



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

43rd PARLIAMENT, 2nd SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 051

Thursday, May 27, 2021

Chair: The Honourable Wayne Easter



Standing Committee on Finance

Thursday, May 27, 2021

• (1535)

[English]

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

Welcome to meeting number 51 of the House of Commons Standing Committee on Finance. Pursuant to the House order of reference of today, Thursday, May 27, 2021, the committee is meeting to study Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures.

Today's meeting is taking place in a hybrid format pursuant to the House order of January 25, and therefore members are attending in person in the room and remotely by using the Zoom application. The proceedings will be made available by the House of Commons website.

Today we reach the stage of dealing with clause-by-clause consideration of Bill C-30 after hearing from quite a number of witnesses.

You will see on the notice of meeting that there are many officials from across quite a section of departments and agencies who are available to address questions of members as we make our way through this bill, so keep that in mind, members, if you have any questions. We also have the legislative clerk here.

I want to recognize and thank officials for their previous appearances before this committee and for being here today.

Before I turn to clause-by-clause study, members, I believe you have received a copy of a request for a project budget. If we could, we will deal with that first. It should be in your file somewhere.

Pat, you look puzzled. The project budget is for the subject matter of Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures. The amount requested is for the cost of the hearings, which are pretty nearly complete. The amount requested is \$9,750.

Does anyone want to move approval?

Mr. Sean Fraser (Central Nova, Lib.): I'm happy to move the motion, Mr. Chair.

The Chair: Okay. It's moved by Sean.

Is there any discussion? All those in favour?

(Motion agreed to)

The Chair: Good. That's carried. We'll pay for this set of hearings after all.

I think everyone has the clauses in front of them. We will go to clause-by-clause consideration. I will read it just so we're sure.

Pursuant to Standing Order 75(1), consideration of clause 1, the short title, is postponed, and therefore the chair will call for clause 2.

(On clauses 2 to 14)

The Chair: We are starting to deal with part 1: "Amendments to the Income Tax Act and Other Legislation".

There are no amendments on clauses 2 to 14. Do you want to deal with them as a group? If there's unanimous consent, we can do that.

All right. Shall clauses 2 to 14 carry on division?

Peter, were you going to say something?

Mr. Peter Julian (New Westminster—Burnaby, NDP): Mr. Chair, I think it would be on division throughout.

The Chair: That's what I'm thinking.

Mr. Peter Julian: Yes, if you could keep that rhythm.... Sometimes committee chairs, as you know—I know you have a ton of experience—will drop the "on division", and then we end up getting it back on board—

The Chair: Arguing over it—

Mr. Peter Julian: Yes.

Hon. Ed Fast (Abbotsford, CPC): Mr. Chair, might I make a comment?

The Chair: Yes.

Hon. Ed Fast: Given that this bill has just landed on our table, I know that we have done the prestudy with witnesses, but we now have all the officials arrayed to be able to answer questions. As you know, yesterday we had the estimates at the committee of the whole, which was a wholly unsatisfactory process, with the minister not answering one question, not even one question. We now have the officials here, and I have much greater faith in the officials and their ability and willingness to provide us with real answers on the various clauses in this budget.

Here's what I was hoping you were going to do, rather than clustering or clumping these clauses together. Let's just walk through each one and do each one on division. Unless someone asks for a recorded vote, we can just walk through each one so that we are very clear about what we're voting on and we're given an opportunity to address each clause if we so wish. I just don't like the idea of bundling these clauses on this type of motion.

• (1540)

The Chair: That's not a problem. We can go through them. You do know there are 360-some clauses.

Hon. Ed Fast: Yes, there are 363.

The Chair: Okay. That's fine, Ed.

(Clauses 2 to 14 inclusive agreed to on division)

The Chair: As Mr. Fast has said, if anybody has a question at any time for officials, just raise it, and hopefully we will have the right officials to come in to rule on it.

(On clause 15)

We'll go to clause 15—

Mrs. Tamara Jansen (Cloverdale—Langley City, CPC): I have my hand up. I know, I just—

The Chair: Oh, sorry, Tamara. I don't have the participants up yet on the side. Go ahead. My apologies.

Mrs. Tamara Jansen: I just want to make sure I'm on the right page. When you say, "Clauses 1 to..."—whatever you said—"have passed on division", can you tell me what the title is? What exactly am I looking at?

The Chair: You're looking at Part 1, "Amendments to the Income Tax Act and Other Legislation". It's in part 1, and it's clauses—

Mrs. Tamara Jansen: Does it say "automobile operating expense benefit"?

The Chair: I don't have the bill in front of me. Just look under "Clause" for the clause you're looking for. We have carried clauses 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 on division.

As we go through them, if you have a question, just fire away.

Hon. Ed Fast: Mr. Chair, could I ask that as we go to each clause, you could read perhaps the first part?

For example, presumably we're now at clause 15. If you would just say, "Employee Stock Options—do we go on division?", we would say, "Yes" and off we would go to clause 16. It's just to be very clear about what we're dealing with.

The Chair: I would have to go to about three books for me to do that. I think it's easier if I just say "clause 15", and give you a minute, Ed. It would be easier that way. I have the amendments here, and I have the clock. I have too many papers in front of me.

I'll leave it up to members—

Hon. Ed Fast: Okay. I have all the clauses here in front of me. If you give us a minute on each one, that's 363 minutes just there without debate, right?

The Chair: We'll give you a little bit of time.

All right, on clause 15, we have an amendment, NDP-1.

The floor is yours, Mr. Julian.

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

I'm pleased to present amendment NDP-1.

What this would do is eliminate the stock option deduction, essentially moving from half of the amount of the benefit to zero, which means the benefit is eliminated. It's very controversial, of course, because it goes to upper-income earners.

We have proposed other ways to support start-up companies. We have seen, of course, that it is CEO millionaires who preponderantly benefit from this particular approach. The amendment would seek to eliminate that. We, of course, would be looking to provide start-up support that is more targeted to job creation.

The Chair: I'll give the chair's ruling that it's not in order, Peter.

The effect of the amendment is to cancel the 50% taxable benefit that an employee could claim upon selling shares, resulting in an increase in taxation.

As *House of Commons Procedure and Practice*, third edition, states on page 772:

An amendment is also inadmissible...if it imposes a new charge on the people that is not preceded by the adoption of a ways and means motion or not covered by the terms of a ways and means motion already adopted.

I would therefore rule that the amendment is inadmissible, as it requires a ways and means motion.

• (1545)

Mr. Peter Julian: I have a point of order, Mr. Chair.

The Chair: Yes, go ahead.

Mr. Peter Julian: I gather that we will go through this a number of times, so I'll take a few moments to basically map out what I intend to do, Mr. Chair.

With full respect for your position, of course, the reality is, as we've seen in finance committees in the past, that the Liberal government has the ability to provide and accept amendments to a budget. We certainly saw that with the famous Jack Layton budget of 2005, when royal recommendations and ways and means were done retroactively. In other words, the government—because at that point it was on the verge of being defeated in the House of Commons—decided to accept opposition amendments, so the reality is that these types of initiatives and these types of amendments are very much in order if the government accepts them. Your ruling is very much intended to say that the government is not in favour of these particular amendments.

That being said, and citing precedents, I do have the opportunity to challenge you—diplomatically, and with respect, Mr. Chair. I don't intend to do that for each amendment, particularly because you are giving me the opportunity to explain the amendments at the beginning, but I will, at certain points during the course of the examination of Bill C-30, be challenging your ruling. I'll leave it up to the majority of the committee to decide what they intend to do with that.

If, of course, a majority of the committee overrules your decision, we then have the ability to debate and adopt that amendment and ultimately to put pressure on the government to actually accept that amendment in a minority Parliament. We have seen in past minority Parliaments that the government has chosen to accept those amendments.

While this particular ruling I do object to on the basis that the government should be actually looking to keep its commitments around the stock option deduction, I won't be challenging the chair's ruling at this point and will reserve the time later on at certain moments to challenge the ruling.

Thank you, Mr. Chair, for indulging me.

The Chair: Thank you, Mr. Julian.

It is your right to challenge the chair and the chair's rulings, but I would point out that I'm not speaking on the government's position. I am speaking on the basis of *House of Commons Procedure and Practice*, which has made that decision as it relates to a ways and means motion.

All right. NDP-1 is ruled out of order. Shall clause 15 carry?

Mr. Peter Julian: "On division" is what you were suggesting.

The Chair: Yes, it's on division. Are we okay?

(Clause 15 agreed to on division)

The Chair: We'll go to clause 16.

(Clause 16 agreed to on division)

The Chair: On clause 17, is it carried on division?

(Clause 17 agreed to on division)

(On clause 18)

The Chair: I want to make sure of what Tamara asked earlier. I think Tamara, that you're wondering whether—

Mrs. Tamara Jansen: I'm trying to scroll as fast as you're saying the numbers.

The Chair: You look a little lost. If you're behind, tell us to slow down, Tamara. We want everybody to have a chance to have their say.

Mrs. Tamara Jansen: I thought what my colleague Mr. Fast said about just saying a few words.... That would make it a little easier to find than just saying one number. We have pages and pages, and I'm scrolling as fast as I can and I can't catch up. Is there not some way that the finance official who's in charge of that number could give us a really quick rundown so that we also have time to find the spot?

• (1550)

Hon. Ed Fast: That's a great idea.

The Chair: We have to, hopefully, finish this by 7:30, because we run out of time at that point. I don't want to—

Mrs. Tamara Jansen: I guess that's the challenge. This is a massive bill, and you're giving us so little time. It's absolutely mind-boggling. I get that it's easy to say that it's all boring, but this is a massive bill, with massive dollars being spent, and I can't even

scroll fast enough to find the section we're talking about. We have all these officials here who could speak to us to help us make sure that we're walking through it. We have such a responsibility.

The Chair: We'll bring them in if there's a question on a clause—

Mrs. Tamara Jansen: I appreciate that, but I can't even scroll that fast.

The Chair: I have Mr. Ste-Marie with his hand up, and then Mr. Fragiskatos.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Let me tell you a trick to find your way through the document more quickly, because I understand that it is easy to get confused.

If you look at the top of each page in the PDF document, you will see the number of the section or the clause.

[*English*]

Mrs. Tamara Jansen: I appreciate that, but I'm scrolling through the document on my computer.

[*Translation*]

Mr. Gabriel Ste-Marie: Okay.

[*English*]

The Chair: If somebody else wants to take on that task, I'm okay with it. I just get too many papers here to pay attention to that, Tamara.

Okay. Shall clause 18 carry on division?

Hon. Ed Fast: Hold it, hold it. I think there are two more hands up. Mr. Fragiskatos—

The Chair: Sorry. We'll go to Mr. Fragiskatos and then Mr. Fast.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you to Mr. Fast for noticing my hand up. I appreciate that.

Mr. Chair, let me just remind colleagues that the subcommittee decided that we would be through clause by clause today. I appreciate that people want to ask officials questions and I guess that is their right, but we do have the subcommittee's decision that has been decided and is set. Attempts to perhaps draw out this process—not to imply that this is certainly the case—would really put the subcommittee's decision at risk of not being followed and [*Technical difficulty—Editor*] the subcommittee's decision.

The Chair: Okay. I don't want to get into a debate on the subcommittee report.

We'll go to Mr. Fast and then Ms. Jansen.

Hon. Ed Fast: Mr. Chair, we just got into a debate on the subcommittee report, thanks to Mr. Fragiskatos. I would say this. This is a budget that took over two years to be delivered. It is 563 pages, plus there's a notice of a ways and means motion of 170 pages. The budget itself is 724 pages long. The BIA was just passed in the House of Commons. It just landed on our table, and Mr. Fragiskatos is suggesting that he's not sure we should allow members of the opposition ask officials questions.

Are you serious, Mr. Fragiskatos? We are going to do our job as an official opposition in exercising scrutiny and oversight over what is the largest budget in Canadian history, and I hope some Canadians are watching and see this duplicity playing out here. We've got a government that for two years wouldn't deliver a budget and now delivers the biggest budget in history, the biggest spending budget in history, with the biggest debts and the biggest deficits, and we're not supposed to ask questions on it? Come on, Peter; you're better than that

Pardon me; I apologize for getting a little bit agitated there. Yes, Mr. Fragiskatos pushed my button there, but I think it betrays the attitude that some of our Liberal friends bring to this table. We have a right, Mr. Chair, and I think you would agree, to exercise proper and reasonable oversight over the spending of this government. This budget is part of that and this BIA is part of that, so I am not going to be prevented from doing my job because someone wants to ram this thing through in four hours. I'm not going to be bound by a subcommittee decision that we'll only have four hours to debate this bill. If it takes more time, we should be taking more time, which is not to suggest that I'm going to unnecessarily delay this. We've already said we're quite prepared to allow some of these clauses to go on division. That's fair, and it's a nice way of speeding this up, but we will have a full debate here.

Mr. Chair, you've been around for a long time. You understand the value of a thorough debate. I ask you to allow us to have that debate.

• (1555)

The Chair: Okay. We're not going to limit the debate. I'm just saying there is a bit of urgency here. That's fine. Your points are heard, Mr. Fast.

Go ahead, Mrs. Jansen.

Mrs. Tamara Jansen: I want to say that I was really looking forward to having the officials here, because the last time they were here, they were very good at giving us fantastic explanations so that we could dig in and understand each of the different issues.

For Mr. Fragiskatos to suggest that I'm trying to make this take too long is absolutely outrageous. If I go to my accountant, I can ask questions, and I can't ask questions of the officials who are here? They've come. They did a great job last time. I would love to be able to ask the same questions again.

This is billions of dollars, and there is suddenly an idea that I cannot ask questions because you have a timeline? This is Canadian taxpayers' money. We need to be very, very conscientious.

Honestly, how can we think that we can do this that fast and then pretend that the officials are here to help us? Are they here to help us here or not? I cannot follow it as fast as it's going.

If you look at the document, you can see why it's not that easy. As Mr. Easter mentioned, we're dealing with all sorts of different levels of documents at once.

Please give us the time to actually ask questions and for the officials to give us a bit of an overview of what it is we're looking at, and in which clause. Right now, the way we're doing it, we don't have a single chance to do that.

The Chair: I'm trying to pull up the bill on the computer here so I could do that, if I can get it.

Okay. Before we get into that discussion, we're on clause 18, and that clause was carried on division, I believe.

Mrs. Tamara Jansen: Can you hold on?

The Chair: Yes.

Mrs. Tamara Jansen: Hold on a second. I had something on clause 18. My goodness, I want to make sure I'm on the right one.

Can we get an official to tell us exactly which one is clause 18?

The Chair: I see Mr. McGowan there. Are you prepared to answer that one, Mr. McGowan?

Mr. Trevor McGowan (Director General, Tax Legislation Division, Tax Policy Branch, Department of Finance): Thank you. I'd be happy to speak to clause 18.

Mrs. Tamara Jansen: Thank you.

Mr. Trevor McGowan: Clause 18 of the bill amends section 117.1 of the Income Tax Act. The act contains a number of amounts that are indexed to inflation, and section 117.1 provides the indexation of various amounts listed in that provision.

What the amendment does is that first it reorganizes subsection 117.1(1), because it used to be a bit hard to read, and it sets out all the different things in the act that are indexed to inflation and what their starting indexation value was.

The actual amendment is consequential on the adjustments to the Canada workers benefit. In particular, certain amounts under the Canada workers benefit are indexed to inflation. What this would do is provide indexation of those amounts—for example, the new \$14,000 threshold for spouses.

Mrs. Tamara Jansen: Thank you so much. I very much appreciate that.

The Chair: Okay, we will move on.

(Clause 18 agreed to on division)

(On clause 19)

Mrs. Tamara Jansen: Would it be possible to get one official to give us a quick rundown of that?

The Chair: All these sections in part 1 relate to the area that Mr. McGowan is responsible for.

On clause 19, do you want to give us a short and dirty, if you could, Trevor?

Mr. Trevor McGowan: Thank you. I'd be happy to.

I'd point out that many of these clauses will actually touch on several different measures proposed under the bill. This is one of them. Clause 19 amends section 118 of the act, which provides calculations for a lot of personal tax credits.

In clause 19, you'll find the amendments to the basic personal amount. You'll see in subclause 19(3), for example, that the increase is an additional increase to the basic personal amount, which is the amount that each individual gets essentially tax free. The increased amount is [*Technical difficulty—Editor*] down for higher-income earners.

It also includes an amendment relating to spouses and who qualifies as wholly dependent. This can be relevant for the purposes of the Canada child benefit. When a child is.... Whether or not there's a shared custody parenting situation, it provides that this will be the case if the custody is between 60% and 40%.

Third, it has consequential amendments on the introduction of the new provisions for advanced life deferred annuities, or ALDAs. The main rules are provided later on in the bill, but the ALDAs would allow for these annuities to be held in certain tax-deferred plans that would provide greater flexibility for saving for retirement.

• (1600)

The Chair: I see Mr. Fast, and then Mr. Falk.

Hon. Ed Fast: Thank you for that explanation. I really do appreciate the officials giving us answers, unlike last night, which was a disaster.

You mentioned that with these personal tax credits, the basic amount is means-tested. It's clawed back at the higher income levels. Is that right?

Mr. Trevor McGowan: That's right. It's fully available for individuals who have income up to the bottom of the second-highest tax bracket. Over the course of the second-highest tax bracket, it's gradually reduced. The additional amount is unavailable for individuals with income in the top marginal rates.

Hon. Ed Fast: The basic personal amount is effectively means-tested based on.... Am I incorrectly understanding that?

Mr. Trevor McGowan: I apologize. It's the additional amount.

There's the base basic personal amount that is not means-tested. Everybody gets it; it hasn't changed. It's just the additional amount that was announced that is means-tested, so there are now two components in the basic personal amount. There is the amount that existed prior to this measure, which is not means-tested. It continues to be there and is indexed to inflation. Then there is the additional amount, which is means-tested.

Hon. Ed Fast: Thank you for that explanation.

The Chair: Go ahead, Mr. Falk.

Mr. Ted Falk (Provencher, CPC): I think my question was actually similar to Mr. Fast's.

Mr. McGowan, you used the wording that for higher-income individuals, the basic personal exemption is ground down. Is this the first year we're applying that measure?

Mr. Trevor McGowan: It applies as of the 2020 taxation year.

People just filing will have done it, but it applies as of 2020.

Mr. Ted Falk: Thank you.

The Chair: Shall clause 19 carry on division?

(Clause 19 agreed to on division)

(On clause 20)

Mrs. Tamara Jansen: Are we going to continue to get a quick explanation?

The Chair: Mr. McGowan, could you explain very quickly?

Mr. Trevor McGowan: I'd be happy to do so.

Clause 20 relates to the digital news subscription. It amends section 118.02. The recent amendments announced in the context of the support for Canadian journalism announced three measures. They're sort of scattered throughout the bill as they relate to different sections.

This particular measure relates to the digital subscription news tax credit. It provides a number of technical amendments, including a provision that when you cease to qualify for the subscription tax credit, you can send out notifications to your subscribers and then the subscribers will have a little bit more time to be able to claim the credit. This provides technical enhancements in respect of the digital news subscription tax credit.

• (1605)

The Chair: Go ahead, Mrs. Jansen.

Mrs. Tamara Jansen: I read an article somewhere about the possibility that one of these measures would actually allow digital news to double-dip. I wonder if that's somewhere in here....

I'm sorry. It's double-dipping on COVID support programs, but that's not this one yet. Give me a shout-out when we get to that one.

Mr. Trevor McGowan: I will.

I have not seen that article. I do know there's a labour tax credit for qualifying journalism organizations, as well as a wage subsidy under the COVID relief. Maybe it relates to that, but both of those two measures are to come.

The Chair: Shall clause 20 carry?

Hon. Ed Fast: On division.

(Clause 20 agreed to on division)

(On clause 21)

The Chair: Have a quick little go here, too, Trevor, if you could.

Mr. Trevor McGowan: I'm happy to do so.

I apologize. When I glanced quickly at the section 118 amendment that was relating to the basic personal amount and there was a measure relating to spouses, I described a measure that was appearing a little bit later. Clause 21 is actually the measure that provides clarification on who qualifies as a shared-custody parent, and again it's to clarify that if you have between 60% and 40% time with the child, then you'd be a shared-custody parent.

The Chair: Okay. That's clause 21. Go ahead, Trevor.

Mr. Trevor McGowan: Clause 21 relates to the Canada workers benefit. Budget 2021 announced a significant enhancement to the Canada workers benefit, both in terms of expanding access and then also in providing additional flexibility when a spouse earns income. This clause relates to the enhancement of the Canada workers benefit.

The Chair: Are there any questions? Is it carried on division?

(Clause 21 agreed to on division)

Could you say a quick word on clause 22, Trevor?

(On clause 22)

Mr. Trevor McGowan: Of course. Clause 22 amends....

Is it clause 22? That's the one—

Hon. Ed Fast: I believe we just did that one.

Mr. Trevor McGowan: Right. That's the Canada workers benefit.

Hon. Ed Fast: Yes.

The Chair: Yes.

Mrs. Tamara Jansen: I'm so glad. I thought I was losing my mind again, but okay, I got it. We're back on track.

Mr. Trevor McGowan: Clause 23 relates to the tax credit in support of labour expenditures for qualifying journalism organizations. This provides support for journalism on their newsroom employees. Again, it contains a number of technical amendments in order to ensure that the program better meets its objectives.

With respect to any potential double-dipping, I'm not certain. I've not seen the article, and I'm not sure how that would work, as the journalism rules do take into account any government assistance received.

I'm afraid I can't speak to the specific tax planning that was mentioned, other than to point out that the rules do contemplate that you may be able to claim both credits and that the amount for journalism is reduced by the amount of government assistance, which would include amounts received under the wage subsidy.

Mrs. Tamara Jansen: Right. I think that's exactly what this article was talking about—that it's in essence being able to double-dip.

The Chair: We haven't voted on clause 22 yet. I know some thought we did, but we didn't, so let's vote on clause 22.

Shall clause 22 carry?

Hon. Ed Fast: It's on division.

(Clause 22 agreed to on division)

(On clause 23)

The Chair: We're on clause 23, and Trevor has explained that.

Are there any further questions?

Go ahead, Mr. Fast.

• (1610)

Hon. Ed Fast: Trevor, can you explain this tax credit? Is it available to every journalism organization? For example, can the CBC apply for this?

Mr. Trevor McGowan: In order to apply, there are a number of conditions that need to be met. First of all, you have to be a qualifying Canadian journalism organization, so you apply and you meet those standards. In addition, there are additional conditions that need to be met in order to be a qualifying journalism organization for the purposes of this tax credit. One of those conditions is that you not be involved in broadcasting, as this is intended to support primarily print media.

You'll see, for example, at the top of page 25, that one of the amendments relates to not being involved in broadcasting, so if you're a broadcaster, you would not be eligible for the journalism labour support credit.

Hon. Ed Fast: All right. That's helpful. Thank you.

The Chair: Okay, shall clause 23 carry on division?

(Clause 23 agreed to on division)

(On clause 24)

The Chair: Peter Julian, you have an amendment.

Mr. Peter Julian: I have a number of amendments, Mr. Chair, so if you'll indulge me, what I will do is speak to amendments NDP-2, NDP-3, NDP-4, NDP-5, NDP-6 and NDP-7.

The Chair: Okay.

Mr. Peter Julian: That being said, we also have....

The Chair: There's also amendment—

[*Translation*]

Mr. Peter Julian: We also have Mr. Ste-Marie's amendment, so I'm not sure how you want to proceed.

[*English*]

The Chair: Okay. You can speak to your amendments first. Then I'll give you the ruling, and we'll go to Mr. Ste-Marie. I will have to deal with each amendment in turn, but speak to them all at once, and I'll go through them one by one.

Mr. Peter Julian: Mr. Chair, this is not something that is a surprise to the committee at all. What these amendments seek to do is extend the wage subsidy until the end of the year and extend the rent subsidy until the end of the year.

