

Mr. ADAMSON: The United States company with a subsidiary here would pay the five per cent tax?

Mr. ABBOTT: Yes.

Mr. FULTON: Has the minister any estimate of the number of cooperative taxpayers that are likely to be affected by the new provision?

Mr. ABBOTT: We have no figures; it would have to be a guess. There is quite a large number of these small producer cooperatives whose income is not large. We have received representations that it is difficult for them to estimate in advance the amount of tax that they will be liable for and to make instalment payments. This was one of the submissions made to us on behalf of the cooperatives and it was considered to be a reasonable request.

Mr. FULTON: It seems to me that the whole question of taxing cooperatives is giving rise to great difficulty. That is probably inevitable because of this new effort which is being made and the new principle which has been introduced into the act. It seems to me that it is hard to assess that interest. It is hard to assess that interest at four per cent between, as I understand it, the date when they make their first payment of tax and the time when the final assessment is sent to them. For the very reason that it is difficult for them to decide on how much tax they will have to pay, and provided that they make a bona fide effort to arrive at that amount, why should they be charged interest while they are waiting for the final word from the assessing authority as to how much they are allowed?

Mr. ABBOTT: They can tell pretty well at the end of the year, when they file their return, how much tax they are liable to pay. This is intended to relieve them of the obligation of making an estimate month by month as the ordinary corporation has to do in making an instalment payment on account of tax. These small cooperatives can wait until their year is closed, close up their books, have their accounts entered up. Then they know, if their bookkeeping is accurate—and I assume it is—the amount of their tax liability, if any, and they file their return the same as any other corporation, and pay their tax. If they have underestimated their tax, then, when the assessment is made, they will have to pay interest on the amount of excess tax, if any, which was due, the same as any other taxpayer or the same as the individual.

[Mr. Abbott.]

Mr. FULTON: I think that provision for penalty is unfair whether it is applied to a cooperative, an individual or a corporation, because so frequently there is delay in the final assessment. That may not be the fault of the department; it may be simply because it is understaffed. But it is not the fault of the taxpayer. It is an honest error on his part. This is a new provision, and I regret seeing this penalty extended to cooperatives.

With regard to the whole question of the difficulty that cooperatives experience in arriving at their liability for taxation, I have a letter which just came in today from a cooperative in my constituency. It appears that a new form, PD 1, has been designed and it is for the use of taxpayers claiming deduction from income for payment to customers such as these cooperatives claim as a result of paying dividends to patrons. The form refers to the incidental brochure re cooperatives which it states must be used for the instruction of the taxpayer in filling out his form and with it is an accompanying letter from the department saying that this brochure would be found of great assistance. My correspondent says that when they wrote to the department asking for the brochure, the department replied that, owing to the large number that had been asked for, it was temporarily out of print and would be forwarded as soon as available. This was on May 19. My letter is dated June 5. In other words, the cooperatives are finding it difficult to know just how to assess their tax. There is this brochure which the department got out to help them, and the brochure is not available. I should like to ask the minister what, if any, steps are being taken to speed up the preparation of further copies and get them into the hands of the cooperatives?

Mr. ABBOTT: I will make inquiries into that and see what the cause of the delay is. As the committee will appreciate, we are still in the trial and error stage so far as returns from these cooperatives are concerned. I feel sure that, as regards any difficulties which crop up as a result of this year when the first returns are being filed, if it is something which can be corrected by administrative action, we shall see that it is corrected. If it is a proper case and is something that requires legislative action, we can take care of it in that way. I will make inquiries as to why the brochure is not more readily available.

Section agreed to.

On section 10—Regulations.

Mr. HAZEN: I regard this section with some alarm. I consider it most objectionable,