

payer is involved, why should he not be allowed some credit for surplus payments in other years?

Mr. ABBOTT: I am advised that where several years are assessed at the same time and overpayment is found in one year, with underpayment in another, no interest is assessed from the time overpayment was made, if it is credited to the other year.

Mr. JACKMAN: But that still does not answer the question. I do not know why a taxpayer should not be allowed a credit for overpayment. The crown wishes to have the money. I do not ask the crown to get into the same position as occurred in the United States administration where people purposely overpaid in order to collect the six per cent interest. But where there is an innocent overpayment, the crown should allow some compensation for it.

Mr. ABBOTT: I do not know what rate should be suggested.

Mr. JACKMAN: You had no difficulty in assessing a rate of three or four per cent.

Mr. ABBOTT: But that is done for a very real purpose. That is the type of penalty imposed on a taxpayer, who has control himself. He can estimate his tax accurately. If you do not impose an interest penalty there is a tremendous temptation to borrow money without interest from the public treasury.

Mr. FLEMING: There is another angle to the matter of penalty which, in fairness, the minister must acknowledge. So long as the situation continues as the minister concedes it to be, namely with a considerable backlog of work in the Department of National Revenue, is it fair to go on assessing interest at the rate of four per cent per annum—and it was formerly eight per cent—on people who have not deliberately made any error or underpayment, but who may have made a simple error?

There may have been misunderstanding in connection with interpretation of the statute; and I am bound to say that these amendments do not make the statute any easier for interpretation by the man on the street. It will be more and more difficult for more and more people to interpret it, and they will have to go to experts for advice.

In the light of these facts, it seems to me either that drastic steps must be taken in the Department of National Revenue to speed up this work and thus to reduce this considerable backlog or, in fairness, some step must be taken to reduce the interest charge. If the

[Mr. Jackman.]

situation were as we would like to see it, namely the department following up quickly with its assessments of returns made, then there would not be any great complaint about the rate of four per cent, on a short period. But when you have assessments running behind four or five years it is a heavy burden. In the early years the penalty is still eight per cent.

In all fairness, I put it to the minister that an interest rate of four per cent is still too large a rate, so long as there is a considerable backlog. And from what we can tell, there is no prospect of any substantial reduction in that backlog in the near future.

The Minister of National Revenue indicated on an earlier occasion that he hoped some headway was being made—and probably so—in some tax jurisdictions in the dominion. But certainly in the one with which I am most familiar there is still a tremendous backlog. So long as that backlog persists, will he not have regard for a reduction in the interest rate, which I say, is grossly unfair if people are to be kept waiting for years.

Mr. ABBOTT: The rate of interest can be considered. There is a limit of twenty months on it now.

Section agreed to.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, June 10, 1947

The house met at 2.45 o'clock.

WARTIME PRIME MINISTERS

UNVEILING OF PORTRAITS OF RIGHT HON.

SIR ROBERT BORDEN AND RIGHT HON.

W. L. MACKENZIE KING

Mr. SPEAKER: In the name of the Honourable the Speaker of the Senate and in my own name, I would like to invite all the hon. members of this house to a ceremony which will be held in the main lobby of the parliament building, at 5.30 o'clock this afternoon.

His Excellency the Governor General, accompanied by the President of the United States of America, Harry S. Truman, will unveil the portraits of the two Prime Ministers of Canada who were at the head of our country during the two great wars: the Right Hon. Sir Robert Borden and the Right Hon. W. L. Mackenzie King.