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• (1105)

[English]

The Chair (Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC)): Good morning, everyone. I will now call the meeting to order.

Welcome to meeting number six of the Standing Committee on Public Accounts. The committee is meeting in public and is being televised.

Pursuant to Standing Order 108(3)(g), the committee is meeting today to study “Report 3—Taxation of E-Commerce”, of the 2019 spring reports of the Auditor General of Canada.

Today's meeting is taking place in a hybrid format. Pursuant to the House order of September 23, 2020, the proceedings will be made available via the House of Commons website. So you are aware, the website will always show the person speaking rather than the entirety of the committee.

I just want to note how exciting it is to have in the room today four members of Parliament on the committee .

To ensure an orderly meeting, I would like to outline a few rules, as follows.

You may speak in the official language of your choice. Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of floor, English or French. For those participating via Zoom, before speaking, click on the microphone icon to activate your own mike. When you are done speaking, please put your mike on mute to minimize any interference.

Should members need to request the floor outside of the time that has been given to them by me, they should activate their mike and state that they have a point of order. If a member wishes to intervene on a point of order that has been raised by another member, they should use the “raise hand” function. This will signal to the chair your interest to speak and create a speakers list. In order to do so, you should click on “participants” at the bottom of the screen. When the list pops up, you will see next to your name that you can click “raise hand”. This function creates a list of speakers.

Unless there are exceptional circumstances, the use of headsets with a boom microphone provided by the House of Commons is mandatory for everyone participating remotely who needs to speak. Of course, should any technical challenge arise, please advise me.

I would now like to welcome our witnesses.

Joining us today from the Office of the Auditor General are Auditor General Karen Hogan; Mathieu Lequain, director; and Philippe Le Goff, principal.

From the Canada Revenue Agency, I would like to welcome Commissioner of Revenue and Chief Executive Officer Bob Hamilton, and Ted Gallivan, assistant commissioner, compliance programs branch.

From the Canada Border Services Agency, we have with us John Ossowski, president, and Peter Hill, vice-president, commercial and trade branch.

From the Department of Finance Canada, we have Paul Rochon, deputy minister, and Andrew Marsland, senior assistant deputy minister, tax policy branch.

You will each have five minutes to make your opening statements.

We will begin with you, Ms. Hogan. You have the floor.

Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General): Thank you, Madam Chair.

Thank you for this opportunity to discuss our report on the taxation of e-commerce, which was tabled in Parliament on May 7, 2019. Joining me today are Philippe Le Goff, who was the principal responsible for the audit, and Mathieu Lequain, who led the audit team.

As we see every day during this pandemic, the retail landscape in Canada is changing and e-commerce is expanding rapidly. More people are making purchases online. The increase in e-commerce creates challenges for assessing and collecting the goods and services tax, GST, and the harmonized sales tax, HST. This is particularly true for physical products and for digital products and services, such as music and videos, that consumers in Canada purchase from foreign vendors. It is important for the Canadian sales tax system to keep pace with e-commerce and adapt to the challenges and opportunities it presents. This way, the tax base will be protected so that governments can fund vital public services such as social programs. The Government of Canada must ensure that everyone who should remit sales taxes does so, and that the taxes are collected fairly and effectively.

This audit focused on whether the Canada Revenue Agency, the Canada Border Services Agency and the Department of Finance Canada ensured that the sales tax system for e-commerce was neutral and that the sales tax base was protected.

We found that the Canadian sales tax system did not keep pace with the rapidly evolving digital marketplace. We estimated that Canada had forgone \$169 million in sales tax revenue on digital products in 2017. In preparation for this hearing, we have updated that information and estimated that the amount was approximately \$247 million in 2019, an increase of almost 50% in two years. For digital products and services, the Canadian sales tax system has placed Canadian businesses at an unfair disadvantage in relation to foreign vendors.

The Department of Finance Canada analysis of the sales tax system for e-commerce has shown that there is a risk that the current system could discourage foreign businesses from settling in Canada and encourage Canadian businesses to move their operations to other countries.

[*Translation*]

The Canada Revenue Agency and the Canada Border Services Agency have a role to play in ensuring that all taxes are collected and remitted to the government. We found that the agencies had not done enough work to make sure that this was happening.

As of today, the Canada Revenue Agency does not have the legislative authority to require foreign vendors of physical and digital products sold in Canada to register for, collect, and remit the GST or HST.

In our audit, we found that the agency lacked the authority to implement compliance practices that have been effective in other jurisdictions, such as simplified registration. We also found that the agency had undertaken limited compliance activities to determine if vendors had registered for the GST or HST.

We also looked at how the Canada Border Services Agency managed the collection of taxes on low-value shipments imported through courier companies. We found that the agency could not validate the sales taxes received on these shipments. Its systems and processes were outdated, and it relied on couriers to remit taxes owing. It also did little work in response to warning signs, such as an unexplained increase in the volume of shipments valued under \$20—and therefore not subject to tax—or audits showing the undervaluation of a significant number of shipments sent by courier.

We made two recommendations to the Canada Revenue Agency and one to the Canada Border Services Agency. Both agencies agreed with the recommendations. We were pleased to see that the Canada Border Services Agency included specific timelines in its response. The committee may wish to ask both agencies what progress they have made since our audit.

• (1110)

Madam Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

[*English*]

The Chair: Thank you very much, Ms. Hogan.

We will now go to Bob Hamilton.

Mr. Bob Hamilton (Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency): Thank you, Madam Chair.

[*Translation*]

I will be making my presentation in English but will be pleased to answer your questions in French.

[*English*]

Thank you for the opportunity to appear here to talk about the Auditor General's report on the taxation of e-commerce. I am joined by Ted Gallivan, our assistant commissioner of the compliance branch.

As the Auditor General just said, in the report the AG acknowledged that the CRA had limited legislative authority to implement some best practices we see in other jurisdictions, such as simplified registration or requiring digital platforms for non-residents to register for and collect GST and HST. Within that context, the AG made two recommendations to the agency. We accepted both of them.

First, the Auditor General recommended that within its legislative authority, the CRA expand its compliance activities and leverage available third party data to enhance its ability to detect and deter GST and HST non-compliance in e-commerce. Second, the Auditor General called on the CRA to implement mechanisms to track and report on the number of compliance activities it conducts to manage the risk of non-compliance in e-commerce.

The agency agreed with both recommendations and prepared and advanced a detailed action plan with timelines. Today I would like to report to you on our achievements thus far.

First, the agency designs its compliance activities in alignment with the level of non-compliance and tax dollars at risk. In the past, efforts to address non-compliance, including educating taxpayers of their GST and HST obligations and conducting audits, allowed the agency to ensure that the focus remained on files with the highest risk of non-compliance, while promoting a fair tax system for all Canadians. Within the confines of the legislation, we believe our level of compliance actions in the e-commerce sector were commensurate with the level of risk identified. However, as the Auditor General indicated, e-commerce has grown rapidly over the last few years, and has increased more substantially in specific sectors during the pandemic as a result of non-essential businesses being ordered to close. The agency developed an action plan to monitor and assess the elevated risks on an ongoing basis.

With respect to recommendation one, the agency developed a comprehensive compliance strategy, which will be finalized next month, December 2020, as committed to the Auditor General. The strategy will support the agency's efforts at better detecting and addressing non-compliance for GST and income tax. This work also led to the identification of the platform economy, where platform operators use technology such as the Internet to connect buyers and consumers with sellers and service providers.

More precisely, four categories of platforms have been identified, including the sharing economy, the gig economy, person-to-person sales, and social media influencers. Each category contains unique risks requiring tailored compliance interventions commensurate with the identified risks. Our strategy provides detailed plans to deal with the risk posed by these sectors.

The agency also reviewed actions undertaken by other jurisdictions to address tax challenges in this sector. As a result of this work, compliance risks emerging from the platform economy and e-commerce were identified.

The agency will also expand its compliance actions by better leveraging third party data to identify and address non-compliance. An effective tool in leveraging third party data is the "unnamed persons requirements", or UPR. This type of requirement is authorized by the courts and enables the CRA to obtain information from an individual or a company about third parties.

With respect to the second recommendation, the agency has already started to produce more strategic performance indicators, such as the tax gap estimates. In December 2019 the agency completed an analysis of its tracking and monitoring methodology with respect to the compliance activities it conducts to manage the risk of non-compliance in e-commerce, including the platform economy.

While the agency conducted audits on e-commerce files in the past, these compliance actions were included in regular audit program results and were therefore not tracked and monitored separately. As a result of this analysis, new tracking and monitoring mechanisms and procedures have been developed and are being implemented early in the new year to help with analyzing results from these audits.

• (1115)

In light of these measures included in the action plan, I'm pleased to report that the agency has already achieved a number of its commitments identified in the action plan provided in response to the report. We are well under way to meeting the remaining deliverables.

Thank you, Madam Chair. I'll be happy to answer the questions.

The Chair: Thank you very much.

We will now go to Mr. John Ossowski.

Mr. John Ossowski (President, Canada Border Services Agency): Good morning, Madam Chair and members of the committee.

With me today is the vice-president of the CBSA commercial and trade branch, Peter Hill.

It's my pleasure to appear before the committee today as it is an opportunity to recognize the efforts that have been taken since the spring 2019 report of the Auditor General on the taxation of e-commerce. We appreciate the work that was done by the Auditor General.

In regard to our agency, the audit examined whether CBSA validated and collected the sales tax owed to the Government of Canada on goods imported through the courier low-value shipment program. The audit's overall findings showed some gaps in how CBSA managed the data for the courier low-value shipment program. The agency accepted all recommendations made in the report and quickly established an action plan to address the recommendations.

To date, the CBSA has made significant progress, including the development of an e-commerce strategy focused on balancing compliance with trade facilitation, safety and security, as well as revenue collection; aligning current practices with international agreements and World Customs Organization guidelines; and putting in place effective mechanisms to monitor and assess courier low-value shipment program compliance.

For example, the agency co-chaired, with an industry representative, the WCO working group on e-commerce, which has developed a global cross-border e-commerce framework of standards that will be presented for approval at the WCO council in December. The agency has leveraged that work, as well as collaboration with our Border Five partners, namely the United States, Australia, New Zealand and the United Kingdom, to develop a business case to address implementation of our customs e-commerce strategy.

