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—
Chair

The Honourable Wayne Easter

Standing Committee on Finance

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• (1530)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order.

Pursuant to Standing Order 108(2) we'll be dealing with the subject matter of Bill C-97, an act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures. We will deal with it part by part, and then turn to part 4, various divisions.

We have a number of officials here.

Before we do that, under Standing Order 106(2), due to losing one vice-chair of the committee, we need to elect another.

Does somebody want to move that motion?

Mr. Fergus.

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): I nominate Pierre-Luc Dusseault, member for Sherbrooke, for the position of vice-chair of the Standing Committee on Finance.

[English]

The Chair: With that, are there any other nominations?.

(Motion agreed to)

The Chair: Welcome, Mr. Dusseault, back to an original position, I believe.

We will start on the budget implementation act, part 1, amendments to the Income Tax Act and other legislation.

With us we have Trevor McGowan, who is director general, tax legislation division, tax policy branch; Maude Lavoie, director general, business income tax division; and Pierre Leblanc, director general, personal income tax division.

I believe the floor is yours, Mr. McGowan, and we'll go from there.

Mr. Trevor McGowan (Director General, Tax Legislation Division, Tax Policy Branch, Department of Finance): Thank you, Mr. Chair.

I will provide a short overview of each of these measures in the order in which they appear in the bill.

The first measure in part 1 provides a temporary enhanced capital cost allowance, which is essentially tax depreciation in respect of the purchase of new zero-emission vehicles. These are fully electric, fully powered by hydrogen or a plug-in hybrid with a battery capacity of at least 15 kilowatt hours. It also increases the capital cost limit for zero-emission passenger vehicles to \$55,000, in terms of what can be depreciated, from the existing limit of \$30,000 for passenger vehicles.

The second measure removes the requirement that property be of national importance in order to qualify for the enhanced tax incentives for donations of cultural property, while retaining the requirement that the property be of outstanding significance.

The next measure introduces further enhanced rates of capital cost allowance. It provides an enhanced 100% capital cost allowance rate, which provides a full first-year deduction in respect of certain manufacturing and processing machinery as well as certain green-energy equipment. In addition, it provides, effectively, three times the normal first-year allowance for other sorts of depreciable property, that's to say, almost every other type of depreciable capital property.

The next measure relates to kinship care programs. It ensures that the receipt of amounts under a provincial kinship care program will not adversely affect entitlement to the Canada workers benefit. In addition, it ensures that such amounts are not included in computing a recipient's income and do not reduce entitlement or include it for purposes of determining means-tested benefits.

The next measure removes taxable income as a factor in determining a Canadian-controlled private corporation's entitlement to the enhanced scientific research and experimental development tax credit, while retaining the taxable capital factor that is currently in place.

The next measure relates to providing support for Canadian journalism. In particular, it provides three separate benefits. First, it allows registered journalism organizations to be qualified donees for income tax purposes, which, in addition to providing an exemption from income tax, allows them to issue charitable donation receipts. Second, it introduces a 25% refundable tax credit on salary or wages paid to eligible newsroom employees for certain qualified Canadian journalism organizations. This credit will be subject to a cap on labour costs of \$55,000 per eligible employee, which works out to a \$13,750 tax credit benefit per employee. Third, it provides a temporary, non-refundable 15% tax credit on amounts paid by individuals in respect of certain digital news subscriptions.

The next measure introduces the Canada training credit, which is a refundable tax credit providing support for eligible training fees for individuals between the ages of 25 and 64. This credit accumulates at an amount of \$250 per eligible year in a notional account up to a lifetime limit of \$5,000. The credit can be applied against up to half the cost of eligible training fees.

The next measure updates a cross-reference in the Income Tax Act relating to the use of cannabis for medical purposes, to reflect the currently existing regulations that apply to cannabis.

The next measure applies in respect of the rules in the Income Tax Act that prevent the inappropriate multiplication of access to the small business deduction. Currently there is an exception that applies where farming or fishing products are sold to an arm's-length co-operative organization. This measure would expand that exemption, providing a benefit to affected farmers in any case where a farmer or a fisher sells products to an arm's-length corporation, and removing the requirement that the purchaser be a co-operative corporation.

• (1535)

The next measure extends the currently existing mineral exploration tax credit for an additional five years. This credit provides a 15% credit in respect of certain grassroots mineral exploration.

The next measure applies in respect of certain communal organizations and in particular it ensures that income earned in a deemed trust that arises in respect of those communal organizations retains its character as it is flowed out through the deemed trust to the members of the congregation.

The next measure relates to the homebuyers' plan, and has two components. First, it increases the homebuyers' plan withdrawal limit from \$25,000 to \$35,000. In addition the measure also provides that, subject to certain conditions, individuals who experience the breakdown of a marriage or common-law partnership can be permitted to participate in the homebuyers' plan even if they do not meet the first time homebuyer requirement.

The next measure relates to liability for income tax in respect of income earned in a tax-free savings account. Generally, income earned in TFSA is tax free with two important exceptions. One is income from carrying on a business in the TFSA. Most commonly, that can be thought of as day-trading types of activities. Currently, TFSAs are liable to tax on income from carrying on a business. The trustee of the trust, generally the financial institution providing it, is jointly and severally liable. This measure would cap the liability of the trustee at the amount of assets in the trust. In addition, it would extend joint and several liability to the TFSA holder, who would be in the best position to know whether or not the TFSA is carrying on a business.

The next measure relates to relief from overpayments of salary or wages. It is intended to help alleviate cash flow issues where an amount is paid to an employee and an amount is withheld in respect of the salary or wages and remitted to the government. Under the current tax rules, the employee would have to reimburse their employer the gross amount of the payment and apply to the Canada Revenue Agency for a refund of the taxes that have been withheld and remitted. This allows the employee to return to the employer

only the net amount they received, and allows the employer to obtain the refund of the withheld taxes from the Canada Revenue Agency, thus helping to alleviate the cash flow issued for the amount that had been withheld but not received by the employee.

The next measure relates to providing enhanced capital cost allowance rates under clauses 43.1 and 43.2 of the regulations, and these are at rates of 30% and 50%. These are extended in respect of eligible electric vehicle charging stations and a broader range of electrical energy storage equipment. It's important to notice an accelerated 100% capital cost allowance rate is going to be provided in respect of the accelerated investment incentive I'd mentioned earlier. That would apply in respect of this measure as well. They would have a permanent 30% or 50% capital cost allowance rate but also be eligible for the temporary accelerated investment incentive measure.

• (1540)

The Chair: I know you have a question, Mr. Sorbara, but we'll go through all the explanations, and then we'll come back and start with section 1.1.1 and go through them one at a time. If people note their questions going through, I think it will be faster to go through it that way.

Go ahead, Mr. McGowan. Sorry.

Mr. Trevor McGowan: Thank you, Chair.

I just have two left.

The second-last measure relates to the Canadian film or video production tax credit. It provides a 25% refundable tax to qualified corporations in respect of qualified labour expenditures, and it would allow joint projects of producers from Canada and Belgium to qualify for the tax credit.

Lastly, part 1 of the bill contains a measure relating to the enhanced Canada pension plan. It allows for the appropriate reporting of pension adjustments where a pension plan is integrated with the new and enhanced Canada pension plan.

That's a summary of each of the measures in part 1 of the bill.

The Chair: I think everybody has the paper that was provided by the Library of Parliament. That explanation will go with those headlines.

Thank you, Mr. McGowan, for going through that. I think a number of people were at the briefing initially on the BIA as well. We have that information from both.

I'll start with section 1.1.1. That would be the expansion of the first-year capital cost allowance rate for zero-emission vehicles.

Is there any discussion on that?

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

My thanks to the witnesses for coming to explain some parts of the bill.

My first question is about section 1.1.1. Correct me if I'm wrong, but in the case of vehicles in class 54, there seems to be a \$55,000 limit on the capital cost allowance rate for the first year.

Is the idea to reflect the government's announcement about people who buy electric vehicles? Is it to reflect that amount? If not, is there a specific explanation?

• (1545)

Ms. Maude Lavoie (Director General, Business Income Tax Division, Tax Policy Branch, Department of Finance): Good afternoon.

Right now, under the Income Tax Act, the deduction limit is \$30,000 for businesses that purchase a passenger vehicle. For example, if they buy a \$50,000 vehicle, they can only deduct \$30,000 for tax purposes. The intent is to reflect the average cost of a vehicle in Canada. The limit has been increased to \$55,000 for electric vehicles, since their cost is much higher. This is about reflecting their cost.

Businesses that need to purchase a passenger vehicle will therefore be able to deduct up to \$55,000. If the vehicle costs \$70,000, a portion will be non-deductible, but the limit will be higher than the \$30,000 threshold currently imposed for gasoline-powered vehicles. The limit is for passenger vehicles. It is not imposed on trucks hauling freight, or on buses and taxis. For those, the full amount may be deducted.

Mr. Pierre-Luc Dusseault: Is that category 55?

Ms. Maude Lavoie: That's right.

[English]

The Chair: Mr. Poilievre.

Hon. Pierre Poilievre (Carleton, CPC): You just described the limit for the tax break for businesses. What about the limit for the rebate? Is it \$45,000?

Ms. Maude Lavoie: The rebate is not part of the bill. I understand that \$45,000 is the maximum for the price of the car. Officials from Transport Canada would be able to provide you more information on that rebate.

The Chair: If an electric vehicle cost \$75,000, then a buyer would be eligible for the first \$55,000 and \$20,000 would not be eligible for the capital cost allowance?

Ms. Maude Lavoie: That's correct. The proportion above \$55,000 would not be deductible for tax purposes, which is nevertheless an increase from the same vehicle that is gas powered. The amount above \$30,000 would not be deductible for tax purposes.

The Chair: Are there any further questions?

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: I'm not sure whether you will be able to answer the question, but I would like to come back to the rebate for ordinary citizens who buy vehicles. Is there a reason why this is not a legislative proposal? As I understand it, there is no real need for a legislative change and that is why it is not in the bill today. Am I mistaken?

Ms. Maude Lavoie: Unfortunately, I can't answer your question, since we are here to talk about tax measures. The question is really outside the scope of the topic.

[English]

The Chair: Go ahead, Pierre.

[Translation]

Mr. Pierre-Luc Dusseault: Could you provide us with some figures on the impact of this measure? Have any analyses been conducted to determine the amount that can be expected per year and the amounts for the government's tax assistance under this measure?

Ms. Maude Lavoie: Yes, that's certainly the sort of analysis we conduct in the department while the government is thinking about this sort of measure. Reducing vehicle costs has an impact: the closer you get to the cost of gasoline-powered vehicles, the more attractive buying electric vehicles becomes. We must also consider the fact that there will be reductions because of savings in fuel and maintenance, among other things.

Yes, we hope that this will encourage companies to buy more vehicles like that.

Mr. Pierre-Luc Dusseault: So it hasn't been quantified. There is no objective. The tax impact has not been calculated to forecast what the measure will mean for Canada, right? For example, is it a few million dollars a year?

Ms. Maude Lavoie: The cost of the measure was actually quantified. I can give you the amounts, if you wish.

For the period 2019-2020 to 2023-2024, it is estimated that this will cost the government \$265 million.

Mr. Pierre-Luc Dusseault: Thank you.

[English]

The Chair: Okay, that's it under number 1.1.1.

Now we'll turn to number 1.1.2, expansion of tax incentives for donations of cultural property. Are there any questions?

Hearing none, we'll go on to number 1.1.3, expansion of first-year capital cost allowance rates for certain depreciable capital property.

Mr. Sorbara.

• (1550)

[Translation]

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Welcome, everyone.

[English]

I just want to reference that this is with regard to the measures announced in 2018. Is that correct?

Mr. Trevor McGowan: That is correct.

Mr. Francesco Sorbara: This would allow for a 100% capital cost allowance for manufacturers and businesses to do a full write-off in year one.

Mr. Trevor McGowan: Yes, that is a component of it.

Mr. Francesco Sorbara: Okay, thank you very much.

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: Earlier, you mentioned that the capital cost allowance could be fully applied to green energy equipment.

Can you be a little more specific about what this means? Is there a definition in the bill?

[English]

Mr. Trevor McGowan: This is equipment and property that are contained currently in class 43.1, which provides a 30% capital cost allowance rate, and class 43.2, which provides a base 50% capital cost allowance rate. These properties are things like wind projects, solar, certain biofuels, high-efficiency generation equipment and properties like that. They are specifically the properties contained in classes 43.1 and 43.2 of the income tax regulations.

[Translation]

Mr. Pierre-Luc Dusseault: Okay. Thank you.

[English]

The Chair: Okay, if there are no further questions, then we'll go on to number 1.1.4, non-taxability and other treatment of certain social assistance payments.

Mr. Fergus.

[Translation]

Mr. Greg Fergus: Thank you very much for being here today and for the briefing you and your colleagues have provided, Mr. McGowan.

I have three questions. Here's the first one.

How many people will benefit from the amendments proposed in clauses 9 and 20?

Mr. Pierre Leblanc (Director General, Personal Income Tax Division, Tax Policy Branch, Department of Finance): Thank you very much for the question.

It is not clear how many people, children and parents will benefit from the measure.

The measure is intended only to ensure that, in the case of a single-parent family, workers are eligible for the higher amounts of the Canada workers benefit and that those amounts are not taxable. We are proposing this measure simply to provide that assurance.

