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—
Chair

The Honourable Wayne Easter

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• (1540)

[English]

The Vice-Chair (Mr. Ron Liepert (Calgary Signal Hill, CPC)):
We'll call the meeting to order.

The Honourable Diane Lebouthillier will start with an opening statement. It is my understanding, Mr. Huppé, that you also have a statement, so just follow and we'll go from there.

Thank you.

[Translation]

Hon. Diane Lebouthillier (Minister of National Revenue):
Thank you, Mr. Chair, for the opportunity to provide input into the standing committee's study of the main estimates.

I am joined by Mr. Roch Huppé, the agency's chief financial officer and assistant commissioner of the finance and administration branch, and Mr. Ted Gallivan, the assistant commissioner of the international, large business and investigations branch.

First off, I would like to highlight that the agency is seeking \$4.2 billion through these main estimates—\$3.2 billion of which requires approval by Parliament. This number represents a 1.9% increase from last year's main estimates. The agency will use these funds to successfully continue its important work.

In November, when I last spoke to this committee, I gave an overview of the Canada Revenue Agency's efforts to combat aggressive tax planning and tax avoidance, as well as how the agency is improving services for Canadians. I would like to take a few minutes, Mr. Chair, to update the committee on these two fronts and the ways they are being addressed by the agency.

As you know, the Canada Revenue Agency is an increasingly client-focused agency that exists to serve Canadians. As it says in my mandate letter, my overarching goal as Minister of National Revenue is to ensure that the agency is fairer and more helpful, and that its services are easier to use. The agency is currently overhauling its service model so that people who interact with it feel like valued clients, not just taxpayers.

The agency is committed to ensuring that Canadians have access to the information they need about taxes and benefits—on its website, through its call centres, or through written correspondence.

Since my last appearance, the agency has responded to the public's needs by making it easier to get help over the phone. To make sure that Canadians understand the information they're

receiving from the agency, we have simplified the language in 75% of the correspondence we send to Canadians, making it easier to read and understand.

The agency is also ramping up its outreach efforts to ensure that taxpayers understand and meet their tax obligations. These efforts improve tax compliance through a “get it right from the start” approach to educate, inform, and support taxpayers by improving service and encouraging voluntary compliance.

As you are well aware, we have just completed the 2017 filing season. Over 22.8 million T1 returns were received from February 20 to April 30. Close to 90% of returns were filed electronically. Roughly 58% of those returns were filed by tax preparers through EFILE, and 32% were filed by individuals through NETFILE.

New services were launched to help individuals and tax preparers submit their returns electronically for the 2017 tax filing season. The Auto-fill my return service automatically fills in parts of tax returns, making filing online easier. This tax season, additional slips and prior year returns are available for Auto-fill. Tax preparers can also amend their clients' returns electronically by using the new ReFILE service.

I'm pleased to tell this committee that our service improvements that benefit all Canadians will not stop there.

The agency is developing a new service for February 2018 that will fully prepare returns for Canadians with simple tax situations, low or fixed income, and whose financial situations are unchanged from year to year.

In addition, in order to meet our commitment to provide the best possible service to Canadians from coast to coast, the agency's service renewal plans are well under way. With more Canadians than ever filing their taxes online, the resources needed for the agency to deal with paper returns are decreasing. So, we are reviewing and reorganizing workloads in order to work smarter and more efficiently.

That means we are improving our call centres and creating national verification and collections centres. These changes mean the Canada Revenue Agency will be a more efficient organization and provide better service to Canadians.

Still, we always strive to do better, prioritizing Canadians in everything we do. As our prime minister says, we can always do better.

Since my appointment as Minister of National Revenue, I have been committed to ensuring that Canadians get the benefits to which they're entitled. That's why the agency is proactively contacting Canadians who are not receiving the tax credits or benefits they should, to make sure that the government is supporting the most vulnerable and ensuring Canadian families have the support they need.

The agency is also expanding the community volunteer income tax program; now, more Canadians than ever with low and modest incomes will benefit from free tax preparation clinics.

Mr. Huppé will speak to the details of the main estimates, but before I yield the floor to him, I would like to briefly touch on the agency's accomplishments on the compliance front and our plans for the way forward.

Most Canadians pay their taxes in full and on time. But some do not pay what they owe. This is not right; this must change. By combatting offshore tax evasion and aggressive tax avoidance, as does our government, we are protecting the important public services that Canadians rely on.

Since my last appearance before this committee, the agency has taken concrete and effective steps to crack down on tax cheats. We are currently conducting audits on over 820 taxpayers and criminally investigating over 30 cases of tax evasion specifically linked to offshore tax havens.

Through Budget 2016, the agency increased its information-gathering capabilities and improved the tools at its disposal. The agency now has access to more of the information it needs to fulfill its obligations.

In the last year, the agency has increased the number of auditors reviewing offshore tax schemes, promoters and large multinational corporations. It has started reviewing all taxpayers in certain segments of the population identified as high risk. The agency is using external data and publicly available information to maximize its efforts to identify non-compliance. It has expanded its efforts specifically geared towards intermediaries, making promoters a focus of our criminal investigations, with several under way.

As well, the agency is taking a much harder stance on taxpayers who appear on leaked lists of offshore holdings. For example, with the Panama Papers, the agency has over 122 taxpayer audits under way and is reviewing a treasure trove of data linked to these taxpayers. It has also executed search warrants, and several criminal investigations involving both participants and facilitators are under way.

• (1545)

Audits of the highest-risk taxpayers moving money between Canada and four foreign tax administrations of interest are under way, with more to come. So far, a total of 41,000 transactions have been analyzed, totalling over \$12 billion. The Canada Revenue Agency continues to build its capacity to detect and crack down on tax cheats. It is developing a powerful business intelligence

infrastructure and risk assessment system to target cases of high-risk Canadian and international tax evasion and abusive tax avoidance.

It is clear, Mr. Chair, that our government is committed to protecting the integrity of the Canadian tax system by combatting offshore tax evasion and aggressive tax avoidance on all levels. As Minister of National Revenue, I am committed to ensuring that the agency has all the tools and resources it needs to fulfill its role and meet Canadians' expectations.

Thank you.

• (1550)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Thank you, Minister.

Mr. Huppé.

Mr. Roch Huppé (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): Thank you, Mr. Chair.

Good afternoon, and thank you for the opportunity to appear before the committee to present the Canada Revenue Agency's main estimates for 2017-18 and to answer any questions you may have on the associated funding.

[Translation]

As you are aware, the Canada Revenue Agency is responsible for the administration of federal and certain provincial and territorial tax programs, as well as the delivery of a number of benefit payment programs. Each year, the agency collects hundreds of billions of dollars of tax revenue for the governments of Canada, and distributes timely and accurate benefit payments to millions of Canadians.

As the minister mentioned earlier, in order to fulfill its mandate in 2017-18, the CRA is seeking a total of \$4.2 billion through these main estimates. Of this amount, \$3.2 billion requires approval by Parliament whereas the balance of just under \$1 billion represents statutory forecasts that are governed under separate legislation. The statutory items include children's special allowance payments, employee benefit plan costs, and, pursuant to section 60 of the CRA Act, the spending of revenues received for activities administered on behalf of the provinces and other government departments.

[English]

These 2017-18 main estimates represent a net increase of \$77.2 million when compared with the 2016-17 main estimates authorities. The largest component of this change is an increase of \$164.9 million to implement and administer various measures announced through budget 2016. This includes \$62.1 million for measures aimed at enhancing the CRA's efforts to crack down on tax evasion and combat tax avoidance.

The incremental funding will be used to hire additional auditors and specialists, develop robust business intelligence infrastructure, increase verification activities, and improve the quality of investigative work that targets criminal tax evaders. This includes \$50.9 million for measures aimed at enhancing tax collections by increasing the resources available to tackle the inventory of debt; and \$43 million for measures to further improve the agency's capacity to deliver client-focused services for Canadians and Canadian businesses. These include improving telephone accessibility, delivering correspondence and other communications that are clear and easy to read, increasing outreach efforts, and improving the CRA's capacity to resolve taxpayer objections in a timely manner. Funding includes \$8.9 million for various tax measures including country-by-country reporting, efforts to protect the charitable sector from the risk of terrorist financing, the new small business quarterly remitter initiative, and consultations on the rules governing political activities for charities.

[Translation]

Other increases to the agency's budget include the following: a \$51-million adjustment in forecasted payments under the Children's Special Allowances Act due to an increase in the per-child benefit amount under the new Canada child benefit program, implemented in July 2016; \$36.3 million for collective bargaining increases associated with employees represented by the Public Service Alliance of Canada, or PSAC, bargaining unit; \$30 million related to the administration of the goods and services tax, recognizing the deferral of a savings proposal originally identified as part of the Budget 2012 spending review—this represents the ongoing amount of the adjustment included in the CRA's 2016-17 supplementary estimates (B); and \$9.9 million—a net increase—in resources for the implementation and administration of enhanced compliance measures, as announced in Budget 2014 and Budget 2015.

