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## **Standing Committee on Finance**

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**EVIDENCE**

**Tuesday, April 12, 2016**

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**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Tuesday, April 12, 2016

•(1100)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.):** Good morning.

Pursuant to the order of reference of March 21, 2016, we'll deal with Bill C-2, An Act to amend the Income Tax Act. As well, as noted in the committee agenda, we will go an hour and a half with Department of Finance officials, and then we'll get into committee business and scheduling.

I note we are scheduled until the end of April, but we'll talk about the motions that are on the committee list, as well as the agenda going forward.

Welcome, officials from the Department of Finance. We have Mr. Jovanovic, who's the general director, tax policy branch, and Mr. McGowan, senior legislative chief, tax legislation division, tax policy branch.

Welcome. The floor is yours.

**Mr. Trevor McGowan (Senior Legislative Chief, Tax Legislation Division, Tax Policy Branch, Department of Finance):** We're here to discuss Bill C-2, an act to amend the Income Tax Act. The bill has three main components; first, changes to the personal income tax rates; second, changes consequential to the introduction of the new top marginal income tax rate; and third, restoring the TFSA to its previous level.

I'll first describe the personal income tax rate changes.

These amendments are in clause 1 of the bill.

First, this amendment reduces the second personal incomes tax rate to 20.5% from 22%. This reduced rate would take effect on January 1, 2016. For the 2016 taxation year, it would apply to income earned in excess of \$45,282 and up to \$90,563. These bracket thresholds are indexed to inflation for subsequent taxation years.

Second, this amendment introduces a new 33% personal income tax rate. This tax rate would apply to individual taxable income in excess of \$200,000 and would take effect on January 1, 2016. As with the other bracket thresholds, the \$200,000 threshold would be indexed to inflation.

A number of income tax rules either use the top personal income tax rate or use rates or formulas that reflect it. Clauses 2 to 8 and also 10 of the bill contain consequential amendments to a number of provisions that relate to the top marginal rate. In addition, the federal

budget tabled on March 22 announced a number of additional consequential amendments to be introduced in a future bill.

Individuals who make charitable donations to registered charities and other qualified donees may be eligible to claim a federal charitable donation tax credit. Annual donations of up to \$200 are entitled to a 15% tax credit rate. Donations in excess of \$200 are currently entitled to a 29% tax credit rate.

For gifts made after 2015, clause 3 of the bill would provide a 33% tax credit for donations in excess of \$200 to the extent that donors have income in the new top income tax rate bracket. Under the income tax rules, a special tax applies at the highest marginal tax rate to so-called split income paid or payable to a minor. In general terms, this tax is intended to prevent individuals who are taxed at the top marginal rate from diverting certain types of income to their children to be taxed at much lower rates.

Effective for the 2016 and subsequent taxation years, clauses 3 and 4 provide that the tax on split income will remain subject to the flat top rate taxation but at the new rate of 33%. Trusts, other than qualified disability trusts, and estates, other than graduated rate estates, currently pay tax at the top federal marginal tax rate applicable to individuals. Effective for the 2016 and subsequent taxation years, clause 5 provides that trusts and estates that are subject to this flat top rate taxation would be taxed at the new top rate of 33%.

Given that corporate tax rates generally are lower than personal tax rates, special refundable taxes are imposed on investment income of private corporations in order to limit the ability of individuals to defer taxation by holding investments in a private corporation. Clauses 6 to 8 provide that these refundable taxes and the related refund rate be increased effective January 1, 2016 to reflect the proposed new 33% personal income tax rate.

Most significantly, the refundable additional part 1 tax on investment income of Canadian-controlled private corporations often called CCPCs would be increased by four percentage points from 6 2/3% to 10 2/3%. The refundable portion of part 1 tax on investment income of CCPCs would be increased by four percentage points from 26 2/3% to 30 2/3%. The refundable part 4 tax on portfolio dividends received by private corporations would be increased by five percentage points from 33 1/3% to 38 1/3%. The rate at which refunds are made out of a private corporation's pool of refundable taxes previously paid, known as refundable dividend tax on hand, would be increased by five percentage points when it pays dividends. This is from 33 1/3% to 38 1/3% of dividends paid.

Finally, clause 9 of the bill returns the TFSA annual contribution limit to its previous level of \$5,500 from \$10,000 and reinstates indexation of the TFSA annual contribution limit. These changes would be effective for the 2016 and subsequent taxation years and would not affect the \$10,000 limit for 2015.

• (1105)

That's all. We'd be happy to answer any questions.

**The Chair:** Thank you very much, Mr. McGowan.

Go ahead, Steven.

[*Translation*]

**Mr. Steven MacKinnon (Gatineau, Lib.):** Thank you, Mr. Chair.

Gentlemen, thank you for being here with us today.

We are very happy to hear the good news that people in the middle class are going to benefit from a tax reduction in the course of the current taxation year.

I would first like to ask you what measures the Department of Finance has taken to ensure that Canadians are aware of the tax reductions they can benefit from this year.

**Mr. Miodrag Jovanovic (General Director, Tax Policy Branch, Department of Finance):** The Canada Revenue Agency has put a lot of information on its website to inform Canadians about this. The agency has also added links to the budget documents on the Department of Finance website.

Other communication strategies were put in place, but unfortunately I cannot provide you with more information for the moment because I do not have the details here. I can provide this later.

• (1110)

**Mr. Steven MacKinnon:** Could you also give the committee a broad outline of your communication plan to inform taxpayers, including measures taken by the Canada Revenue Agency in this regard?

**Mr. Miodrag Jovanovic:** Yes.

[*English*]

**Mr. Steven MacKinnon:** Political speeches are often made about tax cuts and other things. For the record, what is your estimate of how many people will benefit from this tax reduction? How much money will it mean to them?

**Mr. Miodrag Jovanovic:** There are nearly nine million Canadians who will benefit. The average benefit for single

individuals from moving from a 22% tax rate to a 20.5% tax rate is about \$330, and for couples it's about \$540 on an annual basis. As I said, nearly nine million Canadians will benefit.

The total amount of benefits that this represents for 2016-17 is about \$3.4 billion.

**Mr. Steven MacKinnon:** The overall tax reduction to Canadians, then, is \$3.4 billion.

**Mr. Miodrag Jovanovic:** The \$3.4 billion represents the tax reduction associated with reducing the second tax bracket from 22% to 20.5%.

**Mr. Steven MacKinnon:** Thank you.

Moving to the TFSA—sometimes a subject of some debate—we sometimes hear the allegation that a surprisingly large number of Canadians were able to save up to the annual limit of the TFSA.

Can you give us the exact numbers of your estimates or the actual numbers of Canadians who were able to save that \$11,000 in any given year?

**Mr. Miodrag Jovanovic:** What we have is, I believe, based on 2013 or 2014 data. Somewhat fewer than two million Canadians have been maximizing their TFSA limit since 2009. These are mainly individuals who have accumulated a certain amount of wealth in unsheltered tax accounts and can just transfer that wealth into TFSAs.

**Mr. Steven MacKinnon:** Thank you. You are anticipating my next question. What is the income profile of those who were able to max out their TFSAs?

**Mr. Miodrag Jovanovic:** We observed that more than half—between 55% and 60%—are individuals more than 60 years old, which is consistent with the fact that these individuals, probably throughout their lifetimes, have had more opportunities to save and end up with some unsheltered savings.

**Mr. Steven MacKinnon:** What is the take-up of Canadians with a profile of saving up to, say, the \$5,500 limit?

**Mr. Miodrag Jovanovic:** I'm sorry, the profile...?

**Mr. Steven MacKinnon:** Is it a much broader income profile for Canadians who are able to invest in a TFSA up to the \$5,500 level?

**Mr. Miodrag Jovanovic:** Well, the overall take-up based on adult population is between 40% and 45%, and it has been increasing year after year. It is spread across the income spectrum, when you look at the distribution.

**Mr. Steven MacKinnon:** How many Canadians do you believe would be affected by the decrease of TFSA limits from \$11,000 to \$5,500? Is it the two million?

**Mr. Miodrag Jovanovic:** Essentially, yes: those who have been able to maximize would no longer be able to put in that additional \$4,500. They would be the ones being penalized, basically.

**Mr. Steven MacKinnon:** Going back to the middle-class tax cut, in the Liberal platform there were some estimates of what that tax cut would cost and what the corresponding increase in the new top tax rate would cost. There was a discrepancy noted, and I think some debate has occurred over it. Could you explain the discrepancy in those various cost estimates?

• (1115)

**Mr. Miodrag Jovanovic:** Well, I know that the platform used some prudence factor in estimating the cost. What I can tell you in more detail is what Finance has done.

We also factored in a prudence factor, but the factor was a bit more conservative and is based on the literature review of the typical behaviour of particularly high-income individuals facing an income tax rate increase. In technical terms, if you will, we used what we call an elasticity factor of 0.4. This by and large means that if you increase the tax rate by 10%, individuals will react by reducing their income tax base by 4%—that's the relationship. We used that factor to come up with our cost estimate.

Similarly for the second tax bracket cut, we were a bit more conservative. We were not assuming any actual behavioural effect, because there was not enough support in the literature to justify using a behavioural effect there. We just took what we call our static cost estimate—not cost, but—

**The Chair:** Mr. MacKinnon, thank you both.

Ms. Raitt.

**Hon. Lisa Raitt (Milton, CPC):** Good morning.

My questions will be along two themes. The first is going to be along the line of what the middle class is actually getting in this tax measure. The other theme is going to be, what is the cost associated with this measure? Those are the two areas we're going to go through.

In terms of what the middle class is getting, I have the backgrounder from Finance Canada that you put out when the announcement was made in 2015. It says, "Single individuals who benefit will see an average tax reduction of \$330 each year, and couples who benefit will see an average tax reduction of \$540 every year".

Is that statistic still one that you're comfortable with and ascribe to?

