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• (1700)

[English]

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

Welcome to meeting number 19 of the House of Commons Standing Committee on Finance.

Pursuant to the order of reference of January 27 of this year, the committee is meeting to study Bill C-224, an act to amend An Act to authorize the making of certain fiscal payments to provinces, and to authorize the entry into tax collection agreements with provinces.

Today's meeting is taking place in the hybrid format pursuant to the House order of January 25, and therefore members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website. So that you are aware, the webcast will always show the person speaking rather than the entirety of the committee.

Today's meeting is also taking place in the new webinar format. Webinars are for public committee meetings and are available only to members, their staff and witnesses.

I'd like to take this opportunity to remind all participants in this meeting that screen shots or taking photos of your screen is not permitted, similar to rules in the House of Commons.

With that, I'd like to welcome our first witness, who is Gabriel Ste-Marie. This is his private member's bill, Bill C-224.

We will go to witnesses from the CRA and Finance in the second hour.

We are starting later, and we have an experimental vote on the other system at 7:15 Ottawa time, but I'm told we will have time to get two hours in.

The first hour will go to Mr. Ste-Marie.

Mr. Ste-Marie, the floor is yours. Welcome.

[Translation]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Good afternoon, everyone. I'm very happy to be with you all this afternoon.

Since 1992, Revenu Québec has been collecting both the Quebec sales tax, or QST, and the goods and services tax, or GST, which works very well. Until now, Ottawa has refused to entrust Revenu Québec with the collection of federal income tax. As a result, Que-

beckers are the only taxpayers in Canada who must file two tax returns. The double tax return entails significant costs for citizens and businesses, in addition to complications related to the need to contact two offices.

Citizens would benefit from filling out a single tax return. This would result in savings of \$425 million a year, according to the Research Institute on Self-Determination of Peoples and National Independence, or the IRAI. This includes \$39 million for individuals who rely on professionals to prepare their tax returns, \$99 million for businesses and \$287 million in overlap costs.

Quebec currently has access to foreign tax information only insofar as its international tax rules are modelled on the federal rules. By entering into a collection agreement with Ottawa, Quebec will obtain direct access to foreign tax information. This will enable Quebec to fight against tax havens independently, rather than having to copy the federal legislation, which contains several loopholes in this area.

You'll recall that there's a consensus on the bill in Quebec. The National Assembly unanimously passed a resolution to this effect. The Liberal Party, Coalition Avenir Québec, Québec solidaire and the Parti Québécois are unanimous. In addition, the Legault government made a formal request to the Prime Minister. The polls show widespread public support. Everything known as "Quebec Inc." supports the idea: representatives of the chambers of commerce; the Conseil du patronat du Québec, or CPQ; independent businesses; the Ordre des comptables professionnels agréés du Québec, or CPA; and so on. There are also some unions, such as the Syndicat de la fonction publique et parapublique du Québec, or SFPQ; and the Centrale des syndicats du Québec, or CSQ.

The bill includes the following three components:

First, it would authorize the Minister of Finance to enter into an agreement with the government of a province in order to allow that province to collect the federal personal and corporation income taxes on behalf of the Government of Canada.

Second, it would require the Minister of Finance—within 90 days of the bill receiving royal assent—to undertake discussions with the government of Quebec in order to enter into such an agreement within one year.

Third, it would require the Minister of Finance to undertake negotiations with the tax authorities of other jurisdictions so that the government of the relevant province has access to all the tax information necessary to implement the agreement directly with those tax authorities.

The jobs issue is extremely important.

I want to remind the committee that the federal public service is understaffed and overly concentrated in Ottawa. I'm asking the government, represented here by Mr. Fraser, to maintain the number of public service jobs in the Shawinigan and Jonquière regions, within the agency, which will always have a role, or within other departments.

In closing, I want to quote Vincent Marissal, the MNA for Rosemont and Québec solidaire's finance, taxation and revenue critic.

However, in addition to all these very valid arguments, one fact remains: for Québec solidaire, and for all Quebecers, the single tax managed here, by us and for us, is more than a mere logistical or accounting matter. It's a matter of national dignity.

This concludes my presentation.

I'd be happy to answer your questions.

• (1705)

[English]

The Chair: Thank you, Mr. Ste-Marie.

I guess we're out of habit a little bit because we've been meeting in camera for so long. I don't have a speakers list from the Conservatives, so you can just raise your hand.

Luc, will you be up first? Okay. That will be great.

We'll start with Ms. Koutrakis for six minutes.

[Translation]

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

I want to thank my colleague, Mr. Ste-Marie.

I'm deeply concerned that this bill will not only lead to unnecessary costs and inefficiencies related to Revenu Québec's administration of the federal income tax, but will also limit Canada's ability to fight against tax fraud and financial crime.

The bill also poses serious challenges to ensuring consistent tax treatment for people in Quebec and their access to critical support programs run by the Canada Revenue Agency, or CRA. It's sad to note that, after the incredible work done by the CRA to support Canadians during the pandemic, the bill would jeopardize the jobs of thousands of people in Quebec and other provinces as well.

Our government has made tremendous progress in addressing tax compliance concerns. We're committed to streamlining income tax administration through a simple and automated tax filing system. I'm concerned that this bill will undo our progress in this area.

Mr. Ste-Marie, when you spoke about this bill in the House of Commons, you said the following: "We drafted the bill in such a way as to ensure that all jobs in Quebec would be protected." However, the president of the Professional Institute of the Public Service

of Canada, or PIPSC, sent a letter to several MPs asking them to oppose the bill. Here's an excerpt from the letter:

I urge you to oppose Bill C-224, which can only have a detrimental impact on Quebec taxpayers, CRA employees and federal revenue collection.

How do you reconcile these two statements?

Mr. Gabriel Ste-Marie: Thank you, Ms. Koutrakis, for your remarks, which were certainly full of information.

Obviously, the bill calls on the government, in its negotiations with Quebec, to make an effort to protect jobs. As I said in my presentation to the committee, a member of Parliament who introduces a private member's bill can't guarantee that jobs will be maintained. That's why I'm asking the federal government to make a commitment in this area. I'm asking the federal government to consider the preservation of jobs in Shawinigan and Jonquière and to ensure that federal public servants can continue to work in their regions, even if it means working in departments other than the CRA. The government is too centralized in Ottawa and is understaffed.

From my perspective, it's possible to fulfill the request that enjoys a broad consensus in Quebec. The request is to simplify the process by introducing a single tax return, while maintaining the jobs of public servants, who can be assigned to other duties.

You also brought up costs. We've looked at the studies, which show that there would be cost savings, because duplication would be reduced. Has harmonizing the collection of the GST and QST increased costs? No, on the contrary, I believe that it has lowered costs.

In terms of the programs managed by the CRA, there must be an agreement between Quebec City and Ottawa. As soon as Revenu Québec transfers the information that it receives to the CRA, in my opinion, the CRA will be fully able to carry out these programs.

In my opinion, this is a legitimate request which enjoys a broad consensus among the people of Quebec. We can do this properly through good negotiations between Quebec City and Ottawa. This will save money, reduce duplication and support jobs.

• (1710)

Ms. Annie Koutrakis: Thank you, Mr. Ste-Marie.

You're talking about the costs associated with a single tax return system run by Revenu Québec. Where do you think that the savings will come from, and how will they be achieved without job losses?

The mathematical reality is that the vast majority of costs pertain to employee salaries and benefits.

How will these savings be achieved without job losses?

Mr. Gabriel Ste-Marie: Thank you for the question.

As the IRAI study shows, savings will be achieved through decreased costs for businesses and individuals who rely on professionals to prepare their tax returns. In addition, the elimination of duplication and overlap costs will result in savings of \$287 million.

Of course, this matter also concerns jobs. My plan is to ask the government to show consideration. Given that the public service is currently understaffed, could the government commit to finding tasks that public servants in these regions can accomplish in order to reduce uncertainty and maintain these jobs by connecting them with other duties?

This would increase effectiveness and show consideration for job retention, while maintaining government services to the public.

Ms. Annie Koutrakis: How long would it take Revenu Québec to increase its activities in order to properly administer income tax with the same capacities as the CRA?

Mr. Gabriel Ste-Marie: I don't have the answer to this question, obviously.

This will be part of the negotiations between the governments of Quebec and Canada, as was the case in 1991, when Quebec premier Robert Bourassa entered into a GST and QST collection agreement. As of 1992, this agreement has been implemented and a protocol has been established.

I see this bill as a way of finishing the work started about 30 years ago. It depends on both levels of government.

[English]

The Chair: We will have to end that round there, and we'll go to Mr. Berthold.

I got the order wrong in this first round. We'll go back to letting the Conservatives go first in the second round.

Mr. Berthold, you have six minutes.

[Translation]

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

I want to thank my colleague, Mr. Ste-Marie, for introducing this bill.

There are some distinctions between what we're prepared to support and what the bill proposes. We must be able to discuss these distinctions in the committee.

You'll recall that, on May 12, 2018, in Saint-Hyacinthe, Quebec Conservative MPs passed a resolution to allow Quebecers to file a single tax return. As Mr. Ste-Marie said, on May 15, 2018, a unanimous motion in the National Assembly called for a single tax return.

In August 2018, the 3,000 members of the Conservative Party of Canada voted in favour of the idea of the Quebec government giving Quebecers the option of filing a single tax return. On February 5, 2019, Alain Rayes, my colleague from Richmond—Arthabaska, tabled a motion. The motion was supported by the

Bloc Québécois members, but not by the Liberal members. The Quebec Liberals didn't support the motion either. The motion asked us to establish the process of introducing a single tax return.

I have trouble understanding Mr. Ste-Marie's logic when he talks about saving jobs, but also about the federal government saving hundreds of millions of dollars while preserving jobs. These aren't savings.

Mr. Ste-Marie, I gather that you want half the \$425 million in savings to not be achieved.

• (1715)

Mr. Gabriel Ste-Marie: Good afternoon, Mr. Berthold. Thank you for your remarks. I'm glad that you brought this up.

That isn't what I want. If, in this Parliament, we can respond positively to what I believe is a legitimate request from Quebec, I'll take my hat off to the parliamentarians. We would improve people's lives.