Mr. Greg Fergus: In terms of the retroactive part of those measures, how would people be informed that they are eligible for the benefits?

Mr. Pierre Leblanc: Thank you for that question.

Many of those parent support programs related to parental rights are relatively recent.

However, there will be no real change for individuals who have previously benefited from these sorts of measures, such as the working income tax benefit. The goal is only to ensure that the legislation is consistent and reflects how we would like to see these people being treated. In other words, it must be consistent in terms of how the Canada Revenue Agency administers the measures.

Mr. Greg Fergus: Yes, but more and more notices are being sent to eligible individuals. For some measures in the past two budgets, it was decided that people did not even have to fill out the form. It will be done for them, if it is seen that they are eligible to receive those benefits.

Like many members of Parliament, I have organized tax return services for those in need who have simple tax returns. We have all done all that work. I would just like to make sure that the people who are entitled are aware that they are eligible for those programs from which they can truly benefit. They don't usually know about it. I would like to know that they will benefit from it.

• (1555)

Mr. Pierre Leblanc: Yes. The initiatives you are talking about will be part of our efforts to ensure that as many people as possible have access to the credits and benefits for which they are eligible.

Mr. Greg Fergus: Okay.

[English]

The Chair: Are there any other questions? Okay.

We'll turn now to number 1.1.5, which deals with the removal of taxable income in the determination of the expenditure limit for the enhanced scientific research and experimental development tax credit.

Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

The SR and ED program is a pretty wildly.... Not "wildly"; it's utilized quite a bit.

Sorry. I got tongue-tied there.

The Chair: I thought you were going to say it was a wild thing.

Voices: Oh, oh!

Mr. Francesco Sorbara: It's used quite a bit across Canada.

Can you explain the change, and whether there's been any scenario analysis on the impact from the change on the ability of firms to utilize the SR and ED credit?

Ms. Maude Lavoie: The SR and ED program has two main components. The one that is available for small and medium-sized businesses is a 35% refundable tax credit. The second component available to all other businesses is a 15% non-refundable tax credit. Currently, to have access to the enhanced tax credit, which is the 35% refundable credit, there are two tests in the Income Tax Act. One is based on the taxable capital of the firm and the other is based on its taxable income.

With the change proposed in the budget, the government would repeal the taxable income threshold that determines the access to the enhanced SR and ED credit so that only the taxable capital of the firm determines whether or not it's a small firm. That's similar to what is done for other incentives available for small businesses. For instance, with the small business tax rate, it's only determined based on the taxable capital of the firm. It would mimic this approach.

The concern that has been expressed is that currently the threshold that determines whether or not you have access to the enhanced SR and ED credit is based on whether a firm has between \$500,000 and \$800,000 of taxable income. Above that amount of income, they no longer have access to the enhanced incentive. For firms that are in that range, sometimes earnings can be cyclical. There was a lot of uncertainty associated with the rise in income and the loss of potential SR and ED benefits.

Mr. Francesco Sorbara: So the 35% refundable portion of the SR and ED usually applies to your small and medium-sized businesses.

Ms. Maude Lavoie: Yes.

Mr. Francesco Sorbara: By eliminating the second test and just keeping in the first test, can you just repeat what the first test numerically is?

Ms. Maude Lavoie: When firms have between \$10 million and \$50 million of taxable capital, the access to enhanced SR and ED credit is slowly reduced. Above \$50 million, they no longer have access to it. Below \$10 million, they have access to it.

Mr. Francesco Sorbara: Is the expenditure change in the book?

Ms. Maude Lavoie: Yes.

[Translation]

Mr. Francesco Sorbara: —or not?

What page is it on?

[English]

Or if you have that, you can provide that afterward. It's probably in one of the appendices.

Ms. Maude Lavoie: On page 380 of the budget plan document, you have the longer explanation of the change. It's also found in the main text on page 110.

Mr. Francesco Sorbara: Thank you, Chair.

The Chair: Okay.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: As you mentioned, in the current legislation, the limit is from \$500,000 to \$800,000 of taxable income. What was the intention in imposing such a limit, which you are now proposing to remove? At the time the legislation came into force, the measure was surely well-intended. Why does it need to be removed now?

•(1600)

Ms. Maude Lavoie: The current limits have been in place for a number of years. I couldn't tell you the exact year, but it's still been a long time.

I can only assume that the intention was to have another criterion to determine the size of the business, that is, to use taxable capital and taxable income. Taxpayers told us that the taxable income test caused some problems and that is what the government wanted to fix.

Mr. Pierre-Luc Dusseault: At the beginning, the intent was to provide this benefit to the companies that needed it most, those

whose revenue allowed them to receive the tax assistance from the government.

Ms. Maude Lavoie: Yes, the intent was to limit the measure to small businesses.

[English]

The Chair: Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair, and thank you to the officials for appearing again.

With respect to the changes that have been put forward, do we know which sectors of the economy stand to benefit particularly? Has an analysis of that been done?

Ms. Maude Lavoie: There was an analysis. I'm just looking at whether or not I have specific numbers for you. I don't have them with me, but for the SR and ED program, the change reflects the general composition of the SR and ED program. The manufacturing sector is a sector that uses the program a lot, and there's a sector called scientific research that benefits from it a lot.

It reflects the general composition of the economy. We could provide more information to the committee on that. I don't have the numbers.

Mr. Peter Fragiskatos: When we measure economic benefits, what exactly goes into that analysis by the department when we're trying to understand the ripple effects of something like this sort of incentive?

Ms. Maude Lavoie: Well, the SR and ED program's objectives are to support innovation and productivity, not only the employment that goes with actual research, but generally speaking, all the spillover that comes from generating new knowledge in the economy. There's a lot of academic literature on this type of topic. These types of incentives are in place quite often and have been really studied as contributing to reducing the price of these activities and adding a positive effect on innovation activity.

Mr. Peter Fragiskatos: In making the change that you did, what sort of consultation was there, or if not consultation, what sort of analysis? You mentioned academic papers. Was that integrated into the process?

Ms. Maude Lavoie: There were a number of submissions that our department had received over the last few years. This has been a problem that has been noted by stakeholders over time and that generated the analysis that was done.

Mr. Peter Fragiskatos: Very good. I just wanted clarity, because on that specific point you just mentioned at the end there, it's something that I've heard from stakeholders back home in London in terms of changes that needed to come about. I think a lot of the concerns that I've heard over the past three and a half years have been taken into account and we see some positive changes.

Thank you very much.

The Chair: Are there any further questions?

Okay, thank you.

We'll go to section 1.1.6, tax measures related to Canadian journalism.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: My understanding is that this part of the bill is mainly intended to support print media. Am I mistaken? Is that what the definition is designed to do?

Ms. Maude Lavoie: Yes.

Mr. Pierre-Luc Dusseault: Why was it decided to target print media instead of the media in general?

Ms. Maude Lavoie: The government wanted to support the print media because the sector is facing great challenges right now. It therefore wanted to put in place certain measures to help members of the industry through a very difficult period in terms of employment, such as layoffs of journalists and newspaper closures. The goal was therefore to target the members of the industry most affected by what is happening right now.

•(1605)

Mr. Pierre-Luc Dusseault: According to this definition, would the government assistance be available to television and radio broadcasters, who also do print media? For example, some broadcasters produce reports and publish texts, online, of course. Broadcasters also do print journalism on their websites. Is that also taken into account and recognized under the government assistance?

Ms. Maude Lavoie: For now—

[English]

The Chair: Ms. Lavoie, I don't want you to... It was a decision by the government on the policy side. I don't think you can answer why we went one way or the other, but you can certainly answer what the implications are on radio versus print, etc.

Go ahead, and then I have Mr. Leblanc.

[Translation]

Mr. Pierre Leblanc: Thank you for your questions.

These organizations would be eligible for one of the measures applicable to qualified donees. Only non-profit organizations would be eligible for any of the three measures.

[English]

The Chair: Did you want to add anything, Ms. Lavoie? You were starting to answer before I interrupted.

Ms. Maude Lavoie: The only thing I was going to say is that the government has announced it would appoint an expert panel to provide advice to the government on who would qualify for the tax incentives. Currently, as Pierre mentioned, the broadcasters would be eligible for one of the three measures, but there's advice that's coming from an expert panel on the eligibility criteria.

The Chair: I see Mr. Langdon came to the table. Did you want to add anything?

Mr. Blaine Langdon (Director, Charities, Personal Income Tax Division, Tax Policy Branch, Department of Finance): No, I think Pierre and Maude have covered that nicely.

The Chair: Okay.

Pierre.

[Translation]

Mr. Pierre-Luc Dusseault: So this wonderful expert panel will recommend or approve applications for eligibility for those tax measures. Has it been set up? If not, is there a timeline for setting up the panel? How will journalism organizations be able to apply and start the process?

Ms. Maude Lavoie: The details of the panel have not yet been made public. We have been told that it would be done in the coming weeks. Depending on what is being considered, an expert panel will advise the government on what the tax credits should look like. Then, an administrative entity will be responsible for receiving applications from organizations and checking whether they meet the criteria set out in the legislation.

Mr. Pierre-Luc Dusseault: Civil society's main concern is about the need to ensure the independence of this famous committee, independent panel or administrative entity, call it what you will. How can we protect the independence of the decisions to be made by this body, about which we will have more detailed knowledge in a few weeks?

Ms. Maude Lavoie: We will have to wait for the decisions with respect to the committee. They have not yet been made public.

Mr. Pierre-Luc Dusseault: The bill we are studying will not contain the decisions about the committee?

[English]

The Chair: Thank you.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Chair.

Mr. Dusseault might have asked part of the question that I wanted to ask, but I'll ask this question regarding broadcasters. Why would broadcasters not be eligible for the proposed digital subscription and labour tax credit?

•(1610)

The Chair: Who's going to go with it?

Mr. Trevor McGowan: We are all jumping at it.

As was noted earlier, there are three measures. There's the qualified donee measure for which broadcasters could qualify and then the two tax credits for which they would not.

As was noted, the measures relate to written journalism. That was a decision that the government made. In terms of balancing priorities, looking at issues like the need for assistance as well as the cost of the measure and after having weighed all the relevant criteria, the government decided to support written news organizations as being those that would most benefit by those two measures. Again, as has been noted earlier, broadcasters could qualify for the qualified donee measure.

Mr. Pierre Leblanc: Maybe just to build on what Trevor said and to emphasize, for the qualified donee measure, they would have to be non-profit or not-for-profit broadcasting organizations, which might look pretty different than a for-profit broadcasting organization.

I think that's why the qualified donee measure is being applied a bit differently.

Mr. Michael McLeod: Thank you.

To be eligible for any of the three measures, an organization has to be first designated as a qualified Canadian journalism organization. It has to be engaged in the production of original news content, but also, I think you want to stay away from any of these organizations focusing on a specific or a particular topic.

My question is regarding indigenous programming. We have a lot of media that focuses on indigenous only. Does that rule them out of this program? Does that leave them on the sidelines?

Mr. Blaine Langdon: I can respond to that.

I think as we first framed this up, we did want to ensure that the policy targeted general news organizations and didn't support overly narrow subject matters.

I don't want to prejudice in any way, shape or form the work of the independent advisory panel that's to come. They will look at issues like this. I would say that, in general, an organization that provided news and information aimed at a particular community would be sufficient. It would be general enough to qualify.

I would note already, with respect to registered charities and to loop in the issue of qualified donee status for journalism organizations, those organizations already qualify, like an organization that focused on first nations issues and provided news and information. That already qualifies due to a decision of the courts for registration as a charity. Certainly in terms of the proposals that we brought forward, I don't believe, when we were thinking about these things, that an organization directing news and information at a particular community would be excluded from this.

The Chair: I have on my list, Mr. Fragiskatos, Ms. Rudd, Mr. Poilievre and Mr. Dusseault.

Mr. Fragiskatos, go ahead.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

At first glance, some might feel that this particular measure is unique, but there is ample evidence to suggest that we've looked at other jurisdictions here, correct? Other jurisdictions have implemented similar approaches, have they not?

Mr. Blaine Langdon: In a sense we're certainly ahead of the pack, but the jurisdiction that is most advanced would be the United States. There's been a considerable amount of movement in the United States because its news agencies are suffering from the same problem, the main problem being a crisis of financing largely related to the collapse of the advertising business model that they had. We've looked at the issues within the United States. There have been other announcements in other jurisdictions where they're looking at the same issues; the United Kingdom and Australia are looking at the same issues. While we are ahead of the pack, in some sense, other jurisdictions are looking at this, and we've built from that.

• (1615)

Mr. Peter Fragiskatos: Okay.

In these other jurisdictions, is there any evidence to suggest that measures to support struggling media in this way somehow compromise a free and independent press?

Mr. Blaine Langdon: The concerns have been raised, certainly.

Mr. Peter Fragiskatos: What does the evidence suggest?

Mr. Blaine Langdon: The evidence would suggest that news and journalism organizations take steps to jealously guard their independence from government. They do see their role as being a check on government. As I said, they've put in place measures and they do take steps to ensure their independence.

Mr. Peter Fragiskatos: Thank you very much.

The Chair: Next we'll move to Mr. Poilievre.

Hon. Pierre Poilievre: Why is it that the panel is not in the legislation?

Mr. Trevor McGowan: The panel itself is not in the legislation, as Maude has noted, as they have not been established and the details are still to come.

