

Government Orders

For all intents and purposes the act is already a done deal as its contents were agreed on in a protocol signed by trade representatives from both countries on March 17, 1995. The protocol bill became Bill S-9 and the Senate subsequently approved it on May 3, 1995. That leaves it up to members of the House of Commons and specifically members of the Standing Committee on Finance to give it one last good look.

Basically tax treaties and their amending protocols have two main objectives, the avoidance of double taxation and the prevention of fiscal evasion. Since they contain taxation rules different from the provisions of the Income Tax Act they become effective only if we give them precedence over domestic legislation by passing bills like Bill S-9 through Parliament.

I want to make sure Liberal members opposite understand what that means. For Canada to simplify its tax rules with regard to trade with the U.S. its politicians pass bills like Bill S-9 that bypass the convoluted, complex and complicated Income Tax Act. With all due respect, what a treat that must be. Canadians sit at home trying to figure out their T4s and their T4As and phrases such as discernible loss while a few trade representatives sign a tax protocol not subject to any aspect of the Income Tax Act.

The primary objective of most tax treaties is the avoidance of double taxation. Bill S-9 makes a number of important changes in this area, including bilateral reductions and withholding tax rates on dividends, interest and royalties reflecting the rates now accepted in most countries, a complete withholding tax exemption for payments for the use of U.S. technology, relief for Canadian residents from the application of U.S. estate taxes, increasing the maximum estate tax exemption from \$60,000 to between \$600,000 and \$1.2 million U.S.

I wonder if the Minister of Finance will be bringing in estate taxes in Canada in his next budget, making this section of the bill an exercise in futility.

With regard to double taxation, Bill S-9 expands the exemption from U.S. tax for the income earned by RRSPs, RRIFs and the Canada pension plan.

In the area of fiscal evasion the bill gives authority to impose withholding on CPP and OAS payments made to American residents. The 1984 treaty only allowed the American state these former Canadian residents lived in to tax such payments. Now we can withhold the money at source if it is being collected illegally.

There is also a provision in Bill S-9 for a mutual assistance in the collection of taxes owed by a citizen of one country who resides in the other.

These are very positive measures which our party fully supports. However, what disturbs me is that we can accomplish these changes internationally but not internally, not domestical-

ly. For example, we can agree to chase tax evaders north and south of the Canada-U.S. border yet nothing has been done by the government to chase those who evade things like child support across our provincial borders. It is a double standard.

Another example of this can be seen in reductions and withholding tax rates on the dividends, interest and royalties held in Canada and the United States. What about the continuing double taxation of domestic dividends in Canada? This is a double standard. Our trade representatives seem to be able to negotiate what our domestic politicians and representatives cannot.

The question that begs to be asked is why. The answer is because bills like Bill S-9 take precedence over the Income Tax Act. They are not governed by it. Maybe it is time Canadians did not have to be governed by the Income Tax Act either. Maybe it should be repealed. Maybe it is time to get rid of it altogether, start from scratch and build up a whole new base to create a simple, visible and fair system of taxation such as the flat tax.

• (1330)

Philosophically, certainly it is in tune with the times. Practically, it would be keeping in step with what is going on in the United States. A protocol bill like this one seems to solve all our problems. Many Republican representatives in the United States are looking at a flat tax. They are looking to simplify their system. They are looking to make it more fair, where people who make the same level of income pay relatively the same amount of tax. They are looking to reduce the high compliance costs of tax collection.

What is frustrating to me is that the majority of Canadians have to hire accountants to do their personal income tax returns. Our corporations have to hire accountants to do their tax returns. Businesses have to figure out their GST calculations and submit them to the government. In other words, the private citizens and businesses are paying to keep track of taxation for the government, and it still costs Revenue Canada \$1.2 billion to collect our taxes. It still costs \$400 million to \$500 million for the GST revenues to add it all up. That is almost a cost of \$2 billion when the people in the businesses are doing the work. Implementing a simplified taxation system would reduce that cost. It would be in line with what we are doing with protocol agreements such as we have in Bill S-9.

It is so obvious and so clear that I do not know what the government has to fear. The Liberal member for Broadview—Greenwood is proposing a flat tax. He has been ignored for 10 years. I do not know why. What is it that makes politicians when they form government afraid to look at a new, clear and fair system of taxation? Why not send the trade representatives who negotiated the deal into the House and let them negotiate in the standing committees a new system of taxation? Businesses would be better off and individuals would be better off.