[English]

These increases are partially offset by a \$128-million reduction in projected statutory disbursements to the provinces under the Softwood Lumber Products Export Charge Act, 2006, as a result of the expiration of the agreement in October 2015; \$42 million less in statutory contributions to employee benefit plans and in the forecast of cost-recovery revenues, pursuant to section 60 of the CRA Act, for initiatives administered on behalf of the provinces and other government departments; a \$24.4-million adjustment related to accommodation and real property services provided by Public Services and Procurement Canada; and finally, a \$20.5-million adjustment associated with changes in the funding profile for various measures announced in previous federal budgets. This includes a \$9.5-million reduction in professional services, advertising, and travel, announced in budget 2016.

The CRA's 2017-18 main estimates do not yet reflect incremental resources for announcements made by the Minister of Finance in the March 2017 budget. The funding required for the implementation and administration of these measures is currently being evaluated by the CRA and will be presented to Treasury Board ministers through formal submissions in the coming months. Any incremental funding required for the 2017-18 fiscal year as a result of the Treasury Board submissions will be sought through the supplementary estimates process.

•(1555)

[Translation]

In closing, the resources being requested through these estimates will allow the Canada Revenue Agency to continue to deliver on its mandate to Canadians by making it easier for the vast majority of taxpayers who want to pay their taxes, and more difficult for the small minority who do not, as well as ensuring that Canadians have ready access to the information they need about taxes or benefits.

[English]

Mr. Chair, at this time we will be pleased to respond to any questions you may have.

Thank you.

The Chair: Thank you both.

My apologies for being late. Robert and I had a wonderful view of room 415 in the Wellington Building, with nobody in it.

Turning to questions, for the first round we'll go to five minutes. I think that will give everybody a chance.

Mr. Sorbara.

[Translation]

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Welcome, Madam Minister. It is a pleasure to see you here again this afternoon.

[English]

I have a couple of quick questions.

Our government has done a lot of work and has invested a lot of resources into ensuring that all Canadians pay their fair share of taxes and that tax avoidance schemes are investigated and the appropriate resources are provided to CRA and so forth. Could you comment on the success to date and the investments we have made in that regard?

[Translation]

Hon. Diane Lebouthillier: I thank my colleague for his question.

Cracking down on tax evasion and aggressive tax avoidance is indeed a priority for our government. Last year, the Department of Finance allocated extraordinary resources to the Canada Revenue Agency for that purpose, in the amount of \$444 million. This meant that we were able to hire auditors throughout the year and acquire the tools necessary to combat tax evasion and aggressive tax avoidance. We are also busy getting rid of tax loopholes that result in tax advantages for some at the expense of others.

I will let Mr. Gallivan provide you with some more technical details.

[English]

Mr. Ted Gallivan (Assistant Commissioner, International, Large Business and Investigations Branch, Canada Revenue Agency): In the international and aggressive tax planning space, multinationals, our revenue generation target for the last fiscal year that ended March 31 was \$380 million. We're over \$500 million, \$512 million. From an ROI perspective, we're there. But I think the deeper question is, are they the right cases?

In terms of what we call the “third-party penalty”, a penalty levied on accountants and lawyers who are involved in that kind of very aggressive tax planning, we're at \$44 million.

Our promoters centre, which is one of the investments we received in budget 2016, is a dedicated unit that focuses on promoters of tax schemes. We have 149 wholesalers or retailers in that space. I would say that from an ROI perspective, but probably more importantly from a deterrent perspective, we're on track.

• (1600)

Mr. Francesco Sorbara: We know in Canada that we want the economy to grow. I think the word in French is *croissance*, to grow our economy, and small businesses are a very important factor in that.

Minister, could comment on how CRA has shifted its role into being more customer-service oriented with our small businesses that exist from coast to coast to coast?

[Translation]

Hon. Diane Lebouthillier: I thank my colleague for his question.

I have to tell you that I am particularly sensitive to the whole issue of small and medium-sized businesses, given that I was raised by parents who owned a small business. I come from a rural area where there are a lot of small businesses.

Our government has committed to supporting small businesses. In my view, they create jobs and wealth, and they diversify our economy.

At the Canada Revenue Agency, we have established a service to support small businesses as they are starting up. Last year, we held consultations with small businesses across the country. We wanted to determine how the agency could continue to improve its services and to help small businesses not only as they start up, but also as they continue their activities.

Mr. Gallivan will be able to provide you with additional information on that.

[English]

Mr. Ted Gallivan: Just to follow through with specific examples of what the minister was saying, we have a liaison officer initiative, through which we take auditors who used to go to small and medium-sized businesses to do audits, and now they go to give advice and warn them about potential errors.

We have clarified our outputs. We put all of our outputs through a plain-language review and so in the coming weeks, as you receive your notice of assessment, hopefully you'll see an improvement in clarity.

We also adjusted the remittance frequency. One of the burdens on businesses is how often they have to pay us, and you'll see in the main estimates today that one of the measures being funded is system changes to allow businesses to pay less frequently.

The Chair: Thank you.

Mr. Richards.

Mr. Blake Richards (Banff—Airdrie, CPC): Minister, thank you for being here today.

I'd like to take the opportunity to follow up on some questions I asked you previously, over several months now, regarding the active versus passive income tax rules and how those rules are affecting small businesses like campgrounds.

It's quite unfortunate that your Liberal government is continuing to unfairly target small businesses. Your government, and specifically your department, is using those rules to target small businesses like campgrounds by arbitrarily assigning them as having passive income when the amount of work that's involved with a business like a campground is anything but passive. Your department has, in fact, handed out huge new tax bills that will force some of these businesses to close their doors.

I wonder if you can explain to me why you believe that some businesses are too small to be small businesses and why you continue to try to tax them out of business.

The Chair: Madam Minister.

[Translation]

Hon. Diane Lebouthillier: Mr. Chair, I thank my colleague for his question and for his interest in small businesses.

As I was saying earlier, small businesses are a priority for me, given that I come from an area where there are a lot of them.

However, I do not entirely agree with what he has just said. We have not changed the tax rules on deductions that apply to small and medium-sized businesses. The same provisions continue to apply.

[English]

Mr. Blake Richards: I think she should probably try to explain that to some of the campgrounds that are currently taking her department and the Canada Revenue Agency to court over some of the reassessments they have received on their tax bills. I'll list about three of them. I'm not going to name the businesses specifically, but I know of one in the GTA area that was audited for the 2012 through the 2014 tax years and has been sent a tax bill for approximately \$250,000 in taxes. I have a whole list of services that it provides and it is certainly not a passive business.

I have another one in the Kitchener area that was audited for 2013 and 2014 and received about a \$40,000 bill. Again, I have a whole list of services that generate anything but passive income. I have another one in the Kawartha Lakes area that was reassessed for 2012, 2013, and 2014 and presented with a tax bill of about \$75,000.

One of these businesses at least has been put out of business as a result of the actions of your department, so I wonder if you could maybe try again to explain to us how you're not affecting any of these businesses, how nothing has been changed. The agency has, in fact, changed its interpretation of these rules. They have, in fact, targeted some of these businesses and they are putting them out of business, Minister.

I have asked you this over a series of months. You should be well aware of the problem. You should have gone back and checked this out. You clearly haven't done that. I would hope you're going to take this seriously and stop just repeating a talking point to the effect that you think small businesses are important and that somehow they need to pay their fair share.

I hope this doesn't go back to the comments the Prime Minister made during the election campaign that small businesses are just a way for rich people to avoid paying taxes. This is a serious matter. These businesses are being put out of business, and you need to take a look at this and be serious about it and realize that you need to be doing something to prevent it.

When we were in government, we recognized there was an issue here. We put in place a review of this in our last budget in 2015. Your government cancelled it in your first budget in 2016, and then Revenue Canada started to go after these businesses, these campgrounds. I've given you a few examples. There are others.

After 12 of the 13 submissions we received under that review indicated that these rules were unfair and needed to be changed, I wonder if you can tell me why you feel this is not an issue.

Can you please tell me when you'll stop this war on small businesses? Can you tell me if you're just going to keep repeating these talking points or if you're actually going to get serious and address this?

•(1605)

The Chair: The minister will need some time to respond.

Minister, the floor is yours.

[*Translation*]

Hon. Diane Lebouthillier: Thank you, Mr. Chair.

I repeat that our government is committed to supporting small and medium-sized businesses. I must also tell my colleague once more that we have not changed any tax rules. The same provisions continue to apply.

I would also like to tell the committee that, in 2014, our colleagues here—

[*English*]

Mr. Blake Richards: Minister, I'm going to have to interrupt because my time is very short. I'm sorry, Chair, but I will have to interrupt.

The Chair: Let the minister finish. We'll give you time—

Mr. Blake Richards: Mr. Chair, you'll give me time?

The Chair: Yes, I will. We'll give you time.

Minister, go ahead. I don't know if Mr. Gallivan wants to add anything or not, but go ahead. The floor is yours.

[*Translation*]

Hon. Diane Lebouthillier: So, as I was saying, in 2014-2015, the party in power, my colleague's party, held consultations about the rules and decided to change none. The rules continued to apply and we are still applying them now.

Mr. Gallivan will be able to give you more details about the rules that apply to campgrounds.

[*English*]

Mr. Blake Richards: Just before Mr. Gallivan, I think it will be helpful—

The Chair: Mr. Gallivan might want to add to what the minister said. Then we will give you time.

Mr. Blake Richards: Mr. Chair, something that the minister just said is untrue. Our government initiated the review—

The Chair: Well, no, I'm going to allow—

Mr. Blake Richards: —and your government—

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): I have a point of order.

