

calendar year or accounting period thereafter shall deliver to the Minister of Finance, with each annual return of his income prescribed by section seven of the said Act as amended, an amount equal to at least one-fourth of the amount of the tax and surtax, if any, payable by such person according to such return, and shall pay the balance, if any, of such tax and surtax in not more than three bi-monthly instalments thereafter, together with interest at the rate of six per centum per annum from the date prescribed for making such return up to the time of the payment of such instalment;

3. That any person making a return of income less than the correct amount shall pay the additional amount of tax and surtax due and in addition interest at the rate of ten per centum upon such amount until the same is paid.

If such deficiency exceeds ten per centum but is under twenty per centum, such person shall also pay an amount equal to one-half of the amount of such deficiency in addition, and if such deficiency amounts to twenty per centum or more such person shall pay an amount equal to the amount of such deficiency in addition.

Mr. DENIS: What is to be done in regard to those who did not make reports in previous years? There is in the law provision that those who did not make reports in previous years are liable to very severe penalties. I do not know of any such penalties having been imposed, although there is no doubt that thousands of persons in Canada have not made reports according to law. Recently, if I understand the matter aright, those who should have made their reports by the end of April and who did not do so were granted a delay until the end of May, and if they did not make their reports before the end of May, they are to be fined 25 per cent of the tax. Many people who should have made reports under the old law, did not do so, and I would suggest that the Government should take some steps to straighten out this condition of affair. I do not approve of imposing the penalties provided in the law on those who, for some reason or another, did not make their reports, because this is a law which the average man finds it hard to understand, and therefore, I would feel like being lenient towards such people. But this is a question which should be settled, because there are actually suspended over the heads of these people enormous penalties, although, as a matter of fact, these penalties have not been imposed. The Government should announce their policy as to whether these penalties are to be imposed or not, and as to what is to be done regarding persons who, according to law, should have made reports in past years and who did not do so.

[Sir Henry Drayton.]

Sir HENRY DRAYTON: No attempt is being made to make these penalties retro-active. They are not.

Mr. DENIS: That is not the point I raised at all. I know the penalties are not retro-active. Under the old law a person who should have made a report for 1917, or 1918, or 1919, and who did not make a report, was liable to a certain penalty. There is no question that when the Government begin to delve into this matter, they will find out that thousands of people who should have made reports for those years did not do so. Consequently, according to the law in force at that time, those people would be liable to very severe penalties, and I think they should not be subjected to those penalties, because this is a new law very difficult of application; but in the meantime, these people should be made to pay what they owe to the Government.

Sir HENRY DRAYTON: We are endeavouring to collect taxes. I am afraid I shall have to take issue with my hon. friend. We must so frame the law that it is going to pay people to pay taxes rather than run the risk of what will happen if they attempt to evade taxation. The hon. gentleman asks what has been done in connection with these penalties. If I remember rightly, we commenced taking proceedings last August. There are two sets of proceedings: There are proceedings in the police court which are taken when a man does not make a report which he ought to make, and there are proceedings by way of action to force a taxpayer to pay moneys which his return shows, ought to have been paid to the Government, which payments he has not made. On the one hand it is obviously absolutely improper that the Act should be allowed to be looked upon merely as a polite invitation to make a governmental contribution, and on the other hand it is equally improper that the Act should be unduly harshly and improperly forced. What I mean by that is this. I hope it is not going to be necessary to sue and to prosecute every defaulter; it ought not to be; but it is necessary from time to time to issue these writs and these proceedings, and largely as a result of issuing writs and police court proceedings, the collection of income taxes last year increased by 100 per cent. I do not think that any undue hardship has been shown in what has been done. 120 writs have been issued throughout the whole country for the purpose of educating the people as much as possible in regard to the matter and making