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## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, February 6, 2017**

**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Monday, February 6, 2017

•(1530)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting to order. The meeting, as it states in the agenda, deals with committee business.

First, we have a motion by Mr. Sorbara.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Mr. Chair, and good afternoon.

I put a motion on notice last week. May I read it out, sir?

**The Chair:** Yes, read it out, and go to your remarks.

**Mr. Francesco Sorbara:** Thank you. It reads:

Whereas the Sixth Report of the Standing Committee on Finance entitled: *The Canada Revenue Agency, Tax Avoidance and Tax Evasion: Recommended Actions* calls on the federal government to review the Income Tax Act and report back to the Committee by June 30, 2017;

Whereas the Department of Finance is conducting a review of the *Income Tax Act* that is ongoing and not yet complete;

That the Standing Committee on Finance defer its hearings on the study undertaken following the motion adopted on June 16, 2016 until after the federal government has completed its review and reported back to the Committee.

This motion effectively defers what was supposed to be the upcoming tax study. There are a number of reasons that I can speak to that.

First, obviously we had asked, in our sixth report of the Standing Committee on Finance, for the federal government to review the Income Tax Act.

Second, there will be an upcoming budget. There may or may not be measures in there that the government may want to undertake, so it would be better to conduct any sort of review after the budget.

Third, from a competitive standpoint, we don't know yet what will happen with the new Trump administration, including any sort of tax changes the administration will undertake and what they will mean for our competitiveness and how we look at our tax system.

When you connect all the dots, there is good reason to move this study to a later date.

Thank you, Mr. Chair.

**The Chair:** The floor is open.

Mr. Caron.

[Translation]

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Mr. Chair, I have a brief question to ask.

The motion says: “Whereas the Department of Finance is conducting a review of the Income Tax Act that is ongoing and not yet complete;”

Could the committee be kept abreast of this study? We would like to know what perspective specifically the Department of Finance is using in the study.

•(1535)

[English]

**The Chair:** Can anybody answer that question?

[Translation]

**Mr. Francesco Sorbara:** Thank you very much for the question.

[English]

I hope I answer this question clearly enough for you. In this report we undertook for tax avoidance and tax evasion measures, the recommendation we made called on the federal government to review the Income Tax Act and report back to the committee by June 30, 2017.

I don't have a specific update as of yet on that.

[Translation]

**Mr. Guy Caron:** I put that question to you because for the moment, all I have heard is that the topic of the study currently is tax expenditures. I would simply like to know if the study undertaken by the department goes beyond that question and will be looking, among other things, at the complexity of the whole system.

[English]

**Mr. Francesco Sorbara:** With everything I've read, my understanding is that it's reviewing the tax expenditures. That's my understanding of the scope.

**The Chair:** Mr. Deltell.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** Mr. Chair, we are very concerned about that. It's not because the minister is doing his job that we cannot do our own job. I think it's part of our committee responsibilities, as members of Parliament, to listen to witnesses. Unfortunately, what we saw last week is proof without a shadow of a doubt that the government sometimes makes decisions without asking the right questions of the right people. None of the witnesses had been consulted by the Minister of Finance even though they are all directly linked to the mortgage business. They were, first and foremost, the ones who had to deal with that, and the minister failed to recognize and consult them.

If the minister wants to do some analysis on his own, maybe that's his job. I don't disagree with that. I am not the one who will tell the minister not to consult with anyone. I think that as members of Parliament, as members of this committee, it's up to us to welcome witnesses and to be sure that all Canadian voices are heard correctly here at this committee. Especially when we're talking about a review of so many tax credits, we have seen—not to get too political about this—that it took two months for the government to recognize that it would not be a good idea to have tax on health care protection and dental protection.

I wish the government would open the door to have consultation here in this committee.

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

Go ahead, Francesco.

**Mr. Francesco Sorbara:** I want to rebut that and to make sure it's on the record that our government has been consulting with Canadians and will always consult with Canadians. Today we saw the growth panel release a number of reports regarding how we can grow our economy, strengthen our economy, grow the middle class, and improve the lives of all Canadians.

We will always do that, Mr. Deltell, and I don't think our government needs a lesson from the other side on consulting with Canadians, looking back at the past 10 years of the Conservative government, with regard to many of the decisions it undertook. I do have to correct that, sir.

With regard to this committee, on the housing study, we've called a number of witnesses who have given different stories or different dynamics regarding how they feel some of the decisions were or were not made. We want to be prudent with regard to the housing market and with any measures that we've taken, and that's what we will continue to do, sir.

**The Chair:** Mr. Albas.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** At first glance, regarding what the motion here proposes, I had some of my own concerns originally when we talked about whether or not we were the perfect format for this.

That said, over the past weeks, when we have asked questions about which tax benefit or tax credit the Liberal government would go after to balance its books, we have heard radio silence. Until Canadians get alarmed, whether about tax or health benefits or whatnot, it seems that the government is less than forthcoming in being transparent.

