

*Income Tax Act*

He said: Mr. Speaker, it is probably too much to hope that the house would adopt the motion and carry the bill through all stages without discussion as we have just seen in the case of a private bill introduced by my friend, the hon. member for Ottawa West. Therefore, it is appropriate that I should give a few words of explanation as to the purpose of this bill and its provisions.

The purpose of the bill is to protect the taxpayer who has honestly, conscientiously and to the best of his ability reported his income and paid his tax, by relieving him from the possibility of suddenly being required to produce records and explanations of things that happened eight or nine years ago or, in some cases more—things which he has not the remotest chance of recalling clearly or explaining adequately—and thus to protect him from the situation which arises when he is required to produce those explanations and accounts over years that have passed and finds that he is unable to do so. He is then penalized by being required to pay additional taxes on a basis against which in effect he is completely unable to defend himself.

Many hon. members will have cases within their own knowledge of taxpayers being confronted with this situation as a result of demands made by income tax inspectors. I know of a considerable number of cases. The effect on the honest taxpayer of demands of this sort for information and the carrying on of investigations on a basis which the taxpayer cannot understand, the requirement of explanations which he is quite unable to give, is very damaging. It varies from extreme irritation, almost going so far in some cases as to bring into question in the minds of decent citizens whether or not our system of government and justice is after all fair. It ranges from that feeling in many cases to a result which actually has a harmful effect on the taxpayer's health. I know of cases, and I am sure other hon. members know of cases, where honest, conscientious men and women have been reduced to conditions of almost nervous breakdown. They have been completely upset. It has a very harmful effect on their health and is entirely unnecessary and unfair to the honest taxpayer.

I want to make it absolutely clear, Mr. Speaker, that I hold no brief and am putting forward no argument on behalf of the dishonest or fraudulent taxpayer who deliberately misrepresents his income and underpays his tax and thus increases the burden on the other taxpayers of the country. In drafting my bill I have attempted to the best of my ability to draft a bill which, if adopted, would protect the honest, conscientious taxpayer by protecting him against the situation I have

described, but will still leave the department free to proceed vigorously and effectively against the dishonest and fraudulent taxpayer.

I want to make it clear also that I am not, either in my bill or in what I have to say here as to the demands and investigations that are being made by the income tax inspectors, attacking decent and conscientious civil servants in the performance of their duty. I recognize that when income tax inspectors make inquiries from taxpayers with respect to their returns there is apt to be a feeling of misunderstanding on the part of the taxpayer, and I shall attempt in what I shall say, not to represent those income tax inspectors who are efficient and courteous and who approach their task in a proper spirit, as being persecutors. They have a duty to perform.

My purpose is, however, to suggest and to urge legislation in such form that it will be impossible for the income tax inspector to be required to carry out a duty which imposes an unfair burden on the taxpayer and, by achieving that result, it will both protect the income tax inspector and relieve him from unfair criticism and at the same time protect the taxpayer and relieve him—this is its main purpose—from unfair demands being made on him many years after the knowledge of the situation which he is asked about has departed from his memory.

The present powers and duties of the income tax inspectors in this regard—and I am referring to the opening up of returns and assessments many years old; I am referring to instances where the taxpayer has honestly and conscientiously filed his return, received his assessment and paid his tax, and then years later the return and assessment are re-opened and he is asked all these questions and placed under this inquisitorial investigation—the powers and duties of the income tax inspectors are contained in section 46 and section 126 of the act at the present time.

Section 46 of the act provides that the minister may at any time assess tax, interest or penalties and may re-open assessments at any time and re-assess at any time. If there has been fraud or misrepresentation there is no time limit whatsoever. He may re-open and re-assess six years from the date of the original assessment in any other case; that is to say in any case in which there is no fraud or misrepresentation. But the powers of investigation on which, of course, the re-assessment, which is contemplated in section 46 would be based, are contained in section 126; they are not confined to cases where there is fraud or misrepresentation, and those powers of investigation contained in section 126 are not limited as to time. So the minister

[Mr. Fulton.]