We have heard repeatedly from organizations, particularly in the tourism industry, that have been very clear about the importance of not closing up shop and assuming that the impacts of COVID are over, but rather extending those supports so that small businesses can actually get through this third wave and possibly a fourth wave—hopefully not. However, we need to make sure that those supports are in place.

There has been very compelling testimony, so there is no doubt that this is what numerous witnesses have been calling on us to do: to extend the wage subsidy with certain conditions that I'll come to a little bit later on. There have been some abuses, and we need to make sure that those abuses are curtailed and ensure that the rent subsidy is there for small businesses as well.

The idea that we should start to scale down COVID support when so many people are continuing to be impacted by this third wave that is still crashing on our shores is something that is very perplexing. That's why so many witnesses came forward to say that we really need to ensure that there is an extension and a provision so that these programs provide the support that is so desperately needed at this time.

That is the intent of the amendments. They are linked, so essentially we are talking about extending the wage subsidy until December 31 and extending the rent subsidy until December 31, in that way ensuring that we actually have the wherewithal to provide supports to small businesses and the tourism industry at a most desperate time for so many of them.

The Chair: Okay, with regard to amendment NDP-2—and they all relate to the same clause—the amendment creates new admissibility periods, which will result in more money coming out of the treasury, so as *House of Commons Procedure and Practice* states on page 772:

Since an amendment may not infringe upon the financial initiative of the Crown, it is inadmissible if it imposes a charge on the public treasury, or if it extends the objects or purposes or relaxes the conditions and qualifications specified in the royal recommendation.

Therefore, for those reasons, the amendment is inadmissible because it requires a royal recommendation.

• (1615)

Mr. Peter Julian: I have a point of order, Mr. Chair.

The Chair: Yes, go ahead.

Mr. Peter Julian: Thank you.

As I mentioned at the beginning, we know that the Liberal government is not interested in amending a bill that is fraught with problems and does not meet the test of what so many people and so many businesses across the country are calling for.

The ability of the government to also provide a royal recommendation and to ensure that these amendments are acceptable has been tested in the past, as you well know, Mr. Chair, most notably in the Jack Layton budget, when Liberals decided to apply those royal recommendations even though there were substantial changes in the budget.

The initial budget from Paul Martin was inclined to give massive supports to the corporate sector. Jack Layton and the NDP cau-

cus—I was a proud member of the NDP caucus at the time—said, “No, no, no. We're going to change spending priorities. Instead of these massive tax cuts, we're going to provide supports for seniors, for post-secondary education, for public transit and for housing.” In fact, one of the housing developments just up the street, on 6th Street, is a result of the famous Jack Layton budget, because there was housing made available by the fact that the Liberal government at the time, desperate to not have an election, decided that they would provide those royal recommendations and allow those amendments.

You are ruling me out of order. I will not challenge the ruling at this time. I will be challenging the ruling in a diplomatic and appropriate way later on—

The Chair: Okay.

Mr. Peter Julian: —but I do want those who are listening to be aware that this is a choice that the Liberal government is making—

The Chair: NDP-2 is ruled out of order.

On NDP-3, which you already spoke on, the amendment creates new admissibility periods, which will result in more money coming out of the treasury, and therefore, because it requires a royal recommendation, we will have to deny it as well.

Is there no challenge on that one? Okay.

Amendment NDP-4—

Hon. Ed Fast: I believe, Mr. Chair, that Ms. Dzerowicz had her hand up.

The Chair: Go ahead, Ms. Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): I just want to put on the record, because I think it's important to say for those who are listening, Mr. Chair, that Bill C-30 currently does provide the authority to extend the wage subsidy program through regulations until November 20, 2021, should the economic and public health situation require it. I don't want anybody to think that November 2021 is the only period. There is an ability under this current bill that we're considering, through regulations, to be able to continue to extend the wage and rent subsidies to November 20. I just wanted to make sure we stated that on the record.

Thank you, Mr. Chair, and thank you, Mr. Fast, for pointing me out.

The Chair: All right.

NDP-3 is out of order. For basically the same reason—it requires a royal recommendation—NDP-4 is not admissible.

Go ahead, Mr. Kelly.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): It's not that I don't want to take Ms. Dzerowicz at her word in the explanation that she just gave, but I wonder if officials, since we have them here, could comment just for the record, as Julie has pointed out, whether or not there are provisions within the bill for the extension as described by Ms. Dzerowicz.

Could I have an official weigh in on that, please?

The Chair: I'm not sure which official can answer that. I don't know if that's Trevor's area. It's more wage subsidy, I believe, but go ahead, Trevor.

• (1620)

Mr. Trevor McGowan: Thank you. I would be happy to do so.

There are provisions in the bill that would allow for the extension of the wage and rent subsidies up until the end of November. There are currently two additional qualifying periods at the end of the subsidies. One runs from September 26 to October 23; that's the twenty-first period. The second is from October 24 to November 20, the twenty-second period. For both of those periods, you'll see that the base percentage that provides the subsidy rate for the wage subsidy, and then the rent subsidy percentage, which provides the rent subsidy rate, are set at 0.0%, with the ability to change those subsidy rates by regulation. Those are the specific mechanisms that would allow for the extension of the wage subsidy.

The periods are already in place, and then if the intention is to extend the programs, the subsidy rates could be increased from nil to whatever is appropriate.

Mr. Pat Kelly: Okay. Understood. Thank you.

The Chair: Go ahead, Mr. Julian.

Mr. Peter Julian: Thanks very much, Mr. Chair.

Thanks, Mr. McGowan, for the explanation. Basically, it contradicts Madam Dzerowicz's...

The reality is at this point there is no provision that allows for an extension of the wage subsidy as we know it or the rent subsidy as we know it. As you point out, it is zero-rated, which means at this point that we would basically be saying to the Liberals that we hope you do something. That's why the amendments and the Liberal government actually accepting the royal recommendation and basically saying, yes, we will endorse these amendments would have made a real difference in people's lives.

We've heard very compelling testimony from so many Canadian organizations—small businesses, the tourism sector—that this is fundamentally important. It is zero-rated, so it is not correct to say that the wage subsidy and the rent subsidy are somehow going to be renewed for a certain period. It is only an option. That is why it would have been important for the government to accept these amendments that would actually make the extension a reality.

The Chair: Okay.

For those who aren't sure, this relates to pages 31 to 33 of the bill. I finally found a bill with the numbers and the pages rather than the scroll.

NDP-4 I have ruled out of order.

Before we go to the next NDP one, we'll go to Mr. Ste-Marie with BQ-1.

[*Translation*]

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

The first amendment I am proposing specifies that political parties are not eligible entities for the purposes of the recovery wage subsidy. We know that, in the act implementing the wage benefits,

eligible entities are indicated and political parties are not included. When I have finished my explanation, I would like to ask the senior officials for confirmation on the matter.

In our view, the eligibility criteria for the emergency wage subsidy seem to have been quite broadly interpreted by the Canada Revenue Agency. Some political parties made use of it, diverting the funds intended for companies and not-for-profit organizations.

My amendment specifies that political parties are not eligible entities for the purposes of the recovery wage subsidy.

[*English*]

The Chair: Okay.

Did you want an answer from officials on that, Gabriel?

[*Translation*]

Mr. Gabriel Ste-Marie: Yes, I would like the senior officials to confirm that political parties were not identified as eligible entities in the act implementing the recovery wage subsidy.

[*English*]

The Chair: Go ahead, Mr. McGowan.

Mr. Trevor McGowan: Thank you for the question.

Currently, the classes of eligible entities provide the basic level of eligibility for both the wage subsidy and the rent subsidy in the new hiring program.

When those were introduced, there were certain classes of entities that were eligible. Broadly speaking, one of them is not-for-profit organizations. My understanding is that political parties tend to be organized as not-for-profit organizations, and as such, they would be qualifying under that heading. There are no specific rules that currently would prevent political parties from applying for the wage subsidy.

• (1625)

The Chair: Okay.

Is there any further discussion on BQ-1? I'm not seeing any.

It is admissible.

Does BQ-1 carry?

Mr. Gabriel Ste-Marie: On division.

Mr. Sean Fraser: Put it to a vote, Mr. Chair.

The Chair: Okay. A vote has been called for.

Mr. Clerk, can you poll the members?

The Clerk of the Committee (Mr. Alexandre Roger): Yes.

(Amendment negatived: nays 10; yeas 1 [*See Minutes of Proceedings*])

The Chair: We're on NDP-5. I believe you explained the first seven NDP amendments, right, Peter? The NDP-5 amendment extends the existing admissibility period referred to in the bill, which will result in more money coming out of the treasury. Therefore, the amendment is inadmissible because it requires a royal recommendation. There are no challenges on that.

For NDP-6, we have basically the same reason. It requires money to come out of the treasury and therefore requires a royal recommendation, so it is inadmissible.

For NDP-7—I think you explained them that far—we have basically the same reason. It requires money from the treasury and therefore requires a royal recommendation, so I declare it inadmissible.

We're on BQ-2, with Gabriel Ste-Marie. I'll let you explain it first and then I'll make a comment.

[Translation]

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

In the budget, the Minister announced that, to continue to receive the wage subsidy, company executives must no longer pay themselves bonuses. But that measure would only come into effect as of the 17th eligibility period, in June.

So amendment BQ-2 specifies, instead of giving companies an incentive to provide bonuses to their executives between April 19, the date the budget was brought down, and June, that the measure be retroactive to April 19. That needs to be done so that companies do not have an incentive to pay themselves bonuses right now.

[English]

The Chair: Thank you.

I note for the committee's interest that if BQ-2 is adopted, NDP-8 cannot be moved because of a line conflict.

Is there any further discussion on BQ-2?

I see Gabriel first, and then Peter.

[Translation]

Mr. Gabriel Ste-Marie: I will let Mr. Fragiskatos have the floor because his hand was up first.

[English]

The Chair: Go ahead, Mr. Fragiskatos.

Mr. Peter Fragiskatos: Mr. Chair, I'd like a vote, please.

• (1630)

The Chair: Before I go to a vote, I see Mr. Ste-Marie's hand and Mr. Falk's. Go ahead, Mr. Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: I would have liked to hear Mr. Julian's comments on the difference between the motions.

[English]

The Chair: Okay—

[Translation]

Mr. Gabriel Ste-Marie: The amendment I am proposing makes the measure retroactive to the date on which the budget was brought down, that is, the date on which the measure was announced. If I understood correctly, my colleague's amendment makes the measure retroactive to a time before that date.

The reason we chose the budget date as the date for this to go into effect, is to clearly mark the point at which the measure was announced, so that there could be no retroactivity before the date of the announcement. Clearly, I much prefer my motion.

[English]

The Chair: That's natural.

I'll go to Mr. Falk and then I'll ask Mr. Julian to explain his motion so that we know what they're both saying, because one impacts the other.

Go ahead, Mr. Falk.

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

I'm wondering if we could get Mr. McGowan to weigh in and give his perspective. Does this section deal with publicly traded companies only or does it apply to all companies?

Mr. Trevor McGowan: The requirement to repay in respect of increases in executive compensation only applies to publicly listed companies and their subsidiaries.

The Chair: I'll go to Mrs. Jansen first, because I think her question relates to that. Then I'll get Peter to explain his amendment.

Go ahead, Mrs. Jansen.

Mrs. Tamara Jansen: I'm really concerned about the concept of doing something retroactively. If there's one thing business needs to function, it's predictability. That's one thing we have not had from many of these programs. Even just to consider a retroactive policy is mind-boggling.

We know that many of the programs were created in haste and had many flaws. We assume that the Liberals had the best intentions of ensuring that the maximum number of jobs were protected during the pandemic. Businesses applied for these programs based on the criteria the government set for them. It's the government that set those criteria, flawed as they were, so you can't go back and blame the flaw on the applicant.

The Chair: I'll go to Mr. Julian's explanation, and then to Mr. Fast.

Mr. Peter Julian: Thanks very much, Mr. Chair.

I would point out, of course, that last June we were considering legislation that retroactively punished CERB applicants, and it was only because of the NDP standing up against that legislation, legislation that would have moved to even include prison sentences for CERB applicants, that the legislation was eventually withdrawn. The idea of retroactivity is something that we've seen this government move on in terms of CERB, not in terms of the wage subsidy.

Regarding the wage subsidy, from the very beginning, members of this committee will recall that when Mr. Morneau came forward, this exact question was asked to him: Are you making sure that there is no possibility of these funds being used for dividend payouts, stock buybacks and executive bonuses?

Certainly other countries put in place a wage subsidy. The NDP pushed the wage subsidy. Jagmeet Singh pushed it because it made good sense to maintain those jobs. However, other countries put in place some protections. Mr. Morneau said at the time that yes, those protections will be in place. At the time, the Liberal government was very clear that it could not be used for those things, those big executive bonuses, dividend payments and stock buybacks.

That is an issue that I think the public is certainly seized with. They expect us to be responsible and expect us to ensure, in a cohesive way, that these abuses that were flagged from the very beginning are actually taken care of.

[*Translation*]

Mr. Ste-Marie asked about the difference between his amendment, which is very good as well, and ours.

Our amendment prefers April 15, 2020, for the measure to come into effect. This is really the beginning of the entire application process. It is very clear that business leaders were not supposed to use funds in the Canada emergency wage benefit to issue dividends, pay themselves bonuses or buy back shares.

In my opinion, that is very clear and, in the public's eyes, the measure really must be passed to correspond to the government's intention when the bill was introduced last year.

• (1635)

[*English*]

The Chair: Okay.

Mr. Fast is next.

Hon. Ed Fast: Thank you.

I will share with members of this committee that I've had calls from some of Canada's largest business organizations, pleading with us, as a committee, not to go down the road of retroactively punishing companies for the program design failures of the government. This is a terrible precedent to set.

Could officials tell us whether there's any past precedent that has seen the government claw back benefits that were paid because of its own negligence or design failures or something similar? I'd be surprised if government has done this in the past, which is probably why we've received these panicked calls from business organizations.

The Chair: Is there an official in the room who wants to take that question?

Mr. McGowan, I hate imposing on you all the time, but I'm going to.

Mr. Trevor McGowan: There is the possibility of retroactive tightening of tax changes, but as was noted, they tend to be exceedingly rare. Off the top of my head, I can't think of any. I know there is the possibility of doing it, but I can't recall any retroactive tight-

ening of tax changes that would apply in the context of a refundable tax credit that involves the taking back of amounts expended.

Hon. Ed Fast: Is it possible that it would be legally challengeable if the government implemented something like this measure?

Mr. Trevor McGowan: I can't provide advice on the merits on any sort of claim against this type of change.

The Chair: I have Ms. Jansen and then Mr. Ste-Marie, and then, hopefully, we can go to a vote.

Mrs. Tamara Jansen: We knew right from the beginning that there were many flaws in the programs. They were rushed, and that created all sorts of problems, but two wrongs don't make a right. This amendment would mean that every program could possibly be altered retroactively. The impact of this kind of instability on our business sector and on our economy would be unimaginable. I mean, you can't change the rules in the middle of the game.

Of course, if someone improperly took program funds, that's one thing, and Canadians expect that you'll collect that back. However, these were the rules that were set, and to now solve the problem by placing the blame on the people who legitimately qualified under the rules is undemocratic and dangerous.

I mean, imagine that the government would suddenly reverse the rent subsidy retroactively on a restaurant if they were able to pivot successfully to online orders. The amendment opens a Pandora's box that we cannot afford to open.

The Chair: Okay.

We have Mr. Ste-Marie, and then Mr. Julian will close it out.

[*Translation*]

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

I want to point out two things about this amendment. First, and this is Economics 101, if the Minister announces in the budget that the emergency wage subsidy will end in June, it does not mean the end of the subsidy. It just means that the deadline for applying will simply be moved up to a point between the date of the budget and the month of June. If we want to stop bonuses being paid, that's the worst way to go about it.

I can understand that, politically, we can say that we have put a measure in place to stop bonuses being paid, but, in reality, we know full well that the payment will simply be moved up. So, in terms of economic policy, the measure could not be worse, hence the need for the amendment.

Second, to my knowledge, amendments remain confidential until they have been introduced at committee. So I find it very curious that company executives were able to call members of this committee to complain about the amendment, which was still confidential until now. I have some serious questions about that.

• (1640)

[*English*]

The Chair: Thank you. That's a very valid point.

Go ahead, Mr. Julian.

[*Translation*]

Mr. Peter Julian: Mr. Chair, I share Mr. Ste-Marie's opinion. Amendments are indeed confidential, so it is a little curious that members have received calls from company executives. Personally, I have not received any calls.

Nevertheless, we have seen cases of retroactivity for certain measures before. They have been examined in Canadian courts. You just have to look at the Canadian Tax Journal to find a number of such cases. So retroactivity is nothing unusual.

[*English*]

The Chair: All right. I still see people who have their hands up.

I will go to Mrs. Jansen and then Mr. Fast.

Mrs. Tamara Jansen: I'm just really worried about driving populism with something like this. You're making business owners, who fought hard to maintain Canadian jobs during lockdown by legally utilizing the available government programs, into the evil villain. It only leads to serious market insecurity and damages our reputation abroad.

Who would want to do business in such an unpredictable environment as this? Are we trying to chase jobs away? This government needs to continue to protect jobs and the businesses that maintained those jobs during the pandemic.

Today we heard from the PBO. He reported that the budget plans to spend \$150 billion and will create only 66,000 new jobs. If you do the math—

The Chair: Ms. Jansen, I'm going to have to start keeping people right on the motion, because when we're dealing with clause-by-clause study, we're not going to get into political debates and what the PBO said. We're straying.

Go ahead.

Mrs. Tamara Jansen: I'm just really worried. Job creation isn't the government's forte, so we need to let business work to create jobs and not punish them for program failures.

The Chair: Okay.

Go ahead, Mr. Fast.

Hon. Ed Fast: Mr. Chair, did you just rule that political debates over a budget bill are not acceptable?

The Chair: No. What I said was that we should try to stick to the discussion on the amendment.

Hon. Ed Fast: Okay. I think what you're saying is that it's about relevancies.

The Chair: Yes.

Hon. Ed Fast: There, I might be able to agree with you.

I just want to say that I hope my colleagues Monsieur Ste-Marie and Mr. Julian aren't casting aspersions on anyone at this committee. I'm not aware that anyone on this committee released confidential information to anyone out there in the private sector, but I'm telling you that I have received calls from business organizations—not companies, not C-suite executives, but organizations that repre-

sent businesses in Canada—that for some reason have been made aware that there is a possibility that retroactivity will be imposed in cases when it was not the business's own fault but was actually the government's own fault.

I think it's fair for us, Mr. Chair, to share that information with our committee colleagues so that we have all of that information and know the concerns that are out there.

The Chair: Thank you.

Go ahead, Mr. Julian.

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

I want it to be very clear that from all of the data.... The government has not released this information. I wrote to the finance minister on January 5. I still have not received a response. From the publicly available data that both the National Post and The Globe and Mail have analyzed, we see that in 95% of cases, the money was used for its intended purpose. I do not agree with those who say that this is going to be a catastrophe, not when 95% of businesses stuck strictly to the intent and the spirit of the wage subsidy. The other 5% is the problem.

As a result of that, there needs to be.... I think Canadians would expect that those bad apples, as a result of that behaviour, would have to pay back money that they took for one intended purpose and used for another. That's very simple. Most Canadians would agree.

I would just mention jurisprudence. I'll give a very quick glance at retroactive legislation, including tax legislation. We have the rule 14 declaration, and rule 21, in the Procter & Gamble case. These are all cases in which the courts have upheld retroactive decisions.

Let's not have red herrings. Let's deal with this issue of whether or not a big Canadian company that has made profits and not used the wage subsidy for its intended purpose has to pay that money back. I would expect that the vast majority of Canadians would agree that if you're part of that small percentage of companies that abused the wage subsidy, you should pay the money back.

• (1645)

The Chair: Okay. We have had a discussion on both BQ-2 and NDP-8.

We will go to BQ-2. Is anybody calling for a vote? Do you want a recorded vote, or do you just want...?

Mr. Clerk, we will have to go a recorded vote on BQ-2.

(Amendment negatived: nays 9; yeas 2 [*See Minutes of Proceedings*])

The Chair: We will turn to NDP-8, which we already had a discussion on. Do you want to vote?

Mr. Peter Julian: I think we've had a great discussion.

The Chair: The results are there.

Mr. Peter Julian: I think the results are pretty clear, Mr. Chair.

The Chair: Okay. Then NDP-8 is defeated.

(Amendment negatived [*See Minutes of Proceedings*])

The Chair: We will go to NDP-9.

Go ahead, Mr. Julian.

Mr. Peter Julian: Mr. Chair, NDP-9 was tied to the extension of the wage subsidy. We have already agreed not to extend the wage subsidy, tragically, so I think I will withdraw NDP-9.

The Chair: NDP-9 is withdrawn.

On BQ-3, go ahead, Gabriel.

[*Translation*]

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

We know that Bill C-30 provides for a gradual decrease in the percentage of the wage subsidy. We also know that the Minister has the power to make regulations to change the percentage and to maintain it at a higher level if necessary. A number of the witnesses who came to the committee to testify on Bill C-30 told us that it is really important for their industry and their economic sector to keep the percentage of the subsidy up.

Amendment BQ-3 gives the Minister the power to increase the rate, not for the economy as a whole, but for certain sectors of the economy that she could identify, including the particularly vulnerable ones, where a decrease in the rates in the fall would have catastrophic consequences. It would allow the Minister to be able to target those sectors and increase the percentage of the wage subsidy to correspond to the one currently in effect.

[*English*]

The Chair: Okay, do I have—

[*Translation*]

Mr. Gabriel Ste-Marie: I'm sorry, the amendment also includes the percentage of the rent subsidy.

[*English*]

The Chair: Go ahead, Ms. Dzerowicz.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair, and I want to thank Mr. Ste-Marie for this amendment. I just want to understand this a little bit. I believe that we already have the authority under the current legislation to be able to do this, and I wonder if the officials would be able to weigh in.

• (1650)

Mr. Trevor McGowan: Thank you. I would be happy to speak to that. I'll start with the wage subsidy, but the considerations for the rent subsidy are exactly the same, I think.

Paragraph 24(9)(k) of the base percentage definition, towards the bottom of page 30 of the bill, at line 27 or 28, sets the nil base rate that we discussed earlier for the wage subsidy for the last two qualifying periods, and it allows for the flexibility—should the government decide to effectively extend the wage subsidy into those two periods, as circumstances may require—to set new rates by regulation.

The specific wording in paragraph (k) says that a percentage can be determined by regulation in respect of the eligible entity. There's a lot built into those words, but the idea is that if you have an eligible entity that is basically an applicant for the wage subsidy, you can determine by regulation the appropriate rate that applies in respect of that eligible entity. It allows for determination by regulation and the idea that different rates can apply in respect of different eligible entities; it's not just one rate that applies across the board. The idea was that the ability to determine different rates in respect of different eligible entities would provide for that kind of flexibility.

Ms. Julie Dzerowicz: To continue with that, Mr. Chair, if we wanted to provide some more supports, more targeted supports, to specific sectors, we'd be able to do so using this clause. It would allow that.

Is that true, Mr. McGowan?

Mr. Trevor McGowan: Yes, that was the intent behind the wording I just discussed. It was that different rates could apply for different taxpayers, and the determination of the rates that would apply in different circumstances could be provided through regulations.

The Chair: Just to be clear here, Ms. Dzerowicz, you used the statement “using this clause”. Do you mean the clause that's already in the bill—

Ms. Julie Dzerowicz: Yes.

The Chair: —or the clause that Mr. Ste-Marie is adding? You're saying it's already in the bill, so you don't need the clause. Is that what I hear you say?

Ms. Julie Dzerowicz: That's exactly right. It's in paragraph (k) on page 30.

The Chair: Go ahead, Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: I am very pleased to hear those explanations, because, if memory serves, that is not what I understood during the briefing sessions, when I asked questions specifically on this topic.