Perhaps if we received more of a substantive response in the House of Commons, we wouldn't be so concerned about whether or not we're getting the proper information. While I understand the member opposite—and he makes a good argument from that perspective—on the second perspective, we set out on this course, and suddenly the government is backtracking massively, putting the brakes on a motion that was agreed to, I think, by everyone. I think that's really unfortunate. It says either that the government has something to hide or that it wants to go ahead with reshuffling the deck on tax expenditures for its own budget without any input. If that's the case, then we will probably eventually have witnesses

coming in here saying they weren't consulted, and the government will act without any sense of public input.

Yes, it's fine to say that the government is consulting and you have an economic panel, but they're not the government. They're an advisory group. This is Parliament. I think this is the people's House. We voted originally to look into this, and I find it quite strange that the government now is applying the brakes so hard because it does not want this committee to take a look into tax expenditures and how Canadians relate to them.

• (1540)

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

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

Those statements are very interesting. Let me begin by correcting them. Nowhere does this say that we are no longer interested or are hiding behind anything. In fact, this is a prudent use of our time. This committee has a number of issues that we will be setting.

The government is listening to the exact recommendations this committee made during the CRA study, as well as the pre-budget consultations, where we heard testimony from witnesses who said that the tax system is too complicated and needs to be reviewed.

The suggestion is that this somehow is a reaction to the hyperbole that the opposition has been stating in the House, where we clearly said that taxing dental and health benefits was not in our mandate. The Conservatives can't seem to get over that fact—because they don't have much to talk about these days, I guess.

Instead of doing the work, we are saying let's be prudent with our time, let's wait to see the report that comes out or the details on what the department is looking at, and then this committee, as we do with legislation, will study it, call in witnesses, and make recommendations.

The only ones hiding here seem to be the opposition, because I think they might be out of things to talk about.

**The Chair:** Can we move to the question soon?

Mr. Albas.

**Mr. Dan Albas:** No, I would just like to have it on the record for posterity that I always have something to talk about. And Mr. Speaker—

**Mr. Raj Grewal (Brampton East, Lib.):** Mr. Speaker?

**Mr. Dan Albas:** Mr. Chair, just on the point, first of all, prudent use of time would be utilizing the time that we have. Today I came prepared to listen to our witnesses on a study that we received on Friday afternoon or Friday night. As I said, perhaps this would seem reasonable if it had come in a month ago, but to be cancelling sessions that were already scheduled and witnesses who have already been invited is, I find, not a prudent use of time.

Second, to say that we were asked by Canadians to review tax expenditures so we're not going to ask Canadians about tax expenditures by not allowing the review to go forward is, to me, absolutely ridiculous.

I can appreciate that there is going to be a certain amount of spin on all sides, but man, really... Review that transcript tomorrow, and ask yourself, "Did I really say that?"

**The Chair:** Are we ready for the question?

(Motion agreed to)

**The Chair:** We met as a steering committee earlier—

**Mr. Raj Grewal:** Good job.

**The Chair:** —and proposed an agenda going forward. Suzie is going to distribute that. We'll go through the calendar and where I think we are.

We decided as a steering committee to add an extra day to the housing study, and down the road a piece, provide some drafting instructions to the analysts. So on February 8, this Wednesday, we will continue our housing study of the last week or so. We have five or six witnesses lined up for that at the moment.

Monday, February 13—on the housing study again—is the only day the president and CEO of Canada Mortgage and Housing Corporation is available. We would invite him to the first hour of that session. The second hour is a little up in the air. The steering committee decided to invite the minister and officials for either February 13 or 15, if the minister could be available either one of those days. If the minister is not available or can't make himself available, we would have officials on the second hour of February 13, along with the parliamentary secretary.

If that's the way it occurs, on February 15—or we would have the officials on February 13—there is a view, given that the Advisory Council on Economic Growth tabled a fairly comprehensive report today, which I haven't seen yet, that we should hold hearings as a committee. There's a motion by Mr. Albas on the record that we should have hearings on the various reports that the Advisory Council on Economic Growth proposes or tables. We would start that hearing on February 15 with the Advisory Council on Economic Growth and a couple of their advisory committee people, if we could—and Mr. Barton if possible. He's the chair of that advisory committee. But if not, we would go with two or three council members.

On February 22, in the first hour, we would have Mr. Bryan May here on his private member's bill. We think, as well, during that time that we'd have departmental officials, along with Mr. May, go to clause-by-clause consideration. It is a Wednesday, which is a problem with votes. Hopefully, we'd be able to squeeze in the housing market drafting instructions for the analysts.

That is as far as we went, other than to...

I should mention, as well, that there is a motion on the books for us to complete a study on the regional development agencies, a report of what they said, etc., in early February. I think there's a feeling that we may have to accept what is in the report already. We talked at the subcommittee about the possibility of having some witnesses come in who have had experience in trying to deal with the regional development agencies, but we may be getting into the business of another department and another committee.