The Chair: Order, please. I'm going to allow Mr. Gallivan—

Mr. Blake Richards: Take a look at your—

The Chair: Mr. Blake, I'm going to allow Mr. Gallivan to respond.

Ms. O'Connell.

Ms. Jennifer O'Connell: Mr. Chair, while I welcome Mr. Richards on this committee and all committees, the rule is that you ask your question and the witness has an equal amount of time to respond. You may not like what you are hearing, but those are the rules and I would ask that we all be held to those rules.

Mr. Blake Richards: I have a point of order, Mr. Chair. Could I respond to the point of order?

The Chair: The point is made—it's not a point of order.

Mr. Gallivan.

Mr. Ted Gallivan: Thank you, Mr. Chair.

From an official's level, I can tell you that in a previous position I had responsibility for domestic compliance. There was no national campaign focused on that sector of the Canadian economy, campgrounds. Based on the feedback CRA officials did, I can tell you that not just in the audit area but also in our legislative policy area, CRA reviewed the legislation to confirm the understanding and interpretation of the legislation as drafted. From our perspective, there has been no change in this area either from the interpretive perspective or from an enforcement perspective.

•(1610)

Mr. Blake Richards: Mr. Chair, you indicated that you would give me just a brief amount of time.

The Chair: We're well over, but I said I would give you time.

Go ahead.

Mr. Blake Richards: The only thing I wanted to add was simply that the claim is being made that nothing has been changed. In fact, under interpretation bulletin IT73R6, the small business deduction, there was a change to the way this was applied.

I can provide this to the minister in both official languages if she would like so she can check it out for herself.

The Chair: Okay, you can leave a copy of that with the committee for sure.

Mr. Gallivan, Minister, do you have anything further to add on that point?

Mr. Dusseault.

[Translation]

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

I am going to try to change the tone with my first question. I did not have the chance to ask you this last year.

Why have some headings in the departmental plan been written in red since you have been Minister of National Revenue? Up to 2015-16, they were in blue. All of a sudden, they changed to red in the 2016-17 departmental plan.

Hon. Diane Lebouthillier: The job that was entrusted to me in my mandate letter is about services to Canadians, about improving services, and about the fight against tax evasion and aggressive tax avoidance. I have to tell you, Mr. Dusseault, that I have never given a second thought to the colour of the text in the report.

Mr. Pierre-Luc Dusseault: Thank you.

Hon. Diane Lebouthillier: But thank you for pointing it out.

Mr. Pierre-Luc Dusseault: No problem.

I have a more serious question.

The committee produced a report with 14 recommendations. A number of them came with timelines. In your response to the report, you committed to a lot.

The first recommendation I would like to deal with is recommendation 3, which deals with negotiated settlements. You said that you were going to review the way in which you handle negotiated settlements.

That clearly is a result of the KPMG affair, when KPMG clients were able to negotiate settlements. In fact, it seems that we have to call it a "negotiated settlement" rather than an "amnesty".

On the subject of negotiated settlements, your commitment was "for the CRA to be transparent about the process of negotiated... settlements". Consequently, "the CRA will review its guidelines by March 31, 2017".

Today is May 3, 2017. Can you update us on the new guidelines for negotiated settlements?

Hon. Diane Lebouthillier: Thank you for your question, Mr. Dusseault.

I would like to thank the committee for the report it produced. My department has accepted all 14 recommendations in your report.

As for the voluntary disclosures program, I would like to remind you that, last year, I commissioned an evaluation by an independent person, Kimberley Brooks. She evaluated the whole process to determine whether everything was in order. In this aspect, indeed, it was.

I can tell you that we are in the process of responding to the 14 recommendations. Mr. Gallivan will be able to tell you what point we have reached.

Mr. Pierre-Luc Dusseault: My specific interest is in recommendation 3, dealing with negotiated settlements, not with all the recommendations.

Mr. Ted Gallivan: The review we committed to is complete. The review was limited to the agency only. We also consulted our advisory committee.

The revised national procedure is scheduled for October 31 this year. I should say that one of the major changes is to be very strict about a decision-making committee. It will not just be made up of senior officials from the agency; it will also have representatives from the Department of Justice on it.

In the past, there were some criteria for consultations. Holding consultations was left to people's discretion a little.

In the future, all the files will be sent to an advisory committee made up of senior officials from the agency and from the Department of Justice. That will make sure that there is some consistency in the decisions, and that they will be looked at from all angles.

Mr. Pierre-Luc Dusseault: Thank you for that answer. We will keep our eye on it.

In the second last paragraph of page 35 of the English version of your departmental plan, it says that you are going to publicize the consequences of engaging in tax avoidance and tax evasion schemes.

There are advertisements on your website and on your social media showing people in handcuffs. Despite the ads, which I encourage, we have not really seen anyone convicted and going to jail in recent years.

Can you at least assure Canadians today that there will be more frequent prosecutions and there really will be people in handcuffs, like the ones in your photos? Your photos are misleading. It has not happened in recent years. Can you commit to putting people in jail for real, not just in your Facebook photos?

•(1615)

Hon. Diane Lebouthillier: I thank my colleague for his question.

That actually gives the government the opportunity to talk about all the work it has done and will do to combat tax evasion and aggressive tax avoidance.

As I mentioned in my remarks, our activities are currently geared towards criminal activity. Investigations are under way and are taking their course.

As for tax evasion and tax avoidance, Mr. Gallivan has a lot more technical information. We know that Canadians want to know what is happening, they want everyone to pay their fair share and, if something is considered criminal, they want it to be dealt with as such.

Mr. Pierre-Luc Dusseault: I am happy with your answers. It's fine.

[English]

The Chair: Thank you. That's the end of that round.

Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you all for being here.

Minister, I want to start off by asking a question. My questions, frankly, will be similar to what I've asked in the past, because I am interested in the progress.

First off, regarding this committee's recommendations on tax evasion and tax avoidance, I want to thank you and acknowledge that you accepted all of this committee's recommendations. I look forward to seeing how that unfolds.

Specifically, I want to talk about the tax gap. I've raised this issue before. Previous to our government taking over and your being appointed minister of the CRA, Senator Downe had done a lot of work in regard to the tax gap. In the previous government, he had asked the PBO to bring forward the tax gap number: what is this number? Under the previous government, the CRA refused to work with the PBO and provide that information.

How can we tackle the issues of tax avoidance and tax evasion if we don't know how big the problem is? Are you doing anything or dealing with anything to finally release the information about the tax gap, so that we can properly assess the areas of tax evasion and tax avoidance?

[Translation]

Hon. Diane Lebouthillier: I thank my colleague for her question.

Our government has in fact committed to study the tax gap, something the Conservative Party never wanted to do. Our approach is quite different, in that we work on the basis of facts. That is how I asked the Canada Revenue Agency to work. The agency is working in collaboration with the Parliamentary Budget Officer on the tax gap issue.

A first report was submitted last June. The work is continuing. Other meetings will be taking place. The important thing for us is to use all the tools at our disposal, to make sure that Canadians have trust in the fairness of our tax system.

I repeat my commitment, and the government's commitment, to continue our work and to make it public.

[English]

Ms. Jennifer O'Connell: Thank you very much.

I'm sorry, I heard that the first report was published last June. Is that the internal initial report, and is there any timeline when you might expect some of this information to be released to the public?

[Translation]

Hon. Diane Lebouthillier: A first report was submitted last June. As to how the work is continuing, Mr. Gallivan is more current as to dates and all the technical aspects.

[English]

Mr. Ted Gallivan: I want to come back to the history perhaps, from the CRA perspective.

It wasn't necessarily a refusal. We, like many tax jurisdictions, have concern over the accuracy and the difficulty with measuring a tax gap. In terms of co-operation with parliamentary officers, we had privacy concerns and legal advice that prevented us from co-operating to the full extent that they might have desired.

The minister is correct, though. Last June, we did release information on the GST. This June, instead of just pointing out how complicated it is, we've partnered with the Canadian Tax Foundation to hold an international summit on tax gap. Through the Canadian Tax Foundation, we're bringing in international experts, inviting stakeholders, and we're going to explore these methodological difficulties with measuring the tax gap. We're actually seeking to engage academics, statisticians, and others to get past "it's difficult to measure the tax gap" and develop actual strategies that will bring us, I think, to what we all want, which is a fair tax regime.

• (1620)

Ms. Jennifer O'Connell: Thank you.

Through the chair, do you have a timeline on that work? There are lots of countries that are producing a tax gap. I appreciate the minister's leadership and commitment to finally move forward with this, but lots of jurisdictions have done this.

I appreciate that you want to come up with the right kinds of measures, but how soon will we see...? We won't know if our investments are really tackling this issue until we can track this tax gap.

Mr. Ted Gallivan: The meeting is scheduled for the first week of June of this year. We would expect the articles and advice to follow later this year.

The Chair: Thank you all.

Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Welcome, Minister, Mr. Gallivan, and Monsieur Huppé.

I have a couple of housekeeping questions regarding the mailing of tax returns by some Canadians who mail them out. They can't file them electronically.

It seems that those people were told they would not be able to receive their refunds because the Canada Revenue Agency is not looking at these files until May 6. Why are we treating Canadian taxpayers differently, whether they chose to file electronically or manually?

