the House and all committees thereof shall be conducted in accordance with the rules and with the sessional and other orders of the Assembly. Rule No. 50. Any vote, resolution, address or Bill introduced in the House for the appropriation of any part of the public revenue or of any tax or impost to any purpose whatsoever, or to impose any new or additional charge upon the public revenue or upon the people, or to release or compound any sum of money due to the Crown, or to grant any property of the Crown, or to authorize any loan or any charge upon the credit of Her Majesty in the right of the Province, shall be recommended to the House by a message from His Honour the Lieutenant-Governor before it is considered by the House.

Now I submit that we are not doing any of these things here; all we're asking is that an amendment be made to this particular Act.

MR. CAMPBELL: Mr. Chairman, thank goodness for the Honourable Member for Selkirk. How many times in this House, how often, oh how often have I tried to suggest to Mr. Speaker and to the Chairman, that if we would stay with our own rules instead of dashing off after Beauchesne and May and Bourinot and countless others, how much better we would be and this is the question here. We've got a rule dealing with this, Mr. Chairman, our own, and as long as our own rules cover the situation then we do not pay any attention to any of these other authorities. We go to them only when we have no rule. And isn't this the sensible way to attack it, Mr. Chairman, that quite properly, if it's a case of introducing legislation - introducing legislation - bring forward legislation to the House that deals with taxation, plainly this can be done only by the government side of the House or somebody who can get a message from His Honour - and that in fact is the government - or when it comes to introducing vote, resolution or anything else that changes the existing situation to cut down the revenues of the Crown, it also has to have a message from His Honour. But here we are considering a proposed piece of legislation, and surely to goodness, Mr. Speaker, when we're considering a piece of legislation that has been brought in by message by the government, surely we're not going to interpret this rule that we can't even make amendments to it. I suggest that our own rule No. 50, as the Honourable Member for Selkirk has pointed out, does not prohibit an amendment of this kind.

MR. CHAIRMAN: The advice that I have from the legal gentleman to my left here is that the motion is out of order. However, if it is the wish of the House and by leave that we proceed with the motion...

MR. ROBLIN: I'd like to do that but there may be a way around it which we use on other occasions when we're dealing with matters of financial implications and that is in the wording of the statement of the amendment. I think if we put in the "consideration of the advisability" abstract notion in the amendment then perhaps there should be no reason why it couldn't be discussed and voted on in the same way. Now I don't -- the Speaker isn't in the Chair and I don't wish to have my view recorded as being anything more than a statement on the part of one member of the House and it may not be a good idea, but perhaps it would enable us to meet this particular question.

MR. MOLGAT: Is it possible to move an amendment to a section of a Bill with the normal wording that we use, "considering the advisability"?

MR. GREEN: Mr. Chairman, then the Bill would read in place of what it now says, "Person includes Her Majesty in the right of Manitoba and that the government do consider the advisability of removing etc. etc. etc."

MR. ROBLIN: The amendment would say that consideration be given to the advisability of amending whatever - and stating the amendment whatever it is, excluding local levels of government from the incidence of tax or whatever the amendment happened to be.

MR. CHAIRMAN: Would the honourable member be prepared to...

MR. MOLGAT: Can I reword the resolution?

MR. FROESE: Mr. Chairman, at this point, when we're in Committee and dealing with legislation, are we actually at this point levying a charge of taxes? I feel this is done when the legislation is finished and voted on in the final analysis, not at the time that we're in the act of revising legislation.

MR. CLEMENT: Mr. Chairman, ... resolution is put forward and is passed, still what does it mean? It just means that it's to give advisability of it. I'm not learned in the law but I don't see that it means a thing.

MR. CHAIRMAN: ... have order until the resolution is prepared by the...

MR. MOLGAT: Well I'm not happy about it, Mr. Chairman, but the only way that I can see if this is the rule, that I can do this would be to move the following: "That the House give consideration to the advisability of amending subsection (g) of Section 2 by adding thereto the following words: 'But does not include any municipal corporation, school, school district or school division, local government district, hospital, alternate care facility or elderly persons home.' "

MR. ROBLIN: ... think surely the Committee give consideration.

MR. MOLGAT: ... be changing it, Mr. Speaker, from saying that the House then, to - "that the Committee of the Whole give consideration to the advisability..."

MR. CHAIRMAN: Well, it looks to me now - it's under rule - of our own rule 51, and reads as follows: "A resolution may be moved contemplating a possible future grant without being recommended to the House by message from His Honour the Lieutenant-Governor, if it is couched in such general terms or language as merely to express an abstract opinion and is not binding upon the House."

MR. MOLGAT: Mr. Chairman, on that basis then, if this resolution is passed, does that mean that this is not binding upon the House? So it means nothing at all? Is this what we're back to? We're in the same position as we were to start with then, that we are allowed to speak but we can't make any changes in the Bill.

MR. ROBLIN: Mr. Chairman, I think it's a well understood convention that if a resolution framed in those terms were passed it would certainly be considered as binding by the government. But if you're interested in finding out what the correct procedure is with respect to these matters, I refer the House to Section 246, sub-clause (3) of Beauchesne, which clearly sets out the doctrine that is being followed here with respect to amendments that affect the financial initiative of the Crown. I'm not going to go into the argument because I think we can accept this... --(Interjection)--246 subsection (3). I don't wish to pursue that debate because we're not - the amendment has been changed but this does set out the doctrine which I think is the right doctrine.

MR. CHAIRMAN: Moved by the Honourable Member the Leader of the Opposition that the Committee of the Whole give consideration to the advisability of amendment subsection (g) of Section 2 by adding thereto the following words: "But does not include any municipal corporation, school, school district or school division, local government district, hospital, alternate care facility or elderly persons home."

Are you ready for the question?

MR. MOLGAT: Mr. Chairman, I haven't spoken on the motion as yet and I will be very brief. I just want to point out that what this simply does, is exclude from paying the sales tax those bodies who are dependent for their sources of revenue upon the land taxes. Now the basis of the Foundation Program and the statement from the government were that their intention was to reduce the load on the real estate taxpayer - the homeowner, the farm owner. This Bill was presented to us to make possible the Foundation Program, or at least to make in part possible the Foundation Program, and the other large item of expense that the government mentioned it had was the hospital program.

Now, Mr. Chairman, it seems to me totally in contrast, on the one hand to say we are going to lighten the load on the real estate taxpayer for school purposes; we are going to take up some of the costs of hospitals, this is the reason that we want the sales tax; but on the other hand to turn around within the bill itself and make that same tax applicable on those very same bodies, because as it stands now in this bill, every municipal corporation in the province, Metro here in Winnipeg, and every municipality, every school, every school district, every hospital will have to pay the same rate of sales tax as any other purchaser in the province. The only way that these bodies can pay for this sales tax is by turning around and charging on real estate an additional tax because they have no other source of revenue. The Metropolitan Corporation and the municipalities depend for their revenue on the real estate tax so it is

(MR. MOLGAT cont'd)....completely ridiculous to say on the one hand we want to lighten the load and in this bill proceed and charge them that same sales tax which they have to turn around and add a load for. So the purpose of the amendment is simply to exclude these bodies that depend for their revenue on the real estate tax or who were specifically stated by the government as being those that the government wanted to help.

