

*Income Tax Act*

abuses the Government and Revenue Canada are perhaps going too far in the other direction by imposing measures or controls unjustified under a new program that is entirely different from the program the Government terminated in its Budget of May 1985.

Mr. Speaker, after these comments I wish to express the support of my party for the Bill before the House today. I hope we will have a chance to get back to the new points I have raised very shortly, because we must ensure, Mr. Speaker, that we get more research in Canada and not less.

● (1520)

[English]

**Mr. Simon de Jong (Regina East):** Mr. Speaker, I will also say just a few words on third reading of Bill C-109. I believe most of my comments were made during the debate on second reading.

Let there be no doubt, Bill C-109 is an affront to justice. It admits that the policies regarding the SRTC were a mistake, that the whole episode was a tremendous blunder and that major Government revenues were hemorrhaging out of the public treasury. Estimates run to well over \$1 billion of revenue which should have gone to research and will not go to research.

Why I say this Bill is an affront to justice is because all the things the Conservative Party, when in opposition and since forming a Government, have claimed it was doing on behalf of taxpayers is just wiped out by Bill C-109. Clause 1 will permit the assessments of Part VIII taxes prior to the filing of a return. The Revenue Department will do the assessment prior to the company filing a return. Clause 2 will permit the collection of assessed taxes prior to the filing of a return. The Government will be able to collect the assessed taxes even before a return has been filed. Clause 2(2) will permit action to be taken to collect taxes within the 90 day period usually accorded taxpayers who consider filing a notice of objection. As of March 11, 1986, 53 corporations owing \$266 million have filed notices of objections to the assessments. In other words, the taxes will be collected within that period which normally a corporation or individual has a right to file notice of objection. Clause 2(4) will permit the collection of Part VIII tax regardless of an appeal by the taxpayer to the tax court or federal court.

The Conservatives in their task force on Revenue Canada demanded a different code of conduct. They said that when an assessment is issued a taxpayer should not have to pay taxes which are in dispute until the time for a formal objection has past. If the taxpayer appeals, no payment of those amounts should be required until the appeal is finally resolved. That is what the Conservative task force stated before the election. What Bill C-109 does is wipe it all away.

The Government feels it has to act, and in this sense I do not disagree—it does have to act. Many unscrupulous operators in the corporate sector took advantage of the scientific research

tax credit and fleeced the public treasury of hundreds of millions of dollars. It was the stupidity of the Liberal Government which conceived this concoction in the first place. It was one of those billion dollar mistakes for which the Liberals were noted. On the one hand the Liberal Government cut back on old age security pensions, unemployment insurance benefits and social programs and, on the other hand, it doled out billions of dollars to its corporate friends.

We now have the Conservatives who came in in 1984. They were going to rectify this. In fact, on October 10 they issued a moratorium on the scientific research tax credit scheme. By that time it had become obvious what an unforgivable scam the SRTCs had become. So the Conservative Government decided it would put a stop to it. On October 10, 1984 the Conservative Government introduced its moratorium but left a loophole. It allowed a grandfathering clause. In other words, if you and I, Mr. Speaker, had an agreement on the back of an envelope that we were going to do some dubious research together the Government had to honour that as a contract.

What we find is that after the October 10 moratorium introduced by the Government an additional \$3 billion in SRTCs received approval. Of these moneys, \$1.8 billion was submitted to the Department of Revenue by various corporations to ensure that they met the grandfathering provision of the moratorium. One of these SRTCs was going to study whether red and brown Holsteins gave more milk than white and black Holsteins. There was one outfit approved by the Government to research miniature submarines. It turned out that these people were in fact a group of drug smugglers and gun runners who knew nothing about researching miniature submarines. Yet, they were able to fleece the Government out of a few million dollars under the SRTC program.

The Government claims it closed one of the major loopholes and abuses of our tax system. It should hang its head in shame because the abuse under this program continued well into 1985 and even into 1986. When the Government finally decided it could not control this program any longer, it finally shut it all down, but it was a program which should never have seen the light of day. By the time the federal election was over in 1984 it had become obvious it was a scam and should have been closed down right at that time.

**An Hon. Member:** It was.

**Mr. de Jong:** It was not. The Government allowed the loophole, the grandfathering clause, which allowed more abuses to continue. The shame, of course, is that while the taxpayers have lost hundreds of millions of dollars in revenue, research and development is crying for funds. Our universities are in a deplorable state. Equipment is totally outdated. There are no proper scholarships in place to encourage students to take graduate studies. Outfits like NSERC and the National Research Council are starving for funds. They are being asked to cut back and cut back. Legitimate research is suffering while we have squandered hundreds of millions of dollars on this program.