Mr. McGowan, if you confirm that Bill C-30, as currently drafted, gives the Minister the power to keep the rate of the wage subsidy higher for industries that are having problems, such as tourism, restaurants, hotels, and maritime tourism, for example, I can certainly withdraw my amendment.

I would like that confirmation from you.

[*English*]

Mr. Trevor McGowan: Yes, that was absolutely the intent behind the drafting. I explained the rationale for the specific change in wording.

I would note that we have heard from different industry groups a request to extend the wage subsidy beyond the end of November based on the different recovery rates for different industries. For example, one industry might need longer to recover, which would be beyond the end of November, and that is not provided. This would allow for rates to be set for the last two qualifying periods, but the wage subsidy could not be extended past the end of November without returning to Parliament.

The Chair: Okay, Gabriel. That was my understanding as well. We are getting a lot of pressure from the tourism industry. What Mr. McGowan said was my understanding. Are you withdrawing BQ-3?

• (1655)

[*Translation*]

Mr. Gabriel Ste-Marie: Yes, no problem.

[*English*]

The Chair: Thank you.

Now we're on NDP-9.1.

Go ahead, Mr. Julian.

Mr. Peter Julian: Thanks very much, Mr. Chair.

This should not be controversial at all. It would oblige the Minister of Finance to prepare a report on proposed measures to:

(a) prevent publicly traded companies and their subsidiaries from paying dividends or repurchasing their own shares while receiving the Canada Emergency Wage Subsidy, for the period that is after the tabling of the report under subsection (32.2); and

recover wage subsidy amounts from publicly traded companies and their subsidiaries that paid dividends or repurchased their own shares while receiving the Canada Emergency Wage Subsidy, for the period that is before the tabling of the report under subsection (32.2).

This is basically asking the Minister of Finance to do the work to ensure that we know to what extent this was a problem. The government still has not released those figures and the measures they would take to recover those amounts.

This amendment should pass unanimously. This shouldn't be controversial at all. Given that we are aware of the extent of the problem, I fully expect that all members of the finance committee would want to see the Minister of Finance present both the report and the solutions as well to this problem.

The Chair: All right. Is there any discussion? I don't see any.

Shall NDP-9.1 carry?

Ms. Julie Dzerowicz: On division.

The Chair: Does NDP-9.1 carry on division?

Hon. Ed Fast: No. No, I would like a recorded vote.

The Chair: Okay, there we go. It's carried on division.

Hon. Ed Fast: Hold on. On a point of order—

Mr. Peter Julian: On a point of order, Mr. Chair, actually Ed indicated that he was calling for a recorded vote.

The Chair: Oh, he was calling for a recorded vote. Okay. I thought he was shaking his head.

Hon. Ed Fast: No, Mr. Chair. I want clarity here. We have an amendment that has been brought forward and we are voting on it. Is that correct?

The Chair: We can, if that's what you want to do. I had taken it as carried on division, but that was my mistake. We will go to a vote.

Hon. Ed Fast: Thank you.

The Chair: Mr. Clerk, could you poll the committee?

(Amendment agreed to: yeas 7; nays 4 [*See Minutes of Proceedings*])

The Chair: All right. We then come to clause 24 as amended.

Does anybody want to speak?

Go ahead, Mr. Fast.

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

The only question I have on clause 24 has to do with the Canada recovery hiring program.

I did follow some of the debate in the House on the budget implementation act, and I felt that there was a lot of ambiguity and uncertainty about how the transition between the CEWS program and the new hiring program would take place. For the purposes of clarity for anyone watching these proceedings, I would ask that Mr. McGowan just give us an overview of how Canadian businesses will be weaned off the CEWS and brought over to the new hiring program.

Mr. Trevor McGowan: Thank you for the question. I'd be happy to respond to it.

Mechanically, the operation of the rules is very simple, in that you have both the wage subsidy and the new recovery subsidy that exist in tandem for a number of qualifying periods as the wage subsidy rates are being transitioned down. The rules provide that when you make your application, whichever one of the two subsidies gives you the better result is the one you will get. If you would get more money under the wage subsidy for a particular period than under the recovery subsidy, then you qualify for the wage subsidy, and the reverse is true as well.

• (1700)

The Chair: Does that answer your question, Mr. Fast?

Hon. Ed Fast: It does.

The Chair: We are moving to clause 24 as amended.

Shall clause 24 as amended carry on division?

Mrs. Tamara Jansen: Could I ask one more question?

The Chair: You can. Can we vote on the clause first, seeing that we have called the question? Then you can ask your question.

(Clause 24 as amended agreed to on division [*See Minutes of Proceedings*]).

Mrs. Tamara Jansen: I was talking to the restaurant industry, and they were saying that they would require that both be running at the same time, in the sense that it's going to take them much longer to recuperate. That's not what this is saying, is it? One will stop, and the other will begin. Is that correct, Mr. McGowan?

Mr. Trevor McGowan: Both the wage subsidy and the recovery subsidy will exist at the same time for a number of periods.

Mrs. Tamara Jansen: But you cannot pull from both at the same time, or can you?

Mr. Trevor McGowan: No, you can't. You get the greater of the two, but not both.

Mrs. Tamara Jansen: Thank you.

The Chair: Okay. That's pretty clear.

There are no amendments for clauses 25 to 99. Do we have unanimous consent to see them carried on division?

Mr. Ted Falk: No. I thought we wanted a brief explanation on each clause, a 30-second explanation.

The Chair: I thought that somebody might have looked ahead and said, "Look, we have no questions" and that we'd be able to move them all at the same time.

(On clause 25)

The Chair: Is it still Mr. McGowan who's on? this?

Go ahead, Trevor.

Mr. Trevor McGowan: Clause 25 is a consequential amendment on the employee stock option measure. It specifically relates to the calculation of foreign tax credits and deductions you're allowed to take, so it's a consequential amendment for employee stock options.

(Clause 25 agreed to on division)

(On clause 26)

The Chair: On clause 26, Trevor, go ahead.

Mr. Trevor McGowan: Clause 26 relates to the foreign affiliate dumping measure. The main measure amends section 212.3 of the Income Tax Act and comes later. This clause deals with a specific case in which a tax avoidance strategy could be used to affect foreign affiliate dumping through the use of a foreign corporation that immigrates to Canada. It's consequential to the main foreign affiliate dumping changes, and it applies specifically in the case of corporate immigration through which they try to achieve the same tax results.

(Clause 26 agreed to on division)

(On clause 27)

The Chair: Trevor, go ahead on clause 27.

Mr. Trevor McGowan: Clause 27 relates to the "allocations to redeemers" measure, which relates to certain mutual fund trusts. Over the last several years, the mutual fund trust industry has developed a methodology for avoiding double taxation whereby they have redeeming unitholders. Some planning had evolved in order to achieve tax deferrals or recharacterization benefits through the use of this methodology, so this measure would prevent the use of this

"allocations to redeemers" methodology, which was intended to prevent double tax, from providing tax benefits.

Hon. Ed Fast: Mr. Chair—

The Chair: Go ahead, Ed.

Hon. Ed Fast: For the terms "redeemers" and "recharacterization benefits", could Mr. McGowan just explain what those are?

Mr. Trevor McGowan: I would be happy to do so. Thank you.

I'm sorry. I'm trying to balance going quickly with providing a full explanation, and it is a complex measure.

A mutual fund trust is a trust with a number of unitholders, and those unitholders can achieve liquidity, which is to say sell their investment or change their investment for cash, either through selling their units in the market or through a redemption of their units. They can tell the mutual fund trust that they'd like to redeem some of their units that currently have a net asset of x dollars and they can redeem them for that.

When a unitholder redeems their units of a trust, they can be taxable on a gain themselves, based upon their disposition of their trust units, and then the mutual fund trust itself will have to sell off some of its investments in order to refund their redemption, so they can have capital gains or ordinary income triggered in the mutual fund. The allocation-to-redeemers methodology is used in order to allocate some of the gains realized by these trusts in order to fund redemptions out to the unitholders, to avoid double tax so that the trust and the unitholder aren't taxed in the same economic vein.

Where the tax planning occurs is that some of the trusts were allocating more than was required to fund the redemption, which, through the specific mechanism of the tax rules, would provide a deferral benefit in certain cases, and also provide for ordinary income in the trust to be effectively taxed at a capital gains rate for redeeming unitholders. This measure would ensure that the methodology can be used to prevent double tax, so that when I redeem some of my units of my investment fund, there are not two incidents of tax on it, but it would prevent some of the tax benefits that have developed.

• (1705)

Hon. Ed Fast: Thank you.

The Chair: I see that Mr. Lawrence has his hand up. We are on page 46 of the bill, for those who are following.

Go ahead, Mr. Lawrence.

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

I have just a quick question for Mr. McGowan.

Is that what's commonly referred to within the industry as "corporate class funds"? Is that what this is meant to deal with?

Mr. Trevor McGowan: No. Corporate class funds are a different thing and they relate to.... There was a budget measure a few years ago relating to them. This measure relates primarily to mutual fund trusts.

Corporate class funds, or “switch funds”, as the term is used, relate to mutual fund corporations. In this case, you have a mutual fund corporation that is a similar type of flow-through vehicle to a mutual fund trust, but they have classes of shares instead of just one type of units. One mutual fund trust can have several different classes of shares, each class of those shares tracking a different investment portfolio in the mutual fund trust. I think that's generally what's referred to as corporate classes.

The Chair: Shall clause 27 carry on division?

(Clause 27 agreed to on division)

(On clause 28)

The Chair: We'll go back to you, Trevor.

Mr. Trevor McGowan: Clause 28 relates to the tax deferral for patronage dividends. Those are dividends that can be paid under certain agricultural co-ops to their members. What they would do is extend an existing deferral that allows them to avoid immediate taxation, which can help with cash flow for these agricultural co-operatives.

The Chair: Shall clause 28 carry on division?

(Clause 28 agreed to on division)

(On clause 29)

Do you have a short explanation there, Trevor?

Mr. Trevor McGowan: Clause 29 is a consequential amendment relating to employee stock options. It deals with a very technical issue between the interaction of a rule in section 143.3, which is an anti-avoidance rule, and it ensures that it doesn't prevent the deduction provided for employers under the new stock option rules.

The Chair: Shall clause 29 carry on division?

(Clause 29 agreed to on division)

(On clause 30)

Mr. Trevor McGowan: Clause 30 relates to employee life and health trusts, and in particular to migration from the former health and welfare trust regime into the new legislated employee life and health trust rules in the Income Tax Act. It provides a path for the old health and welfare trusts to transition over to the new employee life and health trust regime.

The Chair: Shall clause 30 carry on division?

(Clause 30 agreed to on division)

The Chair: I call clause 31.

(On clause 31)

Mr. Trevor McGowan: Clause 31—with apologies, I'm scrolling as well—is a consequential amendment relating to—

Hon. Ed Fast: It's RRSPs.

Mr. Trevor McGowan: That's right. It's consequential on the change to the way the basic personal amount factors into RRSP computations.

• (1710)

The Chair: Ed, did you want to make a point?

Hon. Ed Fast: No.

The Chair: Okay.

(Clause 31 agreed to on division)

The Chair: Yes, it's hard keeping up with that scrolling, Trevor. I'm having a hard time here myself.

We're on clause 32.

(On clause 32)

Mr. Trevor McGowan: As well, on clause 31, clause 31 provides a rule on advanced life deferred annuities and transfers with RRSPs as well. Many of these clauses touch on various measures, but it's a consequential amendment for the ALDA or advanced life deferred annuity rules.

Clause 32 is another consequential amendment or rule relating to advanced life deferred annuities, but in the registered retirement income fund context.

(Clause 32 agreed to on division)

The Chair: I call clause 33.

(On clause 33)

Mr. Trevor McGowan: Clause 33 relates to the measure extending the registered disability savings plan rules. When an individual ceases to be eligible for the disability tax credit, this measure provides more flexibility and allows the plan to be kept open.

(Clause 33 agreed to on division)

The Chair: We're on clause 34.

(On clause 34)

Mr. Trevor McGowan: Clause 34 provides the main set of rules relating to advanced life deferred annuities. These are new investment vehicles that would help individuals provide for retirement and would also ensure that they don't outlive their savings.

(Clause 34 agreed to on division)

The Chair: Next is clause 35.

(On clause 35)

Mr. Trevor McGowan: Clause 35 contains consequential amendments relating to advanced life deferred annuities and transfer rules with respect to registered pension plans—RSPs—and deferred profit-sharing plans.

(Clause 35 agreed to on division)

The Chair: We go on to clause 36. We're at about page 60 in the bill, if anybody is looking.

(On clause 36)

Mr. Trevor McGowan: That's right. It's at the bottom of page 60.

Clause 36 provides additional consequential rules in respect of advanced life deferred annuities.

(Clause 36 agreed to on division)

The Chair: I call clause 37.

(On clause 37)

Mr. Trevor McGowan: Clause 37 again provides a consequential amendment relating to advanced life deferred annuities.

(Clause 37 agreed to on division)

The Chair: We're on clause 38.

(On clause 38)

Mr. Trevor McGowan: Clause 38 as well provides consequential amendments for advanced life deferred annuities in the pooled registered pension plan context.

(Clause 38 agreed to on division)

The Chair: Next is clause 39.

(On clause 39)

Mr. Trevor McGowan: Clause 39 provides amendments to section 149.1 of the act, which provides rules for registered charities as well as qualifying journalism organizations that are the types of not-for-profit journalism organizations that are allowed to issue tax receipts for donations received.

There are two measures. One is consequential amendments relating to journalism. Mainly, though, the amendments apply to charities, especially in the context of listed terrorist entities, ensuring that as soon as a charity becomes a listed terrorist entity, its charitable registration is revoked.

The Chair: That's a wonderful idea.

Shall clause 39 carry on division?

(Clause 39 agreed to on division)

The Chair: We're on clause 40.

(On clause 40)

Mr. Trevor McGowan: Clause 40 has amendments to section 152 that provide for the normal reassessment periods. One provides references to the consequential amendments in respect of the wage and rent subsidies. Another amendment relates to one-half of the transfer pricing measures. In that case, the transfer pricing rules in section 247 of the act deal with transactions between Canadian residents and non-residents.

The concept of "transaction" is at the core of those rules: The rules that provide for the reassessment period in respect of transactions with non-residents that apply in the transfer pricing context use a different definition of "transaction". This ensures that the terms used in section 152 line up with the subject matter in the transfer pricing rules in section 247.

• (1715)

The Chair: Go ahead, Mr. Fast.

Hon. Ed Fast: Mr. Chair, anybody watching this and listening to this discussion and that explanation would be scratching their heads. What are transfer pricing rules? Transfer pricing is another tax avoidance opportunity that our tax system tries to address.

I would appreciate it if Mr. McGowan explained with a bit more depth what transfer pricing is and why we have measures in the Income Tax Act to address it.

Mr. Trevor McGowan: I would be happy to do so, and I appreciate the question. As I said, I'm trying to balance brevity with the need to provide information.

This really is more of a technical change. The broader transfer pricing changes are to come later. However, I can speak to it right now.

Transfer pricing refers to the prices charged between non-arm's-length parties across borders. When a Canadian company transacts with a non-arm's-length foreign company, the transfer pricing rules essentially require their transactions to be on arm's-length terms, which prevents, as was suggested, the shifting of funds outside of Canada, in our case, in order to avoid tax.

Where the transfer pricing rules apply and require repricing or a recharacterization of the transaction, they can set the prices or the elements of the transaction to be what would be entered into between arm's-length parties. This essentially provides that in cross-border transactions between non-arm's-length parties, the non-arm's-length parties will enter into the transaction on arm's-length terms, reflecting ordinary commercial arrangements.

This amendment is a highly technical amendment and reflects a bit of an oddity in the rules that currently exist where the term "transaction" is used in section 152, which deals with normal reassessment periods and is about how long after the end of your year the Canada Revenue Agency has to assess you. Those rules talk about transactions. They use the word "transaction" in the context of setting when the CRA can assess transfer pricing transactions.

The transfer pricing rules have a very specific definition of "transaction". What this amendment would do is ensure that when we're talking in the reassessment rules about transfer pricing, we're using the right terms and we're using the word "transaction" consistently.

The Chair: Shall clause 40 carry on division?

(Clause 40 agreed to on division)

(On clause 41)

Mr. Trevor McGowan: Clause 41 is a consequential amendment relating to advanced life deferred annuities.

The Chair: Shall clause 41 carry on division?

(Clause 41 agreed to on division)

(On clause 42)

Mr. Trevor McGowan: Clause 42 is a consequential amendment relating to the journalism measures, in particular the extension of the journalism labour tax credit to partnerships—I shouldn't say "the extension" of it. It's the provision of rules that clarify how the labour tax credit is intended to apply when a partnership is carrying on journalism activities. It relates to installments, but it's consequential to that change in the journalism rules.

• (1720)

The Chair: Shall clause 42 carry on division?

(Clause 42 agreed to on division)

The Chair: Sorry, Ed; I didn't see your hand.

Hon. Ed Fast: I just want to make the point, Mr. Chair, that Mr. McGowan has been in the seat now for a fair bit of time. He is rendering yeoman service and providing excellent information. I very much appreciate that. He may want to have a break.

The Chair: If he's going to take a break, we're going to move on to a section he is not responsible for. We're going to keep going for as long as we can.

Mr. McGowan, do you want to take a break? If you do, we'll go to part 4, division 1.

Are you okay?

Mr. Trevor McGowan: Thank you for the consideration and the offer, but I'm happy to continue.

Hon. Ed Fast: All right.

The Chair: Okay.

(On clause 43)

Mr. Trevor McGowan: Clause 43 is a consequential amendment relating to the introduction of the new Canada recovery hiring program. It provides penalties for false statements, omissions and non-compliance. It adds cross-references so that those penalties can apply where there is non-compliance with the new recovery benefit.

(Clause 43 agreed to on division)

The Chair: I call clause 44.

(On clause 44)

Mr. Trevor McGowan: Clause 44 is another set of consequential amendments. They deal with refunds of taxes, which is relevant in the context of certain refundable tax credits, and they add new cross-references to measures under the Canada recovery hiring program that has been introduced, as well as to the new journalism measures. They provide needed cross-references in respect of other measures.

The Chair: Shall clause 44 carry on division?

(Clause 44 agreed to on division)

(On clause 45)

Mr. Trevor McGowan: Clause 45 relates to the measure we discussed earlier, the revocation of qualified donee status from charities that become listed terrorist entities. It provides for the actual revocation mechanism.

The Chair: Shall clause 45 carry on division?

(Clause 45 agreed to on division)

(On clause 46)

Mr. Trevor McGowan: Clause 46 relates to the qualified Canadian journalism organization rules. It provides a specific set of rules for acquiring and losing designation as a qualified Canadian journalism organization. It is relevant to the labour tax credit, digital tax credit and qualified donee status supports for journalism.

The Chair: Shall clause 46 carry on division?

(Clause 46 agreed to on division)

(On clause 47)

Mr. Trevor McGowan: Clause 47 is a consequential amendment relating to the measure that requires registered charities to lose their charitable status once they become listed terrorist entities. It provides a year-end on revocation.

It also provides another consequential amendment in respect of that charity measure. This amendment provides that a charity can lose its registration status if it makes false statements in order to maintain its registration. Currently an organization can lose its charitable registration status when it makes false statements in order to obtain registration as a qualified donee. This measure would extend it so you can also lose your status if you make false statements to maintain it.

The Chair: Shall clause 47 carry on division?

(Clause 47 agreed to on division)

(On clause 48)

Mr. Trevor McGowan: Clause 48 relates to the advanced life deferred annuities and provides the bulk of the rules in respect of those, which I have noted are a new type of investment vehicle that can provide additional flexibility in saving for retirement.

Hon. Ed Fast: Mr. Chair, I am looking at clause 48, and it relates to the notice of suspension of authority to issue receipts. Are we on the same clause?

Mr. Trevor McGowan: I apologize. That was my mistake. I described clause 48 along with clause 47. Clause 47 is just the notice of revocation for becoming a listed terrorist entity. Clause 48 deals with making a false statement in order to maintain charitable registration status.

I'm sorry. I combined the two.

• (1725)

Hon. Ed Fast: No problem. You're doing your best.

The Chair: Thank you for that, Trevor.

Shall clause 48 carry on division?

(Clause 48 agreed to on division)

(On clause 49)

Mr. Trevor McGowan: Clause 49 provides the rules for advanced life deferred annuities, which provide additional flexibility for savings in retirement.

The Chair: Shall clause 49 carry on division?

(Clause 49 agreed to on division)

(On clause 50)

Mr. Trevor McGowan: Clause 50 provides rules relating to the transition from the old health and welfare trust regime for providing benefits to employees to the new legislated employee life and health trust rules.

The Chair: Shall clause 50 carry on division?

(Clause 50 agreed to on division)

(On clause 51)

Mr. Trevor McGowan: Clause 51 relates to the repayment of certain COVID-19 benefits.

If a benefit is received, it's generally included in your income. If you have to repay it, the general rule is you get a deduction for the repayment in the year that the repayment is made. This measure would allow for a deduction in the year when the COVID-19 benefit is received rather than in the year in which it's repaid. That can help offset the income with the deduction. It's for cash flow benefit purposes. It can also help in later circumstances, when in later years the individual who received the amounts doesn't have any taxable income to utilize the deduction.

The Chair: Go ahead, Mr. Fast.

Hon. Ed Fast: I'm just wondering who would qualify for this beneficial tax treatment. Could you give us a scenario?

Mr. Trevor McGowan: For example, I receive one of the listed COVID-19 benefits, like the CERB. I applied for it, but I wasn't entitled to receive it, so I have to pay back some portion of it. If it's an income-tested benefit, maybe my income was a bit higher and I had to pay back a portion of it.

I receive an amount in, say, 2020 and I repay it in 2021. Both the income inclusion and the deductions would be in 2020, so it becomes a wash.

Hon. Ed Fast: When you say "I", though, this measure is related to flow-through shares, so we're talking about a corporate entity. Is that correct?

Mr. Trevor McGowan: Is that for clause 51?

Hon. Ed Fast: It's tax on flow-through shares.

Am I on the wrong clause here, Mr. Chair? We're on clause 51, correct?

The Chair: We are on clause 51 on page 72, I believe.

Hon. Ed Fast: My information says this has to do with COVID-19 tax on flow-through shares.

The Chair: I have "COVID-19 - expenses deemed incurred earlier". Go down on that page a little bit.

Mr. Trevor McGowan: I apologize. I confused it with a different measure. You're absolutely correct.

Flow-through shares allow resource companies to raise money more effectively by effectively transferring some of their qualifying expenses, such as Canadian exploration expenses and development expenses, to their investors, who can use the deductions.

When you enter into a flow-through share agreement, the corporation is required to incur those expenses within a fixed period of time. These rules provide essentially an extra year for the company to incur those expenses. That's in response to the COVID-19 pandemic, which prevented a lot of companies from engaging in their normal exploration activities.

● (1730)

The Chair: Shall clause 51 carry on division?

(Clause 51 agreed to on division)

(On clause 52)

The Chair: Is this the one you previously explained, Trevor?

Mr. Trevor McGowan: No. Again, I apologize. I saw the heading and was scrolling a bit too quickly.

Clause 52 relates to a measure that prevents the avoidance of withholding tax in respect of securities lending arrangements. Securities lending arrangements are fairly common and provide liquidity in the securities markets.

I might have a number of shares of a company. I can lend them to a counterparty and take them back at a future time. That can help facilitate things like short sales and provide liquidity in the market as well as serve as a form of financing.

What the securities lending rules basically try to do is that if you're in a securities lending transaction, they put you back in the same place, as if you had never legally disposed of the securities that were lent. Planning had developed that allowed entities to avoid withholding tax on amounts paid by a Canadian resident to a non-resident through the use of securities lending arrangements, or what are called "broken" securities lending arrangements. How it worked was they technically avoided the definition by not qualifying. This, essentially, closes that loophole and ensures that withholding tax applies appropriately.