MR. CHAIRMAN: Are you ready for the question?

MR. EVANS: Mr. Chairman, I think I should say a word. I suppose I could believe in almost every case that's been put to me by associations and private individuals and others for exemption and they all make a good case and they all have causes that one could believe in, but all of the advice we have had from whatever source, either the governments that now have a sales tax, or after the fact it's true, Carter, says "Pick out the kinds of goods that you're going to tax and levy the tax and do not make exemptions according to classes of persons that might have to pay the tax." And that's the principle that we have proceeded on. Largely in the first place, because if you start in one place, where do you stop? And if it should be municipalities in this case, hospitals have been mentioned, schools have been mentioned, old age homes have been mentioned, then where do we go from there? What about religious institutions? What about charitable and cultural organizations? What about all sorts of worthy people? And so hard-hearted and adamant as it may seem, we have drawn this measure on the basis that special classes of users will not be considered for exemption.

There are some other considerations as well, as for example in the case of municipalities that have their own engineering and construction departments and an exemption of tax for them would put them in a different or more favourable competitive position with private concerns trying to do the same work and getting the same contracts and there are myriad of considerations, and so we have had to make up our minds to a course of action and work on the principle that if one exemption begins where do you stop? I think it's been well put that if one crack appears in the dam pretty soon you got no dam at all. So on that basis we have drawn this measure and I put it before you in that particular context.

Reference has been made to double taxation in this case. I think that phrase deserves some attention. It certainly isn't double application of the same tax. It may indeed be that an item that has been taxed, is later the subject of a tax to be raised from somebody else, but it's only the single application of the same tax and so I'm afraid after listening to the discussion and with these various considerations in mind I'm forced to vote against the amendment.

MR. JOHNSTON: Mr. Chairman, I'd like to ask the Minister, is it not a fact that the federal sales tax is remitted or does not apply on certain purchases of municipalities and hospitals? Is this not a fact?

MR. SHOEMAKER: ... understand that the institutions and the municipal corporations that are referred to in the amendment that is before the Committee at the present time, will have to pay a tax on everything that they receive but they are not in a position to pass it on to their "customers" - for the lack of a better word. For instance, a municipal corporation will have to pay a tax on every bit of machinery they purchase, we'll say for a water treatment plant, or something of this nature, all of the chemicals that are used in a water treatment plant and in addition, if I understand the Minister correctly, and in the case of Neepawa we'll say, and many other towns where they hire Underwood, McClellan to do their engineering work and pay them five or six or ten thousand a year, they'll have to pay a tax on that as well. So that they have all of these taxes added up and they cannot pass the sales tax on to the consumer, that is the water rates will not be taxed, so that it ends up as my honourable leader has said, that you will have to then increase the tax on the land to take care of the additional load that is placed on the municipal corporations. Now I wonder if I am right in my assumption. It appears to me that I am and if I am then certainly I think consideration should be given to exempting these institutions.

What about the hospitals and alternative care homes? The cost of providing care whether it be in a hospital, alternative care institution, elderly persons housing, the cost of providing the care is going to go up so how do you get it back unless you increase the taxes on the land? I would like to hear from my honourable friend and have him deny or concur that I am right in my assumption.

MR. EVANS: I think my honourable friend's first point was that the machinery and such things as a water plant and the materials used and the chemicals and so on, a water plant being production equipment engaged in the business of producing a tangible personal property is not taxable, neither the materials or the chemicals as he refers to it nor the equipment. Then my

(MR. EVANS cont'd)....honourable friend asked how do you get the money back and all the advice we have had and the ex post facto advice of Mr. Carter, is tax them, and if you have to give them more money later on, give it to them.

MR. SHOEMAKER: What about engineering services that the professional engineers provide to the municipal corporations, is it taxable?

MR. EVANS: Services of professional people are not among the services taxed under the statute.

MR. DESJARDINS: The Honourable Minister said that you can fix that by - if you have to give them more money, give them more money later on. Does he intend to give anything to the separate schools to pay for that? And a second question: Does this include also the service given to hospitals by their own laundry? A while ago they said that this had to be taxed because it was unfair competition because the hospitals have their own laundry. Now is that going to be taxed also?

MR. EVANS: No, this does not include tax on the laundry in a hospital where they use the laundry for themselves. --(Interjection) -

I'm sorry. I must have missed the first question. With respect to separate schools? (Yes) That's not within the ambit of this Act.

MR. SHOEMAKER: Then all municipal machinery will be exempt? Am I correct in my assumption, all municipal machinery?

MR. EVANS: Whatever machinery is described in the Act as being tax exempt will be tax exempt when bought by a municipality or by anybody else. All the machinery that is taxable will be taxed in the hands of the municipality as it will be in the hands of any other purchaser.

MR. SHOEMAKER: In the production of anything, it is not taxed. You just finished telling me that all machinery used to manufacture and process water, the chemicals, the engineering advice and all of that, there's no tax on any of that, so there should not be any tax at all to a municipal corporation in respect to the water services that it provides.

MR. EVANS: Not in connection with the items that my honourable friend mentioned. There may be other taxable items used in that connection and if there are they will be taxed.

MR. CHAIRMAN presented the motion and after a voice vote declared the motion lost.

MR. MOLGAT: Yeas and Nays, Mr. Chairman.

MR. CHAIRMAN: Call in the members.

A counted standing vote was taken, the result being as follows: Yeas, 22; Nays, 28.

MR. CHAIRMAN: (g)--

MR. MOLGAT: Mr. Chairman, before we leave the definition of "person", the Minister the other day when speaking on the Bill in second reading mentioned that there was some consideration being given to some changes with regard to the Indians. Now I understand that at the Indian-Metis Conference in the early part of March, a resolution was passed asking that in view of the fact that education for the Treaty Indians is supplied by the Federal Government at no charge to the province, that they should not be asked to pay a sales tax which is certainly in large part connected with education. Is that what the Minister was referring to and is he planning on changes in that regard that would exempt Treaty Indians?

MR. EVANS: I wasn't referring to any particular resolution, although they gave me a copy of it and I have read it. At the moment I have no proposal to announce with respect to Treaty Indians. It's a very complex matter and I'm in consultation with the Minister of Welfare and others and I'm not able at this time to indicate any intention on the part of the government.

MR. CHAIRMAN: (g)--passed; (h) as amended --

MR. EVANS: Mr. Chairman, I move that Section (h) be amended by striking out clause (h) of subsection (1) of section 2 and substituting therefore the following clause, which all the members have in front of them. If they would care to have me do so I'd be glad to read it, or if you would care to have me do so I will, Sir, otherwise can we take it as moving the amendment that is now before the members?