I'm pleased to report that the CBSA is moving towards full implementation of this international approach and we are on track to review and enhance the means by which goods under the CLVS program are accounted for in order to ensure that taxes, including provincial sales taxes, are fully reflected.

The agency has also started to implement the multi-year CBSA assessment and revenue management system. This initiative will transform the collection of duties and taxes for goods imported into the country. We are also on track for examining options to further automate the CLVS program, including the ability to receive, process and analyze customs data.

The Auditor General recommended that the CBSA develop a strategy on e-commerce focused on trade facilitation, revenue collection, and safety and security. Our e-commerce strategy will enable and transform operations to better respond to the growing volumes of cross-border e-commerce shipment. It will also strengthen the CBSA's risk-assessment capability by leveraging advanced data analytics and technological enhancements, while addressing gaps in the legal and regulatory frameworks to enhance safety and security.

The CBSA is one of the major stakeholders in e-commerce in Canada. We are levelling the playing field for Canadian businesses in relation to those overseas. For example, along with our counterparts, the Canada Revenue Agency and the Department of Finance, we are working to ensure that the sales tax system for e-commerce remains neutral and protects the GST/HST tax base.

I look forward to responding to the questions the committee may have today.

Thank you.

• (1120)

The Chair: Thank you very much.

We will now move to Mr. Paul Rochon.

Mr. Paul Rochon (Deputy Minister, Department of Finance): Thank you.

[*Translation*]

I'll begin by thanking you for the invitation to appear before the Standing Committee on Public Accounts. I am here with Andrew Marsland, as Madam Chair noted at the outset.

On behalf of the Department of Finance, I want to thank the members of the committee for examining the 2019 Spring Reports of the Auditor General. I also want to say that the department appreciates the work of the Office of the Auditor General as well as the open and frank dialogue that we have with the office.

With regard to Report 3 on the "Taxation of E-Commerce", the retail landscape in Canada has been changing for a number of years as more people make purchases online, and more businesses embrace online platforms for reaching customers and selling their products or services. This has been particularly true of late as the pandemic—which forced many of us to self-isolate at home—has accelerated this trend.

[*English*]

Madam Chair, as you know, the Department of Finance provides policy advice to ministers with a view to ensuring that the tax system is fair, efficient and competitive. As the report notes, the department has monitored the e-commerce sector with a focus on what the rapid growth in e-commerce means for our tax systems.

We've done extensive work in this area and will continue to do so. In particular, we continue to work closely with the OECD and other countries on examining approaches to ensuring that tax systems continue to work effectively as the digital economy gains in importance in all of our economies.

In closing, I want to thank the Auditor General for underscoring the importance of e-commerce to our tax system and for this report, and I'd be happy to answer any questions that you might have.

Thank you.

The Chair: Thank you very much.

Before we move to our rounds of questioning, I did neglect to advise our members that we would be taking the last 15 minutes to deal with some committee business, just so you have that in mind.

We will now move to our first round of questioning, which is our six-minute round. We will start with Mr. Lawrence.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much, Madam Chair.

I'd like to start by thanking all the witnesses for taking the time to be here today. I really appreciate it. I know that you're all very busy, especially given the pandemic.

My first question will be addressing primarily the CRA and perhaps the auditor and the CBSA as well, but primarily the CRA. The auditor's report highlights the fact that most Canadians are not self-reporting the HST and GST on digital purchases. I believe the number was 548. I want to meet those 548, first of all, because those might be the most honest Canadians we have.

It suggests that the digital giants should be the ones reporting and remitting on behalf of Canadians, as is done in many other places in the world. However, there appears to be an underlying belief or an assumption that it will be the digital giants that will be forced to pay this money and that Canadians will get their fair share from these digital giants. There's no evidence presented in the report or elsewhere that says this money will actually come from international corporations and not the pockets of Canadians.

Indeed, in 2018, the Prime Minister went so far as to say this:

The reality is that taxpayers will be the ones to pay those taxes. We, on this side of the House, [that's the Liberals, not us] promised not to raise taxes for taxpayers who are already paying enough for their digital subscriptions and Internet.

I'd like to raise this for both the auditor and the CRA. Do you agree or disagree with the statement from our Prime Minister?

• (1125)

Mr. Bob Hamilton: I can jump in first, if that's okay.

The Chair: Please do.

Mr. Bob Hamilton: Thank you for the opportunity, Chair.

On the question of getting large suppliers to register in Canada to collect and remit the tax, that's not something that's in the legislative framework now, so what we are doing in the absence of that is working to encourage people to know what they are supposed to do and to educate about the obligations under the tax act. In some other world, where other jurisdictions do this, were we to force the foreign supplier to register and remit, we would come up against the issue you've raised.

What I would say in the area of sales taxes is that economists can debate how they get shifted or not shifted, whether they're passed along in the price or whether they're absorbed by the provider. It's a bit of a theoretical question right now, given that we don't have such a regime, and then probably, obviously, market conditions will dictate the extent to which taxes are passed along versus absorbed.

From our perspective at the CRA what we are interested in doing is looking at the current legislative framework and finding a way to make the system work in a way that's fair, and, as you can see in the comments provided by the Auditor General, as this grows in importance, just making sure that we are paying adequate attention to it and monitoring and tracking. Those are a couple of the key recommendations that have been put to us, and we've made good progress on those and we're almost there.

Mr. Philip Lawrence: Thank you very much for that.

So there is no one at this committee who has evidence that the Netflix tax or the digital giant tax will actually come from those international giants and not from Canadian taxpayers. During a pandemic, if we were to change the legislation to allow for the taxation of international digital giants, we don't know whether that would come from the pockets of Canadians or from digital giants. Is that correct?

Mr. Paul Rochon: Madam Chair, could I perhaps comment in general terms on the question?

We normally expect, in competitive markets.... The situation we're discussing here is that the tax actually applies, but it's just not being administered. In highly competitive markets, one would expect the application of the tax to be absorbed in the margins of corporations. In other circumstances, where the corporation has the ability to adjust prices, you'd normally expect the tax to be passed on. You'd need to really look at specific circumstances.

Mr. Philip Lawrence: My apologies, time is short.

If at least a portion of that or part of that tax on the digital giants is passed on to consumers, do the wealthy pay more for their Netflix subscriptions than does the middle class or even those who are economically challenged?

I would ask that of the deputy finance minister, if he would be so kind.

Mr. Paul Rochon: I actually don't have data per se on the incidence of Netflix consumption by income. We have various aspects of our tax to try to deal with progressivity, notably the progressivity of our income taxes, as you know well.

• (1130)

Mr. Philip Lawrence: Yes. Sales taxes are generally regressive in nature and have a greater impact on those with lower incomes. If in fact we impose a tax or change the legislation for direct remittance of this, it would disproportionately affect the lower and middle classes. Is that not correct?

The Chair: Please give a very short answer, Mr. Rochon.

Mr. Paul Rochon: Yes. I need to look at that specifically. Of course, we have the GST low-income credit to deal specifically with that issue of the incidence of the GST on low-income Canadians.

The Chair: Thank you very much.

We will now move to Mr. Sorbara.

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

Welcome, everyone. It's great to be here on Parliament Hill.

My first question is more of a congratulatory statement to Auditor General Karen Hogan.

I believe this is the first report that we are discussing under your tenure as AG. I wanted to get some feedback on how you and the team are doing with regard to the other reports that will be coming to us, in terms of preparation and your resources, how staffing is and just how the general morale is in the AG office in terms of dealing with COVID-19.

Ms. Karen Hogan: Thank you very much.

As you mentioned, it is the first time that I have appeared before the committee to discuss a report. Unfortunately, the report was one that I was not involved in. It was planned, completed and tabled by my predecessor, the interim Auditor General Sylvain Ricard, but I'm very pleased to be here to discuss it.

With respect to the other reports that we are working on, we are still on track after the last conversation that I had with all of you a few weeks ago. Obviously we're continuing to see some pressure that puts pressure on timelines, given the capacity of those that we audit and our ability to access information remotely. Right now, however, we're still on target for the early new year to be able to start tabling some work about COVID. Some of the audits that we had postponed, which should have been tabled this month, will be tabled in March 2021 as well.

Mr. Francesco Sorbara: Thank you very much, Auditor General. Again, welcome this morning.

We know how important e-commerce is to the Canadian economy, even more so to Canadian consumers. I looked this morning at the October spending statistics for Mastercard that I receive on a monthly basis, and they estimate that about 21% of all retail sales in Canada were generated by e-commerce. I anticipate that during the Christmas period, the holiday period, you'll see an even greater uptick in terms of e-commerce spending, particularly in light of the situation at this unique time we're in, in this country and the world's history.

I do wish to reference Commissioner Hamilton in terms of the Canada Revenue Agency's detailed action plan.

Thank you for the work over at the CRA over the last several months with regard to COVID and ensuring that all Canadians receive their benefits and credits and also for the extraordinary assistance that was provided in the work between yourselves and the Department of Finance.

With regard to the estimated losses in the GST on foreign digital products and services sold, relative to the actual GST/HST tax gap, I am curious to see how the agency is developing a dedicated compliance strategy to better detect and address non-compliance with GST/HST. If you could elaborate on that, that would be great.

Thank you.

Mr. Bob Hamilton: First, in reference to the tax gap, it is true that, more generally, we do studies that try to measure the tax gap, which is the gap between the taxes that would be paid if everything worked perfectly and the taxes that we actually collect. Obviously, it's a difficult calculation, but we do it, and we have a methodology that's well respected. Our estimate of the GST tax gap, which was done a few years ago, was, if I remember correctly, approaching \$5 billion. In the context of the Auditor General's estimates, we're in the \$200 million-plus; \$250 million, I believe, is the updated number.

I make that point just because when we talk about compliance and ensuring a fair tax system, we at the CRA need to do a good risk-based assessment of where we need to focus our energies. It's germane in this topic because of the growth of this, as you've identified. We need to make sure that our risk assessments and our approaches are up to date and that they aren't reflecting a world that was in place 10 years ago but today's world.

