

*Supply—National Revenue*

pension plans throughout the years, and particularly their development in recent years since the second world war, indicates more than ever to members of this group that what we really need in Canada to give the industrial worker the security he should have, so far as pensions are concerned, and to give him the opportunity for mobility of labour, is a national industrial pension scheme in which there will be a standard of rules and a standard of procedure applying to industry throughout Canada.

**Mr. Monteith:** In connection with the appeal board case to which the hon. member for Eglinton referred a moment ago, I should like to ask concerning the exact procedure on bad debts. My understanding is that the income tax division does allow bad debt reserves and bad debt write-offs. How are they to know about this unless they go into the files? They may do this, for all I know; I am not familiar with their practice. How are they to know as to whether or not a bad debt is actually bad? If at any time in the future a debt which has been written off as bad is collected, they collect on it. They do collect income tax in those circumstances. Does the department go into other files to determine whether or not a man can pay a debt, not as to whether or not he will pay it?

**Mr. McCann:** Generally they do not do that. It is not the practice to go into other people's files. In this particular instance the man's own brother was involved, and it was to verify whether or not it was actually a bad debt. But it is not the practice to go into other people's files to get that kind of information.

**Mr. Monteith:** What is the percentage of income tax collections? I think the minister mentioned earlier that \$70 million had been raised by reassessment. Is that correct?

**Mr. McCann:** Yes, about that amount; \$72 or \$73 million.

**Mr. Monteith:** What percentage of that \$73 million is made up of interest and penalties?

**Mr. McCann:** Taxes and penalties are kept separate, but the interest is not. This amount of \$72 million would not include interest charges.

**Mr. Monteith:** But the penalties would be in there?

**Mr. McCann:** Yes, they would.

**Mr. Monteith:** What percentage of the \$72 million would be penalties?

**Mr. McCann:** I think we have that information on record, but I do not have it here.

[Mr. Herridge.]

**Mr. Monteith:** The minister also mentioned that there had been 404 appeals in the last year. How does that compare with previous years? Is it increasing or decreasing, or is it approximately the same?

**Mr. McCann:** Income tax appeals for 1954: appeals filed, 404; allowed in part or in full, 189; dismissed, 224. Let me give the years from 1949, when the board was first set up. In 1949 there were 122 appeals; in 1950, 423; in 1951, 469; in 1952, 293; in 1953, 393; and in 1954, 404. It keeps pretty constant.

**Mr. Monteith:** I think that answers my question. I have one more point I should like to ask the minister about. If I am correct, in his preliminary statement he mentioned that something like 1,200,000 refunds had been made up to the end of April. Am I correct?

**Mr. McCann:** That is correct.

**Mr. Monteith:** I think the minister also said that the returns for the year 1954 were in the neighbourhood of 200,000 greater.

**Mr. McCann:** Yes.

**Mr. Monteith:** Than the year before?

**Mr. McCann:** And 2,000 or 3,000 greater for corporations.

**Mr. Monteith:** Who makes up the tables for income tax deductions at the source?

**Mr. McCann:** The Department of National Revenue. Is that what the hon. member means?

**Mr. Monteith:** Yes. Are they based on a prescribed rate set by the Department of Finance, or does the Department of National Revenue decide the rate at which these deductions are made?

**Mr. McCann:** It is the decision of the Department of National Revenue in conjunction with the Department of Finance.

**Mr. Monteith:** There is something wrong here. As I recall it, when these deductions first came into force they were based on something like 90 per cent of the expected income tax that would be payable by the individual for the whole year. We now find that there are 200,000 odd individual income tax returns and 1,200,000 odd refunds are made. It seems to me that a great deal of book work could have been avoided if the deduction rate were still based on a somewhat lower figure. We all know, as the minister himself mentioned earlier, there are medical expenses, donations, and all these things that come off the final return which cannot be taken into consideration when the deduction is arranged. It seems to me there could be a lot less collection costs and a lot less work in the department if the deduction