

Income Tax Act

• (4:40 p.m.)

Under the old act interest was payable in some cases at the rate of 3 per cent. If a taxpayer successfully contested a case with the department, it seems interest was payable to him at the rate of 6 per cent. If he was unsuccessful, of course, the rate was only 3 per cent. Under the new bill interest is payable at a prescribed rate per annum, and it does not say whether the rate is 2 per cent or 3 per cent, as it was before, or 15 per cent. I suggest some provision should be written into the legislation that will put the taxpayer on the same footing as the tax department. If there were a prescribed rate of interest then the taxpayer would know in advance what it is. I suggest this would lead to greater efficiency and refunds would be handled more expeditiously.

In keeping with this thought, I should like to move the following amendment:

That subsection (3) of section 164, as set forth in clause 1 of the said bill, be amended by inserting therein at line 31 on page 436, next after the word "annum", the following:

"that shall return not less than the maximum cost that would be receivable on the amount of a loan under subsection (2) of section 3 of the Small Loans Act.

For the benefit of the committee may I read that particular section of the Small Loans Act. It provides:

- (2) The cost of a loan shall not exceed the aggregate of
- (a) two per cent per month on any part of the unpaid principal balance not exceeding three hundred dollars,
 - (b) one per cent per month on any part of the unpaid principal balance exceeding three hundred dollars but not exceeding one thousand dollars, and
 - (c) one-half of one per cent per month on any remainder of the unpaid principal balance exceeding one thousand dollars.

I suggest that such an amendment would give the department greater incentive to make refunds to wage earners and civil servants. If the refund was \$300, it would accumulate interest at the rate of 2 per cent per month. If the refund was below \$1,000 but more than \$300, the interest rate would be at 12 per cent per annum. If the amount of the refund is large and exceeds \$1,000, in order that no unnatural benefit should accrue to the taxpayer the government would pay interest on his refund on the terms set out in the act at the rate of 6 per cent per annum. I think such a provision is realistic if the Department of National Revenue wishes to be equitable to all taxpayers. On this basis I hope the minister will consider this amendment.

Mr. Mahoney: Mr. Chairman, the hon. member is quite correct in suggesting that approximately 10 per cent of taxpayers in Canada annually claim and receive a refund of income tax. However, the basic reason for this is the changes that occur in their domestic circumstances. Births or marriages change their exemptions during the course of the year, and there is the usual failure to file new information sheets with their employer so that their deductions can be changed. Then, in certain cases there are unusually high medical expenses, increased charitable donations and so on. All of this changes their taxable income and is not taken into account on the information sheet. Accordingly, I suggest that the hon. member's amendment is neither acceptable nor reasonable.

The Deputy Chairman: Perhaps at this time the Chair should put the amendment to the committee. I might have some question as to its financial implications, but in view of the previous decision I am ready to put it at this time. The hon. member for Battle River moves:

That subsection (3) of section 164, as set forth in clause 1 of the said bill, be amended by inserting therein at line 31 on page 436, next after the word "annum", the following:

"that shall return not less than the maximum cost that would be receivable on the amount of a loan under subsection (2) of section 3 of the Small Loans Act.

Mr. Bigg: Mr. Chairman, I hear groans from hon. gentlemen opposite who are usually the so-called champions of the little people. With 150 members, it seems to me the Liberal party could well put up one or two members who are interested enough to protect the rights of Canadian taxpayers.

The sections just referred to were extremely fierce, up to double and triple jeopardy, for the taxpayers who were unfortunate enough to be guilty of some error in filing their tax returns. However, when the small taxpayer has a refund due to him, what does he get? He gets nothing, no consideration whatever. The hon. member has made a very valid argument in suggesting that some consideration should be given to the small taxpayer who wants to spend his money just as much as an ever-greedy government wants to spend every bit of what he earns.

The individual taxpayer in Canada still has the right to have members of this House spend a moment or two begging that his point of view be heard. This large volume in front of us is largely taken up with a new invasion of a Canadian's right to own property. I think that this government, with its array of computers and public servants who are all very capable and efficient, should ensure that the taxpayers should get at least a reasonable return on their money. It is not right that a delinquent taxpayer should be called upon to pay an enormous sum of money—in fact, in some cases, unreasonably large sums of money—because of his evasion.

• (4:50 p.m.)

When the government owes money to a taxpayer because of an over-deduction of taxes, it should pay interest on that money just as it demands that the taxpayer must pay interest on the money he owes the government. There is no reason the government should not pay interest except the very shallow one that it is too much trouble for this army of civil servants with their computers to decide how much should be paid. This should not be difficult to calculate. Any money owing the taxpayer after the year ending March 31 should be paid with the addition of interest at 8 per cent. It would not make any difference whether the taxpayer had a great deal of money coming or a small amount, the situation would be equitable.

If it were possible for a taxpayer to commence a lawsuit against the government I am sure an equitable rate could be worked out. Anyone who borrows money must pay a reasonable carrying charge. When we have war bond drives or patriotic drives to sell bonds, the government offers between 6 per cent and 8 per cent. The income tax department should pay interest on the money it owes the taxpayer because that money is collected from the beginning of the year and the taxpayer has no choice since it is