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Chair: The Honourable Wayne Easter



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• (1555)

[English]

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

Welcome to meeting number 57 of the House of Commons Standing Committee on Finance. Pursuant to the Standing Order 108(2) and the motion adopted by the committee on Tuesday, April 27, 2021, the committee is meeting to study Canada Revenue Agency's efforts to combat tax avoidance and evasion.

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

For the information of the committee, as you know, we issued four summonses. We do have one witness who came. I have some letters from legal counsel for the others. We'll deal with that in a minute.

For the committee's information, Mr. Bilodeau's counsel asked if she could be with him and I authorized that. He will be the one who has to speak, though.

On the motion passed the other day, we have received responses from three individuals who have not appeared. The clerk sent those letters out, I believe, to committee members and they were marked confidential. We do now have information that they do not need to remain confidential. They can be made public.

I think the best way to start with that is that I will read into the record each letter that we received from counsel for the various people we issued summonses to. Hopefully by that time, Mr. Bilodeau will be on.

The first letter is based on the summons that we sent to Michael Morris. It's directed to the clerk of the committee. It's from firm Stockwoods Barristers. It reads:

Re: Canada Revenue Agency's Efforts to Combat Tax Avoidance and Evasion

I have been retained by Michael Morris in connection with the above-noted study. I have an email from you dated June 15, 2021, to Michael Morris's brother, Ian Morris, directing Ian Morris to forward Michael Morris's contact information to you, and attaching a summons to Michael Morris calling for his appearance at the Standing Committee on Finance on June 17, 2021 at 3:30 p.m.

Michael Morris is not a resident of Canada and has not resided in Canada since 1999. At present, he is outside Canada. By responding to your email, I do not intend to attorn on his behalf to Parliament's jurisdiction.

That said, my client is willing to respond to reasonable requests for information from the Committee. Please forward to in writing any requests the Committee may make, and we will consider them. I look forward to hearing from you.

Yours truly, Brian Gover

That's on behalf of Stockwoods LLP law firm.

The second letter is from Kapoor Barristers. It is written to the clerk of the committee, as well. It reads:

Re: Finance Committee: Ms. Gibbons and Mr. Maycock

I have been retained by Ms. Susan Gibbons and Mr. William Maycock in connection with the above-noted study. Both were provided with Summons late in the day on June 15th returnable this afternoon at 15:30 ET.

Neither of my clients are resident in Canada. At present, both reside outside Canada. By this letter in response to your email and the Committee's summons, neither attorn to Parliament's jurisdiction.

As I mentioned to you in our telephone call, neither of my clients will be attending this afternoon. That said, both of my clients are willing to respond to reasonable requests for information from the Committee. To that end, we would be grateful if the Committee can provide us with an indication of the nature of their enquiry.

I should add that as far as we are aware the Committee's interest in our clients concerns matters in the distant past, so any direction the Committee can give will greatly assist our clients.

Please forward to me in writing any requests/questions the Committee wishes and we will consider them. I look forward to hearing from you.

Yours truly,

Anil K. Kapoor

He is with Kapoor Barristers.

Those are the letters we received. They're on the public record. Just ignore the "confidential" that was on them when they went to committee members in the beginning.

While we're waiting for Mr. Bilodeau to be hooked up, does anybody have any thoughts?

We have a steering committee later in the day, as well, where we can also talk about these issues.

Mr. Kelly.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): If we have a moment before our witness is ready, then I will remind you, Mr. Chair, that you undertook at the last meeting to update us at the beginning of this meeting as to the status of the invitations to the two ministers who have been invited to appear on Tuesday.

The Chair: The minister for Revenue Canada is available for an hour. The Minister of Finance is not.

Mr. Pat Kelly: Thank you, Mr. Chair.

The Chair: For that second hour, do we want officials? The Minister of Finance, I understand, just can't come. What do we want to do with the second hour?

Mr. Pat Kelly: Perhaps the Minister of Revenue would like to stay, so that we could have a more fulsome discussion with her.

The Chair: I don't think she can. I think she's granted an hour. We usually have a minister for an hour, and then we go to officials for an hour.

• (1600)

Mr. Peter Julian (New Westminster—Burnaby, NDP): Mr. Chair, I would concur with Mr. Kelly. I think it would be worthwhile having the Minister of Revenue, who hasn't appeared before this committee, come for two hours with her officials. I think that's perfectly legitimate.

The Chair: We did invite her for an hour, and she accepted to come for an hour.

I can request that. That's not a problem. We can drop her a note. It's not until next Tuesday. We can have the clerk drop her a note and see how she responds.

Hon. Ed Fast (Abbotsford, CPC): Mr. Chair, we could always build on the existing invitation.

Did I not appear for two hours once at your trade committee, Wayne?

The Chair: Yes, but we were just so nice to you, Ed, that you couldn't do anything else. I remember that.

Hon. Ed Fast: Yes, but I answered questions, as I recall.

The Chair: Then—what's the name of the guy; I know him well, but I can't think of his name—the man who did all the negotiations. He gave all the answers.

Hon. Ed Fast: Steve Verheul.

The Chair: Yes, Steve Verheul.

Hon. Ed Fast: Yes, he answered all the questions. He did a great job.

The Chair: He's a great guy. You were fortunate to work with him.

Hon. Ed Fast: Yes.

The Chair: Mr. Bilodeau, can you hear me? You look frozen there.

I wonder, Mr. Clerk.... I don't know if this committee would agree with this, but do we have to go to voice? I wonder what the problem is here.

The Clerk of the Committee (Mr. Alexandre Roger): The problem was that the counsel wanted in to the committee, as well, so I sent her a guest account. Mr. Bilodeau initially was using that guest account, and that's what created the first problem. Now Mr. Bilodeau is using his own account.

I don't understand why this is not working, because he's not using the guest account. I don't have any answers. I don't understand why this is not working. He was just here under his own credentials. It was his name that was there, so I don't know.

The Chair: Okay.

Mr. Peter Julian: I think it's important to note, Mr. Chair, that we haven't had this problem, to this extent, with any other witness. Sometimes we have temporary problems, but this is quite rare.

The Chair: Yes, it is.

In any event, we'll—

Mr. Peter Julian: A quarter of the meeting is already gone.

The Chair: Yes, but part of that was due to the vote. We ourselves were late getting started, so we'll not blame that on Mr. Bilodeau.

Are there any thoughts on these letters? They're there for your information, in any event.

I think we need to, in the steering committee.... Certainly, they do live out of the country. If we want to draft a series of questions for them to respond to, it will take some time for us to sit down and do that, I would think.

Was it you, Peter, who wanted in, and then Pat?

Mr. Peter Julian: It was Mr. Ste-Marie.

The Chair: Sorry. Yes.

Gabriel, go ahead.

[Translation]

Mr. Gabriel Ste-Marie (Joliette, BQ): I would like to make a statement, following the reading of the two letters received. This statement will last about five minutes, which can be deducted from my speaking time.

Before I make my statement, I will let my two colleagues who have raised their hands, Mr. Kelly and Mr. Julian, make their interventions. Then, if it is agreeable to the committee, I will make my statement, which will last about five minutes.

Thank you.

[English]

The Chair: Yes. I think we were going to allow you time for that during the regular question rounds. We can wiggle that in now, and maybe when Mr. Bilodeau comes back on we'll see where we're at.

We'll go to you first, Pat Kelly, then Peter Julian and Gabriel.

Mr. Pat Kelly: I was only going to ask procedurally how written questions would be put to those witnesses.

The Chair: Procedurally, Mr. Kelly, and I could be wrong on this too, I think we would decide among ourselves at an in camera session what kinds of questions we want to send and then come to some kind of consensus on what they should be. Then we would have the clerk send them to the individuals directly.

That would be my thought. The clerk or anyone else might have other ideas, but that's how I think it would be done.

Peter Julian.

• (1605)

[*Translation*]

Mr. Peter Julian: Mr. Chair, I believe Mr. Ste-Marie is going to move a motion.

Mr. Gabriel Ste-Marie: I'm not sure yet.