**Mr. Miodrag Jovanovic:** Yes, it is.

**Hon. Lisa Raitt:** If we were to break that down, when we see the average tax reduction for couples, it's two. Maybe they'll have children and maybe they won't. But it's simple math. If you break it down, 540 divided by 365 is approximately \$1.48 a day in income tax savings. You can use your calculators. This is not a math test. Or you can take my word on it that I've done the calculation appropriately. So it's \$1.48 a day for a couple or a family of four. Does that make sense to you? For me what that says is that it's 75 cents a head if you don't have any children. That doesn't even buy you a cup of coffee today. That was my theme on that.

Also, in terms of the middle class, I understand fully the conversation with respect to TFSAs and the reduction. Has Finance Canada ever conducted a study on whether or not these TFSAs are being utilized as micro-sources of funding for small or medium-sized businesses? I don't have an ulterior motive on this question; with others I do, but not on this one.

I'll give you an example. You're a parent, you have a TFSA, you've been able to save up, and it's a pool of capital. Instead of your son or daughter starting up a small business by using their credit card, they come to mom and dad and ask to utilize his or her TFSA as their seed money.

Have you ever tracked anything like that in terms of understanding where TFSAs are being employed? I think that right now Canadians assume it's just a big pot of money that people are sitting on and saving. But presumably there must be some investment that goes back into society.

**Mr. Miodrag Jovanovic:** Indeed, a TFSA is used for many different reasons, and it was designed to be as flexible as it is to allow for these different motives. For instance, the fact that you can actually withdraw money and re-contribute what you withdrew is an important feature.

Unfortunately, we don't have details on savings motives... It would require some form of survey to answer that question, because we don't have that information. We don't collect that type of information. But clearly it's a vehicle or a tool that allows that.

• (1120)

**Hon. Lisa Raitt:** If you are a parent and you're asked to cash out your RRSPs, you take a tax cut on it. Or if you're using stocks or something, you get a capital gains issue. Therefore, it's not as easy a way to use as seed money for innovation and encourage small.... So that's where my point of view is on that.

On the second topic of the cost associated...obviously I read the parliamentary budget officer's report, and I'm sure you read it. One aspect I found interesting, with respect, had to do with the PBO's analysis that the change of tax charges is actually going to drag down real GDP in our country. What's your rebuttal to that?

**Mr. Miodrag Jovanovic:** You're going to have to give me a bit more detail; I'm not sure what you're referring to.

**Hon. Lisa Raitt:** On page 15 of the PBO report, it's the final table and it takes a look at comparing estimates of the economic impacts of budget measures. Personal income tax measures flatlined in 2016-17, but the PBO is estimating that there's going to be a drag, a negative impact, on real GDP as a result of this personal income tax change that the government has introduced and is seeking passage of.

**Mr. Miodrag Jovanovic:** First of all, I can provide you with the multipliers that have been used by the Department of Finance for personal income tax measures, which are basically 0.2 over the short term and 0.6 over the longer term. These are relatively low multipliers, and if you apply them to the net personal income tax measure effect in dollar value, which for 2016-17 is about \$1.3 billion, I assume you end up with less than 0.5% percentage points, which probably explains this. When you round that, you get to the zero in this publication.

**Hon. Lisa Raitt:** You're showing zero in 2017-18 and they're showing a negative impact on real GDP. Presumably if this tax change is being sold on the notion that we're going to stimulate the economy, the parliamentary budget officer says that this theory is incorrect.

**Mr. Miodrag Jovanovic:** That's what the PBO is saying.

**Hon. Lisa Raitt:** Yes, and your analysis is that, at best, it has zero effect on stimulus.

**Mr. Miodrag Jovanovic:** Yes, when you round out, it's zero.

**Hon. Lisa Raitt:** Can I ask a question about the interplay of provincial tax charges and federal tax charges, again along the theme of what it is that Canadians are getting for this tax change? I'm very interested to read a lot about whether or not going over that marginal rate of total taxation over 50% is something that is almost a psychological barrier for a lot of people, and sometimes they take lifelong decisions on the basis of it. Which provinces will now have a taxation rate that is in excess of 50% as a result of this tax change?

**Mr. Miodrag Jovanovic:** It's going to be New Brunswick, Nova Scotia, Ontario, Quebec, P.E.I., and Manitoba.

**The Chair:** Thank you both. You're a little over.

Mr. Caron.

[*Translation*]

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Thank you, Mr. Chair.

Mr. Jovanovic, I would like to begin by confirming certain figures with you.

Let's talk about the cut to the second tax bracket.

A person whose income is under \$45,000 will not benefit in any way from the tax cut. Let's take the Statistics Canada figures for non-economic family members, who are generally single people. There will be absolutely nothing for the first seven deciles, that is to say the 70% of the population with the lowest incomes. The average income of the eighth decile was \$52,600 in 2013. So, a few people in this 70% to 80% will benefit from a tax reduction, but all of those below that will get nothing. Are we in agreement up till now? You seem to acquiesce.

The government says that nine million taxpayers will benefit from a tax reduction. According to my calculations, 18 million taxpayers are under that threshold and will not see a tax reduction under this bill. Once again, correct me if I am wrong.

You have probably seen the report of the Parliamentary Budget Officer I requested. This is what he concluded. If we were to reduce the first tax bracket, this would affect 83% of taxpayers. However,

the percentage of taxpayers affected by the decrease in Bill C-2 is far lower, since it is approximately 30%.

Have you evaluated the impact of a 1% cut to the first tax bracket rather than a 1.5% reduction of the second bracket, as proposed in Bill C-2?

• (1125)

[*English*]

**Mr. Miodrag Jovanovic:** Thank you.

[*Translation*]

I cannot really speak to the other options that were discussed with the minister. However, I can say that the objective of this measure is to rebalance the progressive income tax system so that the progressivity is more effective.

**Mr. Guy Caron:** I will stop you here. We often hear about the middle class and there are one or two questions in that regard. What would your definition be? Could you summarize it in 30 seconds?

**Mr. Miodrag Jovanovic:** The Department of Finance does not have a definition of the middle class. It is a generic term.

**Mr. Guy Caron:** If I proposed one to you, could you tell me whether it is consistent, at the very least?

Let's take Canadian incomes in their totality and exclude the 20% of the population with the lowest incomes as well as the 20% with the highest incomes. The middle class would be made up of the remaining 60% between the two. Does that definition make sense to you?

**Mr. Miodrag Jovanovic:** There is no common definition of the middle class because it is very difficult to define it. It varies enormously by region and the age of the individuals and whether or not they have reached their maximum income cycles.

You used the national income distribution, but someone in the middle class living in downtown Toronto would have to have a much higher income than someone in the middle class living in a rural area.

**Mr. Guy Caron:** I agree entirely. However, someone who lives in Toronto or in a rural area will receive the same income tax reduction, depending on their salary. When we talk about the Canadian distribution, we are talking about an aggregate. I think that we can talk about taxpayers as a whole.

According to Statistics Canada figures, the average for the third income decile is \$17,800 and that of the eighth decile is \$52,600. If you include the 20% with the highest incomes and the poorest 20%, you could define the middle class as people who earn between \$17,800 and \$52,600. However, the income tax reduction in Bill C-2 really begins to apply around \$45,000.

Once again, you can confirm what I am saying. We really reach the maximum income tax reduction as of the third bracket, that is to say the one that applies to people who earn between \$89,000 and \$90,000. Those people and those who earn up to \$200,000 will benefit from the maximum income tax reduction.

**Mr. Miodrag Jovanovic:** I would like to get back to the objective of the policy, which is to rebalance the income tax system

First, 35% of the people in Canada who file a tax return do not pay any income tax. So the first two quintiles are already made up of people who do not pay any income tax at all.

Then let's take the people who are in the first federal income tax bracket of 15%. They are still at the income level where they benefit from several advantages, for instance child tax credits or other direct credits.

**Mr. Guy Caron:** The ones in that bracket are mainly single people.

**Mr. Miodrag Jovanovic:** Single people are entitled to the GST tax credit, for instance.

**Mr. Guy Caron:** Of course, I agree with that, except that many of the tax credits they are entitled to are not refundable.

**Mr. Miodrag Jovanovic:** If you take into account the advantages individuals in the first tax bracket get, the net tax rate is very favourable. It is not high.

It is often in the second tax bracket that individuals and families begin to lose their advantages. At that point, the effective tax rates are higher. We made the decision to increase marginal tax rates to rebalance the system around the middle. Other measures were taken by the government to provide more assistance to people with lower incomes. It is a government policy.

• (1130)

**Mr. Guy Caron:** I understand what you are saying. That is why I was excluding the 20% with the lowest incomes and the 20% with the highest incomes. You then have 60% of Canadians left.

If you want to start with the third bracket, and exclude the poorest 30% and the richest 30%, which leaves the 40% in the middle class, this would mean that absolutely no one who earns between \$21,900 and \$42,600 will have a tax reduction.

We are talking about the middle class and nine million taxpayers, but there will be 18 million taxpayers who will not benefit from any tax reduction. They will get nothing. That is why I asked the Parliamentary Budget Officer for the study. I wanted to make sure that we would understand the distribution if there were a change that would affect the first tax bracket.

According to the two definitions I gave you of the middle class, taxpayers would see some benefit. But in this case, you are increasing the taxation rate for about 1% of the population to give this back to 30% of the population, which leaves the other 70% with nothing.

Do you disagree with what I have just said?

**Mr. Miodrag Jovanovic:** I would like to close with this. The first two quintiles do not pay any income tax. If we are talking about a tax reduction, it is rather normal that...

**Mr. Guy Caron:** I am already excluding them. I am not talking about them.

**Mr. Miodrag Jovanovic:** Moreover, the nine million people who will benefit from a tax reduction represent three quarters of those who are in the second bracket.

**Mr. Guy Caron:** You have not refuted my figure of 18 million people who will not benefit.

[English]

**The Chair:** I am going to have to cut you off there, Guy.

Mr. Jovanovic, do you want to finish?

