

number of years ago which resulted (at least for a while) in a set of rules which was much more understandable and manageable. And the Province of Quebec took steps to simplify its own tax returns, providing a model which those in the rest of Canada might envy.

6.116 These experiences demonstrate that if there is a will to do so, both the system itself and reporting under the system can be made easier. It is apparent that simplification was not a high priority when the White Paper was drafted. The issue might be addressed first in the context of the legislation which will be tabled to implement the White Paper proposals. Particular thought might be given to whether the game, as evidenced by the revenue and equity issues related to any particular proposal, is worth the candle if the implementing legislation can only be understood by the draftspeople themselves.

6.117 29. We recommend that the Department of Finance begin consultations with interested groups to determine which parts of the *Income Tax Act* would lend themselves to structural simplification, and to proceed with dispatch to amend the Act, using the same guidelines as were used in simplifying the small business rules.

Fiscal Implications

6.118 We estimate the net costs of our recommendations to the federal treasury at close to one billion dollars. Given the size of the federal deficit, we do not view such an impact lightly. However, this impact is largely due to the staging process of tax reform. Many of our recommendations have the effect of bringing forward into stage one aspects of reform promised in the second stage. If the second stage proceeds expeditiously, as we have urged throughout the report, the fiscal concern will be a temporary one. We view our recommendations as necessary for a sound and fair system of taxation: they should not be sacrificed to affect a temporary improvement in deficit projections. Should the interim between the two stages be longer than anticipated, we expect Finance to adopt appropriate initiatives consistent with fiscal restraint and an integrated approach to tax reform.