I should also note that there's a relieving aspect to it, in that it removes the withholding tax obligation for the Canadian entity when the underlying share—the share that's being lent—is a foreign share that would not normally attract Canadian withholding tax. It has those two relieving and tightening aspects, but in essence it makes sure the securities lending rules work appropriately in the context of part XIII withholding tax.

The Chair: Mr. Fast, your hand is up.

Hon. Ed Fast: I believe Mr. McGowan was addressing the securities-related aspect of this particular clause.

The first part of it has to do with withholding tax with respect to non-residents and, presumably, income received from an advanced life deferred annuity, which is a little different from the securities arrangements he was talking about.

Can you comment on that?

Mr. Trevor McGowan: Right, that's absolutely correct.

As was noted earlier, many of these clauses have several components to them. The bulk of the securities lending rules are in clause 52, but the clause also contains a consequential amendment relating to the advanced life deferred annuity rules on payments to a non-resident in respect of an ALDA. This is just a consequential amendment, adding those to the part XIII rules.

Hon. Ed Fast: That's to make sure that non-residents don't get away without paying their fair share of tax, correct?

Mr. Trevor McGowan: I don't want to characterize it as an anti-avoidance rule, because of course people might invest in an ALDA and then move south for the warmer climate or what have you. However, it ensures that when you have payments going to non-residents, they're not free from Canadian tax.

Hon. Ed Fast: It's not tax avoidance. It's actually outright tax evasion not to pay your taxes.

The 25% withholding tax, I understand, is there to make sure that the government gets a chunk up front while the actual tax liability is being determined. Am I correct?

Mr. Trevor McGowan: Well, part XIII withholding tax is technically an income tax imposed on a non-resident in respect of a payment. It's generally passive amounts. The 25% rate is the base rate, which can be reduced under tax treaties.

Yes, obviously, if you don't report and pay your taxes, that can be tax evasion. Passive payments out of Canada to non-residents do attract this part XIII withholding tax. This could be dividends, rents, royalties, payments in respect of certain tax-deferred vehicles, RRSPs, and it can be related to ALDAs that way. It's a measure that ensures the appropriate amount of tax is being paid by non-residents. The withholding mechanism on the payment of the amount helps to ensure that it's collectible when the money leaves Canada.

• (1735)

The Chair: Shall clause 52 carry on division?

(Clause 52 agreed to on division)

(On clause 53)

Mr. Trevor McGowan: Clause 53 amends section 212.3 of the act. That's the section that provides the foreign affiliate dumping rules. These rules essentially apply to prevent money from being extracted from Canada free of tax, avoiding the withholding tax rules that we just discussed.

Currently, the rules apply when a non-resident corporation controls a corporation resident in Canada. This measure generally would extend the foreign affiliate dumping rules to also apply to a non-resident trust or individual that controls the Canadian resident corporation.

The Chair: Shall clause 53 carry on division?

(Clause 53 agreed to on division)

(On clause 54)

The Chair: We're now on clause 54.

Mr. Trevor McGowan: Sorry; I'm just scrolling.

The Chair: Take your time, Trevor. There are a lot of pages to that clause 53.

Mr. Trevor McGowan: Exactly. As I noted, this clause changes the rules so that it's not just non-resident corporations but corporations or trusts, so almost every measure in the foreign affiliate dumping rules had to be changed to say "corporation or trust", which led to a lot of amendments in terms of pages for an insignificant change.

Clause 54 is a consequential amendment related to the foreign affiliate dumping rules. We talked earlier about how foreign affiliate dumping can be used through an immigrating company, and this measure prevents that kind of planning from being used with respect to an immigrating company under section 219.1 of the act.

The Chair: Shall clause 54 carry on division?

(Clause 54 agreed to on division)

(On clause 55)

Mr. Trevor McGowan: Clause 55 relates to the measure allowing for electronic delivery of requirements for information. Currently the Canada Revenue Agency can send to financial institutions requirements for information, but they have to be sent by registered mail. This measure would allow them to be sent electronically in order to improve the efficiency of the process.

The Chair: Shall clause 55 carry on division?

(Clause 55 agreed to on division)

(On clause 56)

Mr. Trevor McGowan: Clause 56 is a consequential amendment on the measure that we just discussed. It is related to electronic deliveries of requirements for information.

The Chair: Shall clause 56 carry on division?

(Clause 56 agreed to on division)

(On clause 57)

Mr. Trevor McGowan: Clause 57 is another consequential amendment related to electronic deliveries of requirements for information.

The Chair: Shall clause 57 carry on division?

(Clause 57 agreed to on division)

(On clause 58)

Mr. Trevor McGowan: Clause 58 is one of the package of amendments with regard to the support for Canadian journalism that ensures that the rules work appropriately. In particular, it allows the Canada Revenue Agency to provide the names of organizations that are qualified for the digital news subscription tax credit, so if somebody wants to know if the periodical that they want to subscribe to qualifies for the credit, then the Canada Revenue Agency would be able to provide that information.

• (1740)

The Chair: Shall clause 58 carry on division?

(Clause 58 agreed to on division)

(On clause 59)

Mr. Trevor McGowan: Clause 59 is a consequential amendment related to the electronic delivery of requirements for information.

The Chair: Shall clause 59 carry on division?

(Clause 59 agreed to on division)

(On clause 60)

Mr. Trevor McGowan: Clause 60 provides the more significant amendment relating to transfer pricing. As we have discussed, transfer pricing refers to the prices charged in cross-border transactions between non-arm's-length parties. When those rules apply, they essentially can reprice or recharacterize transactions to be in accordance with arm's-length terms and conditions.

This measure would clarify the interaction between the transfer pricing rules on the one hand and the other rules in the Income Tax Act on the other hand so that it's clear how the rest of the rules in the Income Tax Act work once there has been a transfer pricing re-assessment.

For example, if a Canadian company pays \$100 to a foreign non-arm's-length party, and an arm's-length price for that widget would have been \$60, then the price paid for the widget under the cost of sale to the Canadian company would be reduced from \$100 to \$60. Then it tells you to plug that \$60 into the rules in the other act in order to determine your tax liability.

It clarifies the interaction between the transfer pricing rules and the rest of the rules of the Income Tax Act to allow for transfer pricing to come first.

The Chair: Thank you, Trevor.

Go ahead, Mr. Falk.

Mr. Ted Falk: Thanks, Chair.

Mr. McGowan, on transfer pricing like that, who determines if it's market value or if it's not? How is that determination made? Is there a calculation, a formula?

Mr. Trevor McGowan: It's a fairly complex determination. The rules in the Income Tax Act are actually not that long, but there's a tremendous amount of guidance done through the Organisation for Economic Co-operation and Development and transfer pricing guidelines put out by the Canada Revenue Agency.

Ultimately, the Income Tax Act essentially provides that you have to use arm's-length prices, and then there's a broader mechanism that's used for determining what those arm's-length prices are. For example, companies are required to have contemporaneous documentation in order to establish how they came up with their arm's-length prices. Companies engaged in cross-border transactions will often keep that kind of contemporaneous documentation to show their transfer pricing methodologies.

The Canada Revenue Agency can, of course, come in and challenge whether or not the transfer pricing was done correctly and whether the prices should be something else. From that, of course, taxpayers can challenge an assessment with the Canada Revenue Agency, and it ultimately goes up to the courts to determine whether or not arm's-length prices were charged, and if not, what the consequences would be.

The Chair: Go ahead, Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you very much for all the information you are providing to us, Mr. McGowan.

Do you know how many taxpayers and companies this change could affect? Can you estimate how much additional revenue the Canada Revenue Agency could generate? Do you have that information?

[*English*]

Mr. Trevor McGowan: No, I do not have that information with me. I will say that this is not intended as a tightening amendment in order to really change the outcomes of transfer pricing cases. Rather, it is intended as a clarifying amendment so that it's just much clearer how the transfer pricing rules interact with the other rules in the Income Tax Act. To that end, as it is intended to be clarifying, it's not expected to produce revenues, so there's no revenue associated with it, for example, in the budget estimates. It is really intended to be a clarifying amendment.

I would say that the government announced a consultation on the transfer pricing rules more broadly as part of budget 2021, which could lead to more substantive changes to the transfer pricing rules, but that's not reflected in Bill C-30.

• (1745)

[*Translation*]

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

[*English*]

The Chair: Shall clause 60 carry on division?

(Clause 60 agreed to on division)

(On clause 61)

Mr. Trevor McGowan: Clause 61 amends section 248 of the Income Tax Act. Section 248 contains the definitions that are relevant generally for the purposes of the Income Tax Act, so there are several measures that are reflected in clause 61. I'll go through each of them.

The first measure relates to the definition of a "derivative forward arrangement". These are arrangements that were popular a number of years ago that effectively sought, through the use of derivative financial instruments, to convert fully taxable ordinary income into capital gains, which were only half-taxable, and also to defer the inclusion in income of those amounts. It provided a deferral benefit generally for up to five years and also a recharacterization from fully taxable ordinary income to capital gains that are only half-taxed.

In 2013, the previous government implemented rules in order to prevent this type of derivative planning. A new iteration of the planning was recently developed that sought to exploit an exception to the previous rules. What this measure would do is ensure that the derivative forward arrangement rules work appropriately to prevent this type of planning.

Hon. Ed Fast: Trevor, there are anti-circumvention measures within the Income Tax Act that allow the government to address unwarranted attempts to avoid tax, correct?

Mr. Trevor McGowan: Yes, there are certainly anti-avoidance rules, including the general anti-avoidance rule.

Hon. Ed Fast: There's the GAAR, yes.

Mr. Trevor McGowan: That's right.

Hon. Ed Fast: Are they not broad enough to capture these constantly evolving efforts to avoid taxes?

Mr. Trevor McGowan: I'd probably answer that in two ways.

One is that not every GAAR case applies in the way that the Crown hopes, so sometimes it's necessary to make these amendments when the GAAR is found not to apply. That also happens when in a lot of cases when the government spots a new type of planning that's being used to exploit the current rules.

Amendments are made before the general anti-avoidance rule has been applied and litigated, because that kind of case can take many years to be assessed and work its way through the courts, and during that time, there's a lot of uncertainty for taxpayers. What often happens is the government makes these amendments in order to, in colloquial terms, close the loophole immediately to provide the certainty up front, and then the cases can be challenged later in court.

The Chair: Does that answer your question, Ed?

Hon. Ed Fast: Yes, it does.

The Chair: Shall clause 61 carry on division?

(Clause 61 carried on division)

(On clause 62)

Mr. Trevor McGowan: Clause 62 provides a consequential amendment related to the changes for the basic personal amount.

• (1750)

The Chair: Shall clause 62 carry on division?

(Clause 62 agreed to on division)

(On clause 63)

Mr. Trevor McGowan: Clause 63 is another consequential amendment that comes under the advanced life deferred annuity rules, the ALDA rules. It relates to extended meanings of "spouse" and "former spouse" that can apply for the purposes of the ALDA rules. It extends the rules in subsection 252(3) to be available for the ALDA rules.

The Chair: Shall clause 63 carry?

(Clause 63 agreed to on division)

(On clause 64)

The Chair: On clause 64, go ahead, Mr. McGowan.

Mr. Trevor McGowan: Clause 64 amends section 260 of the act, which involves the rules dealing with securities lending arrangements. I've already discussed this measure in the context of the part XIII withholding tax rules in section 212 of the Income Tax Act, and this provides the other portion of the securities lending arrangement rules that exist in section 260 of the act, which is where

the securities lending arrangement rules work, so it relates to that measure.

(Clause 64 agreed to on division)

The Chair: For those who are paying attention, in the bill, we just surpassed page 100. I know everybody likes to think in hundreds, so we're away; the first century is gone.

On clause 65, go ahead, Mr. McGowan.

(On clause 65)

Mr. Trevor McGowan: Thank you.

Perhaps a larger threshold is that it ends part 1 of the act, so I would turn things over to my colleague Pierre Mercille, who will be able to speak to part 2.

Thank you.

The Chair: Pierre, welcome.

Mr. Pierre Mercille (Director General, Sales Tax Division, Tax Policy Branch, Department of Finance): Hi.

Essentially, clause 65 contains the same amendment that is found in clause 55 for the Income Tax Act. It's a consequential amendment, and it basically deals with the requests for information to be delivered electronically to banks and credit unions. I'm also going to add that clauses 65 to 80 are exactly the same thing as clauses 55 to 57 on the Income Tax Act, but some amendments apply to the Excise Tax Act, the Air Travellers Security Charge Act, the Excise Act, 2001, and the Greenhouse Gas Pollution Pricing Act, which are all acts that are administered by the CRA, and since the administrative rules in these acts are usually similar, when there's a change in one act, CRA usually wants to change all the acts to facilitate their administration.

(Clause 65 agreed to on division)

(On clause 66)

The Chair: On clause 66, Pierre, go ahead.

Mr. Pierre Mercille: On clause 66, as I said, clauses 65 to 80 are all the same thing. They're on the electronic delivery of information, so I can repeat the same explanation if you want.

The Chair: Do we have consent to go from clause 66 to clause 80 with the same explanation and see them as carried on division?

Hon. Ed Fast: No, I think we want a short explanation for each one. That way our process remains the same. I do understand that we want to move this forward.

Mr. Pierre Mercille: It's a consequential amendment to the income tax amendment with respect to the electronic requests for information to banks and credit unions.

(Clause 66 agreed to on division)

(On clause 67)

The Chair: On clause 67, it's the same explanation.

Mr. Pierre Mercille: Yes.

(Clause 67 agreed to on division)

(On clause 68)

The Chair: On clause 68, go ahead, Ed.

Hon. Ed Fast: Could we have a very quick explanation of what this clause is?

Mr. Pierre Mercille: Clause 68 is a clause that allows CRA to make requests for information from banks and credit unions in an electronic format. This was actually a request from banks and credit unions, because they found that receiving paper was not very efficient, and now they'll be able to receive these electronically through a direct passway with CRA.

• (1755)

Hon. Ed Fast: Do you see, Mr. Chair? That is very helpful. I appreciate that kind of an explanation.

The Chair: Shall clause 68 carry?

Oh, sorry. Hold on.

Go ahead, Mr. Lawrence.

Mr. Philip Lawrence: Yes, it can go on division.

It's just, Monsieur Mercille, you're popping a little bit, so I was wondering if you could move your microphone up a little. It was keeping Wayne awake, so we were trying to....

Mr. Pierre Mercille: Okay. I'm sorry about that.

The Chair: Yes. Shall clause 68 carry on division?

(Clause 68 agreed to on division)

(On clause 69)

The Chair: On clause 69, is there anything further on this one that can be added?

Mr. Pierre Mercille: No, this is just a consequential amendment on the electronic delivery of requests for information.

The Chair: Shall clause 69 carry?

(Clause 69 agreed to on division)

(On clause 70)

Mr. Pierre Mercille: For clause 70, it's the same explanation.

Hon. Ed Fast: Hold on.

The Chair: Go ahead, Mr. Fast.

Hon. Ed Fast: Clause 69 was about a time period—a time period not to count—and we got sort of an explanation on that.

Clause 70—like, what is it? Just tell us.

Mr. Pierre Mercille: Essentially, it's the same thing. CRA will be able to require some information in an electronic fashion from banks and credit unions.

Hon. Ed Fast: Okay.

The Chair: Are you satisfied?

Hon. Ed Fast: Yes.

The Chair: All right.

(Clause 70 agreed to on division)

(On clause 71)

Mr. Pierre Mercille: Clause 71 is a consequential amendment to the amendment that is found in the Income Tax Act in this bill. You can see that the title is “Proof of electronic delivery”. Usually, it was served personally. There was a paper trail. In this case, a CRA official would be able to provide an electronic copy of the message that was sent to the banks and credit unions to prove that it was sent.

The Chair: All right.

Shall clause...?

Oops. Go ahead, Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: I am sorry to interrupt the vote in this way.

My question is about some of the clauses that we have just passed. Since the beginning, we sometimes see that only the English version of the clause was amended, not the French version. That's the case for clause 70, if I am not mistaken.

Is that because the French version of the legislation is already appropriately drafted in terms of what the English version wants to make clear?

Why are changes being made to the English version only?

Mr. Pierre Mercille: No. In this case, the previous French and English versions established the same program. However, French and English are sometimes drafted differently. Often, in the preamble, the French has many more words than the English. The principles of legislative drafting that the Department of Justice wants us to use ask us not to open a very long provision to make changes to the entire provision, if there is only one little change up here and another little change down there. They ask us to make separate amendments. That's probably what happened here because it often happens in such cases.

It is a matter of the structure. The meaning of the provision is the same but the way in which it is drafted is a little different.

Mr. Gabriel Ste-Marie: I can understand that, but does the French version remain as detailed and precise as the English version?

Mr. Pierre Mercille: Yes.

Mr. Gabriel Ste-Marie: That's fine, thank you.

[*English*]

The Chair: Okay.

(Clause 71 agreed to on division)

(On clause 72)

Mr. Pierre Mercille: Clause 72 is a similar amendment, an identical amendment, consequential to the amendment in the Income Tax Act, but in this case it's not the Excise Tax Act, it's the Air Travellers Security Charge Act. It's to allow CRA to deliver a request for information in an electronic format.

• (1800)

The Chair: Okay.

I see no hands up.

(Clause 72 agreed to on division)

(On clause 73)

Mr. Pierre Mercille: Again, clause 73 is a consequential amendment to the Air Travellers Security Charge Act, consequential to the amendment to the Income Tax Act, to the electronic delivery of requests for information to banks and credit unions.

Hon. Ed Fast: Thank you.

The Chair: Okay. That sounds good.

(Clause 73 agreed to on division)

(On clause 74)

Mr. Pierre Mercille: Clause 74 is again a consequential amendment to the amendment to the Income Tax Act in respect of the electronic delivery of requests for information, but in this case it's for the Excise Act, 2001. Usually under this it's the tobacco, alcohol and cannabis taxation.

The Chair: I see no hands up.

(Clause 74 agreed to on division)

(On clause 75)

Mr. Pierre Mercille: Clause 75 is the same explanation. It's consequential to clause 74 that is consequential to the income tax amendment.

The Chair: Shall clause 75 carry on division?

(Clause 75 agreed to on division)

(On clause 76)

Mr. Pierre Mercille: Clause 76, again, is a consequential amendment under the Excise Act, 2001, for the electronic delivery of requests for information that are consequential to the amendment to the Income Tax Act.

The Chair: Shall clause 76 carry on division?

(Clause 76 carried on division)

(On clause 77)

Mr. Pierre Mercille: On clause 77, it's the same thing. It's consequential to the amendment to the Income Tax Act. In this case, it's how the CRA can prove in court that the electronic request for information was sent.

The Chair: Shall clause 77 carry on division?

(Clause 77 agreed to on division)

(On clause 78)

Mr. Pierre Mercille: Clause 78, again, is a consequential amendment to the amendment to the Income Tax Act, but in this case it's the rules under the Greenhouse Gas Pollution Pricing Act, and just, by the way, part 1 of that act, which is the fuel charge.

The Chair: Seeing no questions on that, shall clause 78 carry on division?

(Clause 78 agreed to on division)

(On clause 79)

Mr. Pierre Mercille: Clause 79 is consequential to clause 78, which is consequential to the income tax amendment, again in respect of the electronic delivery of requests for information to banks and credit unions.

The Chair: Did you say clause 78 or 79, Mr. Mercille?

Mr. Pierre Mercille: I think we are at clause 79.

The Chair: Yes, we are, but I thought you said clause 78.

Mr. Pierre Mercille: I just said it was consequential to clause 78.

The Chair: Okay. Shall clause 79 carry?

(Clause 79 agreed to on division)

(On clause 80)

Mr. Pierre Mercille: On clause 80, it's the same thing. It's consequential to the income tax amendment, and this is the rule that explains how CRA will prove that the electronic request was sent to the particular bank or credit union.

The Chair: Seeing no hands, shall clause 81 carry on division?

Hon. Ed Fast: It's on division.

Mr. Chair, I would add that this is probably the most consequential group of clauses we've ever debated.

The Chair: That was clause 80, right?

Mr. Philippe Méla (Legislative Clerk): That's right. It was clause 80.

The Chair: All right. Shall clause 80 carry on division?

(Clause 80 agreed to on division)

(On clause 81)

Mr. Pierre Mercille: I hope Mr. McGowan didn't go too far, because these are income tax regulations, so it would be for him to explain this. I'm not sure if he left. Clauses 81 to 99 are actually on income tax.

Mr. Trevor McGowan: That's right.

The Chair: Okay, Mr. McGowan, you are not too far away.

Mr. Trevor McGowan: No. I would be happy to take up the discussion.

The Chair: I have the bill up on my screen, so I can't see you. Sorry, Trevor.

Go ahead on clause 81.

• (1805)

Mr. Trevor McGowan: Clause 81 amends the income tax regulations. This is a consequential amendment relating to the advanced life deferred annuity measure, and it amends a definition of remuneration consequential on amounts being included in income in respect of the ALDAs in a paragraph of the act. It's a consequential amendment relating to advanced life deferred annuities.

The Chair: I don't see any hands, Trevor.

Shall clause 81 carry on division?

(Clause 81 agreed to on division)

(On clause 82)

Mr. Trevor McGowan: Clause 82 is a consequential amendment following the increase to the basic personal amount, which is now split into two parts, the basic personal amount plus the additional amount. This is to add a reference to the new additional amount and the basic personal amount changes.

The Chair: I see no further questions.

(Clause 82 agreed to on division)

(On clause 83)

Mr. Trevor McGowan: Clause 83 is consequential changes for the advanced life deferred annuity measures relating to disclosure requirements in respect of an ALDA.

The Chair: I don't see any questions on that.

(Clause 83 agreed to on division)

(On clause 84)

Mr. Trevor McGowan: Currently the tax rules provide for an accelerated deduction in respect of certain zero-emission vehicle properties. These amendments would extend the class of vehicles eligible for the enhanced zero-emission vehicle deduction. It would include things like off-road vehicles and it would extend the capital cost allowance or tax depreciation deduction.

The Chair: Mr. Falk, you have a question.

Mr. Ted Falk: Thank you.

By off-road vehicles, are you referring to recreational vehicles, heavy equipment, or agriculture vehicles? What would you be referring to there?

Mr. Trevor McGowan: Well, there are requirements that need to be met. One of the existing prohibitions was that they had to be driven on a road. I don't think there are distinctions made between types.

In terms of the specific technologies and types of vehicles, is my colleague, Maude Lavoie, able to join in, or maybe Dave Beaulne, who worked on the file?

The Chair: Could we have Maude or Dave?

The Clerk: Just a second, sir. I'll let them in.

The Chair: Good. That's not a problem.

We'll have Mr. Fast after this.

I know there are only 65 folks sitting in the wings there while we go through this process. Thank you all for your patience.

Dave Beaulne, go ahead.

Mr. Dave Beaulne (Senior Director, Legislation, Tax Legislation Division, Tax Policy Branch, Department of Finance): Hi there. Yes, I'm happy to help out Trevor. It has been a long haul.

On the types of vehicles, we have a few examples that we've given in the clause-by-clause description. I'll just quote from it.

I'm not an expert in this technology, but what we talk about are items that go into class 56 of schedule II of the income tax regulations: "Notable examples would be zero-emission aircraft, watercraft, trolley buses and railway locomotives." However, I am aware that some of the large equipment used in mining, I guess, would also potentially be fully self-propelled and fully electric.

Mr. Ted Falk: Can I get a follow-up on that?

• (1810)

The Chair: Sure, Ted. Go ahead.

Mr. Ted Falk: You mentioned that mining would probably qualify. I'm thinking particularly of agriculture.

Would agriculture equipment also qualify? There is more and more energy-efficient agriculture equipment being produced.

Mr. Dave Beaulne: I see that Maude Lavoie has just shown up. I don't want to steal her thunder. She knows more about this stuff than I do.

The Chair: Ms. Lavoie, you're on.