Those complaints came to me. They're actual complaints. I would like to address them, and I would like an answer on that.

The Chair: Are you clear on what the question is? There looks to be puzzlement.

Mr. Ziad Aboultaif: I'll repeat the question.

Taxpayers who mailed their tax returns were told by the CRA that they will not be able to receive their refunds because the CRA is not looking at their files until May 6. That means Canadian taxpayers are being treated differently.

Whoever already filed electronically has received their money, and those who filed manually still have to wait, probably another month from now because May 6 is on a Saturday. Why is that? Where's the efficiency, and how can we show Canadians that we're treating them equally?

[Translation]

Hon. Diane Lebouthillier: I thank my colleague for his question and for his concern for people. Indeed, not everyone has access to electronic services, and I am very aware of that.

In terms of customer service, in my opinion, everyone must be treated fairly. Just because someone sends their returns on paper does not mean that they will be treated less well than those who filed their returns online.

I am happy that almost 90% of the people send their returns to the agency electronically, but when we receive paper returns, we process them in the same way as electronic returns.

[English]

Mr. Ziad Aboultaif: Well, they're not. That's the complaint we've received. My office has received complaints of that fashion. If 90% of Canadians comply, the other 10% are still waiting and are suffering as a result. I expect, from the extra resources that you have at CRA, and the extra money from last year and this year, that there will be a level of efficiency.

Also, in relation to the same question, we were told that taxpayers had difficulty during the past tax season finding tax forms at their local post offices. Is that another step in the phasing out completely for people who still prefer to file manually? Again, why now? You have the resources. Why can't these be phased out without a painful process for taxpayers?

• (1625)

[Translation]

Hon. Diane Lebouthillier: I thank my colleague for his question.

At the beginning of tax season, I was told that it was difficult to find forms in French in some places. It was also difficult to get forms in some other places. I immediately contacted people at the agency to resolve the situation. Mr. Gallivan will be able to give you more information about that and to talk to you about the agreements we have reached with Canada Post in terms of paper tax returns.

[English]

Mr. Ted Gallivan: The CRA experience is that we have a very effective partnership with Canada Post to get those paper guides distributed all across the country. It is sometimes reported to us that in individual outlets—whether in a retail centre or otherwise—

individual employees, not understanding this, sometimes destroy or move the guides. As soon as we're informed of this, we work through Canada Post to get that location restocked.

What I would suggest is, if you're hearing that information, the best thing you can do is advise the agency. Given the large number of postal locations all across the country, individual incidents like this can occur. The best thing is for us to respond as soon as we hear about it, to make sure we replenish the paper stock. Sometimes it can be aggressive taxpayers, who grab bundles of them. There have been reports of that as well. They just take all the paper that's available.

Mr. Ziad Aboultaif: I think that the perception of it is that Canada Revenue Agency does not provide enough copies to post offices. That's why some people are suffering and falling behind. That is not fair for taxpayers.

Do I have a minute? Or 30 seconds?

The Chair: We'll give you a very quick question.

Mr. Ziad Aboultaif: In reference to the discussion by my colleagues here about campgrounds, I would like to refer on record to recommendation 31 of this finance committee, that the Government of Canada recognize the income earned by campgrounds and storage facilities as active business income for the purpose of determining eligibility for the small business deduction. That's to be added to the records on file.

The Chair: Thank you.

That is in our recommendations.

Mr. Fergus, you are next.

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Mr. Chair.

Madam Minister, Mr. Huppé, Mr. Gallivan, welcome to the committee. It is a pleasure to have you here today.

I think I am the newest member of this committee; this is the first time that I have had the opportunity to ask you questions.

At the beginning of your presentation, you mentioned all the changes that the agency has put in place since November 2016. Can you talk to us a little more about the streamlining of the agency's services that was announced in November 2016? How will that streamlining help the agency to fulfill its mandate more effectively?

Hon. Diane Lebouthillier: I thank my colleague for his question.

As my mandate letter mentions, one of the agency's priorities is customer service. Our government is committed to having the agency provide Canadians all across the country with the best service.

The objective of streamlining the services is to concentrate processing activities in the three national verification and collection centres.

I have been able to tour the agency's offices all over Canada. Actually, the tour is just coming to an end. I have been meeting with employees to see how the streamlining of services is going in the trenches, because streamlining means change. Employees and management are working together and are committed to serving Canadians. I was extremely surprised to hear employees all over the country tell me that they had never seen a revenue minister in their offices and in their regions. Streamlining the services has allowed us to consolidate our services in the regions. As I see things, all the regions of the country are important.

The only office that was closed was in Toronto, but there are already three other agency offices in that city. We made sure that we worked with the unions to support employees through all the changes that were implemented.

Everywhere I went, I met Canada Revenue Agency employees who are committed to customer service. I always take the opportunity to tell them how much of a priority customer service is for me. I am a social worker by training and, as I see it, everyone must be treated the same, from the poorest to the richest.

• (1630)

Mr. Greg Fergus: Madam Minister, given that you are also a member from Quebec, you have the great pleasure, as I have, of filling in two forms when you do your taxes.

As you know, I represent a border constituency. A number of my constituents work on the Ontario side but pay their taxes in Quebec. Even federally, there is often confusion between the RL-1 slip and the T4 slip. Since we are talking about improving things and providing service, I wonder whether the agency is at all aware of that situation.

How can we make life easier for my constituents, so that they can fill in their two forms and calculate their deductions without difficulty?

Hon. Diane Lebouthillier: You are perfectly right. The fact that there are two tax returns is peculiar to Quebec. The CRA is working closely with the Ministère du Revenu in Quebec. I have also met with my colleague, Minister Leitão, on several occasions.

With that introduction, I will ask Mr. Gallivan to answer your question in more detail.

Mr. Ted Gallivan: We have a number of reciprocity protocols with the provincial ministry, especially in terms of services and observation. We are trying to bring the information together. I feel that our online services allow us to do more of it.

With some Canadian provinces, people can interact with both levels of government in a single online session. We are also working with our systems to permit the exchange of data as much as possible. We have to help Canadians operate in a consistent fashion, and on their own.

[English]

The Chair: Thank you.

Minister, there are four questioners. Can you stay?

[Translation]

Hon. Diane Lebouthillier: Like us, all the committee members around this table want to work to provide a better tax system for Canadians. So I will be happy to answer your questions.

[English]

The Chair: Thank you, Minister. We appreciate that.

We'll give everybody a couple of questions.

Mr. Richards, go ahead.

Mr. Blake Richards: Thank you.

Minister, I guess I'll continue. I had a chance to share with you the perspective of the interpretation bulletin. Maybe you've had a chance to reflect on that. By the way, that was from August 2016, so it was not a Conservative government. It was in fact your government.

I will reiterate that in our last budget in 2015 we initiated a review of these rules, and there was a reason why that review was initiated. Twelve of the 13 submissions we received indicated that they felt the rules were unfair and recommended that there should be some change. Then, of course, the interpretation bulletin from August 23, 2016 made that change. Then these campgrounds started to be assessed and reassessed with a different interpretation of the rules about active versus passive income. Frankly, the idea that a business is too small to be a small business is quite ridiculous, but that was the interpretation.

I gave you a list of a few businesses that have been affected because of this change in the interpretation. There are others, and some of them are being put out of business. Also, I know there are a lot of businesses out there that are in fear right now, because they wonder if they'll be the next business model to be approached and attacked under these changes, which really seem to be quite arbitrary.

As my colleague Mr. Aboultaif read to you earlier in this own committee's pre-budget report for the 2017 budget, the recommendation was:

That the Government of Canada recognize the income earned by campgrounds and storage facilities as "active business income" for the purpose of determining eligibility for the small business deduction.

Minister, it seems to me that the only thing your Liberal government isn't ignoring is another attempt to be able to punish small businesses. I want to give you another chance, Minister. Will you take another look at this? Will you actually try to make sure this war on small businesses stops, or are you just going to keep repeating these talking points about people paying their fair share?

• (1635)

The Chair: Madam Minister and Mr. Gallivan.

[Translation]

Hon. Diane Lebouthillier: I thank my colleague for his question.

I will repeat myself and tell him that we have not changed the rules.

[English]

Mr. Blake Richards: How much evidence do you need, Minister?

[Translation]

Hon. Diane Lebouthillier: At the Canada Revenue Agency, we apply the legislation that is the responsibility of.... If the act is to be amended, we would have to consult the Department of Finance. At the Canada Revenue Agency, no changes have been made to tax rules. They continue to apply, as they applied when your government held public consultations when you were in power. You did not change the rules at that time and, in turn, we continue to apply exactly those same rules.

[English]

Mr. Blake Richards: I really don't know whether to laugh or cry. That is actually embarrassing on your part.

The Chair: Mr. Richards, we'll be turning to Mr. Grewal.

Minister, I think it's fair to say that on campgrounds and RV parks we are all getting calls. Probably every member on this committee has been lobbied on this issue. It is a serious issue, and we are hearing from the tourism sector, so I would ask you to look closely at the issue with your officials and make sure that people are not being targeted.

I went through the memo that Mr. Richards tabled. All members have a copy. As a committee, we looked at this before and we just want to make sure that campgrounds and RV parks are not being targeted and are being treated fairly. That's all I'll say on the matter.