[Translation]

**Mr. Miodrag Jovanovic:** I would simply like to confirm that in the first tax bracket, there are 8.7 million people.

[English]

**The Chair:** Thank you, both.

Mr. Sorbara, go ahead.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Good morning, everyone. I feel reminiscent this morning. I think I'm back in graduate school, talking about fiscal multipliers and models from the University of Toronto, so I'm having a bit of a sense of déjà vu this morning.

On a big-picture basis, I think it's great when we put more money back into the hands of hard-working Canadians. I think that's where taxpayers' money needs to be, back to Canadian workers.

We have cut taxes for nine million Canadians, and they will benefit this year. Nine million Canadians will have lower taxes and more disposable income. It behooves us to emphasize that the average person will receive \$330, and on a per couple basis, \$540. On top of that, we are introducing this wonderful Canada child benefit, which will be transformational for literally millions of families and benefit nine out of 10 families in Canada. I think it will result in \$23 billion in payments that will come from the CCB in fiscal 2016-17.

First of all, I have a couple of comments. The fiscal multipliers are open to a lot of interpretation—you may use one number, or you may use another number. There are lots of estimates. There is also a thing called the “animal spirits”, from my understanding. Overall, consumer psychology is that if you put more money in the hands of consumers, they tend to feel better and they tend to go out and spend. That's what I would assume.

I would just like to say that, in general, it is better to have lower income tax rates than higher income tax rates. Would we not agree on that?

**An hon. member:** The Conservative Party sure agrees.

**Mr. Francesco Sorbara:** In general, it would be better to have a progressive taxation system as well.

May I ask, what is the actual inflection point for someone making over \$200,000 where they will actually pay higher income taxes?

**Mr. Miodrag Jovanovic:** At \$217,000.

**Mr. Francesco Sorbara:** Someone making over \$217,000, after incorporating the 7% income tax cut on that second tax bracket, will actually face a higher income tax level at \$217,000, which I understand is actually indexed to inflation, so next year it'll probably be at \$220,000, give or take what the number comes out at. Someone making more than \$220,000 in this great country of Canada will pay a little more in income tax. But \$220,000 is a substantial amount of money for most Canadians. Is that not correct?

• (1135)

**Mr. Miodrag Jovanovic:** Yes.

**Mr. Francesco Sorbara:** In terms of the number of filers above \$220,000, what percentage would that be?

**Mr. Miodrag Jovanovic:** It's a bit more than 1%, roughly 1%.

**Mr. Francesco Sorbara:** So 1% of filers, okay. I just wanted to get that out there.

In terms of the TFSA, many Canadians use that as a saving vehicle. Let's be frank, most people who were using or benefited from the \$10,000 limit were upper-income folks, or folks who had a substantial amount of savings. A young family starting out just wouldn't have that disposable income. I think your profile, or the profile that I've come to understand in terms of who was putting away money for TFSA savings, fits that profile. Is that not a fair statement?

**Mr. Miodrag Jovanovic:** Well...

**The Chair:** I think, Francesco, they don't want to answer from the political side of the equation. They will answer from the policy side of the equation.

**Mr. Francesco Sorbara:** Okay. For the individuals saving in a TFSA account, can we look at their income profile, please?

**Mr. Miodrag Jovanovic:** Yes. The participation rate, maybe that's one way to look at that—

**Mr. Francesco Sorbara:** Sure, that would be fine.

**Mr. Miodrag Jovanovic:** The participation rate of individuals, for instance, earning between \$20,000 and \$40,000 is about 40%, so it's a good participation rate in that level of income. The participation rate does increase somewhat with income, and it reaches about 67% for those earning more than \$250,000—

**Mr. Francesco Sorbara:** For those who are able to maximize the actual limit at that \$10,000 level, where it was, and we returned it to the \$5,500 level?

**Mr. Miodrag Jovanovic:** About 60% of those maximizers have incomes less than \$60,000.

**Mr. Francesco Sorbara:** I'd just like to talk about the second income tax bracket, because you brought up a very good point, and I did miss the exact percentage. What percentage of tax filers are actually, effectively, not paying tax?

**Mr. Miodrag Jovanovic:** Thirty-five per cent.

**Mr. Francesco Sorbara:** Thirty-five per cent. Effectively, when you go from the first tax bracket, if I remember my old CICA days, to the second tax bracket, as you said, you tend to lose a lot of the credits and benefits that are available for, say, low-income Canadians. Is that correct?

**Mr. Miodrag Jovanovic:** Yes, that is correct.

**Mr. Francesco Sorbara:** Effectively, it would make a lot of sense, from a tax standpoint, to reduce that second income tax bracket because, in my view, to cut that second income tax bracket benefits those middle-income families who may not qualify— say, if it's from income-tested means, or so forth—for those benefits or credits that are available for low-income Canadians. You don't have to comment because it's more of a statement.

**The Chair:** Thank you.

Mr. McColeman.

**Mr. Phil McColeman (Brantford—Brant, CPC):** Thank you.

How many Canadians have opened TFSAs?

**Mr. Miodrag Jovanovic:** Roughly 11 million.

**Mr. Phil McColeman:** Eleven million Canadians have opened TFSAs.

I just want to confirm that I'm clear on this. The rule of TFSAs is that if you don't use a portion of them, they accumulate, and you can use them anywhere down the road. Is that correct?

**Mr. Miodrag Jovanovic:** That is correct.

**Mr. Phil McColeman:** A person contemplating saving money once they're in their job maybe for 10 years, and going into the latter part, I think the demographics makes sense, in terms of maximization. I think a lot of Canadians—and I'll editorialize here—have the goal of saving money in TFSAs, by 11 million Canadians saving in them or having opened them. I'd just like to clarify the numbers for the middle-class tax cut. My colleague verified that you agreed with 75¢ a day per individual in a couple situation would be the average savings. Is that correct? I didn't hear you say that was correct.

• (1140)

**Mr. Miodrag Jovanovic:** I haven't made the calculation myself.

**Mr. Phil McColeman:** You divide the number by 365 days in the year. That's how we get to that math.

Is that correct?

**Mr. Miodrag Jovanovic:** I assume that you did the calculation correctly. I can't confirm because I haven't done it.

**Mr. Phil McColeman:** Okay, so 75¢.

And on the individual side, I did the math, of \$330.

Is that the number you said was the average for a single individual?

**Mr. Miodrag Jovanovic:** Yes.

**Mr. Phil McColeman:** It's 90¢ per day.

Could I have you confirm that is correct?

**Mr. Miodrag Jovanovic:** You want me to do the calculation and confirm?

**Mr. Phil McColeman:** No, just approximately—

**Mr. Miodrag Jovanovic:** It looks like 330 divided by 365, in all logic, is below a dollar.

**Mr. Phil McColeman:** —330 divided by 365 is 90¢ a day.

Currently, there's a whole suite of tax changes that are occurring in the budget documents. I'm not here to ask you specifics on those because I know we're talking about C2, but it does relate to C2. As my colleague said over here, he brought up the child tax credit, which he used.



Is your department right now considering how families will end up or individuals or couples, the whole mix of the demographic, and how this will affect all of the changes made, meaning the taxes that are taken away that the budget has proposed and the new credits that are given, along with the changes in C2? Have you looked through the math in terms of whether this will mean more income or less income for certain categories of Canadians?

**Mr. Miodrag Jovanovic:** We do have a calculation, a number here.

If you take the new Canada child benefit into account, combined with the middle-class tax cut, and also take into account the repeal of the family tax cut and of the children's fitness tax credit and arts tax credit with it, all that net would provide about \$14 billion in net benefit over the 2015-16 to 2020-21 periods to families with children.

**Mr. Phil McColeman:** That divided by different amounts, depending on your income level—even though we can't define what middle class is from a taxation point of view—would break down differently on the different math scales. Correct?

I don't need you to answer that.

I'd like to use the last minute of my time, Chair, to introduce a motion. My motion is:

That the Committee invite the Honourable Bill Morneau, the Minister of Finance, and officials from the Department of Finance, to testify about the Main Estimates 2016-17 on or before May 20th, 2016.

Mr. Chair, I put that motion on the floor.

**The Chair:** You're putting it on the floor now?

**Mr. Phil McColeman:** Yes.

**The Chair:** Can we have it later in motions as well?

The motion is in order, as I understand.

The notice was given.

Is there any discussion on that? I think what's being called for is the Minister of Finance and officials on main estimates.

**Mr. Phil McColeman:** I have copies of the motion.

**The Chair:** Does anybody need copies? I think you've seen it anyway.

Any discussion?

Go ahead, Ms. O'Connell.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thank you, Mr. Chair.

Sorry, I have no issue, it's just the date. Is there flexibility keeping in mind the minister's schedule?

**Mr. Phil McColeman:** The reason for May 20 is that we have to have this done by May 31. There is a deadline on this, and we have a break week in there. We're thinking May 20 is reasonable given the fact that gives 11 days to our deadline and consideration of the break week.

• (1145)

**The Chair:** That is the last week we sit before the break week. Phil is right, the deadline on estimates is May 31.

**Ms. Jennifer O'Connell:** Mr. Chair, to be clear, it's any time that's the end—

**Mr. Phil McColeman:** Up to May 20.

The motion calls for the minister to appear before the committee on the main estimates on or before May 20.

**Ms. Jennifer O'Connell:** Okay, thank you.

**The Chair:** Any further discussions?

Mr. Ouellette, and then we'll call the question.

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** I'd just like to say that I wish we could have brought this motion after the witnesses were done appearing, because we are taking time away from when we could be hearing their testimony. I understand; I have nothing against it—I think it's a great idea—but I'd prefer that we be able to hear from the witnesses.

I won't take up any more of their time, because they are here—

**The Chair:** Okay. The point is noted.

(Motion agreed to)

**The Chair:** Turning back to the witnesses, we go to Ms. O'Connell.

You have five minutes.

**Ms. Jennifer O'Connell:** Thank you, Mr. Chair.

Thank you and welcome.