Ms. Maude Lavoie (Director General, Business Income Tax Division, Tax Policy Branch, Department of Finance): Yes, as long as the equipment is fully electric or uses hydrogen, it could be equipment used in agriculture. It could be forklifts, it could be tractors, it could be Zambonis, or it could be golf carts. It could be equipment that meets the requirements in any industry.

What we have heard from more is the mining sector, which seems to have technology available and ready to be used, but any other industrial sectors could also qualify if they use equipment that is fully electric or using hydrogen.

Mr. Ted Falk: Thank you for that explanation.

The Chair: Thanks, Maude.

Go ahead, Mr. Fast.

Hon. Ed Fast: I think most of my questions have actually been answered. That was very helpful.

Just to be very clear, this is a temporary enhanced CCA that allows the capital costs to be written off in the first year. In other words, there's no schedule of writeoff. It's one year, and it's all written off in that year.

Maude, is that correct?

Ms. Maude Lavoie: Yes, that's correct. It's for equipment that becomes available for use before 2023, so it is temporary.

Hon. Ed Fast: Is it for 2023 or 2028?

Ms. Maude Lavoie: The 100% is until 2023. Then there's a phase-out, so it will be then fully phased out by 2028.

Hon. Ed Fast: That wasn't explained in my notes here, so thank you for that clarification. I appreciate it.

The Chair: Is there anything further on this?

(Clause 84 agreed to on division)

(On clause 85)

The Chair: Thank you, all three, for your explanations there.

Trevor, we're turning to clause 85.

Mr. Trevor McGowan: Thank you.

I would say, borrowing from my colleague Pierre's grouping, that clauses 85 through 87 are all consequential amendments relating to the measure that we just discussed.

The Chair: Are we okay to see clauses 85 to 87 on division, folks?

Hon. Ed Fast: No, I'd like to just very quickly walk through them.

The Chair: Do we see clause 85—consequential amendments to what was discussed—on division?

(Clause 85 agreed to on division)

(On clause 86)

Hon. Ed Fast: Could someone explain that?

Mr. Trevor McGowan: Clause 86 is perhaps not the most intuitive measure.

The new zero-emission vehicle rules create a new class for depreciable properties. Each type of depreciable property is arranged by class, and each class has its own depreciation rate. I say “depreciation”, but the technical term in the tax rules is “capital cost allowance rate”. That's just tax depreciation.

It creates a new class 56 for the new types of zero-emission vehicles, and then there's the existing class 54.

In some circumstances, for various reasons, a taxpayer may want to place one of those new vehicles or something else that would go into class 56 into another class. This clause would provide the flexibility for a taxpayer to elect out of the property being included in this new class when it might also qualify for another class.

Hon. Ed Fast: That's very interesting. Thank you.

(Clause 86 agreed to on division)

(On clause 87)

Hon. Ed Fast: Could someone explain “accelerated investment incentive property”?

Mr. Trevor McGowan: My colleague Maude described the accelerated investment incentive. Broadly speaking, that is a measure that was recently introduced. It's temporary and it's phasing out. It applies to most classes of depreciable property eligible for the capital cost allowance.

In order to qualify for this accelerated depreciation, tax depreciation or accelerated capital cost allowance, certain conditions need to be met. Some of those, for example, relate to buying used property or buying property from non-arm's-length persons. It's a measure to prevent gaming of the tax deduction system.

The definition of “accelerated investment incentive property” is just the types of property that can qualify for this new enhanced capital cost allowance deduction.

• (1815)

Hon. Ed Fast: Okay.

The Chair: Mr. Falk, did you want in?

Mr. Ted Falk: Yes, please, Mr. Chair.

The Chair: I was just wondering myself, Trevor. What's the percentage on that CCA?

Mr. Trevor McGowan: The general rule for capital cost allowance is that the CCA rates track the useful life of the asset. The rate that is associated with any asset will depend on how long it's expected to last. The rate on a building would be lower than the rate on a computer, for example. Each one of these classes has its own rate, ranging from some very low—I think down to 2%—up to 100% capital cost allowance rates.

The accelerated investment incentive increases the rate that can be taken and allows more deductions to be taken earlier in a lot of cases, in addition to the base rate that basically reflects the useful life of the assets.

The Chair: Thank you.

Go ahead, Ted.

Mr. Ted Falk: Thank you, Chair.

Mr. McGowan, is subclause 87(2) talking about a piece of property being purchased, having a deduction applied with the accelerated investment incentive opportunity and then being flipped to another corporation that would do the same thing?

Mr. Trevor McGowan: That was one of the concerns that led to the introduction of some of the non-arm's-length restrictions that I mentioned. I can speak to what the specific amendment would do.

As we discussed, an investment incentive property is what gets you in the door for these enhanced deductions that let you take tax depreciation in excess of what's currently provided for in the base rules.

Right now, in order to qualify for this enhanced deduction, when it's acquired from a non-arm's-length party, such as through a sister corporation or something like that, the rules require that the property cannot have been used for any purpose before its acquisition. It has to be new. The rules also require that no other person or partnership can have claimed a capital cost allowance deduction or a terminal loss in respect of the property. These two conditions have to be met currently in order for a property to qualify for the accelerated investment incentive.

This amendment would actually remove the first conditions so that there's no requirement that the property must never have been used for any purpose before it was acquired, leaving only the second requirement that nobody else may have claimed a tax deduction on it. You can have a property, acquire it and use it, and because capital cost allowance deductions are discretionary, you don't need to take a deduction in the first year—or any year, really—but when a non-arm's-length person has acquired a property, never taken any tax deductions on it, and then transfers the property to you, the risk of the kind of game playing whereby multiple people can take the accelerated deduction just isn't there.

These would relax the rules for something to be an accelerated investment property so that the rules are better targeted to where a non-arm's-length person has actually started taking the deductions.

The Chair: Is that okay, Ted?

(Clause 87 agreed to on division)

(On clause 88)

• (1820)

Mr. Trevor McGowan: Clause 88 relates to the introduction of the new VPLAs, variable payment life annuities. These are investment products that are being introduced that would provide additional flexibility for registered retirement vehicles and the kinds of investments that they could make in pensions and things. It includes the introduction of these new VPLAs, or variable payment life annuities, and the rules relating to them.

The Chair: Go ahead, Mr. Fast.

Hon. Ed Fast: Yes, you just answered my question. These would be an alternative to a RRIF, correct?

Mr. Trevor McGowan: Not exactly. They're a specific type of annuity that can be held by certain plans.

I should say that this is the first time that VPLAs have come up, although this is actually one of the consequential amendments. The main body of the rules are in regulation 8506, and this is regulation 8502. It's a type of annuity that can be held by certain types of plans, as opposed to a new type of registered plan.

I don't know if my colleague Max Baylor is here. He can provide a great deal more information on the design of VPLAs and how they work.

Hon. Ed Fast: I think most Canadians are familiar with registered retirement income funds, RRIFs, which have to start paying out at around age 71. This seems to be a similar vehicle, but I assume it is a response to changes in the tax act that enable a new product to be produced. Is that right?

Mr. Trevor McGowan: These are changes to the tax rules that allow a new product to be provided to investors. It's a response to comments saying that such a thing would be useful.

Again, I don't know if Max Baylor is here. He can provide more details.

The Chair: If Max is there, you can come in, Max, but while we're waiting, we will go to Mr. Lawrence.

Mr. Philip Lawrence: I had a further question. Probably Max is better positioned to answer it. I'm guessing that this is different

from a life annuity. I'm guessing, by the definition, that there's some variability to the payment schedule.

Also, for my colleague Mr. Fast, can these can be held in registered and non-registered environments, or just in registered environments?

Mr. Trevor McGowan: It would allow pooled registered pension plans or defined contribution registered pension plans to provide these variable payment life annuities to their members directly from the plan.

Of course, I can go out and buy annuities or all sorts of derivatives or whatever I want, but this really relates to allowing these PRPP or pooled registered pension plans and defined contribution registered pension plans to offer these new variable payment life annuities.

The VPLAs provide payments that vary based on the investment performance of the underlying annuities fund and the mortality experience of the annuitants so that there's a bit more flexibility in what they can do than is currently provided.

The Chair: I just got a note from the clerk that Mr. Baylor is not there, so we will let it go with your answer, Trevor.

Is there anything further, Ed, on that one?

Hon. Ed Fast: No, that's fine. Thank you.

The Chair: Shall clause 88 carry on division?

(Clause 88 agreed to on division)

(On clause 89)

The Chair: Who wants to give a quick explanation? Is it you, Trevor, or one of your colleagues?

Mr. Trevor McGowan: I would be happy to do so.

Currently there are restrictions available on transferring benefits from a defined benefit registered pension plan to an RRSP of a former employee. Planning had been developed to circumvent these limits, wherein a former employee would set up their own individual pension plan and then have a transfer from the former employer's defined benefit registered pension plan to their new individual pension plan, thus effectively circumventing the limits on transfers to RRSPs.

What this measure would do is help close those gaps in the rules and ensure that the transfer limits work appropriately.

• (1825)

The Chair: Shall clause 89 carry on division?

(Clause 89 agreed to on division)

(On clause 90)

Mr. Trevor McGowan: Clause 90 provides consequential amendments related to variable payment life annuities.

A voice: No, no.

Mr. Trevor McGowan: Actually, no. As I mentioned earlier, this provides the main set of the rules, and the one I talked about earlier was consequential, but this relates to VPLAs.

The Chair: Ed, are you okay with that?

Hon. Ed Fast: Not quite. This has to do with money purchase provisions, correct? Clause 90 just defines what those money purchase provisions are.

I hope we're on the same clause.

The Chair: We're on page 117.

Mr. Trevor McGowan: I'm looking for the specific....

I'm not sure of the question. If you look at the top of page 118, it really starts to get into the body of the VPLA rules. The money purchase—

Mr. Ted Falk: I think subclause 90(4) is where it's identified, Mr. McGowan.

The Chair: Do you mean the VPLA fund, Ted?

Mr. Ted Falk: Yes.

The Chair: This is the VPLA fund, proposed paragraphs 8506(13)(a), 8506(13)(b) and 8506(13)(c).

Mr. Trevor McGowan: In terms of the specific pension rules, I just got an email from my colleague Max, who swears he is in the waiting room and is eager to discuss them.

The Chair: Mr. Clerk, let's see if you can get Max in here and give Trevor a little break.

I know the interpreters are getting tired. We are going to give them a half-hour break at 7:00.

The Clerk: Mr. Easter, he should be on now. His name is Maximilian.

The Chair: I don't see him, but I have too many things on my screen. Maximilian, just speak when you're here. We'll wait.

The Clerk: We promoted him to panellist, Mr. Easter, but we don't see him anymore.

The Chair: Just give him another shot. Technology is so wonderful.

Hon. Ed Fast: This is taking a while.

The Chair: It is, but this is technology. It's the Internet speed you have out there on the west coast, Ed. That's the problem.

Hon. Ed Fast: My Internet speed is fine. We have lots of broadband out here.

The Chair: I know you do.

The Clerk: The only thing I can suggest at this point would be that he disconnect and try to reconnect, and we try to promote him again to panellist. Maybe he can hear me, or Mr. McGowan can connect with him and ask him to try that.

• (1830)

The Chair: Trevor, if you could, just tell him to reconnect and we'll try to get him in.

Mr. Trevor McGowan: I just sent him a note. I can maybe start to go through it until Max makes it on. He is the expert on pension rules.

As I said, clause 90 relates to the introduction of variable payment life annuities. For the money purchase provisions of these plans, subsection 8506(1) sets out the permissible types of benefits that can be offered.

Proposed paragraph 8506(1)(e.1) is about retirement benefits other than benefits permissible under paragraph 90(2)(e.2).

Proposed paragraph 8506(1)(e.2) is a measure that specifically relates to VPLAs. It's saying that if you have a VPLA, don't look to paragraph (e.1); look to paragraph (e.2).

Subclause 90(2) introduces the basic rules saying that these types of money purchase provisions can offer paragraph (e.2) variable payment life annuities. It provides the rules for them and the conditions that need to be met for them to work.

The Chair: There's Maximilian. I see him in real life. Welcome. We've been waiting for you, sir.

Mr. Maximilian Baylor (Senior Director, Personal Income Tax Division, Tax Policy Branch, Department of Finance): I'm sorry about that. I'm not too sure I was there, and it wasn't activating.

The Chair: That's not a problem. Did you hear the question?

Mr. Maximilian Baylor: I'm not sure. I got kicked out, and I think I had to reboot. I guess that's how they got me in.

I did hear the first one, so maybe I can pick up from there with just a bit of a description. I did hear the question about whether this is sort of a RRIF and how it relates to that, so maybe I can start by answering that question, and we can then follow up from there.

These new VPLAs, variable pension life annuities, are basically meant for defined contribution registered pension plans as well as PRPPs, pooled registered pension plans. Before the introduction of these rules, you basically had three options when you reached, as was mentioned, age 71, and had to convert into a bit of a decumulation vehicle. The first option is to transfer your funds to an RRSP or RRIF, and that serves as a decumulation option. The second option is that you can buy an annuity. The third option is basically to stay in the plan, and you can receive payments directly from your plan in retirement.

However, when you stayed in your plan, you were basically on your own, and you stayed in whatever the plan invested in for you and paid out. The variable payment life annuity option adds another option. It lets you stay in your plan but allows you to join a group of other members of the plan. You basically join a pool. That allows you to pool the mortality experience of the different members. You agree to go into this pool, and then your payments vary, based both on the investment and on the mortality experience of the plan.

In a way, it brings you a bit closer to a defined benefit pension plan. Here, of course, there is variability based on the experience, but it allows you to pool all the members of the plan in that way. Anybody who wants to participate in these VPLAs can do so, and then they can benefit from that pooling.

Does that address the question?

• (1835)

The Chair: Members, does that satisfy the question?

Hon. Ed Fast: Yes. Thank you.

The Chair: Shall clause 90 carry on division?

(Clause 90 agreed to on division)

(On clause 91)

The Chair: I don't know who's up on that one. Maybe it's Max or Trevor.

Mr. Trevor McGowan: I can speak to clause 91.

This clause relates to specified multi-employer plans. A specified multi-employer plan is a common type of defined benefit pension plan in unionized trades. Contributions to the plan are determined at a per hour rate under collective bargaining arrangements. Currently there are restrictions on benefits accruing to members who are older than 71 years of age or who have retired.

What this measure would do is prohibit or prevent contributions in respect of these employees who can't benefit from the plan anymore or in respect to the members who can't benefit from the plan. It makes the rules apply more appropriately when you're not making contributions for benefits that can't accrue in respect to a member.

The Chair: Ed, go ahead.

Hon. Ed Fast: I have a general question, Mr. Chair, to our witnesses.

Is the government becoming more generous, relaxing and expanding the ability of Canadians to plan for their retirement? Is that where all of these different clauses and provisions are fitting in?

The Chair: Who wants to take that one on?

Mr. Trevor McGowan: I can turn to my colleague Max on the aspect of providing more flexibility for retirements, because that is certainly one of the driving forces for ALDAs, or advanced life deferred annuities, and variable payment life annuities. This specified multi-employer plan responds more to an oddity in the current rules, whereby when somebody continues working past 71, no benefits under the current rules could accrue to them, but there are still contributions being made in respect to them.

From time to time we receive comments that in a certain situation, the rules don't work appropriately, and we respond in order to fix the rules and make them work more appropriately. This specified multi-employer plan is more of a technical fix to respond to a situation of the rules not working as they should, and then I could maybe turn it over to Max to discuss how some of the other measures are helping Canadians save for retirement.

Hon. Ed Fast: My question was a much more general one. I'm assuming that the VPLAs and some of other innovations that are happening within the industry are introducing additional flexibility for retirees to use.

The Chair: Ed, is your question really related to the good things that the government is proposing on pensions?

Hon. Ed Fast: You know what? The government has to do something well. Maybe this is the one thing it's doing well, Mr. Chair.

The Chair: Mr. Baylor, go ahead.

Mr. Maximilian Baylor: Maybe I can briefly say, echoing what Trevor was saying, that for ALDAs and VPLAs, that is the purpose. It's to provide greater flexibility and provide additional tools that can be used to better plan and expand the options to plan in retirement, and how and when you receive your income in retirement. For those two measures, yes, that's the idea.

Hon. Ed Fast: Thank you.

The Chair: Thank you all.

Shall clause 91 carry?

(Clause 91 agreed to on division)

(On clause 92)

Mr. Trevor McGowan: Clause 92 is a consequential amendment related to the extension of the Canada emergency wage subsidy.

The wage subsidy provides subsidization in respect of broadly two classes of employees. It provides the basic set of rules for active employees, but it also provides a subsidy in respect of furloughed employees—that is, employees who are on leave with pay. What this change to the regulations does is provide the parameters for the extended wage subsidy periods for these furloughed employees and their wage subsidy rates.

• (1840)

The Chair: Shall clause 92 carry?

(Clause 92 agreed to on division)

The Chair: Gabriel, you had a question on that one.

[Translation]

Mr. Gabriel Ste-Marie: Does the Minister have the power to make regulations to change the rates, percentages and amounts of the benefits?

[English]

Mr. Trevor McGowan: The rates for furloughed employees are currently set out in the regulations. Many of the other rates can actually be changed by regulation as well. The base wage subsidy rate and the rent subsidy base rate can be changed by regulation as well, but this one relates to furloughed employees, and the rate is currently set out in the regulations.

[Translation]

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: Thank you, all.

We are turning to clause 93.

(On clause 93)

Mr. Trevor McGowan: Clause 93 relates to the enhanced capital cost allowance, or accelerated investment incentive deductions, available for zero-emission vehicles and the expansion of the types of vehicles that qualify.

As we discussed earlier, the capital cost allowance system is based on a number of capital cost allowance classes. Different types of assets are put in different classes, and each class has its own capital cost allowance deduction rate. This measure introduces a new capital cost allowance class, class 56, in respect to these new zero-emission vehicles.

The Chair: Okay.

Go ahead, Pat Kelly.

Mr. Pat Kelly: I don't have a question. I'm content to let it go on division, but I didn't hear you call clause 92. Did you call clause 92 before Gabriel?

The Chair: Yes, I did. I called clause 92 before Gabriel.

Mr. Pat Kelly: My apologies.

The Chair: It's not a problem. Good job; you're watching.

Shall clause 93 carry on division?

(Clause 93 agreed to on division)

(On clause 94)

Mr. Trevor McGowan: These amendments are consequential on the amendments to the registered disability savings plan.

I don't know if somebody else was planning to come to speak to Canada disability savings regulations.

The Chair: Is there anybody in the room who can give a signal to the clerk on the Canada disability savings regulations? We're on page 121 of the bill.

Mr. Trevor McGowan: If not, I think we could probably speak to them. My colleague Lesley Taylor is in the lobby. She is one of our policy leads on the registered disability savings plans.

The Chair: Go ahead, Ms. Taylor. We're on Canada disability savings regulation, clause 94.

Ms. Lesley Taylor (Senior Director, Personal Income Tax Division, Tax Policy Branch, Department of Finance): To clarify, these regulations are the purview of Employment and Social Development Canada. They were drafted by that department. I work with Trevor in the tax policy branch at the Department of Finance. I'll note that as we are not the owners of these regulations, we can speak to them at a high level but may have some limitations as to what we can delve into.

Clause 94 is essentially a correction to the French to bring it in better line with the existing English terminology.

• (1845)

The Chair: Okay. Is there anything further on that?

(Clause 94 agreed to on division.)

(On clause 95)

Ms. Lesley Taylor: To take a step backward, you have to understand that under the RDSP regime, essentially one has to be eligible for the disability tax credit in a year to be able to generally continue to be the beneficiary of a plan. The proposal in budget 2019 that we're talking about in this bill would adjust that so that individuals who cease to be eligible for the DTC may keep their plans open and retain the grants and bonds that have been paid into those plans.

Under the old rules, we did have a special rule that allowed for individuals who ceased to be eligible for the DTC but in future years might regain their DTC eligibility. One might imagine a disability that could wax and wane over time. Clause 95 is essentially repealing the parts of the rules that relate to that special election to keep a plan open if one expected to regain DTC eligibility. It's essentially not needed anymore, given the new proposed regime.

The Chair: Shall clause 95 carry on division?

(Clause 95 agreed to on division)

(On clause 96)

Ms. Lesley Taylor: Clause 96 deals with events that that can trigger a need to repay grants and bonds to the Government of Canada. For example, if an individual dies, their plan needs to be wound up, so it can trigger a need to repay grants and funds under certain conditions. This clause basically specifies how the rules will work under this new regime when we're no longer dealing with an individual who continues to be eligible for the disability tax credit, as opposed to an individual who is no longer eligible for the disability tax credit.

The Chair: All right. Thanks for the explanation.

Shall clause 96 carry on division?

(Clause 96 agreed to on division)

(On clause 97)

Ms. Lesley Taylor: Clause 97 just repeals a section that specifically related to that special election I spoke to earlier for an individual who was expected to regain DTC eligibility in the future. Again, it is no longer needed, so it's cleaning up the regulations for that.

(Clause 97 agreed to on division)

(On clause 98)

Ms. Lesley Taylor: Clause 98 is essentially a bit of a clarification that no repayment is required on any disability assistance payment, which is a fancy way of saying that withdrawals from this plan after an individual attains the age of 59.... It's basically just for additional clarity that there is no repayment after that age.

The Chair: Shall clause 98 carry on division?

(Clause 98 agreed to on division)

(On clause 99)

Ms. Lesley Taylor: This is the final one with respect to these regulations.

This clause deals again with a disability assistance payment. As I said, it is a fancy way of saying that when a withdrawal from this plan occurs, it lays out any repayment requirements that would be applicable to an individual who is no longer DTC eligible.

The Chair: Shall clause 99 carry on division?

(Clause 99 agreed to on division)

The Chair: That completes part 1.

We will go to part 2, which is "GST/HST Measures".

Are we ready to group clauses 100 to 116 with unanimous consent and carry them on division?

• (1850)

Hon. Ed Fast: No.

The Chair: No. Okay.

(On clause 100)

Mr. Pierre Mercille: I am going to speak to that clause.

The Chair: Go ahead, Pierre.

Mr. Pierre Mercille: Essentially, clause 100 amends the main definition provision in the GST/HST legislation, so there are a few things in there.

The first amendment is a consequential amendment to the e-commerce measures that are found later in this part.

[*Translation*]

The second amendment is simply to make the French version of the act correspond to the English version. We don't think it changes anything in the Canada Revenue Agency's interpretation.

[*English*]

The third amendment concerns virtual currencies. The amendment in this bill makes sure that virtual currency is treated as a financial instrument, so the supply of it becomes an exempt financial service. If a person buys Canadian dollars with a virtual currency, they don't have to charge tax on their supply of virtual currency.

The Chair: Thank you.

Go ahead, Ms. Jansen.

Mrs. Tamara Jansen: There was a bit of a break between the English and the French translation, so I just want to understand it. You're saying that you will not charge—

Mr. Pierre Mercille: With regard to the second amendment, we try to ensure that the French and the English version of the legislation say the same thing. In this case, there was ambiguity as to whether they were saying exactly the same thing. The interpretation principle says that you have to find a common interpretation between the English and the French, so we did a very small amendment here to ensure that both versions say the same thing. We don't believe this changes anything in how CRA interprets and will interpret that provision.

Mrs. Tamara Jansen: Okay.

The Chair: Go ahead, Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: When you say virtual currency, is bitcoin an example?

Mr. Pierre Mercille: Things of that nature, yes.

Mr. Gabriel Ste-Marie: Okay. Thank you.

[*English*]

The Chair: Okay.

Shall clause 100 carry on division?

(Clause 100 agreed to on division)

(On clause 101)

Mr. Pierre Mercille: Clause 101 is again an amendment that is made to ensure better consistency between the French version and the English version of the legislation, and it's linked to the e-commerce one that is found later in the bill. It's a consequential amendment.

The Chair: Shall clause 101 carry on division?

