

Income Tax Act

Mr. Gleave: Mr. Chairman, I do not think it is difficult to make a case that the interest rate should be set out in this section. The parliamentary secretary has said that 3 per cent is an unrealistic rate, and that it is the government's intention to set a rate that is fair and in line with present rates of interest within the business community. It seems to me that the proposal advanced here is a very practical one. If the government finds this phraseology unacceptable, it could introduce its own amendment. As one of the hon. members to my right said, it is our responsibility as parliamentarians to protect the rights of the ordinary citizen, and to have legislation clearly defined so that the ordinary citizen or accountant may understand the limits within which he can operate. That is the purpose of this amendment, and on that basis we can support it.

Mr. Mahoney: Mr. Chairman, I am afraid we cannot accept the amendment which would enshrine a particular rate of interest in the statute. The problem there is that these rates do not get changed often enough when they are set by statute. The proposal that the rate be established by Order in Council would give us an opportunity to review it on a more regular basis and keep it within some realistic relationship with the facts of the market place at a particular time. Earlier the hon. member for Parry Sound-Muskoka indicated that most of the members opposite had sat on this side of the House at one time. Indeed, they were sitting on this side of the House the last time this section was revised. In 1958 the Conservative government very generously raised the interest rate from 2 per cent to 3 per cent.

With due respect, Mr. Chairman, I think that since we have come up with something that will allow some flexibility, and hon. members opposite have come up with nothing that will satisfy the realities of the situation—and certainly in six years of being in office they were unable to do anything but increase the rate from 2 per cent to 3 per cent per annum—the amendment should be defeated and the section adopted by the committee.

Mr. Mazankowski: Mr. Chairman, I want to go on record as supporting the amendment proposed by my colleague. I believe that some measure of incentive should be placed in the bill to make governments refund moneys that they owe. I am dealing with a case right now of a farmer who has been waiting for a refund of \$5,277 from the Department of National Revenue since April, 1971. It arose as a result of the five year averaging of his income. Now, it is November and he still has not received the refund. In the meantime he has been forced to borrow money at bank interest rates, and sometimes higher, at the 8 per cent to 10 per cent level.

The relationship between the department and the normal taxpayer is such that the department treats the taxpayer with a form of contempt. I submit that if an interest rate were tied to the amount of overpayment it would be an incentive to the government to get on its toes and return money to the taxpayer. I cannot see any reason in the world why this farmer should have to wait that length of time to get a refund of \$5,277.78.

I took up this matter with the Minister of National Revenue. He in turn stepped on someone's toes and I understand the money is being refunded this week. But

why in the name of Heaven should we have to go to all that trouble? Some formula should be provided to give incentive to the government to refund such payments. What is sauce for the goose is sauce for the gander. I know that if an individual owed the federal treasury \$5,277.78 some pretty drastic steps would be taken by the department.

The relationship between the taxpayer and the department should be upgraded. There should be mutual trust and respect. A lot can be gained by improving that relationship. Making the interest rate realistic in this case would help to do that. The government should consider a reasonable amendment, such as that which has been proposed from this side of the House. I repeat that I strongly support the amendment.

• (5:30 p.m.)

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, a minute or two ago the parliamentary secretary was poking fun at the Conservatives for coming up with a better idea when they are on this side of the House than when they were the government. I express the hope that next year, when the Liberals are on this side of the House, they will come up with better ideas than they have put forward in this bill.

Some hon. Members: Hear, hear!

Mr. Downey: Mr. Chairman, I listened to the parliamentary secretary belittling the previous Conservative administration for raising the interest level from 2 per cent to 3 per cent. That was a 50 per cent increase. What can be more generous than a 50 per cent increase?

Mr. Mahoney: Would the hon. member settle for 4½ per cent?

Mr. Downey: That would be much better than what we have. I am not suggesting that the amendment I proposed is perfect. I am merely groping for something that will be acceptable to the committee, to the parliamentary secretary and to the minister. I am suggesting that tying the interest rates we are concerned about here to those applying under the Small Loans Act may not be acceptable. I am merely suggesting an amendment which would say that the Department of National Revenue shall pay the same rate of interest as it requires others to pay on funds owing to the department. What could be fairer than that? Is an amendment along those lines not acceptable? Would the parliamentary secretary agree to the same rate of interest being paid by the Department of National Revenue? Would he agree to a rate that is the same as the one the department demands on funds owing to it? Is there anything wrong with that concept? Would the parliamentary secretary comment on the acceptability of an amendment along those lines?

Mr. Mahoney: Mr. Chairman, I do not think that type of amendment would be acceptable. I should again remind the hon. member that that is precisely what this bill provides in cases where the overpayment and refund are consequential upon an assessment by the minister—that is, where that assessment proves to have been erroneous. We are still, basically, talking about a situation in which the overpayment has resulted from extra deductions and