I'm somewhat confused by the line of questioning from the opposition, in the sense that the tax break—the \$3.4 billion tax reduction—is not quite good enough; yet I've heard that spending an additional \$210 million per year for the approximately two million people who take advantage of the TFSA....

Which is it? Do you want the tax reduction or spending \$210 million more for only two million people who actually take advantage of that?

Are my numbers correct, in the sense that I heard you correctly; that it's only approximately two million who take advantage of maximizing the former amount of the TFSA?

**Mr. Miodrag Jovanovic:** Yes.

**Ms. Jennifer O'Connell:** Thank you.

Am I correct that the savings from that change is \$210 million?

**Mr. Miodrag Jovanovic:** For 2016-2017, yes....

I'm sorry; it goes from about \$80 million in 2016-17 to \$330 million in 2020-21.

**Ms. Jennifer O'Connell:** It's \$330 million—even more.

Thank you.

In regard to the question of my colleague from the NDP, something we haven't actually talked about or highlighted that I think is really important is that it's not only the reduction in that second bracket, but actually the expansion of the lower brackets themselves.

For example, in the first marginal tax rate bracket of 15% the highest income is going from \$40,726 to \$45,282. If you look at it, even in that bracket we're now actually expanding those who are taking advantage of the lowest tax rate.

**Mr. Miodrag Jovanovic:** Yes. These brackets are indexed to inflation, so yes, they increase on that basis year after year.

**Ms. Jennifer O'Connell:** Right, but as you go down, it's not only that reduction in the second tax rate; all of the lower rates have been expanded, so that more people are captured in that lower income.

As I said, we haven't really talked about the fact that there are more people now who are able to take advantage of the lowest rate or, then, the middle rate. In fact, even when you look at the fourth tax rate, it has expanded again, so fewer people are within it.

Have you done an analysis on how many people this actually helps, just that expansion in the lower rates?

**Mr. Trevor McGowan:** I think I can answer that.

The updated numbers in the new tax bracket setting up the various thresholds are the numbers for 2016, and the previous numbers, reflected in the act, were for the 2009 taxation year and were automatically increased by another provision as a result of indexation. The figures that are reflected in the bill, then, are the ones for 2016 that would have been in place anyway, but with the introduction of a new \$200,000 top threshold, the thinking was that it would be clearer to express all of the thresholds in terms of the 2016 numbers, so that there weren't some numbers for 2009 and some for 2016. They have all been brought up to their 2016 levels, which is where they would have been.

• (1150)

**Ms. Jennifer O'Connell:** In terms of the increase in that top marginal rate, if you look at the average top 1.4% of those earners, you've indicated it's approximately \$5,200 a year. For those making in the top 1% of the over \$200,000, that works out to be about \$14 a day. That's the increase to save \$3.4 billion for approximately nine million Canadians.

I know you haven't done that calculation, but if we're looking at it, if we're breaking it down, that \$5,200, approximately, for the average top 1.4%, that's what this increase means—approximately \$14.

Again, you can't confirm unless you've done that calculation...but taking the same logic, the \$5,200 divided by 365 days.

Thank you.

**The Chair:** We'll accept your figures.

Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Thank you.

I just want to, for my own benefit, confirm some numbers.

In round numbers, how many Canadians do not pay taxes?

**Mr. Miodrag Jovanovic:** It's almost 10 million.

**Mr. Ron Liepert:** Then we have, if I read it correctly, three tax brackets.

**Mr. Miodrag Jovanovic:** We have the 15%, the 20.5%, the 26%, the 29%, and the proposed 33%.

**Mr. Ron Liepert:** Do you have the breakdown in those?

**Mr. Miodrag Jovanovic:** Yes, I do.

In number of individuals, or shared?

**Mr. Ron Liepert:** No, I'd like the number of Canadians.

**Mr. Miodrag Jovanovic:** Okay, the number of Canadians. In the first bracket, about 8.7 million. In the second bracket, about 7.1 million. In the third bracket, about 1.8 million. In the fourth bracket, which is between about \$140,000 and \$200,000, about 0.5 million. And over \$200,000, it's about 0.4 million.

**Mr. Ron Liepert:** Just to go back, we had the number of \$3.4 billion relative to what this will cost Treasury. At one point in time, it was deemed this would be a revenue-neutral tax change. Can you confirm for me the latest estimate to increase that upper level in aggregate terms on an annual basis? How much extra are you anticipating will be brought in, in 2016?

**Mr. Miodrag Jovanovic:** In 2016-17 we expect that the revenues coming from the new 33% tax rate will be about \$2 billion. In the same year we expect the reduction in the second bracket will cost about \$3.4 billion, so that there's a net cost of about \$1.4 billion.

**Mr. Ron Liepert:** Going forward, what are your estimates? Does that \$1.4 billion start to increase? Where do you project that?

**Mr. Miodrag Jovanovic:** It is projected to go up to about \$1.7 billion by 2020-21.

**Mr. Ron Liepert:** Have you made any calculations? I know you mentioned earlier about elasticity. A lot was made recently about a high taxpayer, a well-known Liberal in Calgary named Murray Edwards, who has relocated to London allegedly for tax reasons.

Have you made any calculations on the next five years on what this...and combined with that, your earlier comments about the now-exceeding 50% rate when you combine provincial and federal taxes for the higher level? Have you done any calculations? Are you projecting that elasticity might increase?

• (1155)

**Mr. Miodrag Jovanovic:** We're confident the 0.4% elasticity, from our point of view, is the appropriate measure. The decision to relocate is often seen...it's obviously influenced by the marginal rate, but it's also because it's a discrete decision. It's also influenced by the average tax rate you're going to face, along with the cost of other benefits like health and all that.

Just to give you an idea, if you have \$300,000 of income, following this new 33% rate, your average tax rate will increase by about 1.1%, assuming all your income is ordinary income. That's different from the marginal rate of 4%. It's 1%. I want to highlight the fact that we're not saying these individuals with higher income would only face on average a 4 percentage point higher tax rate. I mean, it's gradual. It's a progressive system.

**Mr. Ron Liepert:** I need to clarify, there were a lot of numbers thrown around on TFSAs, but did I hear you correctly that you said 11 million Canadians currently have opened TFSAs?

**Mr. Miodrag Jovanovic:** I have some numbers. Based on 2013, it's 10.7 million.

**Mr. Ron Liepert:** That's the number.

Did I hear you say that 60% had maximized their...?

**Mr. Miodrag Jovanovic:** Two million out of these 10.7, or almost 11 million.

**Mr. Ron Liepert:** I heard 60% somewhere, but that wouldn't be 60%.

**Mr. Miodrag Jovanovic:** The 60% I used was that 60% of these maximizers have incomes below \$60,000.

**The Chair:** I'll have to stop you there Ron. You're substantially over time.

Mr. Grewal, and Mr. Ouellette, I think you wanted to split your time, but we will have ample time if you want to go to a complete round.

Mr. Grewal first. If you want to take the five, we have until 12:30.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair, and thank you for your testimony this morning.

I have a hypothetical situation for you, and hopefully you'll be able to answer it.

Assuming you're a family that's going to benefit the maximum from the middle-income tax cut, and in that corresponding tax bracket, let's say you made \$60,000. You have two children under the age of six, and you're also going to benefit from the Canada child benefit. How much more money are you going to get because of Bill C-2?

**Mr. Miodrag Jovanovic:** There's a bit of calculation involved in this question.

**Mr. Raj Grewal:** I mean, use your best guesstimate.

**Mr. Miodrag Jovanovic:** I don't want to guess here. What I can tell you is if it's a two-earner family, and they both earn \$60,000—

**Mr. Raj Grewal:** No. Household income.

**Mr. Miodrag Jovanovic:** The household income is \$60,000? If it's a one-earner family at \$60,000? It's going to depend on whether it's a one-earner or a two-earner family.

**Mr. Raj Grewal:** Okay. In your estimation, how many Canadians will benefit from the middle-income tax cut and the Canada child benefit?

**Mr. Miodrag Jovanovic:** There are about nine million individuals benefiting from the middle-class tax cut. There are roughly 3.6 million families that will benefit from the CCB. On one hand it's individuals, and on the other hand it's families.

**Mr. Raj Grewal:** Are there calculations on the overlap, so people are going to get...?

**Mr. Miodrag Jovanovic:** I don't have the numbers with me. I can certainly get back to you on this.

**Mr. Raj Grewal:** That would be great. That would be an interesting number to delve into.

There's been a lot of discussion around north of \$217,000, people assume that there's less of an incentive to work hard and earn more money because you're spending so much in taxation. Only 1% of Canada's population will be affected by the policy change at the top. Are there any studies anywhere in the world that suggest at what number people are deterred to make more money?

• (1200)

**Mr. Miodrag Jovanovic:** It's a tough question. It's a question that has been looked at somewhat in literature.

What we know for sure is that as your income goes up, you are more sensitive to a tax rate change. Clearly that's what studies are telling you.

The second thing is that we know the reaction is coming from two channels. The first one is you may work less, so that's the real economic effect of it. The second channel is that you may be a bit more aggressive in your tax planning. The key question is how do you distinguish between less work effort and tax planning? There are a number of studies out there that use techniques such as comparing elasticities using gross income, so not your taxable income, but before deductions and everything. It's suggested it's less of a planning versus the elasticity of the taxable income. The suggestion is that there is less elasticity when you use gross income as opposed to taxable income. We suggest that potentially the tax planning channel is more important than the less work effort channel.

**Mr. Raj Grewal:** How does Canada's top marginal rate—again, for people who make more than \$217,000—compare to other countries around the world?

**Mr. Miodrag Jovanovic:** I know of about 20 out of 34 OECD countries that raised their top tax rates in 2009, so there is a bit of a global movement. I have a list of countries. They are well-known countries.

**Mr. Raj Grewal:** Where do we fall in the pack?

**Mr. Miodrag Jovanovic:** We are roughly in the middle. I don't think we are exactly in the middle.

Sorry, I don't have the average OECD rate. That's something else we can provide.