(Clause 101 agreed to on division)

(On clause 102)

Mr. Pierre Mercille: Clause 102 is a consequential amendment to the e-commerce amendments, and essentially what the rule does is ensure that.... There's a rule right now in the legislation that deems some supplies to be made outside of Canada, and when it's outside Canada, it's usually not taxable. This measure creates an exception so that even if it's a foreign supplier to a consumer in Canada, the supply will not be deemed by this provision to be made outside Canada.

Again, this is only a consequential amendment to ensure that the rule works properly.

The Chair: Shall clause 102 carry on division?

(Clause 102 agreed to on division)

(On clause 103)

Mr. Pierre Mercille: Clause 103 is also a consequential amendment to the e-commerce provision. This is the rule that sets out who is a small supplier with respect to the GST and HST. Usually, it's those with sales of less than \$30,000 of taxable supply a year, but since the new e-commerce rule later in this bill basically creates a new type of threshold, this clause ensures that this existing rule doesn't affect the new rules. It's a consequential amendment.

The Chair: Shall clause 103 carry on division?

(Clause 103 agreed to on division)

(On clause 104)

Mr. Pierre Mercille: Clause 104 is, again, a consequential amendment to the e-commerce provision, and it's basically there to ensure that there are no conflicts between some existing rules and the new rules that the bill adds with respect to those e-commerce transactions.

The Chair: There are no questions, so will clause 104 carry on division?

(Clause 104 agreed to on division)

(On clause 105)

Mr. Pierre Mercille: Clause 105 has two aspects.

The first aspect is that it's similar to the clause just above. It's a consequential amendment to the e-commerce amendments, and essentially it's to ensure that an existing rule in the legislation doesn't contradict what is intended to be done in the new provisions of e-commerce that come later in this bill.

The second aspect of it is that it deals with drop shipment rules. Essentially, it's a little bit complex. It deals with non-resident and resident, and it's using a series of transactions. Without going into details about what drop shipments are, I will say that the only amendment being made here is that these will apply mainly to goods. The CRA took the position that fungible goods—essentially, goods that are sold in bulk—may not.... Some businesses may not benefit from those rules because in the series of transactions, it may not be the same pound of ore or mineral that is transferred in the chain, and CRA has the position that it has to be the exact same goods. This is clarifying that fungible goods can benefit from those rules.

• (1855)

The Chair: There are no questions, so shall clause 105 carry on division?

(Clause 105 agreed to on division)

(On clause 106)

The Chair: We're now on clause 106.

Mr. Pierre Mercille: Clause 106 deals with what is called the holding corporation rule in the GST/HST legislation.

In certain circumstances, this holding corporation rule allows a holding corporation to claim ITCs, or input tax credits, with respect to some expenses in relation to a subsidiary or a related company.

There are two amendments. The first one clarifies which expenses can give rise to those ITCs, and the second amendment expands the rule. Right now, the holding corporation rule only applies if the holding company is a corporation. We're expanding the rules to allow the benefit of these rules for a holding entity that is a trust or a partnership, because one particularity of the GST/HST legislation is that "trust" and "partnership" are treated as separate legal entities; because we opened those rules, there are a few little technical changes that are meant to improve the text.

The Chair: I don't see any questions, so shall clause 106 carry on division?

(Clause 106 agreed to on division)

(On clause 107)

The Chair: We're now on clause 107.

Mr. Pierre Mercille: Clause 107 is the main rule that deals with e-commerce in this bill.

As you may know, there are three different measures for e-commerce. One is to ensure that non-resident vendors that supply digital products and services to consumers in Canada are required to register under a simplified system and to collect and remit the GST/HST on their taxable supply to consumers in Canada. That's the first aspect of the measures in this section.

The second aspect deals with goods that are currently in Canada and that are going to be sold to a person in Canada. It basically requires distribution platform operators and non-resident vendors to register under the normal GST/HST rules and collect and remit the GST/HST with respect to certain supplies of goods as shipped from a fulfillment warehouse in Canada to a consumer in Canada.

You may have gone on websites before, such as online stores and things like that, and found that basically the product is sold by company A, but it's fulfilled by company B. These are the kinds of transactions that these amendments will affect.

The last aspect of these e-commerce provisions is to basically apply the GST/HST on all supplies of short-term accommodation in Canada that are facilitated through a digital platform.

The Chair: Go ahead, Mr. Falk.

Mr. Ted Falk: Thank you.

Is this going to apply to Netflix now? Does this accommodate a Netflix-type tax, or is this just for something like Amazon, when you buy something in the United States and have it imported here? Give me an example of how this would apply.

Mr. Pierre Mercille: I'm not going to comment on how the rule would apply to specific companies, but I can tell you that the first aspect of the amendment that I described is intended to target foreign companies that provide streaming services in Canada.

Hon. Ed Fast: Let me get this right. You mentioned there's a simplified registration process for e-commerce vendors. These e-commerce vendors are outside of Canada, correct?

Mr. Pierre Mercille: Yes.

Hon. Ed Fast: We're asking foreigners to register for HST/GST purposes if they want to do business in Canada, correct?

• (1900)

Mr. Pierre Mercille: Yes.

Hon. Ed Fast: We're asking them to remit tax to the Canadian government.

Mr. Pierre Mercille: Yes.

Hon. Ed Fast: Has any analysis been done on whether this is going to reduce the willingness of foreign e-commerce vendors to do business with Canadians?

Mr. Pierre Mercille: My understanding is that the model that is generally proposed by the OECD has been implemented in other jurisdictions. From what I understand, there's a willingness by those companies to comply with those rules, basically so that they keep their good corporate name.

Hon. Ed Fast: I'm not opposed to this measure. It's just that I'm wondering to what degree there will be compliance with it and whether we'll lose some vendors and others will find ways of circumventing these rules.

Mr. Pierre Mercille: I'm the legislative guy, but from what I understand from the policy people, in other jurisdictions where similar models have been put in place, the major players have complied with those rules.

The Chair: We'll go to Mrs. Jansen and Mr. Ste-Marie. I promised the translators we would suspend about now. If we could take the two questions, we'll then have to suspend.

Go ahead, Mrs. Jansen.

Mrs. Tamara Jansen: You mentioned that the big players have been chatted with. Has somebody in the Canadian government actually talked with the big players, and they've said that they're willing to do this? Is that what you were saying, or are you saying that they've done it elsewhere, so we just expect they'll do it here?

Mr. Pierre Mercille: I said the first part, but to add to my answer, my understanding is that people have talked to the major players, and their intention is to comply.

Mrs. Tamara Jansen: Who would "people" be?

Mr. Pierre Mercille: I don't want to name specific companies.

Mrs. Tamara Jansen: I mean, who was talking to the companies? Was it federal employees or officials?

Mr. Pierre Mercille: I know officials talked to.... I would not be surprised if the minister's office talked to those companies too. I have no details about that. I just know that officials from the sales tax division and the tax policy branch have talked to some of those major players.

The Chair: Go ahead, Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: First of all, I would like to say a huge thank you to the interpreters and the entire technical team who make the committee work. Three and a half hours is a lot.

My thanks also to the senior officials for making themselves available.

Mr. Mercille, if you could send us the list of the OECD countries that have such legislation in place, we would be very grateful to you.

Mr. Pierre Mercille: Of course.

[*English*]

The Chair: We won't be able to finish clause 107. We'll have to vote on it when we come back.

We all agree with Mr. Ste-Marie's comments on all the officials and the interpreters who have worked so hard. This is pretty technical stuff, so it has to be hard to keep up in the booth.

For members, we will suspend until about 7:33 in Ottawa time. We will have until 9:30 Ottawa time. We managed to negotiate agreement to go until 9:30.

I would suggest to committee members to look through the bill and find a way to speed this up a little bit, so that officials don't have to explain every single clause. Maybe we could move some in groups on division. People can look through the bill and see where their concerns are, because officials have spent two evenings and were before committee already. We don't want to wear them out completely.

With that, we will suspend until 7:34. We'll start on the dot.

The meeting is suspended.

• (1900)

(Pause)

• (1935)

The Chair: We shall reconvene meeting number 51 of the finance committee. We are studying Bill C-30 clause by clause.

We were at clause 107 and had a discussion on that. Are there any further questions?

Ed, your hand is up. Go ahead.

Hon. Ed Fast: During our break, Mr. Chair, I was going through clause 107. This is a very long clause, but I wanted to get our officials to comment on the way Airbnbs are going to be treated under the e-commerce provisions.

Mr. Pierre Mercille: I'm not going to talk specifically about Airbnbs, because the application of the legislation to a particular tax situation is the responsibility of the Minister of National Revenue, but I can go through the measure that deals with short-term accommodation.

Essentially that's the third aspect of the e-commerce measure. It deals only with the supply of short-term accommodation in Canada that is facilitated through a digital accommodation platform. The amendments require the GST/HST to be collected and remitted by either the property owner or the accommodation platform operator if the supply is facilitated through a digital accommodation platform.

The property owner would be the one who is going to remit the tax if that person is already registered for the GST/HST, while the obligation to remit would fall under the accommodation platform of the operator if the property owner is not registered.

As I mentioned, there would be a simplified GST/HST registration and remittance framework that also would be available to non-resident accommodation platform operators who are not carrying on business in Canada. Essentially they're not carrying on business in Canada, and beside the fact that they may have customers in Canada, they don't have a physical presence here.

[Translation]

The proposal is for these measures to apply as of July 1.

• (1940)

[English]

Hon. Ed Fast: I have just one last question. It's a very short one.

Is there a revenue threshold below which a short-term accommodation would not be captured, or is all short-term accommodation captured under this legislation?

Mr. Pierre Mercille: I believe it's all of them, but just to be sure, Dominic DiFruscio is in the waiting room. Maybe he can confirm that.

The Chair: Mr. Clerk, did we find Dominic?

The Clerk: Yes, sir. He should be in.

The Chair: Go ahead, Dominic. I hope you heard the question.

Mr. Dominic DiFruscio (Senior Advisor, Sales Tax Division, Tax Policy Branch, Department of Finance): Yes. Good evening, Mr. Chair.

It seems from a technical perspective from the waiting room that the clerk had disconnected me and then reconnected me into Zoom. I think that's why there was a bit of a delay.

To answer the question, it would apply to all short-term accommodation in Canada.

We have a \$30,000 threshold. At present, this \$30,000 threshold would apply at the property owner level. With this particular measure, the \$30,000 threshold would then apply at the platform level. In effect, you could have a property owner who is making less than \$30,000 of supplies. That person would not be required to register under the general GST regime. However, if the grand total of all supplies being made through the platform reaches that \$30,000, including perhaps many multiple-property owners who are making less than \$30,000, that \$30,000 threshold would then apply at the platform level.

In general, this measure would apply to major platforms. In the vast majority of cases, a major platform would be facilitating more than \$30,000 of supplies of short-term accommodation. In that case, the platform would be required to register under the simplified regime.

Hon. Ed Fast: Okay. For clarity, if you have a short-term accommodation facility that maybe has \$10,000 to \$15,000 worth of revenues but is actually promoting itself on a platform like Airbnb, which is huge, it will be paying GST.

Mr. Dominic DiFruscio: In a circumstance such as that, it would be the digital platform. The large corporation that would be facilitating those supplies would be required to collect and remit the GST.

Hon. Ed Fast: Effectively, all short-term accommodation is now going to be taxed.

Mr. Dominic DiFruscio: Effectively, that's correct. Effectively, yes, all short-term accommodation in Canada that's facilitated through a digital platform would be subject to the GST.

• (1945)

Hon. Ed Fast: That's very helpful to know. Thank you.

Mr. Dominic DiFruscio: You're welcome.

The Chair: Shall clause 107 carry on division?

(Clause 107 agreed to on division)

(On clause 108)

The Chair: We're on clause 108. Pierre, you will have to speak to it briefly.

Mr. Pierre Mercille: Clause 108 is basically a consequential amendment. There are two amendments in there. One is consequential to the e-commerce measure, and the other one is consequential to the old rules that I explained earlier.

The provision being amended is a registration provision. Basically this refers to the consequential amendment to the simplified registration that I mentioned. It allows the registration, in certain cases, of trusts and partnerships that would have an operating company under them and be able to claim ITCs.

The Chair: Thank you, Pierre.

Shall clause 108 carry?

(Clause 108 agreed to on division)

(On clause 109)

[Translation]

Mr. Pierre Mercille: Clause 109 amends the new housing rebate of the GST, or the federal component of the HST. When a new house is purchased, a condition of the rebate specifies that, if there are two names on the title of ownership, those two people must acquire the property for use as a principal residence.

The amendment relaxes that rule. Basically, it makes things simpler. The amendment is very technical but the result is that, if there are two names on the title of ownership, one of those people must acquire the property in order to use it as a principal residence.

[English]

The Chair: Shall clause 109 carry on division?

(Clause 109 agreed to on division)

(On clause 110)

The Chair: For those who are wondering, we're around page 160. Tamara, you were wondering earlier.

Mr. Pierre Mercille: Yes, we're on page 161.

Clause 110 is a consequential amendment to the e-commerce provision. It provides a penalty for providing false information to a platform. For example, someone who rents short-term accommodation provides a registration number when they don't have one, they would be essentially trying elude the payment of tax, and there's a penalty here.

● (1950)

The Chair: Shall clause 110 carry on division?

(Clause 110 agreed to on division)

(On clause 111)

[Translation]

Mr. Pierre Mercille: Clause 111 is an amendment consequential to the e-commerce provisions. It deals with the requirement to keep records, and allows the Minister of National Revenue to relax the general condition that, if GST and HST are payable, the records must be kept in French and English, and in Canada.

[English]

The Chair: Shall clause 111 carry?

(Clause 111 agreed to on division)

(On clause 112)

Mr. Pierre Mercille: Clause 112 is a consequential amendment to e-commerce. It deals with the definition of “business number”. It makes a cross-reference to the new simplified registration number, as the business number is usually part of the registration number.

The Chair: Shall clause 112 carry on division?

(Clause 112 agreed to on division)

(On clause 113)

Mr. Pierre Mercille: Clause 113 is an amendment that is consequential to the e-commerce provision. Since there's a new penalty that's being created, as a consequential amendment there's a rule

that excludes that type of penalty—because it's similar to other penalties existing under the act—from a limitation period.

Mrs. Tamara Jansen: Do I understand you to say that there is no limitation on the penalty, timewise?

Mr. Pierre Mercille: In this provision, there's a rule that limits penalties—I don't have it in my head right now—and this one excludes that rule from the limitation on penalties.

Mrs. Tamara Jansen: Why would that be? Why would it be different from other ones?

Mr. Pierre Mercille: Essentially, it's because it's similar to other ones that are already listed in this provision in sections 280.1, 285 and 285.01. This one would add section 285.02. It's very similar to existing provisions for the normal GST rule, but in this case, it's in the case of e-commerce.

The Chair: Okay.

Shall clause 113 carry on division?

(Clause 113 carried on division)

(On clause 114)

[Translation]

Mr. Pierre Mercille: Clause 114 is the measure that was announced in the fall economic statement, 2020, to relieve face masks, and face shields from the GST and HST.

● (1955)

[English]

The Chair: Shall clause 114 carry on division?

Hon. Ed Fast: Should we call a recorded vote on this? What do you think, Mr. Chair?

The Chair: Well, it's your right to call one if you want to call one.

Hon. Ed Fast: No, on division is fine. I was joking.

The Chair: We could even call for a standing vote, Ed.

(Clause 114 agreed to on division)

(On clause 115)

Mr. Pierre Mercille: Clause 115 is a relieving amendment.

Currently, if you export goods from Canada, they're usually not subjected to GST/HST, but the freight transportation service from a place in Canada to a place outside Canada is usually also relieved. In this case, it's adding driving services to the definition of freight transportation services. CRA was of the opinion that because the provision used the word “transportation”, if you exported a vehicle, essentially the vehicle had to be towed or on top of another vehicle.

The Chair: Shall clause 115 carry on division?

(Clause 115 agreed to on division)

(On clause 116)

The Chair: Clause 116 will end part 2.

[*Translation*]

Mr. Pierre Mercille: Clause 116 is similar to an amendment I previously described on the new housing rebate. This is the provincial part of the rebate applicable to new housing in Ontario. It works just like the amendment on the GST. If there are two names on a title of ownership, one of those people must use the property as a principal residence.

[*English*]

The Chair: Thank you, Mr. Mercille.

(Clause 116 agreed to on division)

The Chair: All right. We're starting part 3, with amendments to the Excise Act, 2001.

There are no amendments for clauses 117 to 125. Do we want to see them all as one group?

Hon. Ed Fast: We'll do them separately, Mr. Easter. This is good; this is working well.

The Chair: Okay.

(On clause 117)

Mr. Pierre Mercille: I'm going to explain clause 117, but I'll say that part 3 has the amendments needed for the tobacco tax increase. Clause 117 essentially fixes a date for the triggering of an inventory tax.

The Chair: Shall clause 117 carry on division?

(Clause 117 agreed to on division)

(On clause 118)

Mr. Pierre Mercille: Clause 118 is essentially the provision that provides for the inventory tax.

• (2000)

The Chair: Shall clause 118 carry on division?

(Clause 118 agreed to on division)

(On clause 119)

Mr. Pierre Mercille: Clause 119 essentially establishes a due date for the filing of the return for the inventory tax.

The Chair: Shall clause 119 carry on division?

(Clause 119 agreed to on division)

(On clause 120)

Mr. Pierre Mercille: Clause 120 is very similar to clause 119. Essentially it establishes the date by which the inventory tax must be paid to the Receiver General.

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Chair, I would like to make a comment.

[*English*]

The Chair: Gabriel, go ahead.

[*Translation*]

Mr. Gabriel Ste-Marie: Some questions were asked at the briefing. I remember that the member for Malpeque said that he would have to start smoking cigars to avoid paying the increased tax. This whole section deals with cigarettes, cartons of cigarettes and bulk tobacco. Does it also deal with vaping products?

Let me also make an editorial comment. A researcher who works for the Bloc Québécois finds that this section is an outrage. I don't share his sentiment, of course.

Mr. Pierre Mercille: You will see in the remainder of my presentation that this also applies to cigars, but it does not apply to vaping products.

[*English*]

The Chair: That was a good question.

(Clause 120 agreed to on division)

(On clause 121)

[*Translation*]

Mr. Pierre Mercille: Clause 121 is the change in rate for cigarettes, as indicated in the schedule.

[*English*]

The Chair: Shall clause 121 carry?

(Clause 121 agreed to on division)

(On clause 122)

[*Translation*]

Mr. Pierre Mercille: Clause 122 changes the rate for tobacco sticks. I am told that this is a type of cigarette where you have to put the filter in yourself. The product is not very popular.

[*English*]

The Chair: I see no questions.

(Clause 122 agreed to on division)

(On clause 123)

Mr. Pierre Mercille: Clause 123 is a change in rates for what is called "manufactured tobacco" that is not covered by the other change in rate.

The Chair: Shall clause 123 carry on division?

(Clause 123 agreed to on division)

(On clause 124)

Mr. Pierre Mercille: Clause 124 is the change in rate for the taxation of cigars.

The Chair: Shall clause 124 carry?

(Clause 124 agreed to on division)

(On clause 125)

Mr. Pierre Mercille: Clause 125 is a change in rate for the additional duty on cigars.

The Chair: I have Mrs. Jansen first, and then Mr. Fast.

Mrs. Tamara Jansen: Thank you.

I'm just curious. You mentioned that the tobacco sticks weren't that popular. How about chewing tobacco? I don't think you mentioned that. Is that not in this?

Mr. Pierre Mercille: I think it's a manufactured tobacco product.

The Chair: Go ahead, Mr. Fast.

Hon. Ed Fast: Can I ask you what the purpose was for increasing the rate of tax on tobacco products? Was it to increase tax revenues? Was it to get Canadians to stop smoking? If so, has an analysis been done to determine how much an incremental increase in the tax on tobacco products would impact the rate of smoking in Canada?

• (2005)

Mr. Pierre Mercille: I think the answer is all of the above. Phil King, who is in the waiting room, may be in a better position than I am to answer about tobacco rate cessation and those kinds of things.

Hon. Ed Fast: Sure, Mr. Chair.

The Chair: Can you let Mr. King in, Alexandre?

Mr. Pierre Mercille: I'm going to repeat in French while he is joining.

[Translation]

Yes, those are probably the two objectives, but I will let Mr. King answer questions about the effect of tobacco taxes on consumption.

[English]

The Chair: There's Mr. King.

Phil, go ahead. Did you hear the question?

Mr. Phil King (Director General, Sales Tax Division, Tax Policy Branch, Department of Finance): I certainly did.

Thank you, Mr. Chair, and thank you, Mr. Fast.

Pierre is correct. Indeed, the goal is twofold. It is to raise some revenue and to discourage smoking. Excess taxes are fairly effective at doing that. If you look at smoking rates in Canada, they've gone from about 25% for the adult population in 1999 or so to around 15% now. That's in the context of increasing taxes, not just at the federal level but at the provincial level as well. Generally provincial taxes are a bit higher than the federal tax on tobacco.

I think your specific question is about how effective it is and if we can quantify it. I wish I could give you a firm answer. I wish I had a very good, well-specified model so that I could say that a dollar in tax gets you this sort of decline rate. The decline rate is not an issue that is amenable to that sort of thing. There are lots of moving parts, you see. The past isn't really a good guide to the future on this issue.

For example, far fewer people who smoke, and the nature of those smokers is a bit different. You're kind of down to the hardcore smokers, so maybe they don't respond as much to prices as people did many years ago. You have different products in the market—

[Translation]

Mr. Gabriel Ste-Marie: A point of order, Mr. Chair.

I am sorry, but the interpreter is not able to do the translation.

[English]

The Chair: Mr. King, where is your mike, or are you maybe using your computer?

Mr. Phil King: I'm on the computer, and the microphone is at mustache level.

The Chair: Are the translators having a problem translating this witness?

We're okay now, I think, according to Mr. Ste-Marie. Go ahead, Mr. King.

Mr. Phil King: I'm sorry. Would you like me to rewind a bit?

The Chair: Yes. Maybe you'd better do that.

Mr. Phil King: I'll start with the issue of the modelling. It would be very nice if we could say specifically that a dollar increase in tax leads—

Is that no good?

[Translation]

Mr. Gabriel Ste-Marie: Mr. Chair, a point of order. It is not working.

[English]

The Chair: Okay.

Mr. King, can you do both languages or not?

Mr. Phil King: I cannot do it justice.

The Chair: Okay.

Mr. Phil King: Would it be possible to provide an answer in French as a follow-up to the committee?

Hon. Ed Fast: No.

The Chair: Alexandre, what's your point?

The Clerk: Mr. King, do you see below the screen, on the bottom left, a mute-unmute button and an arrow pointing upwards?

If you click on the arrow, it says "Select a microphone".

Mr. Phil King: There is no "Select a microphone" button. There is "Select camera", but no microphone.

The Clerk: Okay. Try to unplug and replugin your microphone. Sometimes that resets it.

Mr. Phil King: Perhaps I have it now.

The Clerk: Yes, you do.

The Chair: Go ahead.

Mr. Phil King: I wish I could give you a very firm answer and that we had very well-specified and good models for predicting and relating quit rates to the prices. It's not always possible, because the past isn't necessarily a good indicator of the future in this case.

For example, far fewer people are smoking now in Canada, and the nature of those smokers is a bit different. You're down to the hardcore smokers now, in contrast with many years ago, when people were recreational smokers, if you could call them that. You have as well very different options, such as vaping. We didn't have vaping options years ago either.

It's difficult to draw a fine line and be very specific when it comes to this sort of question about translating the dollar increase into the quit rates. All I might do is reiterate my initial remarks: Tobacco taxes have gone up over the years and quit rates have also been maintained. The smoking rate has dropped from about 25% to about 15% since 1999 or so.

• (2010)

The Chair: Thank you.

Shall clause 125 carry on division?

(Clause 125 agreed to on division)

The Chair: I'm not sure who's in the waiting room for part 4 and the various divisions, but we'll start with division 1, "Stability and Efficiency of the Financial Sector".

