

*Adjournment Debate*

I have no doubt that the answer to the hon. member's question will be clear once the RCMP has completed its investigation.

## GOODS AND SERVICES TAX

**Mr. Jack Whittaker (Okanagan—Similkameen—Merriitt):** Mr. Speaker, on October 30, 1990 I asked the Minister of National Revenue a question with respect to the potential for companies under the GST to inflate their inventories in goods and services tax rebate claims.

This question arose out of the 1989 Auditor General's report wherein he pointed out that unless the government tightened up its ship in Revenue Canada it would be having difficulty in meeting the problems arising from the goods and services tax.

He pointed out that there were approximately 75,000 registrants under the present manufacturers' sales tax and that it would be going up to well over a million under the goods and services tax.

He questioned the ability of Revenue Canada employees, with the present system, to be able to do anything about that effectively. He raised the question of fraud, not only as it related to the manufacturers' sales tax, but he extended it to that of the goods and services tax.

Under some questioning this year, it appeared that the Auditor General was not yet satisfied that those loopholes had been closed. Let me revert to the 1989 report in setting out the problem in the Auditor General's words. In that report under section 18.46 he stated as follows:

In principle, all businesses with inventories held for resale could come forward and claim a rebate. The Department is anticipating a significant volume of claims which will be filed within a relatively short period of time. The Department will have to assemble the machinery to verify and process these claims.

He goes on to state:

This major task of converting tax-paid inventories to pre-tax levels will pose threats of revenue leakage. The Department will have to provide proper controls over the conversion process to ensure a fair assessment of the rebates and minimize revenue loss.

When questioned this year as to whether he had been satisfied that those had been looked after, he stated that it appeared to him that Revenue Canada was in a state of crisis management in trying to implement the GST. He

said further that they were in a difficult sense of uncertainty when they do not even know what the rules are.

It appears that this was a major problem in his mind, that there were in fact going to be many difficulties in the implementation of the goods and services tax. However, the potential for fraud points out only one of the problems inherent in this tax system under the goods and services tax. It appears that the department is ill prepared to collect or enforce the legislation.

I would like to point out just a few of the problems that I am aware of. The list is endless when you look at the problems involved. Keeping in mind that the Auditor General has warned that Revenue Canada is in a state of crisis management, we look at what is happening at the present time. They are bringing in regulations on a daily basis. The original budget speech talked about 150 separate regulations. About 30 have been brought in so far. There is a problem here for the legislators in the Standing Committee on Scrutiny of Regulations, the joint committee between this House and the Senate, and there is a problem for accountants and the tax people themselves.

Revenue Canada employees do not even know what the rules are, as the Auditor General has pointed out. Further the Canadian Federation of Independent Business and others pointed to the problem of a massive backlog of registrations. We do not know how many have registered yet, but we do know that the backlog could be as long as three months.

A further problem has been pointed out in advertisements by the Consumer Information Office of the Department of Consumer and Corporate Affairs. This again was pointed out to the Minister of State for Tourism and the Minister of Consumer and Corporate Affairs by Mr. Bulloch who said that through these advertisements they were hurting small business.

In a reply to Mr. Bulloch, the Minister of State for Small Business and Tourism said: "I share your genuine concern that the advertisements in question do a disservice to small business and the tourism industry by unfairly singling out certain sectors with respect to the impact of the GST". This shows a problem within the system itself.