One thing I would like to clarify is the requirement that is in the legislation, that the organization be designated by a body prescribed for the purposes of the qualified Canadian journalism organization definition that is proposed in subsection 248(1). That is in the legislation and it's not the same body as the advisory panel, but that feature is in. However, the advisory panel is not contained in the legislation, probably because it has not yet been established and probably because the output of its work—while it may inform the decision on who would be designated by this body and it might clarify some points in the proposals—does not feed directly into the legislative regime. The details are to come on that, and that's part of it. Also, the rules as they stand provide a coherent regime for the three journalism measures.

Hon. Pierre Poilievre: You mentioned there's going to be another body separate from the panel that will determine which news outlets qualify as qualifying journalism organizations.

Mr. Trevor McGowan: That's correct.

That's in proposed paragraph (b) of the qualified Canadian journalism organization.

Hon. Pierre Poilievre: Who will appoint that organization?

Mr. Trevor McGowan: It's prescribed for the purposes of the definition, so it would be in the regulations.

Hon. Pierre Poilievre: Who will appoint that organization?

Mr. Trevor McGowan: It would go through the regulatory process.

Hon. Pierre Poilievre: Right, but who would appoint it?

Mr. Trevor McGowan: I think that would depend on who the members of the organization are, and that hasn't been determined yet.

Hon. Pierre Poilievre: Who would choose the members of that organization?

Mr. Trevor McGowan: That's not been announced yet.

Hon. Pierre Poilievre: You're asking us to pass legislation here, and that legislation would define who appoints the members of this body?

Mr. Trevor McGowan: The definition of qualified Canadian journalism organizations would be in 248(1) of the act. The legislation contains a requirement that such an organization be designated by a body prescribed for the purposes of the definition.

The prescription would be under the normal regulatory process that accompanies a legislative change like this.

Hon. Pierre Poilievre: No, that's not what I'm looking for. You said there will be a body that will determine who will be eligible as a qualifying journalism organization. I'm asking again: who will appoint that body?

• (1620)

Mr. Trevor McGowan: The decision on what the body would be has not been publicly announced yet, and we don't have any details we can share on that. All we can say is that the regulations would set out which body does the designation, or is responsible for designating organizations for the purpose of the definition.

Hon. Pierre Poilievre: Sorry, but I'm just finding this one a little hard to believe. There's going to be a body that will determine which news outlet qualifies as a journalism organization. You have before us legislation that effectively allows the creation of that body, but you can't tell us who will appoint the body.

Mr. Trevor McGowan: That's not contained in part 1 of this bill. There's nothing in this legislation implementing the advisory panel or a body like that. There's no enacting legislation for that. Rather, there is a requirement that whenever it is decided that a body is to be responsible for designating organizations for the purposes of this measure, that body would have to be prescribed in the income tax regulations.

There's no legislation here actually establishing a body that would do the designation. Rather, there is a requirement that such a body be designated by the regulations. It could be a separate administrative body established by a separate statute, or it could be something else.

Hon. Pierre Poilievre: So it doesn't create the body, but it requires the creation of the body?

Mr. Trevor McGowan: Yes, it requires that there be a body. I don't want to preclude the possibility that such a body could already exist.

Hon. Pierre Poilievre: So it might already exist.

Mr. Trevor McGowan: Again, the requirement is simply that the regulations prescribe a body for the purposes of designating organizations for the definition. It does not touch on what that body might be, but the term “body” is used throughout the Income Tax Act to refer to a variety of not even just entities but things from administrative tribunals to new government agencies.

That is a fairly broad term, and I don't want to imply that this legislation requires or establishes a separate administrative tribunal, for example, when it doesn't. It just has the requirement that a body be prescribed for the purposes of the “qualified Canadian journalism organization” definition.

Hon. Pierre Poilievre: Where can I find the wording that requires that that body exist?

Mr. Trevor McGowan: It's in subclause 43(2), in part 1 of the bill, and it's an amendment to subsection 248(1) of the Income Tax Act. It's in the new definition of qualified Canadian journalism organization, in proposed new paragraph 248(1)(b), on page 36 of the bill, line 28, I believe.

Hon. Pierre Poilievre: It might seem like an arcane detail, but we're discussing which group of people will decide who is a qualified journalism organization, and that is a drastic departure from how free and independent press normally works—having a government body, as you call it, deciding which organization is journalistic and which is not.

A free press implies that no government organization gets to tell us who is a journalist and who isn't. The reader gets to choose who they want to read. The viewer gets to choose who they want to watch. The listener gets to decide who they listen to. We don't have, in a free press, government bodies that tell us what constitutes a journalism organization. We can only imagine what kind of political pressure such a body would fall under if it were established in law or through regulation by a political government.

Do you have any response to that?

• (1625)

Mr. Trevor McGowan: I'd just like to circle back to comments made initially by my colleague, Maude. It has been announced that it would follow the establishment of an independent advisory panel. Again, I wish I had the details with me right now, but that—

Hon. Pierre Poilievre: Who appoints that panel?

Mr. Peter Fragiskatos: I rise on a point of order, Mr. Chair.

My colleague is playing detective and trying to spell out a doomsday scenario that's taken straight out of Orwell. I think the officials have answered the question. We're descending into debate now. The answer is there. There's a mechanism provided for here in the BIA that would allow for the creation of a panel. Government is not mandating that the independent media in Canada buy the government line and run with it.

I'm not sure—well, I think I know—where my colleague is going. This is not fair to the officials, and we've got the answer.

Hon. Pierre Poilievre: May I speak on the same point?

The Chair: Yes, you can go ahead on the same point.

Hon. Pierre Poilievre: I think we see exactly what the problem is with this proposal. When members of the government hear things, uncomfortable questions, they try to shut them down. The last thing we need is to give government the ability, through some body, to determine which is or isn't a qualified journalism organization. If this happens, we will see government officials saying, "I'm sorry, I'm not sure you're making a relevant point here. Maybe you ought not to be considered a qualifying journalism organization."

I want to thank my Liberal member for making my point for me.

The Chair: We're not going to get into that debate, folks.

Hon. Pierre Poilievre: We are going to continue to ask questions on this, Mr. Chair.

The Chair: Let me finish my point, Mr. Poilievre.

I do think if officials are not able to answer the question of how an advisory committee is appointed, then certainly the minister should come prepared as to how that advisory committee is established. I think that's the bottom line of Mr. Poilievre's question. I think that is a fair question for us to ask: How do you get to an advisory committee? How is it appointed? The authorities are outlined to a certain extent in here, but I think the key question is how is it appointed.

Go ahead, Mr. Poilievre.

Hon. Pierre Poilievre: You said that this body is established. Can you read into the record the clause that creates this body?

Mr. Trevor McGowan: As I noted, there is no clause in the bill that creates—

Hon. Pierre Poilievre: —or requires its creation.

Mr. Trevor McGowan: In clause 43(2) of the bill in part 1, would you like me to read the relevant parts of the provision?

Hon. Pierre Poilievre: I believe it starts with "qualified Canadian journalism organization, at any time, means a corporation, partnership or trust that...". Am I correct?

Mr. Trevor McGowan: That's correct. "Subsection 248(1) of the act is amended by adding the following in alphabetical order:..." Subsection 248(1) is where a number of the definitions that apply for the purposes of the Income Tax Act are contained. It would introduce the new definition, "qualified Canadian journalism organization, at any time, means a corporation, partnership or trust that...", and paragraph (a) contains a number of conditions that would need to be met.

Paragraph (b) is the one that is relevant to this discussion and it reads, "is designated at that time by a body prescribed for the purpose of this definition".

Hon. Pierre Poilievre: This is not a small detail. This body is going to designate which gets to be a journalistic organization, and which doesn't. You're asking us to authorize this body to make such decisions, and no one can tell us who appoints the body.

The Chair: Just as a point of clarification on Mr. Poilievre's point, this body doesn't designate journalistic organizations but it could designate who this tax measure applies to. Is that correct?

• (1630)

Mr. Trevor McGowan: That's right. It is relevant for the purposes of defining "qualified Canadian journalism organizations", which itself is relevant for each of the three measures we've discussed: the qualified donee status, the labour tax credit and the digital subscription tax credit. Of course, it does not go beyond that to define what is meant by a journalism organization—

The Chair: Am I correct in saying that it would be an advisory group that basically assists in deciding who the tax measures related to Canadian journalism apply to?

Mr. Trevor McGowan: First of all, to reiterate, the details regarding the independent advisory panel haven't been released. We really can't provide any additional details on this beyond what has been put out in the budget and related materials.

The proposal is that an independent advisory panel be established to provide input and guidance related to these measures. It would be independent, and details are expected to come relating to it. Based upon the input of the work of the independent advisory panel, the government could prescribe a body—which is a fairly general term—that would be tasked with designating which organizations meet the conditions to qualify as a qualified Canadian journalism organization. It is anticipated that this would take into account the advice provided by the independent advisory panel. It would be impossible to set out all the conditions relating to the establishment of the body and what conditions they would look at without in effect prejudging the output of the independent advisory panel.

The Chair: The way we're going to get there is a question, then, for the minister. I think that's fair.

Hon. Pierre Poilievre: Well, there is this "body", which we have now learned about. We already knew about the panel. We never knew and still don't know how the panel will be selected.

You can't tell us that either?

Mr. Trevor McGowan: No, I cannot.

Hon. Pierre Poilievre: The panel is going to write the rules you have to follow if you want the government to say that you're a qualifying journalism organization. Then, separate from it there's this new body that will actually say, you are a qualified journalism organization and you are not.

You can't tell us how that body is going to be appointed either?

Mr. Trevor McGowan: I can't tell you how it would be established, because there has been no announcement as to what the body itself would be, beyond that it would be prescribed by regulation.

Hon. Pierre Poilievre: Who would approve those regulations?

Mr. Trevor McGowan: It would go through the normal regulatory process as an order in council.

Hon. Pierre Poilievre: Who would approve those regulations?

Mr. Trevor McGowan: They would go through cabinet.

Hon. Pierre Poilievre: Cabinet. So cabinet is going to make the regulations.

Mr. Trevor McGowan: Well, it goes through the normal regulatory process, unless it ends up in a future bill. I'm of course aware that there are amendments to regulations in this bill, so I don't want to say that all regulations have to go through this process, but it would be the normal process.

Hon. Pierre Poilievre: So cabinet is going to decide the rules for this body.

Is there anything in the bill that would prevent cabinet from appointing members of the body?

Mr. Trevor McGowan: There's nothing certainly in part 1 of the bill, with which I'm familiar. There's nothing in here saying what's going to constitute the advisory panel or anything like that.

Hon. Pierre Poilievre: I'm asking about the "body".

In the bill, there's a section that determines which news outlets are considered qualifying news organizations. Is there anything in the bill that prevents cabinet from appointing that body?

•(1635)

Mr. Trevor McGowan: The requirement that the body be prescribed is the sole requirement in the bill.

Hon. Pierre Poilievre: You used passive language there. Who would prescribe the body?

Mr. Trevor McGowan: That would be contained in the income tax regulations.

Hon. Pierre Poilievre: Who, then, would prescribe the body?

Mr. Trevor McGowan: That would go through the normal Governor in Council process for making regulations.

Hon. Pierre Poilievre: Who is it, though?

The Chair: I think—

Hon. Pierre Poilievre: Wayne, I know this is getting uncomfortable, but who—

The Chair: Mr. Poilievre, I'm calling you to order.

Don't accuse me of trying to prevent questions from being asked.

Hon. Pierre Poilievre: I didn't.

The Chair: I've come down on your side in terms of continuing the questioning, but I don't think you can expect the tax experts to answer some of these questions. There is a series of questions here that I can see need to be asked of the minister, who is representative of the cabinet and the decisions that they obviously have to make in the appointment of this body.

I agree with you that we need further clarification on the advisory committee and how it will be appointed, but I really don't think we've been fair to officials who are really here to deal tax measures, to ask them to answer questions that the political side really needs to answer. I'm not taking sides here. I think some answers need to be found, but I don't want to be unfair to our witnesses who are here to deal with the tax measures.

Hon. Pierre Poilievre: I'm going to keep my questions on the tax measures.

With respect to the tax measures... I'm referring to the measure right in the bill. It is paragraph 43(2)(b). It says here that to be

considered a qualifying journalism organization you must be designated "by a body prescribed for the purpose of this definition.

Who would prescribe that body?

Mr. Trevor McGowan: I'm trying to think of a different way of saying this. It would be like any other income tax—

Hon. Pierre Poilievre: That wasn't my question though. It was, who will designate it? Who will prescribe it?

Mr. Trevor McGowan: Ultimately, the government will.

Hon. Pierre Poilievre: Thanks, Wayne. We're getting right to it.

Who in the government? Is it the cabinet?

Ms. Maude Lavoie: It would be either the government or the cabinet, depending on the process. It could be Parliament, as well.

Hon. Pierre Poilievre: It's the cabinet. There we have it. Now we know how this is going to work.

The cabinet is going to set up a body that will decide who is a qualifying journalism organization.

Mr. Trevor McGowan: You mention setting up a body. There is no requirement in here that it be something created for the purposes of this. Rather, there is a requirement that it be designated.

Hon. Pierre Poilievre: Differently worded then, the cabinet will designate a body that will decide which news outlet is and which news outlet is not a qualifying journalism organization.