MR. CHAIRMAN put the question and after a voice vote declared the motion carried.

MR. CHAIRMAN: (h) as amended - (h)--passed? Pardon me, (h) (i) A--passed; (B) --passed; (i)--passed; (ii)--passed; (iii)--passed; (h)--passed; Section (i) (i)--passed; (ii)--passed; (iii)--passed; (iv)--passed; (i)--passed; (j)--passed; (k) (i)--passed; (ii)--passed; (k)--passed; (l)(i)--passed; (ii)--



MR. MOLGAT: Mr. Chairman, the question arose here as to the situation where an individual retailer who sells on credit and is unable to collect by credit and it becomes a bad debt. I'm not referring specifically to the instalment sales, I'm thinking really here in terms of what goes on in the normal grocery store operation. I realize groceries are not included but there are other items where they have a running account with a customer. In some cases in parts of the province these can run over several months because of the nature of the income of the individuals. If it happens to be in forestry communities, the summer income is very light and they may have to wait until the winter season comes along. Same thing in the case of the fishing stations along our lakes; the same applies in a number of the farming communities, particularly the ranching communities where it's normal for the retailer to carry credit for as long as 6 or 8 months. Supposing there is a bad debt, can the retailer apply for a rebate for the portion of the tax?

MR. EVANS: No, Mr. Chairman, the tax is levied on the purchaser at the time of the purchase. The vendor is not empowered to extend credit on behalf of the government and the tax is due and payable when the purchase is made. If a bad debt occurs, it is not recoverable with respect to the tax from the government.

MR. GUTTORMSON: Mr. Chairman, when does the - or has the Minister explained this before - when does the vendor have to pay the tax? Is it on a monthly basis?

MR. EVANS: Tax is payable every 30 days, and 20 days after the end of the month.

MR. GUTTORMSON: One of the problems confronting the merchants is the fact that many of them give credit and it's a matter of bookkeeping. They give credit and they may not collect that debt for over perhaps the 30 day limit or perhaps 2 or 3 months later, and yet they've got to compile records so as to keep track of the tax that is to be collected and yet keep books of the debt that is owing, and this is causing a major problem with the merchants. What about the merchants who - the small merchant who feels he doesn't have the wherewithal to purchase a cash register that is required to keep a record of the sales made. What happens in a case like that?

MR. EVANS: With respect to the tax being payable within 20 days whether his account is fully collected or not, this is done in other taxing jurisdictions and I think almost in an exactly parallel way under the federal sales tax. With regard to a cash register, it's not compulsory under the Act although I believe it would be a great convenience to any storekeeper to have a cash register. Our compliance officers will be prepared to instruct or to help assist any vendor in how to keep his records by hand if he wishes to keep them that way.

MR. GUTTORMSON: Is the government prepared to assist him with the purchase of a cash register?

MR. EVANS: No.

MR. CHAIRMAN: (ii)--passed; (iii)--

MR. FROESE: Mr. Chairman, on (iii) and the following one, an exchange and also in connection with barter, who is -- in connection with barter especially, who is placing a value on the exchange that has taken place on the barter bits. Is it up to the people involved to decide and place a value on it and how does the Minister expect to handle this part?

MR. EVANS: On ordinary or casual exchanges from person to person there is no tax payable in any event. On a barter deal that's part of a transaction by a vendor, that is a commercial organization engaged in selling, the sale value will show on his books and the value that he allows on the turn-in or whatever article he's offered in exchange for it will also show, and the tax will be levied on the sale.

MR. PETURSSON: May I just for a moment refer back to the (ii) clause, "A sales where the price is payable by instalments." If the instalments ultimately are not paid, that is if it becomes a bad sale, is the tax collected at the beginning of the sale on the basis of the first instalments paid? Then in effect the seller - it is the retailer isn't it - is put into the situation of paying a tax on a transaction which collapsed or which did not go through. Is that the correct understanding of what happens? The seller then is penalized in a double way; he's unable to collect and he has to pay the tax.

MR. EVANS: Yes, we just had a discussion a moment ago about the status of bad debts. The tax is due and payable by the vendor when he makes the sale, and so he is required to remit to the government. How he recovers the amount of the tax from the purchaser is his business. If the sale collapses, as my honourable friend says, there may well be the return of goods. If the goods are returned to the vendor and credit is obtained thereon, it's only the unsatisfied balance of the sale upon which the tax is levied. That is to say if something were

(MR. EVANS cont'd)...returned at four-fifths of the value that it was sold at, the vendor could charge back against his tax account four-fifths of the amount of tax that had originally been charged, but only in the event of the goods being returned to the vendor for credit.

MR. CLEMENT: Mr. Chairman, I dare say that there is -- getting back to this barter situation, there is far more barter takes place in the rural parts of Manitoba than perhaps even the Minister is aware of. I know that in one of our particular businesses we do thousands and thousands and thousands of dollars worth of business every year and there's never a dollar bill crosses the counter; it's barter, whether it's sheep or pigs or horses or cows or turkeys or anything you want to take. All I would like to know from the Minister, if we have to take 20 turkeys on a deal and we happen to tell the customer that we have to have another one to pay the share, if I sent it to you, will you accept that?

MR. EVANS: Sure. I think all the items my honourable friend has mentioned are tax exempt.

MR. CLEMENT: Wait a minute. The farmer buys ploughs and he might buy a used car and he might buy a tractor. If he buys a trailer - and I understand if a trailer goes down the highway and has a licence on it, it's going to be taxable. These are not tax exempt, I don't think.

MR. EVANS: The plough and the farm tractor are tax exempt. The motor vehicle, if it is described as such in the Motor Vehicle Act, is taxable; used cars are taxable.

MR. CLEMENT: What about a hay trailer with a licence on it?

MR. EVANS: I can get my honourable friend an interpretation of that. He may well find that in Schedule 5 of the Excise Tax Act which I distributed to him today.

MR. CHAIRMAN: (iv)--

MR. FROESE: In the case of a barter where one article might be taxable and the other one is not, who is then paying the tax?

MR. EVANS: The purchaser of the taxable article.

MR. CHAIRMAN: (iv)--passed; (v)--

MR. MOLGAT: Under (v) comes the problem of repossession. Now if there is a repossession, the Minister will then refund the tax payable or tax paid? How will the valuation be established? Who establishes the valuation in that case? Let's assume a car is repossessed by a car dealer. What determines the amount of rebate that will be paid back to the car dealer?

MR. EVANS: The vendor determines the amount that he will allow on repossession of the goods.

MR. MOLGAT: And then when he proceeds to make the sale again of the item repossessed, he collects the tax on the basis of the amount for which the goods are then sold. Is that correct?

