There were further changes to Clause 38 concerning the ways in which an individual can generate a taxable benefit from an employee stock option. The clause was passed on division and it remains an issue to which we might want to return.

Clause 66 deals with the question of source deductions. This has been quite a contentious issue. The Government, in an effort to improve its cash flow problems, has twice increased the rates at which employers remit the compulsory deductions for income tax, for Canada Pension Plan and for unemployment insurance. Originally we saw the requirement to remit these being moved up from monthly to fortnightly. More recently they have been moved up to weekly.

This is a nice bit of smoke and mirrors. It makes the government books look better by over $1 billion in each of two successive years. However, it is not a real answer to the question of the deficit or to the question of reducing expenditures. It is causing problems for employers. It is an additional expense in their payroll operations.

Moreover, in this Bill, we now find that the Government also has plans to garnishee employers who do not meet with this requirement to remit promptly. There was a considerable amount of discussion of this clause in committee. The Crown gets a super priority over all other creditors in the case of unremitted source deductions. Correspondence was received by most Members from the Canadian Insolvency Association and the Canadian Bankers' Association which took exception to this super priority. However, at committee, officials took the line that the Crown was not looking for a super priority over other creditors except in the case of unremitted deductions. Therefore, money which did not belong to the employer, money which in effect belonged to the employee, should have been remitted. While I do not think that members of the committee were entirely satisfied that the clause was drafted tightly enough to exclude abuse, that clause was also passed.

There are a number of other areas addressed by this Bill. Regarding co-operative corporations, the classification of co-operatives eligible for meeting the 90 per cent co-op membership and share ownership rule has been broadened to include farm corporations and partnerships. Co-ops have been given increased flexibility in paying dividends to their Members.

● (1130)

The Bill has also taken some steps to prevent double taxation in the operation of Canada's tax treaties.

The Bill allows interest owing on late or deficient tax installments to be calculated using an interest offset method. This lets taxpayers eliminate interest charged on a deficient tax installment by prepaying or overpaying other instalments. The administrative burden of master trusts has been lessened by easing some tax rules. In addition, master trusts may use the three-for-one small business investment provision. When that provision was introduced in this House, I think many of us had reservations about it, and those reservations continue. The rules allow pension funds three dollars of additional investment in foreign property for every dollar invested in small business in Canada. The program is not moving very fast and probably for good reasons.

Then there were several proposals in Bill C-64 concerning RRSPs and registered pension loans. The foreign holding property rules are changed so they are not subject to penalty because of corporate transactions they are unable to influence. The Bill also provides for the prorating of resource deductions when a corporation has a tax year of less than 12 months. This step was taken because some companies, due to takeovers, mergers or start-up dates, found themselves in unusual situations with a short tax year.

The Bill introduces a number of measures to reduce tax avoidance. Rules for the federal sales tax are tightened so that only one person may use credit for a particular dependant. It is very interesting that at the same time the Minister of Finance (Mr. Wilson) criticizes the federal sales tax, calls it a silent killer of jobs and says he intends to remove it and reform it and move to some form of consumption tax, we are seeing increased reliance on the federal sales tax.

There are a number of amendments in this Bill which will prevent companies from getting preferential capital gains tax treatment by distributing profits as a capital gain rather than a dividend. There are also some changes relating to venture capital corporations, and stricter measures concerning the forgiveness of employee debt in order to ensure that the full face value of what is owing is taxed. The rules concerning treatment of income interest in a trust are tightened to restrict such deductions to testamentary and certain commercial trusts. Scholarships, fellowships and sales achievement prizes are still subject to tax, although something called "widely recognized prizes for meritorious behaviour" are given a tax exemption.

I think this is probably a matter that should be studied further and would have been had there been the normal climate of calm, reasonable examination of an important tax Bill. What we saw was not such a normal climate. We saw something that we have not seen since reform of committees. We saw the membership of committees changed. We saw additional committee sessions being planned without consultation with opposition Members because the Government was so desperate to pass one particular clause, Clause 10. That clause sets up the international banking centres. This one clause in a major tax Bill became the Government's be-all and end-all and seriously interfered with the normal calm, reasonable scrutiny of a major tax Bill.

I would like to talk now a little bit about the history of international banking centres. In the 1970s New York banks feared that they were being closed out from the Eurocurrency market. They had a number of reasons for their concern. First there was their lack of familiarity with the market, the competitiveness. Second, they felt that in New York City they were limited by the very high city taxes, the very high state