**Mr. Raj Grewal:** Perfect. That would be great.

**The Chair:** Mr. Caron, you have three minutes.

[Translation]

**Mr. Guy Caron:** When you answered my previous questions, you mentioned that those who earn less than \$45,000—which represents the threshold where the tax reduction begins to apply—enjoy a series of tax measures like tax credits or GST credits, for instance.

Do you have some idea of the credits people who earn, let us say, between \$30,000 and \$40,000 a year get? This is under the threshold that entitles you to the reduction.

The lack of tax cut could perhaps be compensated by the totality of the credits. For instance, what is the maximum GST credit?

**Mr. Miodrag Jovanovic:** I do not have the thresholds for the GST in detail. It also depends on the family situation, of course.

**Mr. Guy Caron:** Yes.

**Mr. Miodrag Jovanovic:** We can also provide that information.

**Mr. Guy Caron:** I would very much like to have those figures.

You have seen the Parliamentary Budget Officer's report on the fiscal impact of the tax reduction and the comparison with a reduction in the first bracket. You read the document on this.

Generally speaking, do you agree with the document? We can always talk about differences in the models used, but generally speaking, do you agree with the conclusions of the Parliamentary Budget Officer? Are there points in it you do not agree with?

**Mr. Miodrag Jovanovic:** You would have to ask me a more specific question on one of the aspects of the report.

**Mr. Guy Caron:** Is the methodology adequate? Do you agree with the methodology used by the Parliamentary Budget Officer?

**Mr. Miodrag Jovanovic:** The methodology to arrive at which—

**Mr. Guy Caron:** I am talking about the methodology used to arrive at his conclusions as a whole. Let me rephrase my question. Are there parts of the report you do not accept?

**Mr. Miodrag Jovanovic:** Are you talking about the report the Parliamentary Budget Officer produced concerning the cost of the tax reduction for the middle class?

**Mr. Guy Caron:** Exactly. In fact, I can even specify that it is the one I had asked for, which was published on January 21.

• (1205)

**Mr. Miodrag Jovanovic:** The figures of the Parliamentary Budget Officer differ from ours by about 10%. If I am not mistaken, he uses the Social Policy Simulation Database and Model. It is a model that is available at Statistics Canada and which is probably not as precise as the administrative base used at the Department of Finance. There are a few differences that are among other things probably caused by the sources of the data. However, in general, his results were not very far from ours.

**Mr. Guy Caron:** Fine.

[*English*]

**The Chair:** Make it quick, Guy.

[*Translation*]

**Mr. Guy Caron:** I would like to go back very quickly to the TFSA.

Once again, on the matter of the TFSA, I am basing my comments on the report of the Parliamentary Budget Officer and on the general fiscal impact of the changes that had been proposed by the Conservative government. These changes generated an interesting figure as to their long-term impact on the GDP.

For the years 2050, 2060, 2070 and 2080, the Parliamentary Budget Officer forecast a tax cost of approximately 0.6% to 0.7% of the GDP. These tax expenditures would have been generated by the increase in the maximum contribution to TFSAs. Do you remember those figures?

**Mr. Miodrag Jovanovic:** Yes.

**Mr. Guy Caron:** Do you arrive at the same conclusion?

**Mr. Miodrag Jovanovic:** I can't really comment on that. We have no point of comparison up to 2080.

**Mr. Guy Caron:** Have you done such a study? Are the data on this impact available from the Department of Finance?

**Mr. Miodrag Jovanovic:** Yes. In fact, we mentioned that in 2009, when the government created the TFSA, we were talking about a cost, in current dollars, of \$3 billion over 20 years. I could let you know what this means in terms of the GDP. That is how we present it. However, I don't want to give you any figures right now, in case I am mistaken.

**Mr. Guy Caron:** I would really appreciate your sending them to us eventually.

Thank you.

[*English*]

**The Chair:** Thank you.

We'll turn to Mr. Ouellette, for five minutes.

[*Translation*]

**Mr. Robert-Falcon Ouellette:** Thank you very much, Mr. Chair.

I simply want to mention that out of 11 million people, only 6.7% of Canadians have reached the TFSA deposit ceiling. It is important to have a balanced retirement system. The TFSA is an important tool for retirement planning, but we must not forget that 23 million Canadians do not have a TFSA.

[*English*]

I'd like to just ask a question, though.

To what extent is it likely that the proposed reduction in the second marginal tax rate would result in an increased household consumption? If consumption were to increase, what would be the expected impact on economic growth?

**Mr. Miodrag Jovanovic:** The multiplier used by Finance for this type of tax reduction is about 0.2 over the short term and 0.6 over the long term. Compared with other multipliers, it's relatively smaller. The net amount of benefits, which is about \$1.4 billion, provided through that tax cut using that multiplier would not, I think, lead to a very significant proportion of GDP. It would probably be rounded to almost zero. That's all I can tell you.

**Mr. Robert-Falcon Ouellette:** Have any studies been done of the likely extent to which high-income earners would engage in tax avoidance strategies in the event that the proposed top marginal personal income tax rate of 33% is enacted? What would be the most likely tax avoidance strategies, and what are the likely federal responses, if the extent of tax avoidance grows?

**Mr. Miodrag Jovanovic:** By using for analysis that 0.4, we are capturing the possibility of taxpayers using different strategies to try to avoid or delay their tax liabilities.

There are very simple and common ways to do it. For instance, if you're a small business owner, you can retain a bit more of your income in your corporation and decide to delay the distribution a bit. You can decide to postpone particular transactions that would have led to capital gains realization. You can decide to change your savings portfolio composition to a bit less interest income and a bit more capital gains and a bit more dividends. There are a number of ways you can do it without even appearing very aggressive.

You also have probably other moves. You can start using a bit more of some special features of the tax system that are allowed to you, either because there's a special credit or it allows you to delay the realization of income.

• (1210)

**The Chair:** Thank you, Mr. Jovanovic.

Mr. Aboultaif.

**Mr. Ziad Aboultaif (Edmonton Manning, CPC):** I have a question on income over \$217,000. What would the financial impact be on revenue for the upcoming years, starting in 2016-17 and going onward? Can you advise us on this number, please?

**Mr. Miodrag Jovanovic:** The revenues generated by the 33% tax rate would be about \$2 billion in 2016-17, \$2.155 billion the following year, \$2.295 billion in 2018-19, \$2.44 billion in 2020, and \$2.59 billion in 2020-21.

**Mr. Ziad Aboultaif:** Do you have any explanation for those increases which are very little for the second year after 2016-2017, a big jump for the year after, then a drop, then almost level?

Is there any calculation that down the road these incomes may drop and that the final income will be less than what you've anticipated?

**Mr. Miodrag Jovanovic:** Sorry, the income expected is about \$2 billion in 2016-2017, and it goes up to \$2.6 billion in 2020-2021.

**Mr. Ziad Aboultaif:** I understand that. Although there is, as I said, a small increase in the second year, and a bigger increase in the third year, which is about a 30% jump from the year before, have you calculated that maybe those incomes, those reported incomes of \$217,000 plus, could be less than anticipated coming into the system? In other words, do we see a drop in income down the road? Have you taken that into the calculation at some point?

**Mr. Miodrag Jovanovic:** This is based on the Department of Finance's projection of different types of income sources, for instance, dividend income, capital gains income, and, ordinary interest income or wage.

The \$200,000 bracket will be indexed to inflation, however, these sources of income tend to have growth rates beyond inflation. There will be what we call a bit of bracket creeping, that is, individuals who would see higher tax being paid just because their sources of income have increased at a pace that is greater than the indexation, so they will pay a bit more. Therefore, the acceleration factor you may see is in part due to that aspect of the methodology or the assumptions.

**Mr. Ziad Aboultaif:** I have another question. You mentioned that 0.4 million Canadians would be disqualified for this, or they're in that \$217,000 income plus. What percentage of these people are small business owners?

**Mr. Miodrag Jovanovic:** I don't have the data with me. This is something we can probably try to assess.

**Mr. Ziad Aboultaif:** We would appreciate something back on that at some point, if that's okay.

**The Chair:** Okay and thank you, Mr. Aboultaif.

Mr. Caron.

[Translation]

**Mr. Guy Caron:** Thank you very much, Mr. Chair.

We are talking about a lot of figures today and I know that it is probably not easy. Nevertheless, this is an important issue which involves the perception Canadians have of the tax system, especially as regards what has been presented as a tax reduction for the middle class.

I have been a bit hard with my questions and I apologize for that. This debate is necessary in my opinion and we had not yet had it. No matter whether they are in Toronto, Montreal, Rimouski or Saskatoon, those whose annual income falls between \$35,000 and \$45,000 are in my opinion members of the middle class. It would be difficult to claim otherwise.

According to the Parliamentary Budget Officer, people whose income constitutes 40% to 50% of income in Canada as a whole benefit from an average reduction of \$21, whereas those whose income is in the highest 80% to 90% of incomes will benefit from an average reduction of \$287. In my opinion, that is a problem. You are granting a tax reduction which is of more benefit to those with the highest 20% to 30% of incomes. In fact, the high-income group that makes up 20% of the Canadian population is going to enjoy the maximum reduction, as compared to the top 1% group.

If we had gone from 15% to 14%, can you confirm that approximately 80%—my figures indicate that it is in fact 83%—of taxpayers would have benefited from a reduction?

• (1215)

**Mr. Miodrag Jovanovic:** What I can say is that 8.7 million taxpayers, or 31% of the population, are in the first tax bracket.

**Mr. Guy Caron:** We have to consider that the population whose income is at a level where they do not pay tax are Canadians who will not benefit from the tax cut for the middle class.

Can you tell me what proportion of Canadians are below the first bracket?

**Mr. Miodrag Jovanovic:** Thirty-five per cent of Canadians do not pay tax.

**Mr. Guy Caron:** Thirty-five per cent, you say. What percentage is in the first bracket?

**Mr. Miodrag Jovanovic:** Thirty-one per cent.

**Mr. Guy Caron:** So that is 66% of the population that will not get a penny from the tax cut. In my opinion, this is fundamental. You mentioned, and your argument is entirely valid, that among those people, some benefit from tax credits. Some are refundable and others are not, like the GST credit, for instance. That will have an effect.