Mr. Peter Julian: All right. If he doesn't do it, maybe I will have to.

The idea is to ask once again the questions we asked KPMG last month and to meet this summer to get the answers. I think this idea makes a lot of sense. Also, given the motion we passed last week, we will likely be provided with more documents in a few weeks. There will be an opportunity to have meetings this summer to follow up on all the information that has been released.

Mr. Ste-Marie told me about a motion that would formally ask KPMG to answer these questions that were not answered at our first meeting. I don't know if they will be answered today, because 35 minutes have gone by and they still haven't.

I wanted to intervene to say that, in my opinion, it was important for the committee to make this request.

[*English*]

The Chair: Okay.

On the questions, if I could put it this way, I did say that maybe the committee could meet and there could be some consensus on questions, but actually, at a committee meeting members can ask what they like. They don't need consensus to ask questions. We would maybe have to go to members and have them put questions, feed them in, and send them out that way, through the analysts and the clerk. That might be better.

Gabriel, I still don't see Mr. Bilodeau, so if you want to go to your statement, we can do that. If he comes in, we will hold him. I think you wanted five minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Before I make that statement, if I may, Mr. Chair, I would be prepared to move the motion to which Mr. Julian was referring, if the clerk can confirm that he has received the motion by email, which he can distribute to colleagues.

So you should have the version in both languages shortly. In the meantime, I will read the motion and move it to see if you agree.

As my colleague Mr. Peter Julian said, when the representative from KPMG Canada appeared, I asked some questions. Afterwards, the clerk sent them in writing, and then we received two letters from the lawyer representing KPMG that raised some points, but didn't answer most of the questions.

Therefore, I would move that the committee adopt the following motion and, if appropriate, that these matters be referred to KPMG, along with the letter provided to us by the law clerk and parliamentary counsel of the House regarding committee rights and privileges.

Here is the motion:

That the Finance Committee ask KPMG Canada the following questions, and expects a response by August 1, 2021.

KPMG Canada may submit its responses with confidential client information redacted, making sure to submit a non-redacted version to the Law Clerk for verification.

1. KPMG has set up tax strategies that provide a financial vehicle enabling some of its clients to reduce their tax payable. For each case in which KPMG Canada created or helped create, directly or indirectly, one or more corporations in the Isle of Man, thereby enabling one or more Canadian taxpayers to conceal money or to reduce their tax payable, please provide the committee with the following:

a) All documents used in these strategies;

b) A list of the corporations that were created through these strategies;

c) A list of the officers and directors involved in these strategies;

d) The number of strategies and the number of individuals who benefited from them, directly or indirectly; and

e) The fees that KPMG received for each strategy.

2. In addition, please provide all of the above information for each similar strategy using jurisdictions other than the Isle of Man, making sure to indicate the jurisdiction for each case.

3. Please provide for each KPMG Canada client the conclusions of each file with CRA, including taxes reimbursed, incurred interest, and penalties for each taxpayer

4. Did KPMG Canada ask another corporation, KPMG Isle of Man, or any other corporation to create, directly or indirectly, one or more of the four corporations registered in the Isle of Man under the names Shashqua, Sceax, Katar, and Spatha? If so, which ones, and how? For that purpose, we ask that KPMG Canada interview staff members who may have information on this subject, and to not limit its research to the last ten years.

5. Did KPMG Canada directly or indirectly contribute to, or participate in, the creation or use of one or more of these four corporations? If so, which ones, and how? For that purpose, we ask that KPMG Canada interview staff members who may have information on this subject, and to not limit its research to the last ten years.

That is the motion. As I say, if the committee adopts it, I propose that these questions be sent to KPMG, along with the letter that the Office of the Law Clerk and Parliamentary Counsel of the House has provided us.

Thank you.

• (1610)

[*English*]

The Chair: The motion is in order, because it is on the business that we're dealing with.

Do all members have a copy of the motion? I didn't get it all read, myself, yet.

In any event, go ahead, Mr. Julian.

Mr. Peter Julian: Mr. Chair, I don't really think we need to spend a lot of time talking about this. These are the kinds of questions that we have been asking from the beginning. KPMG have indicated that they are willing to answer questions. They have yet to actually answer the questions, though.

I do think we have a responsibility as a committee to actually lay that out in written form, as they have sometimes requested, so that we get the answers. I like the timeline as well, of August 1, in Mr. Ste-Marie's motion. We will be getting other information over the course of the summer, and I think this will be important and germane to our work.

I don't think we need to spend a lot of time on this. I'd certainly be very willing that we adopt the motion.

The Chair: All right. It's open for further discussion or questions for Gabriel. Does anybody have anything they want to raise?

It would be better if we had had a little longer to see it beforehand, Gabriel, but it is what it is.

Go ahead, Mr. Fraser.

Mr. Sean Fraser (Central Nova, Lib.): Mr. Chair, just as we did on the last day, I don't think we need to have an extensive debate or a formal vote. I expect, unless a member thinks differently from me on this committee, that it will likely pass without further debate.

The Chair: Are we all in agreement that the letters be sent on behalf of the committee?

Mrs. Tamara Jansen (Cloverdale—Langley City, CPC): I have one more question.

The Chair: There's one more question. Who's that?

Mrs. Tamara Jansen: It's Tamara. I forget how to....

The Chair: Yes, I can't see you when you're hiding in that room.

Go ahead, Ms. Jansen. The floor is yours.

Mrs. Tamara Jansen: I can't wait until you can come and join us.

The Chair: Me too.

Mrs. Tamara Jansen: I'm just wondering about number three. It almost sounds like you want to have all the files that KPMG has on every Canadian client, so I just wanted to confirm. It's in regard to the beginning of the motion. I think it's number three where it says that.

[*Translation*]

Mr. Gabriel Ste-Marie: It's a very good question.

This point is embedded in the entire application. This is really about the strategies that KPMG has created for Canadian clients that have used shell companies and have been discussed with Canada Revenue Agency officials, as Mr. André Lareau mentioned last Tuesday. He was talking about 16 clients, while the Canada Revenue Agency representatives mentioned about 20 or so of them. If I'm not mistaken, it's more in that range. It's not a general fishing expedition; it's really related to the study we're talking about.

I hope this clarification answers your question.

Thank you.

• (1615)

[*English*]

Hon. Ed Fast: Mr. Chair.

The Chair: I'm just wondering if number three should be clarified a little bit as well.

Go ahead, Ed. I hear you, but I don't see you.

Hon. Ed Fast: I agree that it should be clarified. In fact, the English version, the translation is, I think, to put it mildly, somewhat awkwardly worded.

Could I ask that it be translated again for those who understand only English? I think there are elements of the motion that say something a bit differently from what it says in English.

Mr. Clerk, are you able to arrange for it to be properly translated into English?

The Chair: I'm not sure. Here's what it reads in English, Gabriel, and if you look at this on its own without the rest: "please provide for each KPMG Canada client the conclusions of each file with CRA, including taxes reimbursed, incurred interest, and penalties for each taxpayer".

If you just pulled that out on its own, you'd think you were looking at the whole clientele of KPMG.

Hon. Ed Fast: Exactly.

The Chair: There needs to be a little work done on that.

Hon. Ed Fast: Yes, and some of the other sections of the resolution are a little problematic as well. A proper translation would be very helpful to all of us.

The Chair: I think we all agree to the intent, and maybe we just need to clean up the language.

Maybe, Mr. Clerk, we can run this by the experts in translation and see what they can do without having to come back to committee with it.

Go ahead, Peter Julian.

Mr. Peter Julian: I just want to add one quick point. I noticed in a quick reading that I forgot to ensure that Parrhesia was added to the motion.

[*Translation*]

The addition of the name Parrhesia to point 4 of Mr. Ste-Marie's motion, which refers to all these corporations, should be a positive amendment.

In addition, I fully support a revision of the English version of the motion, as Mr. Fast suggested.

[*English*]

The Chair: We authorized me and maybe the clerk to clean that up. Are we in agreement with Parrhesia going in there as well? Are there any problems? None? Okay.