In any case, savings are achieved, because we're eliminating duplication.

Mr. Luc Berthold: You're also asking the federal government to retain employees while eliminating duplication. So there will be no real savings in terms of jobs specifically.

I gather that you want the employees to stay in the regions, such as Jonquière and Shawinigan.

Mr. Gabriel Ste-Marie: Let me be very clear.

The bill eliminates duplication. There will be savings because people who used to do the same task twice will no longer do so. I met with union representatives in Shawinigan and Jonquière. They're obviously concerned. Annual salaries of \$50,000 and \$60,000 are significant in the regions.

Here's what I'm asking the government. Instead of concentrating the public service in Ottawa, can the government make an additional effort to decentralize it? That way, the jobs under fire in Shawinigan, for example, could be replaced by jobs currently in Ottawa, where—you'll recall—the public service is understaffed. This would help fill the gap.

I'm really looking at the two components separately. This would save money and, at the same time, the federal government would fulfill its duty to upgrade the public service and decentralize the government.

Mr. Luc Berthold: That's where our two positions are somewhat different. We really want to have a single tax return. The two levels of government can make administrative arrangements to ensure that the work is still done by Canada Revenue Agency officials in Shawinigan and Jonquière. That's a big difference.

I'm sure that you know the position of the Liberal Party, which doesn't seem overly keen on the idea of a single tax return. Your motion seeks to force the government to undertake discussions.

If the motion is passed by the opposition parties, do you think that the Liberals will be sincere in their discussions and in their willingness to reach an agreement with Quebec, when we already know that they're opposed to the filing of a single tax return?

Mr. Gabriel Ste-Marie: You brought up a very good point.

First, this isn't a motion. A bill is being introduced here.

Second, I think that we must remind the government, whose representative on this committee is Mr. Fraser, that the legislators, all of us, are its boss. The House is also its boss. This explains the significance of the role played by the House, which represents all legislators and provides guidance to the government.

If the House asks the government to undertake these discussions, the government must do so. Otherwise, the issue of confidence in the government may arise.

Mr. Luc Berthold: In any event, I'm rather skeptical. Undertaking discussions and wrapping them up are two different things. Given what we're hearing and what the Liberals have said so far, I don't think that it's really possible.

Unfortunately, the Bloc Québécois, given its role, will never be able to carry out its single tax return plan alone. The only solution that I can see is that we, in a Conservative party that holds the same position and shares the same line of thinking as the Bloc, could ultimately develop and implement the single tax return for Quebecers. We're willing to do so, and we're also willing to properly represent the voters in Quebec and the National Assembly, who have unanimously requested this, as stated at the start of the discussions.

We must acknowledge that, unfortunately, with the Liberals, we're currently heading towards an impasse if we're just asking them to undertake discussions. I suspect that the result is biased in advance.

• (1720)

Mr. Gabriel Ste-Marie: I can nevertheless point out that the bill comes with an obligation to produce results. The Liberals have three months to undertake discussions. They then have a year to reach an agreement. At that point, the House, meaning the legislators, will send the request to the government. I trust this process.

[English]

The Chair: Okay. We will have to end it there.

We'll go to Mr. Therrien with the Bloc. Just to be clear, the signed-in member is Mr. Ste-Marie, but we usually don't have a problem at this committee with letting somebody else on, Mr. Therrien. So I think you and Mr. Sorbara are both going to want to be on the list.

Go ahead, Mr. Therrien, for six minutes.

[Translation]

Mr. Alain Therrien (La Prairie, BQ): Thank you, Mr. Chair, for giving me such a warm welcome.

In 2019, I attended a symposium on the single tax return. The economist François Vaillancourt, an expert in preparing tax returns and in the studies on all the issues created by the two tax returns, was at the symposium. During his talk, he was asked to comment on possible job losses resulting from the adoption of a single tax return. He responded that it was “hogwash”—not my words—and that this wouldn't result in job losses. I'll try to make sense of this.

Mr. Ste-Marie, the GST and QST collected by Quebec since 1991 stem from an agreement between the governments of Quebec and Canada. Is that right?

Mr. Gabriel Ste-Marie: That's right.

Mr. Alain Therrien: This eliminates duplication, which currently costs \$145 million a year. This means that we save \$145 million because we don't pay two different people to do the same job. Is that right?

Mr. Gabriel Ste-Marie: That's exactly right.

Mr. Alain Therrien: At the Canada Revenue Agency, the evidence shows that duplication is estimated at 56%. This means that 56% of the Canada Revenue Agency's business is carried out by Revenu Québec. According to the IRAI, this leads to savings of \$287 million. This means that we have the same service, that citizens provide the same things, but that we save \$287 million, like the GST and the QST. Am I making sense?

Mr. Gabriel Ste-Marie: Yes. I believe that you're saying that a little over half or 56% of the business, which amounts to \$287 million, corresponds to the proportion of people who do the same thing twice.

Mr. Alain Therrien: That's right. This means that 56% of the work is done twice, unnecessarily. According to the Minister of National Revenue, 5,300 jobs are dedicated to federal tax filing. In other words, if we remove 56% of the activities done twice, we're left with 44% of the 5,300 people who are really useful and who should be retained for tax filing.

Am I making sense?

Mr. Gabriel Ste-Marie: Yes.

Mr. Alain Therrien: This means that 2,332 of the 5,300 people would remain employed by the Canada Revenue Agency or Revenu Québec. Since Quebecers file two tax returns, this creates a surplus of work. That said, 2,332 people are needed to carry out this work, not 5,300 people. The \$287 million in savings occurs there.

Is that right, Mr. Ste-Marie?

Mr. Gabriel Ste-Marie: You're saying that 2,332 Canada Revenue Agency employees are carrying out work that isn't already being carried out by Revenu Québec. These jobs must be maintained.

Mr. Alain Therrien: That's right. This means that Revenu Québec would hire the 2,332 federal public servants and give them a job with the same working conditions.

In principle, only 2,968 jobs would be lost. The 2,968 people could be assigned to more productive and profitable tasks for a nation that needs a strong and experienced public service and that's currently experiencing a labour shortage.

The attrition rate, meaning the number of people retiring each year, is 3% at the Canada Revenue Agency, which has 44,000 employees. This means that, over the next three years—the project will take place over three years—3,960 people will retire.

Am I making sense?

• (1725)

Mr. Gabriel Ste-Marie: I still understand you. Based on what you just said, it would be possible to protect jobs while saving money.

For a number of years, the Bloc Québécois has been calling for the public service to stop centralizing positions in Ottawa so that each region can benefit from these jobs. A salary of \$50,000 a year has a greater impact in Shawinigan than in Ottawa.

Mr. Alain Therrien: The 2,332 jobs that would be retained and that may be used by the Quebec government could be filled by people in Shawinigan and Jonquière. If there were an agreement with the Quebec government, there would be an obligation to maintain part of the public service in the already designated locations.

Do you agree?

Mr. Gabriel Ste-Marie: I agree.

Mr. Alain Therrien: We're talking about the GST, QST and \$145 million in savings. Why couldn't we do the same thing? There could be \$287 million in savings if the Canada Revenue Agency were to entrust part of the tax returns to Quebec.

Could you tell me what I missed? Why would \$287 million in savings be an issue? You must explain this to me, Mr. Ste-Marie.

Mr. Gabriel Ste-Marie: I agree with you and I don't understand it either.

You'll recall that Yves Séguin, the former finance minister for the Quebec Liberal government, made this request in 2004. Let's hope that we can make it a reality.

[*English*]

The Chair: This is your last question, Mr. Therrien.

[*Translation*]

Mr. Alain Therrien: I know that the request for the single tax return was submitted on May 15, 2018, since I was the one who submitted it in Quebec City. When I submitted the request, Québec solidaire, Coalition Avenir Québec and even Philippe Couillard's very federalist Liberal Party supported it. We expected Philippe Couillard to oppose it. However, even the very

federalist Philippe Couillard and Carlos Leitão from the Liberal Party voted in favour of the motion, which passed unanimously.

Mr. Berthold said that we don't know whether it's good for Quebec. However, the fact is that Quebec unanimously requested it in the National Assembly. The Bloc Québécois is here to address Quebec's aspirations and interests.

Mr. Luc Berthold: I said that it was good for Quebec.

Mr. Alain Therrien: So vote in favour of the bill.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you.

We'll go to Mr. Julian with the NDP. We'll see if your mike works, Peter.

Can somebody from the Conservatives give me a signal who's next? They're first on the next round.

Mr. Julian, go ahead.

[*Translation*]

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thank you, Mr. Chair.

I hope that you can hear me properly.

[*English*]

The Chair: I can.

[*Translation*]

Mr. Peter Julian: Thank you for tabling this very good bill, Mr. Ste-Marie. Of course, the NDP voted in favour of it because NDP members have introduced the same type of approach in the past.

Having lived in Quebec for several years and having been forced to fill out two tax returns, I understood the importance of this type of bill. It would lighten the individual load of taxpayers who must fill out two tax returns one after the other. I even took courses in Sherbrooke to fully understand the differences between the two tax returns. It takes a great deal of time to fill them out. This is something that your bill addresses, Mr. Ste-Marie.

The NDP's position has always been that we need to maintain the jobs of the public servants who process these tax returns. As a former resident of Saguenay—Lac-Saint-Jean who learned French in Chicoutimi, I fully understand the value of the work done by public servants in Jonquière and Shawinigan. These individuals are hard-working and dedicated. They carry out effective and high-quality work. Having lived in four regions of Quebec, namely, Saguenay—Lac-Saint-Jean, the Eastern Townships, the east end of Montreal and the Outaouais, I also understand how these jobs contribute to the regions.

Unfortunately, Mr. Therrien just referred to “useful people.” In our opinion, all the positions are useful. We're listening very carefully to the Public Service Alliance of Canada, in Quebec. It's talking about the importance of keeping all the positions involved. My first question concerns this issue.

It worries me that we're talking about eliminating positions when there's so much work to do. This isn't what we're seeing. When we talk about the single tax return, we're talking about retaining positions and broadening the tax mandate.

Mr. Ste-Marie, can you talk about the retention of all the current positions?

