

Supply

listen to Canadians and their concerns about how taxes are collected in Canada. The mounting evidence of problems in the system left little doubt in my mind or in the minds of those in the task force that we should provide a forum for taxpayers to present their views and should recommend ways to improve the administration of the Tax Department in Canada.

After holding meetings in 23 centres across Canada through the month of March this year, the task force received more than 300 oral presentations in addition to a large number of written and informal submissions. The meetings were both disturbing and encouraging. The picture that emerged was that of a Department with powers that even the police do not have. Tax professionals, the lawyers and accountants who have dealt with thousands of tax cases over the years, told us of a marked change in the Department in the past two years. They spoke of a new aggressiveness that presumes the taxpayers are guilty until they are proven innocent. Additionally, the collections area of the Department has been much less flexible in agreeing to repayment terms when taxpayers are reassessed.

On the positive side, we were encouraged to hear that the district office in Calgary has a co-operative attitude in dealing with inquiries from taxpayers or their representatives, and I have discovered that the Saint John, New Brunswick district taxation office has been courteous and co-operative in dealing with complaints I have put forward from my constituents. The Minister's office has also replied with courtesy to inquiries I have put forward on behalf of my constituents.

On the other hand, I must say that much of what we heard during our task force hearings disturbed me greatly. We were struck by the fear with which ordinary Canadians greet a call from the Tax Department, a fear that is sometimes cultivated by Revenue Canada in its attempts to frighten ordinary taxpayers. We found that the Tax Department often pursued Canadians of modest means who lack the resources to fight back and defend themselves. Accordingly, we have a recommendation that we think will help the Tax Department deal more fairly with people in this category and I will refer to it in just a moment.

We found the sheer complexity of many provisions caused serious problems for taxpayers who can least afford costly professional assistance. The growing complexity in the law, sweeping departmental powers, and a new hard line attitude towards taxpayers appears to have eroded the rights of thousands of Canadians and undermined public confidence in our tax system and our Government. We were shocked to hear testimony of poor internal communications within the Department, particularly between the computer centres, which should be supplying the service for district taxation offices, and the offices themselves. We heard testimony of one citizen's bank account being frozen even after his debts were paid in full.

Throughout Canada the task force heard evidence of problems caused by the "reasonable expectation of profit" rule as it is interpreted and applied by the Department. Under this test, small businessmen, farmers, artists and writers all have no way of knowing clearly and in advance how a loss will be treated.

Worse, disallowing losses after they have occurred creates a kind of double penalty in that having lost the money one is then deemed to be a hobbyist and must, in effect, pay tax on the loss. I suggest that at least the basis of determining whether a business loss will be allowed against other income, if not a determination itself, should be available in advance of making an investment. Equally, should the ground rules for making these determinations later change, retroactivity should not be applied.

A common complaint of farmers and artists was that the Department arbitrarily established time frames within which profitability must be achieved, although it often takes several years of hard work and financial investment before profits are made. Until a consultative group established by the Minister of Finance (Mr. Lalonde) has made its report public and it has been debated, individuals who have claimed bona fide farm losses should not have their ability to deduct those losses restricted simply because they have had to earn other income in order to support their family and business activities.

Again, a decision by Revenue Canada to alter established practice and to give at times the narrowest possible interpretation to the reasonable expectation of profit test is causing a terrible injustice to Canada's artists and scholars. Until the Standing Committee on Communications and Culture has completed its review of matters relating to the taxation of our artists and writers, the treatment of artists' and writers' expenses should revert to the old interpretation; or at the very least a moratorium should be placed on any further reassessments.

Of all the assets of Revenue Canada, its staff is unquestionably the most valuable. Unfortunately, the task force uncovered considerable evidence that a number of the Department's policies and practices have resulted in poor morale, reduced productivity and an unacceptably low standard of service to the public. These problems must be reversed. The quota system, by whatever name, should be scrapped and never be a measure for promotion and advancement. The accent should be on accuracy, not the maximization of tax revenue. The quota system is a stain on the conscience of the Tax Department as indelible as the dark spot with which Shakespeare cursed Macbeth.

It is essential that Revenue Canada move away from an attitude that taxpayers are potential crooks waiting to be caught to a more positive service attitude. Canadians are an honest, decent and law-abiding people and have every right to be treated as such by their government and all its employees. Taxpayers should enjoy the right to be presumed innocent until proven guilty, and no payment should be required on assessments until appeals are resolved.

In addition, and this is the matter I mentioned earlier, we need a small claims tribunal to deal with disputes under \$5,000, and taxpayers should get a response to their cases in 30 days. This informal procedure would help cut through red tape and promote efficiency and deal more fairly with Canadians in the lower and middle-income groups. We should make taxpayers' files more accessible by returning them to their