Then we will do that and get that out this week.

How are we doing with our witness, Mr. Clerk?

The Clerk: We're with his technician on the phone. We're still having issues.

I don't have any updates, aside from the fact that our technicians and his technician are working together.

The Chair: Okay.

Where is Mr. Bilodeau? Where's he operating from?

The Clerk: He's in Montreal.

The Chair: Montreal, uh, oh.

Annie.

Ms. Annie Koutrakis (Vimy, Lib.): We're celebrating the Habs win. What can I say? Come on, so we're a little hung over, you know.

The Chair: That shouldn't affect the technology.

Ms. Annie Koutrakis: Technology is great when it works.

The Chair: That's true.

The Clerk: If I may, we agreed to add Parrhesia in point three. Is that right?

Mr. Peter Julian: No, it was point four.

The Chair: We agreed to add Parrhesia in point four, and we need to clean up point three so that it is clear we were looking at these clients involved that are outlined in point one, I believe.

[*Translation*]

Mr. Gabriel Ste-Marie: That is correct. In addition, the English version needs to be linguistically revised if I understood Mr. Fast's point correctly.

Thank you.

[*English*]

The Chair: Yes.

Should we suspend for 10 minutes and come back and see where we're at?

[*Translation*]

Mr. Gabriel Ste-Marie: Otherwise, I am ready to make my statement regarding the letters you have read.

• (1620)

[*English*]

The Chair: Okay, go ahead.

This way we'll be able to call you a filler in terms of the meeting, Gabriel.

Go ahead.

[*Translation*]

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

I will have some important questions for the witness. I hope that he will be able to connect and that this is not just a ploy.

I would like to make the following statement.

As we all know, the issue of using tax havens to hide money or evade taxes is of great concern. The people and firms that use them act with little regard for their duties and obligations to society. Their attitude also seems to show little regard for the Canada Revenue Agency, the government and Parliament. It is high time that this changed.

The committee spent several hours on this issue, and in particular on the KPMG strategies and the theft of the savings of thousands of small savers in the Weinberg, Norshield and Mount Real scandal.

[*English*]

The Chair: Mr. Ste-Marie, could I get you to start over? Slow down. The interpreter doesn't have a copy, and she's finding it a little difficult, so just go a little slower. You have the time.

[*Translation*]

Mr. Gabriel Ste-Marie: All right, thank you.

The issue of using tax havens to hide money or evade taxes is of great concern. The people and firms that use them act with little regard for their duties and obligations to society. Their attitude also seems to show little regard for the Canada Revenue Agency, the government and Parliament. It is high time that this changed.

The committee spent several hours on this issue, and in particular on the KPMG strategies and the theft of the savings of thousands of small savers in the Weinberg, Norshield and Mount Real scandal. Four shell companies with sword names—Shashqua, Katar, Sceax and Spatha—registered in the Isle of Man, were allegedly used in the theft. Disturbing information appears to link these four corporations to KPMG, although KPMG claims otherwise. The purpose of today's meeting is to shed light on these four corporations by directly questioning those who know the background to this dirty business.

The committee invited Ms. Sandra Georgeson and Ms. Anne Couper Woods to testify. Both have been employed by KPMG and are part of the management teams of the four corporations with sword names. They know the background of the case. Ms. Georgeson is the person who wrote the email that states that KPMG Canada helped set up the four corporations. Ms. Georgeson was invited to the May 6 meeting. She declined the invitation, citing a scheduling conflict. She also declined today's invitation and any future appearance. Ms. Couper Woods did not agree to appear before the committee, either. Since these ladies are not Canadian citizens, the committee was unable to subpoena them.

We also invited Mr. Michael Morris, who is a member of the management team at Shashqua, along with Ms. Woods and Ms. Georgeson. Mr. Morris also allegedly helped Mr. Weinberg transfer the stolen money out of Canada. Mr. Morris is a Canadian citizen who lives in Nassau and runs Barrington Bank International. To obtain his contact information, the committee contacted his brother, Toronto lawyer Ian Morris. Following a subpoena to appear before the committee, we received a letter of refusal from Mr. Michael Morris' lawyer. This is unacceptable.

We also invited and subpoenaed Ms. Susan Gibbons, a Canadian citizen working in Bermuda, who was a member of the board of directors of Katar, Spatha and Sceax. We also subpoenaed her boss, Mr. William Maycock, who was also named as a person who made the transfers of funds from these three corporations. Mr. Maycock was educated in Halifax and Hamilton and was a member of the Canadian Tax Foundation. Both of them responded to us, through their lawyer, saying that they refused to come to testify today, despite the subpoena. This is equally unacceptable.

I would like to recall that the invitations and subpoenas stipulated the possibility of joining the committee by videoconference. Distance is not a reasonable ground for their refusal.

So there are five key witnesses, who know the substance of the case, who refuse to cooperate. Three of them, although they are Canadian citizens, have even refused a subpoena. This makes the work of the committee exceedingly difficult and is, in my view, a matter of contempt. Things will not stop there.

It also indicates how important it is that the minister should call a public enquiry into this whole affair. She has the power to do so.

I sincerely hope that the committee's work will help to build greater tax justice.

• (1625)

[English]

The Chair: Thank you, Mr. Ste-Marie. We can take note of that.

Where did Mr. Bilodeau go now? He was on there for the last minute.

The Clerk: He froze again, sir. It seems that a couple minutes after he logs on, he freezes and then he's disconnected.

The Chair: Can you ask if there's any way he could come on by voice?

The Clerk: I'll check with the technicians.

The Chair: Even if the video is not going to work, could he come on by voice? It's not ideal, but he would be a witness that we could hear by voice. At least it gives us somewhere to go.

I see him again now.

Bryan, do you ever have this trouble at your committee?

Mr. Bryan May (Cambridge, Lib.): On occasion. Honestly, we're very lucky to have the tech people that we do have.

The Chair: Are we ever.

Mr. Bryan May: They work so hard to figure this all out basically from scratch. There are occasions when it's just a bandwidth issue.

Mr. Damien Kurek (Battle River—Crowfoot, CPC): It's not uncommon, depending on security, firewalls and whatnot. MPs' offices don't co-operate with Microsoft Teams, for example. I've spoken to classes a number of times, and I have had to call in via my cellphone as opposed to our constituency office.

The Chair: With our security systems, we run into that several times as well.

Mr. Bilodeau, are you there now?

Mr. Serge Bilodeau (Chartered Professional Accountant, KPMG): Yes, I'm here. I don't know for how long, because the IT guys have been trying to fix the problem for one hour and a half.

The Chair: Okay.

Mr. Bilodeau, I don't know if you have anything to say to start. We could give you a few minutes to say a few words if you like. We can go to a series of questions. When we have technical problems sometimes that's what we do.

On behalf of the committee, thank you for coming. The floor is yours if you want it.

Ms. Julie Dzerowicz (Davenport, Lib.): You have to speak French, Wayne.

The Chair: Oh, my French is good. *Bonjour*, Mr. Bilodeau.

Mr. Bilodeau, you can speak in either language.

[Translation]

Mr. Serge Bilodeau: All right.

Can you hear me well? We spent an hour and a half trying to fix a technical problem, and I'm not the right person to fix it, I swear. IT people were here to deal with it.

Can you hear me well now? I think that's what's important.

[English]

The Chair: Mr. Bilodeau, if you want to make a statement, go ahead, and then we'll go to questions, starting with Mr. Kelly.

Did you want to make a statement, sir?

[Translation]

Mr. Serge Bilodeau: My remarks have already been sent to Mr. Roger. I will now make my opening statement.

Thank you for your invitation to participate in the work of your committee. I'm a retired KPMG employee and I was...

Can you hear me?

[English]

The Chair: Yes, we do.

[Translation]

Mr. Serge Bilodeau: I'm sorry, but I was told that you couldn't hear me. So I will continue.

Thank you for the invitation.