Ms. Maude Lavoie: Perhaps the one thing I would like to add to this conversation is that—

Hon. Pierre Poilievre: Is that the case?

Ms. Maude Lavoie: They will look at the definition that will be in the act—in legislation—and look at a specific application from an organization and make sure they meet the requirements that are set out in the act. Parliament would have decided on the criteria and on the definition of a qualifying organization. That definition may be changed following advice from an independent body on what the designations are. Then the body will assess or attest that an organization meets requirements that are set out in an act.

Hon. Pierre Poilievre: I wasn't asking any of that. I was asking who will designate that body.

Ms. Maude Lavoie: At this point we don't know. It could be Parliament, it could be cabinet. It will depend on the process, and that process has not been announced.

Hon. Pierre Poilievre: It couldn't be Parliament because there is nothing in the act that would prescribe for Parliament to create such a body.

There are agents of Parliament; they do exist, but they are defined in legislation. There is no such definition here, so it's clear it's not Parliament.

•(1640)

Ms. Maude Lavoie: Sometimes regulations are approved. Some are approved now through the BIA process. It will depend ultimately on—

Hon. Pierre Poilievre: When is this going to be set up then? When will this credit begin to be available?

Mr. Trevor McGowan: The labour tax credit is available as of the beginning of 2019, essentially. The other two are available as of the start of 2020. The idea is that the advisory panel has not been constituted nor has the body been designated. The idea is that designation could be retroactive to the start of the relevant time period.

Hon. Pierre Poilievre: The labour tax credit component of this would only be available to qualifying journalism organizations, right?

Mr. Trevor McGowan: That's correct.

Hon. Pierre Poilievre: So the tax credit is effectively already in place for qualifying journalism organizations.

Mr. Trevor McGowan: That's what the bill provides.

Hon. Pierre Poilievre: Yes, according to the bill.

When would organizations that qualify have to file to receive the tax credit for 2019?

Mr. Trevor McGowan: The credit applies with respect to salary or wages paid and to work done now. As of January 2019, the filing deadline would depend on their year-end for corporations or taxpayers.

Hon. Pierre Poilievre: When would that be for most organizations?

Mr. Trevor McGowan: For corporations it could be any time. Their taxation year lines up with their fiscal year and they can pick off-calendar fiscal years for trusts.

Hon. Pierre Poilievre: But could they have to apply for it within another 12 months?

Mr. Trevor McGowan: The filing deadline for corporations is generally six months after the end of their taxation year. Most have a December year-end, but many do not. I guess, conceptually, if you had one with a taxation year-end at the end of January with one month's worth of qualifying expenditures, then the filing deadline for that would be six months after that.

Hon. Pierre Poilievre: These organizations could be making financial decisions right now, based on their assumption that they are qualifying news organizations, could they not?

Mr. Trevor McGowan: Of course, entities are free to make decisions based on their own analysis of whether they think they are going to be a qualifying Canadian journalism organization based on the criteria set out.

Although, as has been noted, while businesses can make decisions on investments and so on, and are free to do so, information relating to the advisory panel is still to be announced.

The Chair: Mr. Poilievre and witnesses, just to try to be helpful, do I take it that on the advisory body and the panel, prior to any implementation of such, there would have to be a public announcement of some kind by the government? Is that correct?

Mr. Trevor McGowan: Yes.

• (1645)

The Chair: So there is further information as it relates to the advice on these tax measures for journalism, but it would be done in a public way in how that advisory committee and panel would be structured. Am I right on that?

You're certainly in a difficult position. You may even know what's happening, which we don't, and I can understand why you can't answer our question directly, because the government hasn't made a decision yet on how this is going to be done. Is that being fair?

Mr. Trevor McGowan: That's correct.

The Chair: I don't want to get hung up on this, but could we hold some of those questions for the minister?

Hon. Pierre Poilievre: We will also ask him about this. Could the cabinet designate itself the body?

Mr. Trevor McGowan: Go ahead.

Mr. Pierre Leblanc: I'm not sure what's possible in principle, but the budget statement is clear that the government intends to set up an independent administrative body, so it wouldn't seem consistent with that.

Hon. Pierre Poilievre: No, it's not about that.

There are two different organizations. There's the panel and then there's the body. Is there anything in this legislation that would prevent the cabinet from designating itself the body that determines who gets to be a news organization?

The Chair: I have a point of order from Mr. Fergus and then we'll go to the response.

Mr. Greg Fergus: Mr. Chair, it would seem to me that we're getting into some very, very big hypotheticals here. I don't know what the line is in terms of what officials can answer and what would be better asked of a cabinet minister, but it seems that we've strayed over this line with that question.

I remember a former prime minister saying that if my grandmother had wheels she could be a bus. I think we're going to the "if, if, if", and how far do we want to go on this? I don't think it's fair for the officials to answer that question; I think that a cabinet minister certainly would be able to do so.

Hon. Pierre Poilievre: On the same point, I don't want to live in a country where the government gets to decide what is fair for people to say and what questions are fair for people to ask.

It's exactly why I'm trying to find out about this body that's going to determine who gets to be a news organization and who doesn't. So you can continue, government members—and the Chair with his gavel—to make my point for me when I'm raising the alarm bell about the idea that this body is going to exist and it's going to determine who gets to be in the news business and who doesn't for the purposes of this tax benefit.

That's why I'm asking these questions. I think that Mr. Fergus has further reinforced the need for them. I'm going to ask it again; it's been interrupted three times.

Based on the legislation as it's written, is there anything that would prevent the cabinet from designating itself as the body prescribed to determine who is and who isn't a qualifying journalism organization?

The Chair: I think Mr. Langdon wants in.

Mr. Blaine Langdon: To respond—again, to echo Pierre's point—I don't think that we have the expertise here to be able to answer what's possible. Certainly we're here to speak to the tax measures.

What I would point to, which is what Mr. Leblanc was about to point to, is that at page 173 of the budget, the government announces effectively two things. One is that they will be establishing an independent panel of experts from the Canadian journalism sector to assist the government in implementing these measures, including recommending eligibility criteria. That's the first step, if you will. Second, given the importance of ensuring that media outlets are able to operate with full independence, the government proposes to establish an independent administrative body that will be responsible for recognizing journalism organizations as being eligible for any of the three tax measures.

Again, going back to your specific question, I don't think we can answer the question as to what is possible, and further to some of the other discussions, we're limited in terms of what we can say by what's been announced. However, this is certainly what the government has announced.

Hon. Pierre Poilievre: Below, on the same page, there's a definition of something called a “registered journalism organization”.

We've already discussed what is a “qualifying journalism organization”. What is a “registered journalism organization”?

• (1650)

Mr. Blaine Langdon: The qualifying Canadian journalism organization is designed to be the set of criteria that applies to all three measures, so what would be administered by or recommended by the advisory panel and administered by the independent body.

The “registered journalism organization” definition relates to eligibility for qualified donee status. Similar to registered charities, registered Canadian amateur athletic organizations and other types of qualified donees, these organizations would be required to register with the Canada Revenue Agency in order to issue official donation receipts for gifts. It is an additional requirement for those organizations, but as I said, it's consistent with the regime that applies to existing organizations that are able to issue official donation receipts.

Mr. Pierre Leblanc: For registered journalism organizations, unlike the other two measures, an important requirement will be that they operate on a not-for-profit basis.

Hon. Pierre Poilievre: Right. It says here that a registered journalism organization means a qualifying journalism organization that has applied to the minister in prescribed form for registration, that has been registered and whose registration has not been revoked. The minister will get to decide which organization is a registered journalism organization.

Mr. Blaine Langdon: Yes.

Mr. Trevor McGowan: To be clear, that's the Minister of National Revenue as defined in the Income Tax Act.

Hon. Pierre Poilievre: So, a politician will decide which organization is and isn't a registered journalism organization.

I want to summarize what we've learned here today. The cabinet can appoint a panel to decide the rules that have to be met to be a news outlet, and then it will designate a body, which will decide which organization gets to be a news organization, and then the minister, who is a partisan politician elected to the House of Commons, will decide whether or not you can issue donation receipts as a registered journalism organization. This is an incredibly convoluted and incredibly political process. I think you can understand why so many journalists are worried about their independence under this proposal.

The Chair: Mr. Poilievre, maybe you didn't hear what Mr. Langdon said, but what Mr. Langdon said is on page 133 of the budget document. He said the government will establish an independent panel of experts from the Canadian journalism sector to assist the government in implementing these measures. Secondly, he said the government proposes to establish an independent administrative body that will be responsible for recognizing journalism organizations as being eligible for any of the three measures—

Hon. Pierre Poilievre: Which is exactly what I just said. It's precisely what I just said.

The Chair: No, he was referring to an independent body. You've been a cabinet minister. You know how government works. Eventually, executive council is always responsible for all the things that are done, and you're stretching the line.

Hon. Pierre Poilievre: Actually, the irony is, Mr. Chair, with respect, what you just said confirms everything I just uttered. You're right. The cabinet is going to be responsible for determining...which is what you just said. The cabinet is going to be responsible for determining which organization is and which is not a qualifying journalism organization, and a minister will be responsible for determining which will be a registered journalism organization.

You have exactly confirmed my worst suspicions. This is a political process designed by the government to determine which journalistic outlets can get this benefit and which cannot.

The Chair: I try to chair independently, but I disagree entirely with you.

Mr. Leblanc, and then we'll go to the next question.

Mr. Pierre Leblanc: On the last point, it's the Minister of National Revenue who administers the entire income tax system. I don't think she is going to be assessing all the tax returns that are, for most of us, due tomorrow. It's the Canada Revenue Agency that administers the tax system. It's the Canada Revenue Agency that registers charities. It's the Canada Revenue Agency that registers Canadian amateur athletic associations. It's the Canada Revenue Agency that, under the proposal, would register journalism organizations, making sure they check the boxes, so that the measure is properly targeted: are they non-profit, do they keep proper books and records? It's that sort of thing that the measure has in mind.

• (1655)

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: The current impression is that the text seems too vague. It refers to the appointment of an administrative entity but the wording is so vague that it is impossible to determine the nature or identity of that entity. The only thing we learn on page 207 is that it will be independent. However the bill as such is very vague. It does not specify whether it will be an independent entity and does not indicate either if the relevant provisions will be included in the bill or in regulations, as that is possible. We thus have the impression that things are vague and that there are still a lot of factors to be determined going forward.

This legislative proposal seems rushed and it seems to have been prepared in the wrong order. We should first have established this panel of independent experts, then included the independent entity in Bill C-97, or in regulations. Things were simply poorly executed, but that is not the fault of the people we have in front of us today. Clearly things were done in the wrong order and did not follow a process which would satisfy all of the members of the committee, including myself.

Ms. Lavoie, my question is about the credit for the employees. The bill proposes that there be a \$55,000 cap for each salary that can be deducted as a labour expense, if I understood correctly. How did we arrive at this amount? Would it be possible to know more? Is this the result of consultations on the average salary in journalism organizations?

Ms. Maude Lavoie: The industry was indeed consulted.

According to Statistics Canada, the average salary for a Canadian journalist is approximately \$45,000. The \$55,000 mentioned in the bill takes us above that average salary. In addition the credit does not apply only to reporters' salaries, but also to those of all employees in the press room. The amount selected makes it possible to cover a large part of journalists' salaries and is a ceiling to limit the total cost of the credit.

Mr. Pierre-Luc Dusseault: Will the credit apply only to employees who earn a maximum of \$55,000, or is it a maximum eligible amount? For example, can the employer deduct a maximum amount of \$55,000 for an employee who earns \$70,000?

Ms. Maude Lavoie: It is indeed the initial \$55,000 of employees' salaries that is eligible.

Mr. Pierre-Luc Dusseault: Fine. Thank you, Ms. Lavoie.

[English]

The Chair: Mr. Kmiec.

Mr. Tom Kmiec (Calgary Shepard, CPC): The way I understand it there are three different measures. I want to focus on the eligible newsroom employees. The way I read the definition, persons who own and operate their own weekly in a rural community like a small paper, say, in Okotoks or in Brooks, or somewhere like that, would very likely not be eligible for any of these measures. The weeklies are like the bread and butter in the smaller communities. The way I read many of the provisions here, none of this applies to any of them. Am I reading that correctly? A lot of them are owner-operated. The way I read it, owners would be excluded out of all of this.

Mr. Blaine Langdon: In developing these measures, we did look to set in place some criteria that would help us distinguish between a journalism organization and an individual who might be, for example, writing a blog. That's why in terms of the definition of a qualified Canadian journalism organization, we did set out the requirement that the organization employ at least two journalists who are different from the owner. We felt that we had set the bar sufficiently low to capture most community news organizations and that is certainly one of the intentions of these measures. It is not to just extend this to large daily publications but as well to weekly news organizations.

That said, we are certainly looking to get the advice of the independent advisory council as to whether or not what we've set out there is appropriate, or whether it should be changed.

• (1700)

Mr. Tom Kmiec: That's not quite how I read this. It says "a minimum of 26 hours"... "the individual is employed", and sometimes that individual is not employed. The owners, and they're also operators, may hire a few freelancers, so those freelancers would then meet the requirements of this, but the owners themselves wouldn't.

Then on the other part of the definition, it talks about "in the case of a corporation". It says, "the chairperson or other presiding officer, and at least 3/4 of the directors or other similar officers, are citizens of Canada".