There are no amendments put forward on clauses 126 to 139. Do we have unanimous consent to see them as one?

Hon. Ed Fast: No.

The Chair: No? All right.

(On clause 126)

The Chair: Going to clause 126, do we have anybody in the room...? I see Ms. O'Brien. Are you on that one?

Ms. Erin O'Brien (Director General, Financial Services Division, Financial Sector Policy Branch, Department of Finance): I'm actually going to hand it off to a colleague of mine if we're required to go through it clause by clause. We have both Jean-François Girard and Julie Trepanier in the waiting room. They can provide overviews of clauses 126 through to 139.

The Chair: Okay, then, can we bring them in, Mr. Clerk? He's nodding his head. We'll get them in, Erin.

Ms. Erin O'Brien: Terrific. Thank you.

The Chair: Jean-François Girard, I see him, and Julie Trepanier.

Who wants to take on clause 126 and give us as concise an explanation as you can?

Mr. Jean-François Girard (Senior Director, Financial Stability and Capital Markets Division, Financial Sector Policy Branch, Department of Finance): Thank you, Mr. Chair.

Clause 126 would amend the Canada Deposit Insurance Corporation Act, in particular the stay of proceedings provisions of the act. These stays can be imposed when an institution has failed and is under the resolution provisions of the act.

The clause has a couple of components. One of them deals with stays that would apply to certain shares and liabilities that can be converted into equity on the resolution. Another element would apply to certain eligible financial contracts. These are typically known as "derivatives". The amendment would exclude the application of

the stay provisions of the act to eligible financial contracts—EFCs—entered into between the member institution and sovereign entities and central banks.

As well, there's a provision in there that would enable the CDIC to make bylaws to require that certain clauses be included in the eligible financial contracts of its member institutions. That's clause 126.

The Chair: Thank you.

We have a question from Mr. Falk.

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

Yes, I'm just a little curious about the impetus for these changes to the CDIC. Is the intent just to purify the types of deposits that are insured, or is there a different motivation? Are you just looking at deposit accounts, or was there an actual situation in which some of these derivatives were in play or there were rollovers into equities?

Mr. Jean-François Girard: These provisions do not affect the deposit insurance framework itself. They deal with situations that arise when the institution has failed.

There are some provisions that deal with these EFCs that are part of the management of the bank's books. Normally these EFC clauses have termination rights. However, when the institution is in resolution, the CDIC will generally attempt to sell the institution to a buyer. The value can be preserved if the books are kept whole so that these EFCs are not terminated. There are some stay provisions in the act that apply in these circumstances, but this has really nothing to do with deposit accounts and the payment of insured deposits.

• (2015)

The Chair: I see no further questions. Shall clause 126 carry?

(Clause 126 agreed to on division)

(On clause 127)

Mr. Jean-François Girard: Clause 127 also deals with resolutions. Currently the CDIC can take control of a member institution. It has to resell it within 60 days. An extension can be granted by the Governor in Council. The amendment would extend the period under which the sale would take place by up to 12 months. The Governor in Council could extend the period by up to 18 months.

That's it. That's clause 127.

The Chair: Shall clause 127 carry?

(Clause 127 agreed to on division)

(On clause 128)

Mr. Jean-François Girard: Clause 128 deals with the compensation provisions of that act. Again, it doesn't really have anything to do with the insured deposits. It applies to other creditors that may be in a position....

Sorry; let me take a step back.

The compensation provisions of the act provide a framework whereby creditors are made no worse off under the actions of the CDIC than under a liquidation. Clause 128 really clarifies that in the application of these compensation provisions, the person who is entitled to compensation will be determined as a result of the application of the regulation. It's just clearing up an ambiguity in the drafting.

The Chair: Shall clause 128 carry?

(Clause 128 agreed to on division)

(On clause 129)

Mr. Jean-François Girard: Clause 129 is also a fairly technical amendment. It adds the term “determination” to the drafting of the act, which was an ambiguity in the English version only. It uses “decision” and “determination” in certain areas, so it clarifies that it's either a determination or a decision.

The Chair: Shall clause 129 carry?

(Clause 129 agreed to on division)

(On clause 130)

Mr. Jean-François Girard: Clause 130 also deals with the compensation provisions of the act.

Essentially, when a determination of a compensation has been made by the CDIC, there's an appeals mechanism if the creditor feels that the compensation was erroneous. The provisions proposed here clarify the standard to be met to use the appeals mechanism, and essentially it's that the corporation would have made a determination based on an erroneous finding of fact that was made in a perverse or capricious manner, without regard to the material before it, or in an unreasonable estimate. That's the test that's being clarified for the appeals mechanism.

The Chair: Shall clause 130 carry?

(Clause 130 agreed to on division)

(On clause 131)

Mr. Jean-François Girard: Clause 131 is really an enabling provision to clarify that certain bylaws can be made by the corporation.

The Chair: I see no questions.

(Clause 131 agreed to on division)

(On clause 132)

● (2020)

Mr. Jean-François Girard: Clause 132 essentially repeals a transitional provision that will be introduced in clause 138. I can deal with it at that time or I can explain what clause 138 does.

Mrs. Tamara Jansen: If you could explain it at the same time, that would be helpful. Thank you.

Mr. Jean-François Girard: Okay.

Essentially, clause 138 clarifies certain powers for the CDIC to pay out certain insured deposits, trust deposits that are made through a broker.

Certain deposit brokers can place deposits on behalf of their customers, and these deposits are held in trust. The clause deals with a new regime that is planned to come into force next April and clarifies the information requirements that must be kept on the records of the financial institution for these trust deposits to ensure a precise and fast payment in the event that the institution fails and insured deposits need to be paid out.

Clause 138 has two elements to it. One is that it deals with situations in which there might be an error or an omission in the records of the financial institution. It essentially provides that CDIC may pay deposits that are insured in the event that there is an error made by the trustee, or an omission, but only under certain circumstances, such as having made best efforts to correct it.

The other element under clause 138 is a transitional rule. That's the one that will be in place for two years. Essentially, it provides a bit of a cure period. In the event there's an insured deposit that must be paid and there's an error or omission in the records of the institution, there's a cure period of 90 days whereby, if the information is provided to the CDIC, the payment could be made over that period. That provision would only exist for two years, reflecting a transition period for the new regime that comes into force next April.

The Chair: Okay. We'll deal with clause 132.

Ted, are you on clause 132 or clause 138?

Mr. Ted Falk: I'm at clauses 131 and 138.

What he has described to us is very interesting, but what actually is the frequency of something like this coming into play?

Mr. Jean-François Girard: The frequency is fairly low. The last failures in Canada occurred in the nineties. This regime that we're talking about, about trust deposits, is a new regime. These trust deposits were already insured deposits, but the information requirements have been updated through legislation adopted in 2018.

Essentially, failures have not occurred in the last 30 years, so these are, I would say, unusual events. The purpose of the act is to be ready if it were to come about.

The Chair: Thank you for that.

(Clause 132 agreed to on division)

(On clause 133)

Mr. Jean-François Girard: Clause 133 is for my colleague, Julie Trepanier.

Ms. Julie Trepanier (Director, Payments Policy, Financial Systems Division, Financial Sector Policy Branch, Department of Finance): Thank you, Chair.

Clause 133 replaces the definition of “clearing and settlement system” and “clearing house” in section 2 of the Payment Clearing and Settlement Act to clarify that the act also applies to systems for the exchange of payments. This is to reflect the fact that as payment systems continue to evolve, the exchange, clearing and settlement functions are becoming independent. These amendments would essentially clarify the Bank of Canada's authority to designate payment exchanges to receive the risk management of payment systems in Canada.

The Chair: Shall clause 133 carry on division?

(Clause 133 agreed to on division)

(On clause 134)

Mr. Jean-François Girard: Clause 134 is an amendment to the Payment Clearing and Settlement Act that deals with the compensation provisions in that act in the event of a failure in financial market infrastructure. The provisions essentially mirror those that I just described for the CDIC Act, but they are in the Payment Clearing and Settlement Act.

Essentially, clause 134 sets out the standard to be met for the appeals mechanism I described a moment ago for the CDIC.

• (2025)

The Chair: Shall clause 134 carry on division?

(Clause 134 agreed to on division)

(On clause 135)

Mr. Jean-François Girard: Clause 135 is similar to the clause I described a moment ago, which clarified the English version of the Payment Clearing and Settlement Act that speaks to a determination. It has the term “determination” in that section.

The Chair: Shall clause 135 carry on division?

(Clause 135 agreed to on division)

(On clause 136)

Mr. Jean-François Girard: Clause 136 is for my colleague, Julie.

Ms. Julie Trepanier: Clause 136 replaces subsection 14(1) of the Payment Clearing and Settlement Act to ensure the information-gathering powers of the bank in respect of the clearing and settlement system also apply to payment exchange. This is in relation to the modification of the definition in clause 133.

The Chair: Shall clause 136 carry on division?

(Clause 136 agreed to on division)

(On clause 137)

Ms. Julie Trepanier: Clause 137 replaces subsection 18(3) of the PCSA, which is about the ability of the governor of the bank to share information on designated systems. This is to make sure that these powers also extend to payment exchanges, and again is in relation to the change in the definition.

The Chair: Go ahead, Mrs. Jansen.

Mrs. Tamara Jansen: I'm curious. Are we making all of these changes because we are expecting a lot of institutional failures after the pandemic? If we haven't had many of them over the last 30 years, why are we making these changes?

The Chair: Did you never go to Boy Scouts, Tamara, and hear “Be Prepared”? Sorry.

Julie, could you answer that?

Mrs. Tamara Jansen: Girl Scouts—no, I didn't.

Ms. Julie Trepanier: Actually, this is probably more a question for Michaël or Jean-François.

The Chair: Okay, let's hear from Jean-François.

Mr. Jean-François Girard: Essentially, in the aftermath of the financial crisis in 2008, there was an agenda for improvement to the system, to the legislative regime, and major reforms were introduced in subsequent years. Over time, these are being examined. They are being tested. In particular, the CDIC, for example, does tabletop exercises that simulate a failure, and sometimes some improvements or some precision that should be included in the legislation is identified.

As I described, these are very, very technical points, and they are not really reflecting a new policy reorientation. It is really fine-tuning and clarification.

The Chair: Go ahead, Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: I want to react to the comment you have just made, Mr. Chair.

Our timelines are impossible. The budget was brought down later than scheduled. It contains an unprecedented number of pages and deals with a whole host of topics. I don't know how many times I have read the budget implementation bill that we are studying here, yet each time I read it again, I find something new.

So no one can say that we are not sufficiently prepared. The deadlines that the government is imposing on us are so tight, even for this stage of clause-by-clause consideration. I believe that it is still a time for us to ask all questions we need to put our minds at rest. Sometimes, it takes four and five readings for me to see that there may be a catch, or something that has to be brought up.

So I encourage all my colleagues to ask all the questions they consider appropriate, even at this stage. This a very important exercise.

[*English*]

The Chair: You're not alone there, Gabriel.

Go ahead, Mr. Falk.

Mr. Ted Falk: Thank you, Mr. Chair, and thank you, Gabriel, for those comments. I appreciate them.

On exactly the question that Ms. Jansen asked about what the anticipation is that's invoking all of these changes and the tidying up of legislation, you referenced the bank failures—or, not the bank failures, but the financial crisis in 2008.

I'm wondering. We heard a lot from the Bank of Canada, from the governor and from other financial experts, that inflation is actually quite high right now. We know that. We know from economists that it's nipping at 4%, and that's without the increase in housing.

Interest rates are low. We know that interest rates have to go up. We know that credit has been easy to get in the last several years and that interest rates are low today.

Have you done some scenario planning in which you're anticipating some significant losses in the banks, and this is a matter of tidying up legislation to prepare for that situation?

• (2030)

Mr. Jean-François Girard: In terms of scenario planning, I'm not in a position really to speak about losses to the banks. What the legislation deals with is really the framework.

I think Mr. Chair made a reference to the Boy Scouts. It's all about being ready and drawing from, as I mentioned, major reforms that were made a number of years ago. We're really into the refinement stage of the legislation here.

The Chair: Shall clause 137 carry on division?

(Clause 137 agreed to on division)

The Chair: There was an explanation of clause 138 previously. Is there anything further?

Shall clause 138 carry on division?

(Clause 138 agreed to on division)

(On clause 139)

Mr. Jean-François Girard: Clause 139 is the coming-into-force provisions of clauses 129 to 131. It also includes that transition period that I mentioned of two years. Clause 132 would come into force to repeal the transition rule after two years.

The Chair: Shall clause 139 carry on division?

(Clause 139 agreed to on division)

The Chair: Thank you all very much.

I will turn to division 2, "Unclaimed Amounts".

From previous explanations, this is pretty straightforward. Could we see clauses 140 to 150 as one, with one explanation?

Hon. Ed Fast: No, I don't think so. We'll do them separately.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Fast.

(On clause 140)

The Chair: Then we'll go to clause 140. I'm not sure who is coming in on this one. I see that Ms. O'Brien is still here.

Ms. Erin O'Brien: Mr. Chair, I would direct this to my colleague, Nicolas Moreau.

Nic, are you on the line?

The Chair: He'll likely have to be let in.

Mr. Nicolas Moreau (Director General, Funds Management Division, Financial Sector Policy Branch, Department of Finance): Good evening, Mr. Chair. Sorry about that.

The Chair: Good evening. Welcome, Mr. Morneau.

Go ahead.

Mr. Nicolas Moreau: It's "Morneau". Yeah, you see that often.

The Chair: My sincere apologies.

Go ahead, Mr. Moreau.

Mr. Nicolas Moreau: No problem.

I will cover sections 140 to 150.

[*Translation*]

The changes proposed here amend the framework dealing with unclaimed assets. They propose legislative amendments intended to increase the efficiency of the program and to allow Canadians to recover sums that they have lost or forgotten.

Let me start with clause 140. The clause amends the Bank of Canada Act to allow the bank to publish on its website information on deposits and other unclaimed amounts, in order to facilitate research into unclaimed assets.

[*English*]

The Chair: I have Mr. Fast on the line. Go ahead, Ed.

Hon. Ed Fast: Am I correct in understanding that right now the Bank of Canada does not have the power to publish this information publicly? How do people find out right now whether there are unclaimed amounts in their names?

Mr. Nicolas Moreau: That's a good question, Mr. Fast. They do have the power, but it's not explicit in the act right now. That's why we want to make it more explicit and to make sure that they will be allowed to publish some of the extra information that we are requesting through those amendments.

Hon. Ed Fast: But the bank is doing it right now?

Mr. Nicolas Moreau: Of course, yes.

Hon. Ed Fast: Okay. Thank you.

The Chair: Shall clause 140 carry on division?

(Clause 140 agreed to on division)

(On clause 141)

[*Translation*]

Mr. Nicolas Moreau: The changes in clause 141 go beyond unclaimed amounts to include unclaimed assets in federal pension plans. The proposal in clause 141 is to establish a legislative framework similar to the one dealing with unclaimed assets in financial institutions. It therefore includes requirements for transfers, claims and for publishing information.

• (2035)

[*English*]

The Chair: Shall clause 141 carry?

(Clause 141 agreed to on division)

(On clause 142)

[*Translation*]

Mr. Nicolas Moreau: Clause 142 is a consequential amendment to clause 141, but this time, it deals with subsection 39(1) of the Pension Benefits Standards Act, 1985.

[*English*]

The Chair: Shall clause 142 carry on division?

(Clause 142 agreed to on division)

(On clause 143)

[*Translation*]

Mr. Nicolas Moreau: Clause 143 deals with the Trust and Loan Companies Act. It actually amends subsection 424(1) to include deposits in foreign currency. At the moment, only deposits in Canadian currency are allowed. The intent therefore is to broaden the program to include foreign currencies.

The intent is also to ensure that, after the period of inactivity, financial institutions transfer to the Bank of Canada the social insurance numbers and dates of birth of those who hold those accounts.

Finally, financial institutions are also to transfer copies of signature cards and signing authorities to the Bank of Canada.

Once again, these are clarifications to make sure that information will not be lost and that it will be transferred to the Bank of Canada, which can then use it to find people as quickly as possible and connect with those who may be looking for lost deposits.

[*English*]

The Chair: Shall clause 143 carry?

(Clause 143 agreed to on division)

(On clause 144)

[*Translation*]

Mr. Nicolas Moreau: Clause 144 is another amendment to the Trust and Loan Companies Act.

Currently, the program only holds the mailing address of forgotten account holders. So we want to broaden the program by asking for email addresses as well. As you know, these days it's much easier to find people by their email address than by their mailing address alone. That's what is requested in clause 144.

[*English*]

The Chair: Shall clause 144 carry on division?

(Clause 144 agreed to on division)

(On clause 145)

[*Translation*]

Mr. Nicolas Moreau: Clause 145 is once again similar to those I presented earlier and makes changes to the Trust and Loan Companies Act.

This clause is to ensure that changes to the subsection will include foreign currency bank accounts and that the information will be provided to the Bank of Canada. That includes addresses, social

insurance numbers and dates of birth, for example, and any other type of information.

[*English*]

The Chair: Shall clause 145 carry on division?

(Clause 145 agreed to on division)

(On clause 146)

[*Translation*]

Mr. Nicolas Moreau: Clause 146 is again very similar to another clause I presented. The purpose of this clause is to ensure that email addresses will be transferred from banking institutions to the Bank of Canada.

[*English*]

The Chair: Shall clause 146 carry on division?

(Clause 146 agreed to on division)

(On clause 147)

[*Translation*]

Mr. Nicolas Moreau: Clause 147 is again very similar to what I presented earlier, but it applies to foreign banks. I talked about trust companies and banks, but foreign banks will be subject to the same regulations in terms of transferring information and accepting accounts held in foreign currency.

[*English*]

The Chair: Shall clause 147 carry on division?

(Clause 147 agreed to on division)

(On clause 148)

• (2040)

[*Translation*]

Mr. Nicolas Moreau: I feel like I'm repeating myself, but clause 148 is again very similar to the previous clauses. It allows foreign banks to release the email addresses of people who have forgotten or lost their accounts.

[*English*]

The Chair: That's okay, Mr. Moreau; we don't repeat ourselves very often on this committee.

Shall clause 148 carry?

(Clause 148 agreed to on division)

Mrs. Tamara Jansen: I am hoping there'll be some money coming my way once we put this all in place.

The Chair: They'll post it in red letters, Tamara.

(On clause 149)

[*Translation*]

Mr. Nicolas Moreau: Clause 149 is a coordinating amendment clause. Amendments made in 2007 will take precedence or not, depending on when the amendments we have presented come into force.

[English]

The Chair: Shall clause 149 carry on division?

Hon. Ed Fast: Do we have any idea what those clauses are? They go back to 2007. Do we know what those amendments are?

Mr. Nicolas Moreau: Yes. I cannot provide you full details, but some of them are linked to the information that needs to be transferred to the Bank of Canada. Some of it was not even required before. They do have it, but we are adding to it with this new amendment. I don't have the full details, but some of it is associated with the information that's transferred to the bank.

The Chair: Shall clause 149 carry on division?

(Clause 149 agreed to on division)

(On clause 150)

The Chair: Clause 150 is the last clause in division 2.

[Translation]

Mr. Nicolas Moreau: Clause 150 simply allows various measures to come into force. There are two different dates: one is for pension benefits and the other is for changes to the general framework for unclaimed amounts.

[English]

The Chair: Go ahead, Mr. Falk.

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

I am wondering why you don't have a specific date attached to both subclause 150(1) and subclause 150(2) in clause 150. Is there anticipation as to when the Governor in Council will make that order, or can we expect them to sit on it for years? Why is there not a date?

Mr. Nicolas Moreau: That is a good question, Mr. Falk. Thank you very much.

There is no date because we are currently working with the Bank of Canada to make sure the systems are aligned with our requirements. We're working with them, and it should come into force really soon—as soon as we can ensure the programs are ready to take the new information we require.

In terms of the pension, however, there is a bit more work to be done. That's why we are asking for a separate date.

Mr. Ted Falk: Okay. Then the intent isn't just to sit on it and then pull it out when you need it. It's due process.

Mr. Nicolas Moreau: Not at all. We are already working on it, and as I have told you, the systems are being changed right now.

The Chair: Thank you.

Shall clause 150 carry on division?

(Clause 150 agreed to on division)

(On clause 151)

The Chair: Thank you very much, Mr. Moreau. I don't know if you're here for the next one or not, but in any event, we're on division 3, “Budget Implementation Act, 2018, No. 2”. We're at clause 151.

Ms. Erin O'Brien: Hi, Mr. Chair. It's Erin O'Brien, and I'm happy to take the committee through the next two clauses.

The Chair: Okay.

Ms. Erin O'Brien: Division 3 proposes a technical amendment to the scope of the financial consumer protection framework that is outlined in the Bank Act. Specifically, clause 151 amends the Bank Act by adding a subsection following section 627.1 to clarify that the statutory right to cancel a contract with a bank only applies to retail consumers, which are individuals and small and medium-sized businesses, and excludes large businesses.

The Chair: Do I see any hands up on that one?

Go ahead, Mr. Fast.

Hon. Ed Fast: The obvious question is, have you defined what a retail consumer is? I know you've done it in broad terms. Is that actually spelled out?

Ms. Erin O'Brien: The intention is that a retail consumer means a specific individual or small business, so that's who the financial consumer protection framework applies to. Right now, under the Bank Act, the language is ambiguous. We're bringing forward this technical amendment just to clarify that large businesses would not be eligible for the right to cancel a contract automatically.

• (2045)

Hon. Ed Fast: In the interests of less ambiguity, you've used the term “small and medium-sized businesses”. Is that defined anywhere so that it's clear that we're not talking about larger businesses?

Ms. Erin O'Brien: What we do through this amendment is that instead of defining a small or medium-sized business, we define a large business, and we chose to do that because that definition currently exists in the Bank Act.

I think I have the definition right here. A large business would mean a business with authorized credit of more than \$1 million, more than 500 employees and annual revenues of more than \$50 million.

Hon. Ed Fast: Okay, that's very helpful. Thank you.

The Chair: Mr. Falk, go ahead.

Mr. Ted Falk: Just for clarity, Ms. O'Brien, they have to meet all three of those thresholds and not just one. Is that correct?

Ms. Erin O'Brien: That's correct.

The Chair: Shall clause 151 carry on division?

(Clause 151 agreed to on division)

(On clause 152)

Ms. Erin O'Brien: Clause 152 is simply coordinating amendments to in essence give effect to clause 151. It's a bit complicated here, because currently the financial consumer protection framework is not yet in force, and so in essence this would just bring the amendment into force at the time when that framework comes into force.

The Chair: I see no questions.

(Clause 152 agreed to on division)

(On clause 153)

The Chair: We'll turn, then, to division 4, "Sunset Provisions". There are no amendments. Do we want to see clauses 153 to 157 as one?

Hon. Ed Fast: No, we'll do them separately. I like this process.

The Chair: All right. We like to see you stay principled here.

Hon. Ed Fast: Mr. Chair, let me just add that I am learning a lot here, and I'm sure my colleagues are as well. This process is actually well suited for informing us as members of this committee.

The Chair: I expect you to get up in the House and say, "What lessons I've learned from the Budget Implementation Act. I'm now a more brilliant person than I was before."

Mr. Ted Falk: The only problem, Mr. Chair, is that \$354 billion is a very expensive education.

The Chair: It is an expensive education, but it's worth it when you're dealing with Mr. Fast.

Are you on clause 153 too, Ms. O'Brien?

Ms. Erin O'Brien: No. You will see the friendly face of my colleague Manuel Dussault. He'll take you through clauses 153 to 157.

The Chair: We're on clause 153, Manuel. Go ahead.

Mr. Manuel Dussault (Senior Director, Framework Policy, Financial Institutions Division, Financial Sector Policy Branch, Department of Finance): Thank you. Good evening.

Clause 153 would extend the sunset date by two years to June 30, 2025, for trust and loan companies under the Trust and Loan Companies Act.