That's been part one of our action plan: to really do a bunch of studies, engaging within the agency and looking internationally at what people are doing, to make sure that we understand how this area is growing and what would be our best compliance strategies. When it comes to compliance, we have a mix of things that we can do. We can educate people. We can nudge them. If we have the legislative authority, we can have enforcement actions. We've just been doing a lot of work to make sure that we have a better assessment of what the risks are and what we can do about them.

As I mentioned earlier—I won't elaborate—we are also looking at monitoring and tracking our activities here, pulling them apart from the broader compliance activities that we engage in.

• (1135)

Mr. Francesco Sorbara: Madam Chair, how much more time do I have?

The Chair: You have 45 seconds.

Mr. Francesco Sorbara: I do wish to point out one section of the report that I found to be very interesting. It was section 3.52—and I don't know if there's a comment to it—where the AG report finds:

...that the Canada Revenue Agency had limited authority to collect data from third parties, such as banks and payment processors, compared with tax agencies in other countries. In contrast, more than 30 jurisdictions received third-party data related to value-added or sales tax invoices to complete compliance activities. For example, in the United States, all US payment processors must provide information to the Internal Revenue Service. Payment processors are required to report gross payments to sellers that receive more than US\$20,000 and more than 200 separate payments in a calendar year.

Commissioner, if the CRA were to go down this road that the IRS is on, this would involve legislative changes. Is that correct?

The Chair: Give a very short response, Mr. Hamilton.

Mr. Bob Hamilton: I'll be very quick and just say that, yes, we obviously need to respect the legislative framework that we operate within, so we can only do what the legislation permits us. I would say, though, that with regard to third party data, the unidentified person requirement is something that we do have the authority to do. We have to go through courts to implement it, but it's one way that we can get from a third party information on activities that are happening in this space.

The Chair: Thank you very much.

We will now go to Mr. Blanchette-Joncas.

[*Translation*]

Mr. Maxime Blanchette-Joncas (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Madam Chair.

I want to thank the witnesses for being here today.

My question is for Ms. Hogan, the Auditor General of Canada.

The findings of the audit you tabled in May 2019 are quite straightforward. You showed very clearly that the government is losing an enormous amount of revenue as a result of lax policy. I won't engage you on that subject.

That loss of revenue amounted to nearly \$169 million in 2017 and was estimated at close to \$247 million in 2019. That's nearly a 50% increase in two years, without even taking the pandemic or exploding e-commerce into account.

Do you think it would be helpful to conduct a thorough review of the existing tax system?

Ms. Karen Hogan: As we noted in our report, the tax system has not really kept pace with the rapidly evolving digital economy. The policy change question should be put to the deputy minister, who is here today.

We checked to see whether the existing system was neutral. We found that it was unfair in some respects and offered the agencies some options for improving it.

Mr. Maxime Blanchette-Joncas: In that case, I'll put the same question to Mr. Rochon, the deputy minister of finance.

Mr. Paul Rochon: Thank you for your question.

You have to bear in mind that the government collects \$38 billion in GST. Many factors are involved in deciding whether to levy a tax, and we at the Department of Finance conduct a lot of analyses on this sort of subject.

Ultimately, decisions about whether to tax and how to go about it are crucial to our democracy, as you well know. They are government decisions, and, therefore, ultimately for Parliament to make.

• (1140)

Mr. Maxime Blanchette-Joncas: Thank you for your remarks, Mr. Rochon.

I'm going to outline the current situation, since I've had time to analyze matters.

From May 2019 to May 2020, e-commerce roughly doubled, increasing 110.8%. Then, from February to May 2020, retail sales fell nearly 20%. So the situation's clear: e-commerce revenues are rising, we aren't taxing enough, and we're losing revenue on retail sales. The logical course would be to apply what we already have.

Ms. Hogan, the Quebec government has assessed its QST losses from the non-taxation of e-commerce. In 2017, it estimated those losses at \$270 million, compared to the federal government, which estimated its losses at \$169 million for the same period.

Let's make a quick calculation. The GST rate is 5%, about half that of the QST, which is nearly 10%. This means that GST losses on Quebec sales were approximately \$135 million, given that Quebec's population is roughly 23% of Canada's.

Are your estimates conservative, given that those of the Quebec government show that far more revenue appears to have been lost as a result of the non-taxation of e-commerce?

Ms. Karen Hogan: It's very hard to compare our tax system to those of different parts of the country and other countries. Each one has a unique tax system.

The estimates we made during the audit were really based on available public market information. They're just estimates, an attempt to show the scope of the situation. I'd be inclined to say they're probably a bit low, but I don't have more detailed information on which to make a more accurate estimate.

Mr. Maxime Blanchette-Joncas: How would you explain the discrepancy between the two estimates?

They paint a completely incoherent picture. We're talking about several hundreds of millions of dollars.

Ms. Karen Hogan: For those kinds of details, I'll turn to one of my colleagues, Philippe Le Goff. He can describe the methodology we use in comparing the Quebec data.

Mr. Philippe Le Goff (Principal, Office of the Auditor General): Good morning, Madam Chair.

The methodology the office uses is very simple. As the Auditor General said, it's based on public data. You must bear in mind that our methodology focuses solely on intangible goods and services. The \$169 million and \$247 million figures are not associated with any physical good. They really are conservative estimates. Once again, we're talking about 2019. Our methodology is also based on data gathered by Revenu Québec, which uses Quebec's percentage share of total Canadian consumption of intangible goods and services. Our estimate is very conservative.

Mr. Maxime Blanchette-Joncas: Thank you.

[English]

The Chair: Thank you very much.

We will now move to Mr. Green for six minutes.

Mr. Matthew Green (Hamilton Centre, NDP): Thank you very much, Madam Chair.

I think the questions that my friend Maxime has raised are very important. I think they warrant some more depth and understanding, particularly section 3.13, which states:

Overall, we found that the Canadian sales tax system did not keep pace with the rapidly evolving digital marketplace. On the basis of publicly available data, we estimated losses of \$169 million in the GST on foreign digital products and services sold in Canada in 2017. In addition, the federal government could not assess and collect all sales taxes on e-commerce transactions.

I appreciated that Ms. Hogan, in preparation for this meeting, updated the information with the estimated amount of \$247 million in 2019, with the increase of 50% in two years. This is astounding, and this is, again, as Mr. Blanchette-Joncas has identified, without the COVID variable of what I think will be astronomical figures in 2020.

For digital products and services, the Canadian sales tax system has placed Canadian businesses at an unfair disadvantage in relation to its foreign investors. I'm sure even my Conservative friends, who have so passionately defended big multinationals' ability to operate without taxation.... I want to call your attention to section 3.14, which states:

We found that existing legislation, combined with the Canada Border Services Agency's poor data management of low-value shipments imported into Canada...placed Canadian businesses at an unfair disadvantage in relation to foreign vendors. According to the Department of Finance...the situation could have encouraged domestic vendors to move their operations abroad and could have discouraged foreign investment in Canada.

Throughout this report, we have heard here in testimony today that the CRA claims it does not have the legislative authority to conduct compliance activities, especially on digital vendors. If you don't have the right tools in your tool box, how can you be expected to do the job we're asking of you?

The question is, when was the legislation last reviewed regarding e-commerce digital vendors? Have you discussed this lack of legislative authority with the minister?

• (1145)

The Chair: Is your question for Mr. Hamilton or Mr. Rochon?

Mr. Paul Rochon: Why don't I take the question?

I have a point of clarification as it relates to the pandemic. The vast majority of e-commerce transactions in Canada are subject to the GST. What we're talking about is e-commerce transactions coming from abroad. I think that's an important point of clarification.

As I indicated in my opening remarks, this is a topic that we have had under discussion and review for some time, going back several years. The department did a consultation in 2014, and this matter has been under ongoing discussion for some time.

Mr. Matthew Green: That's actually more disturbing for me to hear, because you're telling me that this government, this Liberal government particularly since the last election, has known about this for six years, and yet no action has happened.

Do you anticipate new legislation will be introduced? Is there anything this committee can do to help expedite this?

Mr. Paul Rochon: Madam Chair, as you know, our role is to provide advice and analysis. We have done that consistently over the years, which I think, in all humility, the Auditor General's report points out.

Mr. Matthew Green: With all of that being said, is there something that this committee can do specifically? Obviously the finance committee hasn't picked this up in the last six years. We know this to be a massive revenue shortfall. We have a government that just this week voted against taxing the most ultrawealthy in this country. It seems to me that this is not an expense problem. This is a revenue problem.

Is this something, in your opinion, that we should bring to this committee for closer research and study?

Mr. Paul Rochon: Yes, I think it's an entirely legitimate question for the finance committee to be looking at, particularly in the context of the ongoing growth and evolution of e-commerce, which I think we can all fully anticipate the pandemic will have accelerated to a degree.

There are many aspects to this question. It's not a simple question, as even some of the questions that have been posed at this committee underscore. There are questions of incidence. There's a broad balance that needs to be struck in this area.

Mr. Matthew Green: I'll take that as a yes, Mr. Rochon.

I'm also alarmed that the Department of Finance did not agree with the terms of the audit, nor did they acknowledge the suitability of the audit criteria. What was the reason for this disagreement?

Mr. Paul Rochon: Our view is that the audit was posing a policy question. As I've indicated, as the deputy minister of finance, I think it's perfectly legitimate for the Auditor General to be evaluating our capacities and our ability to undertake analysis, but at the end of the day, I don't make those policy decisions. I provide advice to the minister.

Having said that, maybe I should just point out that I think it is important that that was a difference of opinion. It had no bearing on the audit per se. We fully complied with the audit and basically got on with our work.

• (1150)

The Chair: Thank you very much, Mr. Green. Your time is up.

We will now move to our five-minute round, starting with Mr. Webber.

Mr. Len Webber (Calgary Confederation, CPC): Thank you, Madam Chair. I hope to share some of my time with Mr. Lawrence if we have some time left over.

I have a couple of questions for Mr. Hamilton. Thank you for being here today.

I just want some clarification on your opening remarks. You said that in the past, efforts have been made to address non-compliance, including educating taxpayers about their GST and HST obligations. I'm curious to know what exactly you're doing to educate Canadian taxpayers about this.

