

Income Tax

without any interest at all. It was part of a scheme for some executives to avoid taxes.

I felt that, executives or not, they have to pay their taxes, and we decided to have a new scheme to help those who are moving from one mining town to another—or whatever it is—to help them because of this necessary mobility, but it was certainly not to give a tax break to people who were abusing the system. Through a ruling National Revenue decided that this was unfair, and we come up with a proposition at this time which is more just and which takes into account some of the needs without having to cope with abuses.

Mr. Stevens: I would like to take the minister up on what he has just said. Did the minister first go to the bureaucracy and say, "I would like clause 2"—or something along that line—"because I am really disturbed by what I understand is a real abuse", or did the bureaucracy come to him? Whose idea was it initially?

Mr. Chrétien: Mr. Chairman, the hon. member's questioning is amazing. It is very evident that he wants to waste time. Has the hon. member heard a minister of finance anywhere in the world saying, "Will you please let me have clause 92, 93 or 94" and so forth?

We have very good civil servants who are experts and who make recommendations. It is up to the minister to decide. I think this was proposed by my predecessor, the hon. member for Rosedale. I was not even the minister when the proposal was put on the table, so it is absolutely crazy for the hon. member to ask how I decided on a proposal which was made by my predecessor. I do not want to waste much time on that. I just said there were some abuses. The Department of National Revenue brought it to the attention of my department, and I am bringing in a sensible proposition which will help to cope with some of the problems raised by the hon. member for Churchill. The hon. member raised some very valid questions. I am satisfied there was a loophole. It is our duty as guardians of a fair tax system to plug that loophole. If others make suggestions which make sense, we will make amendments in the next budget.

Mr. Stevens: I hope it is well established that this obviously originated with the bureaucracy and was presented to the minister's predecessor and then to him. They both bit on it, and I think the record should be clear. It is a bureaucratic idea. The bureaucracy feels there is a loophole, and for reasons I am going to bring out after eight o'clock I think it is very pertinent that we identify exactly who has said that this clause should be brought into our tax system.

I would like to go to this specific phrase in the clause: "interest for the year computed that a prescribed rate on loans". I wonder if the minister can indicate how it is proposed to set this prescribed rate. How often is it going to be set? What will be taken into account with regard to the prescribed rate? Is it going to be a national rate or a regional rate? Exactly what does the department have in mind for the prescribed rate?

[Mr. Chrétien.]

Mr. Chrétien: It is related to the prime rate.

Mr. Stevens: I wonder if the minister could be a little more precise. In what way is it related to the prime rate? Is it going to be changed every time the prime rate is changed?

Mr. Chrétien: It is calculated once a year based on the prime rate at the end of the summer, to be used for the next year.

Mr. Stevens: Mr. Chairman, let us get that correctly. In bureaucratic jargon what is the end of the summer?

Mr. Chrétien: Before the fall.

Mr. Stevens: The minister does not seem to get clear instructions from his own officials. I wonder if he would go back to them and find out what date they have in mind which is between the end of summer and before the fall. What do bureaucrats consider that date to be?

Mr. Chrétien: The average of June, July and August; before the fall.

Mr. Stevens: I presume they are thinking of August 31.

Mr. Chrétien: It is the average of three months, June, July and August.

Mr. Kempling: Why didn't you say so?

Mr. Chrétien: That is what I said before.

Mr. Stevens: If the minister had known that, he could have said that at the beginning. It has been established how the prime rate will be identified for the year following. What will be done with the prime rate? Is the prescribed rate referred to in clause 2 to be one point above that rate, two points or five points? Exactly what will be done with the prime rate, now that we have identified how the bureaucrats intend to find it?

Mr. Chrétien: It is the prime rate rounded according to the formula I just gave to the hon. member.

Mr. Stevens: It is going to be rounded to the prime rate.

Mr. Chrétien: Let us call it six o'clock.

Mr. Stevens: Don't worry about the clock.

Mr. Chrétien: You are wasting time anyway.

Mr. Stevens: Is there going to be any particular ratio given on a regional basis, bearing in mind that mortgages in this country have fairly different interest rates?

[Translation]

Mr. Chrétien: Mr. Chairman, there is one single rate for all taxpayers throughout Canada.