MR. EVANS: Yes.

MR. CHAIRMAN: (v)--passed; (vi)--

MR. DESJARDINS: Mr. Chairman, I wonder if the Minister could explain under (vi) here what would take place when you're leasing a car. What would take place when you're leasing a car for a certain business?

MR. EVANS: The tax will be applied to each invoice of rental.

MR. DESJARDINS: Mr. Chairman, you would have cases where a car is maybe a limousine and the contract would be for approximately five years. That will cover approximately the cost of this limousine, so therefore you're paying the full, over a period of five years, the people taking advantage of this leasing would pay the full tax - I mean the tax that they would if they bought the car - and what happens after that? They're left with nothing at all. Their contract is finished after five years and the person who owns the car has that car but these people are left with nothing at all.

MR. EVANS: Whether the leaser or the lessor, or whatever the right title is, whatever he pays for the rent of the car is a free bargain between himself and the person who rents the car to him. If he pays too much that's his lookout. Otherwise, he pays on the rental value of the car on each invoice submitted to him.

MR. DESJARDINS: I understand that it's his lookout if he pays too much, but I'm talking about strictly the tax. The tax is five percent on a car and this contract will come - in a five year contract - will come to approximately the cost of a new car, that car, but then they're left when all the sales tax, the five percent is paid, they're left after the end of five years without any car and they've paid the full amount. This is certainly not done like that in other provinces.

MR. EVANS: According to the -- it must be of advantage to him to rent instead of purchase. He always has the option to buy a car instead.

MR. MOLGAT: Mr. Chairman, I think it's normal under these long-term lease arrangements that there are a number of other factors included in the lease price. I think normally insurance is included, licence frequently is, maintenance of the vehicle frequently is as well. Now what is going to be the process here. Not all of these items are taxable items. Will the whole of the lease structure now have to be split up then indicating the lease portion applicable strictly to the value of the vehicle and all other items on a separate invoice?

MR. EVANS: That's a particular case that I haven't considered. Certainly the law says that it's the rental price paid for the use of the car that is subject to tax.

MR. GREEN: Mr. Chairman, are we on (l) (vi)? with regard to leases? I just wonder, Mr. Chairman, whether the wording in this particular section is proper. "Sale includes", and then it says: "A sale under which tangible property is leased" and I just wondered whether -- is it the Minister's intention that this section establish a tax on a lease arrangement, because if it is, then why is the section preceded by the words "a sale"? Will there not be some confusion by it being suggested in argument that the only lease which is taxable is a lease which involved a sale? Shouldn't (vi), if it's intended to tax leased properties, refer to a lease, a long-term lease whether the property is going to be transferred or not? The way it is now, it precedes it by the words "a sale", and the sale could very well be held by a court not to be a lease.

MR. EVANS: I wonder if the Legislative Counsel would be good enough to speak to me? The clause that my honourable friend is referring to is a sale under a hire-purchase agreement and there's a later clause dealing with the lease of property as distinct from the sale. (viii) says "any other contract whatsoever whereby at a price, rental, or other consideration, a person transfers or leases to another, whether conditionally, or unconditionally, tangible personal property."

MR. GREEN: So (vi) is not intended to include a lease as distinct from a sale?

MR. EVANS: The item, I am informed, refers to what's generally known as a hire-purchase agreement.

MR. CHAIRMAN: (vi)--passed; (vii)--

MR. CAMPBELL: On (vii), Mr. Chairman, would this include an insurance contract?

MR. EVANS: No, the services to be taxed are specified in the Bill. Insurance is not one of them.

MR. CHAIRMAN: (viii)--passed; (ix)--passed;

MR. GREEN: Mr. Chairman, this is another one of the clauses which refer to something being subject to regulations, and in this case I think the section clearly reserves to the Lieutenant-Governor-in-Council the right to legislate on a matter which has received considerable judicial consideration and we have no way of knowing how the government intends to interpret what a "gift" is, and we would think, Mr. Chairman, that if the government is intending to include certain gifts as being subject to the sales tax, then we should know which type of transaction they are going to include as a gift. We feel that if there is a gift within the meaning of the law as we now know it to be, or as now decided by the judges as to what a gift is, that that includes a legitimate gift of property and is not a subterfuge whereby transfer takes place in the nature of a gift which is not really a gift, and if such a gift is made we feel that it should not be taxable, whereas according to the wording of the clause as it now stands, the only gifts that will be excluded are those gifts which are excluded from the meaning of the word "sale" under the regulations.

Now on the basis, Mr. Chairman, that we feel gifts should not be included for taxation unless the government specifies what kind of gift it's talking about, I would move that clause 2 (l) (ix) be amended by deleting all the words following the word "gift" in the fourth line thereof. That would result, Mr. Chairman, in the clause reading: "and except any gift". We would think if the government then feels that certain transfers of property which could be concluded as gifts should be subject to a tax, that they bring in legislation to that effect, that this not be the subject of regulation which we have no control over.

MR. EVANS: Mr. Chairman, I should think the regulation will take much the following form: Sale does not include: (a) a gift of tangible personal property made by a person to a member of his family; or a gift of tangible personal property made to a charitable institution; or a sale of tangible personal property or a service by a charitable institution where the total sale price is used solely for or turned over wholly to the charitable institution for its own use,

(MR. EVANS cont'd) . . . . provided the sale is not in the opinion of the Minister one of a series of sales made in the course of a business.

MR. GREEN: Mr. Chairman, what about a wedding gift? I go and buy an item at Birks Dingwall and I pay a five percent tax on it. I would pay an ordinary sales tax on that purchase; then I give it to my leader's daughter and there has to be a tax payable on it. Well, this tax is payable on a transfer of title when no consideration is paid, and a gift from myself to my leader's daughter would be a transfer of title where no consideration is paid, either expressly or by implication, and the gift that I give to my leader's daughter is not included within the list of exceptions that you've alluded to. It's for that very reason, Mr. Chairman, that we suggest that those words be struck out. Now the tax would apply except on a gift, and if there are certain types of gifts - and I don't know what the Minister is thinking of - if there are certain types of gifts which he thinks are taxable, then they should be mentioned in the legislation or at least their character should be referred to before regulation is permitted.

MR. EVANS: There is no intention to levy a tax with respect to any person to person transactions that do not go through a commercial organization. That is another principle established in the Bill. This would be contrary to that purpose and I can tell you the policy will not be to levy tax on that type of gift. The tax will have been paid as a commercial transaction when the purchase was made from the jewellery store.

MR. HILLHOUSE: Mr. Chairman, if the regulation were put in there in that (ix) subsection rather than the present wording, it would make it quite clear.

