

Income Tax Act

deducted. The taxpayer should be entitled to this interest on his overpayment. I commend the hon. member for Battle River for bringing this amendment forward, and I am surprised it did not meet with unanimous acceptance.

Mr. Aiken: Mr. Chairman, I was really surprised when the hon. member who resumed his seat took part in this debate because there was an indication from the other side that he was perhaps prolonging the debate. Most of us on this side had the privilege of sitting on the other side of the House at one time and appreciate that this sort of debate or argument gets a little bit dull.

For those members who have not been following the debate, I should like to say that the biggest complaint of citizens in Canada can be related to the fact that if they do not pay their income tax, if they are late in paying it or if they fail to file a return they are assessed interest, penalties and costs across the board. However, when the government owes them money they get it back six months or a year later with 3 per cent or 5 per cent interest, or perhaps no interest at all. This is the basic complaint of the people to whom I have spoken.

Income tax is deducted from source at the beginning of every year. Income tax is paid from January of 1971, for example, and if there is an overpayment, by the summer of 1972, if the taxpayer is lucky, he will get back his overpayment—a year and a half later. This money has been deducted under the provisions of the Income Tax Act and represents an overdeduction. In many cases, these people have had to go to the bank, finance companies or small loan companies to borrow the amount of money they know they will be getting back at a rate of interest from 18 per cent to 20 per cent. Keeping this in mind, I think the amendment is reasonable because it relates in some way to the overpayment of tax and the interest an individual must pay on the money he borrows. We should not pass over this point too lightly. There is not a lot of money involved, although I do not know the exact figure.

I should like to ask at this time whether it is possible to get an indication of how much is paid in interest to people who are receiving overpayments of income tax. This may involve an impossible task and, if so, I will not press the matter, but I should like to have some idea of what the amount is. I should also like to ask what the exact rate of interest is. Perhaps it varies, but according to this section the interest would be paid at a prescribed rate which, of course, could be any amount. I should like to ask the parliamentary secretary to tell us the rate of interest now paid on repayments of overpaid income tax. What does this amount to in relation to the total amount of income tax? If it does not amount to much, I suggest that if it were paid the people would be more than satisfied. It might amount to only \$4 or \$5, but if people felt they were getting the same deal from the government that the government demands from them, I am sure they would be happy. If they are paying 8 per cent they should be getting 8 per cent. What is the rate of interest on overpayments? Is it the same rate that is charged by the government on tax not paid by the individual taxpayer? Perhaps we could get that information, as I think it would be helpful.

Mr. Mahoney: Mr. Chairman, the rate paid under the statute on voluntary or inadvertent payments, as a matter

[Mr. Bigg.]

of course, is 3 per cent. The intention of this section is to have the rate established on a periodic basis that does, in fact, bear a realistic relationship to interest rates at which the government borrows its money, and so on. This will be established periodically. The 6 per cent rate of interest is payable where the refund to the taxpayer results from a successful appeal in respect of an assessment the minister has made.

I can only point out to the hon. member again that these overpayments are not the result of any malicious design on the part of the government. The simple fact is that people do get married during the year and they do have children during the year. Deduction tables take into account the standard \$100 deduction for charitable and medical expenses, and if no other circumstances change and the taxpayer did actually make charitable donations in excess of \$100 there would be a refund coming because of the provisions of the act.

The vast majority of these amounts is very small. I do not know what the total figure is but we will try to find it. I am sure it is available but I just do not have it. This involves about 10 per cent of our individual taxpayers and in almost all the cases it results from either a change in domestic or family circumstances during the taxation year or because of medical or charitable expenses and donations in excess of those built into the tables.

Mr. Aiken: Might I also suggest to the parliamentary secretary that some of the overpayments are incurred by people who may work for only part of the year but have deductions based on 12 months' employment. I think this is the most grievous complaint. Individuals do get married during the year or fall into some of the categories suggested, but they are getting a windfall in the form of a tax return because the money was properly deducted in the first place. The people who really are hurt are those who were on a high salary perhaps for a relatively short period of the year and therefore had a large chunk deducted. I have one last question. Can the parliamentary secretary tell us how this prescribed rate is to be established. The 3 per cent now on the books is not very close to reality. I wonder how close to reality the prescribed rate will be and how it is to be prescribed.

• (5:00 p.m.)

Mr. Mahoney: It would be prescribed by Order in Council.

Mr. Aiken: But on what basis? Here we are attempting to make the point that the basis of interest ought to be a reasonable one. Now, the government seems to consider it reasonable to collect a large interest rate and pay back a much smaller one. Can we have any assurance that the prescribed rate will be anywhere near reasonable, because lacking that the amendment of the hon. member for Battle River is the only alternative.

Mr. Mahoney: Mr. Chairman, I am afraid the statute does not prescribe the criteria the Governor in Council would use in arriving at the rate to be established by Order in Council each year. Obviously, this section would not have been opened up if it were not the intention, as expressed publicly by the Minister of Finance, that this rate should bear a relationship to a realistic interest rate