Mr. Bob Hamilton: Thank you, Madam Chair.

It's a general issue for us in the tax administration to make sure that people understand what they're doing, as much as possible, with a fairly complicated tax system. We do try to educate and do outreach, and this is another area. The typical tools we would use are to try to make sure that there is adequate material on our website that explains what the obligations are, and what some of the rules and parameters that might affect the taxpayer are. We do use things like social media to get messages out to people, to understand how the tax system works and how it affects them.

We can use nudge letters. We'll send a letter to someone to basically indicate that this is an issue. It's not an enforcement letter, but a nudge to say that they might want to think about this. Those are the kinds of vehicles we use. We try to do as much as we can to be open with people and transparent about the rules.

Mr. Len Webber: Thank you for that. Yes, I think that the majority of Canadians do not understand or even realize that they have to report this. I think we need to do a better job of communicating to Canadians.

In any event, very quickly.... Sorry, Mr. Lawrence, I have one more here.

Mr. Hamilton, you also said that your agency will expand its compliance actions by better leveraging third party data to identify and address non-compliance. I know that several years ago, the CRA ordered eBay to provide some financial data on its Canadian salaries to ensure that they were complying with their tax obligations. I'm just curious to know what the results of that were. Did you get what you required from eBay? What other companies have you contacted about compliance—companies such as Facebook or Kijiji or whatever?

I am curious. Are you getting a response back from these corporations?

Mr. Bob Hamilton: Perhaps I'll start with an answer to that, but I'll turn to Ted Gallivan, who's with me, on the specifics of individual organizations.

As I said, concerning this unnamed person requirement, where we request information from a third party, we do have to go through a court process to be able to do that. Sometimes we're successful; sometimes we're not. It's a useful tool for us to understand what's happening in a transaction. I would just note that other jurisdictions are using similar vehicles. I think there was a reference earlier to something that's happening in the U.S. It's something we're exploring, doing more of, and we have to make sure that we put the request in the right way.

I don't know if Ted wants to add something quickly to that point.

Mr. Ted Gallivan (Assistant Commissioner, Compliance Programs Branch, Canada Revenue Agency): I would say that the litigation is often driven by a desire to protect the privacy rights of the customer, so often we have quite good collaboration. Right now we're working with a cryptocurrency mining business, and the court process is driven by privacy and the privacy rights of the customer. I would just say that the litigation is not necessarily an attempt to obstruct the CRA.

Mr. Len Webber: Thank you.

Mr. Lawrence, go ahead.

The Chair: Before you start, Mr. Lawrence, I'll just advise you that you have a little over a minute.

Mr. Philip Lawrence: Perfect. I'll be quick.

I'd like to build on what my NDP colleague Mr. Green was talking about. I believe that there is a gap for small business owners, but when eliminating tax gaps, there are two ways of doing it. One is to raise taxes, and one is to lower taxes. To the deputy of Finance, would not one of the quick, easy fixes be to remove the GST for Canadian digital providers?

• (1155)

Mr. Paul Rochon: I think the issue really becomes a question of relative rates of taxation. You remove the GST on providers of digital movies, for example, but you pay the GST when you go to the cinema. Those are the types of issues that one would encounter when entering that type of discussion.

The Chair: Thank you very much.

We will now move to Mr. Fergus for five minutes.

[*Translation*]

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

First, I would like to thank all the witnesses who are here today. I want to thank them for the work they are doing for the Canadian people, particularly during this pandemic.

I have a question for the Canada Border Services Agency. Paragraph 3.65 of the 2019 spring report of the Office of the Auditor General of Canada reads as follows:

The Agency was unable to easily validate information on shipments, such as value, quantity, and type of product, because it did not require invoices for each transaction. Internationally, requiring e-invoicing is more prevalent as a way to improve compliance with sales tax obligations.

Does the agency have the legislative authority to require an invoice for every transaction? If it does, why has it not done so? Does it intend to do so in the near future?

Mr. John Ossowski: I want to thank the member for his question, Madam Chair.

[*English*]

I would say we've recognized for many years now that we needed to get better at the way we were accessing this type of data, and we launched, as I mentioned in my opening remarks, our new assessment and revenue management system several years ago. In a couple of years, hopefully a little bit faster, our new CARM system will allow us to have access to that transaction-level detail.

Until that point in time, we're still working with each of the courier companies to use their systems, as well as some piloting that we're doing on different approaches to look at things differently, to access that data and provide more assurance that we are collecting the right amount across all modes, postal mode, courier mode and the larger commercial transaction. We're making good progress on the system, and it will be a game-changer in terms of not only the courier companies looking at their data, at their accounts, but also for us to look at that and do sophisticated analytics about where we think the risks are and do further compliance work.

[*Translation*]

Mr. Greg Fergus: Thank you, Mr. Ossowski.

Should we legislate to give you that authority?

[*English*]

Mr. John Ossowski: Certainly, a component of our e-commerce strategy will be to make it mandatory to provide advance data in the courier mode. That's currently a gap that we would look to have filled as we move forward.

[*Translation*]

Mr. Greg Fergus: All right.

I have another question for you.

According to the Office of the Auditor General, in 2017-2018, the volume of shipments valued under \$20 rose by 4 million over the previous year, a 33% increase. The agency didn't analyze the causes of that rise in non-taxable shipments. Why not?

[English]

Mr. John Ossowski: Yes, that was an interesting observation. I would just say, anecdotally, that certainly Amazon has had a huge impact on that type of transaction below \$20. Year over year, the volumes are growing tremendously. The first six months of this fiscal year, compared to the first six months of last year, overall volumes are up 49%. A large proportion are these small items, cell-phone cases, little things that people are buying.

• (1200)

[Translation]

Mr. Greg Fergus: I've done it myself.

[English]

Mr. John Ossowski: Those types of things have increased dramatically in a pure volumetric sense. As I say, we haven't done any broad analysis. We're for more front-line operations than trying to administer the programs, not only for revenue collection but for safety and security, to make sure that contraband items don't get in to the country.

[Translation]

Mr. Greg Fergus: For our information, what was the increase in the volume of shipments valued between \$20 and \$2,500 in the same year?

[English]

Mr. John Ossowski: I would have to get back to the committee with that level of detail, but I am happy to do so.

[Translation]

Mr. Greg Fergus: Yes, please. That would be good.

[English]

The Chair: Thank you.

Thank you very much, Mr. Fergus. I know five minutes goes by very quickly.

[Translation]

Mr. Greg Fergus: Thank you, Madam Chair.

[English]

The Chair: Just before I move into our two-and-half-minute round, I would respectfully remind our members to keep their focus on the performance reports rather than policy, as is the mandate of our committee.

I will move now to Mr. Blanchette-Joncas, for two and half minutes.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

My question is for Mr. Rochon, the deputy minister of finance.

According to the Office of the Auditor General, the federal government lost \$169 million in GST revenue on foreign digital products and services sold in Canada in 2017. The report also indicates that you calculated the lost sales tax revenue but didn't report it publicly.

Can you tell us what Finance Canada's loss estimate was?

Mr. Paul Rochon: I'm going to ask my colleague Mr. Marsland to answer that question.

[English]

Mr. Andrew Marsland (Senior Assistant Deputy Minister, Tax Policy Branch, Department of Finance): Thank you.

Like any estimate, it depends somewhat on the definition of what you're dealing with. The Auditor General did mention a figure in her opening remarks. My sense is that this is roughly about the GST at play in relation to the digital services that we're discussing today.

[Translation]

Mr. Maxime Blanchette-Joncas: Did you estimate the losses that might have caused?

[English]

Mr. Andrew Marsland: I would have to get back to the committee with a specific figure.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you.

My question is for Mr. Rochon.

Notwithstanding the government in power, from a strictly legislative or administrative standpoint, do you, as a senior official and expert, think the existing legislation should be revised in light of the tax regime or even corrected to align more with the present situation?

Mr. Paul Rochon: As you know, my role is not to comment on government policies but rather to explain them and provide advice to government. Consequently, I must limit myself to my specific role and not venture too far into policy issues, which are within your purview not mine.

Mr. Maxime Blanchette-Joncas: All right.

My final question is for Ms. Hogan.

We sense that the government may have a political incentive to take no action. Questions also arise in our minds, including the following one, which I believe is legitimate.

To be clear in our own minds, should we examine the matter that is before this committee, and which could be described as explosive, at greater length than we can in a two-hour meeting?

Ms. Karen Hogan: It's really up to the committee to determine how long it wishes to examine a matter. I agree with Mr. Rochon. My role is to provide you with high-quality information so you can make decisions. The question whether a legislative change is necessary is really for Parliament to decide.

I would emphasize that the Department of Finance Canada has actually conducted a good, rigorous analysis.

[English]

The Chair: Thank you very much, Ms. Hogan.

We will now move to Mr. Green for two and a half minutes.

• (1205)

Mr. Matthew Green: Thank you very much, Madam Chair.

Paragraph 3.50, in reference to the accommodation sharing, states:

We found that, although the Canada Revenue Agency identified the sharing economy as a risk in its annual corporate risk profiles, it had no planned compliance activities targeted specifically at the accommodation sharing sector. Statistics Canada reported that this sector generated revenues of \$2.8 billion in Canada in 2018, yet we found that the Canada Revenue Agency audited only four property management companies.

This question is for the CRA. If accommodation sharing has exploded as an industry over the past several years, how is it that you've only conducted audits on four property management companies, when you had identified this sector in your risk profile?

Mr. Bob Hamilton: Thank you, Chair. I'll take that question.

You're right. The accommodation-sharing area, which has exploded, is an example of a place where we are learning as we go. We have undertaken efforts to try to better understand what tax is being collected, what should be collected and how aware people are of their obligations.

For example, if I'm renting out my house in a sharing arrangement, do I know what the obligations are, whether I'm a small supplier, under \$30,000, or what have you?

We are learning in that space. We did test audits here. It was a—

Mr. Matthew Green: However, you didn't track the information. It says:

The Agency told us that it may have completed other audits in the accommodation sharing sector, but it did not track this information.

How can you not know if you've completed other audits on accommodation sharing, and what good is conducting audits if you don't use the information?

