

*Income Tax Act*

almost all cases, it was because they had failed to provide the required information.

However, as stated by my colleague for Parry Sound-Muskoka (Mr. Aiken), it often happens that owing to temporary unemployment or lower wages, an employee is taxed for part of the year at a very high rate, while for the remainder of the year, when it comes to filing his income tax return, he should be granted a refund of at least 6 per cent, as the government itself requires from taxpayers. Surely the parliamentary secretary knows that this generates much dissatisfaction with the people. People who find out that they are thus taxed 6 per cent for a mistake or for having failed to enter the precise amount on their income tax return are greatly annoyed when they have to pay 6 per cent more, whereas the government assumes none of the responsibilities that it imposes upon the taxpayers. So, I believe that it would be wise to give the taxpayer a chance proportionate to what the government requires from him.

I feel that the Quebec government, if it has not already taken measures to suppress the anomaly which afflicts taxpayers, will do so very soon. In fact, I believe that the minister of finance or revenue of the province of Quebec has already expressed the opinion that this should be done. This would be a matter of equity for the taxpayer, and I dare hope that the parliamentary secretary will be kind enough to accept this reasonable request.

[English]

**Mr. Smerchanski:** Mr. Chairman, with reference to this section on refunds, I think we possibly misunderstand the purpose of subsection (4). I believe that it is fair in that at present an interest rate of 3 per cent is paid on any refunds that are due. If you are successful in an appeal, you get 6 per cent. But the new regulation suggests that this be equalized, and inasmuch as the government must pay a fair rate of interest on the refund, likewise you would pay the same rate of interest if you owed the government money. In other words, I feel that this offsets the inequity that existed under the initial regulation. The only thing that it does not spell out is that the rate of interest shall be a prescribed rate per annum. Perhaps we could resolve that prescribed rate of interest by tying it either to the Bank of Canada prime rate of interest or tying it to the rate of interest that is paid on small business loans, farm credit loans, or something of that nature. Possibly that would tend to clarify the matter of refunds. I submit that as a suggestion.

**Mr. Yewchuk:** I just wanted to make a few comments in support of the amendment moved by the hon. member for Battle River. I think that the practice under the legislation passed by this government in dealing with interest rates on various items such as loans from government agencies has been to leave it open and not set a specific rate. This might be easier in some ways in that the legislation does not have to be amended as often. At the same time, I think it is a rather sloppy way of presenting legislation because the people who are dealing with the legislation do not know exactly where they stand. This becomes more of a guessing game. In dealing with a refund to a taxpayer on an overpayment of taxes to the revenue department, one finds that there is a great similarity to a small loan made to the government because the government can use those

[Mr. Ricard.]

funds for whatever purpose it might find necessary while this money is in its possession. Because of the fact that it resembles a small loan, there is no particular reason the government should not pay an interest rate equivalent to that which a citizen would have to pay if he obtained a small loan from a government agency. So, this kind of amendment makes a good deal of sense.

Even though I indicated at the beginning of my remarks that I do not like unspecified interest rates, this amendment does not set a specific figure either, but it ties the rate to that which would be prescribed on a loan which an individual might obtain from a government institution. The parliamentary secretary said that the present prescribed rate is in the vicinity of 3 per cent. If such a rate were applied, it would certainly not be an inequitable rate. In all fairness, we should have a definite reassurance from the government that the rate which would be paid on refunds would be much more in keeping with the existing rates in the country at that time. I know that the parliamentary secretary indicated that an order in council could be passed from time to time prescribing these rates, but I think that this is not a neat way of doing it. I think it would be much more sensible to adopt this amendment and apply the rate prescribed for small loans.

Could the parliamentary secretary indicate what guidelines would be used in prescribing the rate on a refund? Let us say that this amendment is not accepted by the government. What guideline would be used in setting an interest rate on overpayments of taxes when a refund is made to a citizen? I wonder also if he could answer at the same time how the 3 per cent figure was arrived at previously?

• (5:20 p.m.)

**Mr. Mahoney:** Mr. Chairman, I answered that question some time ago, and I indicated that I regretted I could not give the answer sought. Certainly, there are no criteria in the bill to guide the Governor in Council in making that determination, and I am not aware of what criteria would be used in doing it. I think the hon. member should clearly understand that the 3 per cent rate is one that is prescribed by the existing Income Tax Act. It is not a rate that was established by regulation. Certainly, there is nothing in past history to indicate that the government would wish to continue a rather unrealistic rate such as the 3 per cent rate has become. Indeed, that is the reason the matter has been opened up by the government in this particular tax reform package, in order to permit the government from time to time to alter the interest rate as interest rates in the market place change, and to relate it to something realistic in that area. However, what actual factors would be taken into account, I cannot answer.

**Mr. Yewchuk:** Would it be reasonable to assume that the rate prescribed could well be that which is charged for small loans under the sections of the Small Loans Act referred to in this amendment?

**Mr. Mahoney:** No, Mr. Chairman. The Small Loans Act is an act that sets upward limits which private companies can charge for small loans as defined in that act. This rate has no relationship whatsoever to any interest rate either paid by or charged by the government or any government agency.