I am retired from KPMG. I was an associate in the Montreal office for 25 years, from 1987 to 2014. I was never in charge of the tax department or any other department at KPMG, either locally, provincially or nationally. I was a client service associate, not a manager.

In summary, I advised clients on Canadian and international tax matters. I was involved in developing and implementing foreign transactions, such as financial structures, like the so-called double dipping, the repatriation of foreign profits, and foreign currency management.

I have also acted as an advisor in several mergers, acquisitions and corporate restructuring for both public and private companies.

In the course of my career, I have had numerous discussions with tax authorities to obtain advance rulings or during tax audits. The discussions sometimes concerned foreign operations. My role was to meet the needs of clients by applying tax laws with the highest standards of integrity, compliance and professionalism.

Like most professionals in Quebec, as a CPA, I am bound by professional secrecy regarding our clients and former clients. I will do my best to answer your questions in light of this confidentiality requirement.

However, I can confirm beyond any doubt that I was never involved, as an associate or otherwise in what has been called the Cinar affair. The first time I heard about this case was in the media. Unfortunately, fraud appears to have been involved. As a Canadian taxpayer and a tax professional, I strongly encourage this committee to shed light on the matter.

Today, I am an occasional consultant for KPMG and sit on a few boards of directors.

KPMG is a firm that, in my experience, always acts with integrity and in the best interests of Canadians.

I would like to clarify a few points in that sense.

With respect to the Isle of Man's foreign company structure—the so-called OCS—I was not involved in its development. I became aware of the structure in the early 2000s, as did several other tax associates in the firm. I reviewed the analysis prepared by the firm's senior tax experts, as well as the two independent legal opinions. At the time, I felt that the structure was valid from a tax and legal perspective, as long as clients followed the advice provided. I personally participated in creating two of those structures. In one case, a third party company was responsible for implementing the structure, so my role was limited.

I also want to make it clear that I was not involved, as an associate or otherwise, in the shell companies named after swords or in Parrhesia. I understand that this may be of interest to you, because those companies were registered in the Isle of Man, but neither of them were associated with the two cases I worked on.

I would not be able to give you any information on that. *[Technical difficulty]* Ms. Iacovelli, who answered your questions on this subject when she appeared before the committee.

I will do my best to contribute to the discussion today.

• (1630)

[English]

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

In the first round will be Mr. Kelly, Ms. Dzerowicz, Mr. Ste-Marie—we will go to you anyway—and Mr. Julian.

Mr. Kelly.

Mr. Pat Kelly: Thank you.

Would you support the testimony we already heard? You say that KPMG had no involvement in the sword companies or the Cinar affairs. That's your testimony.

[Translation]

Mr. Serge Bilodeau: I said that I was not personally involved and I directed you to the testimony of my former colleague who appeared before your committee.

[English]

Mr. Pat Kelly: When you were an employee at the Montreal office, your office did offer offshore products to your clients. That was something you did in the course of your work at KPMG in Montreal. You said you had two clients, or you were at least involved in offering offshore products on two occasions.

• (1635)

The Chair: Did you get the translation, Mr. Bilodeau?

Uh, oh.

Alexandre, where are we at here? I believe we are frozen.

The Clerk: Yes, he just disappeared from the chat again.

The Chair: Mr. Fragiskatos appeared in his block. Maybe he could answer.

Mr. Peter Fragiskatos (London North Centre, Lib.): Is that what you want, Mr. Chair? I thought we were very good friends by now, but....

Mr. Peter Julian: Mr. Kelly has succeeded in asking the only question at this entire finance committee.

The Chair: He's back.

Did you get the translation, Mr. Bilodeau?

Do you want to ask that again, Pat, please?

Mr. Pat Kelly: He's speaking and he's muted.

The Chair: You're muted, Mr. Bilodeau.

He's frozen again.

I just wonder, Clerk, if you can talk to the technicians on his end and maybe ask if they could just go to voice and see if that would work because—

[Translation]

Mr. Serge Bilodeau: Can you hear me?

[English]

The Chair: Here we go.

Mr. Bilodeau, did you hear Mr. Kelly's question?

He's frozen again.

See if it would work if they go to voice. Sometimes I've had to shut off my video and go to voice and it worked.

[*Translation*]

Mr. Gabriel Ste-Marie: If the witness wishes to participate in the meeting with just the sound on, we can simply proceed by telephone. That's one possibility.

Mr. Peter Julian: Mr. Chair—

[*English*]

The Chair: The technicians are going to look at it.

Who's talking? Go ahead.

[*Translation*]

Mr. Peter Julian: This is Mr. Julian.

In my opinion, the current situation does not meet the request to appear. We're halfway through the meeting, with about 50 minutes left, and so far we've only been able to ask the witness one question. In my opinion, this does not meet the criteria that the committee had set for the appearance of the witness.

[*English*]

The Chair: You will not get any disagreement from me, but we have to work with what we have at the moment, Peter. That's the problem we're in.

When technicians are working on it on both sides, I'm not going to suggest that there's anything other than technical problems.

Mr. Pat Kelly: May I make a suggestion?

I don't know what the appetite is for... This witness was summoned as a result of Mr. Ste-Marie's motion. It was his witness. Rather than maybe the futility of repeating over and over again what has not worked so far, unless the Minister of National Revenue does wish to come for two full hours on Tuesday, perhaps we could have the minister for one hour on Tuesday and have this witness back in a better-tested technological solution than we have today.

The Chair: Is there any disagreement with that proposal? If we can't get anywhere here, we would take Mr. Bilodeau for an hour on Tuesday and see what they can work out in the meantime.

Mr. Peter Julian: I completely agree, Mr. Chair.

We have 45 minutes left in this meeting. If we get a few extra minutes, that's great, but the committee is clearly indicating he should come and that the subpoena would apply for Tuesday.

Mr. Pat Kelly: Since Minister Freeland is not available on Tuesday, maybe she has 45 minutes now to give us.

• (1640)

The Chair: I could send her an email.

Mr. Pat Kelly: Yes, Wayne. Why don't you do that? That's a good idea.

Hon. Ed Fast: Trust me. You won't get any answers out of her. I've tried.

The Chair: Ed, I listened to question period today, and the answers you got were....

Do you remember how you used to answer?

Hon. Ed Fast: Yes, they were the same answers that I got yesterday, and on Tuesday and on Monday: talking points.

The Chair: Well, look, Ed, when you have a good policy, you can't change your answers.

Hon. Ed Fast: When you have a bad policy, that's when you hide.

The Chair: Okay, guys, we're getting foolish here and we're probably televised.

Hon. Ed Fast: I think I've been drinking too much coffee.

The Chair: Anyway, we'll wait another few minutes here and see where we end up.

Mr. Sean Fraser (Central Nova, Lib.): Mr. Chair, if we do end up delaying the witness's appearance, just for the convenience of members of the committee, if the clerk could undertake to work with the witness in advance of the meeting to secure a stable connection, it would really help to make sure we don't run into the exact same problem the next time around.

Mr. Pat Kelly: That's what I meant by better-tested technology.

The Chair: For Mr. Bilodeau, I think they were already working on it for an hour and a half, but in any event, we have to find something. This is something that we haven't run into.

Mr. Peter Julian: Mr. Chair, is Mr. Bilodeau appearing from a KPMG office?

The Chair: I have no idea.

According to the clerk, yes, he is.

Mr. Peter Julian: I am a little astounded that with a multi-billion dollar company there are so many difficulties in actually getting a link.

Hon. Ed Fast: Mr. Chair, is there any chance that we could actually have him appear in person here in Ottawa?

We have this whole room here. There are COVID protocols in place. We're allowed to sit here. It seems to me that the distance we have available here in the room would allow him to safely provide his testimony.

The Chair: We can certainly ask for that.

[*Translation*]

Mr. Serge Bilodeau: Yes, good afternoon.

[*English*]

The Chair: There's Mr. Bilodeau now.

Welcome. I believe we're going to voice.

[*Translation*]

Mr. Serge Bilodeau: Yes, can you hear me?

[*English*]

The Chair: Yes, we have you.