Mr. Grewal.

Mr. Blake Richards: Thank you, Mr. Chair. I'm glad to see a member of the Liberals recognizing such a fact.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair.

Minister, I want to thank you and your officials for coming today. We really appreciate it.

Minister, one of the things we can all agree on at the table, irrespective of party, is that we're all here to help solve problems for our constituents. It's sometimes really difficult to solve a constituent's tax problem with the CRA, for various reasons. We have to fax the consent form in. They don't give us very much information over the phone. Sometimes constituents' accounts are being garnished and it really becomes an issue of how to have enough money to put food on the table, as I saw in a recent case in my constituency.

Our government has made significant investments in the CRA. Can you let me know how the investments made in our appeals process will help at the local level?

[Translation]

Hon. Diane Lebouthillier: I met with the Auditor General over the winter on the objection process. We discussed his report. It was submitted and I have considered it.

We accepted all the recommendations on objections in the Auditor General's report. An action plan with the goal of reducing delays in processing objections is already being developed and will be

submitted soon. We will make it public so that people know how to proceed when they have an objection.

We know that there is a backlog of objections and we really intend to reduce it. We want objections to be processed as quickly as possible. Service to Canadians is a priority for us.

• (1640)

[English]

Mr. Raj Grewal: Thank you, Minister.

This is my last question, and maybe your officials can weigh in on this as well. I sometimes wonder about the training we give our officers at the CRA. It just seems that they are so rigid in their interpretation of the rules and that there is no flexibility or a common-sense alternative. If you owe \$10,000 and you're a single mother with two children and you live paycheque to paycheque and you've paid \$5,000 or \$6,000 and there's \$4,000 left, why not call it even at \$2,000 and close this file and go on?

There are a lot of frustrations at a local constituency level in some of these cases. Canadians hear these stories of tax evasion. Congratulations to you, Minister, that we're doing a great job to make sure the wealthiest Canadians in our corporations are paying their fair share. On the other side of that pendulum, however, we have a problem. For me, this problem is very important because we want to be able to solve people's minor CRA issues and close these files so they can keep on working hard to put food on the table and send their children to post-secondary education.

[Translation]

Hon. Diane Lebouthillier: Thank you for your question.

As I mentioned before, what's important to us is that everyone pays their fair share and receives what they are entitled to. My goals are to have effective and efficient services that are geared to Canadians. That's actually at the heart of my mandate letter.

There are still services within the agency. Our goal is not to put people in difficult situations and shut down businesses, but to reach agreements with people to find the tax base that will enable the government to invest in public services, education and health, to help the poorest of the poor and to invest in infrastructure. That is what the Canada Revenue Agency is all about. There's always a way to reach a deal with the Canada Revenue Agency. Each case is treated separately. Our employees are there to help and support people, as well as to enter into agreements with them.

Perhaps Mr. Huppé could elaborate on that.

[English]

The Chair: With respect to that, Mr. Huppé.

Mr. Roch Huppé: I think the minister said it well. You'll have noticed in the last year that we actually had a new advertisement on the collection front, reminding Canadians that we're there to work with them, considering the realities on a case-by-case basis to make different payment arrangements. We have the flexibility and the capacity to do that, obviously.

Mr. Raj Grewal: Thank you.

The Chair: Thank you all.

Mr. Dusseault, you have three minutes, and then the last questioner will be Mr. Ouellette.

[*Translation*]

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

I would like to come back to your responses to the committee's report.

Mr. Gallivan, the question is for you. It is about recommendation 14 and your answer about post-employment and conflicts of interest.

You have made a commitment to set up a high-level inter-disciplinary committee to look at the post-employment and conflict of interest rules. You said that you wanted to implement measures on a tight schedule. Can you give us some news about that? What has upset Canadians the most is that agency officials have attended secret cocktail parties at the Rideau Club, or that people have moved directly from the Canada Revenue Agency to accounting firms.

Can you tell us whether the post-employment and conflict of interest rules will be tighter, and when that will be done?

• (1645)

Mr. Ted Gallivan: The review has two parts. The first step was to immediately look at the tools we had before us. There have been some changes. For example, when an employee leaves the agency, we now require the right to contact his or her employer afterwards if the employee tries to exert some influence.

In terms of the high-level committee, there have been three or four meetings, including one last week that lasted two days. Directors from the regional tax offices participated, and so did people from headquarters. The goal of all that was to bring about real change, not changes that are good in theory but that do not really work on the ground. The fact that the agency convened about 20 senior officials and directors of the regional tax offices shows the exercise was taken seriously. We spent two days on it. We expect specific changes later in the year following this process.

Mr. Pierre-Luc Dusseault: We are watching with great interest.

In terms of recommendation 9, you have committed to reviewing the memorandum of understanding between the Canada Revenue Agency and the Public Prosecution Service of Canada (PPSC). The goal of that exercise is to speed up the process when investigations are conducted under the criminal investigations program and cases are transferred to the PPSC. So you made a commitment to do that. Will you update it?

You said that it would be updated if appropriate. Is it appropriate to update the memorandum between the PPSC and the CRA?

Mr. Ted Gallivan: Yes.

I have an official meeting with my counterpart every quarter. We have an improved draft memorandum. We consult our legal services. We are in the process of finalizing the details, but most of the changes have already been made. The approval process could take several weeks or months, but everything should be finalized by the fall.

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

[*English*]

The Chair: Thank you both.

For the last question while the minister is here, Mr. Ouellette.

[*Translation*]

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you, Mr. Chair.

My thanks to the minister for being here. That's very kind of her.

I would like to ask you a question that has two parts.

[*English*]

The Canada Revenue Agency's budget includes a \$51-million adjustment in forecasted payments under the Children's Special Allowances Act. This is due to an increase in the per child benefit amount under the new Canada child benefit program, implemented in July 2016.

The Children's Special Allowances Act pays government money when children are held in the care of the state, so essentially, instead of the money going to the children, it actually goes to provincial governments and agencies. The state, though, seems to be a very poor type of parent, because I've met individuals who have been bounced around from foster family to foster family in my riding, up to 77 times. One individual I met last week was in over 100 foster families throughout his life, in 18 years, which is an incredible number.

I was just wondering why we give the money to the state. Why does it not go to these children who need it most, who don't have the social and family structures that many of us enjoy? Why do we give it to governments that really don't need it? Why not place it in a trust, so that these children—at some point in the future, when they turn 18 or 21—can access these funds to pay for education or for housing? Often, what happens is they end up in a homeless shelter, where I meet them, because they're kicked out of foster families when they turn 18 and they're not valuable to anyone anymore.

That is not to say there are not good foster families, but it seems we are doing a disservice to some of these children, and so I was wondering if your deputy ministers had any intention of looking at this and trying to understand what problems are related to this.

Then I just had one final question related to that. Could you give the number of people in the country who are actually using the Canada child benefit? Have all families applied? What is the penetration rate related to that program?

[*Translation*]

Hon. Diane LeBouthillier: You have two questions.

I'll answer the first one about the \$51 million for children in the care of the state, of foster families or people other than their parents.

Yes, the money is earmarked for the state, because child services and foster care fall under provincial jurisdiction. The money makes it possible to provide assistance to the children, because they have specific needs when they are young and live with those families. That's what the money should be used for.

• (1650)

Mr. Robert-Falcon Ouellette: You say “should”.

Hon. Diane Lebouthillier: It is understood that we cannot allocate the money directly to the children. It is allocated to the provincial governments, which in turn look after managing the social services.

Mr. Robert-Falcon Ouellette: The problem is that families or agencies take the money to pay for trips to Las Vegas or somewhere. They abuse the system, and the money doesn't go to the children. I know it's not your fault, because it's the responsibility of the provinces, but I'm wondering whether you could study it together, to ensure that the money actually goes to those who need it.

Hon. Diane Lebouthillier: I take note of your remarks. I can't give you more information, because these areas are under provincial jurisdiction.

The other question that you asked me is whether all the families have received the Canada child benefit. I will take this opportunity to convey a message that's important to me. I say this wherever I go.

Those who have not filed their tax returns are not entitled to the Canada child benefit or any tax credits. At the meetings I have, when I go to indigenous communities and when I meet with community organizations—I do some fieldwork, because it's important for me to involve the public—I tell those in charge that it's important that they talk to their people. That's the responsibility of every elected official, be they in Parliament, the provinces, municipalities and grassroots organizations, which are much closer to people and families. I tell them to check whether the people have filed their tax returns so that they are entitled to the Canada child benefit.

This is not about penalizing people. For those who have not filed their tax returns, they may go as far back as 10 years for some programs. So some people have received \$15,000 or even more in tax credits, from the money they were entitled to. I therefore strongly encourage you to check in each of your ridings with your organizations and to ensure that the people file their tax returns so that they get what they are entitled to.

In terms of the agency, as long as I'm there, it will not make money on the backs of the poor. However, when it comes to the wealthiest who hide their money abroad, let me tell you—and I have said it before—I will not let them off the hook.

[English]

The Chair: Thank you both for that round of questions, and your passion, Minister, in that answer.

That ends the rounds with the minister.

