

Income Tax Act

In fact, the accused has the right to be tried within a reasonable time limit. It is very important that the taxpayer be deemed innocent, even in a case of infraction of the civil law.

Our proposed amendment to Section 239 closely reflects the spirit and feelings of the new government. Besides, the Progressive Conservative study group on the activities of Revenue Canada reached the same conclusion in April 1984: offenders have the right to be heard before being declared guilty. Let us not forget that most Canadians are honest citizens quite prepared to pay their taxes. They must have faith in our tax collectors rather than be afraid of them. The Minister has no time limit to review files in cases where fraud is suspected, otherwise it is four years after the first assessment notice. That certainly makes Canadians very insecure.

The same study group also pointed out that Revenue Canada was insensitive, discriminatory and disgraceful towards offenders, making them lose respect for the tax collection system which ought to have been fair and equitable. Let us be mindful of the fact that Canada's tax collection system rests on self-assessment and good will on the part of taxpayers who willingly file honest returns every year and pay any tax owing. Self-assessment has to be one of the most effective and least oppressing tax collection methods. The system will operate only as long as taxpayers support it. Their support will not be forthcoming unless they are convinced the system is fair and a climate of confidence prevails between both parties. Failing that, we breed mistrust, fear and deceit.

These amendments are designed to elicit voluntary divulgence of undeclared income by taxpayers who did not file a return, or filed one with mistakes or missing data. In one fell swoop, the State will fill its coffers by collecting—rather cheaply—taxes owing and recouping funds stashed away in foreign countries by delinquent taxpayers who are afraid to bring those funds back to Canada and draw the attention of Revenue Canada. This money could be laundered, brought back home and then invested to contribute to our economic recovery.

If the taxpayer has lost confidence in the fairness of our voluntary tax system, he will be tempted to join the so-called underground economy, which escapes taxation. By its very nature, the underground economy cannot be measured accurately, but its value is estimated to range between \$40 and \$80 billion. And although this is not sustained by any concrete evidence, we suspect that more and more money is being invested in this parallel economy. The greater part of this money is being exported to countries such as Switzerland and the Bahamas which are naturally delighted to receive it. However, this money should stay in and benefit Canada, because huge amounts are involved. The delinquent taxpayer is not anxious to bring home his money for fear of incurring the wrath of Revenue Canada. As long as he feels this sword of Damocles hanging over his head, he will never try to bring his money back and invest it in this country. Thanks to these

amendments, we will be able to redirect toward the mainstream of our economy a good part of these funds. In an area of economic reconstruction, it is clearly advisable to patriate as much money as possible to serve the interest of the Canadian people as a whole.

I suggest, Mr. Speaker, that these amendments are a great step to help Canada make a new start.

• (1710)

Mr. Claude Lanthier (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the proposal made in the motion before the House is aimed at clearing up a very serious situation that has developed over the years. To our consternation, we found out recently that under the previous Government, there had been a rapid rise in income tax arrears. The so-called underground economy expanded as Canadians became involved in an increasing and alarming number of economic activities that were liable to escape the scrutiny of the tax collector. We believe that the total amount of unpaid taxes, that is, amounts owing to Revenue Canada which are not being contested, is now as high as \$3.5 billion. This is a more than substantial amount since it represents over one-tenth of the federal deficit we inherited. In addition, there are also the taxes being avoided by the so-called underground economy. Unfortunately, we still have no accurate means of estimating the amount of income generated by the underground economy and undeclared economic activities that escape the scrutiny of Revenue Canada. There are, however, many indications that it is a very substantial amount that would be more than welcome in helping to reduce the federal deficit.

The proposal made by the Hon. Member for Châteauguay (Mr. Lopez) is in fact asking for an amnesty in cases where the taxpayer made an error or omission in filing his income tax return. I must say, with respect, that this proposal does raise a number of problems and some specific questions in my mind. First of all we must determine whether this is the best way to provide a fair solution to a rather complex problem. We should also ask ourselves what the consequences would be of such an amnesty. Giving an amnesty would be the same as saying that the problem no longer exists. It is certainly true that it would no longer exist for the taxpayers concerned. However, the problem would still exist for the Government which would have to give up hundreds of millions of dollars in revenue that could and should eventually be collected.

We must consider the situation in terms of the major objectives and priorities of the Government. In my opinion, there are three major objectives: bringing about an economic renewal in Canada, putting some order in public finance after many years of increasing deficits, and providing assistance to needy Canadians.

The proposal contained in the surprising motion now before us would go against these objectives. The proposed cancella-