In the case of some of these weeklies, they don't have that. They have an owner who is doing it. I understand that some measures are for not-for-profits, so the only way they can apply to them is if they convert their corporation to a not-for-profit. Then why are you the owner-operator of a not-for-profit? It changes their business model, quite frankly. Is that the intention of this, also, to change the business model of weeklies in the smaller communities?

Mr. Trevor McGowan: There are a couple of things just to make sure we're talking about the same thing. There are three separate measures, each providing support to Canadian journalism. The labour tax credit that I think we're talking about, providing up to \$55,000 of salary, is mainly in clause 23 of the bill. That doesn't have a requirement that you be a not-for-profit. The not-for-profit requirement is in the qualified donee measure. So that's one thing.

In addition, the general rule, as my colleague noted, requires that there be at least two arm's-length employees, and that's for each of the three measures.

Lastly, you had mentioned that for the "eligible newsroom employee" definition, which is relevant solely to the labour tax credit, it applies in respect of employees and not independent contractors. I just want to be clear on that point, so if you have a freelancer who is not an employee, then the labour tax credit would not be available.

Mr. Tom Kmiec: Could I ask you, then, about the qualifying journalism organization, because it says, “production of original written news content”. It goes on and it specifically excludes aid to publishers, so anybody who has received money under “an amount from the Aid to Publishers component of the Canada Periodical Fund”.

I'm trying to figure out who would actually qualify for any of this. I went to look for a list of these aids to publishers, and they had a bunch of trade publications, Maclean's and other organizations. So they would not be eligible for this labour tax credit. Is that how I'm reading this? It's in the same proposed subsection here.

Mr. Trevor McGowan: Right. There is a requirement that it not have received funds in respect of the year from that fund.

Generally—and hopefully this is helpful—in terms of the organization of the rules, the “qualified Canadian journalism organization” definition is to be found in proposed subsection 248(1) of the bill. It provides the general definition of what is a “qualified Canadian journalism organization” that is relevant to each of the three measures: the qualified donee measure, the labour tax credit and the digital news subscription credit.

But then each of the measures has its own set of restrictions that can apply. For example, for the qualified donee measure, there is the not-for-profit restriction. And this labour tax credit contains a number of other restrictions, including the one relating to the Canada periodical fund.

Again, I think my colleague Maude can provide more details on that, but I just want to point out that it's the receipt in the taxation year of amounts from the Canada periodical fund. It's not going to disqualify an organization if they received an amount in a previous tax year, or historically. They're not tainted forever. It's a receipt in the year from the fund.

• (1705)

Mr. Tom Kmiec: Just on the back end, under “qualified Canadian journalism organization”, there are three definitions:

- (v) it is primarily engaged in the production of original news content, which
 - (A) must be primarily focused on matters of general interest and reports of current events, including coverage of democratic institutions and processes, and
 - (B) must not be primarily focused on a particular topic such as industry-specific news, sports, recreation, arts, lifestyle or entertainment,

I'm trying to figure out who actually counts in there, because every single magazine or newspaper... I still actually read some of these ones on paper. The “not” in proposed item 248(1)(a)(v)(B) covers pretty much everything I know out there. I know that Maclean's can't get it anymore. I think they would have been the target of some of this, at least, because they receive cash from the aid to publishers. I looked it up online because it's posted, and they do. Actually, many of them are Rogers-based companies. A lot of those publications have either been shut down or sold off.

I'm just trying to figure out what organizations will actually qualify for this. Do you have any of those in mind? I understand that there's a panel and a prescribed body and all that other stuff, but who would qualify for it under these very strict criteria? It doesn't seem like it would be very many but just a small few.

The Chair: Mr. Langdon, go ahead.

Mr. Blaine Langdon: I think we would look at it as casting the net as broadly as possible to capture organizations that are general news organizations. With your daily publications, notwithstanding the fact that they will cover industry-specific news, sports, recreation, arts, lifestyle or entertainment, their primary focus is the production of original news content. The “not” paragraph is meant to say that you cannot be focused narrowly on one of these subjects. An arts news publication would likely not qualify; again, this is not prejudging the work of the panel.

As I mentioned earlier, our focus in designing these measures was to cover or to target news organizations—again, your daily news organizations and your community news organizations—and to try to ensure that they would be eligible for these measures, while at the same time trying to place limits on every individual or every publication, be it a trade publication or otherwise, being able to take advantage of the tax assistance. So again, in terms of general interest news, notwithstanding the fact that they have coverage of a variety of different topics, that's what we were looking at. We feel that the vast majority of existing written-news organizations should qualify under what we've set up, but recognizing that perhaps we've not gotten it right, there will be an expert panel put in place that will provide us with advice and guidance as to how these requirements need to be reframed or not.

Mr. Tom Kmiec: So the panel would be the one deciding what “primarily” means? If you're too focused on, say, sports in your publication, then they would say, no, you can't do that, or...? This says “industry-specific news, sports, recreation, arts, lifestyle or entertainment”, which is really broad. It's incredibly broad. Basically, it leaves the panel with the ability to just decide that, you know, five out of 20 pages in your publication are about about sport or lifestyle, and that's too much. When you see the aid to publishers list, you have publications like L'actualité, Chatelaine and others. Those are already excluded from there.

I'm just trying to understand this. You said you cast a broad net, but it's the opposite of what I'm reading here. To me it seems like a very small net. A very small, select group of people and organizations would be eligible under this criteria, because “primarily” is a pretty broad definition. As well, “original news content” means you're not relying on a wire to feed stories into it.

Would it be possible under this legislation, in the framework that's being provided for here, for a currently Canadian-based online news service, such as The Post Millennial, which has original content being produced in a web format, to then just reproduce exactly the same material in a print format and then be eligible for the tax credit, the registration and the subsidizing of the employees' salaries?

• (1710)

Mr. Blaine Langdon: Just to clarify, and not being overly familiar with The Post Millennial, one thing I would pick up is that, at least in terms of the qualified Canadian journalism organization definition, I think it carries through all measures. It doesn't have to be a physical print copy. It focuses in on written news content, so an organization that is perhaps entirely web based—and feel free to correct me if I'm wrong—but produces written articles and original news content would qualify.

I have gone to that publication a couple of times. I couldn't speak to in general whether or not it would qualify, but, again, if it's an organization that is primarily focused on the production of news, and it includes some articles on arts, lifestyle, entertainment, etc. so it covers the spectrum, or an organization that only focused on news and coverage of democratic institutions are the ones we're seeking to include within these measures as opposed to exclude.

Again, our focus in drafting up the “not” paragraph is to not include specialty publications, something that is too focused on a particular, narrowly defined subject such as arts or an entertainment news publication. This is not what we're looking to support through these measures.

Mr. Tom Kmiec: I will just pick up on arts, because it's an example. Is an arts publication that reports on Canadian museums and doesn't have any direct news content not good enough for these measures? It has to be news reporting. You already exclude those in the next part, so that's what we're being asked to approve here: “to promote the interests, or report on the activities, of an organization, association or their members”, which I take to mean something like the CPA. The accountants have their own kind of magazine that they send out, so they produce original content. This means to exclude those types of publications, advocacy pieces on behalf of professional associations that would be excluded, and the Mortgage Professionals Canada would be excluded.

Why would you exclude from this something like a publication that focuses on Canadian arts? I'm trying to understand the purpose of this. What if I cover arts news, and that's the only thing I'm covering? This seems to say it's only for current events coverage of democratic institutions, like covering politics and politicians.

Mr. Blaine Langdon: I think that would be included. I think the purpose behind the measures is to ensure the continued availability of news and information of general interest to the Canadian public. Again, we did seek to ensure that organizations or publications with a narrow focus on a specific subject would be excluded, but, again, recognizing that we need to have the advice of the expert panel. We have heard concerns from stakeholders that the provisions have been drafted too narrowly, so we are looking to inform the work with that.

Mr. Tom Kmiec: Well, you have concerned stakeholders here.

Mr. Blaine Langdon: Absolutely.

The Chair: Thank you.

Before we go to you, Mr. Fergus, we are at 5:15 p.m. We're adjourning at 6:30 p.m. I know a lot of people have come here and probably have their own things they must be doing. Anybody who is here for part 4, division 1 through to the end, you are released.

If we get through to the end of part 3, I think we will be lucky today, because we still have a long way to go on tax measures. To give you people the opportunity to not have to wait, you are released.

Mr. Fergus.

• (1715)

Mr. Greg Fergus: I would like to say to our guests who are here today, please don't look so longingly at your colleagues on part 4 who are leaving.

I just have a few more questions.

The Chair: Mr. Fergus.

Mr. Greg Fergus: Thank you.

Mr. Langdon, first of all let me thank you very much. I think you gave very substantive answers to the questions that were asked, and I really do appreciate it. I would like to give you more of an opportunity to go through some of them.

Going back to the question, moving away from the eligibility requirement and moving to a larger question as to what is the active involvement of a government or of the cabinet in terms of determining who would and who would not receive this funding, you used the analogy of the Canada Revenue Agency.

You indicated that although there is a minister who is responsible—as all ministers should be responsible—that minister is not involved, clearly, in the day-to-day operations, investigations or determinations of what individual taxpayers would be paying. Similar to that structure, I'm assuming that these independent bodies would make a determination as to who would qualify for these tax measures in the field of journalism.

Is that correct? Could you please expand on that?

Mr. Blaine Langdon: Absolutely. Perhaps I will say two things. One is that before my life at Finance, I worked for the Canada Revenue Agency. What I will say is that, certainly, although the Income Tax Act does refer to the Minister of National Revenue, that authority is delegated to the commissioner, who subdelegates it down to the officials level.

As you do your work—I worked in the registered charities area—it is the director general who has final say on these issues of registration decisions, and it's generally done at the officials level with the recognition that sometimes you brief on sensitive issues. That said, in terms of these particular measures, the decision to establish an independent body is born out of a recognition that the decision-making associated with journalism organizations is particularly sensitive. The intent is for there to be an independent mechanism to prevent exactly what's being discussed today: to prevent any accusations that the government is interfering with journalism organizations and to protect those organizations themselves from that type of potential interference.

That's why it is set out as such. I think there are legitimate concerns that have been raised. Unfortunately, we don't have the answers to give you as to who that independent body will be and how it will work, but certainly I can point to what was announced and what the intent is for that.

Mr. Greg Fergus: Mr. Langdon, is it also correct that the industry itself is being closely consulted to ensure that there is this independence and that not only is there in effect independence but there is also the appearance of independence?

Mr. Blaine Langdon: Absolutely. In the design of the measures to date, we have been heavily involved in consulting with the journalism sector. Although it has not been established or announced yet, the budget does, again, refer to the fact that the advisory panel will be selected from members of the journalism industry. They've been involved at pretty much every stage of this.

Mr. Greg Fergus: Thank you very much, sir.

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

One of the problematic aspects is that if this were not about journalism, the details would follow the definitions. The bill would explain who qualifies. Normally the minister would make the decision and would be responsible. The problem in that regard is that we don't want the minister to decide whether a Canadian journalism organization qualifies. That is why we created this panel, which will be defined later.

Can you give us examples of cases where such an independent body exists, so that we can study it to see whether things are done in a similar or different way?

• (1720)

[English]

Mr. Trevor McGowan: We have in the bill, as already discussed, a measure relating to donations of cultural property that I think Blaine could expand upon, but that's another example where cultural property is designated as a thing of outstanding significance currently or national importance. That's based on their expertise in the cultural property area. That would be, I think, an example of another instance in not only the tax act but as touched upon in this bill, where you have a status being given for the other case of cultural property by someone other than the Minister of National Revenue.

Mr. Blaine Langdon: The regime that Trevor is referring to applies to donations of certified Canadian cultural property. It's not designed this way for the purposes of independence; it's much more for the purposes of their expertise. When an individual is going to donate Canadian cultural property to a designated institution, such as a museum or a university, the desire is to have that cultural property qualify for certain enhanced tax incentives. In addition to the charitable donations tax incentive, that property would also qualify for an exemption from any capital gains tax associated with the disposition. That person can apply to the Canadian Cultural Property Export Review Board for a determination or a designation that the item, be it art or some other form of Canadian cultural property, is of national importance or of outstanding significance. Now it's only of outstanding significance provided that the budget implementation act

passes. With that determination, the donation qualifies for the enhanced tax incentives. Should someone be refused the designation, recourse with regard to that would go, I believe, to Tax Court, so there's an independent mechanism for that.

While that organization is ultimately embedded within government—it's a subcomponent of the Department of Canadian Heritage—it's an independent tribunal with, as I said, recourse to the court system.

[Translation]

Mr. Pierre-Luc Dusseault: My colleague Pierre Poilievre spoke about the regulations or the act that will follow later. That is when we will see who will appoint the members of that panel. If some organizations believe that a decision is not based on valid grounds, I suppose that the decisions of that body could be challenged before the Federal Court or the Canadian Tax Court, in this case. Will this be defined immediately, or only in the act or regulations that will follow?

[English]

Mr. Blaine Langdon: Again, it's unfortunate that we do not have further details for you because I think the answer to your question is dependent on the nature of the body that is set up. To the extent that it is a creature of statute—it is established as an independent something by statute—presumably, in that same statute, one would place recourse to a particular type of court or tribunal. That would typically be the case.

