

*Income Tax Act*

and small, which in the past might have cheated a little on their tax would all at once come forward and do the right thing. In this new era which the Government claims it has established, would truth and justice like a bolt of lightning hit all taxpayers and from now on we will have nothing but honesty prevailing in this field? I feel the Minister and the Parliamentary Secretary are somewhat naive. I hope this is just propaganda and really not government policy. If this is government policy, we will be in some difficulty in the years ahead.

Paying taxes in an exercise that most people the world over do not relish. People feel that these are moneys they have earned either through business activity or labour. They want to keep as much of that money for their own use. Of course, in a society like ours that is dependent very much upon government activity to maintain our roads to provide health services and to do all the things a modern state must do in order for a modern civilization to exist, one of the forms of revenue for these purposes must be the tax system.

The tax system must be fair and must appear to be fair. It must appear and in reality be something whereby people are treated on an equal basis. In our system and in the system of most of the industrialized civilized world there is a progressive income tax system. The greater your income, the greater your ability to help foot the public bill, and according to our system, the greater amount you are called upon to contribute to the national purpose. Again, it should be realized that most people who earn an income do so with the assistance of government in one form or another. If we did not have our health system, our education system, our rail and road system, and what not, most Canadians could not earn an income. The ability to earn that income is dependent upon the fact that we have a modern state providing these essential services.

For the Hon. Member to suggest in his Private Member's Bill that the Department of National Revenue should be restricted to auditing returns only for this year, and that the taxpayer be given an amnesty so that the Department would no longer be able to audit returns for 1984 and prior, I do not think it will help the Government or make the tax system fairer.

When you look at Revenue Canada taxation estimates, for 1984-85, Mr. Speaker, you see two important activities that the Department carries on. One is post assessing. This operation consists of the examination of certain things for deduction or exemption which are accepted without question at the initial assessing in order to expedite the flow of returns. In other words, when the income tax returns come in, the National Revenue Department gives them a very brief look. Most of the forms are accepted at face value. Taxes are collected. Cheques are issued for money owed to a taxpayer, and so forth. Subsequently, I understand about 3 per cent of the returns are audited. As well, the Department audits to make sure income reported on the tax form is the income supported by such slips as T-4s from employers and the T-5s from the banks.

We find in the Estimates for 1984-85 that this activity in the year 1982-83 brought in some \$828,948,000, which is a

fair chunk of change so to speak. In essence, what this Private Member's Bill is suggesting is that the Government forgo these revenues. Remember that this figure of \$828 million which the Government collected because of its audit functions really covered only 3 per cent of corporations that filed income tax returns. This means that a fair amount of money is not collected. It means that a fair number of companies, either deliberately or not deliberately, fill out their corporate tax sheets in an improper way. All of the information is not there. It means that a 3 per cent audit netted the Government, just on the corporation side, some \$645 million last year. What the Private Member's Bill suggests is that the Government kisses \$645 million good-bye. If we had tremendous surpluses in government revenues perhaps there would be some justification for this. I wish the Hon. Member would express his indignation at the \$200 million which the Government wants to save by cutting back on unemployment insurance.

The Hon. Member, I am sure, will be supportive of the Government's cut-backs to the UIC program. I am sure there are people ripping the system off. May I suggest that those people are people with very low incomes? Yet the Government is willing to hire several hundred policemen to police UIC recipients. I am sure they will be given quotas and they will be forced to justify their income by making sure that a certain percentage of the people they interview every day will be found ineligible for UIC payments.

• (1740)

The Government should be as concerned about collecting the \$3.5 billion which is owed to it. These moneys are not in dispute. Heaven knows the amount of money owed to the Government which is in dispute. However, there is this \$3.5 billion which everyone agrees is owed to the Government. It is out there. It is 10 per cent of the deficit.

Day in and day out we stand in the House to try to imprint upon the Government that it does not have a deficit because of overspending. The deficit is there because the Government has not been collecting the taxes it should be collecting. The deficit could be reduced off the top by 10 per cent if the Government would only collect the undisputed amount of money due to it.

The area of undisputed tax which galls me the most is the \$328 million or so which employers have deducted from their employees. These deductions were in the form of income tax, UIC and CCP. These moneys have not been remitted to the Government. They are held in trust. It is not even their money. It used to be some \$428 million, but the Minister has already kissed \$100 million off. He said that he would not bother collecting that, that it was dead, that it was gone. There is still some \$328 million owing to the public Treasury by people who hold this money in trust.

I understand that such workers are eligible for UIC payments if the corporation goes bankrupt and still owes the Government money from UIC deductions. I also understand that very often these workers experience tremendous difficulty in obtaining the coverage owing to them. It is a long, drawn-out fight to gain the coverage for which they have paid. For