● (1545)

I agreed that I'll check that out to see what we can do in that area. The analysts can't really prepare a report unless we have a little more on what may be conflicting evidence on how they operate. So that's at a standstill, just to mention that point.

The last point I'd make from the subcommittee meeting is that members need to think about the witnesses that we could pull into the committee if we are to hold further hearings on the proposals by the Advisory Council on Economic Growth's, what they think of them—the pros, cons, or whatever—and report back to Parliament.

I think that's basically it. Unless somebody who was at the subcommittee has anything else to add, we'll go to questions and your thoughts on the agenda.

Mr. Albas.

● (1550)

**Mr. Dan Albas:** Thank you, Mr. Chair. I certainly appreciate this having been put together and the work of the subcommittee.

The only thing I would suggest is that the housing market study seems to be awfully centred around government agencies, or the government minister in this case. I know there was a lot of desire for further witnesses.

Is there a possibility that we could extend to have more testimony from other groups that would like to come before the committee but who have not had the opportunity?

**The Chair:** It's not up to me to decide. What is the view from around the table?

I think what we talked about at the steering committee was having maybe one or two more witnesses. There is getting to be a fair bit of repetition. We did talk about the possibility of...

There was a request from one bank that had come forward. We heard from the Canadian Bankers Association, so that covers them. Having one or two more witnesses and the minister and officials was where we ended the discussion at the committee.

Ms. O'Connell.

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

First of all, there are two things we must factor in, and this was a previous motion by Mr. McColeman with the deadline of the end of February. We have to keep in mind the study limitations and the meeting day limitations. That's the first thing.

The second thing is that at the subcommittee, as the chair just said, we went through the list that the clerk has received of those interested, and they were relatively the same types of organizations, so we didn't feel that the testimony would be that different.

In my opinion, we have heard from a variety of those who are affected. From those who have submitted their interest, it has already been established that it is repetitive in terms of the type of testimony that we would hear.

I think this is a good end point, and then on the 22nd, drafting our instructions so we can keep on time and move forward with tabling this report.

**The Chair:** Go ahead, Mr. Albas.

**Mr. Dan Albas:** For the committee's further consideration, what we just argued about shows that when the government wants to change the direction of this committee, we can still have an extra hour or two to make sure we hear from people, because we are technically masters of our own domain.

Also, just be mindful that we heard from a monoline lender, from the Credit Union Association, and we heard from the banking association. We heard from an individual mortgage broker, but we did not hear from an individual bank or an individual credit union. I will say that I have received inquiries from other financial institutions that want to talk about this. Again, it is important to have someone in Ottawa to be able to make representations, but they do not deal with the clients, and I think that's an important point.

If the government side is willing to have an extra hour where we can allow some of those voices.... I agree that we've heard a lot, but it may behoove us to talk to people who deal with people on the ground in a highly localized market, rather than in an aggregated view.

**The Chair:** Any further discussion, or any motions to change the schedule?

Mr. Sorbara.

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

We've heard from a pretty broad swath of the market in terms of all the stakeholders. We've heard from some builders. We heard from the Canadian Home Builders' Association. We heard from the Canadian Bankers Association. The CEO of CMHC is going to visit us. We are hearing from the participants in the market.

I see no need to add further hours to this study. We've done a pretty exhaustive and great job in asking questions and looking at the issues at hand.

• (1555)

**The Chair:** Mr. Caron.

[*Translation*]

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

I am not opposed to hearing other witnesses, particularly if they are from the banking sector, caisses populaires or credit unions.

I realize that one way or another we will have an hour available perhaps on February 13 or 15. If the minister and officials are not available on February 13, but are available on the 15th, we would have an additional hour on the 13th to hear these new witnesses. Consequently I suggest that we hear them on February 13, if the minister is not available.

[*English*]

**The Chair:** Mr. Albas.

**Mr. Dan Albas:** I think Mr. Caron makes an excellent suggestion because we haven't heard from anyone from the caisses populaires. I'll make the motion that we extend the study by an hour, and invite credit unions, caisse populaires, as well as banks, so that they can round out the study.

**The Chair:** The motion is on the floor. It is in order because we are on the subject matter.

You're not naming a specific representative of the banks. I know the CIBC was one as well.

Is there any further discussion on the motion to extend the study by an hour to hear from several more witnesses, including the banks and caisse populaires?

**Mr. Dan Albas:** Just give them a minute. They look like they're still thinking it over.

**The Chair:** You can hear the wheels turning.

(Motion negated)

**The Chair:** We will go with the schedule as it has been put to the committee.

Any further discussion on the schedule? Any other business?

Can we have a motion to adopt the schedule as presented by the clerk?

**Mr. Francesco Sorbara:** I so move.

(Motion agreed to)

**The Chair:** That concludes our business.

The meeting is adjourned.









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