Can you hear us?

[Translation]

Mr. Serge Bilodeau: Yes, I can hear you fine.

[English]

The Chair: Translation, can you pick that up?

[Translation]

Mr. Serge Bilodeau: I can hear very well.

[English]

The Chair: All right. Mr. Bilodeau can hear fine.

Mr. Kelly, do you want to repeat your question and we'll go from there?

Mr. Pat Kelly: Okay.

I really want to know about the scope. I'll go a little further with the question just to ask about the scope of overseas products offered in the Montreal office when the witness was there. I think he said in his opening statement that on a couple of occasions, he'd been involved in that.

Can he comment? Was tax planning involving overseas products a common or widely used strategy in the Montreal office when he worked there?

[Translation]

Mr. Serge Bilodeau: Actually, the product, what we call OCS planning, that is to say the foreign company structure, was offered on a national basis, not only in Montreal.

However, in terms of my responsibility to the clients, my involvement in both situations was from Montreal.

[English]

Mr. Pat Kelly: Okay, so what changed? When did your business stop offering overseas products and why?

[Translation]

Mr. Serge Bilodeau: The planning was developed by a group of senior tax experts, led by a man named Barrie Philp, and it was developed on a national level. The analysis was done on a national level. Then it was explained locally, in each of the provinces. When the situation was appropriate, it was discussed with the client and, if they agreed, it was implemented.

• (1645)

[English]

Mr. Pat Kelly: I'm not sure that was an answer to my question. I wanted to know when.

Was there a date or a time period at which KPMG stopped offering overseas products? I think the earlier testimony suggested that there was a time at which KPMG ceased offering this kind of tax plan.

[Translation]

Mr. Serge Bilodeau: KPMG did an overall assessment and stopped offering those products in 2002, 2003 or 2004. In fact, the decision was the firm's, not the local office in Montreal. That's why I hesitated. That decision was made by the firm on a national basis.

[English]

Mr. Pat Kelly: What was the rationale for that decision? Was there a change in the law?

[Translation]

Mr. Serge Bilodeau: No.

[English]

Mr. Pat Kelly: Not as a result of any change in law....

[Translation]

Mr. Serge Bilodeau: No.

[English]

Mr. Pat Kelly: Okay. It was just a change of policy or something—

[Translation]

Mr. Serge Bilodeau: It would be difficult for me to give you the reasons for that decision, because I was not part of the committee that made the decision to no longer recommend the structure.

[English]

Mr. Pat Kelly: Were you involved or did you have any interaction with the Canada Revenue Agency over the allegations around the Cinar fraud? I know that you've denied that you were involved, but did either the CRA or any other investigative bodies question you or your company over these allegations?

[Translation]

Mr. Serge Bilodeau: As I mentioned, I am not familiar with the Cinar affair, except that I was informed about it by the firm. I imagine that requests were made to the firm. Some of my former colleagues at the national level asked me if I had heard of this company and I told them that I did not know this organization or the people involved. So it was easy for me to answer that question. I guess the—

[English]

Mr. Pat Kelly: In these conversations, your colleagues all denied to you or told you that they'd never heard of this either. Nobody within KPMG or your colleagues—

[Translation]

Mr. Serge Bilodeau: My colleagues did not comment on what was going on in the office. My former colleague mentioned to you what was happening with the famous situation between Cinar and KPMG.

I would imagine that, when the request was made to KPMG Canada, they took it seriously and investigated to see if anyone was involved in any way. Since I am in Quebec, people from KPMG Canada called me to see if I was aware of this situation. I told them very quickly that I had no knowledge of this case. They did not tell me if they had done any research elsewhere.

In any case, it was not my responsibility because I was working in client services, not in risk management or in the business of the firm as a whole.

[English]

The Chair: We will move to Ms. Dzerowicz, followed by Mr. Ste-Marie.

Julie.

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

I want to thank Mr. Bilodeau for joining us. Thanks for enduring all your technical difficulties.

Mr. Bilodeau, as you know, we're here to talk about how we can improve our efforts to combat tax avoidance and evasion. What practices are in place at KPMG to ensure that it is not in any way helping clients to avoid or evade paying taxes in Canada?

• (1650)

[Translation]

Mr. Serge Bilodeau: In connection with the development of tax planning, at the time, the firm had set up a risk management committee. I imagine that this committee still exists. You will understand that I am no longer an associate in the firm, as I have reached retirement age.

The professionals working on a particular file conduct an analysis. Then they must send it to a committee that analyzes the planning in more detail and draws conclusions about the level of risk. I'm talking about tax planning here.

[English]

Ms. Julie Dzerowicz: For every single client, you send every single client to a risk committee for an assessment in order to ensure—

[Translation]

Mr. Serge Bilodeau: No.

[English]

Ms. Julie Dzerowicz: Okay, so my question is—

[Translation]

Mr. Serge Bilodeau: The associates still have a certain amount of autonomy. The risk management committee will not be asked to evaluate a contribution to a registered retirement savings plan, for example.

However, in terms of tax planning, a detailed analysis is conducted to determine compliance with the letter of the law. A final test determines whether the tax transaction is considered to be within the spirit of the law. That is a judgment call. As soon as we reach that stage, there is an obligation to go before the risk management committee, which must determine whether or not there is a problem with respect to the spirit of the law. That judgment is subject to interpretation. In fact, the courts have heard several cases on this test, called the general anti-avoidance rule. Once the general anti-avoidance rule comes into play, the risk management committee becomes involved to approve or reject the proposed planning.

[English]

Ms. Julie Dzerowicz: Mr. Bilodeau, how does the approach at KPMG in ensuring that you have practices in place to ensure that you're not helping clients avoid or evade taxes line up with the best practices or best in class in Canada, or even around the world, actu-

ally? How are you ensuring that you have the best-in-class practices in place to make sure that you're not in any way, as a company, helping companies to avoid paying taxes or to evade taxes?

[Translation]

Mr. Serge Bilodeau: First, let's make one thing clear: KPMG does not engage or participate in transactions that could be considered tax evasion.

In short, tax evasion is deliberately ignoring the law. So you ignore the test of the law. KPMG is not involved in tax evasion.

However, tax avoidance, not tax evasion, is a different story. Tax avoidance refers to operations that reduce taxes, but that first follow the letter of the law. A second test seeks to determine whether it also follows the spirit of the law.

The professionals involved must first determine whether the tax plans proposed or analyzed follow the letter of the law. That is the first test. The professionals, the associates, have the expertise required to perform this analysis.

As for the second test, whether the spirit of the law is respected, the associates must automatically do their analysis, but they must send it to the risk management committee, which will either support or reject the transaction in question. If the committee rejects the transaction, the associate is not allowed to implement the plan. If the committee approves the transaction, the associate may continue discussions with the client on the plan.

• (1655)

[English]

The Chair: Sorry, Julie, I'll have to go to Mr. Ste-Marie.

Ms. Julie Dzerowicz: Thank you so much.

The Chair: Gabriel.

[Translation]

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

Good afternoon, Mr. Bilodeau.

From my point of view, creating a company in the Isle of Man, into which wealthy Canadian clients pour their fortune, so that the shell company can then pay them tax-free donations, is completely immoral. I, for one, want to live in a society where such schemes are illegal. That is why the committee is doing this study on the situation.

I want to remind you that all witnesses who appear before committees of Parliament are protected by immunity, meaning that you do not have to worry about incriminating yourself or anyone else. If something were to be revealed, under no circumstances could it be used in a lawsuit. That is what the Law Clerk and Parliamentary Counsel of the House has reminded us. What we want to do is get to the bottom of it, and I think that this immunity allows us to do that.

To your knowledge, is there a connection between KPMG and the sword companies: Shashqua, Katar, Sceax, and Spatha?

Mr. Serge Bilodeau: My former colleagues answered that question based on the analysis that was conducted.

Mr. Gabriel Ste-Marie: Yes, but I'm asking you.