If you look at people whose income is higher, those who earn \$200,000, they will still benefit from this measure. At \$210,000, you still benefit from a tax cut, despite the fact that you will be paying a little more tax because of the creation of an upper bracket. People who earn \$210,000 have access to tax advisors and a whole series of measures or opportunities to reduce their taxable income.

We are talking about a tax credit for the middle class. Someone who earns \$210,000 will see a reduction, but if you compare that to someone who earns \$42,000, \$43,000 or \$44,000—who in my opinion qualifies as a member of the middle class far more than someone who earns \$210,000—the tax cut is not meeting its objective, in my opinion. I know that this is a political argument, and I am not asking you to answer it.

I will probably conclude with a question Mr. MacKinnon asked at the outset, regarding the communication plan, or how you intend to publicize this tax reduction. Is publicizing tax measures like this one a part of your policies, whether we are talking about the Canada Revenue Agency or the Department of Finance?

**Mr. Miodrag Jovanovic:** One of the responsibilities of the Canada Revenue Agency is to inform Canadians about their obligations regarding tax and also about the new rules if they change, if taxation rates change and if there are various other changes. That is a part of the responsibilities of the agency. Canadians have to know what is going on.

**Mr. Guy Caron:** And how is this information provided?

**Mr. Miodrag Jovanovic:** As I said in the beginning, it is mostly done through the agency's website. It is its main means of communication.

**Mr. Guy Caron:** Excuse me, but I would like you to repeat what you just said.

**Mr. Miodrag Jovanovic:** As I said in the beginning, I will get back to you with some more detail on this, but according to what I understand, the main way in which the Canada Revenue Agency communicates with taxpayers is through their website.

**Mr. Guy Caron:** Thank you.

[*English*]

**The Chair:** I believe Mr. Jovanovic mentioned earlier that they would be providing the committee with the information on how they intend to communicate that.

Mr. Champagne.

• (1220)

[*Translation*]

**Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.):** Thank you, Mr. Chair.

Good afternoon, Mr. Jovanovic. Thank you for being here with us this morning.

Can you confirm the following? Only 6.7% of the 11 million Canadians who have a TFSA made the maximum contribution of \$41,000.

**Mr. Miodrag Jovanovic:** We are talking about 2 million people out of 11 million.

**Mr. François-Philippe Champagne:** Which represents 6.7%.

**Mr. Miodrag Jovanovic:** It represents a little less than 20%.

**Mr. François-Philippe Champagne:** Agreed.

I am going to ask you to confirm certain figures.

You said earlier in your testimony that 10 million Canadians do not pay income tax in Canada. Is that correct?

**Mr. Miodrag Jovanovic:** Yes, that is correct.

**Mr. François-Philippe Champagne:** You also said that nine million Canadians will benefit from the tax reduction in the second tax bracket, that is to say the 7% decrease provided to the middle class. Are nine million Canadians going to benefit from this?

**Mr. Miodrag Jovanovic:** That is correct.

**Mr. François-Philippe Champagne:** In reference to a table in the federal budget, you mentioned that Canadian families are going to receive a net benefit of \$14 billion through the tax reduction of the second bracket and the Canada Child Benefit. Could you go back to this table that deals with the net benefit to Canadian families?

**Mr. Miodrag Jovanovic:** Are you talking about the \$14 billion?

**Mr. François-Philippe Champagne:** Exactly.

**Mr. Miodrag Jovanovic:** That is the net amount. It includes what is given to families. The \$14 billion is aimed at families with children. It does include the tax reduction for the middle class as well as the new Canada Child Benefit. It is net with regard to what we are taking out of the system, that is to say the income splitting for families with children and the credits for the children's activities.

**Mr. François-Philippe Champagne:** In summary, Canadian families enjoy a net benefit from this \$14 billion in the last federal budget.

**Mr. Miodrag Jovanovic:** If you take those measures into account, the answer is yes.

**Mr. François-Philippe Champagne:** If you consider those measures.

Thank you, Mr. Chair. I have no other questions.

[*English*]

**The Chair:** Thank you very much.

Ms. Raitt.

**Hon. Lisa Raitt:** On the same topic, I have the budget here but since he's opened up the lead I can do it. I want to take you to page 63, please.

I've been dying to ask this question, I have to tell you. There is a series of examples given that purport to give comparisons between the way things were before the budget was submitted and the way things will be when this budget is passed with the majority government. What I find interesting, as always, is the fine print on this. That is to say, at the very bottom of these examples where it's assumed that in every single case families are better off after the changes than they are before it, there's a very important subtext on this which says, the very last words, that the calculations above "do not claim any deductions".

To be clear, is it not the case that in every one of these examples the possibility of the couple who fit the profile for these examples do not include the education tax credit; the book tax credit, if it's available; income splitting; the child fitness tax credit; or the child's arts tax credit in order to compare the changes that are being sought in this budget?

**Mr. Miodrag Jovanovic:** These illustrations compare the new Canada child benefit with the existing federal child benefit system. So the existing child benefit system includes the Canada child tax benefit and the universal child care benefit.

**Hon. Lisa Raitt:** Okay, fair enough.

**Mr. Miodrag Jovanovic:** That is what it does.

**Hon. Lisa Raitt:** Right, but they do talk about net, after-tax amounts. Presumably, if it's net after tax you should include the deductions that the family had available to them to show a true net, after-tax amount.

**Mr. Miodrag Jovanovic:** The reason for this footnote is to be clear that these benefits, particularly under the current system, may vary for a number of reasons. It may depend on the distribution of income within the couple because the universal child benefit is taxable in the hands of the lowest income.

**Hon. Lisa Raitt:** If I may, example number one, Avine and Sareta have two kids, aged eight and five. Avine makes \$30,000; Sareta earns \$60,000. Is income splitting available to that couple according to that example?

**Mr. Miodrag Jovanovic:** Again, income splitting is not considered here.

**Hon. Lisa Raitt:** I understand that, but in that example would you not agree with me that income splitting is something that would be available to that couple?

**Mr. Miodrag Jovanovic:** It's available yes, but I'm not sure what the benefit would be in this particular case—

**Hon. Lisa Raitt:** It's not considered in this example to show whether or not Canadian families are better off. Do you think that's transparent, sir?

**Mr. Miodrag Jovanovic:** I can't answer that question. All I'm saying is that this is comparing just two systems.

• (1225)

**Hon. Lisa Raitt:** Thank you on that.

**The Chair:** Okay that's the last question for this round. We'll suspend for five minutes and then go to motions.

On behalf of the committee, I want to thank both our witnesses, Mr. McGowan, and Mr. Jovanovic, for your pretty detailed answers to complicated questions.

Thank you very much.

• (1225)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1230)

**The Chair:** Thank you, members.

We had four, and we have three motions left. Normally the way we deal with them is in the order they came in unless, as happened in

the previous meeting, we get one moved from the floor and get it dealt with.

First, before we go to motions, there's the request for the budget for the hearings on Bill C-2, of which I think everyone has copies. All the witnesses who were proposed and who wanted to come were accepted, I think. The various parties put their witness lists in. The total amount requested for the hearings on Bill C-2 would be \$16,300. That includes costs of four persons from Vancouver, two from Toronto, one from Montreal, one from Calgary, and the ones here from Ottawa. This is laid out before you.

Does somebody want to move adoption of that budget, or is there any discussion?

Go ahead.

**Ms. Jennifer O'Connell:** Thank you, Mr. Chair.

This is the first one I've seen, so forgive me if it's really standard, but why are there cost discrepancies? For example, for four people from Vancouver there is only \$500 more than for one person from Calgary. Is there a standard?

**The Chair:** It's the unit price.

**Ms. Jennifer O'Connell:** Is that a standard for committees, in terms of the upset limit?

**The Chair:** The numbers of witnesses are according to the list that we have, which we're not always so fortunate as to have. The cost is the estimate based on previous costs. In fact, the clerk tells me that this will likely come in somewhat under, because there's been a willingness to do video conferencing, which is cheaper than bringing people in.

• (1235)

**Ms. Jennifer O'Connell:** Okay. Thank you.

**The Chair:** Phil.

**Mr. Phil McColeman:** Mr. Chair, I know this process has gone a little differently than normal when you're in the chair, having been in the chair before. I know we were notified that you had made the decision to proceed with this particular set of hearings, but it was also narrowly defined in terms of the number of days. I think, knowing that the committee is the master of its own destiny, that not one individual—not even the chair, if I can say that respectfully to you....

One of our desires in looking at Bill C-2 is to have other witnesses attend, which the time allocated would not allow for, because it was arbitrary. That said, I'd like the committee to consider extending the time frame for the study of this and allow for other witnesses.

Who am I thinking about who should be consulted at this committee? There are many different people in Canadian society who should be brought before this committee and have their views vetted on this particular bill.

I'm asking that before we approve any of the costs associated with this, we step back for a moment and say that the committee was not able to consider the time frames for a study of this and that we should be afforded the opportunity to consider the time frames and not truncate them for any reason to withhold testimony from other Canadians who may want to weigh in on this. There are probably groups, including first nations individuals, who might like to come before this committee to speak to this bill.

**Mr. Steven MacKinnon:** I don't know whether you have a mover for it; I would like to move the adoption of the budget, call for the question, and simply say that we will have a lot of work to do, including—not to prejudge the outcome of other motions—some examination of how the CRA has been run over the last 10 years.

I think we would be best advised to move expeditiously on this piece of legislation, knowing that an awful lot of other things are going to occupy this committee, including consideration of the main budget and its legislation and a number of other things that have been proposed to the committee.

I move that we go to the question.

**The Chair:** There's been a mover.

I won't go to the question just yet. Mr. Caron wants in on this point.