By default, with regard to a decision that is made by a government entity, there is the possibility to apply for a judicial review of that decision, which would go to Federal Court. I'm sure that there are others that I'm missing. I'm not an expert on all of these things, but certainly the desire would be for there to be some sort of recourse mechanism built into whatever is ultimately announced. However, we'll have to wait and see what that is.

• (1725)

[Translation]

Mr. Pierre-Luc Dusseault: We will have to wait for that panel to be created by the law or through regulations. Otherwise it will be done through judicial review at the Federal Court.

I have a last question for Mr. Langdon.

There are some very specific exceptions. Sectors such as sports, leisure, the arts, lifestyle or entertainment are mentioned. Were politics not mentioned deliberately? For instance, would media that report strictly on politics be entitled to that credit? I expect that this would be covered in the definition in the previous paragraph. Is that the case?

[English]

Mr. Blaine Langdon: When we looked into the issue of providing some mechanism to support Canadian journalism and what key things we wanted to ensure were supported, what we found in our research and was pointed out to us is the possibility of the loss of local news organizations, which for many people are the only sources of information about their communities, as well as the loss of coverage of Canadian news, which is important for the purposes of allowing Canadians to make decisions about things that are important to their lives.

In particular, one thing that came up throughout our work is the importance of journalism organizations in a democratic society to holding powerful actors and powerful institutions to account, which is why you see, in the general definition, that emphasis on coverage of democratic institutions, without narrowing it down to only political news organizations.

In the design of a tax measure, one thing we seek to do is ensure it's properly targeted. If you design a tax measure that is too broad, first, it will dramatically increase the cost of the measure; second, you won't necessarily be supporting the things that you want to target.

I think we recognize that there is, certainly, value in many of the publications that are out there. I don't mean to suggest—if I did in my previous testimony—that an organization that produces information with respect to the arts community is in some way not worthy of support. I think what we're trying to do in the design of these tax measures is more narrowly target organizations that are providing news and general information and coverage of democratic institutions, for the reasons that I've just explained.

[Translation]

Mr. Pierre-Luc Dusseault: That is a long answer to say that a media organization that reports only on politics would be entitled to the measures proposed here.

• (1730)

Ms. Maude Lavoie: This is what it says about that in the definition:

[English]

must be primarily focused on matters of general interest and reports of current events, including coverage of democratic institutions...

[Translation]

That does not mean that the organization can only do that, but rather that that element must be included for the reason my colleague mentioned. I don't think the definition makes it clear that in order to qualify, the newspaper must focus on that aspect alone. It becomes a matter of interpretation.

The organization must cover a variety of news of general interest to the public, including political news.

Mr. Pierre-Luc Dusseault: Would a journalism organization that only covers general and current events and excludes politics be ineligible? Is that correct?

Ms. Maude Lavoie: An organization that covers municipal affairs could qualify. Things will have to be looked at on a case-by-case

basis. That is why an independent entity will have to examine these matters.

[English]

The Chair: There's some confusion, I think, over some of the statements that were made here.

Would I be correct in saying that the various bodies, as yet to be named, would advise on who is eligible for the tax—this is a tax measure—and not on who is eligible to be considered a journalist? There is wide-ranging discussion here, and some of it seems to lead to saying that the government—or whoever—might have the right to say who is a journalist.

This is related strictly to tax measures, correct?

Mr. Trevor McGowan: Thank you, Chair. That is correct.

The Chair: Thank you.

Then, starting on the next point, if we could move on to section 1.1.6.1, personal income tax credit for digital subscriptions, are there any questions?

Then we go to section 1.1.6.2, a refundable labour tax credit for journalism organizations. We have covered a lot of journalism here. I guess we're okay on that one as well.

Then, section 1.1.6.3, access to charitable tax incentives for not-for-profit journalism, is done as well.

Then we have 1.1.7, introduction of the Canada training credit. There is another individual coming to the table. Are there any questions on the Canada training credit tax measures?

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: Could you remind us of the figures? I think we spoke about a maximum of \$250 per year, up to a maximum amount of \$5,000 for life.

Mr. Pierre Leblanc: That is correct. For earnings of at least \$10,000 per tax year, an amount of \$250 can be accumulated.

I'll give you an example. Let's say that four years from now, I intend to take a course to improve my skills that will cost \$2,000. While I am working, I accumulate \$250 per year. After four years, I would have accumulated \$1,000. I could receive a refund of up to 50% of my course fees.

For a \$2,000 course, I could receive a reimbursement of \$1,000. If I decided that the time was not right to take the course, I would continue working. For every year, I would accumulate a certain amount for training fees until I took the course.

Mr. Pierre-Luc Dusseault: This is not an education savings account. The Canada Revenue Agency will be keeping track of the amount, correct?

• (1735)

Mr. Pierre Leblanc: Yes. Every year, I could check the amount in my tax assessment or in my file on the Internet. I could check my account. It is a notional amount.

Mr. Pierre-Luc Dusseault: Will people claim their refund for these costs in their tax return, or when they receive the invoice?

Mr. Pierre Leblanc: They can claim a refund of up to 50% of their tuition on their income tax return, up to the amount they have accumulated.

Mr. Pierre-Luc Dusseault: I think the establishments whose tuition fees are eligible are already defined in the law. Not all establishments are eligible. Is that the case?

Mr. Pierre Leblanc: Yes. By and large, those are the eligible establishments, as there is now a tuition tax credit. There are two lists.

[English]

Mark, I don't know if you want to add something?

[Translation]

Mr. Mark Maxson (Acting Director, Personal Income Tax Division, Tax Policy Branch, Department of Finance): The establishments concerned are about the same as those for the tuition tax credit, but they must be located in Canada.

Mr. Pierre-Luc Dusseault: So it is quite broad. It could be post-secondary institutions, or vocational schools.

Mr. Pierre Leblanc: Yes. There are at this time two lists for the tuition tax credit. Every province or territory has its list of post-secondary institutions, be they universities, colleges or CEGEPs, and the tuition fees charged by these establishments are eligible.

The Department of Employment and Social Development also has its own list. It certifies institutions that provide skills training. It can be for shorter courses. These two lists contain all the establishments whose tuition fees are eligible.

[English]

The Chair: Thank you.

Ms. Rudd.

Ms. Kim Rudd (Northumberland—Peterborough South, Lib.): Thank you.

Thank you for being here today. On the Canada training credit, there are a couple of things. You've explained it well in terms of the accumulation, if you will, in someone's account, which can be used more than once. People can do something, not do something for a few more years, and then do something again if that's what works in their professional life.

The other thing is the complementary program of EI that supports this, and I'm getting some great questions and great feedback on this. For small business owners, particularly, it was always the case that they would let someone go to take a course and would have to replace them. It was expensive.

For someone who's transitioning between jobs, the EI is available for this. I believe it's up to four weeks of EI that is on top of this training fund and complementary to it. Is that correct?

Mr. Mark Maxson: Yes. They're starting consultations on the details of this EI training support benefit over the summer.

It's not in this act, but the Department of Employment and Social Development Canada is going to be talking to employers, workers

and training institutions, working out all of the details of that. Certainly the intent is that they would be very much complementary. People could benefit from this EI training support benefit to replace their income while they're on training, and then they could receive some assistance with the fees through this credit.

Ms. Kim Rudd: Just so we're clear on the age spread that is eligible for this, there is a recognition that this is important for younger workers as well as for more mature workers who are still looking to contribute right up to, I think, age 64. Is that correct?

Mr. Mark Maxson: That's right.

I should clarify that the credit has that age limitation. The EI training benefit, which I'm not an expert on, is based on your EI eligibility, your eligible hours preceding the training.

• (1740)

Ms. Kim Rudd: Thank you very much.

The Chair: Are there any other questions on the Canada training credit?

Okay, thank you. Turning to the next section, 1.1.8, tax treatment of assessing cannabis for medical purposes, are there any questions on that section?

Hearing none, are there any questions on 1.1.9, extension of the exception granted to agriculture or fishing co-operatives for the calculation of income eligible for the small business deduction.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: Has anyone assessed the number of enterprises that would be affected by this measure?

[English]

Mr. Trevor McGowan: I don't have any information on the number of businesses in total, although the change was put forward in response to a number of stakeholder communications that have come into the department. It's of importance to a number of stakeholders who sent in submissions that this change ought to be made, and not of largely academic impact. I don't have specific numbers on the number of farming or fishing businesses that would be affected, no.

[Translation]

Mr. Pierre-Luc Dusseault: This measure is available to co-ops, but agricultural or fisheries enterprises could use it, even if they are not set up as cooperatives.

Why does this only affect agriculture and fishery? Are there tax reasons? Were enterprises other than farming or fishery excluded previously?

[English]

Mr. Trevor McGowan: I think I would say there are two reasons. One is historical and the other more policy focused. Some time ago, rules were introduced to prevent inappropriate multiplication of the small business deduction. A classic example of that is a law firm with 100 partners, say, and under the basic scheme of the small business deduction rules where you have one business, you share your \$500,000 small business deduction limit.

Tax planning had arisen in which each of the members of the partnership in my example might set up a side corporation that would provide services to the partnership, thus multiplying access to the small business deduction from the intended \$500,000 to, in my example, say, up to \$50 million. That's sort of the paradigm example of the types of transactions these were trying to address.

In response to that measure, the department heard from a number of farming and fishing businesses that legally were in a structure that was very similar to the one I described, where they were members of a co-operative and because of the requirements to be a member of the co-operative, they had to have membership interests in the co-operative that were treated as shareholdings for the purposes of these small business deduction rules.

They were providing their farming products and fishing catches to this co-operative and found themselves within the ambit of the rules despite not being within their policy intent because they weren't participating in the profits of the co-operative. It was a different type of business structure from the one that was envisioned by the anti-multiplication rules. That's why, in a previous budget, the rules were amended to create an exception for agricultural and fishing sales to a co-operative organization.

The issue that this measure responds to is as a result of further communications and responses from stakeholders in the farming and fishing industries. A number of business structures are in place that are economically and structurally very similar to the co-operative structure that the government provided an exception for but that do not, for technical reasons, qualify as co-operatives. In the farming and fishing industries, the same types of concerns that apply in other industries are not as acute.

The decision was taken to extend the relief provided in the co-operative context to all farming and fishing businesses, again, recognizing that economically they're very similar and it was considered to be an inappropriate tax consequence that they be treated differently for tax purposes when the main difference is that one technically qualifies as a co-operative and the other doesn't.

In other industries—I'm going back to my law firm example—those same considerations would not apply.

• (1745)

The Chair: I could explain this in how I see it as it relates to fishermen. We all know how co-ops operate. You have 30 fishermen who are members of a co-op. What was happening under the previous tax regime is that fishermen delivering their catch to that co-op were taxed at a higher rate when they delivered to their own co-op versus if they sold it to somebody else. That's really what was happening.

They sell their catch to the co-op, which is a business they're a part of, and what they're being forced to do because of an anomaly in the tax system was to sell it to another buyer on the wharf rather than their own co-op because they were affected substantially on a tax basis. That's why the changes were made on the co-op side, and I think what you're talking about here is that some businesses find themselves in a similar situation. That's how it affects, in layman's term.

Are there any other questions on this section, 1.1.9?

Okay, we'll turn to section 1.1.10, extension of the mineral exploration tax credit.

Ms. Rudd.

Ms. Kim Rudd: Thank you. I have a couple of questions for a bit of history on this.

For over a decade it was a program that was renewed annually. We certainly heard that over the last decade this was very difficult for the junior miners, if you will. Exploration is very expensive, and raising capital is an even bigger challenge.

I would ask you to speak to a couple of things, first the stability that this five-year provision provides. As part of the work done around this, do you see this as helping the mining sector leverage capital and secure financing for longer terms?

Ms. Maude Lavoie: That the renewal be for a longer period than the one-year time frame, which as you were alluding to has been the practice for the past decade or even longer, was a frequent, recurring request from industry. In response to those concerns the government announced a five-year extension.

Ms. Kim Rudd: Is there a rationale behind not making it permanent, for providing it for just five years? I get the rationale for changing from one year to five years, in terms of stability and the ability to plan and, as I said, leverage capital. Is there, though, a rationale for not making it permanent?

Ms. Maude Lavoie: This gets into the policy choices made by the government, so it's difficult for us to comment. Typically measures are introduced on a temporary basis. It's done so that they can be reviewed after a certain time period. In this case, reflecting difficulty accessing capital, this will allow the government five years to reassess whether there's still an ongoing need for it.

• (1750)

Ms. Kim Rudd: Thank you very much.

The Chair: Is there anything else on the mineral tax credit?

Next is section 1.1.11, tax treatment of communal organization business income allocated to its members. Are there any questions on this?

Mr. Sorbara.

Mr. Francesco Sorbara: What is the definition of a communal organization, please?

Mr. Pierre Leblanc: Generally what we're talking about here is communities whose members can't hold property on their own. That's really where the tax issue arises. If you think of it, usually individuals receive their own salary, their own income, and we tax accordingly. Here, given the tenets of a communal organization, property can't be held that way; it needs to be held in common. You need to approach tax a bit differently in those cases.

The Chair: Are there any other questions?

Next is section 1.1.12, increase of the homebuyers' plan withdrawal limit and changes to its application on the breakdown of a marriage.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: The question that needs asking is why was an amount of \$35,000 chosen?

Mr. Pierre Leblanc: I think it has to do with the last increase to the ceiling, which was in 2009. That was 10 years ago. It amounts to a reasonable increase. It also takes the current market situation into account. The idea was to introduce a reasonable increase for first-time buyers.

