

Income Tax Act

The Chairman: I thank the Hon. Member for his comments on the matter. The Chair upholds the ruling and rules the amendment out of order.

Shall Clause 1 carry?

Some Hon. Members: Agreed.

Clause 1 agreed to.

The Chairman: Shall Clause 2 carry?

Some Hon. Members: Agreed.

Clause 2 agreed to.

[*Translation*]

On Clause 3 - *Where excess refunded:*

Mr. Garneau: Mr. Chairman, in spite of all my efforts to grasp the meaning of Section 160.1, more especially as it relates to the payment of interest, I am at a loss to understand that sub-section. Subsection (2) reads as follows:

"(2) Where an individual resided at the end of a taxation year with a person who was a supporting person (within the meaning assigned by subsection 122.2(2)) of an eligible child of the individual for that year, the individual and that person are jointly and severally liable to pay any excess described in subsection (1) that was refunded to the individual in respect of the year as a consequence of the operation of section 122.2 or 164.1 and interest on such excess, but nothing in this subsection shall be deemed to limit the liability of any person under any other provision of this Act."

I would like to ask the Minister to explain the exact intent of that clause. Since it could be said that a pre-payment of \$300 in the case stated in the Bill to a family with a child in 1986, such a \$300 payment will be made in November or at the beginning of December and if at the end of the year, at the time the taxpayer files his income tax return, such a taxpayer instead of earning \$15,000 in the year, as stated later in the Bill, will have earned \$16,000 . . . Therefore, he would not be entitled to a \$300 child tax credit, he would not be entitled to that pre-payment provided by the legislation now in effect.

I wonder if that clause means that the taxpayer should be paying interest on that pre-payment, and if not, I should like to know the meaning of that addition and of such interests on the surplus and how it is consistent with the other sections of the Income Tax Act which provide that interest on income tax is payable after April 30 of the year following the filing of the income tax return.

[*English*]

Mr. Hockin: Mr. Chairman, the question was raised yesterday. It is an important one. First, I would like to give my answer and, second, give the point where it is plain in the Bill. The answer is that interest would not be charged for the period between receipt of the payment, let us say that was December 1, until you file your income tax on April 30. In essence, this can be looked upon as an interest-free loan until April 30. That is when the meter starts to run, not before. I will endeavour to make sure that this point is made clear in the enclosure that goes with the pre-payment.

• (1420)

It is also made plain in Section 164.1(3) where it says:

Where the aggregate of all amounts paid under subsection (1) to or applied under subsection (4) in respect of an individual for a taxation year exceeds the amount deemed by subsection 122.2(1) to have been paid by him for the year, the excess shall be deemed to have been refunded to him on account of his tax under this Part for the year on the day on or before which his return of income under this Part for the year is required to be filed—

That substantiates what I said before.

Mr. Garneau: Mr. Chairman, in the technical note to the Bill it says the taxpayer is required to repay the excess in addition to any interest computed from the date the excess amount was paid to the taxpayer. Is the Minister telling me that this excess amount does not refer in any way to the pre-payment we are discussing in this Bill?

Mr. Hockin: The excess amount referred to here is the pre-payment less the entitlement. That is different than just viewing it as the pre-payment.

Mr. Garneau: I am not sure if I understood what he just said, because the technical note refers to the date the excess amount was paid. Previously no amount was payable until the taxpayer filed his return. When the Bill refers to the date the excess amount was paid to the taxpayer, do we understand that date to be April 30?

Mr. Hockin: The answer is yes. Unfortunately, the Hon. Member is looking at Section 160.1(1) instead of Section 161.4. That is the basis on which I say yes to his question.

Mr. Garneau: Section 160.1(1) covers just the amount that would have to be reimbursed by the taxpayer. Subsection 2 of that paragraph refers to the interest. Is the Minister saying that interest, if any, will be paid after April 30 of the following year? If the answer to that question is yes, that is all right with me.

Mr. Hockin: Section 160 is a joint and several liability section. It has to be read in conjunction with Section 161.4(3) in order to answer his question. When that is done, it is clear that no interest will be paid before April 30. The meter starts to run after that.

Mr. Gauthier: Mr. Chairman, people in the financial field have a way of saying things that I sometimes miss. A person earns \$16,000 in the current year, but in the previous year earned \$15,000 which would have triggered this anticipated payment. On April 30, the final date for filing his return, he files saying he made \$16,000, therefore he was not eligible for the \$300 given to him in November of the previous year. Will there be interest charged to that individual on the \$300 if, for example, it takes six, eight or ten weeks to process?

Mr. Hockin: Mr. Chairman, the answer is yes, there would be interest from April 30 on, but not before.