MR. GREEN: Mr. Chairman, I appreciate what the member for Selkirk is saying, but I think on reconsideration that if the words of the regulation are put in, that those are the only gifts that are excluded, and he mentioned those gifts as being -- then exactly the problem that we have raised would arise that any gift -- a retail sale means -- Excuse me. "Sale includes", then we do down to (ix), "A transfer of title where no consideration is paid." That means if I happen to give a gift to, let's say the Member for Selkirk, that is a sale and there would be a tax payable on that sale unless it was excluded by the regulations. The regulation that the Minister refers to would not exclude a transaction.

MR. HILLHOUSE: Correct me, Mr. Minister, if I'm wrong, but this Act simply applies to transactions between a buyer and a seller in respect of tangible personal property or services.

MR. EVANS: At a retail sale.

MR. HILLHOUSE: In other words, it doesn't apply to a transaction -- if I give Mr. Campbell, the Honourable Member for Lakeside a gift, there's no consideration for the gift at all other than my regard for the gentleman, that's not taxable.

MR. EVANS: . . . described as a retail sale.

MR. PAULLEY: Well then, Mr. Chairman, how do we make out then, as the Member for Selkirk mentions about giving the Member for Lakeside a gift, it's not a sale, it's just benevolence or love or consideration that one has for the other, what about all of these -- (Interjection) -- Oh, he certainly would I'm sure. What about the gifts that are given in connection with retail sales. Are they taxable? Buy one, get one free - are they taxable at 5 percent and what will the rate of taxation be in respect of them? What about the gift that is given by a retail store of a rose or -- when the first 100 customers enter into the store in connection with retail sales, they say it's a gift, or on gifts that they give away insofar as their bingos are concerned, their trading stamps and the likes of this now. This is all in connection with the retail sales and it does come into commercial transactions. Now, can my honourable friend say to me or tell me whether or not these will be subject to the 5 percent sales tax; they're certainly gifts in connection with retail sales.

. . . . continued on next page.

MR. EVANS: Sometimes the word gift is used I think when it's quite inaccurate. It seems to me if someone says buy five of these and I'll give you one free they are getting six for the price of five. The tax will be applied to the invoice value of whatever is paid. With respect to advertising of various kinds including the giving away of gifts and other kinds of things, it's done with a view to attracting customers and more business and when the customers begin to buy and the larger volume of business turns up, the tax is applied on it then.

MR. PAULLEY: Is it applied on the gift? That's what we're dealing with at the present time. Your regulations that you haven't got but you read just to us in connection with the Act or the initial regulations in respect of this did not include or exclude gifts of this particular nature but you were talking about gifts between individuals as illustrated by the Member for Selkirk. Now let's get down to brass tacks, what does this mean. It's true as you say that the objective in the giving of the gifts at the retail level is to increase trade thereby you would get more trade - this can be carried through to a further point than just that enunciated by yourself. But the fact still remains that it is a gift in connection with retail sales.

MR. EVANS: If I might just be allowed a word here. The tax is applied to the purchaser and he cannot be regarded a purchaser at a retail sales when he receives a gift or advertising article as he enters a store. That couldn't be defined as a retail sale.

MR. FROESE: Mr. Chairman, if a retailer gives away a gift, do you apply the tax at the wholesale level then?

MR. EVANS: I think I just covered that point in saying that it's the purchaser of the eventual article that is taxed and he must pay the tax and if there is no transaction, if it's not a retail sale the tax is not applicable.

MR. GREEN: Mr. Chairman, I really am at a loss to know what this section means, if it doesn't apply to a transfer of property from one person to another where no consideration takes place. And if so, then we are obviously for the purpose of this Act including in the words 'sale' other things than are normally included in the word 'sale' and that's why we've taken the word 'sale' and given it a meaning which is not ordinarily attributed to it. For instance, 'sale' includes a sale for cash or for credit. It includes a barter, it includes an exchange, it includes a lease. Ordinarily a lease wouldn't be included in the word sale and a purchaser is not involved when we are talking about a lease. Now if the Minister does not intend that this transfer of title as between two people does not constitute a sale, then what does (ix) cover, what is a transfer of title where no consideration is paid, either expressly or by implication? What type of transfer is he referring to? There's no purchaser involved if there's no consideration.

MR. EVANS: I think we can draw a line three-quarters of the way along the second line here and then note that everything else in that clause is excepted, and so we give no further thought to that at the moment. There are occasions on which transfers take place, either for a nominal sum or for nothing as for example in the transfer of a corporate company which may be the possessor of considerable tangible personal property. There are very complex matters to be considered there and the Ontario rules cover it pretty well. We propose to adopt them, under which tangible personal property passed from one person to another either for \$1.00 or for nothing or for no consideration will be subject to assessment and tax to be levied on that assessment.

MR. GREEN: That's exactly, Mr. Chairman, what I thought that the section was for. It doesn't involve a purchaser, it doesn't involve a vendor, it involves a transfer of property whereby somebody is getting something which they ordinarily wouldn't get except for the relationship between the two people, and you want to make such a transfer taxable, and you therefore say that that's going to be a sale; but you then want to say that this wouldn't apply to a gift and all I'm suggesting is that you stop after the word 'gift' and then if it is a gift then there will be no transfer. If you want certain gifts included - and this is what you apparently are saying that only certain gifts are going to be excluded - then we should know which gifts are going to be included. In the absence of knowing, I think that there's no harm, no harm to your policy at all by stopping at the word 'gift', because I suggest to you that the word 'gift' would not include the type of transaction that you are referring to, and if we excluded everything after the word 'gift' then the government wouldn't be the ones who are entrusted to saying which gifts are and which gifts are not taxable.

MR. DOERN: Mr. Chairman, just on the point, the Minister read us the proposed or possible regulations concerning the definition of 'gift' and it seems to be you either said too much or not enough because in the first illustration you gave you referred to a gift as a transaction between a person and a member of their family but you thereby seemed to exclude friends

(MR. DOERN cont'd.) . . . . or acquaintances. So it seems to me you should either not say that at all or else you should spell it out to include friends and acquaintances.

MR. EVANS: . . . honourable friend will remember that person to person transactions which do not go through a commercial organization are themselves exempt.

MR. MILLER: The Minister I think mentioned that in the case of stores giving away a gift to the customers that this would be exempt or this would not be taxable. I'm wondering would that include also supermarkets who decide once the tax goes in that they give away a small transistor set to anyone who buys \$50.00 worth of groceries at a top price and then they can afford to give away a T. V. set or a little radio and save five percent to the buyer. Doesn't that put the other stores who are in the business of selling radios and electric goods at a disadvantage. Is it fair to them?

MR. EVANS: The vendor or supermarket or whatever that buys advertising goods of any kind for the purpose of promoting his business, whether it be T. V. sets or transistors or whatever, becomes the consumer or purchaser of that goods and he pays the tax on it.

