

• (1630)

We also need a thorough investigation of the income tax legislation relating to bankruptcy. It is my understanding that the government is coming forth with that legislation at the present time and it will put those critical points on the floor.

It is important to realize that the Canadian Federation of Independent Business has not had a chance to really study the legislation and bring in recommendations for us to study. Very clearly, at this point in time, taking that legislation to committee and having the committee deal with it is probably the best route that we can go, and that is the route we would recommend.

The Acting Speaker (Mr. Paproski): I will not recognize any more questions or comments. I am going to recognize the next speaker and that will be the hon. member for Ottawa—Vanier. He is entitled to 40 minutes with no questions or comments.

Mr. Jean-Robert Gauthier (Ottawa—Vanier): Mr. Speaker, I just want to get my comments on record.

[*Translation*]

First of all, I want to wish the hon. member for Trois-Rivières, our colleague and Parliamentary secretary to the Minister of Finance, a speedy recovery. I hope his arm will get better, that the GST hasn't done him too much harm, that he will soon be as good as new and that in future he will be suitably dressed.

Mr. Speaker, the bill before us implements the Ways and Means Motion to amend the Income Tax Act, notice of which was tabled in the House of Commons on November 6, 1989. It is a piece of positive legislation which provides for so-called technical amendments to the Act and which, I am sure, will have the support of the Official Opposition.

[*English*]

Mr. Speaker, this bill re-establishes the legal "garnishment" authority for the government to collect unpaid source deductions. Employers have to collect unemployment insurance premiums, Canada Pension Plan and income tax deductions from employees' pay cheques and pass them on to the federal government. Employers who have collected these sums of moneys on behalf of their

Government Orders

employees should, but sometimes do not, pay the source deductions to the federal government as they should.

The government has had this enhanced garnishment authority since 1987 when subsection 224(1.2) of the Income Tax Act was enacted, but a recent court decision has thrown subsection 224(1.2) into question. The Alberta Court of Appeal ruled in June, 1989, in the case of *Lloyds Bank versus International Warranty Company Limited* that Revenue Canada did not have priority over secured creditors in the collection of unpaid debts from a business in the case of a bankruptcy and that the Income Tax Act did not transfer property of the funds to Revenue Canada.

That is basically the background to this bill. That is why we have Bill C-51 before us, and that is why the Liberals will give it their support and hope that it will go to committee for thorough study and possibly amendment to the act with a view to strengthening the legislation.

Bill C-51 ensures that the receipt of a garnishment letter from Revenue Canada transfers property to Revenue Canada and that the claim of Revenue Canada has priority over secured creditors in the case of a bankruptcy.

Bill C-51 states that legal actions to collect unpaid source deductions, including garnishment, cannot begin until 90 days after Revenue Canada rules on a taxpayer's appeal of their assessment, if any appeal is made. If a taxpayer launches a court appeal of their assessment, no action can be taken by the government until the court has made its final decision.

By giving Revenue Canada the enhanced collection powers proposed in Bill C-51, the government is attempting to ensure that businesses with a severe cash flow problem and facing possible bankruptcy do not use unpaid source deductions as a source of emergency financing which may not be able to be collected if the firm goes into bankruptcy.

After consultation, and as I understand it, the government views Bill C-51 as simply re-establishing the powers of Revenue Canada to those which existed before the ruling to which I alluded to a few minutes ago. Bill C-51 does not give Revenue Canada any new powers which it did not have prior to the court decision. Without Bill C-51, the government estimates that it will lose about \$200 million.