

Adjournment Debate

years, at a guaranteed buy-back price. Neither the bank nor the customer has any way of knowing what the actual real price of the car will be after three years. However, it gives the bank the opportunity to appear not to be leasing the car. The bank claims that it is not a leasing plan. In fact, it is a loan with a balloon payment.

The bank, I suggest, is proposing to do through the back door what Parliament and Government, in enacting the last revised Bank Act, wanted to prohibit the banks from doing. I do not believe that the banks should be permitted to do this. I know that Parliament did not intend for the banks to be in the car or truck leasing business. If, as the Minister indicated, the advice of the legal officers of the Government is that what the bank is doing is in fact legal under the present provisions of the Bank Act, I would call on the Government to put into effect what it intended when the Bank Act was last revised. It should plug the loophole in the Bank Act so that the Royal Bank, or any other bank, is not permitted to get into the leasing of cars through the back door when it is not permitted to do it in the normal way.

● (1810)

Mr. Ralph Ferguson (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the Bank Act does allow banks to enter into some financial leasing contracts through subsidiaries, but specifically excludes them from entering into financial leasing contracts involving most motor vehicles. This exclusion reflected a number of considerations. Generally, banks are prohibited from dealing in goods under the Bank Act. There was concern that banks would be able to deal in goods through car leasing. There was also some concern expressed over the effect bank lessors would have on other lessors, such as car dealers. Thus, the Bank Act excluded banks from the business of leasing cars.

While the Royal Bank Buy-Back car loan program has features that are very similar to a leasing arrangement, the Department of Justice has concluded that in fact it is not a lease and that the Royal Bank is in compliance with the Bank Act. This reflects the fact that, unlike a leasing arrangement, the bank at no time owns the car. It is owned by the borrower. Further, the bank never deals with the cars. It is not involved with the physical purchase or final marketing of the car, although it appears to guarantee the price of the vehicle at the end of the time span of the repayment schedule, subject to several conditions.

From a strictly legal perspective, it would appear that the Royal Bank program is not a leasing program, but an innovative financing technique. In this regard, if one accepts the intent of the legislators that the Bank Act provisions are aimed at prohibiting banks from dealing in goods, the program would also be in accord with the spirit of the Act. However, if the Bank Act is aimed at providing protection to other lessors, the Royal Bank program will have to be examined carefully to determine if it is consistent with that objective. The issue clearly requires further study before any action could be considered.

NATIONAL REVENUE—BARRIE HOSPITAL FUND RAISING CAMPAIGN—REFUSAL OF TAX DEDUCTIBILITY. (B) REQUEST THAT MINISTER RESIGN

Mr. Ron Stewart (Simcoe South): Mr. Speaker, during question period on May 14 I raised an issue of considerable importance to the constituents of my riding. The response of the Minister of National Revenue (Mr. Bussières) was less than satisfactory, although it demonstrated very clearly that his attitude toward the taxpayers of this country has not changed at all, despite the controversies in which he has been involved and which have been raised in this House for the past half year.

Let me recall briefly the circumstances which led to my question, Mr. Speaker. Canadian artist Ken Danby had agreed to assist the Royal Victoria Hospital in Barrie with its fund raising drive by autographing 250 limited edition prints of a painting which he was commissioned to do for the Barrie recreation building. He would, of course, pay tax on the \$20,000 commission that he was paid to do the painting.

The hospital wants to give one of these prints as a token of appreciation to each person who makes a donation of more than \$500 to the building fund. In this way the hospital would raise a minimum of \$125,000, if not a lot more, without resorting to any government assistance whatsoever at a time when we need such help in medicare. It is an innovative way of raising money without having to go to the Government for any help at all. However, an official of the Minister's Department has ruled that if these prints are given to donors, tax deductible receipts cannot be issued for their donations. This will surely put a damper on an important and worthwhile fund raising project.

The Minister is well aware of the details, and when I asked him whether he would consider reversing the decision of one of his officials his reply was that I did not have all the facts and intimated that it was against the Act, and that I was, and I quote "stupid". Mr. Speaker, this is an insult to every constituents of Simcoe South. It is also a prime example of why the Minister has come under so much fire recently. Who is stupid, Mr. Speaker?

I telephoned the office of Revenue Canada today, the charitable and non-profit organization section, and spoke to a Mrs. Bennett. She assured me that at present there is nothing in the Income Tax Act which states that a donation cannot be deducted from taxable income if a gift is given to the donor in return. There are discussions going on about having this put into the Act in order to avoid much of the confusion which has arisen lately. However, at the present time, the Minister has the power to determine whether a donation will be allowed for the purpose of deduction from taxable income, even if a gift is received in return for the donation. The fact that the Minister is discussing this matter with his officials, and with the parties concerned, indicates that he has discretion in this matter. So it is up to the Minister to allow the fund raising scheme to go ahead. He has the authority to do so and nothing in the Act prevents him from doing so. Why does he not allow the Royal