[*Translation*]

**Mr. Guy Caron:** Thank you, Mr. Chair.

I don't think we can have a debate and ask for a vote at the same time.

I would like to point out that we are supposed to hold a meeting to discuss the committee's work schedule. We have not done so yet. We were informed about what this would look like, but there has been no discussion on it. I think the members of the committee want to debate the issue. We will probably do so before the end of the meeting or at a subsequent meeting. I really want to discuss the length of time allocated to testimony and debate on Bill C-2. I agree with Mr. McColeman that we should discuss the first motions that were submitted and come back to this issue subsequently.

[*English*]

**The Chair:** Thank you, Mr. Caron.

I'll go to Mr. Liepert, but first, just to explain, of all the proposed witnesses that came from the various parties on this subject, there was only one we weren't able to put on the witness list. The way I would suggest we proceed, which was not the custom in the last Parliament, is that we ask the steering committee, once we deal with this motion, the other motions that are before us—I think you, too, Mr. Caron, one of the Conservatives went through when the minister was here on main estimates, and the one from the Liberals—that we find time for the steering committee to sit down and meet. We have a schedule out until the end of April, and we'll see what we can do in scheduling for the period from now until spring, and a potential schedule for the fall.

That's the way I'd say we'll proceed.

Mr. Liepert.

**Mr. Ron Liepert:** I'm having some difficulty. First of all, on the projected budget, have we received the list of who the witnesses are? I do not know who they are and unless I wasn't given the list of witnesses...but it's difficult to make a decision. In support of my colleague, I don't know who's scheduled to come before us, and I think it's difficult to make a decision on either one of these requests until we have a better idea.

Thank you.

• (1240)

**The Chair:** On the witness list, we put out a request to all the parties for witnesses. Of the ones that came in, based on the proportion of witnesses allowed by each party, all the witnesses who were requested but one made the cut. The witnesses who came from the Conservatives, I would expect you have them. The witnesses from the others, maybe not, but we can distribute that witness list now.

**Mr. Phil McColeman:** I want to be exact. I'd like you to confirm with me that this committee did not decide on the length of time to be allowed for this particular study.

**The Chair:** No, the committee itself did not. The procedure was basically the same as in the last Parliament. I along with the parliamentary people looked at the time frame that was needed to put a request out to the parties for witnesses. Those witnesses came in and we made a determination on that. As I said, only one requested witness didn't make the cut.

**Mr. Phil McColeman:** If it was predetermined, the number of meetings we would need, by yourself, as you've just described, and your resources, the clerk and others, if that was prescribed, that decision was made by the chair, then.... What I'm asking is that we consider expanding the time frame because I know what it did for us. It limited us in terms of who we could suggest as witnesses, because it limited the number of witnesses to fit into the amount of time allotted.

I think it's fair to ask this committee to consider an expanded amount of time so that people who have views on this subject, both for and against, are able to come, Canadians are able to come to this committee and express their views. There are lots of members of our society who have views on this and would like to come.

**The Chair:** I have a point of order from Mr. MacKinnon, and then I want to go to the motion. If it wants to be amended, we'll deal with it in that way.

Mr. MacKinnon.

**Mr. Steven MacKinnon:** I think we're well outside the simple consideration of a relatively straightforward budget, so I'd like to move the question.

**The Chair:** Is there a seconder for the motion? Seconded by Mr. Sorbara.

(Motion agreed to)

**The Chair:** We'll move on to motions. Mr. Caron, on your first motion you had tabled.

[*Translation*]

**Mr. Guy Caron:** Thank you very much, Mr. Chair.



I have in front of me a notice of motion that was tabled on March 1. It reads as follows:

That, pursuant to Standing Order 108(2), the committee undertake a study of the benefits and impacts of a guaranteed minimum income system and report its recommendations to the House.

[English]

**The Chair:** Is there any discussion?

[Translation]

**Mr. Guy Caron:** The committee has already had an informal debate on this. This question is currently front and centre and is being widely debated by the population. I think it is the responsibility of the Standing Committee on Finance to take a good look at the whys and wherefores of such a proposal, which remains very complex. I hope that it can be the subject of a unanimous vote so that we can debate it and eventually submit recommendations on what it might mean.

[English]

**The Chair:** Mr. Sorbara.

**Mr. Francesco Sorbara:** Thank you, Mr. Caron, for the motion. I personally think this motion and the proposed study of the guaranteed income in whatever shape or form is better handled in a different committee, in the ESDC committee. I think it's not for our committee to review.

• (1245)

**The Chair:** Are there any other thoughts?

Phil.

**Mr. Phil McColeman:** It really surprises me to hear that from the government side. This is the purview of this committee. Having been around Parliament Hill for a long time, this is the exact purview for this committee, so I would strongly disagree.

**The Chair:** Mr. Caron, you wanted to make one last point.

[Translation]

**Mr. Guy Caron:** I am trying to understand the reasoning on this.

Whether we like it or not, we are talking about a measure that would directly affect the tax system. This measure would directly affect the country's finances. It would not only affect employment and human resources. It will directly affect finances. It is our responsibility to study it from a fiscal perspective and that is what is being proposed.

I hope that the government members will agree that our committee has the responsibility, as the steward of Canadian finances and of what is done with them, to study this matter in light of our expertise and of our past experience as well.

[English]

**The Chair:** Mr. MacKinnon.

[Translation]

**Mr. Steven MacKinnon:** We also believe that this is a matter of public policy, of public finance that is worthy of attention. However, since this involves social programs, both provincially and federally, and since the measure has a very broad scope for all of Canada and for the social fabric of Canadians, we believe that, given the anticipated workload of our committee, this study could be done by a

committee that considers social issues, as suggested by my colleague. That could be the committee that examines social issues and studies matters that fall under Mr. Duclos' new department. For that reason, we will oppose the motion.

This is not, however, because we feel that the topic should not be studied.

[English]

**The Chair:** I'm going to take two more points on this.

Mr. McColeman.

**Mr. Phil McColeman:** We have already had witnesses here regarding this issue. We've heard testimony on this issue, have we not? It's already been part of what we have determined is right in the wheelhouse of this committee. This strikes to the very financial heart of what our programs are all about in this country.

It's shocking to hear the government now wanting it to go to another committee. We've already been studying this through the witnesses we've had at this committee.

**The Chair:** Just to correct you, Mr. McColeman, these folks are not the government; they're members of the governing party.

Mr. Ouellette.

**Mr. Robert-Falcon Ouellette:** I would like to bring an amendment to the motion: that pursuant to Standing Order 108(2), the committee refer this study to the committee of social development. Is that the title?

**The Chair:** Before that amendment could be put, Mr. Caron would have to give his approval for such an amendment.

**Mr. Robert-Falcon Ouellette:** The reason that I would like to refer to another committee is that I'm not sure how much time we're going to have in order to really study it at a larger level. I don't know whether it's in the Standing Orders that we're allowed to join with other committees. I know you can convene special joint committees on various issues with the Senate, but I think the issues are far wider and involve so much larger a domain than perhaps the expertise around this table. No offence to any of my colleagues—I'm not an expert in everything, and neither is anyone around here—but I think there are a lot of people on another committee who would also bring a lot more information and perhaps a greater depth to a study on something like this.

I think we should consider doing something a little bit larger and a little bit more in depth, but I think it might be better done with another committee that would do it to a greater extent.

• (1250)

**The Chair:** We can't really tell another committee what to do, but there is such a thing as joint committees, because I've sat on them in a previous life.

Mr. Caron.

[Translation]

**Mr. Guy Caron:** The amendment completely changes the nature of the motion that asks that the committee study this matter.

Let's talk about the time that would be devoted to this.

The Standing Committee on Finance manages the time it devotes to a study as it wishes. We are going to have things to do and I know how busy we are going to be, because I am the only member who has already been on this committee.

I also know that we can find the time to study an issue like this one, particularly since we are not mentioning any time frame or duration. We could hold ten meetings on this topic over the next two years. Nothing prevents us from doing that. Consequently, the argument put forward by the government members is not valid. We have already had discussions on this in this committee. They have in fact been recorded and we find references in the minutes of committee proceedings to the fact that members were favourable to such a study.

It would consequently be entirely irresponsible to renege on that and claim that this is no longer our responsibility, but that of another committee, despite the important consequences motions like this one could have on public finances.

[English]

**The Chair:** Mr. Ouellette.

[Translation]

**Mr. Robert-Falcon Ouellette:** Would it be possible to wait before we debate this matter and vote on the motion? The subcommittee should meet to add to the agenda of the work we are supposed to do. We need to know what we want to do and what we want to accomplish. We can add things as we go along, but I would like to have an overall vision of what we want to accomplish over the long term so that we can make sure we give each topic the necessary attention.

[English]

**The Chair:** Mr. Sorbara.

**Mr. Francesco Sorbara:** It should be noted that the HUMA committee is looking at various welfare programs and different income support programs and has already started down that path.

It's not that we disagree with the intent of your motion, but we obviously feel that the other committee has already started this process of different income support programs, Mr. Caron.

**The Chair:** Mr. McColeman.

**Mr. Phil McColeman:** Although I don't have a copy of it in front of me, this was part of our recommendations in our pre-budget report. It was approved by this committee as one of the recommendations going forward in the pre-budget report. It was a recommendation of this committee; it was voted on.

**The Chair:** —that it be looked at by the government.

Mr. Caron.

[Translation]

**Mr. Guy Caron:** Let's have the vote.

[English]

**The Chair:** Are we going to the question?

**Mr. Guy Caron:** Yes.

**The Chair:** All those in favour of the motion—

What Mr. Ouellette was proposing wasn't accepted by you, so we can't deal with it. We're dealing with the motion as on paper, unless you want to withdraw it and have further discussions on the side.

