

CONFIDENTIAL

Second Working Session, Constitutional Conference

September, 1970

NOTES FOR  
INTRODUCTORY COMMENTS

September 9th, 1970.

Report From the Continuing Committee of Officials

5. (a) Taxing Power - Sales Taxes

1. The working session in June 1969 agreed that there should be a further exploration of alternative ways of ensuring that indirect provincial taxes would apply only "within the province" and without creating "tax barriers" to interprovincial trade.
2. A sub-committee of experts established by the CCO to study the subject submitted a report which was considered and approved by the CCO.
3. A consensus was not reached on the central issue: how to prevent a provincial indirect sales tax being passed on to buyers outside the province. However, the report does identify two main alternatives to the existing power over direct taxation.
4. Further collective consideration is not necessary at this time, so it is proposed that a decision on the subject be deferred in order to retain flexibility for future negotiation.
5. Some provinces have, however, expressed the view (Secretariat Report, p. 3, para. 6) that if provinces were to be allowed to impose tax on the sales of manufacturers or wholesalers, there might be a need for "detailed constitutional guarantees" that such taxes would not be passed on to buyers in other provinces. Perhaps those provinces might wish to submit proposals for such detailed guarantees to the C.C.O. for consideration, in order that this possibility might be more fully appreciated.