MR. GREEN: Mr. Chairman, one last suggestion. Shouldn't this legislation be worded to say "except any gift", period, and then another subsection saying "the following transactions shall not be gifts within the meaning of the preceding section." And tell us what are not gifts. Because the way it stands now, the Lieutenant-Governor-in-Council can say that all these types of transactions are not excluded from the meaning of word sale, and make gifts which appear to be excluded not excluded. All we are suggesting here is that if you don't want gifts included in this subsection then there's no need for the words following the word gift and if there is need for the words following then you should specify what they're to be.

MR. CHAIRMAN put the question and after a voice vote declared the motion lost.

MR. PAULLEY: Ayes and nays, Mr. Chairman.

MR. CHAIRMAN: Call in the members.

A counted vote was taken the result being as follows: AYES, 21; NAYS, 28.

MR. CHAIRMAN: I declare the motion lost. (ix)--passed; (l) . . .

MR. MOLGAT: Mr. Chairman, before we leave (ix) when this says a transfer of title isn't there the implication here that we're referring to land transfers. It's surely not the intention to have a tax on any land transfers, is there?

MR. EVANS: I'm advised no.

MR. CHAIRMAN: (l)--passed; (m)--passed;

MR. GREEN: I'd just like to refer to (m) to indicate that seller includes a lessor, a person from whom any right, title or interest in tangible personal property passes under a sale. The sale includes a transfer of title where no consideration is paid. So I'd just like to bring to the Minister's attention that it doesn't refer to a commercial transaction necessarily, it refers to any transfer of title and a seller under those circumstances is a seller whether there is a sale or not.

MR. EVANS: I remind my honourable friend these are still just definitions; we haven't come to the Act yet.

MR. CHAIRMAN: (n)--passed; (o) (i)--passed;

MR. MOLGAT: Mr. Chairman, is it the intention to have a tax on storage and if not what is the purpose of having storage here? Where does it fit into the Act; what is the implication?

MR. EVANS: I think I told my honourable friend that in cases where - certainly one item I think of is in cases where tangible personal property has been sold and maybe delivered after the 1st of June, if it's transferred to a storage area it qualifies for exemption. That's one of the conditions under which it qualifies for exemption from sales tax, if it has been moved to a storage area and that is the definition of the word.

MR. MOLGAT: . . . clearly not the intention to have a tax on the storage of goods. For example I'm thinking of storage of say fur coats, which is a standard practice here in the Province of Manitoba. Does that become a service?

MR. EVANS: That is not one of the specified services; the services to be taxed are named in the Act.

MR. EARL DAWSON (Hamiota): Will there be a charge on storage for people, particularly service people who are posted overseas and they store their furniture in Manitoba? They store it in say one of these storage houses, Security Storage or something like that in the City of Winnipeg here. It may be there for two years, three years.

MR. EVANS: Mr. Chairman, I just said that there's no tax on storage.

MR. CHAIRMAN: (ii)--passed; (o)--passed; (p)--passed; (q)--passed; (r)--passed; (s) (i)--passed;

MR. JOHNSTON: Mr. Chairman, I wonder if the Minister could verify a point here. What about the case of large corporations purchasing from what would normally be called a wholesaler? I'm thinking in particular of a Hutterite colony purchasing large masses of goods which would be taxable under the ordinary sense, by the ordinary citizen, but because the Hutterite colony purchases it from a wholesale house, does this mean that they don't have to pay the tax?

MR. EVANS: The purchaser in my honourable friend's illustration, the Hutterites, would be the purchaser or consumer of the goods; the wholesaler in that case is making a sale at retail and will be licensed as a vendor for the purpose.

MR. JOHNSTON: Just for clarification, Mr. Chairman. Usually in a case like this these people are on the wholesale list and are purchasing as wholesale.

MR. EVANS: If they buy at retail the tax applies.

MR. JOHNSTON: Well, they're buying at wholesale in mass quantities but not for re-sale.

MR. EVANS: That is a retail sale.

MR. CHAIRMAN: (ii)--passed.

MR. GUTTORMSON: ... just clarify that point. Did the Minister say that if the Hutterites buy from the wholesale it's a retail sale?

MR. EVANS: If they purchase for consumption or their own use it's a retail sale.

MR. GUTTORMSON: What facilities have the wholesale house to collect a retail sales tax?

MR. EVANS: They must be licensed for the purpose before they can make such a sale.

MR. PAULLEY: This then means, Mr. Chairman, that old phrase "I can get it for you wholesale" doesn't really mean much with a five percent sales tax. Is that right?

MR. EVANS: I can get it for you wholesale, plus five percent.

MR. MILLER: In this regard, is the tax to be computed on a basis of the price being sold by the wholesaler or the final retail price. How would the tax be evaluated?

MR. EVANS: The tax is levied on the purchaser and whatever he pays is the amount to be taxed.

MR. CHAIRMAN: (ii)--passed; (iii)--passed; (iv)--passed. Subsection 1--passed; Subsection 2--passed; Section 2--passed. Section 3, Subsection (1)--passed.

MR. MOLGAT: Mr. Chairman, I think the experience in virtually every province in Canada where the sales tax has been applied in the past is that it did not start off at the very high rate of tax that the Province of Manitoba proposes. In fact I think every other province started at either two or three percent and it's true that they have been increasing it since but this has not been certainly the initial case.

The Minister indicated to us that in Manitoba he was going further than other provinces in the taxing of services and I think the discussions we've had on the general principles of the bill certainly made it clear that the rates of expenditure the government is proposing were not going to be as high as they originally planned, school division votes and so on, and so I'd like to move that the Committee of the Whole give consideration to the advisability of amending Section 3, subsection (1) by deleting the word "five" in the last line thereof and substituting therefor the word "three".

MR. CHAIRMAN put the question and after a voice vote declared the motion lost.

MR. MOLGAT: Ayes and Nays, Mr. Chairman.

MR. CHAIRMAN: Call in the members.

A counted standing vote was taken, the results being as follows: Ayes, 11; Nays, 28.

MR. PAULLEY: Mr. Chairman, that clearly illustrates the New Democratic Party don't want a sales tax of any size.

MR. CAMPBELL: That demonstrates, Mr. Chairman, that the New Democratic Party prefers a five percent sales tax to three percent.

MR. CHAIRMAN: Subsection 1--passed; 2--passed; 3--passed.

MR. EDWARD I. DOW (Turtle Mountain): There has been some discussion, Mr. Chairman, in regards to this particular section, that this particular section is going to be very embarrassing to a lot of companies that have taken contracts on leased machinery. It's going to be embarrassing to a lot of office firms, IBM machines and so on that have had their contracts set up over the past year or two and I would suggest that this is going to be very detrimental to

(MR. DOW cont'd.) . . . . work out any considerations to pick up this tax and without prolonging the debate, Mr. Chairman, I would move that the Committee of the Whole give consideration to the advisability of amending Section 3, subsection (3) by adding the following: "Except on contracts prior to February 6, 1967."

MR. CHAIRMAN: Are you ready for the question?