The Chair: Is there any discussion?

(Clause 153 agreed to on division)

(On clause 154)

• (2050)

Mr. Manuel Dussault: Clause 154 would extend the sunset date for two years for banks and authorized foreign banks under the Bank Act.

The Chair: Go ahead, Mr. Falk.

Mr. Ted Falk: Can you help me understand what that sunset clause is for?

Mr. Manuel Dussault: It allows a regular review of the financial institution framework every five years. It sunsets the ability of those financial institutions to operate, and that allows a review by government and Parliament of the financial institution statutes to make sure they're up to date and technically sound.

The Chair: Shall clause 154 carry on division?

(Clause 154 agreed to on division)

(On clause 155)

Mr. Manuel Dussault: This extends the sunset date for bank holding companies under the Bank Act.

The Chair: Are there questions? It's pretty straightforward.

(Clause 155 agreed to on division)

(On clause 156)

The Chair: Okay.

Mr. Manuel Dussault: This extends the sunset date for insurance companies, foreign companies, foreign insurance companies and societies under the Insurance Companies Act.

The Chair: Go ahead, Mr. Falk.

Mr. Ted Falk: We're extending a lot of sunset clauses here. The only thing you haven't provided is the rationale for doing it. Is there a reason we're doing it?

Mr. Manuel Dussault: The reason is that it's going to allow the government and Parliament to take into account the full impact of the pandemic by extending the time these institutions can operate by two years.

(Clause 156 agreed to on division)

(On clause 157)

Mr. Manuel Dussault: This extends the sunset date for insurance holding companies under the Insurance Companies Act.

The Chair: I see no hands here.

(Clause 157 agreed to on division)

(On clause 158)

The Chair: That finishes division 4. We'll turn to division 5.

We have amendment BQ-4 by the Bloc.

The Chair: Go ahead, Gabriel. The floor is yours.

[*Translation*]

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

Division 5 of Part 4 of the bill is entitled "Canadian Securities Regulation Regime Transition Office Act".

In Greater Montreal, Quebec, there is consensus among the securities regulators, which bring together the financial market regulators. It is that companies with head offices are very important to our economic model. When you add up all the jobs in the finance sector overseen by the Autorité des marchés financiers, you get a total of about 100,000 good jobs in Greater Montreal.

This part of the bill seeks to reinforce the transition to a single office. We know full well that this concept will become marginalized if everything is centralized in Toronto and they are allowed to continue to operate as they wish in Montreal. I would like to remind committee members that Canada is a federation. Not all powers have to be centralized in Ottawa. The same is true for financial powers, which do not have to be centralized in Toronto.

Centralizing Canada's securities regulatory regime in Toronto is a gift to Bay Street. No one gains by it, even in interprovincial trade. The passport system works well.

Bill C-30 suggests that up to \$119.5 million be allocated to this matter. Through this amendment, we propose to restore the value it should have, which is \$1.

I remind you that the parties in Quebec's National Assembly are unanimous; they do not want this centralization, because it will be profoundly detrimental to Quebec's economic model and to the maintenance of corporate head offices. If you vote against this amendment and for the proposed centralization, you are voting against Quebec, where everyone agrees on it.

Before I close, I want to remind you of a very important piece of information. After two periods, the Canadiens are leading 3 to 1. Anything is still possible, and we can be optimistic. We wish the Canadiens all the best and we wish Quebec all the best.

I sincerely ask that you vote for my amendment.

Mr. Chair, I would like to advise you immediately that I will be calling for a recorded vote on the amendment and on this portion of the bill.

Thank you.

• (2055)

[English]

The Chair: Thank you, Mr. Ste-Marie. We'll get to the vote as soon as we go through the list of speakers.

Go ahead, Mr. Fraser.

Mr. Sean Fraser: Mr. Chair, thank you.

My friend and colleague Monsieur Ste-Marie will be pleasantly surprised that I'm completely behind his support for the Montreal Canadiens; however, he'll not be shocked to find that I take a different view of his proposed amendment.

I'm curious. My understanding is that some serious work has been done with the transition office on fraud prevention, as well as on co-operation not only in the jurisdiction of Quebec but also with B.C., Alberta and Ontario. I'm curious to know whether officials can offer commentary as to the impact of the proposed investment in reducing the maximum financing to the office from the government to \$1. What impact would that have on a day-to-day basis for the work that the office is actually doing?

The Chair: Who do we have for officials on this one?

Is it Ms. O'Brien, or are others coming online?

Mr. Jean-François Girard: It's going to be me, Mr. Chair, Jean-François Girard.

The Chair: Okay, go ahead, Mr. Girard.

Mr. Jean-François Girard: Just to clarify the effect of this amendment, right now the appropriation in the legislation is set at \$107.5 million, which essentially represents the cumulative amount that has been paid to the office since its creation in 2009. The amendment itself would increase the statutory appropriations

by \$12 million. I think that's a point that should be made to clarify the actual scope of this amendment.

With regard to the question from Mr. Fraser, the transition office, since its creation, has done a lot of work in multiple phases of the project. In the recent past, in the last couple of years, their focus has really been on developing what would be the management of systemic risk.

The corporate project had two components: One was the securities regulation that is done currently by the provinces, and the other element was the regulation of systemic risk in capital markets, which would be done pursuant to a federal authority and for which draft legislation was published a few years ago that would provide a framework for the prevention of systemic risk.

The focus of the transition office recently has really been on this management of systemic risk. If the funding were not to be provided, it would essentially cease the work that would be done pursuant to that federal legislation. Essentially, the office would have to close in the short term if the funding were not extended.

The Chair: Mr. Ste-Marie, do you want to make a comment here before we go to a vote?

[Translation]

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

I thank Mr. Girard for his response.

That is exactly what I am asking: that the transition office cease its operations. The Autorité des marchés financiers and all of its counterparts in every region of Canada are fully capable of doing studies on systemic risk.

Rather than following a more effective model, we are giving a gift to Bay Street, which wants to centralize its power over securities rather than ensure that securities are representative of all provinces and regions.

I remind you that this is extremely important. We have consensus in Quebec, and 100,000 jobs are at stake. In addition, in the Quebec model, corporate head offices are generally in the Greater Montreal area or they report to Montreal. Going ahead with this project would mean shutting down the Quebec economy. The Quebec model is at issue here.

Mr. Girard clearly said that the funding for this project has doubled. Is Canada a federation where the provinces still have powers or is everything being centralized? We no longer have a federation in a centralized country where everything is decided in Ottawa.

I remind you that we have a strong consensus among all parties in Quebec's National Assembly, and that even includes the Quebec Liberal Party. The whole of Quebec Inc., including Desjardins and all the companies headquartered in Quebec, is asking that this not happen. It's a major issue and it involves our economic model. Quebec's great companies are not U.S. subsidiaries. They have head offices that make decisions. Voting against my amendment and voting for this is a vote against Quebec.

When Mr. Fraser says he supports the Canadiens, my hat is off to him, but I ask him to go one step further and vote for Quebec by supporting my amendment.

Thank you, everyone.

• (2100)

[English]

The Chair: Ms. Jansen is next.

Mrs. Tamara Jansen: I wonder if it's possible for Mr. Ste-Marie to further explain his position.

I'm not sure I quite understand it yet. I'm sorry. Could you broaden it out and maybe make it as simple as possible?.

[Translation]

Mr. Gabriel Ste-Marie: I will try. I don't have all the notes in front of me. After all, it is a pretty complex financial issue.

This project, which was voted on a long time ago and has been dragging on, will shut down all the financial centres, in Calgary, Vancouver and Montreal, for example, and centralize everything in Toronto at the request of the big Bay Street banks. It would make Canada more centralized and less like a federation. Decisions on stock exchange securities are now made in Calgary, Vancouver and Montreal, which talk each other and have a passport system for interprovincial trade that works very well. They would be centralized in Toronto.

Quebec's economic model is at stake and is being destroyed. This is the only part of Bill C-30 for which I am requesting a recorded vote, because if you vote against my amendment and for this portion of the bill, you will be voting against Quebec.

[English]

Mrs. Tamara Jansen: May I ask a follow-up question of Mr. Girard?

The Chair: You may.

Mrs. Tamara Jansen: Mr. Girard, does that correctly explain the situation? Is that accurate?

Mr. Jean-François Girard: To be fair, there's a divergence of opinion on the merits of this initiative. Some provinces are supporting it and some provinces are not supporting it. I don't think we can settle that tonight.

Going back to the amendment, it would provide funding to the transition office and the offices advising the federal government, as I mentioned, on how it could regulate and prevent systemic risk in capital markets. That would be under federal authority.

The Chair: We'll go to Mr. Fast, and then maybe we can go to a vote.

Hon. Ed Fast: Monsieur Girard, you said that some provinces are supporting it and some are not. Obviously Quebec is not. What other provinces are not supporting it?

Mr. Jean-François Girard: Notably, Quebec and Alberta have been vocal opponents of the initiative.

One of the main points to understand is that there are really two components to this initiative. One of them is the regulation of securities, as I mentioned earlier, which is done by the provinces right

now. It would be pursued if the project were to go ahead, pursuant to provincial legislation, and it would be done through the advancement of a provincial initiative. The other component deals with systemic risk in capital markets. That one is the federal element. I think they're related but distinct elements of the project.

• (2105)

The Chair: Are we ready for the vote on BQ-4, which relates to page 185? All right.

(Amendment negatived: nays 9; yeas 2 [See Minutes of Proceedings])

The Chair: Mr. Falk, do you have your hand up? Okay.

[Translation]

Mr. Gabriel Ste-Marie: I request a recorded vote on this amendment, Mr. Chair.

[English]

The Chair: Amendment BQ-4 is lost.

On clause 158 as it is currently written, Mr. Clerk, could you do a recorded vote on that?

(Clause 158 negatived: nays 6; yeas 5)

(On clause 159)

The Chair: We are turning now to division 6, "Justice for Victims of Corrupt Foreign Officials Act (Sergei Magnitsky Law)".

Who's on that? Is it you again, Ms. O'Brien? It's clause 159.

Ms. Erin O'Brien: I'm coming up, but my colleague Justin Brown will take us through both division 6 and division 7.

The Chair: Okay.

While we're waiting for Mr. Brown, I would remind committee members that we have an absolute hard stop at 9:30 Ottawa time, 10:30 my time. We cannot go beyond that, due to translation services. Obviously, we're going to have to find another time to deal with Bill C-30. I don't know when that will be.

We'll go to division 6, clause 159, and Mr. Brown.

• (2110)

Mr. Justin Brown (Acting Director General, Financial Crimes Governance and Operations, Financial Systems Division, Financial Sector Policy Branch, Department of Finance): Hello, I'm Justin Brown. I'm the senior director of the financial crimes policy section at the Department of Finance.

I would ask the clerk to give access as well to Neelu Shanker, a deputy director at Global Affairs Canada, who can provide support if there are any questions on this clause.

Clause 159 amends subsection 7(1) of the Justice for Victims of Corrupt Foreign Officials Act, or the Sergei Magnitsky Law, so that entities regulated under this act are no longer required to disclose to the regulators the fact that they do not have in their possession or control property of a foreign national who is subject to sanctions under the act. In addition, it requires that those entities must disclose without delay—and once every three months after that—if they determine that they are in possession or control of such property.

The Chair: Do I see any hands up?

Ed, go ahead.

Hon. Ed Fast: With these amendments in place, regulated entities—in other words, financial institutions—will be required to report when they determine that property of individuals who have been sanctioned by the Sergei Magnitsky Law is in their possession.

What is the sanction for not doing so? The banks no longer have an obligation to report proactively on a nil return. My concern is that over time, the oversight becomes more and more lax. If in fact a bank, deliberately or even negligently, fails to report, what is the sanction against the bank for not reporting?

Mr. Justin Brown: Thank you.

Has Neelu been provided access?

Ms. Neelu Shanker (Deputy Director, Operations, Sanctions Policy and Operations Coordination Division, Department of Foreign Affairs, Trade and Development): Yes. Thank you for that question.

Under the Justice for Victims of Corrupt Foreign Officials Act, the penalties for non-compliance are actually criminal in terms of the orders and regulations made under the act. Financial institutions have an obligation to do this type of reporting, and they also have a corresponding duty to make those determinations on a regular basis. This is basically a requirement as part of their ongoing reporting to their regulator.

Hon. Ed Fast: Okay, but my question is this: Would a failure to file a monthly report actually trigger those criminal sanctions, or are the criminal sanctions effectively targeted at other behaviour?

Ms. Neelu Shanker: The criminal sanctions that are set out under the act would apply to any of the orders or regulations that are made under section 4. That would be in relation to the freezing of the funds that belong to a listed person.

The Chair: Ed, are you okay on that?

Hon. Ed Fast: Not quite, because it's about the behaviour that would trigger the sanction. Are you suggesting now that the criminal sanctions will be triggered by a failure to file a report?

Ms. Neelu Shanker: No. Basically, when financial institutions or any of the reporting entities identified in section 6 as having a duty to determine if they're in the possession or control of any of the property of a listed person, they have a corresponding obligation as part of their ongoing reporting to the regulator to comply

with those provisions. The criminal penalties that exist under the act are with respect to the freezing of the funds.

The financial institutions have a duty under the law. They have an obligation to freeze those funds, and a failure to comply with those orders could result in a criminal penalty, depending on the circumstances of that behaviour.

The requirement to report is part of the regulatory oversight set out as the obligation, the ongoing duty, to determine whether they have this property. It's part of the determination of whether they're freezing the property.

There is a connection between the different actions, in the sense that the financial institutions must be freezing these funds if they have any in their possession or control. It's part of that obligation, but the duty to report does not come with criminal penalties if there's a failure to do that.

• (2115)

Hon. Ed Fast: Okay. It's the failure to actually freeze funds that attracts the sanction.

Ms. Neelu Shanker: Yes. That's correct.

Hon. Ed Fast: I have it.

The Chair: Go ahead, Mr. Falk.

Mr. Ted Falk: In the event that there are not necessarily funds, but let's say a financial institution had a mortgage on a property belonging to someone has been found guilty under the Magnitsky act. Do they have to report that mortgage and do they have to then freeze the mortgage, and the government then has access to the equity that's built into the real estate?

Ms. Neelu Shanker: Currently, under the terms of sections 6 and 7, a reporting entity has an obligation to determine on an ongoing basis whether they are in possession or control of any property of a listed person. That would include things like mortgages. It would include basically any sort of financial instrument, such as an account. It could cover a range of different elements.

If they do identify that they are in possession or control of that property, they would not be able to engage in any dealing with respect to that property or to provide any financial services to that listed person. That would include the payment of dividends or any sort of dealing in any mortgages.

Basically, it's quite a broad transaction ban that would be included in these provisions.

Mr. Ted Falk: Mr. Chair, may I follow up?

The Chair: Yes, Ted. Go ahead.

Mr. Ted Falk: If there was a mortgage on a piece of real estate for an individual who was under the sanction, that individual wouldn't even be able to buy out that mortgage from the financial institution if he wanted to quickly try to protect his asset. It's not as though he could take cash from another institution and rifle it over there, pay off the mortgage and have a piece of real estate that would be unencumbered. As soon as someone is sanctioned, the financial institution is also responsible to make sure that there are no further transactions in regard to any mortgages or deposits—any financial instruments.

Ms. Neelu Shanker: Yes, that's correct.

The Chair: Are we okay, then?

Shall clause 159 carry on division?

(Clause 159 agreed to on division)

The Chair: Okay. Thank you, Mr. Brown.

Before I start division 7, “Proceeds of Crime (Money Laundering) and Terrorist Financing Act”, Gabriel—you're not on screen, but I think you're there—you'd mentioned in the beginning that you wanted to say a couple of things at the end of the meeting, I believe. Do you still want to do that? Yes.

I have to leave enough time for that. I don't want to run into the translators' time tonight. I want to close dead on 9:30 Ottawa time.

All right, we'll start division 7.

There are no amendments on clauses 160 to 177. Do we want to see them as one?

Hon. Ed Fast: No.

The Chair: No?

Hon. Ed Fast: No.

The Chair: All right. Then we'll go back to one by one.

(On clause 160)

The Chair: On clause 160, I'm not sure who's on this.

Mr. Justin Brown: It's still me, Mr. Chair. I'd ask the clerk also to provide access to Gabriel Ngo, a senior analyst on my team, who may also provide support on questions, at least for the next 10 minutes or so.

As an umbrella for clauses 160 to 177, these all relate to strengthening Canada's anti-money-laundering and anti-terrorist-financing regime. The government continually works to strengthen and modernize this regime to, for example, respond to technological changes and evolving threats. Part 4, division 7 proposes amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act with those objectives in mind. It also includes several clarifying or otherwise technical amendments.

Clause 160 makes persons and entities that engage in the business of transporting currency or certain financial instruments subject to the anti-money-laundering and anti-terrorist-financing regime under the PCMLTFA. It's primarily meant to cover services such as those provided by armoured car companies based in Canada.

• (2120)

The Chair: Okay. Some of the people on this committee had quite a study on money laundering at one point in time.

Are there any questions on clause 160?

Shall clause 160 carry on division?

(Clause 160 agreed to on division)

(On clause 161)

Mr. Justin Brown: Clause 161 amends the definition of “head of an international organization” to include persons who are the head of an international sports organization. It amends the definition of “politically exposed domestic person” to clarify that it includes a list of offices or positions and to clarify that this includes members of the legislature of a province, and also that the term “mayor” includes other equivalent positions as a chief officer of a municipal or local government.

The Chair: Shall clause 161 carry on division?

(Clause 161 agreed to on division)

(On clause 162)

Mr. Justin Brown: This clause amends subsection 9.6(3) of the French version of the act to better match the English version by clarifying that a person or entity must take the special measures referred to in the regulations in prescribed circumstances or if at any time the person or entity considers the risk of it as high. It adds the “at any time” to the French version.

The Chair: Shall clause 162 carry on division?

(Clause 162 agreed to on division)

(On clause 163)

Mr. Justin Brown: This clause strengthens money service business registration requirements with FINTRAC—which is the anti-money-laundering and anti-terrorist-financing regulator in Canada—to help prevent the abuse of those services by criminal actors. The list of designated offences that make individuals ineligible for money service business registration with FINTRAC would be expanded to include other offences, such as human trafficking, weapons trafficking, smuggling and sexual exploitation.

In addition, the amendments would make individuals subject to financial sanctions automatically ineligible for money service business registration.

The Chair: That's pretty straightforward.

Shall clause 163 carry on division?

(Clause 163 agreed to on division)

(On clause 164)

Mr. Justin Brown: This clause specifies that the measures in a directive issued by the Minister of Finance can include ascertaining the source of virtual currency in any financial transaction. More or less, it adds the virtual currency to the existing language in the law.

The Chair: I don't see any hands.

Shall clause 164 carry on division?

(Clause 164 agreed to on division)

(On clause 165)

Mr. Justin Brown: The next couple of clauses relate to enabling a cost-recovery scheme for FINTRAC's compliance activities under the law.

Clause 165 allows for the Minister of Finance to advance amounts out of the consolidated revenue fund to FINTRAC on terms and conditions specified by the minister to permit FINTRAC to defray its costs of operation and to make various provisions related to those actions.

The Chair: Shall clause 165 carry on division?

(Clause 165 agreed to on division)

(On clause 166)

Mr. Justin Brown: Clause 166 also relates to the cost-recovery scheme for FINTRAC's compliance activities. This includes the obligation for FINTRAC to ascertain those expenses and to assess a portion of them to regulated entities. It also would provide FINTRAC with the power to prepare an interim assessment.

Most of the details of this scheme would be prescribed by regulation, and there will be later clauses that speak to that.

(Clause 166 adopted on division)

The Chair: Shall clause 166 carry on division?

(Clause 166 agreed to on division)

(On clause 167)

Mr. Justin Brown: This clause clarifies, for greater certainty, that if FINTRAC receives a report from a reporting entity, it may, for the purpose of analyzing and assessing that report, request the reporting entity to provide additional information. It's rather technical.

• (2125)

The Chair: I don't see any questions.

Ed's thinking of one there, but he didn't get his hand up.

Mr. Falk, you did. Are you okay? You are.

Shall clause 167 carry on division?

(Clause 166 agreed to on division)

(On clause 168)

Mr. Justin Brown: Sections 55, 55.1 and 56.1 of the act contain rules around the disclosure and use of information in relation to a couple of different areas. It designates information for both domestic money-laundering investigations and for national security reasons, as well as to foreign authorities with similar duties.

The next couple of clauses are also quite technical, and they're all rather similar to each other. They include such things as looking at the conditions under which FINTRAC can disclose this information. They align some of the text between English and French. They include attempted transactions in the information that can be dis-

closed, not simply actual transactions, and they also clarify some of the language around designated information that FINTRAC may disclose with respect to trusts.

The Chair: Go ahead, Mr. Falk.

Mr. Ted Falk: Just as a point of clarification, to whom would the disclosure be made?

Mr. Justin Brown: It would depend on the provision. There's a list of what are called "disclosure recipients" under the act. Those recipients differ according to which of sections 55, 55.1 or 55.6 we're looking at. They could include domestic authorities that are involved in money-laundering investigations or that have powers related to national security, or foreign authorities that have similar powers.

Mr. Ted Falk: Is the prescription specifying who is reported to found somewhere in the regulations?

Mr. Justin Brown: The disclosure recipients are specified in the act itself.

The Chair: Ms. Jansen is next.

Mrs. Tamara Jansen: I have a question about "attempted" transactions. Why would you put that in? It seems... I don't know.

Mr. Justin Brown: It could cover situations in which a transaction is attempted but not completed. For example, if it involves a financial institution and they have reason to suspect there's something illicit going on, they may, according to their own internal policies, restrict the transaction, in which case we would still want that information to be reportable and disclosable to various authorities.

The Chair: Thank you.

Shall clause 168 carry on division?

(Clause 168 agreed to on division)

(On clause 169)

The Chair: We have about two minutes left. Would it be possible to see clauses 169 to 177 as one and get an explanation on them?

Hon. Ed Fast: That's a lot of material, Mr. Chair. No.

The Chair: All right. We will go to clause 169.

Mr. Justin Brown: Clause 169 has changes very comparable to those in clause 168, but this is the clause that refers to domestic authorities with a national security focus.

The Chair: Shall clause 169 carry on division?

(Clause 169 agreed to on division)

(On clause 170)

Mr. Justin Brown: Again in clause 170, the amendments are very similar, except these ones relate to disclosure of information with respect to foreign authorities.

The Chair: Shall clause 170 carry on division?

(Clause 170 agreed to on division)

The Chair: We are going to have to end it there. We are in a bit of a bind on Bill C-30 and everything that it represents. In any event, that's Parliament.

There are no meeting times that we can scrounge up for tomorrow. Part of this is how Parliament works now with Zoom, and committees are backed up. There are only so many rooms and so many people to assist with translation. It is what it is.

There's nothing available on Friday and there's absolutely nothing on Monday. We have our regular time slot on Tuesday, and we will attempt to get more time. I would suggest to people to ask their whips to see if we can get more time so that we can get this bill back to the House floor.

That's for people's information at the moment.

To all the witnesses who are in the waiting room and to the officials who came and answered questions, some of them for a very long time, I want to give our thanks on behalf of all the committee for your efforts tonight. That's on behalf of every member here.

Pat, you have your hand up.

● (2130)

Mr. Pat Kelly: I was really only going to say that we had extraordinarily good information today, and I'd like to thank the public servants for their tremendous work. They provide such professional service to Canadians.

Thank you.

The Chair: We'll second that.

To our translators, I know that it is really, really tough to sit in the booth and have to translate a lot of this technical stuff, especially when it comes to finance issues. Fisheries was the same, though, and agriculture too; there are lots of technicalities there.

With that, folks, we will adjourn this meeting. The next meeting will be at the call of the chair, but it will be Tuesday, I'm sure.

Thank you all. The meeting is adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :
<https://www.noscommunes.ca>