

● (1700)

## PRIVATE MEMBERS' BUSINESS— MOTIONS

[English]

**The Acting Speaker (Mr. Paproski):** Is there unanimous consent for the House to proceed to Item No. 126?

**Some Hon. Members:** Agreed.

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### INCOME TAX ACT

#### ADVISABILITY OF AMENDING THE ACT

The House resumed from Tuesday, December 11, 1984, consideration of the motion of Mr. Lopez:

That, in the opinion of this House, the government should consider the advisability of amending the Income Tax Act in order to eliminate reassessments and legal actions for the payment of income tax in arrears in cases where errors or omissions happened in taxpayers' income tax returns for the pre-1984 fiscal years.

**The Acting Speaker (Mr. Paproski):** The Hon. Member for St. Catharines (Mr. Reid) had 15 minutes remaining. Is he going to participate? He is not here. The Hon. Member for Simcoe North (Mr. Lewis).

**Mr. Doug Lewis (Parliamentary Secretary to President of the Treasury Board):** Mr. Speaker, I rise to continue the debate on this motion made by my colleague, the Hon. Member for Châteauguay (Mr. Lopez). I suggest to the House that it serves a very useful purpose today. I compliment the Hon. Member for taking the time to become involved in the process so early in his career. Having read his speech, I believe he put some thought into what he is trying to do. Now I want to pose some questions on the other side of the issue and expand it.

The debate on this motion gives us an opportunity to examine some of the important issues that are involved in our income tax system. It gives the Members of this House an opportunity to reflect on the many changes which have been introduced by our Government respecting the administration of the Income Tax Act. I hope that through this debate we will increase public awareness and the understanding of some of the problems that exist.

I suggest that our experiences during the past year, especially of those who were here in the last Parliament, demonstrates the axiom that perhaps we do not realize the value of an institution until it starts to develop problems. For half a century the federal Government has relied heavily on income tax revenue to finance the many services and social support systems on which Canadians count. Not only does it generate a large part of the revenues needed, but the tax system is used by Governments to further economic and social goals. Through its array of deductions, exemptions and tax credits, it provides an incentive to economic activities that we want to encourage,

### Income Tax Act

tax relief in certain circumstances and income support to others such as low income parents.

There is no question about it, the tax system is a vital part of our Canadian community, but it is also a system that has to be handled with some care. We cannot forget that the tax system is based on self-assessment. The Government relies on Canadians to make out their own tax returns, to report their incomes fully and to compute their own tax bill. Obviously that kind of a system demands a mutual trust and respect between the taxpayer and the Government. It is equally obvious that under the previous Liberal administration, the system developed severe problems.

In recent years, the amount of tax arrears owing to the Government rose to \$3.5 billion. There were probably many reasons for that, including the economic recession under the former Liberal Government, which placed severe pressures on the financial positions of Canadians. There was an inability to pay taxes incurred in previous years. There was a need for liquid cash on the part of the person who owed the money. Aside from that, there arose during that period growing difficulties in relations between the taxpayer and the Government. Instead of the relationship continuing to be one of mutual trust, it became very adversarial, not at the tax appeal court level, but at every level.

Under the Liberals, the practice grew of various income tax offices using quotas to judge the performance of tax assessors. Any chartered accountant, of which I am one, can tell you that you cannot base the tax you are going to assess on how long it took you to assess it. There is absolutely no relationship whatsoever between the two. It was the practice of the former Government which allowed that to happen. It then became undue pressure as well as a quota system.

As a result of that terrible abuse of the rights of Canadian taxpayers, the Progressive Conservative Party set up a task force on Revenue Canada under the chairmanship of the present Minister of National Revenue (Mr. Beatty). That task force travelled not just to Toronto and Montreal, but to smaller communities across Canada. It heard depositions from the people who were being abused by the tax system and the assessors. As a result, we produced 72 or 73 recommendations within three months of the formation of that task force, at a time when the consultant hired by the former Liberal Government was still trying to hire his staff. We had made our recommendations long before the Liberal Government's consultant was able to get off the ground. We are now in the process of implementing those reforms, some in the form of legislative amendments to the Income Tax Act and some through administrative improvements.

Let me go back to November 8 when the Minister of Finance (Mr. Wilson) made very clear to the Canadian people the serious consequences of the escalating deficit under Liberal Governments and our huge national debt. When more and more of our financial resources are required just to carry the cost of servicing the debt burden, the Government's ability to meet the economic problems of the country are restricted.