Minister, I think we will turn to the officials. First of all, thank you and the department for your response on tax avoidance and tax

evasion. The department has accepted our 14 recommendations. We appreciate that. I would say there is maybe a take-away, that is, the document on the eligibility requirement for campgrounds in order to claim the small business deduction. I think on that one, what you're hearing from members of the committee is that the CRA should proceed with caution. We're hearing too many complaints, and I don't mind saying that. We've heard your answers. We respect them. All I would say is, maybe the CRA should proceed with caution in that area.

With that, Minister, thank you very much for your presentation. All the best.

Do any members have questions for the officials? We do have a few minutes.

Mr. Dusseault.

• (1655)

[Translation]

Mr. Pierre-Luc Dusseault: First, the section on page 56 of the 2017-18 departmental plan is planned human resources. I know that it's linked to the main estimates, of course. So for 2017-18, the total planned full-time equivalents is 39,392. We see the number go down between 2017-18, 2018-19 and 2019-20, when it's still under what was planned for that year.

Could you explain the drop in total planned full-time equivalents in all the departments when resources are being invested in the Canada Revenue Agency, \$444 million in budget 2016. That's not counting the \$521 million in budget 2017, I think.

So why do we see a drop between 2017-18, 2018-19 and 2019-20?

Mr. Roch Huppé: Those decreases are because of our delays in preparing the documents. You gave budget 2017 as an example. Clearly, the FTEs are not included in the budget yet, but they will be starting next year.

Over the years, when we receive funds from previous years and the related forecasts, some funds expire. So the FTEs are removed and the new FTEs are restored depending on the new investments. Until the budget decisions are made, we don't have the right to make forecasts about the FTEs in future years. We rely on the authorities we have at this time of the year, considering all the decisions made so far.

It is normal that, for most departments, those figures go down over the years and are adjusted as the new budget decisions are confirmed. If we have funds that are supposed to expire and we think they will be renewed, we don't have the right to keep the FTE figures in our reports. We have to wait for the official renewal, which is usually done through the budget.

Mr. Pierre-Luc Dusseault: I understand what you're saying, but that does not explain the fact that the amount of \$444 million should indeed be taken into account. But we see no difference between 2016-17 and 2017-18, and it stays at the same level of 39,392 FTEs.

The same is true for page 53 of the 2017-18 departmental plan. In 2016-17, it was \$943 million, in 2017-18, it was \$930 million, in 2018-19, \$918 million, and in 2019-20, \$917 million. I don't see the \$444 million anywhere. I understand that we cannot count the \$521 million, but we should be able to see the \$444 million.

Mr. Roch Huppé: What you would see is the breakdown of the \$444 million. Those numbers would be included and there would clearly be an increase. Except that there are other initiatives with funding coming to an end. For instance, budget 2012 expired recently. Efficiency measures at that level and other funds have expired and might be renewed. Basically, it's the net amount of everything that comes in and all the measures that come to an end. You are seeing the net amount.

If you saw all the details, the breakdown of those numbers, you would see that the figures connected to the \$444 million are included, but over the years, there are other initiatives with funds expiring.

[English]

The Chair: You have time for a last question, Pierre. Are you done?

[Translation]

Mr. Pierre-Luc Dusseault: Yes, that's all for now.

[English]

The Chair: Thank you.

Mr. Aboultaif.

Mr. Ziad Aboultaif: I would first like to thank you, and then go back to the question that was asked by my colleague, Ms. O'Connell, on the tax gap.

I do understand fully that you've probably been hesitant to come up with any figure in that regard. However, to go back to this point, one thing that struck me, Mr. Gallivan, when you were talking about the ROI, was that you didn't seem to be very keen or confident that the ROI is going to be satisfactory from a business stance. At the end of the day, this is a huge investment by taxpayers to the CRA, so if you're hesitant on the ROI, that means you're not releasing any figures on the tax gap.

I can see it from a taxpayer's perspective. At least come up with some figures—you must have some idea about the tax gap—and then when you finish the investigation and the study on it, you can come back to Canadians with some of that. I'm hoping that with you I can get a better answer than I would be getting from the minister.

So far, we haven't been able to get anything from the minister, although I've addressed her in writing. After 45 days, I have nothing back. It's the same answer that she gave today. Could you please elaborate on this at some point?

• (1700)

The Chair: Mr. Gallivan.

Mr. Ted Gallivan: First, I'll go back to this idea of revenue generation. We have a number that we call revenue impact. Last year, it was just under \$13 billion, at \$12.8 billion. This year, it is well over \$13 billion. That number is up roughly 46% over the last four or five years.

Tactically, that's successful. We're getting more taxes for the Canadian public. Strategically, if we continue to find people not complying, we haven't deterred them. The other number we have is the \$460 billion that comes in voluntarily, overall. That's the number that really needs to go up. In other words, if we continue to perform audits and we continue to find that taxpayers are non-compliant, there must be something about how we audit or the consequences of audit that isn't getting through, which goes back to the point about criminal investigations and extra penalties for preparers.

In terms of the tax gap, our challenge is about how we allocate those resources. How much do we resource to multinationals? How much do we resource to small and medium-sized businesses? How much on aggressive tax planning? We have to make those judgments, so for us, it's more a question of identifying the eight or nine different tax gaps. How much is in the underground economy? How much is offshore and moving it around? Therefore, for us, it's not necessarily determinative to know how big it is. It's the relative size because our job is to reallocate those resources.

For those countries that do have a measure of tax gap, we have consulted those tax authorities and they haven't found performance lists. Their results aren't up by 46%, after they started measuring the tax gap, so we have been reluctant. Now, under this new government, we have been working and taking steps to understand those challenges and find solutions, so the Department of Finance and the CRA partnered last year to release a number on GST. We're holding a conference this June with experts, academics, and statisticians to understand how we can produce something that might be useful—for you and for the agency—that would make us more transparent.

If we had the answer, the agency would have done it sooner, so now, all I can talk about is our process to come up with an answer.

Mr. Ziad Aboultaif: I'm not specifically asking you to reveal your strategy, although you have the right to do so. If you don't, that's up to you. However, there is almost \$1 billion between last year's budget and this year's budget for CRA. That's a very significant number. Do I understand from what you just said that you haven't found where you can allocate that money? How are you going to distribute that money into different areas? Where are your priorities? At the end of the day, you've been in business from before this government. Now, we'll continue for as long as it takes, so where are the priorities and how are we going to tell Canadians that this is going in the right direction with a significant investment that you're getting of about \$1 billion for two years?

Mr. Ted Gallivan: The budgets were quite specific and quite clear that our points of focus were multinational enterprises, aggressive tax planning, particularly offshore tax planning, criminal investigations, and the underground economy. In fact, we were able to increase our level of focus on all of those areas, while at other times and in other years, we've had to make reallocation decisions, so those sectors are the sectors that we're focused on.

I had also talked about making increased use of technology and data. We now have access to electronic funds transfers over \$10,000. Country-by-country reporting by multinationals is coming in two years. Something called the common reporting standard, to which 100 countries have signed on, will give us worldwide banking information on Canadian citizens around the world.

In addition to those priority areas, our priority approach is to leverage data to be much more targeted, so we're not on the doorstep of compliant small businesses, but really focus on those that are most aggressive.

The final thing that I'll say is a big focus is on the promoters or facilitators, like those firms' accountants or lawyers who are the facilitators and the wholesalers.

Hopefully I have answered your question.

I'll come back to the ROI, again, this year in my branch, we had a target of \$380 million. We're at \$500 million. We are confident of being able to meet those revenue generation targets.

What we want to do is meet those targets and deter to ensure there are sufficient consequences that we don't see the same people still non-compliant two or three years down the road.

•(1705)

The Chair: Thank you both and thank you for the thorough explanation on that point, Mr. Gallivan.

We will turn to the vote on the main estimates for the Canada Revenue Agency 2017-18.

CANADA REVENUE AGENCY

Vote 1—Operating expenditures.....\$3,173,383,552

(Vote 1 agreed to on division)

Vote 5—Capital expenditures.....\$59,363,678

(Vote 5 agreed to on division)

The Chair: Shall I report votes 1 and 5 under the Canada Revenue Agency, less the amounts voted in interim supply, to the House?

Some hon. members: Agreed.

The Chair: Thank you.

We will suspend for a few minutes and then go into committee business.

•(1705)

_____ (Pause) _____

•(1710)

The Chair: We'll reconvene.

Pierre, I think you have a motion.

Mr. Pierre-Luc Dusseault: Yes.

The Chair: Can we go through yesterday's report from the subcommittee first and deal with that so we can get the witnesses in order? We'll have time. We'll get to your motion.

Members have been given a copy of the sixth report of the Subcommittee on Agenda and Procedure. Do I need to read it? It will be on record.

We need a mover for that, do we not?

Mr. Ron Liepert: But you're going to allow discussion?

The Chair: Yes. The sixth report is before you. It really deals with the aspects of Bill C-44, the budget implementation act. We'll hear from officials on Monday and Tuesday, the current and former parliamentary budget officers and related witnesses on Wednesday, May 10, and really all other matters related to the schedule on how we would deal with Bill C-44. Instead of reading it all, I consider it moved.

It's up for discussion. Mr. Liepert.

