

Adjournment Debate

everyone except Revenue Canada, which is now saying that farmers are different and that they are not going to be permitted to get the most they can for their used machines when they are buying new ones.

Actually, Bulletin No. 87.5 came into being on December 11, 1987. This document is the one, I understand, that the tax collectors now use to change invoice prices and list prices. This would be utterly unfair even if it were applicable to everyone in Canada, but it is essentially unfair when it is used only against farmers in the West. This bulletin and others like it are the ones referred to in my question which I requested to have rescinded or withdrawn.

Third, this policy is wrong, wrong, wrong, (a) because the tax men are dealing with these matters two or four years after the fact; (b) because economic conditions at the time of the deal are almost impossible to duplicate or be fully known four years later; (c) because dealers offer greater discounts to those who buy for the first time and to those who buy by trading in an old machine in off seasons when they can offer greater reductions in list prices; (d) because many farmers traded their used machines as the practice was acceptable and many farmers felt it was helping the economy of the country; (e) because farmers had a right to believe that when the deal was made the list price and invoice price issued by the dealer would be accepted; and (f) because the theory that the practice was unfair to those who buy new machinery without a trade-in does not hold water, as such a person would be able to get a discount on a new machine applicable to the time the machine was purchased.

Fourth, that if the principle is sound then let us apply it to all Canadians including Members of Parliament and Senators and not just the western farmers, or not just a few of the western farmers. But in my view the practice is unfair, unsound, and should be scrapped entirely.

It is not the business of Revenue Canada to interfere in the market-place. Even if the dealer wants to give more dollars for the used machine than what it is worth, that is his business. If he goes broke, he is the one who suffers.

A farmer should have every right in the market-place that other Canadians have and particularly in the tough times now being experienced on the farms. Every proper item that will keep our farmers on the land should be welcomed. In conclusion, I again urge the Hon. Minister to scrap this program and to do it fast.

• (1740)

Mr. John McDermid (Parliamentary Secretary to Minister for International Trade): Madam Speaker, the Hon. Member for Bow River (Mr. Taylor) has raised this subject before and has very rightfully represented his constituents, and not only his constituents but others in rural communities.

On March 5, 1987, over a year ago, the Minister advised the House that he had instructed his officials to pause in the audit

of the tax returns of taxpayers who have claimed investment tax credits on purchases of heavy machinery and equipment. The Minister advised that during the pause the Department would review all files under audit to ensure that audit criteria identified for this program and communicated to taxpayers and their representatives and Members of this House, including the Hon. Member for Bow River, were in fact being adhered to and that none of these audits was unreasonable.

The Minister has pointed out on numerous occasions that the specific audit program was not restricted to farmers of western Canada but included those in other industrial sectors such as logging, transportation, and manufacturing, and encompassed those in all regions of the country. Any of us who have been audited knows what a pain that is.

Departmental officials have reported to the Minister that their review of audit findings indicates that the normal audit process can adequately address investment tax credit overallowance issues. Accordingly, this audit activity as a special project was cancelled, however cases in process where either departmental officials had advised taxpayers or the representatives of a proposed reassessment or information had been received and a proposal was to be made prior to the project pause will be completed. Any further cases where evidence of non-compliance is discovered will be handled through the Department's normal or routine audit program.

It has always been the position of the Department that the investment tax credit claimed must be based on the actual cost of the property acquired and computed in a manner consistent with the economic reality of the transaction. The cost of a property that is acquired for consideration which includes a trade-in must be determined based on the value of all consideration given in exchange. The position on the determination of capital cost is set out in an information circular which reiterates the long-standing position of the Department as set out in an interpretation bulletin dated March 12, 1973. The position is supported by case law and by accounting principles.

Because Revenue Canada recognizes that the determination of fair market value of used equipment involves consideration of many factors, the Department will only reassess those cases where full benefit of the doubt has been given to taxpayers and there is a clear and significant overallowance. Revenue Canada will ensure that every reasonable opportunity is provided to taxpayers to present fully their positions before any reassessments are made. Taxpayers are reminded that they have a right to appeal formally any reassessment the Department makes.

Revenue Canada seeks to reinforce voluntary compliance with Canada's laws. Where an audit adjustment creates a tax liability, Revenue Canada has always been, and will be more than willing in cases of real hardship, to discuss reasonable approaches to settlement of the tax liability. In other words, it will maintain fairness within Revenue Canada.