Mr. Pierre-Luc Dusseault: In many other previously described cases, even involving this bill, people spoke of stakeholders who shared situations with us, and we were told that the changes being discussed were intended to respond to those concerns. Is that the case here? Honestly, young people have not mentioned this to me very often.

The budget document said that this measure would help young people, because it is presumed that first buyers are young people. Did a lot of young people come to you to say that withdrawing \$25,000 from an RRSP to take part in an HBP, a Home Buyer's Plan, was insufficient, and that they needed to withdraw \$35,000? Were there any consultations about this?

Mr. Pierre Leblanc: Thank you for the question.

We received several requests, especially from real estate sector groups. It is in the public domain. If you look at the figures broken down by age, you can see that almost half of those who withdraw the maximum amount, \$25,000, are less than 40 years of age. This is not a measure that is addressed to everyone. Nevertheless, many young Canadian men and women will benefit from this increase.

Mr. Pierre-Luc Dusseault: I have heard it said that people could use the HBP several times, for instance in the case of a separation. I've never heard of it with regard to the other measure. Back home, in Sherbrooke, a few people have raised this with me. I want to know if there will be a limit.

Will people be allowed to use the plan as often as they like, or only two or three times? I did not see those details in the bill. Can you enlighten us on that?

• (1755)

[*English*]

Mr. Trevor McGowan: There is a requirement that it be for a first-time homebuyer. The second measure provides that if you meet conditions, individuals who experience a breakdown of a marriage

are able to participate in the homebuyers' plan even if they don't meet this first-time homebuyer plan requirement.

Is your question if you can keep utilizing it on the breakdown of a second or third marriage?

[*Translation*]

Mr. Pierre-Luc Dusseault: In the case of a couple, is it the first-time buyer who will be entitled to make the withdrawal, or will both people be able to do so?

Let's take the example of someone who made a withdrawal in the past, then separated from their spouse, and then remarried with a partner who never made a withdrawal. The latter could make a withdrawal, but could the former as well?

Mr. Pierre Leblanc: In that case, I think both would have the right to withdraw. If you've already used the plan, you are eligible again after a marriage or common-law union breakdown, but there is, however, a condition that applies: you must reimburse the full amount before you can use the plan again.

It will depend on the specific situation.

Mr. Pierre-Luc Dusseault: So there is no limit, but it is conditional on reimbursing the full amount.

Mr. Pierre Leblanc: There are limits, really, because you have to replace the full amount, and generally, that takes time.

[*English*]

The Chair: Thank you.

Mr. Kmiec.

Mr. Tom Kmiec: According to Canada Revenue Agency numbers in 2017—which is the last one I could find on the homebuyers' plan—only 20,250 people maxed out their HBP allowance.

How many extra people do you think will max it out or take advantage of it to get to \$35,000?

Do you have a breakdown of those numbers and what the expectation is? Was any modelling done?

Mr. Pierre Leblanc: I think the costing is based on roughly the same.... The idea is that if you look on an annual basis at those roughly 20,000 individuals who are taking out the \$25,000, typically those individuals would take out more given the chance to do so. Basically, there's sort of a distribution. Some will take out just a little bit more. Some might take out \$30,000. Some will go up to \$35,000. It depends on the financing, what they have in their RRSP, what they are looking to buy and what sort of down payment they need.

Mr. Tom Kmiec: Did the department previously do any age-based analysis of distribution?

Mr. Pierre Leblanc: Yes, and that's what I was referring to in my response to Mr. Dusseault. I just saw those. Again, there were roughly 20,000 "maximizers", if we can call them that—people who now withdraw \$25,000 when they use the homebuyers' plan. Roughly half are under the age of 40. It adds up to just about half.

Mr. Tom Kmiec: There are about 300,000 first-time homebuyers per year. A lot of people confuse this group with young people, but that's not always the case. There are a lot of people who purchase their first home later in life. Are you saying that half of that 20,000 would be under 40 in the department's modelling?

Mr. Pierre Leblanc: Those statistics are similar to the Canadian Revenue Agency's. That's how it breaks down by age.

Mr. Tom Kmiec: Okay.

Is there any administrative reason the government couldn't have indexed that HBP to inflation? Is there any system or mechanism that makes it unreasonable to do, or is it just a policy choice?

Mr. Pierre Leblanc: I think it's more of a policy choice. It's a good question. It's the sort of thing that you typically use once, or in one year. You have other things you can use year after year. If you index them, you might use them, but then you'll have a little bit more, and then you'll have a little, little bit more. I guess that's the policy decision the government has taken.

The Chair: That section, and section 1.1.13, extension of liability for tax owing from carrying on a business in a tax-free savings account...that was explained earlier. Are there any questions?

Mr. Dusseault.

• (1800)

[Translation]

Mr. Pierre-Luc Dusseault: Is the financial institution obliged to disclose certain activities in connection with tax-free savings accounts, or TFSA's?

In other words, is the financial institution obliged to disclose the fact that the TFSA is connected to the operation of a business? That seems to be the topic here.

Why would we exempt financial institutions from that obligation? At the very least, are they obliged to disclose what is going on with the TFSA's they offer their clients?

[English]

Mr. Trevor McGowan: To be clear, this measure vis-à-vis the financial institution doesn't remove joint and several liability for the financial institution where business is being carried on in the tax-free savings account. Rather, it limits the joint and several liability of the financial institution for tax arising as a consequence of carrying on a business in a tax-free savings account to the amount of property in the tax-free savings account. In addition, there would be the amount associated with distributions of property from the tax-free savings account after the financial institution received the notice of assessment or the act against trustee and became aware of the tax liability. They couldn't avoid this joint and several liability just by distributing all the money out of the TFSA. It doesn't eliminate the liability with respect to the trustee of the TFSA. Rather, it provides a cap on the liability, and that cap is equal to the assets in the tax-free savings account. That's where one would expect the collections to be from the TFSA itself.

The second component is that it extends it to the TFSA holder, who is in the best position to know if they are carrying on business or not. It's not the elimination of joint and several liability. Rather,

it's putting a cap on it, based on the value of the assets they have as trustee.

The Chair: We'll turn next to section 1.1.14, tax measures for employees reimbursing a salary overpayment. This wouldn't have any relation to Phoenix, would it, Mr. Dusseault?

[Translation]

Mr. Pierre-Luc Dusseault: No, I don't think there is a link.

My question is: why place the decision in the hands of the employer rather than in the hands of the employee who was overpaid? Why is the employer made responsible for the decision to agree, and tell the employee to reimburse the net, after-tax amount?

Why was the decision put in the hands of the employer, and not in the hands of the employee who could benefit from this measure?

[English]

The Chair: Mr. Maxson, welcome to the table again.

Mr. Mark Maxson: Thank you.

The issue there is that certainly this requires a lot of changes to employers' payroll systems and employers' processes.

There was a desire to put in place a solution that could be acted on quickly. We knew that the federal government intended to act on this quickly in the case of Phoenix, and we wanted to extend it to private sector employers as well. However, we did not want to put an undue burden on private sector employers with regard to updating their payroll systems and their processes.

We certainly hope and expect, based on our discussions with stakeholders, that it will also be rolled out and put into place in the private sector, as it simplifies life for employees. I think it simplifies life for employers as well, who aren't interested in collecting more than they have to from their employees.

[Translation]

Mr. Pierre-Luc Dusseault: Fine.

Should the employer decide to take advantage of this new system, would he take back from the employee only the net amount equal to his salary, and then the employee would reimburse the employer? Would the employer in fact reimburse the total amount? Should this not be up to the government instead? I'm just trying to put things in the proper order.

Will the government then reimburse tax deductions to the employer, and the overpayment of benefits like the pension plan, and taxes withheld?

• (1805)

[English]

Mr. Mark Maxson: This is really just dealing with the question of taxes and Canada pension plan contributions and employment insurance premiums that are withheld by the employer. Presently, if an employee is repaying their employer, let's say, a year or two after the overpayment, they're repaying the full amount of the salary that they received plus the tax and other contributions that were withheld from that salary. Effectively, the employee would then receive that difference, those taxes, the employment insurance and CPP contributions, back from the Canada Revenue Agency when filing their return.

What we're proposing in this bill is that the employer would only have to collect the salary portion and the CRA would return the difference to the employer, so the employer is no longer acting as a go-between.

The Chair: Thank you.

Mr. Fergus.

[Translation]

Mr. Greg Fergus: Thank you very much, Mr. Maxson.

With respect to these provisions in the law, there is no doubt that many public sector employees were affected by them in the case of the Phoenix pay system.

I imagine you held consultations with the public sector unions. Did you consult them? What was the outcome of the discussions that led to these provisions?

Mr. Pierre Leblanc: Thank you very much for the question.

Yes, we held discussions with union representatives, especially during ongoing meetings between government and union representatives to discuss Phoenix-related issues, in our case.

The unions' response has been positive, to date. They are satisfied with this measure and the government's flexibility around this proposal.

Mr. Greg Fergus: Thank you very much.

[English]

The Chair: Mr. Kmiec, do you have comments on this point?

Mr. Tom Kmiec: On your next point, I was going to do what I told you I would do.

The Chair: Okay, expansion of tax measures for electrical vehicle charging stations and electrical energy storage equipment.

Mr. Kmiec.

Mr. Tom Kmiec: Mr. Chair, I had told you at the beginning of the meeting I would move a motion at this time to allow the department officials to—

The Chair: Oh, I thought it was when this was all done.

Mr. Tom Kmiec: Oh no, I would never do that, it would be right now. It has been given notice; I put the motion on November 15, 2018. I know you will have to find a copy of it, which I understand is conforming with the rules, and the motion was passed by the committee. It reads:

That, pursuant to Standing Order 108(2), the Committee undertake a study of Canada's 2017 decision to join the Asian Infrastructure Investment Bank (AIIB) and report to the House on: (a) how joining the AIIB has impacted Canada's representation at the Breton-Woods international financial institutions, particularly the International Monetary Fund and the World Bank; (b) how joining the AIIB aligns with Canada's domestic and foreign economic and development goals; and that, pursuant to Standing Order 109, the Committee request that the Government table a comprehensive response to the report within 120 days.

If you want me to pause so the motion can be distributed, I'm happy to do that, or I can go straight into it.

The Chair: I think we're okay just to explain to witnesses that a member can move a motion at any point as long as it's on the order paper. It is proper to move the motion, so it is open for debate.

Go ahead, Mr. Kmiec.

• (1810)

Mr. Tom Kmiec: Mr. Chair, I'm doing this as I have a lot of motions before the committee, but this one, I think, is pertinent at the moment because of China's trade actions against Canada that specifically affect canola farmers. Now there's talk that it's expanding to soybeans and our pork products, and it seems to be that there are widening trade actions being implemented against us.

As you heard the leader of Canada's Conservatives mention, one of the actions that we should be taking, not so much in retaliation, but in response to China's trade actions, is to pull out of the Asian Infrastructure Investment Bank. Members will know this: We looked at this two years ago, and it went through Parliament. It was forced through. We tried several motions at committee and then in the House of Commons to remove this funding.

There are several reasons to do it; it's not just the trade actions. There's a worsening human rights situation in western China, specifically affecting Uighur Muslims. Also, there was a public consultation held by the finance department. I have now lodged a complaint with the Information Commissioner because I was lied to by the department, and I'm going to explain it. I have letters and confirmation here. I just want to show that I did my homework before bringing this before the committee.

First, maybe just on the AIIB, we can recap. The federal government decided to purchase a 0.9% share in the Asian Infrastructure Investment Bank, a bank that is specifically meant to further the foreign policy interests of the People's Republic of China. It's a bank that is financing three pipeline projects overseas. We all heard the responses from the minister about how there's this great project in the suburbs of Beijing that would take suburban Beijing dwellers off coal and allow them to use cheap natural gas. What he failed to mention was this: I don't see how the Canadian taxpayers should be subsidizing any of these things when we have perfectly good pipelines that we're trying to build in Canada and when we're trying to get these products to overseas markets. These are our products.

One of the projects that the AIIB is funding is the Trans-Anatolian line, which will compete with Canadian products on the international markets.

There's another pipeline project in Bangladesh that's also being financed.

The case against participation in this is made stronger because of China's trade actions against us. I think that it would be a measured response to take against the government just to show that we also have bargaining chips in this. It isn't just a one-sided relationship where we can't do anything on behalf of canola farmers in Canada.

There's been too little action so far, and it's been too slow, especially on the technical side, to respond to these actions by Chinese officials to block perfectly good, high-quality, internationally well-regarded canola products, and now pork and soybean products. It has a huge impact on the western Canadian economy.

I mentioned before that the Asian Infrastructure Investment Bank is furthering the foreign policy interests of the People's Republic of China. I have an official I want to quote here who said, "...political, political, political (sic): never forget that. It's the extension of a new policy under President Xi to dominate the South China Sea and to dominate Asia."

It will "promote a version of China's state capitalism, not transparent markets," said a 2015 article in *The Wall Street Journal*, "China Trounces U.S. Smart Power". I got these two quotes from "The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road" by Mike Callaghan from the Lowy Institute for International Policy.

There's ample evidence from speeches made by President Xi that the AIIB is simply another tool in their tool box to further their foreign policy interests, which is why I want to look at it. If that is what this bank is for, then we should not be participating in it.