Mr. Ron Liepert: I have a suggestion on point 2. I've observed that if you schedule four hours, people will find a way to fill four hours. Could we operate on the premise that it's a meeting on Monday and, if necessary, we have the Tuesday meeting, and it would be up to the chair that if we were close enough to concluding on Monday, we could extend it for an hour and get it done on Monday? I'm only concerned that if we schedule four hours, somebody will fill it.

•(1715)

The Chair: I think we can go with that. Our understanding at the subcommittee was that if we needed Tuesday, we'd use it, and if we didn't, we wouldn't. I think we can agree to that understanding.

Mr. Ron Liepert: Yes, and if we need to go an extra hour on Monday to get it done, let's do it that way.

Mr. Raj Grewal: He seems so reasonable on that.

Mr. Gérard Deltell: I would like to add something to the discussion.

We would propose to have another meeting on Thursday, May 11, and the time we suggest is just after question period, 3:30 p.m. to 6:30 p.m.

A voice: Make it 5:30 p.m.

Mr. Gérard Deltell: Okay, 3:30 p.m. to 5:30 p.m.

The Chair: On May 11 just for hearing witnesses?

Mr. Gérard Deltell: Yes.

The Chair: Are we okay with that? Do we need to vote on it?

If we do get through all the witnesses, I think it would be understood we could drop one of the other meetings.

Ms. Jennifer O'Connell: Yes, that was what I was going to ask, Mr. Chair.

The Chair: All right, then. That would be 3:30 p.m. to 5:30 p.m. on the 11th.

Robert.

Mr. Robert-Falcon Ouellette: Personally, I am not in favour of the 11th or even the 18th. I prefer to sit longer on the Monday, Tuesday, and Wednesday and have that time to do other things, because we're already moving people around and having to book translators, having to get panellists here, and myself included. I think it would be more efficient if the witnesses could all be bunched together in those three days. It would be a much more efficient use of our time, rather than having to come back again on a Thursday.

The Chair: When were we going to meet on witnesses? We've asked for the deadline to submit witnesses on the 5th—

Mr. Ron Liepert: Monday morning.

The Chair: —and the subcommittee is going to look at witnesses on the 8th. Depending on the number, could we leave it to the subcommittee to work out that schedule, whether we add another hour or two? We're still before the 11th, and if we think we have to add the 11th, add it. I don't think anybody's being reluctant on adding time. We know we have to do the work.

Mr. Ron Liepert: I mentioned to my colleague, when he raised it, that I think part of the discussion at subcommittee was whether the clerk would have time to get the witnesses lined up for the 11th. So if the clerk tells us that we can get it ready for the 11th, could we go ahead? Part of it would be whether the time lag is long enough.

The Chair: I expect there are organizations in the Ottawa area that would be able to come, so I don't think there's any real opposition to either extending the hours or meeting on the 11th.

If we have the witness list by 12 o'clock on Friday, we pretty nearly may be able to determine this Friday afternoon. I think we're all going to be in agreement on some national organizations that should come on budget implementation. We might be able to line them up for Thursday.

As well, the minister is scheduled to come on either the 17th or the 18th. I don't think we'll get him for the three hours that are scheduled. We might get him for an hour.

Can we work from that, Gérard?

• (1720)

Mr. Gérard Deltell: Okay.

The Chair: Is there anything else on the motion?

I know Mr. Liepert has a motion on the report.

The clerk tells me we didn't discuss at subcommittee a time for clause-by-clause on the 29th. We usually have a time with a deadline. Correct?

Go ahead, Ron.

Mr. Ron Liepert: My recollection was that last year the government introduced a motion, which in essence was a closure motion on clause-by-clause. It would seem to me that, unless the government proposes to do the same thing, we did not have a time limit on it until it was introduced as part of a motion last year.

The Chair: Do we want to agree on a time to do it within 3:30 to 6:30 or 7:30 and get it done?

Ms. Jennifer O'Connell: Yes.

The Chair: We'd have to sit the next day if we couldn't get it done then.

Mr. Ron Liepert: I think we should leave it as a two-hour meeting. Then if we need to extend it, we'll extend it.

The Chair: Okay, and the government has the option, at any time, to put a motion with the time frame in it.

Mr. Dusseault.

Mr. Pierre-Luc Dusseault: I think we should take the time we need to do it. If we are not done in the first meeting, we'll reconvene and continue at another meeting. We don't have to put a time limit now for a meeting. We will see if we happen to be done in two or three hours. If we need more, we'll do more.

The Chair: Thank you, Mr. Dusseault.

Mr. Sorbara.

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

We could do what we did last time. If on the 29th we were not finished the clause-by-clause by a certain time, then we would deem the clauses all moved and completed.

The Chair: That would require a motion stating what you just described. There is ample time, I think, for folks to think about it, if they want to bring that motion forward at some point in time. It doesn't have to be done today.

Are we agreed on the report of the subcommittee?

Some hon. members: Agreed.

The Chair: Mr. Liepert, I believe you had a motion related to the subcommittee report. Do you want to explain it?

Mr. Ron Liepert: Yes, I won't read it. Everyone has a copy of it.

For the benefit of the entire committee, the motion suggests that our chair invite several other committees to study subject matter that probably is a little more extensive and more narrow in scope, such that other committees are probably in a better position to call a few witnesses. It's laid out that the chair invite the chairs of these other four committees.

I don't think there's much more that I need to say on it right now.

The Chair: Okay. Then it's open for discussion.

I have just one point, Ron. In my reading of the motion, point (i) is that the Standing Committee on National Defence look at part 4, division 12. I went back and looked at that, and it's really related to the committee on veterans.

Mr. Ron Liepert: Why don't we just change it?

The Chair: Change it to the committee on veterans?

Mr. Ron Liepert: Yes.

The Chair: That's agreed.

Ms. O'Connell.

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

That was going to be one point, so if that's changed, I have no problem supporting that as well.

I'll deal with the last recommendation because I think it's easiest. It refers to part 4, division 18, and it's regarding the infrastructure bank, which is a finance program. I have concerns about asking the Standing Committee on Transport, Infrastructure and Communities for this one, when it's been this committee that's talked about the infrastructure bank. I understand the rationale behind getting further input from the committees that might oversee these topics generally, but this one is a finance issue.

I'll just say that, and if Ron or anyone else has comments, I'd be happy to hear them.

The only other one is point (ii), which refers part 4, division 13, to the Standing Committee on Citizenship and Immigration. I read that section, which is quite small, and it's just dealing with visas. I'm wondering what the rationale is to get that additional feedback, because it wasn't very comprehensive in terms of a policy.

Perhaps you could provide some more rationale for at least those two, although I certainly don't have an issue in principle with what you're asking.

• (1725)

Mr. Ron Liepert: Mr. Chair, perhaps I could respond in reverse.

With respect to point (ii), citizen and immigration, our member of that committee, Mr. Tilson, has written a letter to the chair. It states:

As you know, it has become customary for the various Standing Committees to review sections of budget legislation that pertain to their particular mandates. Division 13 of Bill C-44 contains amendments to the Immigration and Refugee Protection Act, the primary statutory instrument governing immigration to Canada.

I trust this is something you and the Committee will wish to examine once the Bill has passed Second Reading.

I don't know much more about it than that, but I would suggest that it's up to the chair of the citizenship and immigration committee whether or not they should study it. They will be responding to this particular letter in some form anyway. On this one, then, I would suggest that if we could leave it on, it would then be up to the chair to determine whether it's worthy of further study at citizenship and immigration.

Looking at (ii), which mentions part 4 relative to the infrastructure bank, I don't disagree that the infrastructure bank discussion belongs here. But I think it would be helpful to also have.... We are finance, and we will be talking about the structure of the infrastructure bank. I think our thinking here with transportation and infrastructure is that those areas will be the beneficiaries of the infrastructure bank.

Maybe, in the letter from the chair, we could differentiate between the witnesses who come before the transportation and infrastructure committee and the witnesses who come before our committee. It would be an opportunity to have that committee, which will really

deal with the beneficiaries of the infrastructure bank, have as witnesses what I would call "their" clients or "their" stakeholders, and we could concentrate on the financial side of the infrastructure bank.

The Chair: Okay.

You've heard the argument. Is there anybody else on this issue? Do I hear any amendments?

Okay. Then I think there's general agreement with the four points outlined.

I do have a few suggestions based on what Mr. Rajotte did, when he was chair of this committee, where they did something similar. I think there are a few other points that we need to make in the letter that we would send to other committees.

Mr. Dusseault.

Mr. Pierre-Luc Dusseault: That was my point. If the committee goes down that path and sends everything to other committees, I have a list of things that we can send to other committees. I don't know if you want me to read it out now.

The Chair: Before we go that far, could I read out the suggestions I have for the letter?

The a letter from me as chair would need to say "The motion that was adopted also invites your committee"—the committee we're sending this to—"if it deems appropriate, to provide us with recommendations, including any suggested amendments." We would have to put in a date that we need them back by, because we can't wait. Another paragraph would be, "Therefore, I invite you to send me the committee's recommendations, including any suggested amendments, by letter, in both official languages, no later than" a certain date. I think the subcommittee could determine that on Monday. Then I would say, "Furthermore, it would be greatly appreciated if you could advise me should your committee choose not to consider the matter or if it considers the matter and decides not to suggest amendments."

Do we have agreement that those aspects be put in the letter?

Ron.