MR. EVANS: I don't think I should allow that to go without some comment. It would be entirely possible to enter into a contract for five or ten years in advance and escape almost any kind of a tax either for delivery of tangible personal property in the future or indeed rental indefinitely into the future and the tax will be applied on contracts of this kind upon each occasion on which an invoice is submitted to the customer. The principle to apply will be the same as will be brought to bear in other taxing acts under our jurisdiction, namely that the customer is liable for the tax at the time he receives or consumes the goods.

MR. MOLGAT: Mr. Chairman, I think there is a different situation here though from the normal one where there has been no long term contract. What we're suggesting here is not that anyone who found out that the tax was coming, that is after the Minister made his speech in the House, his budget speech, and stated that there would be a five percent tax, we're not in any way trying to protect individuals who, based on that knowledge, proceeded to sign a long term contract and who were attempting undoubtedly to get a better position for themselves, which I don't blame them for doing, but which nevertheless was based on clear knowledge.

This is why our amendment here is clearly based to take care of those people who, prior to any knowledge of the sales tax, that is prior to the budget speech on the 6th of February, had a long term agreement, a long term lease. Normally these will be two-year leases but they might be five year leases, but they have made an agreement, this has been part of their budget maybe for - my colleague indicates IBM equipment - or it may be for road construction equipment; it can be for automobiles, trucks, any items of equipment, but they had a long term contract. Now unless we pass this amendment, what we are doing in fact is we're making the tax retroactive on these particular individuals. They are not placed in the same position as someone else. They have made a commitment and quite conceivably, in turn, have made other commitments themselves to other people based on this particular rental agreement that they have.

Let us take the case of my honourable friend the Minister of Highways where someone has a contract with him for the construction of a certain piece of road, or let's take the case of the Minister of Public Utilities where other people have contracts for construction, say at the Nelson River, covering a period of time; they have leased equipment on a certain premise at a certain price prior to the 6th of February and now we are going to come along and say to them, it's true that you have a long term contract but as of the 1st of June, it's your long term contract plus five percent. They may, and undoubtedly did if they in turn were entering into another long term contract, based their price on the lease that they themselves had, and yet they're in no position to renegotiate a new contract now.

So I think the Minister should look at this one in a different light than what he has just said. This is not attempting to protect individuals who acted in the knowledge that the tax was going to be applied. This is for those individuals who had previously signed long term contracts and in my opinion should be protected until the end of that contract. When that contract expires and they come along for a renewal, then quite properly they should be made to pay, but surely we should not penalize them now because of a contract that they had previously signed having no possible way of knowing that the tax would be imposed.

MR. EVANS: Mr. Chairman, it's quite impossible to enter into a private contract to prevent the imposition of public taxes or to contract out of an obligation to pay taxes to a taxing authority.

MR. MOLGAT: Mr. Chairman, I'm sorry. I don't understand what the Minister says. These people didn't sign a contract. Someone who signed a contract, say last December, for the lease of equipment, for example, the work at Nelson River, certainly didn't sign that contract in the anticipation that he was going to evade some taxes. He signed the contract because he had a particular contract in turn with the government or one of its agencies. He made his bid on the basis of what his costs were going to be plus a normal profit. Now we are telling him your costs are going to be five percent higher for at least that portion of your lease. He wasn't trying to evade a tax; he had no means of knowing the tax was coming.

MR. EVANS: No, I wasn't referring in that last instance to the evasion of tax. All taxes are changed on the responsibility of the taxing authority. Mr. Sharp rises in Parliament



(MR. EVANS cont'd.) . . . . and says the income tax is up and it's up, and any contracts that may be affected by it are affected by it.

MR. CLEMENT: Mr. Chairman, in the question of leasing a large building, which in our case we do at the rent of say \$300.00 a month from an oil company for a three year lease, and if we have paid this lease for three years ahead of time, in other words as long as we don't pay any more rent till the three years is up we're not subject to tax, are we?

MR. EVANS: Real estate transactions are not taxable.

MR. SHOEMAKER: Mr. Chairman, I understand that the Province of Manitoba, as an example, pays out large sums of money for IBM computer machines etc. etc. Will there be a tax on that or is this considered production equipment? The same would apply to all of the insurance companies. I think the insurance companies in this day and age rent most of their equipment, including typewriters, and a lot of other office equipment. Is this considered production equipment or will they have to pay a tax on top of the rental fee?

MR. EVANS: My impression is that those who rent IBM equipment will pay a tax on the rental value. It is not regarded as production equipment, production equipment being equipment used in the production of tangible personal property.

MR. DAWSON: Mr. Chairman, on that last point, you said that the government rents IBM machines - they will pay a tax? Well don't you think it's a little ridiculous to pay a tax to the IBM Company? They in turn take two percent of that tax or three percent, whatever they get for remitting, and return it to you. You're giving them a chance to make a few dollars; you'd be better off to exempt the government from paying tax on the machinery they rent. Do you not think so? You understand what I mean? You're going to pay them as a collecting agent and you're giving them a few extra dollars for nothing every month.

MR. EVANS: My honourable friend is asking me to say that I'm ridiculous, I don't agree.

MR. CHAIRMAN put the question.

MR. FROESE: Mr. Chairman, could you read the amendment. I'm not sure just what it contains.

MR. CHAIRMAN: The motion before the Committee: "the Committee of the Whole give consideration to the advisability of amending Section 3, subsection 3 by deleting the following, 'except in contracts prior to February 6, 1967'."

MR. CHAIRMAN put the question.

MR. MOLGAT: Mr. Chairman, I don't think the wording is quite correct there. It should read "except on contracts" -- simply adding the following words: "except on contracts existing prior to 6th February, 1967."

MR. CHAIRMAN: Well I'm just reading the motion as I have it here. Did I not read it correctly?

MR. MOLGAT: Well, it may not have been . . .

MR. CHAIRMAN: That the Committee of the Whole give consideration to the advisability of amending Section 3, subsection 3 by adding the following: "except in contracts prior to February 6th, 1967."

MR. CHAIRMAN presented the motion and after a voice vote declared the motion lost.

MR. MOLGAT: Ayes and nays, Mr. Chairman.

MR. CHAIRMAN: Call in the members.

A counted standing vote was taken, the results being as follows: AYES, 18; Nays, 28.

MR. CHAIRMAN: I declare the motion lost.

MR. MOLGAT: Mr. Chairman, before we leave this item I'd like to ask the Minister a question as to what is the situation where someone had purchased some equipment that is taxable. He's purchased it over a long term contract, he has paid on it for say - he purchased it last December, he's paid on it until the 1st of June - he still has say 18 months to go. Does he have to pay tax on the balance of what he owes?

MR. EVANS: No.