Mr. Bob Hamilton: The Auditor General pointed out that we aren't doing a good job of tracking and monitoring. That's one of the elements of our action plan that we're almost ready to implement. We were treating audits generally as part of our overall compliance activities, and we're now doing a better job to try to disentangle those and track and monitor specific cases better, and learn.

Where we do audits in a newish area, we learn from those audits about where the—

Mr. Matthew Green: Wouldn't there be a best practice vis-à-vis other sectors? I'm not understanding how, from an auditing perspective, this is new information.

Mr. Bob Hamilton: It's new information in the sense that the risks grow and we pay more attention to it as people evolve. If you went back 10 or 15 years, you wouldn't see nearly the level of activity—

Mr. Matthew Green: No, that's fair, but in terms of—

The Chair: Thank you.

Thank you very much, Mr. Green. I'm sorry, but your time is up.

We will now move to our five-minute round, starting with Mr. Berthold.

[Translation]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you very much, Madam Chair.

My question is for Mr. Hamilton.

Where in the various revenue statutes is it stated that certain sales, particularly e-commerce sales, are exempt from sales tax, in this instance the GST and QST?

Mr. Bob Hamilton: What kind of sales are you talking about?

Mr. Luc Berthold: I'm talking about all sales. Where in the act is the distinction made, for all Canadians, between e-commerce sales and retail sales?

Mr. Bob Hamilton: The act designates certain goods and services that are not subject to tax. On this point, we discussed services provided by a person who is outside the country. There are rules pertaining to that, but I don't know in what specific section they're stated. I could find out and give you an answer.

[English]

Mr. Len Webber: On a point of order, Madam Chair, the interpretation is as loud as the witness. Can we fix that at all?

The Chair: Yes. Thank you very much, Mr. Webber.

I've come to understand that perhaps the speaker needs to choose the language of his choice at the bottom of the screen.

Mr. Bob Hamilton: Okay.

[Translation]

Mr. Luc Berthold: Thank you, Mr. Hamilton.

I'll try to be a bit clearer.

Earlier you said you try to provide information to people who have to complete tax declarations on their own when they buy goods from outside the country.

Personally, as a consumer, I have never received any information from the CRA. I've seen no communication effort in that regard. So I don't feel the CRA has made a great deal of effort to increase Canadians' awareness of the situation.

Have you previously imposed penalties on Canadians for failing to complete that kind of mandatory tax declaration?

• (1210)

Mr. Bob Hamilton: It's true our efforts aren't perfect.

Many Canadians need information. We use the means of communication I've described, which are letters, websites and social media. We're constantly improving the process in order to inform Canadians.

Mr. Luc Berthold: Mr. Hamilton, have any penalties previously been imposed on Canadians who have failed to complete their declarations?

Goods that Canadians buy and that aren't taxed represent \$247 million. Has the Canada Revenue Agency made any effort to recover the tax amounts owed?

Mr. Bob Hamilton: It's important to draw a distinction between the \$247 million estimate and an actual transaction. If an actual transaction occurs, penalties can be assessed.

The figure stated in the Auditor General's report is an estimate.

Mr. Luc Berthold: Mr. Hamilton, I want to go back to my question and state it clearly.

Have you ever imposed a penalty on a Canadian who had failed to complete this kind of declaration after purchasing a microwave oven on Amazon?

Mr. Bob Hamilton: It's possible, but I don't have the figures in front of me. I can't verify whether that's the case, but Mr. Gallivan may have a better answer for you.

Mr. Gallivan, do you have anything to add?

Mr. Ted Gallivan: Madam Chair, for the committee's information, I would say that our focus is really the risk level. When we talk about rentals, we're talking about those people who have 20 houses or so and 15 apartments...

Mr. Luc Berthold: Getting back to my question, Mr. Gallivan.

It's a very specific question directly related to the performance audit. I want to know what measures the Canada Revenue Agency has taken.

The estimate is now \$247 million. Going back to microwave ovens, Canadians probably buy hundreds of thousands of them every year in transactions that are not taxed.

Has the agency ever taken punitive measures against Canadians who haven't completed this voluntary tax declaration, yes or no?

[English]

The Chair: I'm sorry, Mr. Berthold, but your time is up. Thank you very much. Perhaps we could ask the Canada Revenue Agency to provide us with an answer in writing, unless the question can be asked again later on in this meeting.

I will move to Mr. Blois.

Mr. Kody Blois (Kings—Hants, Lib.): Thank you, Madam Chair.

Thank you to all the witnesses. This has been a very intriguing discussion today.

I'll start with you, Ms. Hogan. I'll try to cover ground quite quickly. You mentioned \$160 million in terms of lost revenue that could have come to the Government of Canada. That might have increased to about \$250 million. I think you just mentioned that in your comments. Is it presumably even higher, given the fact that you don't really have the bandwidth in terms of products that might be coming under that low-value shipment program that you don't

really have any eyes on? Is it fair to say that the number could be even higher?

Ms. Karen Hogan: I think you've categorized it well. That number is based on e-commerce that we looked at, and we did not look at physical goods that would enter through the low-value dollar shipment program. Yes, if you incorporate both, then this number is, as we said earlier, on the low end.

Mr. Kody Blois: I want to go quickly. It's outside the scope of this report, but obviously, this is dealing with international e-commerce products that are finding their way into the country. What about between provinces domestically? Could you just, in 20 seconds, tell me what types of mechanisms are in place for the provinces in terms of collecting their own-source revenue?

Ms. Karen Hogan: I unfortunately don't have that. Maybe Philippe does, but really, where we're seeing the lost revenue is where the products are coming from a foreign vendor.

• (1215)

Mr. Kody Blois: Thank you.

I'd like to go to the CBSA to talk about the fact that obviously at the border there is some level of compliance. One of the recommendations, of course, was to try to evaluate a little bit more around the courier low-value shipment program. What percentage of products, so to speak, physical products that would be coming in through the border, are actually stopped and evaluated? I understand that this is a double-edged sword and we have a huge border that we need to make sure we can move goods across quickly, but roughly what percentage of those programs are actually audited, so to speak, at the border to ensure that they are valued under \$20?

Mr. John Ossowski: I'd have to get back to you on the percentage. I would say, with seven million shipments a month that we're getting, it would certainly be done on a risk-based approach. First of all, if we have some suspicions because of some knowledge of a certain supplier, or some issues with some particular good that might be counterfeit, we would pull it aside and assess. Other than that, we work with our courier companies and their systems to validate that the tax has been collected properly.

I would just be clear, though, that the Auditor General made no such reference or no estimate of what was being leaked through the courier low-value program. That \$169 million that is being referred to is about the digital services; it's not about goods.

We will get back to you in terms of whether there's something around \$20—

Mr. Kody Blois: Thank you. I appreciate that.

I'd like to go to Mr. Hamilton.

Exhibit 3.1 in the Auditor General's report was very illustrative for MPs to be able to see the different web of how we collect GST and HST for products. There is a register required for digital products—sound, movies, perhaps, anything digital in nature—where there is a requirement for businesses to register. Is that something we've contemplated or something that we could look at in terms of having companies that are physically shipping products in, like Amazon and some of the bigger players?

Mr. Bob Hamilton: Perhaps I'll let Ted respond to that question.

Mr. Ted Gallivan: I think the crux of this issue is that non-residents who are distributing the goods don't have to register. If I understand your question, it's about whether the legislation would fix it. I think that's been the crux of the discussion. If there was a requirement of foreign-based businesses that are selling into Canada to register, which is the OECD model, then I think that would make a significant dent in the leakage that you're talking about today.

I can say the CRA is active with the OECD. We're active in terms of the invoicing and the technology, and spending \$1.3 million this year in setting up the IT infrastructure that would allow us to ingest that data. We're hopeful that either under a voluntary regime or under a legislative regime, at some point we will be getting the data we need to enforce compliance in this space, and that—

Mr. Kody Blois: Can I ask a quick question? I only have 30 seconds.

I understand that we don't have legislation that makes it compliant for these companies. Is that why we do it through the actual courier companies? Do we work with them to be able to do it because there's no other real mechanism to register companies en masse to do that?

Mr. Ted Gallivan: I think you've just jumped from digital delivery of content to customs importation.

Mr. Kody Blois: Okay, but as I understand it right now there is a requirement for physical goods that were bought online and are coming into the country that the levy, the PST, the HST, be collected by couriers, perhaps through the low-value courier program. Is that because we don't have any type of legal compliance mechanism for companies that are exporting, that are basically sending in...?

Sorry, Madam Chair, am I out of time?

The Chair: You are out of time. I'm sorry about that.

We are now moving into a third round of questioning, which means we go back to our six-minute rounds. I will turn the floor over to Mr. Lawrence for six minutes.

Mr. Philip Lawrence: Perfect.

Once again, in perhaps an unprecedented move, I'm going to build on my NDP colleague's earlier questioning. With respect to the digital giants, because of the lack of legislation and lack of movement in the last five years, we understand that at least a portion of those funds that should be ours as Canadian taxpayers to protect our tax base are not being gathered. My question is related to that. As opposed to the digital giants, which are not currently paying any interest on penalties on monies that really should be the

Canadian government's, how much on a daily basis are Canadians currently paying, during a pandemic, on taxes and penalties every day to the CRA?

• (1220)

Mr. Bob Hamilton: I'll have to get back to you with a specific number on interest and penalties during the pandemic. I certainly don't have that at my disposal.

As we talk about these issues, one of the things that we try to keep in mind here—and as we discuss it internationally—is differentiating between the types of transactions. We've talked about goods coming in, digital services and digital giants, so I think it's important to parse these and understand the components. I'll do my best to find the numbers that were referenced.

Mr. Philip Lawrence: Thank you, Mr. Hamilton.

There is one other question that you may not have an answer to, but it would be appreciated if you could get back to us. How many Canadians are currently in arrears with the CRA? Is it possible for you to get back to us?

Mr. Bob Hamilton: Let me see what I can do. I certainly don't have that number at my disposal. That will be a number that changes over time, obviously. Going through a pandemic or certain other circumstances can change that. Let me see what best number I can give you to get an order of magnitude.

Mr. Philip Lawrence: Perfect.

The next questions are with respect to privacy and the third party request for funding.

