

Income Tax Amendment

Ontario last fall. I am reading from the Canada Tax Service of November 25, 1966:

Contrary to what had previously been regarded as the rule under the secrecy provisions of the Income Tax Act, the Ontario Supreme Court on November 23rd in the case of *Bazos v. Bazos* ordered the taxation division to produce in court Bazos' 1957 to 1962 income tax returns in a civil case involving the contesting of Bazos' will by his nephew.

Under earlier jurisprudence the taxation division had been held entitled to refuse to produce tax returns except in criminal proceedings. However, Mr. Justice W. J. Henderson based his findings on Section 133(4)(c) which was added to the Act last year and which permits the communication of information to "any person otherwise legally entitled thereto."

On the production of the returns the next day the court agreed to relieve the tax official of any penalty for which he might be held liable under Section 133 for communicating the information.

Some time ago I raised a question in the house about the secrecy which attaches to information in possession of the Department of National Revenue and the Minister of National Revenue suggested to me then that the procedure would be amended by the bill now before us. On reading the amendment which is contemplated I find it really does nothing to increase the confidentiality of this information. Indeed, it increases the number of people in the department who can give this information to outsiders, to "authorized people"—and that phrase, as I say, is not defined.

I believe we are departing from the old concept of confidentiality and in my opinion it is not necessary to do so. The minister could spell out in the act itself the people to whom this information is available and not leave it in general terms as is now done. We have seen one case in which income tax files have been used in a civil court. This could set a precedent for future orders by courts for the production of income tax files, possibly for the most frivolous of reasons. We can expect all the records of the department to become a completely open book, and to this I object.

Mr. K. H. More (Regina City): Mr. Speaker, may I say at the outset that I am disposed to vote against this omnibus bill unless the minister provides very clear explanations of some of its provisions when we come to the clause by clause study. I do not wish to repeat the arguments which have already been made but it seems to me that the clause dealing with section 79C has far reaching consequences so far as profit sharing plans are concerned and the initiation of plans of this nature in the future.

[Mr. Ballard.]

• (4:40 p.m.)

Very often many small business firms are closely held within a family or between partners or a very limited number of associates. Concerns of this type often have a group of very loyal employees who, because of the attitude of their employer, continue working for that firm. Under section 79C there was a provision that funds could be set aside by the company to enable these employees eventually to obtain an interest in the company for which they worked and in whose growth they were very interested. I believe one of the legitimate purposes of this section was to permit a company to develop a fund of money drawn out of earnings before taxes which would enable the principals of the company to dispose of their interest in the company in favour of employee groups.

I am not a lawyer and am not in a position to argue the matter from a legal viewpoint, but I believe the minister knows from the correspondence I have had with him that I have some knowledge about some plans which unfortunately were not in a position to be registered before the minister put a freeze on them. In particular I have knowledge of a plan involving a locally owned concern with 30 to 40 employees. Because of the age of the principals the company started to develop a plan in 1965. The first draft of the plan was submitted at that time. Its purpose was perfectly legitimate. It would have resulted in these 30 to 40 employees being able to take over this concern and continue to operate it as the principals. Most of these employees have worked for this firm for many years.

As I read the bill it seems to me that it practically eliminates the proposal which would have accomplished what this company and the employees wished to achieve. As I see it, when the time comes that this very good company must dispose of its assets the result can only be that the employees will not be in a position to acquire these assets. This may result in the company being swallowed up by one of the giants in the industry in which it operates, or it could be that this company might become a small base, and it would be a small one, from which foreign interests might get into this field and build a giant.

I have no objection to the intent of this legislation to cure the abuses which arose when these provisions were made use of by some daring individuals, as I believe the tax foundation put it. I do not object to the closing of these loopholes. I feel very strongly, however, that the minister has gone so far in