● (1730)

Mr. Gabriel Ste-Marie: Thank you, Mr. Julian, for your presentation and for your very insightful comments. I also want to thank the NDP for supporting this bill at second reading.

The purpose of this bill is to take into account a desire that's completely legitimate and widely shared by all Quebec citizens. This desire is to fill out one income tax return instead of two. At the same time, I'm particularly concerned about the Canada Revenue Agency employees who work in Shawinigan and Jonquière.

My colleague Mr. Therrien and I are in no way questioning the quality of the work done by federal public servants at the Canada Revenue Agency. We're saying that a Revenu Québec employee is doing the same job as a Canada Revenue Agency employee. The work is therefore done twice. This becomes a burden for taxpayers, who must fill out two tax returns, and for businesses, which must also fill out two tax returns. This also poses an issue in terms of effectiveness.

This bill calls for negotiations between Quebec City and Ottawa. I'm asking the government to show strong consideration for job retention. The bill has a part where it talks about paying attention to jobs. I'm asking the federal government to ensure that a certain number of public service jobs remain in Shawinigan and Jonquière so that the number of jobs stays the same. There will still be jobs at the Canada Revenue Agency if a single tax return is introduced. Some employees could stay there, but other employees could also work for different departments, as long as the government asks that the level of public service activity be maintained in Shawinigan and Jonquière. People could work for Immigration, Refugees and Citizenship Canada, for example.

Mr. Julian, you said in the House that the public servants in question could be transferred to the Canada Revenue Agency to help fight against the use of tax havens. This depends on the government's wishes. I'm making this request because I believe, like you, that a job that pays \$50,000 a year in Jonquière or Shawinigan is significant.

Mr. Peter Julian: I want to clarify something.

You're saying that all the positions of the public servants who are currently working at the Canada Revenue Agency could be maintained within the tax administration system. Is that right? It isn't clear to me.

Are you advocating for the retention of all these jobs?

Mr. Gabriel Ste-Marie: I'll try to be clearer.

The goal of the single tax return is to eliminate overlap. This concerns employees who are doing the same work. This is about keeping one person for each job. For a number of years, the Bloc Québécois and the NDP have been calling for the decentralization of the public service in order to boost its presence in the regions.

In addition, the federal public service is currently understaffed. In terms of eliminating overlap, we're calling on the government to consider the importance of jobs in the regions and to protect those jobs. For example, positions in Ottawa could be moved to Shawinigan and Jonquière. Otherwise, since the public service is understaffed, steps could be taken to ensure that other departments, in their re-hiring strategy, refer their employees to Jonquière and Shawinigan to stabilize these jobs.

● (1735)

[*English*]

The Chair: Thank you, both.

We'll go to Mr. Lawrence, for a five-minute round, followed by Ms. Dzerowicz.

Mr. Lawrence, go ahead.

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

Thank you to our colleague for appearing here today.

First, I just want to clarify something. All this bill calls for is a negotiation right. You have to enter into negotiations within three months, and then you're calling on them to have a negotiation within a year. Is that correct?

[*Translation*]

Mr. Gabriel Ste-Marie: Yes, that's correct.

[*English*]

Mr. Philip Lawrence: Perfect.

One thing the Liberal Party has raised as a criticism is that if these negotiations are successful, it would call on Quebec to enter into new tax treaties with every single country we have a tax treaty with right now. I would like, on friendly terms, to give you an opportunity to respond to that criticism.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you for the question.

Indeed, this question is often raised when it comes to international tax treaties. I want to remind the committee that this is a fairly common procedure. It's an amendment to the existing treaty. There is no question of drafting or concluding new treaties. It's an amendment by exchange of letters, which is a very common process.

Barbados does not have the mandate to interpret the Constitution and laws of Canada. It is the government that is going to tell it that it will be the Canada Revenue Agency, for example, that will have the right to exchange tax information. In this case, it could be Revenu Québec.

An agreement between Quebec and Ottawa would limit the power of Revenu Québec to Quebec taxpayers.

[*English*]

Mr. Philip Lawrence: I'll follow up on one comment you made in your opening statement. You said that it might give Quebec the ability to close loopholes that the federal government is currently allowing in terms of tax havens. I'm a little bit confused by that, to be honest, because we can't really change the legislation or the tax. As you said, we're just going to amend those tax treaties.

How is the Province of Quebec going to enforce things that the federal government cannot?

[*Translation*]

Mr. Gabriel Ste-Marie: Quebec will do it by simple political will, if I can put it that way.

Let's take the example of the taxation of the Web giants. Quebec has started to do it, and it works well. Similarly, if Quebec chooses to do more investigations of Quebec residents who use tax havens illegally, Revenu Québec could obtain the information directly. The Canada Revenue Agency has the power to do so at this time, but the government is being lax in this area, so not much progress is being made on the file. One can think of the leak of confidential documents—the Panama Papers or the Paradise Papers. Every country has gone looking for cases, but Canada has done nothing, due to a lack of political will.

[*English*]

Mr. Philip Lawrence: Thank you.

Do I have any time left, Chair? Can I give that last time to my colleague, Mr. Berthold?

The Chair: Yes, you can.

You have time for one question, Mr. Berthold.

[*Translation*]

Mr. Luc Berthold: I just wanted to reassure Mr. Therrien. We are in favour of a single tax return. Otherwise, we would not have been in favour of the committee studying this issue and we wouldn't be here talking about it.

However, we have concerns about the intentions of the bill. Mr. Ste-Marie's last quote was about Québec solidaire and the single tax. The single tax and the single tax return are two very different things. Mr. Marissal, from Québec solidaire, wants Quebec to manage federal and provincial taxes alone, which we strongly disagree with. What we want is for Quebeckers to be able to file a single tax return and for there to be an administrative agreement between the two governments in this regard. We don't want this to touch on treaties. That's where the nuance lies.

If we are going to go further and pass this bill, I would like Mr. Ste-Marie to be much clearer about the intentions of the bill.

Do we want Quebeckers to fill out only one tax return, and federal employees to continue working at the Canada Revenue Agency, or do we want to take control of income tax, which is a completely different option?

● (1740)

Mr. Gabriel Ste-Marie: The bill talks about an agreement between Quebec and Ottawa, a single tax return and a single window. Businesses are currently accountable to Revenu Québec and again to the Canada Revenue Agency. Can this duplication be stopped? This will require negotiations between Quebec and Ottawa.

[*English*]

The Chair: Thank you, all.

We'll now go to Ms. Dzerowicz, who will be followed by Mr. Therrien.

Ms. Dzerowicz, go ahead.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I'm just going to turn up my volume, pump up the jam, as they say.

Thank you so much, Mr. Ste-Marie. Thank you for your presentation today.

Mr. Lawrence actually started on the track that I was going to go on.

In your original comments, when you introduced this bill in the House, you talked about how this law would enable Quebec to fight more effectively against the use of tax havens. For the record, I want to dispute your next comment here, that Ottawa is dragging its feet in that regard.

I will tell you that Davenport residents, the people of my riding, really care about people paying their fair share of taxes. They get very angry when they start hearing about tax havens. I will tell you that I was very proud of our government for putting over \$400 million, I believe, within the first year of our being in office, to fight these tax havens and to fight those who are trying to avoid paying their fair share of taxes. We've actually increased it to over \$1 billion now. We did that, Mr. Ste-Marie, because it has actually been effective. I know the Minister of National Revenue is very passionate about this issue, and I don't want to do a disservice to her and the amazing team of people who are working very hard on this.

I didn't hear an answer in terms of how Quebec is going to be more effective on its own against the use of tax havens. Perhaps I'll give you a few minutes to tell me how you think you can be more effective, and then I have another question for you.

[*Translation*]

Mr. Gabriel Ste-Marie: Fine, thank you.

If we look at what Canada is doing to combat the use of tax havens, both the illegal part and the legal part that should be illegal, or if we compare it to the United States, European countries and other countries around the world, we see that our country is doing poorly, unfortunately. I repeat that it is dragging its feet and that it is a dunce in this area.

The problem goes back a few decades, and it is not unrelated to the role of finance ministers. Take the example of Mr. Paul Martin. While he was finance minister, his personal company, Canada Steamship Lines, was doing business in Nigeria. When the law was amended, that company was transferred to Barbados. Was it in his interest to stop using Barbados as a tax haven? He was taking advantage of it himself.

The former Minister of Finance, Mr. Morneau, for whom I have great respect, owns a family business. Even today, the company's website mentions that it can advise an insurance company or a pension fund administration company, for example, on how to make good use of tax havens so as not to pay taxes here. In Toronto, the big Bay Street banks all have subsidiaries in tax havens. Reducing their tax liability saves them a lot of money.

As far as I know, the banking sector is immune to foreign competition and it is very lucrative. Every quarter we see record payments. I'm proud of this system because it's very stable. Although I prefer the Quebec model of the co-operative, it's a good system, especially internationally. However, why allow such practices? It's the amalgamation of Canada's economic and political forces.

To get back to your question, currently, if Revenu Québec suspects a fraudulent user of doing business in tax havens, it is not able to confirm the information because the information it wants to obtain is kept by the Canada Revenue Agency; further, it does not receive a message from the federal government recommending that it respond to this request or intervene.

At the end of the day, Canada is doing very poorly in the fight against tax havens around the world. That needs to change.

• (1745)

[English]

The Chair: You have time for one more question, Ms. Dzerowicz.

Ms. Julie Dzerowicz: Thanks so much, Mr. Chair.

I will share this. I think this has come up a few times just in terms of the potential for the loss of jobs. As you know, our federal government is always ready to work to simplify the lives of Quebecers and all Canadians, but we're not aligned with the single provincial form. I think what I'm hearing you say is that if this were allowed to happen in Quebec, we'd be more efficient and there might be some impact on jobs, but you would rely on the federal government to save those jobs, even though they don't believe in the single provincial form and they don't think it will make us more efficient.

Is that what you're trying to say, that even though there might be an impact on jobs, it's up to the federal government to actually save those jobs in Quebec?

[Translation]

Mr. Gabriel Ste-Marie: I would say these two things.