Mr. Serge Bilodeau: You will understand that I cannot testify and make assumptions about things I do not know. All I can confirm, as I mentioned in my opening remarks, is that I do not know these companies, I have never heard the names of these companies and I do not know the people involved.

I know that the firm was asked, and my former colleague, who is responsible for taxation in Canada, answered it.

Mr. Gabriel Ste-Marie: She actually didn't answer it, and we just passed a motion to have her answer it.

So let me confirm what you just told me: to your knowledge, there is no connection between KPMG and Shashqua, Katar, Sceax, and Spatha. Did I understand correctly?

Mr. Serge Bilodeau: I don't know them, and the firm answered that it had no connection with those companies.

Mr. Gabriel Ste-Marie: I find it curious that you don't just say "yes, you're right".

Mr. Serge Bilodeau: Look, I'm strongly encouraging this committee to investigate the matter. If it appears that there has been fraud, that's not right and I would encourage your committee to continue its investigation. KPMG representatives will answer your questions, as they always have.

Mr. Gabriel Ste-Marie: Thank you for that thought, but I find your way of answering rather curious. I am just asking you to confirm that, to your knowledge, there is no link between the sword companies and KPMG. Your answer goes around and around and ends up back at your statement. It's as if there's something you don't want us to know, and I find that worrisome.

Mr. Serge Bilodeau: No.

Mr. Ste-Marie, I probably wasn't clear enough. In fact, there are two answers to your question.

First, there is my own personal answer, which regards my work as a partner and non-partner at the firm. I believe that I clearly said that I don't know these companies and I don't have any ties with them.

Now, the second answer is KPMG's. As my colleague said in her previous appearance, efforts were made to look for ties with those companies across the firm as a whole, but nothing was found.

• (1700)

Mr. Gabriel Ste-Marie: Very well, thank you.

I still want to add that the KPMG representatives said that they looked over the past ten years, whereas all of this started far before then. That's why we're reaching out to them again for answers.

I would like you to speak on your own behalf, not on behalf of KPMG.

Mr. Serge Bilodeau: Okay, perfect.

Mr. Gabriel Ste-Marie: I understand that there are no ties.

I also take it that you don't personally know anyone who, whether closely or remotely, worked with, had ties with or contributed to the operations of those companies with swords in their names: Shashqua, Katar, Sceax and Spatha. Is that correct?

Mr. Serge Bilodeau: Exactly.

Mr. Gabriel Ste-Marie: All right. Very well, thank you.

I'd like to talk to you about the Weinberg, Norshield and Mount Real scandal.

To the best of your knowledge, did KPMG have any close or remote ties to the money managed and stolen by Mr. Weinberg, Norshield and Mount Real?

Mr. Serge Bilodeau: I will say the same thing that I said earlier: there are two parts to your question.

Personally speaking, I believe that I was pretty clear. I have no knowledge of this case and I've never worked on it. In fact, I'm learning more about it piece by piece this afternoon.

As for the answer that relates to KPMG Canada as a whole, my colleague answered that question. She said that the firm has no ties with the case.

You understand, Mr. Ste-Marie, that I can only confirm what I've read. I can't confirm things that I'm unaware of.

Mr. Gabriel Ste-Marie: Yes, I understand. The real purpose of my questions is to determine whether you personally had any knowledge of that.

[English]

The Chair: This will be your last question, Gabriel.

[Translation]

Mr. Gabriel Ste-Marie: Thank you for your answers.

Do you have any knowledge of Parrhesia? Did you at any point have any ties, close or distant, to this company? Do you know anyone that did business with Parrhesia? Is it possible that KPMG had ties to it?

Mr. Serge Bilodeau: I'll give you the same answer as before. The first time that I heard about Parrhesia was in the media. I have zero knowledge of this company. With regard to KPMG, my colleague covered the topic, and I trust KPMG.

[English]

The Chair: Thank you.

We will go to Mr. Julian, who will be followed by Ms. Jansen.

Mr. Julian, you have six minutes.

[Translation]

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

Thank you for your patience, Mr. Bilodeau. Given the technical difficulties, we weren't able to ask all our questions. We'll surely have to ask you to appear before the committee another time.

Here is my first question that I would like to ask you. What was the most senior position that you held at KPMG?

Mr. Serge Bilodeau: I was a partner. There are now two categories of partners. However, when I was a partner, there was a long period where there was just one level of partners.

Mr. Peter Julian: Weren't you the senior vice-president of the tax division?

Mr. Serge Bilodeau: Yes. In 2014, when I was 58 or 59, I decided to slow down and no longer work as a partner. I stepped down, but I maintained ties with KPMG. I continued on as a consultant with a vice-president title.

Mr. Peter Julian: So, you were the senior vice-president of the tax division. That's an impressive title.

And you're telling us that, as senior vice-president of the tax division, you were in no way part of the risk management committee.

Mr. Serge Bilodeau: Exactly.

Mr. Peter Julian: Who was on the risk management committee? Which positions within KPMG were held by committee members?

Mr. Serge Bilodeau: My colleagues on the risk management committee are generally seasoned employees from most Canadian provinces. They come from large firms, such as those in Toronto, Montreal, Vancouver and Calgary.

Mr. Peter Julian: Yes, but you should be aware of who was on that committee. It's an important committee. So, who were the members of the risk management committee?

Mr. Serge Bilodeau: The committee members change over time.

• (1705)

Mr. Peter Julian: I'm clearly asking you this question to get their names.

I gather that you're telling me that all issues regarding whether tax laws were broken were studied by the risk management committee.

So, who was on the committee? If you know the names of the people or which titles they had, we would like to know that information. Can you give us some names today? If not, you can give us those names next week.

Mr. Serge Bilodeau: It would be better to ask KPMG that question. You can understand that, during my time at KPMG, many people were on this committee.

Mr. Peter Julian: Yes, that makes sense.

However, it would be important for us to know, because—

Mr. Serge Bilodeau: Do you have a specific period in mind or are you looking at a period of many years?

Mr. Peter Julian: The period that I'm referring to is the one where the foreign structures were created. We have questions about that period, between 2000 and 2014. Over these years, decisions were made to establish foreign companies and structures. It would be important to have this information.

I'll give you some time to answer my question over the next few days. I'll go on to my next question.

Mr. Serge Bilodeau: I just want to be sure that I properly understand your question. You are particularly interested in the risk management committee members who studied the tax structure of the Isle of Man, right?

Mr. Peter Julian: Yes, certainly. I would like to know who studied all these issues and verified whether the entity complied with tax legislation.

Now, you talked about two cases where you created foreign tax structures. When did you create them? Do these structures still exist? Lastly, who approved the structures that you proposed?

Mr. Serge Bilodeau: This goes back to your first question, where you wanted to know who was on the risk management committee. The question will be addressed as such.

Since I'm only at KPMG very temporarily, it would be much easier to ask KPMG the question directly, instead of through me. I see no inconvenience with KPMG answering that question.

Mr. Peter Julian: Thank you. However, we've asked KPMG questions several times now, but we haven't gotten many answers from them. No matter, we will continue.

I know that you worked on two similar files. To your knowledge, how many of these companies were established to create these foreign tax structures?

Mr. Serge Bilodeau: I participated in two operations to create foreign tax structures. I can't answer that question on behalf of partners from across Canada.

Mr. Peter Julian: So, you weren't aware of any other foreign tax structures.

Mr. Serge Bilodeau: No.

Mr. Peter Julian: Okay.

[English]

After Ms. Iacovelli appeared before this committee on May 6, did you meet with her or speak with her, and did you receive any instructions from KPMG or KPMG's lawyers and any legal advice prior to your appearance before this committee?

[Translation]

Mr. Serge Bilodeau: I haven't spoken with Ms. Iacovelli. You can understand that I was asked to appear before the committee with about 36 hours' notice. This is very short notice. Yes, I spoke with KPMG because I'm here to talk about my time as a partner at KPMG. So, there is a link with KPMG.

Incidentally, I'm speaking to you today from a KPMG office. I thought that it would be the best place to avoid technical difficulties, but it looks like they can happen here as well.