I wonder, Mr. Hamilton, if you would be opposed to reporting, for all of your department or yourself personally, all of the bank accounts you currently have, all of the investment accounts you currently have, all of the real property you have, the vacations you've had within the last 10 years and all of your income to the committee.

I suspect that it might be an issue for you, that you wouldn't want to do that. Is that correct? Just a yes or no is fine.

Mr. Bob Hamilton: I would do it if I had to.

Mr. Philip Lawrence: Yes.

Mr. Bob Hamilton: I don't have a comment on that question.

Mr. Philip Lawrence: No, and that's exactly... I think many Canadians are in the exact same position as you. One of the recommendations that the Auditor General made that I found a bit troubling was to use more third party information, especially given that the CRA just had a cyber breach mere months ago.

We are gathering this information. The government has overstepped Statistics Canada in trying to get bank account information. The Government of Canada is now trying to get more and more information when it's been proven that you cannot keep that money safe.

How in good conscience can anyone recommend that the government aggressively gather information from law-abiding taxpayers?

Mr. Bob Hamilton: Madam Chair, I guess the assurance that I can give you is that the CRA takes very seriously its privacy obligations. We have a lot of sensitive information here and we get access to it, so we work very hard to make sure that we don't violate the privacy laws of this country and that we protect the information we have.

For example, I think as Ted mentioned earlier, when we go to get an unnamed persons requirement, that's a process we go through with the court and people can challenge us on issues of privacy or why we don't. We have quite a rigorous process that doesn't allow us to do something inappropriate and does put boundaries around us. Once we get information, we do everything we can. I think we have a good track record—nobody's perfect—with protecting and safeguarding Canadians' information.

You can rest assured that where we do get information, from whatever process, we're careful about not violating people's privacy. We also protect that information as best we can. It does help us in some cases to know what's going on and where we can focus our efforts in that risk-based approach that we take.

Mr. Philip Lawrence: How much time do I have, Chair?

The Chair: One minute and 10 seconds.

Mr. Philip Lawrence: Thank you.

One of the things that came to mind in reviewing the report is that, if we do increase enforcement, either on taxation of the digital giants or on goods coming into our country for the collection of GST and HST.... Perhaps the deputy finance minister could comment on whether there would be any reciprocal actions by any of our trading partners as we attempt to collect more tax from perhaps some of their resident corporations.

Mr. Paul Rochon: I do not believe so, in this case, because we're talking about sales tax. There's a larger debate on the income taxation of digital giants, which I think is what you're referring to, for example the French digital services tax.

Mr. Philip Lawrence: Yes.

Mr. Paul Rochon: The distinction is that the digital service tax in France, for example, is applied to the corporate income taxes that those companies are payable for. What we're talking about here is the goods and services tax, and I do not believe there is an international dimension to this.

• (1225)

The Chair: Thank you very much, Mr. Lawrence.

We will now move to Mr. Berthold.

Oh, I'm sorry. We will now move to Mr. Longfield.

Mr. Lloyd Longfield (Guelph, Lib.): Thank you, Madam Chair. I'm the less good-looking one.

I'd like to share my time with Mr. Blois. He was in the middle of a thought that I think would be really good for our committee to get completed.

Mr. Kody Blois: Thank you very much.

Through you, Madam Chair, to Mr. Gallivan, I'll go back to exhibit 3.1 in the Auditor General's report. It talks about “[p]hysical

products imported into Canada after being purchased online”, and it talks about foreign companies that are “[n]on-registered” and a “non-resident vendor not carrying on business in Canada”, and says that, essentially, we collect that tax revenue, the goods and sales taxes, through the couriers.

My question to you was, do we do that because that might be the only efficient way to do so, if we can't basically volunteer how these companies register? That would be the first part of the question.

The second part would be, what is the percentage of those transactions that are coming into the country this way, these physical products where basically these companies have no association to the country and no other ability...? What percentage would that be? Do you have any idea?

Mr. Ted Gallivan: Again, I was trying to defer to colleagues from Customs to address the importation aspect.

Mr. Kody Blois: Okay. Sorry about that.

Maybe it's for CBSA or whoever might be best suited to answer that.

Mr. John Ossowski: Sure. Thank you, Madam Chair.

The program was established many years ago, specifically for what we refer to as “casual goods”. We don't know what the long-term relationship would be, so really, the transaction is effected by the courier company that is doing the importation, for anything between \$20 and \$2,500 during the period of the audit. I would note that the \$2,500 now has been increased to \$3,300 as a result of the new Canada-U.S.-Mexico trade agreement.

The courier companies, in the scheme as we currently have it, are responsible for the collection of the GST and HST and remit it to us as part of that transaction. I think it's more about the transitory nature of the casual goods that are being imported.

Mr. Kody Blois: Okay.

Thanks, Lloyd.

Mr. Lloyd Longfield: Thanks, Kody.

I want to build on that, as it turns out.

Without reading the entire paragraph, I note that paragraph 3.23 of the audit says that Canada was one of only two countries that were “relying on consumers to voluntarily declare that they owed taxes” and to mail them to the government. There were 35 countries that had simplified their registration systems.

In a previous career, I was bringing product in from Europe and reselling to the United States, because the United States just saw Europe as a really foreign country, whereas Canada was more aligned with the United States in some ways. We were importing and then exporting to the United States, and I found out that our courier company could do this and trap the data, and that we really didn't have to do much in changing our business systems to catch information on duty and taxes.

On the audit related to the taxes, I know the audit was on taxes, but on the data that comes through courier companies that includes duty information and could include even transfer cost prices to make sure that product wasn't getting dumped into our market, is that any related piece that we would benefit from if we went to a more streamlined digital trapping of this information?

This goes over to Mr. Ossowski for starters, and then possibly over to Mr. Rochon.

Mr. John Ossowski: Thank you for the question.

I would say that's part of the reason why we have this new assessment revenue management system, which is going to be looking at the entire commercial continuum, whether it's casual goods as I've described them in the courier program, postal program, or the larger commercial import.

Certainly, we look at stuff in terms of large importation of things for dumping and tariff violations, whether it's aluminum or steel, as the case may be. However, the focus of this audit is really around these low-value shipments as they've been defined by the program. Certainly, we're looking forward to this new system coming into place and working very closely with the international community. Quite frankly, we're all struggling with the burgeoning and growing field of e-commerce to make sure that the appropriate taxes and duties are being attracted properly to each of these transactions.

• (1230)

Mr. Lloyd Longfield: I'm really pleased that the Auditor General has highlighted this and that you've responded as quickly as you have. Canada being a trading nation, our business was focusing on \$50 shipments, even. They were sometimes very small items, but we would have a few hundred a day sometimes.

Thanks for the answer.

Paragraph 3.49 says:

Although the Agency contributed to the OECD guidelines on sales tax on electronic commerce, it did not have the legislative authority to implement these practices in Canada at the time of our audit. In our view, these practices would facilitate the collection of the GST/HST.

We have talked about legislative requirements and the authority that CBSA doesn't have in terms of legislative requirements. This committee isn't a policy development committee—and thanks, Madam Chair, for reminding us of that—but looking at the opportunities for improvement, could you say whether this impediment would stop you from continuing and whether we may need to recommend to our colleagues over at the finance committee to pick up on some of this?

Mr. John Ossowski: Again, thank you for the question.

From our perspective—and this has nothing to do with the OECD, but it's certainly helping us analyze the risk of what is coming into the country and what duties and taxes might be attracted to it—having advance data is the piece we would be looking for in terms of legislative change. Then we could risk-manage shipments before they even get into the country and decide that we want to look at them more closely to determine whether or not they were properly classified, whether they were contraband, whether they were dangerous. We believe that the secret sauce in the future is going to be about data.

The Chair: Thank you.

Mr. Lloyd Longfield: That would reduce the shipping time, which is good for business.

The Chair: Thank you very much, Mr. Longfield.

We will now move to Monsieur Blanchette-Joncas.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

I'll start off with a point of information. I see time is running short. Later I would like to ask that we extend the study we're conducting today of the report on the taxation of e-commerce. Without taking up too much of my colleagues' hearing time, would you tell me when I can table a motion?

[English]

The Chair: Thank you so much, Monsieur Blanchette-Joncas. You of course are able to table a motion at any time. We would need 48 hours' notice to be able to debate it. With unanimous consent, we could consider a motion being brought forward if the entire committee believed it was something they wanted to do.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

[English]

Mr. Lloyd Longfield: Madam Chair.

The Chair: Yes, Mr. Longfield.

Mr. Lloyd Longfield: Since we've already accepted the report of the subcommittee on agenda, I wouldn't give unanimous consent, but I think this is something the subcommittee could maybe consider at another time, something we could bring up in committee business.

The Chair: Thank you very much for that, Mr. Longfield.

Mr. Blanchette-Joncas, would you like to respond to that, or would you like to continue with your questioning?

Mr. Matthew Green: Just on a quick point of order, I'm unclear why we need unanimous consent, when it sounds as though the motion that is being presented is in line with the report. I'm wondering why at this point—this is through you to the clerk—this wouldn't waive the 48-hour rule and the motion wouldn't be in order.

The Chair: Yes, Mr. Green, you are correct. Technically he would be well within his rights to move a motion at this time.

Mr. Matthew Green: Let the record show that I stood for the Bloc's rights to present motions here in committee.

The Chair: Thank you very much, Mr. Green.

Mr. Blanchette-Joncas, how would you like to proceed?

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

Thanks to my colleagues for that information.

I will continue to use my speaking time so as not to exhaust it, and I'll also allow my colleagues to intervene. I'll be able to table the motion without notice at the end of the round of questions to witnesses.

All right?

[English]

The Chair: Yes, thank you very much. You may proceed.

[Translation]

Mr. Maxime Blanchette-Joncas: My question is for Mr. Hamilton.

Mr. Hamilton, the Canada Revenue Agency informed the Office of the Auditor General that it did not have the legislative authority to require accommodation-sharing platforms to collect the GST or HST directly and remit it to the government. However, we have seen that certain provinces have entered into such agreements respecting the provincial tax.

Can you explain to us why the Canada Revenue Agency doesn't have the appropriate authority to act?