It's a fact: workers are doing the same job twice and that creates duplication of work, which the bill wants to eliminate. However, this may threaten jobs. By the same token, I recognize the importance of providing jobs in the regions.

First, negotiations must be undertaken with the Quebec government. Many of these jobs may well move to Revenu Québec, and they would be subject to the terms and conditions of the relevant collective agreements. This is a possibility that should be considered, if it satisfies the parties involved in the negotiations and if it suits the employees.

Given that the public service is understaffed and centralized in Ottawa, doesn't the government have the ability, the opportunity and the desire to say that these are important jobs for the regions? Agency employees could be assigned to other duties or offered work in another department. This would send a strong signal.

The excellent research paper provided by the Library of Parliament on this bill notes that 11% of Canada Revenue Agency jobs are in Quebec, even though the province accounts for a quarter of the population. So we see that we are not getting our fair share. The same is true for the public service as a whole.

In my opinion, if the government does more decentralization, it will be possible to maintain the number of jobs. This subject is particularly close to my heart.

Ms. Julie Dzerowicz: Thank you.

[English]

The Chair: Thank you, both.

We're turning to Mr. Therrien, who will be followed by Mr. Julian in two-and-a-half-minute rounds.

[Translation]

Mr. Alain Therrien: Thank you, Mr. Chair.

Mr. Ste-Marie, we have an extraordinary advantage, in this case the GST and QST, an area of taxation that is akin to a small laboratory. There is only one tax collector instead of two, saving \$145 million a year. Each government puts \$72.5 million in its pocket.

I would like you to explain how it works. If Quebec collects the GST and QST, does the federal government have the right to raise or lower the GST as it sees fit?

Mr. Gabriel Ste-Marie: Yes, absolutely. Simply to make life easier for companies, there is a single point of contact, hence the harmonization. Ottawa retains full sovereignty over taxation, but Revenu Québec is responsible for collection. As you said, this saves some \$145 million, or \$72.5 million per government, which is not insignificant.

Mr. Alain Therrien: No one has ever challenged this or wanted to go back. It was a good idea, wasn't it?

Mr. Gabriel Ste-Marie: The implementation process was a bit long, but once we got there, no one wanted to go back. I think the same will be true for the single tax return.

Mr. Alain Therrien: So you propose that there be one tax collector, but two autonomous tax policies. The federal government can do what it wants with the taxes, but it tells Quebec precisely how to get the money out of taxpayers' pockets. Do I understand correctly?

Mr. Gabriel Ste-Marie: Yes, absolutely. In addition, Revenu Québec will forward the relevant information to the Canada Revenue Agency regarding all possible payments.

Mr. Alain Therrien: The federal government is therefore not losing its fiscal autonomy. Is that right?

Mr. Gabriel Ste-Marie: Entirely correct. This is not what the bill is about.

Mr. Alain Therrien: I talked earlier about 5,300 jobs, 2,332 of which would be used to continue collecting taxes. In other words, 2,968 workers would be available and paid by the federal government to perform other tasks. That is my understanding.

Mr. Gabriel Ste-Marie: This possibility could be considered. First, it depends on the negotiations; second, it depends on the will of the government. Does it want to keep public service jobs in the regions? Is it important to them? It is to us, of course.

• (1750)

Mr. Alain Therrien: In economics, this is called optimal resource allocation.

Mr. Gabriel Ste-Marie: That is indeed one of the possibilities proposed by this bill. We could stop paying two people to do the same thing and use resources more efficiently. We economists understand each other.

Mr. Alain Therrien: So we're talking about 2,968 people available and already paid...

[English]

The Chair: Thank you, both.

[Translation]

Mr. Alain Therrien: Thank you, Mr. Chair.

[English]

The Chair: I'm sorry, Mr. Therrien. We'll have to end it there.

We have Mr. Julian next, followed by Mr. Kelly.

Go ahead, Peter.

[Translation]

Mr. Peter Julian: Thank you very much, Mr. Chair.

Thank you again, Mr. Ste-Marie.

I strongly disagree with Ms. Dzerowicz, who just said that the federal government has taken some steps to counter tax evasion. As you know, the Parliamentary Budget Officer has already told us that \$25 billion a year escapes from the Canada Revenue Agency because it ends up in tax havens. Why is that? Because, as we

know, the government has never provided these officials with the tools they need. We were told that this summer and I know you are aware of that, Mr. Ste-Marie.

Officials said they could not reach a single person or large company mentioned in the Panama Papers, the Bahamas Leaks or other documents containing information related to tax havens because they lacked the legislative and administrative tools necessary to counter massive tax evasion, which costs us at least \$25 billion each year.

Mr. Ste-Marie, can you tell us how we could change this situation?

On the other hand, one sometimes hears criticism of the information-sharing agreements that are currently in place with Canada. Could you tell us how this information would be transmitted under a single tax reporting system?

Mr. Gabriel Ste-Marie: Mr. Julian, thank you for your comments.

I totally agree with you.

Like you, I believe that the illegal and immoral use of tax havens is a gross injustice. Why can the wealthiest and the multinationals use these systems with impunity?

Quebec held a parliamentary commission on the use of tax havens and one of its major conclusions was that the power is in Ottawa. Even if Quebec wanted to do more, it is very limited since it does not have access to information abroad.

This is the bet I'm making. If this bill is passed, Quebec will have the power to do more against tax evasion or tax avoidance. It could certainly inspire Ottawa to do the same, as it has done with subsidized child care programs and pharmacare. These are Quebec projects that you are pursuing. Quebec also collects QST from the Web giants, and Ottawa is now getting ready to do the same. This could prod Ottawa to move forward on tax havens.

At present, even if the Quebec National Assembly has the will to act, it does not have the power to do so since it does not have access to the exchange of information. However, the system would be fairly simple to put in place and the issue could be resolved by the adoption of this bill.

If we compare what Americans are doing about the Panama Papers and the Paradise Papers...

[English]

The Chair: Thank you, Gabriel. You're on a roll there.

We'll go to Mr. Kelly and close off with Mr. Sorbara.

Mr. Kelly, go ahead.

[Translation]

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Congratulations, Mr. Ste-Marie, on the passage of your bill at second reading.

I agree with you, it's a good idea.

[English]

We proposed more or less the same thing in the last Parliament. I know you supported the Conservative motion that we made then. It was a good idea then, and a good idea now, to get Quebecers onto only a single tax return. I don't think anybody would want any Canadian to have to duplicate that process each year.

Your bill, though, is very specific to Quebec. What would you say or comment to other provinces that might wish to be the tax collector for their province? This is an idea that has been discussed in other provinces. The fair deal panel in Alberta examined the issue. I understand that this issue is, of course, much more urgent to people in Quebec, who already have to file two returns. I'm quite certain that nobody in Alberta would want to file two returns. Would you support any other province that might prefer that?

Alberta, for example, has its own tax collection department as well, but only for corporate income tax, not for personal. In Alberta, corporate filers, including small business operators, have to file two tax returns, and there are thousands of them in Alberta that do and probably would prefer to file only one.

Do you have any comment on how your bill or a similar one might apply to other provinces?

• (1755)

[Translation]

Mr. Gabriel Ste-Marie: Thank you for your comments, Mr. Kelly.

First of all, I would like to congratulate you on the quality of your French. I took notes. You will have the opportunity to practice speaking your excellent French with us. Thank you for your consideration.

I would remind you that, according to the Constitution, taxation is one of the areas of provincial jurisdiction. Ottawa asked the provinces for permission to collect taxes after the First World War, then for debt repayment after the economic crisis, after the Second World War, and again for debt repayment. Ottawa assured the provinces that this was temporary.

In 1954, Quebec reminded Ottawa that these measures were to be temporary. Quebec therefore asked to manage its own tax returns.

Essentially, taxes are a provincial responsibility. Each province chooses to let Ottawa collect taxes, but there is no obligation to do so.

Currently, the law allows Ottawa to collect taxes on behalf of the provinces. However, the reverse is not true. This bill wants to allow that to happen. Since Quebec is a nation and since the National Assembly unanimously requests it, we want to allow Revenu Québec, therefore the Province of Quebec, to collect taxes for Ottawa.

The model has been set up. Alberta can use it as a model, if they wish.

[English]

Mr. Pat Kelly: When we debated the single tax return motion in the previous Parliament, critics of the motion at the time raised concerns about the different definitions of income in Quebec. I would anticipate you're going to hear these objections again, perhaps directly from officials in the next panel. What would you say to critics who point to that as a significant obstacle to getting Quebecers onto a single tax return?

[Translation]

Mr. Gabriel Ste-Marie: Thank you for the question.

The purpose of the bill is to make life easier for taxpayers. If the Canada Revenue Agency uses definitions other than those of Revenu Québec, it is entirely possible for Quebec to obtain the information and transmit it to the Canada Revenue Agency. This is what is done for the harmonization of the GST and the QST. Ottawa changes the percentage of the GST as it sees fit, and Revenu Québec collects the tax according to the income, quite simply.

If the single tax return is adopted and it turns out that the definitions are different, Revenu Québec will be able to automatically convey the requested information to the Canada Revenue Agency, and Ottawa will continue to exercise full sovereignty with respect to its tax policy in Quebec.

The goal is to simplify the process by eliminating duplication of work and reducing paperwork.

[English]

The Chair: Thank you, both.

We'll wrap it up with Mr. Ste-Marie with you, Mr. Sorbara, and then we have to go to a motion for Mr. Falk, a very fast one.

Mr. Sorbara, go ahead.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair. I have about two minutes, from my understanding.

The Chair: No, you have three and a half or four. Go ahead.

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

It's great to be here with everyone this afternoon on a very important topic.

Mr. Ste-Marie, it's always nice to see you. Thank you for your interventions today.

One comment and one theme that we've touched upon this afternoon has been the theme of tax evasion. We know we expect all Canadians and all Canadian organizations and businesses to pay their fair share of taxes so that we can provide the wonderful services that we do to Canadians. Through the pandemic, obviously, the federal government has provided the Canada emergency response benefit, the student benefit, the wage subsidy, and a number of programs, and also supported Canadians in long-term care homes, including in the province of Quebec. We had the Canadian Armed Forces, the Canadian military, go and assist in long-term care homes, both in the province of Quebec and in the province of Ontario. It's great to see a team Canada approach being taken during COVID.

