

know what his income was for the year, and would know that it did not bring him into a taxable bracket.

Mr. CARDIFF: I can tell the minister that plenty of people have been waiting for three or four years to have this money paid back.

Mr. ABBOTT: My hon. friend is referring to delay in refunds. That is because the Department of National Revenue, owing to staff shortage and for other reasons, has not been able to catch up with the work.

Mr. WHITE (Hastings-Peterborough): Has the minister ever considered that when assessments are made showing that a further tax is payable, some explanation should be placed on the assessment notice saying what the extra tax is for or what the mistake was? I think the minister will find that in the district offices when the assessment is made, often only a figure is mentioned. If there is a mistake, or anything of any importance, the solicitor has to communicate with the tax office. I think it would save a great deal of time and would satisfy a great many people if some explanation were given.

Mr. ABBOTT: My hon. friend is quite right. I am told that during the war, because of the shortage of staff and in their hurry to get out the assessments, that work was curtailed; but instructions have gone out to the districts that, where an assessment is to be made, there is to be an explanatory statement reconciling the new assessment with the original assessment. It is important that this should be done.

Mr. KNOWLES: I welcome three words in this section which were not in it before. I refer to the words, "without application therefor", as they appear at line 34. That seems to give the government power to make refunds, even if application has not been made for them. Does that signify anything effective?

Mr. ABBOTT: It is to bring it into line with the other section. That deals with the period prior to the issue of the notice of assessment. It uses the words, "without application therefor, or on application in writing therefor by the taxpayer within two years from the end of the calendar year." In the case of the income tax payer who files a return, the department has to check that return; and if it develops that overpayment has been made, power is given here to make a refund at or prior to the issue of a notice of assessment.

Mr. KNOWLES: This section comes under part 16 of the act, which relates only to tax deductions at the source. In the first part of

this sub-clause it says, "under this section", so that we are dealing only with tax deductions at the source.

Mr. ABBOTT: It brings it into line with section 56.

Mr. KNOWLES: I was wondering whether it meant that the department might reach the point where people who had deductions made at the source, which should not have been made, would receive them back automatically, without application?

Mr. ABBOTT: It would happen, if we had any means of checking what the overpayment was. But it is almost physically impossible to do it.

Mr. JACKMAN: In respect of a man, or the returns of a taxpayer, where there has been overpayment for some years, and underpayment for other years, before the final assessment is made, is the taxpayer charged at a certain rate of interest? What is the rate of interest for the deficiency years, and is no credit allowed for the surplus years?

Mr. ABBOTT: That is correct. The rate that is payable on the underpayment would be the rate fixed under the act.

Mr. JACKMAN: What is that? Is it five per cent?

Mr. ABBOTT: It is four per cent until one month after the assessment is issued, and then there is a three per cent penalty on top of that, if it becomes overdue.

Mr. JACKMAN: Why does the rule not work both ways, particularly if it is the same taxpayer and he happens to have overpaid through error, if you like, or through some change in understanding of the tax law? Why is he not given the same break in respect of underpayment?

Mr. ABBOTT: I am not familiar with the internal administration, but I understand that these returns are assessed from year to year, the earlier returns being taken first. Let us say the year which is reached is 1943. It is assessed, and it is found there is an underpayment. An assessment notice is issued and the underpayment is collected with interest. Then it passes on to 1944 and the same thing happens there. The assessment is paid, with interest. Then you reach 1945 and find there is an overpayment. In that instance there is a refund; but no interest is paid on it.

Mr. JACKMAN: It seems to me that it is not a matter for jocularity. If someone wishes to collect interest when there is an innocent deficiency, particularly when the same tax-