**Mr. Guy Caron:** Let's vote on it.

**The Chair:** The question has been called. All those in favour of the motion as tabled, please signify.

**Mr. Phil McColeman:** Mr. Chair, a recorded vote, please.

**The Chair:** All right.

(Motion negated: nays 5; yeas 4)

**The Chair:** We have two motions that are quite similar. I would suggest, Mr. Caron, that you read your motion, and Mr. Sorbara, you read yours. We can deal with them one at a time—

• (1255)

**Hon. Lisa Raitt:** —and then arm wrestle.

**The Chair:** And then arm wrestle, yes, as Lisa says.

Mr. Caron, do you want to read your motion and then we'll have Mr. Sorbara read his and see if we can come to a combination of the two, because they are very similar?

[Translation]

**Mr. Guy Caron:** Yes and no.

The motion reads as follows:

That the Standing Committee on Finance invite the Honourable Diane Lebouthillier, Minister of National Revenue; Andrew Treusch, Commissioner and Chief Executive Officer, Canada Revenue Agency (CRA); Ted Gallivan, CRA Assistant Commissioner, Compliance Programs; and Stéphanie Henderson, Manager, Offshore Compliance, to inform members of the committee about the recent revelation of an amnesty deal dated May 1, 2015, offered by the CRA to former and current clients of KPMG LLP regarding its participation in a structure known as an "offshore company" or "offshore company structure"; that the committee invite to a subsequent meeting officials from the KPMG LLP accounting firm as well as experts the committee deems pertinent; and that the committee plan an additional meeting to consider a draft report.

[English]

**The Chair:** That is Mr. Caron's motion.

Mr. Sorbara.

**Mr. Francesco Sorbara:** I move that the Standing Committee on Finance call for officials from the Canada Revenue Agency, CRA, including Ms. Stéphanie Henderson, manager of offshore compliance, to appear before the committee on April 12, 2016, to provide the committee with an explanation as to the process and procedures related to the provision to KPMG high-net-worth clients, an amnesty provision freeing those clients from any civil or criminal prosecution, including fines and penalties related to the use of certain offshore tax provisions, which have been described as grossly negligent and indeed intended to deceive; that the committee also call for officials of KPMG involved in this practice to attend the committee to provide clarification and an explanation; that the committee call for the production of the May 1, 2015 nine-page letter signed by Stéphanie Henderson, forwarded to officers of KPMG related to this matter, and that the letter be provided to the committee no later than April 11, 2016.

There's obviously a mistake.

**The Chair:** Yes, and the date is....

Mr. Caron.

[Translation]

**Mr. Guy Caron:** Thank you very much, Mr. Chair.

As you can see, the two motions are different. We are asking that the Minister of National Revenue appear before the committee to discuss both topics, and there are two main reasons for that.

The first is that this is a matter of ministerial accountability. The second is that she went quite far in her statements in the House of Commons. Last March 10, to a direct question about the situation, she replied that this file was ongoing, that it had not been closed, and that she would be clear in saying that there was no amnesty and that there were not two sets of rules. This is contrary to what was revealed in the Radio-Canada program *Enquête*. In it they said clearly that there had been an amnesty proposal.

For this reason, we indeed would like to see Ms. Henderson appear before the committee. It is essential that she give us explanations on the facts we have before us concerning what she answered to questions about this situation. To not do so would run counter to the principles of diligence we must apply here at the Standing Committee on Finance.

It would be important for the minister to attend the meeting and explain why, in reply to a direct question, she told the House of Commons that there had been no amnesty. I would like to have a much longer answer than that provided in 30 seconds in the House of Commons.

[English]

**The Chair:** Mr. MacKinnon.

[Translation]

**Mr. Steven MacKinnon:** I would like to move an amendment to the motion my colleague Mr. Sorbara introduced.

[English]

**The Chair:** We do not exactly have a motion on the floor yet. We're trying to find ways of combining these.

Mr. Caron.

[Translation]

**Mr. Guy Caron:** I insist that my motion be the first one we vote on, because it was also the first one to be tabled.

[English]

**The Chair:** Okay, that's fair. Do you want to bounce around the discussion before we vote motion by motion?

Did you have something to say, Mr. MacKinnon?

**Mr. Steven MacKinnon:** Well, I'm going to suggest we vote on Mr. Caron's motion and move on to Mr. Sorbara.

**The Chair:** Okay.

Mr. Caron.

[Translation]

**Mr. Guy Caron:** Before we vote, I set out the reasons why it is essential that the minister appear before the committee. This is a matter of obligation, accountability and ministerial responsibility; she needs to explain the public comments she made before

parliamentarians in the House of Commons. If the government members vote against the motion, I would like to hear the reason why.

• (1300)

[English]

**The Chair:** Is there any discussion from the government members?

**Mr. Steven MacKinnon:** I think we should move to the question.

**The Chair:** The question is on Mr. Caron's motion. All those in favour? Opposed?

(Motion negated)

**The Chair:** Mr. Sorbara's motion.

**Mr. Francesco Sorbara:** Do I have to read my motion?

**The Chair:** No, you don't. Just give us an explanation of what you want to do. As I said earlier, I think that if this motion carries, the steering committee is going to have to meet to look at a witness list, even beyond what is on the paper here.

Go ahead.

**Mr. Francesco Sorbara:** I think this motion is important for many reasons. We need to ensure that Canadians have confidence in the CRA and our tax system, and that all Canadians are paying their fair share. That's the intent of this motion.

**The Chair:** Mr. Liepert.

**Mr. Ron Liepert:** I would like to move an amendment to the motion. The amendment would be very simple:

that the standing committee on finance call for officials from Canada Revenue Agency and the Honourable Diane LeBouthillier, Minister of National Revenue

and then carry on.

**The Chair:** Is that at the beginning of the motion, "officials from Canada Revenue Agency and the Honourable Diane LeBouthillier"?

**Mr. Ron Liepert:** Correct.

**The Chair:** We have an amendment on the floor. Is there any discussion on that amendment?

Is there a reason why government members don't want to call the minister?

Mr. Caron.

[Translation]

**Mr. Guy Caron:** That is exactly the question I want to ask.

We are part of a committee. The members opposite are not government members, they are the members of the Standing Committee on Finance. In such a crucial situation, especially after the publication of the Panama Papers, which refer to tax havens, and when the minister has made direct comments to the House she must explain, I want to understand why we would refuse to have her appear so that she can justify the comments she made.

I want to understand, to hear from each member why members on the government side would refuse to have the minister appear before us.

[English]

**The Chair:** Mr. MacKinnon.

[Translation]

**Mr. Steven MacKinnon:** We think we should start at the beginning. It seems obvious to us, according to the Radio-Canada reports and those of other media, that there is cause to proceed with an in-depth examination of this matter here in committee.

We certainly do not rule out the possibility of inviting the minister later. Nothing prevents us as a committee from considering inviting the minister. However, it is clear that over the past 10 years certain things have been going on at the Canada Revenue Agency that our committee needs information about. My colleague's motion will mean that we will begin this examination. If it must be an in-depth examination and if it should include the presence of the minister, I don't think the committee would hesitate.

Nevertheless, we feel that there is cause here to ask questions and to examine what was provided to KPMG as well as what happened between the agency and the accounting firm. The motion will mean that we will begin this study, and we will see where it takes us.

[English]

**The Chair:** I'm going to take a couple of more speakers and then call the vote, because we are relatively over time.

Mr. McColeman.

**Mr. Phil McColeman:** I think what we're witnessing, in the previous vote and in this vote, is that the promise of independence of members of this committee is being compromised. I could see this across the way. I just want to make that comment. I don't know what they're trying to hide or why they're trying to side-step having the minister here.

I have the floor. Thank you.

Obviously they are side-stepping these things for whatever political reason.

• (1305)

**The Chair:** Mr. Caron.

[Translation]

**Mr. Guy Caron:** I would like to reiterate what I said.

The minister made unequivocal statements before all of the parliamentarians of this country. The committee needs to understand how she came to her conclusions. She did not say she would look into the matter and get to the bottom of things. She said there was no amnesty, nor any amnesty proposal. And yet the Radio-Canada investigation and the subsequent investigations showed that there was an amnesty proposal.

I need to understand, as a parliamentarian, what information she had and why she came to such a conclusion. We need to understand this.

The government members tell us that we don't have enough time to talk about the guaranteed minimum income, but that we will find

time to discuss this and that eventually—we hope—we will have another meeting before the end of June on this issue, after having met with the person whose reports are given to the minister. The minister has to answer to parliamentarians.

It is the committee's responsibility to ask her to appear, together with Ms. Henderson and the other persons responsible who have already been mentioned, in order that we may have an overall picture of the situation and not only the viewpoint of an official from the Canada Revenue Agency.

[English]

**The Chair:** Ms. O'Connell.

**Ms. Jennifer O'Connell:** I think the responsibility and the independence of this committee reside in the fact that we want to look at this and get to the bottom of this and find out what happened. If there's any side-stepping, frankly from my perspective it's that of the former government, who were in charge of this when it happened. I would like to actually get to the bottom of it and then bring in the minister to see what we're going to do to ensure that the mistakes of the past 10 years don't happen again and that these types of sweetheart deals for certain Canadians don't continue, moving forward.

Certainly I would like to know who was responsible in the first place, when this was happening. Asking the current minister, who had nothing to do with the deal that was made previously.... I think we would be positioning ourselves as a committee much better to actually get to the bottom of what happened and find those who were involved in the process to begin with.

**The Chair:** Is there a point of order?

[Translation]

**Mr. Steven MacKinnon:** Mr. Chair, the member...

[English]

**The Chair:** I have a point of order from Mr. Caron.

[Translation]

**Mr. Guy Caron:** It is now 1:05 p.m. I think we should conclude on this topic and come back to this issue next Thursday.

**Mr. Steven MacKinnon:** Mr. Chair, I have a point of order.

[English]

**The Chair:** Just hold on.

Mr. Caron is right. If I don't have unanimous consent to go beyond 1 o'clock, I can't.

Are you asking for the meeting to be adjourned?

**An hon. member:** Yes.

**The Chair:** The meeting will adjourn, and we'll deal with this on Thursday.

The meeting is adjourned.







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