

Oral Questions

know, however, that there are some people in the country who will take advantage of tax systems.

What has been proposed here is no tax police, nothing in that order, but a precaution to ensure that the measures developed in this new GST system are appropriate, taking into account the possibilities that could arise through tax evasion and fraud.

I think that this sort of precautionary measure is supported by Canadians because if there is not the precautionary measure taken it just puts a greater tax load on honest taxpayers in Canada, which is certainly not appropriate.

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, my supplementary is for the same minister and it concerns the same bulletin. I quote again from the bulletin:

With the introduction of this new tax as with any such far-reaching program, the opportunities for fraudulent activities are of concern to us.

Over and over again in this House the Minister of Finance and his colleagues on the front bench have indicated that the GST is a simple tax and that there would be no great problem with compliance. If so, how can the minister possibly reconcile this tax police recruitment bulletin and campaign with his rhetoric of simplicity echoed daily by himself and other members of his front benches?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, it is absolutely clear that the goods and services tax is a simpler tax than is the existing federal sales tax which has 22,000 separate special deals between Revenue Canada and the taxpayers. So clearly the complexity of the old system is prone to tax avoidance and tax evasion and one of the reasons for moving to the GST is to try to avoid that.

But in any system, in any country, there are opportunities for tax evasion. Tax evasion is breaking the law. The GST will be in place. It will be a simple, far less complex tax system, but people can still break the law.

If my hon. friend from Dartmouth is saying that he is quite comfortable letting Canadians break the law, if he is quite comfortable encouraging the government not to take precautionary steps to stop people from breaking

the law, then I think that it is a very interesting policy that he proposing for the Liberal Party of Canada.

Mr. John Manley (Ottawa South): Mr. Speaker, I am pleased to hear that the tax is so simple. I am sure it has not escaped the minister's notice that he is going from 75,000 taxpayers who pay the MST directly to about 1.25 million businesses that are going to be collecting the new tax. Is that simplicity?

I would like to ask him a question on the same point. Given the reference to fraudulent activities and given the fact that billions of dollars go back to businesses through the GST system, through the input tax credits, will the minister indicate to the House how much his department anticipates will be lost to the revenues of Canada through fraudulent activities given the size of the business input tax credits that will exist?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, I think the design of this goods and services tax will avoid the loss to which my hon. friend is referring. In the system that we have today the total consumption tax is centred on 75,000 taxpayers. There are great pressures on those taxpayers to try to minimize their tax liability. That surely would suggest to me that the existing system is much more prone to tax avoidance than the new system which will be more equitable because it is broadly based and because there are not unfair advantages given to some people in a tax system who are not taxed and others who are.

That is one of the key benefits of moving from the existing system, which is prone to that sort of avoidance, error and evasion, to a new system which is far more equitable.

Mr. John Manley (Ottawa South): Mr. Speaker, I take the minister's answer to mean that he does not expect any loss through fraudulent activities and therefore he begs the question of why this memo has gone out saying that the government anticipates fraudulent activities and needs to hire tax police in order to prevent it.

I would like the minister to explain why, if he is not going to lose anything through fraudulent activities, the government is out trying to hire people with RCMP credentials to prevent loss through fraudulent activities.

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, the naivety of my friend is stunning. Does he think that everybody in this country is going to be