With regard to tax evasion, though, Mr. Ste-Marie, and Mr. Julian as well, our government—and I sat on the finance committee for the first four or five years after we won the first election—made it a priority to fight tax evaders both here in Canada and abroad. For example, in the 2013–14 fiscal year, the CRA had the resources to perform only 43 audits related to international tax evasion. Remember the years under the Conservatives, when agencies and departments were starved and had their budgets cut back and couldn't get the resources, including shuttering veterans offices across Canada. We know the Conservative record. The number of audits that were taken went from 43 in 2013–14 all the way to 1,463 in the last fiscal year. We invested over a billion dollars into the Canada Revenue Agency so they can have the resources to make those investigations that are necessary.

To go on, Mr. Ste-Marie, and to my colleagues, I just want to point out that in budget 2016–17 we had anticipated these investments would generate additional assessments of \$5 billion by fiscal year 2022. But in fact, by April 2020, we had already exceeded \$6.6 billion in assessments with regard to fighting tax evasion both here in Canada and abroad. We currently have 55 ongoing criminal cases with an offshore tax evasion component, and we've had 32 criminal convictions for tax evasion. So when we look at the government's record over the last number of years....

What we also have to remember is that Canada must enter into tax treaties with foreign jurisdictions. One of them—and I was glad to work on the finance committee—was with regard to base erosion and profit shifting, BEPS. Again, the Canadian government was taking leadership with our partners internationally, doing what's right, ensuring that all Canadians, whether on an individual basis or organizations, pay their fair share of taxes.

I do need to correct the record, Mr. Ste-Marie, and—

• (1800)

The Chair: What is your question?

Mr. Francesco Sorbara: My question is this: Wouldn't you recognize that the Canadian government is doing what's right for Canadians across this country, including the wonderful people who live in Quebec?

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you very much, Mr. Sorbara, for your comment and your question. It's always a pleasure to speak with you, here in committee and in the House. You have a brilliant mind, and I love to listen and interact with you.

According to experts in the field of combatting tax evasion and abusive tax avoidance, and according to international comparisons made in the Base Erosion and Profit Shifting (BEPS) project of the OECD, the Organisation for Economic Co-operation and Development, Canada remains at the tail end of the pack. This is the opinion of all international experts. The number of convictions in Canada is far lower than elsewhere.

So there is still a lot of work to be done, and Quebec would like to do a lot more. This bill would give it the means to do so and could perhaps inspire Ottawa in the future.

[*English*]

The Chair: We will end it there, because we have another panel to go to.

Thank you, Mr. Ste-Marie, for coming forward. Congratulations on getting your bill this far. It was a very interesting exchange.

With that, Mr. Falk, you have a quick motion, I think, that you want to put before the committee, but before you do that—I see him sitting out there with a B.C. flag behind him—welcome to Ed Fast, a new member of the committee. He is the shadow minister for the official opposition, which brings better balance. Now we have two from the Atlantic and two from B.C. there, Ed. We'll balance it up with the central Canadians.

• (1805)

Hon. Ed Fast (Abbotsford, CPC): I'm glad to join you all. Thanks, Mr. Chair.

The Chair: Welcome.

Ted, go ahead.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chair.

I too want to welcome Mr. Fast to the committee. We're looking forward to his participation and leadership here at this committee.

Because of that, we're currently in a position where we have no vice-chair. I would like to nominate Pat Kelly to fill that position.

The Chair: Okay. It's been moved.

Is there any discussion? I don't expect there's any opposition.

(Motion agreed to)

The Chair: Welcome, Pat, as vice-chair.

Mr. Pat Kelly: Thank you very much.

Wayne, I know you have a storm there. If your power goes out, don't worry. I will be right there to make sure the committee continues to function seamlessly, just as my predecessor did.

The Chair: All right. That's good. It would depend on who the witness would be, I expect, Mr. Kelly, for sure.

That was a moment.

Do we need to suspend for a minute, Mr. Clerk?

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Chairman, very quickly, I would like the committee to adopt a motion to thank and congratulate the previous vice-chair, Mr. Poilievre, for all the work he did on this committee and for the interesting debates he brought about.

Mr. Peter Julian: I second this motion.

[*English*]

The Chair: I think that's in order.

Do I see any opposition to that?

(Motion agreed to)

The Chair: We'll send him a note.

Mr. Clerk, do we have to suspend to bring in the new witnesses, or can we just roll along? Okay.

We'll welcome our next witnesses. From the Department of Finance's tax policy branch, we have Mr. Marsland, senior assistant deputy minister, and Miodrag Jovanovic, associate assistant deputy minister. From the Canada Revenue Agency's service, innovation and integration branch, we have Wayne Lepine, director general of policy, and Mireille Laroche, assistant commissioner, chief data officer and chief service officer.

With that, I believe two folks have opening remarks.

Go ahead, Mr. Marsland.

[*Translation*]

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

Thank you for inviting me to speak to private member's Bill C-224. I am pleased to be here.

Bill C-224 proposes to authorize the Minister of Finance to enter into an agreement with the government of a province under which the government of the province would collect the federal personal and corporate income taxes on behalf of the Government of Canada.

It also requires that employment-related impacts be mitigated.

Within 90 days of the coming into force of the act, the Minister of Finance must undertake discussions with the Government of Quebec in order to enter into an agreement within one year.

Upon entering into an agreement with a provincial government, the Government of Canada must renegotiate its agreements with foreign tax authorities to give the province direct access to all international tax information.

Perhaps by way of context, I will say a few words about the administration of income taxes across Canada. As the committee will

be aware, most provincial income taxes are collected on behalf of provinces by the Canada Revenue Agency, as established under the long-standing Tax Collection Agreements.

• (1810)

[*English*]

Under the tax collection agreements, the federal government agrees to collect and administer provincial taxes virtually free of charge in exchange for which the provinces agree to maintain a common tax base between the federal and provincial systems. This helps to ensure harmonization of the tax systems and reduces complexity, both in administration and in compliance. At the same time, provinces and territories have the flexibility to set tax rates and to introduce credits to reflect their particular policy choices.

Quebec, of course, does not have a tax collection agreement for personal income taxes or corporate taxes, and Quebec and Alberta don't have one for corporate income taxes. As such, these provinces administer their own provincial tax systems that are not required to adhere to a common tax base.

Over time, in the absence of adherence to a common tax base, different and reasonable policy choices have been made with respect to how various categories of income or expenditures are treated for income tax purposes. Consequently, it's important to consider how these differences in policy approaches contribute to the respective compliance burden faced by taxpayers in different provinces. In other words, the question of compliance burden goes beyond who is administering the law or the tax, but also, importantly, involves elements of the system itself.

Finally, as the committee is aware, while the focus of the bill is on tax administration, beyond the collection of taxes, the Canada Revenue Agency delivers benefits to Canadians, such as the Canada child benefit for individuals, and the scientific research and experimental development program for corporations. More immediately, over the past 12 months, the agency has played a critical role in the timely delivery of a range of emergency relief benefits to Canadians, individuals and businesses, leveraging the agency's role in tax administration across the country.

Along with our colleagues from the Canada Revenue Agency, we'd be very pleased to answer any questions that the committee may have.

Thank you.

The Chair: Thank you, Mr. Marsland.

Is Mr. Lepine next? Is there a second set of remarks, from the CRA?

Ms. Mireille Laroche (Assistant Commissioner, Chief Data Officer, and Chief Service Officer, Service, Innovation and Integration Branch, Canada Revenue Agency): I actually do have remarks, Mr. Chair.

The Chair: Go ahead, Ms. Laroche.

Ms. Mireille Laroche: Thank you very much, Mr. Chair.

• (1815)

[*Translation*]

Thank you for the invitation to speak about Bill C-224.

As the chair said, with me is Mr. Wayne Lepine, the director general responsible for federal and provincial relationships at the Canada Revenue Agency.

Following my finance department colleague's remarks, I would like to draw the committee's attention to certain impacts relating to this bill. In particular, I would like to emphasize four impacts that I ask you to take into consideration.

First, uncertainty about jobs.

The agency employs close to 6,000 employees in Quebec in 13 different offices. The agency's workloads are national, meaning that the work of a particular province can be done in several other provinces. Therefore, although the impact on jobs would be most significant in the province which would choose to repatriate tax operations, many jobs across the country could be impacted.

Secondly, there would be disruption of the agency's activities not related to tax processing.

In addition to administering tax legislation, the agency administers benefit programs from which all Canadians may benefit. Most of these benefit programs that the agency administers, or administers on behalf of other departments or organizations, are based on tax returns.

Given that one must file a tax return to receive benefits, it is not possible to administer benefit programs without tax information. A transfer of administration to a province could impede the administrative effectiveness of these programs, which are crucial for the well-being of Canadians. Without tax information on hand, the Canada Emergency Response Benefit adopted in the COVID-19 pandemic context, which was crucial for the well-being of Canadians, could not have been implemented as quickly. This also applies, for instance, to the Guaranteed Income Supplement administered by Employment and Social Development Canada, for which eligibility is based in part on tax information.

If tax administration is transferred to the province whereas the agency continues administering benefits, taxpayers will continue interacting with both organizations, potentially creating confusion and dissatisfaction.

Thirdly, efficiency in international taxation would be affected.

The CRA must ensure tax compliance, in Canada and abroad.

Canada has signed many international tax treaties and tax information exchange agreements. These are critical to our effective-

ness. Convincing our partners to make changes to include other subnational tax administrations is not a given.

Fourth, there would be cost increases and loss of economies of scale.

The required integration between both organizations' processes and technology infrastructures would result in additional expenses. The fixed costs related to the functioning and significant investments in infrastructure by the agency to serve all Canadians will not decrease with such a transfer.

Based on the current experience with GST/HST administration by Quebec, the cost of administering federal tax by the province would be higher than what it costs the agency because of the economies of scale that the CRA can effect.

In conclusion, with respect to Quebec's particular situation, it is important to highlight our efforts to collaborate with the province to reduce the administrative burden on Quebec taxpayers.

