

Income Tax Act

and better than 3 per cent. The interest rate presently established by statute is ridiculous.

Mr. Nesbitt: I have a very brief question, Mr. Chairman. The parliamentary secretary has told us that in the case of overpayments, where an appeal has been successfully launched by the appellant taxpayer the money is refunded with interest at 6 per cent. As we all know, a great many objections to tax levies never reach the stage of appeal, even to the district or departmental offices. Sometimes representations are made informally to the local tax offices or perhaps to the minister's office, the matter is rectified and the money returned. In these cases, the matter never reaches the Income Tax Appeal Board but has been settled on sort of an informal basis beforehand. Would the parliamentary secretary consider having the money returned with the appropriate rate of interest in cases such as this in which there has been genuine error, either in fact or in judgment, although the matter has been settled sort of informally without actually reaching the stage of appeal.

Mr. Mahoney: If the hon. member would look at section 164(4) he will note that where the refund is the result of either an appeal, as I indicated a moment ago, or a notice of objection which the taxpayer has filed to the assessment, even if it does not go before the Tax Appeal Board, the interest paid will be at exactly the same rate that is applicable to deficient payments by the taxpayer to the Receiver General. So, the Crown and the taxpayer will be on precisely the same grounds in this situation. The rate we are talking about here to be established by Order in Council is the rate which will apply to the ordinary run-of-the-mill overpayment which results from a person's exemptions changing during the year or something like that, where there is no dispute about the amount and where it is simply a matter of the taxpayer having paid a little more on instalments than was necessary.

Mr. Nesbitt: Mr. Chairman, perhaps I did not make myself quite clear. The parliamentary secretary referred to a successful appeal or a formal notice of objection. I realize, of course, that that is the case, but I was referring particularly to cases in which there has been no formal notice of objection or appeal and in which a genuine error has been made in the assessment or something. I am speaking of cases in which no formal notice has been filed by the taxpayer himself or of cases in which perhaps a Member of Parliament on his behalf has written to the minister or deputy minister in charge of taxation in order to have the matter cleared up. In such cases, when the money is refunded would the money bear interest.

Mr. Mahoney: Mr. Chairman, I believe the hon. member's situation is covered because when we talk about a notice of objection we are talking about a person objecting to an assessment. The only prerequisite here is that there be an erroneous assessment as the hon. member suggests.

Mr. Nesbitt: I am satisfied.

Mr. Bigg: Mr. Chairman, I have already stated I am prepared to support the amendment and, therefore, I am simply making another appeal along the same line. I think the rate paid the taxpayer should be exactly the same as

the rate the government expects to collect when the taxpayer owes the government money. I do not see any argument in favour of anything else. If it is simply a matter of the difficulty involved in the process of book-keeping, I suggest this is no argument. We have computers and we have a large number of unemployed people who could be engaged in working out these returns so the money might be sent back in a much shorter period than six months.

There should be no problem today in processing these returns. If the rate in respect of overdue accounts is to be set by Order in Council, it would seem strange that the bureaucrats do not take upon themselves the responsibility for setting the penalties in the same way. The House of Commons is seized with the responsibility of setting the penalty and, apparently, of giving its approval to a triple penalty. However, when it comes to making payments to taxpayers with a reasonable rate of interest we say we cannot possibly handle this because it is too difficult; we must hand it over to the bureaucrats so that it will come out in the form of an Order in Council. Personally, I believe the people of Canada are tired of rule by Order in Council and expect us to do these things here. We are now paid a reasonable salary. We are capable men from a general cross-section of the country.

As has been ably pointed out this afternoon, I believe the people are looking to us in respect of this large tax bill of 750 pages, plus amendments, to do something which will be of benefit to the small taxpayers. In respect of overpayments, I believe in most cases we are speaking of amounts of perhaps \$200 or less. It has been said that this involves a difficult problem for the bookkeepers. I say it is not a difficult problem at all. At one time I made a typographical error in my return and believe me I was told about it within two weeks after I had filed my return. It did not take long for them to examine the return and put it through the computers. It was found that I owed the government \$1.38 and they wanted the money immediately. The penalties under the law for not doing this are still very considerable indeed.

• (5:10 p.m.)

So, I make that appeal again. A citizen certainly pays a reasonable rate of interest on the money which he owes the government, and if the government has the right to take more money from him in the first place and keep it for a year or 18 months, it can well afford to pay those taxpayers, the ones who need that \$200 perhaps more than most of us do now, at a reasonable rate of interest. I think that we in the House of Commons should be seized with the responsibility of finding out what a reasonable rate of interest might be, and this should not be hidden in the fine print in the rules and regulations which lie behind this act.

[Translation]

Mr. Ricard: Mr. Chairman, I should also like to appeal to the parliamentary secretary and ask him to consider seriously the matter since, in my opinion, this request is quite reasonable. Indeed, it concerns a great number of taxpayers each year.

In his answer, the parliamentary secretary explained that refunds were sometimes due to taxpayers, but that in