MR. MOLGAT: He doesn't? Mr. Chairman, this then indicates the unfairness of the clause and the reason the Minister should have supported the amendment, because what he's saying is someone who purchased, who purchased before the 6th of February is not going to have to pay any tax on any part of the contract - and I agree with that proposition - but on the other hand someone who leased, instead of going outright and signing a contract to buy the equipment, but who signed the contract to lease the equipment over the same period of time exactly - same period of time as the purchaser, is going to have to pay tax on the lease period from the 1st of June until the expiry of his contract. Now what is the logic, saying you must

(MR. MOLGAT cont'd.) . . . . . pay tax on the lease part of it but you must not pay tax on the purchase part of it? If the Minister had said outstanding contracts as of the 1st of June will be taxable I would have disagreed because I think it would have been almost impossible to apply, but there would have been some logic; but there's no logic in the position now taken that if you purchased it you don't pay, even though you're still paying on the contract, but if you leased it you do.

MR. CHAIRMAN: Subsection 3--passed; subsection 4--passed; 5 . . .

MR. DOERN: On this kind of an item where I presume - is this the idea of second purchasing - number 4, "where tangible personal property or service is purchased at a retail sale in the province otherwise than from a vendor." This isn't the one referring to purchases from a person - is that what you mean, where a person say is buying secondhand goods for cash. What do you mean "purchased from a retail level but not from a vendor."

MR. EVANS: This refers to where goods or services are acquired for consumption but no vendor is involved to collect the tax, the consumer is required to make a report to the government and pay the tax. However, all person to person sales are exempt. I don't know what other kinds of sales could be accomplished that way, but in any event another section of the Act exempts person to person sales, and there's no tax applies.

MR. DOERN: . . . exempts person to person sales. In other words, if a person is selling goods you mean to another person, say sort of a secondhand goods, there's no tax applied to it?

MR. EVANS: On a casual sale of that kind where it is not a part of a business, the tax does not apply.

MR. ALBERT VIELFAURE (La Verendrye): Mr. Chairman, what would happen then in the case of an auction sale, for example; you often see a farmer for example disposing of his farm equipment and his goods through an auction sale. How would this be taken care of?

MR. EVANS: The auctioneer is licenced as a vendor and collects a tax on whatever articles are taxable.

MR. VIELFAURE: . . . would have to make the decision at the time of the sale whether such an article is taxable or not, or would there be a minimum amount.

MR. EVANS: No, it depends on the kind of goods, the minimum amount is 25 cents or less.

MR. DOW: Mr. Chairman, in this particular case if an individual say went to the United States and bought a quantity of clothing, of which they can claim a certain amount through customs and the amount would be more than the free amount. We'll say for instance that he bought \$500.00 worth of clothing, he had to pay duty on \$400.00, then who collects the tax on the \$400.00?

MR. EVANS: The responsibility is on the individual to report the sale.

MR. CHAIRMAN: 4--passed;

MR. MOLGAT: Mr. Chairman, what does Section 4 apply to then. What type of sale? What does it mean?

MR. EVANS: There can be all kinds of transactions where someone not licenced as a vendor does in fact make a sale at retail, although he didn't expect to, he's not in that class of business, nevertheless he makes a sale at retail. The tax is payable. If someone purchases goods from himself in his own business for his own consumption or use, that becomes a retail sale that doesn't pass through a vendor.

MR. PAULLEY: Does the five percent sales tax apply to Irish sweepstake tickets which are over the 25 cents? There isn't a regular vendor but a sale is made; does the tax apply on them - illegal though it may be?

MR. EVANS: That's not a specified service.

MR. CHAIRMAN: 4--passed; 5--passed; 6--passed;

MR. SHOEMAKER: Mr. Chairman, presently I understand if you are visiting in any one of the other provinces and you purchase articles and they ship them, mail them or express them back to you then you don't pay the tax. Now how do you go about collecting the tax in Manitoba then?

MR. EVANS: Well all the mail order companies or people who make a business of shipping into Manitoba will be vendors under the Manitoba Act and will collect the tax for us and similar companies in Manitoba shipping to other provinces will become vendors under their sales tax acts and we'll collect for them.

MR. MOLGAT: Mr. Chairman, have we an agreement now with the other provinces in that regard? For example, let's say eastern mail order houses, headquarters in Toronto and

(MR. MOLGAT cont'd.) . . . . Montreal, have they agreed to collect the tax on all goods shipped into the Province of Manitoba?

MR. EVANS: Yes, we expect to make arrangements with all of them.

MR. MOLGAT: Have arrangements been made though, Mr. Chairman - with all of them.

MR. EVANS: Not completely, I haven't got any Act to make them under, nor any regulations.

MR. MOLGAT: Mr. Chairman, on looking over the Saskatchewan Act I think that that Act specifically states that for goods shipped outside of Saskatchewan, the companies in Saskatchewan do not need to levy the tax, that the firms in Saskatchewan shipping into Manitoba under that Act have no obligation whatever and simply don't charge any tax. Now how's the Minister going to change that.

MR. EVANS: Up to now we've had no tax for them to collect; from now on they'll collect our tax for us.

MR. MOLGAT: That's not what the Saskatchewan Act says. The Saskatchewan Act says if you're shipping outside of Saskatchewan, it doesn't say if you're shipping into Manitoba. It says if you are shipping outside of the Province of Saskatchewan you don't need to collect the tax; you're simply not shipping to a Saskatchewan resident and therefore you're not subject to the sales tax.

MR. EVANS: Those who ship to Manitoba will be licenced as Manitoba vendors and will collect the Manitoba Tax.

MR. MOLGAT: Is this by agreement with the Government of Saskatchewan, or is this by agreement with the companies involved?

MR. EVANS: The vendors.

MR. MOLGAT: And they have agreed to do so, Mr. Chairman?

MR. EVANS: We are making arrangements with them; expect to complete the arrangements with all of them.

MR. SHOEMAKER: . . . Mr. Chairman, just with the mail order houses, or are you arranging for every vendor in every one of the nine provinces outside of Manitoba? Every single -- if I buy a tie from a store in Quebec that you're going to write back to them and collect the tax on that?

MR. EVANS: All the other provinces have these same problems, we will solve it in the same way. If a vendor in another province gives tax exemption within that province they will apply the Manitoba tax in its stead if it's being shipped here.

HON. STERLING R. LYON, Q.C. (Attorney-General) (Fort Garry): Mr. Chairman, I wonder if this would be a convenient time to move the Committee rise.

MR. CHAIRMAN: Committee rise. -- (Interjection) -- We are on subsection 6 of section 3. Committee rise. Call in the speaker.

Mr. Speaker, the Committee of the Whole has considered a certain bill and directed me to report progress and ask leave to sit again.

#### IN SESSION

MR. WATT: Mr. Speaker, I beg to move, seconded by the Honourable Member from Springfield that the report of the Committee be received.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. LYON: Mr. Speaker, I beg to move, seconded by the Honourable Provincial Treasurer that the House do now adjourn.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 2:30 Tuesday afternoon.