

Income Tax Act

program was abolished did allow for some scientific research tax credits until the end of 1985. It is therefore imperative that Bill C-109 be passed quickly. I think I should emphasize again that this will make it possible for the Government to avoid refunding taxes collected pursuant to Income Tax Act Part VIII and which might be rather difficult to recoup later on.

● (1510)

[*English*]

The House will recall from my earlier comments in support of this Bill that in the absence of these amendments, \$225 million of Part VIII tax previously collected as the result of 576 audits—mainly by legal action, seizing assets or accepting security—may have to be refunded by Revenue Canada. In addition, Revenue Canada cannot proceed with collection of 866 additional assessments now being monitored, nor can assessments be issued for approximately 100 SRTC designations received since the court decision.

These amendments do not change the intended application of the Part VIII tax as approved by the House, as I just mentioned, nor are they the subject of any difference of opinion in this regard.

[*Translation*]

Mr. Speaker, these amendments should have the support of Hon. Members because they are in line with the objectives stated when Income Tax Act Part VIII was adopted by the House of Commons.

[*English*]

The amendments in the Bill also exclude the Part VIII tax from the taxes in dispute legislation contained in the Income Tax Act. The taxes in dispute legislation was introduced as one of the first acts of the Government in order to protect taxpayers who have legitimate disputes with Revenue Canada as to the amount of regular income tax owing.

As I have indicated to the House in the past, however, these provisions are not appropriate in the case of the Part VIII tax which merely offsets credits already issued by the corporation, and which the Government is bound to honour.

Bill C-109 ensures that corporations cannot delay the recovery of Part VIII tax by the simple act of filing a notice of objection to an assessment. As I assured the House before, however, Revenue Canada's practice is to collect Part VIII tax during the course of a corporation's taxation year only when it has reason to believe that the SRTC funds will not be expended on research and development. Accordingly, the provisions of this Bill will in no way hamper the business operations of legitimate research and development performers.

The amendments proposed in this Bill are not retroactive but are effective for assessments made after March 28, 1986, the day on which these proposals were announced. Nevertheless, in cases where Government funds are at risk, new assessments can be issued and Part VIII taxes collected as soon as it is appropriate in the circumstances.

I need not dwell on the abuses that have been reported to this program. It is for this reason that the SRTC was discontinued in the May, 1985 Budget. Nevertheless, under transitional relief provisions, it was possible for some SRTCs to have been issued up to the end of 1985. I cannot overemphasize that it is imperative that Bill C-109 be implemented quickly in order that the Government not find itself in a position of having to refund taxes collected under Part VIII which may be in danger of being subsequently uncollectable.

I look forward to the co-operation of all my colleagues in the House for speedy passage of these important measures.

The Acting Speaker (Mr. Charest): Questions or comments? Debate.

[*Translation*]

Debate. The Hon. Member for Laurier (Mr. Berger).

Mr. David Berger (Laurier): Mr. Speaker, this Bill was adopted at the committee stage, without study, because it is a technical Bill that deals with monitoring and is aimed at authorizing Revenue Canada to go and get money owed under the Scientific Research Tax Credit, or rather, to protect the public interest when taxes may be owed under Part VIII of the Income Tax Act.

Today, I simply want to point out our concern. At the second reading stage, I already said that abuses of the scientific research tax credit program should not be allowed to affect other programs aimed at increasing or promoting research in Canada.

Mr. Speaker, I would like to comment more specifically on the guidelines Revenue Canada is formulating. A few weeks ago, the Standing Committee on Research, Science and Technology heard representatives of the Canadian Advanced Technology Association. These representatives from the hi-tech sector informed us they had not been asked to help develop these guidelines. It seems this task was given to experts who may not have the requisite practical experience to understand the impact these guidelines could have on the industry. To date, the Minister of National Revenue (Mr. MacKay) has refused to release the preliminary version of these guidelines.

Once again, I would like to ask the Minister today to release these guidelines so that all parties concerned can examine them and comment accordingly.

Another concern expressed by the Association's representatives who appeared before our committee was that Revenue Canada, under the new program providing a refundable tax credit on research and development, wanted to proceed with an audit of all requests for refundable tax credits prior to any payment of the tax credits. We were told this might delay payment of credits to small companies whose survival is at stake here.

So we see that because of the abuses that have been mentioned here in the House several times, because of past