• (1235)

Mr. Bob Hamilton: It's important to note the differences among various types of transactions. We don't have the necessary legislative authority to require companies outside Canada to collect and remit taxes. However, we have some authority in the case of persons who rent a house and earn more than \$30,000. The provisions of the act vary with the type of transaction.

An important point in the report concerns services such as Netflix and others. There is no statutory framework under which a company outside Canada can be required to collect taxes. This is the reason we mentioned that.

Mr. Maxime Blanchette-Joncas: Thank you, Mr. Hamilton.

I'll continue with my questions following on those raised by my colleague Mr. Berthold.

The Canada Revenue Agency acts quite quickly when it comes to collecting money from taxpayers. I occasionally buy products online myself. I'm charged taxes in some cases and not in others. You'd think it's just a matter of chance.

Why aren't we systematically informed that we have to complete a declaration, even a voluntary one, that there are taxes payable?

Mr. Bob Hamilton: It's true that we'd recover a lot of money, but, as Mr. Gallivan said, it's always about risk for us. Some transactions involve a lot of money and uncertainty. Since the agency's resources aren't unlimited, we have to conduct a risk analysis and target our efforts where the risks are high.

It isn't just a matter of collecting money and reporting good collection findings. The ability of people to receive the information we

provide is also important. That's why we constantly vary our efforts and use different methods to communicate with...

Mr. Maxime Blanchette-Joncas: Thank you, Mr. Hamilton.

Madam Chair, how much time do I have left?

[English]

The Chair: You have just under two minutes.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

My next question is for Mr. Ossowski.

From what I understand, the Canada Border Services Agency has acknowledged the Auditor General's findings and recommendations. However, you don't seem to have all the necessary resources to collect, for the government, all those taxes that seem to elude you.

Are you limited by an internal administration issue or prevented by a lack of resources from optimizing your inspections and thus avoiding findings such as those the Auditor General has made in your case?

[English]

Mr. John Ossowski: Certainly the CARM program that I mentioned is fully funded and that project is well under way.

In terms of the e-commerce strategy that I also referred to, we're building our business case now on it in terms of financial and legislative changes that we would be seeking.

• (1240)

[Translation]

Mr. Maxime Blanchette-Joncas: Mr. Ossowski, if the agency is indeed overworked, can you suggest any potential solutions so you can carry out your mandate more effectively and regularize your situation in response to what the Auditor General has noted?

[English]

Mr. John Ossowski: Thank you for the question, but I don't believe I said we were overworked. There are definitely huge volumes in the e-commerce mode and we've recognized for some time that we need to put systems in place to allow us to manage this more effectively. We've been working with our international partners to set the global standards for this. We've been developing our own unique capabilities on this in terms of new technologies to understand the data that we will be getting from systems such as CARM and working with our private sector partners to understand what they are seeing from their proprietary system.

The Chair: Thank you very much, Mr. Blanchette-Joncas.

We will now go to our last questioner, Mr. Green, for six minutes.

Mr. Matthew Green: Thank you very much, Madam Chair.

I'm going to do something unorthodox. I'm going to break the fourth wall of politics and give a shout-out to my staff, in particular Tyler, who has done a great job on my briefing for today.

Paragraph 3.68 says:

Between 2014 and 2018, the Canada Border Services Agency conducted three compliance exercises that randomly sampled shipments in the Courier Low Value Shipment Program. In fall 2016, for example, the Agency analyzed a selection of three couriers' shipments to determine compliance with the program. It found that the value was inaccurate in 22% of sampled shipments declared as being valued between \$20 and \$2,500. Although the Agency identified this as a concern, it did not take action. In our opinion, this significant non-compliance rate should have triggered a broad review of the program. In March 2019, at the end of the audit, Agency officials presented us with a basic e-commerce strategy that had been in development since 2016. The purpose of the strategy was to address out-of-date business processes and system capabilities, which contributed to revenue loss. As of 27 March 2019, the Agency had not formally approved this strategy or developed any implementation or business plans.

Why has it taken so long to take action and to formally approve your basic e-commerce strategy, when you identified concerns at least six years ago?

Mr. John Ossowski: I'd say that there are a lot of moving parts here. One was where the global community is moving. As I mentioned, the WCO, or the World Customs Organization, has been a key player here in terms of international standards, and that is something we were waiting for to make sure that our strategy was aligned with the standards, and that is right down to.... These are the data elements that you're all agreeing to provide each other. That's critical for us in terms of knowing what is going to be mandated for countries to make sure that people are providing to each other the appropriate data analytics. That's an important component.

Mr. Matthew Green: If I may, on that particular point, why did you not put interim strategies in place while you waited for the formal approval internationally or for these standards to be brought forward? Six years seems like a long time not to implement your own plan.

Mr. John Ossowski: The plan was being developed, but we never really stopped to do any verification. Certainly when we noticed any kind of compliance issue, we would work with the courier company to make sure that their systems were attracting appropriate data properly.

As the Auditor General noticed, even the form that we were using was not helpful in terms of providing the clarity that was needed, and the new CARM system will do that. There are a lot of other enabling pieces that had to come together for this strategy to come into effect, and we're well on track for that to happen.

Mr. Matthew Green: Now that you're on track, would you agree that 22% of undervaluing the sample shipments is an unacceptable number?

Mr. John Ossowski: That is unacceptable.

Mr. Matthew Green: Paragraph 3.69 is on the accuracy of the provincial sales tax that has not been validated:

We found that the Canada Border Services Agency could not determine whether it had collected the right amount of provincial sales taxes on behalf of British Columbia, Manitoba, Quebec, and Saskatchewan, as the Agency did not validate those numbers.

Had these provinces previously raised concerns to CBSA?

Mr. John Ossowski: The only province that raised any kind of concern with this was the Province of Quebec, and it was on the postal program. In 2018, Revenu Québec actually went in to work with us on the postal program to review the transactions on a pilot basis. After four months, they found no significant leakage, and the pilot was terminated.

I can say we're in much better shape than we were in previous years, because of renewed focus. No other province has made any complaints about tax leakage on this.

• (1245)

Mr. Matthew Green: They may after this committee meeting if they're watching.

What recourse would the provinces have on lost revenue?

Mr. John Ossowski: Unfortunately, I think once the transaction has happened, it's happened. I think that it would be hard to go back historically and dig up some of these pieces, because we might not necessarily have all of the data. Certainly on a go-forward basis, the CARM system that we're talking about will be a game-changer in terms of a self-serving environment for the courier companies and other importers to look at their full accounts at a transaction level, and that will provide a lot more assurance to the provinces that we have this appropriately managed.

Mr. Matthew Green: Thank you for that.

This question is for the Auditor General.

The Chair: Mr. Green, I am so sorry. I believe your time is up.

Mr. Matthew Green: How much time was I allotted?

The Chair: It was six minutes.

Mr. Matthew Green: I was at four minutes and 49 seconds. I have a timer in front of me.

I do recognize that it's a quarter to one and that we do have committee business. I'll respect that mandate in the agenda, Madam Chair, and hope that we'll have a chance to continue these conversations.

The Chair: Thank you very much, Mr. Green. Perhaps, going forward, we'll have to sync our timers better.

It being past 12:45, I would like to thank our witnesses for joining us today. I would also like to thank all of our members for the very good questions that were asked of our witnesses.

I will now seek the will of the committee to move to committee business.

I see no dissension to doing that. We do have a number of standard study budgets that we must approve going forward.

I should let our witnesses know that they are free to leave the meeting now as we move into committee business.

Thank you.

[*Translation*]

Mr. Maxime Blanchette-Joncas: Madam Chair, I would like to speak.

[*English*]

The Chair: Yes, Mr. Blanchette-Joncas.

[*Translation*]

Mr. Maxime Blanchette-Joncas: I would like to introduce a motion without notice. As I said earlier, I would like to ask for unanimous consent to continue today's study of the report on the taxation of e-commerce. I had several other questions, as I imagine my colleagues did as well.

In this motion, I ask the committee to continue the study of this subject on today's agenda for at least two further meetings.

I am open to discussing logistics with my colleagues. I'm not saying this will necessarily be at the next scheduled meeting. However, I would at least like to schedule more time with witnesses so we can ask questions and further explore the content of this exhaustive report.

[*English*]

The Chair: Thank you very much.

As determined earlier, you certainly don't need unanimous consent to introduce your motion, given that it is on the topic of study.

I will open it up to other members if they would like to make an intervention on the motion at this time.

Mr. Blois.

Mr. Kody Blois: Thank you, Madam Chair.

I did see Mr. Longfield with his hand up as well, but I'll quickly weigh in.

I'm not opposed to the idea of having more discussion on this particular point, because it is a very intriguing and important topic, frankly.

As Mr. Longfield alluded to in his earlier remarks, we have a subcommittee for a reason. I believe that at subcommittee we've already approved a report of where we will be going in the days ahead, including some of the reports that we want to get to beyond this particular one. I think that should be taken into context, and we should perhaps be asking these questions and hammering out those details in subcommittee. I trust our collective colleagues who sit on that subcommittee to make the best judgment for the benefit of all of us on this committee. That's the way we should be moving forward, in my humble opinion.

I'll defer to Mr. Longfield in terms of any comments he may want to add.

The Chair: Thank you very much.

I do have a speakers list that our clerk put together for me.

Mr. Berthold.

[*Translation*]

Mr. Luc Berthold: Thank you very much, Madam Chair.

First, I agree that we should extend our study of the report. What we're lacking today is the update.

Furthermore, the Auditor General said at the outset that she would like the various departments and agencies that were audited to provide us with updates indicating where they stand on their action plans. In preparation for that next meeting, we should ask witnesses to update their figures on implementation of the Auditor General's recommendations. However, I believe just one meeting would be enough.

As far as I know, we haven't yet received the public accounts and they haven't yet been tabled. We plan to hold two meetings on public accounts next week. We could open up a window of at least one hour so we could finish asking our questions on that subject and ask the various departments to prepare their presentations on the current status of the application of recommendations and implementation of their action plans, which we have not really had the time to consider today.

● (1250)

[*English*]

The Chair: Perhaps I may turn to the clerk to provide us with an update on the calendar and on the public accounts we were looking to study next week.

Madam Clerk, go ahead.

