

rate were again reduced to some such figure as 90 per cent. I should like to have the minister's comment on that.

Mr. McCann: Well, experience has shown that if you are collecting only 90 or 95 per cent of the amount owed, much more work would be involved in collecting that extra percentage than it is to collect an amount that is almost 100 per cent, and in the event of changes necessitating a refund, to make that refund. I can give the hon. member a little more information.

In the 1953 taxation year, the latest for which we have complete figures, there were 4,857,000 returns filed. Out of this number, 54 per cent of the taxpayers were entitled to a refund and the remainder either had no balance to pay or a balance to pay. These figures cover all taxpayers, including wage earners, business proprietors, farmers and those with investment income. The refund problem, however, relates mainly to wage earners and in the remainder of this statement I refer only to that class of taxpayer.

With respect to wage earners, there were approximately 3,967,000 returns filed for 1953. Of these, 2,518,000 taxpayers, roughly 63 per cent, were entitled to a refund and the average refund was \$49.94, which amounted to a total of \$125,749,000 to be refunded. Of the 37 per cent—that is the difference between 63 per cent and 100 per cent—of wage earners who were not entitled to a refund, there were 1,254,000 who had a balance to pay at the end of the year. The average amount of this balance was \$56.34, and the total amount of the balance paid was \$70,634,000.

To state the position in 1953 very briefly, therefore, 63 per cent of the wage earners qualified for a refund averaging some \$50, 31 per cent of the wage earners owed a balance of tax averaging \$56, and 6 per cent of the wage earners filed returns even though there was no tax payable and no deduction at the source. If the division were to deduct less tax at the source at the time the wages were earned, it would reduce the number and the amount of the refunds. At the same time, the department cannot overlook the fact that this step would simultaneously increase the number of those who have a balance due which already exceeds the amount of the average refund.

In respect of those who have a balance due, only two-thirds in practice pay the amount with their returns, leaving one-third or roughly 412,000 wage earners with an unpaid account which is subject to collection action. If these 412,000 taxpayers do not pay their account voluntarily within two months after receiving their assessment notice, it

becomes necessary for the division to garnishee their wages or take other positive steps to effect collection, and the department is hesitant over increasing this problem for the sake of diminishing the number and amount of refunds. We are thinking not only of ourselves in this regard but also of the wage earner who is indebted to us, and of the employer who may eventually be required to carry out a garnishee.

In 1948 the taxation division based their tax deduction tables on withholding 95 per cent of the apparent tax. This resulted in 50 per cent of the wage earners having refunds and 45 per cent of the wage earners having balances owing at the time of filing. Those having difficulty in settling their account with the department frequently stated that they thought their tax was fully paid by withholdings and, if this was not so, that they would prefer to have it that way. When the division did increase the tax deduction tables to take almost the full tax at the source, we received very little criticism from wage earners. In fact we know there are a great number of wage earners who at the present time deliberately understate the amount of their allowable personal expenses so as to throw themselves into a refund position at the end of the year.

I think that is about a full explanation. Hon. members will realize there are some circumstances which would cause refunds even if the rate of tax deduction were dropped back to, say, 90 per cent. There are in excess of 120,000 marriages a year, 400,000 births, and 120,000 deaths a year in Canada. In a very high percentage of these cases the taxpayer would be entitled to a refund even if the withholding tax were set at 90 per cent. In addition, a reasonable amount of charitable donations or union dues would throw a man into a refund position at 90 per cent if his personal exemptions are close to his total income for the year. Sickness and interrupted employment are two other factors which will give rise to refunds under any reasonable level of withholdings.

Based on past experience we do not believe that any net advantage is gained by wage earners as a whole through reducing the level of withholdings, and there is a disadvantage to the department and to the employer. Hon. members can see from this statement that this matter has been given careful study and analysis. We believe the system in vogue at the present time gives the best advantages to both the department and the taxpayer.

Mr. Monteith: I can see the department definitely feels that the percentage of the deductions should not be decreased. I am