We have started discussions to simplify or combine some forms and to simplify the income tax return process by focusing first on vulnerable populations.

Other measures are also under consideration. Their implementation could facilitate the taxpayer experience with both tax authorities. We could, for example, work with tax software providers to facilitate the income tax return process, and coordinate the validation and audit actions between both organizations to avoid taxpayers being audited twice.

[*English*]

We'd be very happy to answer any questions you may have.

The Chair: Thank you for that presentation.

We'll start with the Conservatives. Mr. Berthold is first, followed by Mr. Fraser.

Go ahead, Mr. Berthold.

[*Translation*]

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

My thanks to the representatives of the Department of Finance and the Canada Revenue Agency for their comments. I am flabbergasted by what I have just heard.

A majority of parliamentarians in the House of Commons adopted a resolution to move forward, through this committee, with the bill for a single tax return. I would have expected the Canada Revenue Agency to provide us with information on how to make that possible, not that it would do exactly the opposite and tell us all the harm the bill would do, when its purpose is to make life easier for Quebecers.

I partly agree with the section on international agreements. I see a small issue in that regard. We'll have an opportunity to talk to Mr. Ste-Marie a little later about the inclusion of the international agreements part, which may have a negative impact on the passage of the bill.

Ms. Laroche, you raised four points, and I'm really disappointed in what you presented to us. I would have liked you to show us a way to make it possible for Quebecers to file a single tax return, thereby making their lives easier.

Are you telling us that it's totally impossible at this time, based on the four points you raised, to adopt a single tax return for Quebecers that would be administered by the province of Quebec?

Ms. Mireille Laroche: Thank you very much for your question.

The agency is committed to providing the best possible services to taxpayers, both Quebecers and Canadians. That is why it has taken a number of steps to simplify the filing of tax returns and delivery of its services.

The points I have raised do not lead to the conclusion that it is impossible to do. They are considerations that I bring to the attention of the committee and lawmakers with respect to the complexity of the situation.

Mr. Luc Berthold: Ms. Laroche, it was possible to do it for the GST. Indeed, the goal is not necessarily to achieve economies of scale. The primary goal, at least the Conservative Party's goal, is to make life easier for Quebecers. You said yourself that you had initiated discussions to make life easier for Quebecers, but that they went nowhere.

In our view, a single tax return could be processed by both levels of government, and this would not take away from the Canada Revenue Agency's autonomy in its duty to collect taxes and provide services. In fact, I don't see the connection. The Canada Revenue Agency would still have just as much access to the information needed to deliver benefits to Canadians, such as the Canada emergency response benefit. An administrative agreement between the two levels of government would not result in any information being withheld, as far as I know.

Could the Canada Revenue Agency lay out a plan to show us how a single tax return administered by the Government of Quebec could be introduced?

• (1820)

Ms. Mireille Laroche: When you look at tax filing—

[*English*]

The Chair: Could I come in for a minute, Ms. Laroche?

If this is passed by the House, Mr. Berthold, we would expect the CRA to carry that out, but what I expect from public servants is to give us the facts as they see them, based on their experience. We can agree or disagree, but I want to hear the facts that the public service has to lay out before us.

Mr. Luc Berthold: If I may, Mr. Easter, I want to have the facts, but I want to have the facts on both sides. That's why I'm asking those questions. I have already read the speech. I saw the facts against, and I'm now looking for the facts in favour of this. What is

motivating me is the well-being of Quebecers, who have to fill two single tax returns.

The Chair: Okay. We'll go to Ms. Laroche, and we won't take that time away from you for our discussion, Luc.

Go ahead, Ms. Laroche.

Ms. Mireille Laroche: Thank you, Mr. Chair.

[*Translation*]

Let's talk about the overall context in which it is done. For example, the Quebec government must be able to remit the tax revenue collected. We need to look at the full continuum of tax filing and tax collection in the same way we do for the GST.

With respect to tax filing, we have a national system. It means that Quebecers' tax returns, for example, are not processed by employees in Quebec only, but by people all across Canada. For instance, some employees in Summerside, Prince Edward Island, process Quebec business tax returns.

I want to demonstrate to you that it's a complex situation, especially with respect to the continuum I just mentioned. You have to consider not only the filing of tax returns, but also exercises such as audits, recovery, objections and appeals. In short, you have to consider how the system is set up.

In addition, I'd also like to bring up the point that Mr. Marsland raised earlier, the difference between the tax regimes. Basically, a hundred measures are different, so they don't ask for the same information. Having a single administrator won't make that information disappear. Combining the two—

Mr. Luc Berthold: Ms. Laroche, I'm not talking about a single administrator, I'm talking about a single tax return.

[*English*]

The Chair: You may have one question, Mr. Berthold. Go ahead.

[*Translation*]

Mr. Luc Berthold: Thank you.

I'm not talking about administering everything, collecting all taxes or the whole tax system. I'm talking about giving Quebecers the opportunity to fill out a single form, which could be sent to the Canada Revenue Agency and Revenu Québec, as needed.

Is that simple step possible, yes or no?

Ms. Mireille Laroche: It is possible because it's being done elsewhere, in other provinces and territories, where the two forms have been combined. The only caveat I'd like to bring to your attention is that, given how complex the two tax regimes are and the differences between them, it's going to be a long questionnaire.

When you look at tax filing software, a great deal of effort is made to assist people who file electronically. The software tries to fill out the various input fields to make filing the tax return as simple as possible.

We continue to work with Revenu Québec to improve the client experience, but the differences between the two systems still stand. Forms can be combined into a single form, but given the differences, the form will be complicated.

• (1825)

[*English*]

The Chair: Thank you.

Now we'll turn to Mr. Fraser for six minutes, followed by Mr. Ste-Marie.

Mr. Fraser, go ahead.

Mr. Sean Fraser (Central Nova, Lib.): Thank you, Mr. Chair. I will be splitting my time with my colleague Mr. Sorbara.

Before I get to the question I would like to hear from the officials on, I want to say that I'm sympathetic to the decentralization argument, as someone who knows that our federal staff in Ottawa are responsible for measuring the sea ice conditions between you and me, Wayne.

I do want to draw attention, though.... The biggest objection that I have—and I did vote in opposition to the motion when it was on the floor of the House—relates to the system of benefit delivery that we have in Canada. We're proposing now—and it was outlined in the most recent throne speech—to create an automatic tax filing system. I know some of the most dramatic cases that we have in our office come from families that have not filed their taxes and don't realize that they are eligible for sometimes \$20,000 or \$30,000 in back payments for the Canada child benefit.

I'm curious if officials would have commentary on the impact of the proposed bill on our ability to move to an automatic tax filing system or, more broadly, on the delivery of benefits through our tax system, whether it's the GIS or maybe some of the emergency benefits with regard to the pandemic. I'm curious how you think this bill will eventually impact our system of delivering benefits.

The Chair: Ms. Laroche, go ahead.

Ms. Mireille Laroche: Thank you very much for your question.

Right now, for a number of benefits—we can think about the Canada child benefit or the guaranteed income supplement—all the income-based benefits that we have are usually based on tax data. A person will file and then will get their benefits.

In the event that Quebec would be doing the Quebec portion of it, there's going to be a need to rewire that whole relationship in terms of figuring out who does what in terms of the [*Technical difficulty—Editor*].

The Chair: There you go. You're back on now again.

Ms. Mireille Laroche: I'm not sure how far I need to back up.

Basically, we would need to rewire the system, because the income information would not come from the same place. You would

have two sources of data, potentially, from Quebec and from Ontario.

I would say that the other consideration to take into account is timeliness. If you look at COVID and everything where we had very little time, now we're talking about potentially changing two systems as opposed to one system and working with the province to institute or put together [*Technical difficulty—Editor*] federal benefits because there is some consideration that [*Technical difficulty—Editor*] those types of benefits.

In terms of the automated tax filing, I would say the same type of consideration applies. It doesn't impede us from actually being able to do it. Now we just need to coordinate and make sure we enhance...and that Revenu Québec, in this particular case, would be in accord with the approach we want to take because they would have an integrated system from a provincial and federal point of view.

The Chair: We'll go to Mr. Sorbara.

If any of the other witnesses have something to add, just raise your hand or yell and I'll catch you.

Mr. Sorbara, go ahead.

Mr. Francesco Sorbara: Thank you, Chair.

Thank you to my honourable colleague from Nova Scotia for splitting his time.

I'm going to ask the question in French, because we're touching on a subject that impacts the residents of Quebec.

This is for the representatives from the CRA.

• (1830)

[*Translation*]

Despite opposition claims about the potential savings that would be generated by a single tax return administered by Quebec, the Robillard Commission released a report in 2015 and instead concluded that the province would save \$400 million by transferring Revenu Québec's administration activities to the Canada Revenue Agency.

Are you aware of that report?

If so, what is the agency's position on it?

Ms. Mireille Laroche: Thank you very much for the question.

We are aware of the Robillard Commission report published several years ago. The agency did not do that kind of comparative analysis. Based on the current experience with Revenu Québec's administration of the GST/HST, the costs of the province administering federal income tax would be much higher than the agency's costs, particularly if the investments [*Technical difficulty*] and the critical size of economies of scale [*Technical difficulty*].

[*English*]

The Chair: We are having some technical difficulties for sure.

We'll turn to Mr. Ste-Marie, followed by Mr. Julian, for a six-minute round.

Gabriel, go ahead.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

First, I would like to acknowledge the officials from the Canada Revenue Agency and from the Department of Finance, Ms. Laroche, Mr. Marsland and their colleagues.

Thank you, Mr. Marsland, for beginning your presentation in French. We're very grateful.

Ms. Laroche, as the Chair pointed out, it seems that you have a weak Internet connection. We can't always understand your answers very well. Nevertheless, I have two questions for you. First, however, I will make a brief comment.

The Robillard Commission was obviously very partisan. The Liberal government and the opposition parties dismissed that recommendation.

Ms. Laroche, in your presentation, you said:

Convincing our partners to make changes to include other subnational tax administrations is not a given.

Let's take as an example the Canada-United States Convention with Respect to Taxes, which provides for the exchange of tax information between competent authorities.

