

publication of information on tax measures in order to enhance accountability in the tax system. To this end, the Department has been directed to conduct consultations during the latter part of 1988 on tax expenditure accounts and other methods of ensuring accountability in the tax system. Such consultation will be the responsibility of the Tax Measures Evaluation Division. The Committee will be kept informed of the results of these activities.

Finally, the mandate of this Division has been extended to encompass the evaluation of tariff measures. The Division will commence work on evaluating tariff measures in fiscal year 1989/90.

Item 23 in the Eleventh Report of the Committee also recommends that the Department give consideration on a priority basis to the program evaluation of tax expenditures with higher risks of tax avoidance. It is our intention to subject every tax measure considered by the Tax Measures Evaluation Division to examination for possible use as an instrument of avoidance. I might note, however, that we view avoidance -- once detected -- as a matter not for evaluation but for more immediate action. The objective of prompt corrective action is of primordial importance. The record in this regard was addressed in my letter to you of 5 November 1987, although further examples could be given since this date.

Item 26 in the Eleventh Report of the Committee calls for a report on improvements in the monitoring of the tax system in recent years. In most respects, I would describe this process as evolutionary in terms of both institutional developments and collection of information.

On the institutional side, while there is continual informal contact between officials of Revenue Canada and the Department of Finance, a formal bi-weekly meeting of senior personnel was instituted in 1986 in order to keep abreast of developing issues in the tax community.

Concerning data collection, provisions for special advance reporting by those using some tax measures can assist in the monitoring process, although the need for information has to be balanced against the additional reporting burden imposed on taxpayers. Much more emphasis has in fact been placed in recent years on structuring tax measures so as to facilitate monitoring of their effects through such provisions for reporting extra information or earlier information. Examples would be tax credits for investment in Cape Breton, oil and gas exploration and research and development, and deductions such as those for disability and northern allowances. In many of these measures, the requirement for pre-certification is used not only as a screening device but also as a method of gathering information.