[English]

The Chair: Sorry, Peter, but this will be your last question.

Mr. Peter Julian: Thank you.

Do you know or have you ever met or spoken with Sandra Georgeson, Enzo Beretta or Anne Couper Woods?

[Translation]

Mr. Serge Bilodeau: No. I don't know them.

I heard one of your colleagues say that Sarah—I believe that was the name that I heard—was asked to appear, but I had never heard her name before.

• (1710)

Mr. Peter Julian: So, you don't know any of those three people.

Mr. Serge Bilodeau: No.

[English]

The Chair: We'll move to Ms. Jansen.

I don't have anybody on the Liberal side after that, so if anybody else wants to come in, put up your hand and we'll go there. We'll go to a fast-moving couple of rounds with people with specific questions. We do have a hard stop due to Parliament at 5:30 our time.

If people would put their hands up, I'll go to them for as quick a round as we can have, so that we get those who really want in.

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

Mrs. Tamara Jansen: Mr. Bilodeau, you described a system that you called a risk management committee, which is a way in which KPMG ensures that their people are acting ethically and remain in compliance with the law. Is that correct?

[Translation]

Mr. Serge Bilodeau: Exactly. It's risk management. This is referred to as a general anti-avoidance measure.

The issue of whether a planning operation respects the spirit of the law is in large part a matter of interpretation. Like I said, there have been many cases like this and there is some case law to work with. All partners rely on an experienced team to help them get a good idea of the situation or issue at hand.

[English]

Mrs. Tamara Jansen: Thank you.

Does KPMG U.S.A. have the same system of anti-tax avoidance through a risk management committee?

[Translation]

Mr. Serge Bilodeau: I have no idea. I can't answer that question.

[English]

Mrs. Tamara Jansen: Where would KPMG Canada have come up with the system of risk management that you described?

[Translation]

Mr. Serge Bilodeau: It came from people who are involved in KPMG's management or from tax managers. With the legislation changes over the years, establishing a risk management committee seemed like a good idea.

The general anti-avoidance measure has been in place since 1987. However, I don't know when KPMG created the risk management committee. I would have to ask the firm.

[English]

Mrs. Tamara Jansen: Wouldn't it make sense that the American KPMG would have the same system? I would imagine that it's just as concerning to follow the law in the U.S. as it is here in Canada. It seems odd to me that you have no idea how KPMG does their risk management in the U.S.

[Translation]

Mr. Serge Bilodeau: It's a concern in all countries.

[English]

Mrs. Tamara Jansen: Yes, exactly.

I'm just curious, because obviously, whatever risk management system they have in place didn't seem to have worked in this case.

You mentioned that you're retired, but for some reason you decided to go into the KPMG office today to be a witness. Why did you decide to go to their office since you're retired, and as I understand it, haven't been working there for many years?

[Translation]

Mr. Serge Bilodeau: Please allow me to clarify certain things. As I said in my opening remarks, I maintained ties with KPMG and I still work there as a consultant, but on a temporary basis. So, I still have a relationship with KPMG. I still go into the office, albeit not regularly. My relationship with KPMG is still good. After all, I worked there for 40 years.

[English]

Mrs. Tamara Jansen: My understanding is that you have legal counsel with you there right now. Are you paying for that yourself, personally, or is that a KPMG expense? Are you paying for that personally?

[Translation]

Mr. Serge Bilodeau: The cost will be met by KPMG, because I am here to discuss matters that date from the time when I was an associate with KPMG.

• (1715)

[English]

Mrs. Tamara Jansen: Right. Okay.

It is a bit concerning to hear that KPMG U.S. and KPMG Canada wouldn't have the same sort of systems in place for risk management. If it didn't work in the U.S., is it possible that the system you have in place also didn't work? I wonder if you could speak to that.

It is concerning as a taxpayer, as a business owner myself. I always want to make sure that we do the right thing. We've always trusted our accountants to give us good information because we don't know the tax law very well, so how can we be sure, as businesses, that we're not being given poor advice on these sorts of tax schemes?

[Translation]

Mr. Serge Bilodeau: I explained the risk management situation as it applies to tax planning. In my opening remarks, I also explained that the Isle of Man tax product had been analyzed by senior associates in the office, whose names you have asked me for. In addition, the documentation that you have been sent describes the establishment of the companies in the Isle of Man and also provides the analysis that was done more than 20 years ago.

[English]

The Chair: This will be your last question, Ms. Jansen.

Mrs. Tamara Jansen: Again, I'm just curious. I didn't really get an answer that could make Canadian businesses feel secure that the tax advice they're getting is correct, especially seeing that KPMG U.S. clearly failed in their duty to ensure they were doing things legally. It doesn't sound like KPMG U.S. and KPMG Canada are sharing the same sort of risk management committee. How can we be sure that we're getting good advice?

[Translation]

Mr. Serge Bilodeau: You would have to ask the right people.

I was an associate in Quebec and part of the Canadian company. I do not know the risk management procedure in KPMG United States. That is a matter for KPMG United States.

Like all large companies, KPMG has a risk management procedure in place. I have explained the procedure in Canada, but I cannot explain the procedure in the United States, because I am not familiar with it

[English]

The Chair: Thank you, all.

We'll go to Annie Koutrakis, followed by Ed Fast. We may have to stop at 5:30, but, as I said earlier, if anybody has a specific fairly quick question they want to ask, they should put up their hand.

Go ahead, Ms. Koutrakis.

[Translation]

Ms. Annie Koutrakis: Thank you, Mr. Chair.

Welcome to the committee, Mr. Bilodeau.

Can you explain to us how the taxation system in Canada, and, more broadly, the taxation system internationally, has changed since the OCS structure, as you call it, has been in place? More specifically, what laws or regulations have been put in place to fight against these tax avoidance strategies?

Mr. Serge Bilodeau: Over the years, there has been a major evolution in taxation and in other aspects. Twenty years ago, who would have thought that we would be wearing masks today? The same has happened in the taxation system. Tax laws have evolved; they are constantly changing. The case law has also evolved. Moreover, tax rates have gone down. These factors have contributed greatly to a change of behaviour and culture, and even to the recognition of what is called fiscal morality.

Twenty years ago, fiscal morality did not exist. Legislation was applied as it was written. Because of the events that I have just ex-

plained, fiscal morality has taken hold. This is not only the case in Canada; it is happening in all industrialized countries.

The work done by the OECD has greatly contributed to this evolution. I can think, for example, about a report entitled "Harmful tax competition: an emerging global issue" that was published in the major industrialized countries, and about the measures that have been put in place. Organizations are now required to declare their profits by country, so that the countries with advantageous tax rates can be identified. Organizations of a certain size are required to make that declaration.

I don't know whether that answers your question, but it does explain the evolution, in my opinion.

• (1720)

Ms. Annie Koutrakis: Yes. As I see it, society has also evolved and has defined what is acceptable and what is not. I am sure that all members of our committee share that view. Basically, that is why we are conducting this study.

I have one last question for you.

What tax planning strategies does KPMG currently use, and how have those strategies evolved in the last 20 years or so?

Mr. Serge Bilodeau: KPMG has evolved as the situation has evolved. It adapts to the situation. As I said earlier, 20 years ago, no one talked about fiscal morality. Now they do. It's now about more than the letter of the law. It goes beyond that. Furthermore, the courts are handing down judgements along the same lines. Everyone is required to adapt to taxation legislation and to what the courts are deciding in specific cases.

Ms. Annie Koutrakis: Thank you very much, Mr. Bilodeau.

That's all for me, Mr. Chair.

[English]

The Chair: Thank you, Annie.

We'll now turn to Mr. Fast in the West Block.

Go ahead, Ed.

Hon. Ed Fast: Thank you, Mr. Chair, and thank you, Mr. Bilodeau, for coming to our meeting.

You may feel like you're in an inquisition, but in fact, this study is much broader than Cinar or the sword companies or the paradise papers or KPMG. We're trying to get to the bottom of how tax evasion can be eliminated.