Paragraph (g) and subparagraph (i) of article III state the following:

g) The term *competent authority* means:

(i) In the case of Canada, the Minister of National Revenue or his authorized representative;

So with respect to agreements, the Minister of National Revenue decides to whom she gives authorization. The same goes for all tax treaties and tax information exchange agreements. All the minister has to do is inform the United States or other countries.

What would stop her from doing so? Does she have reason to believe that foreign countries would refuse to honour the treaty they signed because they do not like the person the minister authorized to speak?

Ms. Mireille Laroche: Thank you for the question.

I will respond, but I will also invite my colleague Mr. Marsland to comment, since the Department of Finance negotiates these treaties. Our role is to administer them. We each play a role in this area.

Our interaction with foreign authorities is governed by over 100 international agreements. With respect to your interpretation, I'm not in a position to say whether or not the United States would accept our delegation. That is a question we would have to ask them. Customs and traditions dictate that it usually remains at the national level. So these are national agreements, not subnational agreements.

If Mr. Marsland wishes to add something, I will give him the floor.

• (1835)

[*English*]

The Chair: Mr. Marsland, go ahead.

Mr. Miodrag Jovanovic (Associate Assistant Deputy Minister, Tax Policy Branch, Department of Finance): Maybe I can answer.

[*Translation*]

I will give you some context. I think it would be useful.

Canada is a signatory to approximately 120 international tax treaties and information exchange agreements. Close to a third of those agreements contain clauses that, in certain situations, may allow the federal competent authority—the Canada Revenue Agency, in this case—to exchange some information with a subnational authority, to the extent that determination of a basic change at the federal level has direct implications at the provincial level. Exceptions in some of the existing treaties permit such an exchange.

These exceptions were created and agreed to by the various parties, and were based on the way the current federal-provincial tax system is set up. In the event of a decentralization of the federal system that would give administrative power to one province, it's not clear whether the rules of the treaties would be interpreted in the same way. It could require further negotiations.

As I said before, this applies to about a third of our agreements. The other agreements contain no similar exceptions.

[*English*]

The Chair: Mr. Ste-Marie, we'll go back to you. We'll give you a little more time, because those were long answers.

Go ahead.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you very much.

In my opinion, the solution is quite simple. Amendments are made by exchanging letters, as was done when Revenue Canada became the Canada Revenue Agency.

Ms. Laroche, you were saying that most benefit programs that the agency administers for other departments and agencies, such as the guaranteed income supplement, the GST rebate and the Canada child benefit, are based on the information in tax returns. You state that, since a return has to be produced to show eligibility for the benefits, it is not possible to administer those benefit programs without tax information.

If the agreement between Quebec and Canada allows Quebec to send to Ottawa a copy of the tax information for its taxpayers, will the agency have the information it needs about their previous years' income, which it uses as a basis for paying out the benefits? Does it have any reason to believe that Quebec would not be able to comply with an agreement between Quebec and Canada on exchanging information?

Ms. Mireille Laroche: Thank you for the question.

As I said in my answer to the previous question, the issue is one of procedure. Information is exchanged every day between various departments, including between the different levels of government. Technology allows that.

The modalities of the agreement, and where the administration would be done, must be clear. It must be clear when federal administration would come into play and where provincial administration would step back, and vice versa.

Then, if it turned out to be more of a technical modality, it would have to be clear how the exchanges would be made, in order to make sure that there were no interruptions. We also have to consider the ability to make changes quickly, if required. Just think of the situation we experienced during the COVID-19 pandemic when, in the space of a few weeks, amounts were increased in order to help Canadians. Naturally, it would involve additional costs, depending on the arrangement that is negotiated.

• (1840)

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you all.

We'll turn, then, to Mr. Julian, followed by Mr. Lawrence.

Peter, go ahead.

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair.

My thanks to the witnesses. We hope that they and their families will stay safe during this pandemic. We are very grateful to them for the service they are providing to our country.

Ms. Laroche, this discussion has been going on for a number of years. Clearly, the Canada Revenue Agency has had discussions in this regard. You mentioned job losses and possible implications on benefits.

What discussions have taken place internally on the ways to implement a single tax return?

Ms. Mireille Laroche: Thank you very much for the question.

Our conversations have been on two levels. We are continuing to work with all the provinces and territories to make sure that the forms used to administer the income tax system are as simple as possible. We have entered into discussions with Quebec with a view to simplifying some forms and determining the items that could possibly be blended in order to simplify the taxpayers' client experience.

You may say that it is not a single form. Actually, that work is the first step. I would like to emphasize once more that there are limits to the way the form can be simplified, given the differences. For example, even the basic definitions of income are not the same. That means additional data. That is the nature of the discussions that we have had up to now with a view to improving the client experience.

Naturally, as I mentioned in my remarks, we are working with software providers to integrate the experience of Quebec taxpayers as much as possible.

Mr. Peter Julian: So you have never done a study or held discussions on ways to create a single tax return. As I understand your explanation to us, you have had discussions with a view to simplifying the process, but not with a view to creating a single tax return.

You mentioned possible job losses. We also have a concern there. We are in favour of a single tax return, but we do not want hard-working public servants to lose their jobs. Has the Canada Revenue Agency planned for these possible job losses?

Are there scenarios that would allow all the jobs to be kept within the framework of an agreement with Quebec to create a single tax return?

Ms. Mireille Laroche: Thank you very much for the question.

The job losses that I mentioned in my introductory statement would be in the agency's operations that produce tax returns. There is the paper form, the integrated form, and there is the administration by means of which the Government of Quebec would collect the taxes that it would then send to the federal government, if I understand the bill correctly.

That second operation goes beyond the paper form. We are really talking about federal legislation being administered by a provincial entity. The income tax system is a continuum of activities, from producing tax returns to assessments and recovery.

Naturally, if those functions become the responsibility of Revenu Québec, the workload of the Canada Revenue Agency employees will be reduced. The consequences will vary with the terms of the agreements and the degree to which responsibilities are shared.

Mr. Peter Julian: Does that mean that the Canada Revenue Agency has scenarios dealing with job losses as a result of potential agreements between Canada and Quebec?

If that is the case, can you share them with the committee?

• (1845)

Ms. Mireille Laroche: We do not have scenarios of that kind, given the current nature of the discussions.

We have estimates of the possible fixed costs of such a transition, basing ourselves specifically on the experience with Ontario. I can share that with you now, if you are interested. I can also include the current costs of administering the income tax system in the Quebec region.

Mr. Peter Julian: Okay.

Can you send us that information?

Ms. Mireille Laroche: Yes, I can send it to you.

Mr. Peter Julian: How can we arrange for the benefits of those programs to be paid out as part of an agreement between the governments of Canada and Quebec?

Have you at the Canada Revenue Agency looked at those types of scenarios?

Ms. Mireille Laroche: We have not done scenarios of that kind.

Mr. Peter Julian: Okay.

Thank you for agreeing to send us the other information we were just talking about.

[English]

The Chair: We'll have to end it there, Peter. There will be another two and a half minutes later on.

We're going to Mr. Lawrence, followed by Ms. Dzerowicz.

Mr. Lawrence, go ahead.

Mr. Philip Lawrence: Thank you very much.

I'd like to thank the witnesses. I am used to having marauding children and poor rural Internet, so I understand the challenges. I appreciate that, and the interpreter as well has done a terrific job through some choppy Internet, so thank you.

I'm thinking of a phrase I heard in my childhood, which is that water can't get any more wet. When I look at the CRA.... One of the things that you're presenting to us is the fact that if we put the provincial in there, the coordination would be impossible. It would be difficult, at least, which could cause things like systems not talking to each other. Systems like the CRA are not able to talk to ES-DC, preventing people who are in desperate need of benefits from getting them because these two systems can't talk, systems that have people online for literally hours waiting desperately to get [*Inaudible—Editor*] that cost thousands of dollars...the CRA cannot respond to. Water cannot get any more wet, is the response.

When we look at these things, miscommunications like not being able to tell people whether CERB benefits are based on gross or net, when we look at these failures, how much worse could it get if Quebec was involved? I have trouble fathoming it. Despite these billions of dollars that the parliamentary secretary talked about that are in there, the CRA is failing Canadians, and I find it challenging to see how this water can get any more wet. Maybe you could expand on that for me.

Ms. Mireille Laroche: In terms of the complexity...I just want to confirm the question being asked.

Mr. Philip Lawrence: My question is this. We're in 2021. We have software that's spectacular, that can do everything, that can make cars drive by themselves, but we can't have software that can allow a province to talk to a federal tax collector. I just find that unfathomable.

Ms. Mireille Laroche: In terms of its administration, the tax system is extremely complex. If you just look at the law and also the different types of provisions, it is necessarily extremely complex, like a lot of systems. I would say that the CRA takes a lot of pride in the work that it does and actually invests significantly in making sure it updates the system and provides the best service it can to Canadians.

Ultimately, what we're talking about is that we have established processes, we have established connections and we have established systems. If we take a part of the administration and we tell somebody else to do it, we need to unwind and rewire. It is part of the fact that we have to create connections. That takes investment and it takes time to do.

Mr. Philip Lawrence: Mr. Chair, can I give the rest of my time to Mr. Fast, our new vice-chair, whom I congratulate?

The Chair: Yes, you can.

Go ahead, Mr. Fast; you're on. Welcome.

Hon. Ed Fast: Thank you, Mr. Chair.

I just wanted to say thank you to all of you who have already reached out to me to welcome me to the committee. I'm looking forward to being a constructive voice at the table, even though it is like drinking out of a firehose right now.

I have a question for Mr. Marsland. Our colleague Mr. Ste-Marie has assured us that his legislation facilitates what he refers to as a benign agreement that makes the filing of a tax return simpler and more efficient. I'd like to hear your view as to what might happen if that so-called arrangement were to evolve over time into a more significant right, even a constitutional right, especially as judicial creep sets in.

The second part of that question—

● (1850)

The Chair: Ed, before you go to the second part, could you lower your mike a little? You're coming through—

Hon. Ed Fast: I'm popping, right?

The Chair: Yes.