The Clerk of the Committee (Ms. Angela Crandall): That is correct. We don't know exactly when the public accounts will be tabled. It has been indicated it will probably be some time next week.

At the discretion of the chair, we moved a few meetings around. Instead of doing the public accounts, we will do the immigration removals on Tuesday. Then the workshop that the committee members had asked for from the Canadian Audit and Accountability Foundation has been scheduled, as well as a presentation from them on the public accounts.

As long as the public accounts are tabled next week, the committee would meet next Tuesday, December 1 to discuss public accounts.

We had a calendar, but we also had a bit of flexibility to move things around depending on when the public accounts were tabled. Rather than waiting and not having a meeting, we took the liberty of making those arrangements for the committee.

The Chair: Thank you very much, Madam Clerk.

To add to that, we wanted to give the witnesses as much time as possible to prepare for a meeting, should we not see the tabling of the public accounts. That is why we went ahead with putting in place a couple of other meetings in the event that they weren't tabled in time, and in order to give our members time to study them and come prepared to look at them on December 1.

Certainly, we are open to the will of the committee in regard to the calendar.

I will turn to Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Madam Chair.

We do have quite a packed schedule of reports. There are a number of reports to get through and backlog reports to get to.

I'm curious as to how this is going to fit in, because we don't want to delay anything anymore. We want to get a lot of the work done. I don't know how having additional meetings on this one topic is going to allow us to do that. I want to make sure that we are able to get through the workload that the subcommittee has decided upon.

The Chair: Thank you.

Mr. Longfield.

Mr. Lloyd Longfield: Rather than taking more committee time on this, we do have some estimates to approve for our studies. I think if we did refer this to subcommittee, they could have a more substantive discussion and then come back to us with what this would mean to our schedule. We were booked up until the holiday season.

Maybe there are other ways we could get the information being requested in the motion. Maybe we could ask for some written submissions to come back to us.

I haven't had a chance to really look at the motion yet. Let's see if we can get this into a subcommittee outside of committee business and come back to the committee with recommendations.

The Chair: Thank you very much, Mr. Longfield.

Mr. Blanchette-Joncas.

[*Translation*]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

I've taken note of what my colleagues have said. In fact, what Mr. Berthold said was entirely accurate. As regards the action plan update, we received no recent figures today.

I'd be prepared to compromise, to find common ground on which to agree with my colleagues. I would suggest only one meeting instead of two, and I would amend the wording of my motion. I think we can make a decision together here without necessarily referring the matter to the subcommittee.

[*English*]

The Chair: Thank you very much, Mr. Blanchette-Joncas.

If there are no more speakers, we would move to calling the question on Mr. Blanchette-Joncas'—

• (1255)

[*Translation*]

Mr. Luc Berthold: Madam President, before you call for a vote, I would point out that there were two persons on the speakers list. I raised my hand, and Mr. Blois did as well.

[*English*]

The Chair: My apologies.

Mr. Berthold, you are next.

[*Translation*]

Mr. Luc Berthold: Thank you very much, Madam Chair.

I'd like to tell Mr. Longfield that it's impossible to hold a subcommittee meeting without having to take the committee's timeslot. That's why I think it would be preferable to proceed immediately with the motion. We'll have to have a subcommittee meeting in any case. So I agree on my colleague's motion that we hold one meeting and ask the departments to provide us with their updated action plans.

[*English*]

The Chair: Thank you very much.

Mr. Blois.

Mr. Kody Blois: Thank you, Madam Chair.

I'd like to ask the clerk... And I don't mean to suggest that Mr. Berthold isn't correct in his assumption. In the agriculture committee, for example, we have had subcommittee meetings outside of scheduled times. His comment seemed to suggest that we would have to take an entire meeting to do so. I don't think this is the case. Perhaps I'm wrong, but perhaps you would refer that particular point to the clerk.

Going back to Mr. Blanchette-Joncas' motion, again I've said that I found the topic interesting. I thought it warranted more study, if that is the will of the committee. I don't see the rush. I don't see why it's so important. This issue is not going away any time soon. We have already pre-scheduled work that the subcommittee has agreed upon.

I think there's a general will of the committee that this would be something we'd explore at some time. Why not kick it to the subcommittee to have that conversation, assuming that it can happen outside of the scheduled meeting, and schedule it for a time down the road when it makes sense and we're not going to interrupt our existing work?

Mr. Berthold seems to suggest that's reasonable, but I'll defer back to you guys.

Thank you.

The Chair: Thank you very much, Mr. Blois.

Mr. Longfield.

Mr. Lloyd Longfield: I think Mr. Blois made my point.

I want to get to letting the clerk do her job in terms of our budget.

The Chair: The clerk advises me that we must continue the discussion on the motion since it was introduced, and proceed to a vote on the motion, if that is the will of Mr. Blanchette-Joncas.

[*Translation*]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

I just want to clarify for my colleagues that I am open to discussing terms, as I mentioned earlier. I don't think there's any urgency as it will take some time before we can get figures on the departments' action plans.

In my humble opinion, it would be realistic to do this, if my colleagues are in agreement, before the House rises for the holidays.

[English]

The Chair: It is my assumption that we will now move to calling the question on Mr. Blanchette-Joncas' motion.

Madam Clerk.

The Clerk: If there's no agreement, then we'll probably come to a recorded division on the motion of Mr. Blanchette to hold one more meeting on the subject of e-commerce taxation audit, of the Auditor General's reports.

Mr. Kody Blois: Madam Chair, just so I'm clear, when I'm asked on the recorded division here, this is to host another meeting on this particular subject before the holiday break, before Christmas. It's not clear to me exactly what we are even voting on right now.

The Clerk: I believe Mr. Blanchette-Joncas said that he would like the meeting to be before Christmas, so it would be that the committee hold another meeting on the study on the taxation of e-commerce before the Christmas break.

If everyone is clear on the question, then I would...

Mr. Blanchette-Joncas.

• (1300)

[Translation]

Mr. Maxime Blanchette-Joncas: Madam Chair, can we verify with the clerk whether we need to state in the motion that we will need action plans from the departments, or does that go without saying?

[English]

The Clerk: Okay, then we'll try the motion one more time.

That the committee hold one further meeting on the study on Report 3, Taxation of E-Commerce, of the 2019 Spring Reports of the Auditor General of Canada, and that the departments involved be invited to provide updated action plans to fall 2020, and that the meeting be held before Christmas.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you for that clarification.

I accept the amendment to the motion.

[English]

The Clerk: Good. We have to be clear on what you're voting on. I apologize that it was a little bit murky.

I will proceed to the taking of a recorded division.

(Motion agreed to: yeas 6; nays 4)

The Chair: Thank you very much, Madam Clerk.

Is it the will of the committee to task the chair and the clerk with determining when we can fit this study into our schedule before Christmas?

Mr. Lloyd Longfield: Madam Chair, I think we should look at that in subcommittee. We have other studies we're looking at, so the subcommittee needs to look at that and come back to the committee with a schedule.

The Chair: All right. Then we would need to schedule a subcommittee—

[Translation]

Mr. Luc Berthold: I have a point of order, Madam Chair.

[English]

The Chair: Mr. Berthold, go ahead on a point of order.

[Translation]

Mr. Luc Berthold: The motion states that the meeting must be held before Christmas. I don't believe we have to hold a subcommittee meeting to decide on a time before Christmas when that meeting will be held.

It's up to you to determine the best time for that meeting at the end of this meeting, but it must be held before Christmas. We don't need to meet to determine in our schedule when it must take place.

[English]

The Chair: Thank you very much, Mr. Berthold.

Mr. Blois.

Mr. Kody Blois: Madam Chair, I would agree with Mr. Longfield on the fact that it does have merit in the subcommittee, but if we're going to go in the direction of giving you and the clerk the ability to do that, I'm fine with it, so that we can liaise with the department and see when their availability is.

Obviously, we have fall economic statements. There's a lot of work going on right now. We're just before the holiday season. As I know you always do, Madam Clerk, work to be reasonable in our request as a committee.

The Chair: Thank you very much.

Are there any other interventions?

If not, I'm going to suspend for one moment to confer with the clerk as to how to proceed.

Again, I will query the committee as to whether it is the will of the committee for the clerk and me to proceed with finding time before Christmas to schedule this study.

• (1305)

Mr. Lloyd Longfield: I'd like to know what study we're not going to be doing as a result of this, if any. If we're able to fit it in, that's fine, but there will be impacts on an already agreed-upon schedule that the subcommittee did work on, the committee had a discussion on and we voted on. We accepted a schedule between now and Christmas. I think we need to see what the impact is before we say yes or no, because we've already agreed on a schedule.

The Chair: Would the committee be willing to have the clerk and me take a look at the schedule and come back to you on Thursday with a recommendation, and at that time, perhaps set aside 15 minutes to deal with the budgets of the studies that we have on the agenda at that meeting on Thursday?

Mr. Matthew Green: Madam Chair, I'm not sure if this helps, but perhaps finding a new day might provide some difficulty. Rather, maybe we should look at adding an hour to a session if we can, or where we might have a shorter study, we can just bookend it and do two hours instead of one.

We have not been operating in this committee all through COVID, and quite frankly, I'm okay to roll up my sleeves, knowing, as you do, that I sit on other committees. I think we should just bookend it. I don't like the idea of using any type of dilatory administrative things to further frustrate this motion that has been duly passed.

I'm also happy to support the budgets that have been presented. It's the work that we're here to do, and I think we can go ahead and do that work.

The Chair: Thank you very much, Mr. Green, for that.

Taking that into consideration, I would propose to the committee that the clerk and I take a look at how we could satisfy the motion while also making sure that we aren't messing with our schedule too much prior to Christmas, to make sure that we get the work done that we've committed to doing, and that we bring forward a recommendation at our meeting on Thursday. Is that all right?

Some hon. members: Agreed.

The Chair: Then we can also take a bit of time on Thursday to look at the budgets for the studies. We will carve out a little bit of time to do that, given that it is already almost 10 minutes after one.

Thank you very much.

Is the committee in agreement to adjourn the meeting?

Some hon. members: Agreed.

the Chair: Great. Thank you very much.

The meeting is adjourned.

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