My guess is we're not going to get to the bottom of it, but we're trying to make some progress. I'm glad you mentioned the OECD, because the OECD did come out with a very interesting report entitled "Ending the Shell Game: Cracking down on the Professionals who enable Tax and White Collar Crimes".

I'd be surprised if we were able to get any accounting firm from across Canada to come to committee and admit that they've been engaged in tax evasion. They may even deny that they've been involved in tax avoidance, but as you've suggested, tax avoidance is different from evasion and is a matter of degrees and there is aggressive tax avoidance and there is just simple tax avoidance.

[Translation]

Mr. Serge Bilodeau: There's a huge difference between the two. I invite you to consult the website of the Canada Revenue Agency. It very clearly establishes the difference between tax evasion and tax avoidance.

Tax evasion is wilfully failing to comply with the law. If you wilfully fail to comply with the law—

[English]

Hon. Ed Fast: Mr. Bilodeau, I did want to ask you a specific question.

That OECD report specifically highlighted four things that could be done to address the issue of, what they refer to as, professional enablers. They're talking about accountants. Let's be very frank about that.

The first was engaging in more communication. The second was leveraging the role of supervisory bodies in industry sectors. Third was early disclosure, and then whistle-blowing, and then a strong approach to enforcement.

I want to ask you a question about the second part, and that is supervisory bodies. Those are your professional societies that are governed provincially. Are you aware of anyone within KPMG, any accountant within KPMG, having been disciplined or cited or censured as a result of the Isle of Man offshore structures?

• (1725)

[Translation]

Mr. Serge Bilodeau: No, I don't have that information.

[English]

Hon. Ed Fast: I'd like you to comment on what it is that your profession could do to help reduce or eliminate tax evasion. I know it's a tough question, but surely you, as a lifelong accountant, have been able to identify certain strategies that could help our country address this issue that costs taxpayers billions and billions of dollars every year.

[Translation]

Mr. Serge Bilodeau: You have to really think the issue through, to be aware of what tax authorities, either provincial or international, are saying. The most recent budget was clear. There are a huge number of tax compliance measures. Some measures are becoming more and more punitive for specific situations.

To answer your question, I would say that we are certainly on the right track.

[English]

Hon. Ed Fast: Does your professional body.... Across Canada in the provinces, do those professional bodies actually have sanctions they can impose on accountants who engage in tax evasion?

[Translation]

Mr. Serge Bilodeau: I really do not know how to answer that question. I have no idea. I assume so, because that is what a professional organization is actually for.

[English]

Hon. Ed Fast: Let me ask you this, then.

The Chair: This will be your last question, Ed.

Hon. Ed Fast: You're a member of a professional accounting body, correct? You could not practise otherwise, correct? That's in Quebec, correct?

[Translation]

Mr. Serge Bilodeau: That is correct. I am a member of the Ordre des comptables professionnels agréés du Québec.

[English]

Hon. Ed Fast: Are you telling me that you don't know exactly what rules they have about you or any other accountant within that body engaging in tax evasion?

[Translation]

Mr. Serge Bilodeau: Yes, it has rules to make sure that training is provided and that clients get the best possible service. I am not familiar with the punitive rules and the sanctions, but I know that the Ordre des comptables professionnels agréés du Québec publishes the names of those who have been sanctioned.

[English]

Hon. Ed Fast: Anybody KPMG—

The Chair: Thank you, both.

Mr. Ste-Marie, we'll give you about two minutes, and Mr. Julian, about two, and then we're going to have a hard stop.

Go ahead, Mr. Ste-Marie.

[Translation]

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

Mr. Bilodeau, in your testimony, you distinguished between tax evasion and tax avoidance very well. Basically, you helped to establish strategies for tax avoidance, which is legal. That's what KPMG does.

But I do have a problem with that. I'm thinking about ordinary people, personal support workers, for example, because we are still in a pandemic. A lot of people earning minimum wage are paying 35% to 40% in income tax. Nurses may be paying 45% to 50% in income tax. Then we look at the multimillionaires and billionaires who use these strategies to pay a ridiculous amount in income tax, although they certainly have the means to pay their fair share.

So, on the one hand, we have ordinary people tightening their belts, and on the other hand, we have the extremely wealthy who, using strategies like those that you established, end up paying almost nothing. It may be legal, but do you think it's morally acceptable?

• (1730)

Mr. Serge Bilodeau: As professionals, our role is limited to interpreting and applying the legislation as it is written. If there is a lack of fairness between certain groups of taxpayers, as you mention, I feel that you have to talk to those who make the legislation.

Mr. Gabriel Ste-Marie: Thank you. I won't go any further. So you do not acknowledge that what you were able to do is immoral.

That is exactly the problem that was raised by senior officials in the Department of Finance and officials of the Canada Revenue Agency. The legislation contains a lot of loopholes and intricacies, and people like you use them so that the wealthiest among us do not contribute. I find that to be unacceptable.

As you said, our role is to change that, because it is unacceptable. You have no idea how disappointed I am that you do not acknowledge that it is immoral.

That's all I have to say.

Thank you Mr. Chair.

[English]

The Chair: I'll give Mr. Bilodeau 30 seconds to respond.

[Translation]

Mr. Serge Bilodeau: I am sorry, but I did not understand the question.

[English]

The Chair: I think it was more a statement, in fact.

Mr. Julian, you have the floor.

[Translation]

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

Mr. Bilodeau, I am tempted to ask you a question about the victims, like Janet Watson, who appeared before our committee. She lost all her life savings because of these strategies.

But I will stick to questions about Parrhesia.

Two very troubling questions emerge from Ms. Iacovelli's testimony.

First, Parrhesia, which has links to the sword companies, was registered as the result of a document faxed from the offices of KPMG in Montreal.

Were you aware of the existence of Parrhesia? Was it discussed in the offices in Montreal? Do you believe that it is one of the issues that could have been discussed by your famous risk management committee?

Then, Ms. Iacovelli clearly stated that the services of those companies were not provided after 2003. However, we discovered that Parrhesia was dissolved on May 24, 2021, just a few weeks ago, and right after the revelations on *Enquête* and *The Fifth Estate*, programs on Radio-Canada and CBC respectively.

Were you aware that Parrhesia existed until that date? How do you explain that Parrhesia was in existence for all that time, although, according to Ms. Iacovelli, it was not active after 2003?

Mr. Serge Bilodeau: I refer you to my previous comment. I have absolutely no knowledge of that company, so I will answer each of your questions by saying that I am not familiar with it. I had no information about Parrhesia or nor did I have any contact with people who were involved in setting it up.

[English]

The Chair: You have a last question, Mr. Julian. Be very quick.

[Translation]

Mr. Peter Julian: Actually, I still have a lot of questions.

[English]

The Chair: I'm sorry, we don't have time.

[Translation]

Mr. Peter Julian: This will be my last question for today.

Mr. Bilodeau, you mentioned a tax expert called Barrie Philp. Is he the resource person who should enlighten us about the whole matter of KPMG's strategies?

Mr. Serge Bilodeau: Barrie Philp, whose name appears in the document that KPMG submitted, was one of those involved in developing that strategy.

As to whether he has to appear or not, I feel that's it's a question for you to answer.

[English]

The Chair: Thank you, Mr. Bilodeau. We will have to end it there.

Thank you very much for coming today. I'm sorry about all the technical difficulties. We will go forward on the basis of what the committee decides.

Thank you.

• (1735)

[Translation]

Mr. Serge Bilodeau: We don't know where the blame lies for the technical difficulties, but I am sorry for the delay and the inconvenience that it could have caused.

[English]

The Chair: The technical issues were not your fault.

On behalf of the committee, thank you for coming.

For the steering committee, we did pass a motion or two here. Do we still need the steering committee, yes or no?

We do. Okay.

We will have to take at least 15 minutes. We will start the steering committee at 5:55 Ottawa time. We will only have a half-hour due to Zoom problems, etc.

We will adjourn this meeting and start the steering committee meeting at 5:55.

Thank you, all. Thank you, Mr. Bilodeau.
The meeting is adjourned.

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