

*Excise Tax Act*

We hope that the government will co-operate with the official opposition in its attempt to improve the draftsmanship of this legislation. Since the introduction of the bill it has become more and more evident that the imposition of this additional tax and the provision for rebates to exempt categories will become an administrative nightmare for the government. It has been reported now that refunds of the ten-cent a gallon excise tax on gasoline used for business by persons and corporations will be treated as taxable income under a planned change to the Income Tax Act. That is the speculation of the press.

According to a report in yesterday's *Toronto Globe and Mail* by Jeff Carruthers, this change is expected to be announced formally during the budget debate this week and is designed specifically to prevent a possible tax dodge had the refund been treated as originally planned, that is, as merely a non-taxable rebate of the federal tax. Yesterday I proposed a motion under Standing Order 43 and called on the Minister of Finance to make his intention clear with respect to this particular aspect of the matter. The minister has not done that, but I think it is incumbent upon him to make a statement to the House to indicate whether this will be a taxable payment for people who have received refunds or whether it will not be taxable. In my view, this affects the advisability of proceeding with and passing this bill. I referred to the article by Jeff Carruthers, and I should like to quote from it. Mr. Carruthers stated:

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Since the excise tax collections and rebates are being handled separately by the excise section of the Department of National Revenue, income tax experts had raised the spectre of taxpayers claiming the excise tax refund and then also claiming the excise tax as a business expense for income tax purposes.

If the refund was not taxed, taxpayers might be able to get away with claiming the excise tax twice.

Such double-claiming would have been difficult, if not impossible, to spot on individual tax returns without an audit, since gasoline expenses are normally lumped in with automobile expenses, Department of National Revenue officials admitted.

With the change in the Income Tax Act making the gasoline excise tax refund taxable, companies and individuals will be forced to claim the excise tax expenses on their income tax to offset the taxable refund.

The government has apparently decided to burden the small businessman with another difficulty with respect to the operation of his business. In addition to the requirement that he make application for rebate, he is also now to be faced with the prospect of having to include the rebate on his income tax return and claim it as an expense. Small businessmen are fed up to the teeth with the additional paperwork, returns and records now required by the federal government. Owing to this kind of helter-skelter approach to taxation and the plethora of returns required by various government agencies, the small businessman finds himself in the position of almost requiring an accountant on staff to handle these matters. This is another example of the government's absolute disdain for the practical problems faced by the small businessman in our country.

The Minister of Finance should come forward during this debate and state whether or not it is the intention of the government to treat the rebates on excise tax as

income, as indicated in the news report to which I referred. The minister will do this House a disservice if he fails to come forward and indicate the attitude of the government on whether excise tax rebates are to be taxable income. I suggest that the government's intentions in this field will involve an additional dimension for consideration. We need to consider the advisability of refunds paid in connection with the ten-cent a gallon excise tax being treated as taxable income. I am sure that members on the government side are most concerned about this tax and are receiving the same sort of adverse representations in connection with it that we in the official opposition have received.

Commenting on the unfolding drama and administrative nightmare associated with this particular bill, the *Globe and Mail* said yesterday:

The Department of National Revenue excise tax division is turning to the computer to try to prevent companies, agencies or individuals from illegally obtaining the planned federal refunds for the ten-cent a gallon excise tax on gasoline used for business purposes.

But departmental officials admit that even with the computer, special audits and more tax men, some of the refunds are going to slip into the wrong hands undetected.

The computer is already being programmed, in anticipation of refund applications being received starting next month, to use corporate income tax registration numbers or, in the case of individuals such as salesmen and farmers, social insurance numbers to cross-check all refund applicants to determine who is actually eligible for a refund on gasoline used for business.

Agencies such as charities and foreign embassies, without such numbers for cross-checking purposes, would be issued a special tax registration number, so Ottawa can establish a gasoline excise refund tax roll. It will ultimately list all those obviously eligible to receive the excise tax refund, either in whole or in part, for gasoline used in business.

The computer will also be programmed to reject for manual processing all applications for refunds above a certain, as yet unspecified, amount, depending on the classification of the applicant.

One official suggested as an example that a salesman claiming a refund equivalent to 100,000 miles of driving in a year would likely be questioned on the refund claim, since salesmen normally drive 40,000 miles each year on the average.

Income tax experts fear there could be a repeat of problems of a few years ago, when some claimants for unemployment insurance were discovered to be preparing fictitious claims supported by self-prepared T-4 slips, obtaining UIC payments illegally for a few months, and then abandoning the fictitious identity and disappearing before the computers could catch up with them.

The tax experts note that even using the social insurance number to cross check applications is far from foolproof, since it is sometimes easy to obtain or use a false number.

And the fact that the excise tax refund applications will be filed separately from an income tax return—supposedly to allow speedy refunds—will increase the risks of illegal claims, especially by individuals.

Refund claim forms are being printed and will be available as soon as the tax changes are made.

If ever any measure was ill-conceived, this excise tax bill certainly was. Why has the government done this? Forced by the opposition, particularly by the hon. member for York-Simcoe (Mr. Stevens), to announce when he would bring down the budget, the minister was forced to bring in a budget although he had no budgetary proposals to make. Finally, the budget he brought down was devoid of new ideas. It will do little to alleviate this country's problems. This legislation is ill-conceived and will cause considerable hardship for this country's citizens.