

*Government Orders*

The bill itself is a move in the right direction. My colleague and friend who spoke just prior to me made some points about bankruptcy. I would hope the government would use common sense, and not force small businesses into bankruptcy because once they are into bankruptcy, they do not pay any more taxes.

Small business is an important part of Canada. Small businesses are often the ones that are hardest hit by the downturns of the economy. Small business will be touched very seriously by the GST. Given the fact that the government is imposing this goods and services tax on Canadians on January 1, 1991, I would hope that, by giving support to this bill, the government does not take it that the problems of small business can be passed over, and that difficulties that may arise with small business can be overlooked.

I would hope that my friends to the left, the members of the NDP who traditionally are in favour of closing tax loopholes for corporations, but may oppose this bill, would try to understand that what we are doing is closing a tax loophole of some \$200 million. If some people get away with literally taking moneys which are not theirs and not paying the federal government moneys which are due, then I think that is a wrong thing to do and I give this party's undertaking that we will pass this bill as fast as possible.

**Mr. Jim Karpoff (Surrey North):** Mr. Speaker, I trust the injury sustained by my friend, the first speaker for the government, was not as a result of the arm twisting that is going on in the Conservative caucus to keep members in line on the GST.

We in the New Democratic Party support the intent of Bill C-51. I think that we should review in general what this bill is intending to do. It makes it possible for the government to have an enhanced garnishee so that it can attach moneys that are owed by firms which have not paid the moneys they have deducted at source, particularly the moneys they have deducted from employees for UIC premiums, Canada Pension Plan premiums, and income tax, as well as moneys that they owe for their contribution to UIC and CPP.

There are a number of businesses in this country that are experiencing increasing difficulty with cash flow, and there is a great temptation for all sizes of business, both small business and fairly substantial corporations, to

simply utilize money that has been deducted at source as a method of interim financing. This may be done with all the best intentions in the world, but if the cash flow problem continues over any period of time, then they have increasing difficulty meeting their obligations to pay the money to the government within the first 15 days of the next month, which is their legal obligation.

In speaking to the bill, the member of the government mentioned the problem of increased bankruptcies in Canada. That is a growing problem. The year end figures in 1989 showed that bankruptcies had increased 8 per cent above the level of 1984, which had been the highest. Bankruptcies in January of this year increased an alarming 33 per cent, and from December to January were up 20 per cent. Bankruptcy is also related to industrial profits. In 1989, Statistics Canada reported that operating profits for industrial corporations fell \$5.5 billion, down almost 15 per cent. In 1989, profits for industrial firms ranging from manufacturing to mining were down to \$32 billion from \$37.5 billion. In Quebec, the liabilities related to bankruptcies have risen from just over \$50 million in 1987, to almost \$180 million.

• (1640)

Businesses in Canada are having increasing difficulties in making ends meet. Many of them are facing bankruptcy and cash flow problems because of the free trade deal. This week in my riding of Surrey North there was an announcement that the Ste. Michelle Winery was going to be closed, directly due to the free trade deal, with a loss of 47 jobs. Fortunately Ste. Michelle is part of a larger winery system, so at this point in time the parent company is not in a state of insolvency or, as far as we know, having problems with its cash flow.

We are going to see this problem increasingly in the next period of time, particularly if the government is determined to go ahead with the ill-conceived goods and services tax. Small businesses will find it increasingly difficult to maintain the viability of their businesses and their cash flow. It is going to be very tempting for them to utilize the source deduction moneys as a ready source of cash, rather than forwarding them to the government.

The government has made some attempts to improve the efficiency of the tax system. I think members will find that any time the government attempts to improve the efficiency of the tax system where it is fair and equitable