• (1730)

Mr. Ron Liepert: I have a slight variation. I think that in your letter the date by which they need to notify you if they're not going to proceed needs to be much sooner than the second date you were talking about, because if they're not going to proceed, we may want to proceed with a witness or two. I would suggest that you have two dates in there. One is, "if you're not going to proceed, please let me know by" X, and, secondly, "if you proceed, we need the amendments by" X date.

The Chair: Okay. Is Monday too late to consider this draft letter or do we need to get it done this week? We're going to jam up other committees if we don't get it done.

Mr. Greg Fergus: Why don't we send it today?

The Chair: We need to get it drafted.

Could we have the clerk draft such a letter and I'll pass it by the subcommittee members tomorrow in the House, just without a formal meeting?

Mr. Greg Fergus: Yes.

The Chair: Would that be okay?

Some hon. members: Yes.

The Chair: The bells are ringing. Can we get agreement to keep going? It's a 30-minute bell.

Mr. Greg Fergus: Yes. We have 28 minutes left.

The Chair: Pierre.

Mr. Pierre-Luc Dusseault: At what point can we have the different divisions?

The Chair: We're open to your point of view.

Mr. Pierre-Luc Dusseault: I would send part 4, division 1, to the trade committee; part 4, division 4, to government operations, on Shared Services Canada; and part 4, division 10, to the justice committee, on the Judges Act.

I would send division 11 to human resources, to employment and social development or something like that—the HUMA committee.

The other one was considered by my colleague.

The Chair: Okay. Is that it?

Mr. Pierre-Luc Dusseault: I think so.

The Chair: Let's work through it. Could we just get agreement or non-agreement point by point?

Part 4, division 1, deals with trade, with special import measures, and is talking about duties, to a certain extent. Is there agreement to insert that as a proposal to the trade committee?

Do you want to vote?

Mr. Greg Fergus: I'm opposed. There is not an agreement.

The Chair: Let's vote on it.

All those in favour of inserting part 4, division 1, and sending that section to the trade committee with the request?

(Motion negated [See *Minutes of Proceedings*])

The Chair: On part 4, division 4, which deals with Shared Services Canada, are there any comments?

•(1735)

[*Translation*]

Mr. Greg Fergus: Mr. Dusseault, can you explain your reasoning for that again?

Mr. Pierre-Luc Dusseault: Shared Services Canada is in the purview of the Standing Committee on Government Operations and Estimates. So I would say, from experience, that it's the most capable of studying the issue.

[*English*]

The Chair: I think if you go to the act, Pierre, you'll see it's a fairly minor change. All it's adding is "or perform any of the duties". It's mainly a wording change. In any event, we'll have to vote on it.

The motion is lost.

Mr. Greg Fergus: Sorry, Mr. Chair, I voted in favour.

The Chair: You voted in favour? Okay.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: My mistake. That one is carried, so we'll send a letter there.

Part 4, division 10, has to do with the pay for the chief justice of Canada and others. That's what it is spelling out there. Is there any discussion? All those in favour of sending that to the justice committee?

(Motion negated [See *Minutes of Proceedings*])

The Chair: Part 4, division 11, is on human resources. It's the special benefits and benefit periods.

Is there any discussion, any point you want to make, Pierre?

(Motion negated [See *Minutes of Proceedings*])

The Chair: Okay, we'll add part 4, division 4, to the letter. We're agreed on that.

Ms. Jennifer O'Connell: Sorry, we'd like to go through the part 4 that was originally proposed.

The Chair: I thought we agreed on those.

Ms. Jennifer O'Connell: No, I'm sorry. We asked questions of clarification. We asked if we could vote on each one.

The Chair: Oh, I thought we agreed on them. I think we did agree on them.

Ms. Jennifer O'Connell: All right, that's fine.

The Chair: I'm pretty sure we agreed on them. I asked if there was agreement, so we'll write those letters accordingly.

Pierre, you had a motion you wanted to put. Does this motion have to come on the table today?

Mr. Pierre-Luc Dusseault: Yes, I've put the notice on the modified amendment.

The Chair: Okay, let's deal with it and then we have to go in camera and get our act together for the liaison committee.

[*Translation*]

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

Thank you for the time you are giving me.

This is a notice of motion that I submitted on March 22, 2017. It deals with the testimony obtained by CBC/Radio-Canada from employees of the major Canadian banks. They gave testimony about questionable, sometimes even completely illegal, commercial activities.

Following that evidence, the public reacted to the behaviour of Canada's major banks. That's why I'm encouraging the members of the committee to call as witnesses representatives from those banks, namely TD Bank, Royal Bank, Bank of Montreal, CIBC and Scotiabank. It would also be appropriate to invite the Canadian Bankers Association, as well as anyone whom the committee deems appropriate.

A subcommittee could discuss it and decide which witnesses would be appropriate to invite. The committee must ensure that there is compliance with the Bank Act, that consumers are protected and that those sorts of activities will never happen again. We must determine how those activities can be prevented by enforcing the legislation.

So I invite all my colleagues to support the motion. I'm not constrained by tight deadlines. I'm open to any proposals. I don't intend to insist that we delve into it at the next meeting, but I would at least like the committee to show a sign that it's interested in the issue and that, in due course probably after the study of Bill C-44, it might be able to undertake the study. This will mean inviting representatives from the banks in question and recommending amendments to the Bank Act. I hope to obtain the support of all my colleagues to do so.

• (1740)

[English]

The Chair: Okay, it is on the floor. I know from our list of motions to be lifted off the table, there's another one quite similar to this. I believe it's from Mr. Fergus. It's always a question of which motion you go with. This one's on the table, it's been lifted, and it's been moved by Mr. Dusseault. It's open for discussion.

Mr. Liepert.

Mr. Ron Liepert: Mr. Chair, I have some issues with the rather inflammatory way it's written, which gives me difficulty in supporting the motion as it is presented. Is the mover of the motion open to wording change?

Mr. Pierre-Luc Dusseault: Yes.

Mr. Ron Liepert: I would propose the wording change to be the following: "That the committee", then we strike out everything starting with "in" to the next comma, "banks", and insert "study the, as alleged in the media," and remove "aggressive and sometimes deceptive and illegal".

The motion would read, "That the committee study the, as alleged in the media, business practices of Canada's banks", and then carry on. I can't accept the inflammatory wording, because it is not proven that this actually occurred. It is alleged in the media, and that's where I have difficulty with it.

The Chair: That motion doesn't change the intent. Are you okay with that?

Mr. Pierre-Luc Dusseault: Yes, I would support that amendment.

The Chair: Then it's a friendly amendment.

You're asking for at least six regular meetings?

Mr. Pierre-Luc Dusseault: Yes, at least.

The Chair: At least.

Mr. Fergus.

[Translation]

Mr. Greg Fergus: Personally, Mr. Chair, I certainly don't support this motion. As Mr. Liepert said, some of its content is quite inflammatory.

I have proposed another motion that would allow us to discuss the underlying problem. It has the advantage of inviting the Financial Consumer Agency of Canada and other institutions that have the right to ask questions on the practices of banks, in order to protect consumers.

In addition, it is not beneficial to hold a minimum of six meetings on the issue. In my view, no more than three meetings are needed. I think it's a topic that we can address and it's important to do so.

My motion has a second advantage. By inviting the agency to testify—it is studying the issue right now—we would be able to find out which questions it is asking and check whether a good job is being done. We could also propose other questions. In my view, once the MPs agree, the Standing Committee on Finance can have an impact.

I think there are benefits to the second motion, but I leave it up to the committee to determine whether or not it is in favour of Mr. Dusseault's motion.

• (1745)

[English]

The Chair: I think we have about 13 or 12 minutes left.

Just so we're clear, what are you doing? Are you opposing this motion in favour of another, or are you amending it?

Mr. Greg Fergus: I'm opposing this motion in favour of another.

The Chair: We agreed on the amendment. I think it's a friendly amendment. It takes the inflammatory language out, so I think we're accepting it as a motion amended.

All those in favour of this motion?

(Motion as amended negated [See *Minutes of Proceedings*])

Mr. Greg Fergus: I'd like to raise the motion that I made. It reads:

That, pursuant to Standing Order 108, the Committee undertake a study of no more than three meetings to understand the practices of Schedule I banks on the sale of financial products and services to clients with special regard to:

- i. sales practices and incentives for employees;
- ii. opportunities for redress;
- iii. codes of conduct;
- iv. penalties for breaches of codes of conduct; and

that the Committee also call upon the Financial Consumer Agency of Canada and the Office of the Superintendent of Financial Institutions to discuss their overview of the financial services industry with regard to the study above.

The Chair: It has been moved. It is in order.

Is there any discussion on the motion?

Ziad.

Mr. Ziad Aboultaif: This motion is lacking some of the major banks. It would be beneficial to include the six banks instead of keeping it vague like this.

The Chair: Schedule I banks would cover that. Schedule I banks covers the major six.

Is there any further discussion?

Mr. Dusseault.

Mr. Pierre-Luc Dusseault: To be clear, is it your intention to invite some of the schedule I banks?

(Motion agreed to)

Mr. Greg Fergus: Yes, the intention is to invite schedule I banks—some of them or all of them.

The Chair: We will have to suspend for a minute and move in camera.

The Chair: I will call the question on the motion.

[Proceedings continue in camera]

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