Now is the perfect time to apply some Canadian pressure to resolve this canola dispute with the Chinese government. It's a measured response. We're not going overboard. The government said that we'd participate back in 2017. We haven't spent all of the money. We have spent under \$100 million, but about \$256 million is still committed to be spent for the first tranche of purchases for these shares. What I'd like to see us do is back away from it and actually get rid of the shares as our initial response to this.

Now, there was a public consultation held by the department. It started November 9, 2018, and closed on December 21, 2018. It was a public consultation that all Canadians could participate in, so on November 28, I created a web page so that Canadians who care about it—many of them have contacted me from across the country—could participate in it. What I then also did was blind-copy myself on every single email sent from that web page so that I could have a copy of what people were sending and could then follow up with them. Over 1,200 Canadians participated in this public consultation. Then I did an access to information request for which I got an answer on March 15, 2019. In it, it said, "" This is on official letterhead. My file number is 1199283, and our file is A-2018-01679-CL.

•(1815)

It tells me that no such thing existed.

When my staff followed up with the officers, saying that they could forward them every single one of the blind carbon copy emails, within five minutes they apologized, and on April 11, they

corrected themselves and said that a search of their departmental records identified 1,243 pages in connection with our request. They're actually right here; I printed every single email so I could have a record of it.

Initially telling me that no such documents existed is an absolute failure of the access to information system. I'm not accusing the minister of hiding anything. I really do believe this is a departmental problem. It shouldn't require me to blind carbon copy myself on emails I'm receiving to ensure that the public consultation is being held in a fair and open way and that parliamentarians can have access to information.

I filed a complaint with the Office of the Information Commissioner. I've yet to hear back whether they will take up this matter.

There are only two things that could have happened. One is that they were incompetent in collecting the emails. I would have thought there would just be some Outlook account and they would have just copied and pasted everything while hiding people's personal information so I wouldn't see it and they would have just provided it to me.

I just wanted to see whether anybody had said yes to participate in it and what types of arguments they were making. In fact, I don't have any of those emails because not one person from the email stack that I received said that Canada should continue to participate in the AIIB, which reinforces the need for this committee to look at it. I think there's time in June to do so. I know that's not ideal because we have to look at the budget bill. At the earliest moment we can, we should review the AIIB. In my motion, I don't have a fixed number of meetings that we should have to do so.

We should be mindful of the impact that the People's Republic of China trade actions against Canada have had on canola farmers. They are going to be deciding very quickly in the next few weeks what they are seeding. There's going to be an impact on soybean farmers and pork farmers all across Canada. We should be seriously considering pulling out. I would say we need to pull out in order to show that we have the ability to respond. Make it a measured response; there's no need to go over the top. It's something that they will pay attention to. You heard our leaders. There were three easy points. I think the third point about pulling out of the Asian Infrastructure Investment Bank is a timely thing to do. This is a half a billion dollars of taxpayer money that's eventually going to be funding these different pipeline projects. There's a list of these projects online and some of them might be worthy; some of them might be really reasonable, but I really don't think that the minister's response during question period today holds up to scrutiny at all. China is the second-largest economy in the world. They literally do not need a half a billion dollars of Canadian taxpayer money to finance a pipeline project in and around the suburbs of Beijing to get them off coal power, so they can use clean-burning natural gas. They really do not need that.

It's a measured thing that we could do. We could take a look at it over one meeting and then recommend to the government that they pull out. It would be a simple thing for us to do to take stock of the current situation. Perhaps in 2017, the government.... I remember officials before this committee making a case for it and defending the logic of that decision. I disagreed with it, but two years later we can review it. I think it's incumbent upon committee members to provide the best advice that we can to the minister. Perhaps the minister is hearing advice from other people. I am worried, based on the fact that this access to information request that I filed initially received the response that no such documents exist. I had to then inform them that they had made a mistake for which I have a paper trail that I have provided now to the Information Commissioner.

To me, everything around this AIIB participation decision stinks. Therefore, I think it's time for a study—a review. I don't say how many meetings we should take. I don't even know how much time we should put aside for it, but I think it's worth our time to then recommend—and hopefully other committee members will agree with me—that Canada should pull out of the AIIB.

We already participate in the Asian Development Bank led by Japan. We should definitely participate in that one, but this one, which is led by Beijing and run out of Beijing....

This is a measured response to their trade actions against canola farmers in Canada. Farmers here need to know that we're on their side and this is something that we could do that would not harm Canada's economy directly. We're not proposing to shut out Chinese products. We're simply saying we should not participate in their bank.

•(1820)

The one other thing I will mention is that I submitted an order paper question with my colleague Ron Liepert, who was a member of the finance committee before, asking whether any Canadian companies or Canadian jobs have been created through this bank and our participation in it. I got back an answer of zero.

There was an answer in the media—there was an article written in the media just a few months ago—that potentially one Canadian company may have received a subcontract for one of these projects. A half a billion dollars for one subcontract, maybe, is simply not enough. My order paper question was government documentation saying it was not aware of any private sector jobs being created or any Canadian companies obtaining work.

It's timely. Farmers need to know we're behind them, that we're going to back up our rhetoric with real action. A quick study with a recommendation to the government is the right thing to do at the moment. I'm hoping that all my colleagues on the opposite side and this side will support me.

The Chair: Any more discussion on this point?

Mr. Sorbara.

Mr. Francesco Sorbara: I would like a recorded vote.

(Motion negated: nays 5; yeas 3)

The Chair: We now go back to the section dealing with the expansion of tax measures for electrical vehicle charging stations

and electrical energy storage equipment. Are there any questions on that section?

Turning to section 1.1.16 dealing with the eligibility of joint projects with Belgian producers for the Canadian film or video production tax credit, are there any questions on that?

The next section, 1.1.17 deals with the rules for pension adjustment calculations for registered pension plans that reference the enhanced Canada pension plan.

Mr. Fergus.

[Translation]

Mr. Greg Fergus: I'd have a brief question.

I would just like to know if these changes will have an effect on the amounts predetermined by the Quebec or Canada pensions plans.

[English]

Mr. Trevor McGowan: This amendment is largely technical in nature. Where you have a defined benefit or a pension with a registered pension plan that contains a defined benefit formula that's integrated with the Canada pension plan benefits, it allows for the proper pension adjustment to be reflected on an employee's T4. It would not have negative effects that way. It is to ensure that the appropriate pension adjustment can be provided on an employee's T4 as a result of the new enhanced Canada pension plan.

Where you have registered pension plans with defined benefit formulas, they would be integrated with the Canada pension plan. Once they decide to be integrated with the enhanced Canada pension plan, then their pension adjustment would be lower as a result of the Canada pension plan, which would result in the employee receiving the T4 slip and having more RRSP room.

The end effect is that there's an appropriate pension adjustment on an employee's T4 in these circumstances. As a consequence, they would have more RRSP room.

•(1825)

[Translation]

Mr. Greg Fergus: So this would not change contribution ceilings. It would only change the amounts people will be receiving, correct?

[English]

Mr. Trevor McGowan: It changes the pension adjustments that are reflected on your—

[Translation]

Mr. Greg Fergus: However, the upper limits will not change. Is that correct?

[English]

Mr. Trevor McGowan: It doesn't change the enhanced Canada pension plan contributions, no.

Mr. Greg Fergus: It doesn't change the ceiling.

Mr. Pierre Leblanc: Actually, no decision has been made on integration of the pension plan that we as public servants participate in.

Here's an example of what could happen. Say a pension plan is currently integrated with the Canada pension plan. What does that mean? It just means that on your first tranche of earnings, basically up to the year's maximum pensionable earnings, you're paying CPP, so you pay less to your own pension plan, and then the retirement benefits are adjusted accordingly as well.

Let's say that we as public servants receive about 1.3% to 1.4% of earnings per year up to the YMPE, and then 2% above the YMPE. Basically that allows for that CPP portion to go up, or that QPP portion to go up, so potentially—and again, this is a decision for individual pension plans—the amount contributed by both employers and employees and the consequential benefits received from the employer-based pension plan could go down.

Mr. Greg Fergus: I get that. I'm just trying to figure out the potential....

There's a ceiling for the contributions you can make per year, right?

Mr. Pierre Leblanc: The thing is that for defined benefit plans, it's on the benefits you can accrue; it's not on the contributions. You can accrue basically per year of service up to—what's the number now?—close to \$2,500. That won't change.

The Chair: Okay, that is it on that section and all sections of part 1.

Thank you, Ms. Lavoie, Mr. McGowan, Mr. Leblanc and Mr. Maxson.

We'll see if we can get into the next section, part 2.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): There are only two minutes left.

The Chair: That's right, but we might get through it though.

On part 2, amendments to the Excise Tax Act, GST/HST measures and related legislation, we have Mr. King and Carlos Achadinha.

Who's leading off?

Mr. Carlos Achadinha (Senior Director, Sales Tax Division, Tax Policy Branch, Department of Finance): I will lead off with an explanation of part 2. My name is Carlos Achadinha. I'm the senior director responsible for GST policy matters—goods and services tax and harmonized sales tax matters. This particular section, part 2, covers a couple of modest and minor enhancement amendments that are included in the budget with respect to the application of the GST.

Basically, there are four measures in this bill with respect to the GST. Three are related to health measures. They are basically expanding the existing health measures currently under the GST. There's relief for basic health care services, so you don't pay tax on basic health care services. There are basically three additions to that type of relief.

The very first one is at clauses 76, 78 and 79. GST relief is provided to supplies and importation of human ova and on importations of in vitro embryos. This is intended to assist people who are increasingly turning to assisted human reproduction to help build their families; so for people who are suffering from certain infertility issues, this is a means to help them deal with that sort of

issue. This provides relief for acquisitions of those particular materials.

The second measure deals with various foot care products. There is currently an exemption for various foot care products—for example, controlled ankle movement walkers, heel braces and compression anti-embolic stockings. These materials are currently exempt when they are basically purchased on the order of a physician. What we're doing now is expanding that to allow them also to be purchased on the order of a licensed chiropodist or a podiatrist. These are other health practitioners who are really very much whom people see when they have to deal with these foot issues. This is just an expansion of what is an existing relief.

The third measure in the health area is providing explicit relief for what we refer to now as multi-disciplinary health care services. Basically this is a measure intended to deal with rehabilitation programs where you may have different health care practitioners come together to provide you with one service, a rehabilitation service. If these were all provided separately, there would be an exemption, but it's not clear that when they are provided together as a single service there is explicit relief for this particular measure in the act. This provides explicit relief for those multi-disciplinary health care services.

The fourth measure is just a consequential measure. There has been discussion here with respect to the income tax expanded threshold for business deductions for the zero-emission vehicles. Under the GST, businesses are entitled to recover their tax paid on inputs they use for business purposes. Consequential to the changes in the deduction threshold in the Income Tax Act going from \$30,000 to \$55,000 for zero-emission vehicles, there will be an increase in what you can claim for input tax credits to that same threshold.

That covers very quickly the GST modifications.

● (1830)

The Chair: Are there any questions on this section? Hearing none, do I see agreement to deal with part 3 so these folks don't have to come again? Okay.

On part 3, we'll go to Mr. King.

Mr. Phil King (Director General, Sales Tax Division, Tax Policy Branch, Department of Finance): Thank you, Mr. Chair.

I'm the director general of the sales and excise tax division at the Department of Finance. I'm going to talk briefly about clauses 81 to 86. These propose to implement the new THC-based duty rate on certain cannabis products. This proposal builds on the current excise duty regime that came into effect when cannabis for non-medical purposes became legal in October of last year.

Currently, the legal classes of cannabis products permitted for sale are fresh and dried cannabis, cannabis oils, seeds and seedlings. However, new classes of products namely edibles, extracts and cannabis topicals will be permitted for legal sale later this year under the Cannabis Act. The government is proposing that the excise duty framework for cannabis products be amended to more effectively apply the excise duty to these new classes of products as well as to cannabis oils, which are already legally for sale.

In particular, part 3 implements amendments so these products are subject to excise tax based on the total quantity of tetrahydrocannabinol, THC, which is the primary psychoactive component of cannabis. The introduction of this new THC-based rate has been informed by the feedback that we received at the department from the CRA and from the cannabis industry.

The current excise duty framework for cannabis products imposes the higher of one of two rates. One, either a flat duty rate based on the total weight of cannabis plant inputs to a product, or two, an *ad valorem* duty based on the producer's price. However, cannabis producers have expressed some concerns regarding the potentially complex calculation of excise duties on oils when basing them on the quantity of cannabis material inputs.

Having one flat rate based on total THC content for certain cannabis products would simplify compliance. It would allow these

producers, as well as the CRA and other administrators, to more easily calculate and verify excise duties for cannabis edibles, extracts and topicals.

At the same time, this proposal better aligns the excise duty regime with recommendations from the health care community because it bases the duty on the intoxicating component of cannabis that is THC. In that respect, it's similar to how excise duty is applied to alcohol products like spirits. This measure would come into force on May 1, 2019.

• (1835)

The Chair: That's not far away.

Okay. Are there any questions on this section?

Boy, you guys get off easy.

Thank you very much, and that way you don't have to come back the next day we start on tax measures, etc.

With that, we have the Bank of Canada and the parliamentary budget officer tomorrow at 11. Then at 3:30 we have Bill S-6.

With that, thank you all.

The meeting is adjourned.

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