Hon. Ed Fast: The second part of the question is simply this. Has the department already turned its mind to what the negotiations and an agreement with a province like Quebec might look like? What safeguards would be built into such a benign agreement that would ensure that the federal government could extract itself from such an agreement if necessary?

Mr. Andrew Marsland: I will perhaps begin my answer, since the GST arrangement has come up a number of times, by drawing a distinction between that and what is proposed here. Under the administration of the GST, the administration is a harmonized system. There is an agreement between the two levels of government to keep the system harmonized. It is one system, essentially, with two parallel sets of rules that are virtually identical.

As has been alluded to a number of times, there are differences in policy and law between the federal income tax system and the provincial income tax system. An example came up earlier in the discussion with child care expenses. Quebec has made policy choices to have a subsidized system and therefore does not provide a deduction for child care expenses. It provides a subsidy and a credit under certain circumstances. There are very important differences at the core of the system.

I'm not sure if it's a question of drifting apart, because they are not together now, and the discussion really isn't about harmonizing the two systems, because they reflect different, very important policy choices by the federal government over time and by the provincial government over time. It's not necessarily a question of drifting apart, as they are already apart, and that really goes to the issue of a single tax return and the economies in compliance that can be achieved when you are dealing with two different systems.

I hope that goes some way toward answering the question.

Hon. Ed Fast: Not completely. The focus of my question was more about whether such an arrangement would have built into it an opportunity for the Government of Canada to extract itself, should it be deemed necessary at any time in the future.

Mr. Andrew Marsland: Well, I can't really say what would be in the agreement, which would have to be negotiated, but any type of agreement has some kind of termination clause in it. I think you'd have to consider what.... If indeed there was an agreement that was operationalized and then terminated at some point, you would have to consider the implications in terms of building a new system to replace the one that had replaced the previous one.

Hon. Ed Fast: Thank you, Mr. Chair.

The Chair: Okay, we'll have to move on from there.

I would say, Ms. Laroche, on the complexity of the system, just keep in mind that this committee has recommended I think three times now that we need a comprehensive review of the tax system to simplify it over time. It would take a number of years, but this committee has recommended it twice at least, maybe three times, and the government needs to get to it.

Ms. Dzerowicz, the floor is yours for five minutes.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I want to say thanks to our presenters today.

I have a few questions. My first question goes to Ms. Laroche.

Ms. Laroche, you mentioned in your opening paragraphs that many jobs across the country would be impacted. Would you have an idea how many jobs would be impacted outside of Quebec and in which provinces?

Ms. Mireille Laroche: We do not have an impact [*Technical difficulty—Editor*] because it would depend on the modality of the [*Technical difficulty—Editor*] the fact that we have organized our workforce and our flow of work in such a way as to optimize our operations and to ensure consistent service to all Canadians regardless of where they live.

As a result, we've used things like sectors of expertise across the country, and we also have national workflow where it doesn't really

matter where the request is coming from. If it comes from Quebec, it could be dealt with in Ontario, or it could be dealt with elsewhere in the country.

In the event that this bill is passed and we come to an agreement, again depending on the nature of that particular agreement, there would be a reduction in the workload of the Canada Revenue Agency, and as such, it would need less workforce to be able to do its work.

If we talk purely about the processing of T1s for individuals and T2 corporation files, these activities for Quebec residents are primarily occurring in Jonquiere but also in Sudbury and in Summerside for the T2. That gives you an example, and naturally other functions are elsewhere in the country.

• (1855)

Ms. Julie Dzerowicz: That's very helpful. Thank you so much for that.

Under "Efficiency in international taxation", you mentioned, "Convincing our partners to make changes to include other subnational tax administrations is not a given". If we go outside of that comment, if we set that aside, and if this moves forward and is implemented, would you have any commentary about how this bill might impact the federal government's ability to continue to fight tax havens and tax evaders?

Ms. Mireille Laroche: The comment I'll make is that typically these large corporations do not just operate in one province. They're everywhere in the world, including in all provinces and territories, in terms of how they do business, so there would be a need for very close relations between the two administrations to be able to work collaboratively on files, to be able to attain.... I would say that one of the first impacts that I see would be a need to have real collaboration in terms of looking at these large businesses that have dealings across the country.

Ms. Julie Dzerowicz: Thank you.

This might not have been done, but has there been any type of assessment about what would be the cost to CRA to retool, to readjust, if what is proposed in Bill C-224...? Has there been some sort of a costing to CRA versus what would be the cost savings in Quebec? Has anybody done that? I don't know if that's Mr. Marsland or Ms. Laroche, but do you know if that type of costing has actually happened?

Everyone is frozen now.

Ms. Mireille Laroche: Do you hear me?

Ms. Julie Dzerowicz: Now I do, yes. Thank you.

Ms. Mireille Laroche: Okay. Thank you for the question.

Naturally, we haven't done any type of study in terms of the potential savings on the Quebec side, but we have looked, I would say, at a very high level to see what would be the initial impact in terms of associated costs. We do have experience in that—not exactly in the same types of projects, but in the year 2000 we did take on the administration of the Ontario corporate tax, which is actually a much smaller project. They came to us, as opposed to our giving a piece to provinces. We do have experience in these large types of projects.

We estimate, at a very high level, that there would be significant fixed costs in terms of the investment that would be required, from a technology point of view, the increased coordination and everything. At a minimum, our estimate at this time is around \$800 million.

This would need—

Ms. Julie Dzerowicz: Did you say \$800 million?

Ms. Mireille Laroche: Yes, but this would need to be refined based on the agreement that it would need to be taken from.

There are, as I mentioned before, significant considerations from an IT perspective, from a workflow perspective, from a staffing perspective, HR, real property. There are a lot of considerations. These are very complex agreements to be negotiated, and they do take time.

• (1900)

[Translation]

Ms. Julie Dzerowicz: Thank you.

[English]

The Chair: Okay, we'll have to end it. Thank you all on that round.

We'll go to two two-and-a-half-minute rounds, first with Mr. Ste-Marie and then with Mr. Julian.

Before we start, because I know some people are probably worried about the time, the app simulation and test now has been moved to 7:30 Ottawa time, so that gives us a little more time.

We'll end after Mr. Julian.

Mr. Ste-Marie, go ahead.

[Translation]

Mr. Gabriel Ste-Marie: Thank you for that update about the voting simulation, Mr. Chair.

I'm always flabbergasted when I hear that having one tax return rather than two would cost hundreds of millions of dollars more. That's amazing.

Mr. Marsland, in your remarks, you said that the federal government agreed to collect and administer provincial taxes almost free of charge. But, as we know, under the tax collection agreements with the provinces, the federal Treasury Board receives all the money collected by the Canada Revenue Agency when it conducts its audits, regardless of whether the amounts are for federal income tax or provincial income tax.

How much money has the federal Treasury Board received in the last five years from collecting provincial income tax outside Quebec?

If you do not have that information at hand, you could send it to the committee later.

Mr. Miodrag Jovanovic: I can answer the question, with your permission.

I would like to clarify the way in which tax collection agreements work. The Canada Revenue Agency estimates the provincial

tax base in order to estimate the money due to each province. The money that goes to the provinces is based on an estimate of the taxes paid. If taxpayers do not pay those taxes, the federal government takes on that debt.

In return, the federal government keeps the money from penalties and interest on the unpaid debts. The reason is perfectly logical: because the provinces receive the full amount based on the initial estimate, the federal government keeps the interest and penalties to make up for the costs of its collection activities.

I don't know whether that answers your question, but I feel that it clarifies things.

Mr. Gabriel Ste-Marie: It was already clear to me, but thank you for your answer.

I would still like the Canada Revenue Agency or the Department of Finance to send the committee the amount received by the federal Treasury Board in the last five years from the provincial taxes that they collect outside Quebec.

I will stop here, Mr. Chair, because you gave me some more time earlier and we soon have to take part in a voting simulation. I will yield the floor to my colleague.

[English]

The Chair: Okay. Thanks, Gabriel.

We have Mr. Julian for the last round, for two and a half minutes.

Go ahead.

[Translation]

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

My next question goes to Mr. Jovanovic.

Mr. Jovanovic, thank you for joining us today.

You mentioned 120 tax agreements that have been signed between Canada and other countries. How many of them are signed with countries that previously had tax evasion strategies or are suspected of having them? In other words, which countries are considered to be tax havens?

Mr. Miodrag Jovanovic: I don't have the answer to that question at hand.

The underlying question is whether there is an international definition of a tax haven. There really is no such definition.

The countries of the European Union may have their own list of a limited number of countries, depending on the situation. We will probably have to get back to you about that. The question is to determine what, specifically, we understand by "tax haven."

• (1905)

Mr. Peter Julian: Other countries have certainly agreed on the definition. If you can follow up and send us that list, we would be grateful to you, Mr. Jovanovic.

I am asking these questions, because some people feel that signing an agreement between Canada and Quebec to create a single tax return would have impacts on international taxation. It must be said that Canada really has not been in the vanguard of the fight against tax evasion, quite the contrary. Our country has been roundly criticized because we are losing a huge amount of money in tax havens and we have not done a lot to fight tax evasion.

Ms. Laroche, has the Canada Revenue Agency studied the steps that must be taken to limit tax evasion? Have you studied how an agreement between Canada and Quebec could improve the situation, or the impact it could have on strategies designed to fight tax evasion?

Ms. Mireille Laroche: Thank you very much for the question.

We have not studied the impact of a possible agreement on our activities to fight tax evasion.

In the past, we have published reports on our tax gap. One of those specifically dealt with the issue of international observation. We could send that report to the committee, if you wish.

Mr. Peter Julian: Thank you.

[*English*]

The Chair: Okay, we will have to end it there.

There were a couple of questions for information, so if you can provide that to the clerk...on tax evasion, and I believe there were a couple on expenses to Ms. Laroche as well.

I would certainly like to thank the witnesses for appearing today. We appreciate your coming before the committee and giving us your views.

Committee members, I would suggest that you have any amendments to this particular bill in to the clerk no later than Thursday, February 25 at 4 p.m.

With that, we have to go to the simulation vote. We'll adjourn the meeting and see everyone on Thursday.

The meeting is adjourned.

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