

Government Orders

[English]

I had already received letters from members of the public when I recognized an hon. member on the other side some time ago who also had a damaged hand and was unable to put on a jacket properly.

I want it clearly understood that the hon. member is being recognized not because he is deliberately not staying within the bounds of decorum in this House, but because he is an injured member who, despite the injury has managed to bring himself to do his duty to the House and to the country.

[Translation]

Mr. Vincent: Thank you, Mr. Speaker.

So I was saying that the measures provided in Bill C-51 are modest, but important as part of our effort to improve the operation and efficiency of the Canadian tax system. They deal with two specific problems involved in collecting unpaid deductions at source. As you know, Mr. Speaker, this problem is growing in Canada.

Deductions at source are amounts that by law must be withheld from a payee for income tax, unemployment insurance premiums and contributions to the Canada Pension Plan, as well as any interest or penalty thereon. By far the largest category of deductions at source is the money withheld by employers from payments to their employees.

When money is deducted at source as prescribed by law, the payee is credited with the amount withheld, whether or not the payer turns over the deduction as required by law. Unfortunately, Mr. Speaker, the employer does not always turn over the amount deducted at source, but uses it for his own purposes. Some companies, especially when they are in financial difficulty, use deductions at source as a way to finance their business and to cover their operating expenses.

• (1620)

Mr. Speaker, I am sure you will agree that a company official who takes payroll deductions which would normally be sent to the government and channels them into operating expenses is guilty of an offence because the funds withheld by the official and diverted to other uses belong to the federal government, to the government of Canada. It is as if the funds were in a trust. Sure enough, penalties are applied and interest charged when money due to the treasury is not paid within the time limit. But the fact remains that since October 1, 1989 there have been changes to the regulations as a partial solution to the problem we all know. This is why the rate of interest

on delinquent payments was then raised by two percentage points.

The legislation is intended to speed up payment of payroll deductions and set up a more effective recovery process. Keep in mind that the employee has done his share when he gets his weekly or bimonthly cheque from which deductions have already been made, but it is a different proposition in the case of the employer who makes the deductions and uses the money for whatever purposes instead of sending it to the government, as he should.

Allow me to say more about two problems which I mentioned at the outset of my remarks.

The first stems from a recent court ruling which thwarts the effectiveness of the improved garnishment provisions which came into force in 1987 and apply only to the recovery of payroll deductions. This is the way Revenue Canada has since been recovering most unpaid payroll deductions.

The enhanced garnishment enables Revenue Canada to intercept the monies owing to a tax debtor but paid to one of his creditors pursuant to a security agreement such as an assignment of accounts receivables. Once the letter has been served to the person who has not remitted the source deductions, the monies seized are payable to Revenue Canada instead of to the secured creditor.

A ruling of the Alberta Appeal Court in a case involving the Lloyds Bank of Canada calls into question the efficiency of the enhanced garnishment provisions. The Court ruled that the present provisions did not give Revenue Canada priority over secured creditors. Revenue Canada appealed that ruling to the Supreme court of Canada.

It is not my place, as you will understand, to comment on the ruling or on the merits of the appeal. However, considering the importance of the revenues involved, it is essential that the government ensures the efficiency of those provisions immediately instead of awaiting the decision following the final settlement of the case before the courts.

You will understand, Mr. Speaker, that the amounts involved are very significant. Between \$100 and \$200 million are collected each year through the enhanced garnishment procedure. Therefore, we suggest that the procedure prescribed in the Income Tax Act be amended to ensure that the service of an enhanced garnishment letter will effect the transfer to the government of Canada of the seized monies and that Revenue Canada