

● (1210)

In order to ensure a fair transition, agreements in writing entered into on or before October 10 or arrangements evidenced in writing and substantially advanced before that date would be allowed to proceed.

In other words, agreements in writing on backs of envelopes would qualify under these terms.

Later on the *Calgary Herald* of October 29, 1985 reported the following:

As a result (of the moratorium) accountants, lawyers and freelance money men worked through the night to substantially progress or work up agreements on millions of dollars worth of issues on the East Coast—where midnight strikes earliest—and working west.

The lack of meaning of the moratorium imposed by the Government on October 10 becomes evident when one examines how many SRTC designations were approved and to whom they were given after the October 10, 1984 moratorium. Before the moratorium, some \$4 billion in transactions had been approved. After October 10 an additional \$3 billion received approval. Of these, \$1.8 billion worth was submitted to Revenue Canada by various corporations to ensure that they met the grandfathering provision of the moratorium. The remaining \$1.2 billion were ultimately approved without having been submitted for security.

Even after the program was terminated on May 23, 1985, \$600 million of the \$3 billion in designations were approved. In other words, after the moratorium of October 10, 1984, \$3 billion in transactions were still being approved. The Government claimed that it plugged up the loophole but it plugged it up with a sieve. It still allowed some \$3 billion in designations to be approved.

The level of losses compared to recoveries is indeed quite staggering. Of the 1,810 corporations filing 8,872 designation applications, the total taxes foregone are estimated at \$2.8 billion to \$3 billion. Of the 1,810 corporations filing for SRTC designations, 1,204 were involved in the "quick flips". Only 75 corporations have voluntarily paid their Part VIII taxes, amounting to only \$63 million. Another 35 corporations have had taxes collected as the result of legal action, amounting to some \$55 million. Another 15 corporations have provided security voluntarily, amounting to \$76 million. Fourteen corporations have had their assets attached, amounting to \$34 million. The total Part VIII taxes recovered or secured amounts to \$228 million.

The Department of National Revenue now estimates that the \$900 million owed by 313 corporations will likely have to be written off as being uncollectable. Of the 172 corporations already audited, 55 have been referred to the Department of National Revenue's special investigation unit. Within that group of 55, there is about \$500 million worth of tax at risk, included in the uncollectable estimate of \$900 million. This is according to the Public Accounts of March 11, 1986.

Which corporations took advantage of the SRTCs and the "quick flips"? Dreamstreet Holsteins of the U.S. received some \$10 million in tax credits to compare red and white and

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black and white Holsteins. The Government gave that company \$10 million in tax credits to compare red and white and black and white Holsteins. That is a great piece of research that certainly deserves some \$10 million in tax credits.

International Electronics received tax credits of some \$34 million for energy projects. Funds were spent on real estate and on a \$2-million mansion. Apparently Imperial Oil thought it had a pretty good project going because it made a fast \$2 million profit from the quick flipping of the money. In fact, Imperial Oil flipped about \$400 million, thus helping the corporation reduce its own taxes.

Fitch Research Corporation received \$5 million in tax credits for computer chip development. In fact, real estate was purchased and the company president is now a promoter in Hong Kong. Bechtold Industries received \$16 million in tax credits. It made massive real estate purchases with that money. Inex Technologies Inc. received \$32.5 million in tax credits and bought condominiums and a \$55,000 Lotus sports car along with other real estate purchases.

DWS Naval Research & Design received \$2.7 million. I raised this matter earlier in the House of Commons. This corporation was supposed to be making miniature submarines. In fact, it was demonstrated that the chief promoters of that program were drug smugglers and gun-runners and in no way were they capable of producing miniature submarines. Yet DWS Naval Research & Design got its SRTC approval after the moratorium of October 10, 1984. In other words, it was the Conservative Government that thought this company was okay and should get those tax credits to develop miniature submarines. Those are the horror stories. These horror stories were initiated by the Liberals and fumbled by the Conservatives.

Finally today we are being asked to approve a Bill that breaks the Government's own commitment to tax reform and a taxpayers' bill of rights. Now, after the horse has left the barn, the Government is very anxious to get back as much of the money lost to begin with as possible. The Department of National Revenue will now be allocating some \$12 million to audit and collect the taxes owing from the SRTC program. By next year, some 115 person-years will be dedicated to achieving this end. This allocation does not include the additional costs resulting from eventual court challenges which will not be resolved for up to four years.

There have been some pretty brazen acts on the part of Revenue Canada. Earlier this year I raised in the House the case of Vancouver revenue collections officers seizing the very bed of a woman who was recovering from surgery. I understand that the bed has now been returned to that woman. So desperate is Revenue Canada that its officials went to the house of a woman who was in bed recovering from major surgery, propped this woman up in a chair against the wall and took the bed away. That is how desperate the Government is now to collect back on what it lost on the SRTCs.