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# Standing Committee on Finance

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Chair: The Honourable Wayne Easter





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• (1605)

[English]

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

Welcome to meeting number 58 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, April 27, 2021, the committee is meeting to study the Canada Revenue Agency's efforts to combat tax avoidance and evasion.

Today's meeting is taking place in the 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. I think we all know here that only the person speaking shows up when we're in session.

With that, we are fortunate today to have here the Minister of National Revenue, the Honourable Diane Lebouthillier. She'll have a few opening remarks for about seven minutes, I gather.

Thank you, Minister. Not all ministers give us their remarks the night before in both official languages. We appreciate that.

With the minister is Ted Gallivan, assistant commissioner, compliance programs branch, who has been here many a time. We welcome him, as well.

We will start with the minister—

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** I have a point of order. I'll be really quick, Mr. Chair.

I agree with you. I do thank the minister for providing her remarks ahead of time. That was thoughtful of her to do so. I have read them. I'm sure everybody else has, as well.

I wonder if we might dispense with having them read into the record and go straight to questions.

**The Chair:** No, I don't believe so, Mr. Kelly. I find that the ministers do like to have an opportunity to make their statement. I think it's one of the reasons we don't get them if we take that opportunity away from them.

On this one I'm going to allow the minister to make her statement and thank her for her courtesy. It gives us, as members, time to better prepare questions.

Madam Minister.

[Translation]

**Hon. Diane Lebouthillier (Minister of National Revenue):** Thank you very much.

Hello to all my colleagues.

Mr. Chair, I would like to take this opportunity, before beginning my presentation, to wish you a happy birthday.

Thank you for this invitation to provide details on the Canada Revenue Agency's strategies to combat tax evasion and aggressive tax avoidance.

Let me begin by saying that the Government of Canada and the CRA are firmly committed to combatting tax evasion and aggressive tax avoidance on all fronts. And we are all committed to making things much more difficult for those who choose not to meet their tax obligations.

In fact, since 2016, the Government of Canada has made investments that have helped provide the CRA with better data, better methodology and, ultimately, better results.

In particular, these investments have enabled the agency to develop a strategy that promotes global data sharing. Let's face it, tax evasion and aggressive tax avoidance are complex global problems.

The CRA is working with international partners through various multilateral organizations, including the Organization for Economic Co-operation and Development, or OECD, and its forum on tax administration, the FTA. I was pleased to see that Mr. Bob Hamilton, commissioner of the CRA, was appointed chair of the FTA in August 2020.

As a result of its modern and collaborative strategy, Canada is member to 93 tax treaties and 24 international tax information exchange agreements. In fact, Canada is one of more than 70 countries that exchange information through the country-by-country reporting system.

In addition, Canada participates in the electronic funds transfer reporting program, which is related to international electronic funds transfers over \$10,000. And with the implementation of the common reporting standard in 2016, Canada, alongside nearly 100 other jurisdictions, benefits from financial institution data that identifies financial accounts held by non-resident clients for tax purposes.

With these improved resources and tools, the CRA is now able to focus on large multinationals, high net worth networks, the underground economy, cryptocurrency and real estate transactions.

The CRA is now seeing these signs of success because of the investments made by the Government of Canada.

In recent years, the CRA has assessed the equivalent of more than \$12 billion each year through audits, more than 60% of which were related to tax avoidance by large multinationals and aggressive tax planning by high net worth individuals.

And I must note that these investments have generated approximately \$5 billion in additional federal tax revenue, as of March 2021.

Additionally, the CRA's criminal investigations program has enhanced its ability to investigate the most serious tax crimes. It is important to note that the agency investigates complex cases in collaboration with its partners in the Department of Finance and the Department of Justice to close what may be perceived as legal loopholes. And I must remind you that the CRA has shifted its focus to more hard-hitting investigations, which result in more jail time and higher fines.

However, we must never forget that tax evasion often involves very complex domestic and international money transfer structures, which require the CRA to complete lengthy and time-consuming intelligence gathering processes.

I also want to note that we are increasingly seeing high net worth taxpayers using the court system when they are audited in order to avoid providing documents and information to the agency. And I want to emphasize that the volume of complex litigation is up significantly from previous years, with approximately 3,000 active cases considered high level in complexity.

• (1610)

As a result, first announced in the 2020 fall economic statement and confirmed in budget 2021, the Government of Canada has committed to invest \$606 million over five years, beginning in 2021-22, to continue this complex work.

These investments will close the compliance gap for high net worth individuals, strengthen technical support for high-risk audits, improve the CRA's ability to identify tax evasion involving trusts, improve the CRA's ability to stop fraudulent or unjustified GST/HST refunds, and, finally, improve the criminal investigations program.

In addition to the financial investments from budget 2021 legislative changes will also be put in place to strengthen the rules on transfer pricing, oral testimony, base erosion and profit shifting, and mandatory disclosure rules.

Before I conclude, I would like to wish the chair of this committee, Mr. Wayne Easter, a very happy retirement.

I want to thank you personally for your outstanding work on behalf of Canadians. We will miss you.

Mr. Chair, I am proud to say that the Government of Canada and the CRA have shown determination and innovation in creating ef-

fective and proactive approaches to identifying those who avoid paying their fair share of taxes or who are taking steps to do so.

Thank you.

[English]

**The Chair:** Thank you very much, Madam Minister. Thank you for the comments.

It sometimes makes me wonder, with the comments I've gotten lately, that maybe a person should retire more often.

The lineup for the first round of questions is Mr. Kelly and Mr. Lawrence. They'll split the first six minutes, followed by Ms. Dze-rowsicz, Mr. Ste-Marie and Mr. Julian.

Mr. Kelly, I believe you're up first or it might be Mr. Lawrence.

Go ahead.

**Mr. Pat Kelly:** It's Mr. Lawrence.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** I can agree with the chair. I would certainly like to see more Liberals retire.

Thanks very much.

My question, obviously, is for the minister.

The inability to collect revenue from tax evaders—which is somewhere in the neighbourhood of \$10 billion to \$25 billion a year—has real consequences. Our debt now, Minister, is over a trillion dollars, the government's debt-to-GDP ratio will exceed 50% and the government has shown little, if any, ability to control spending. Despite raising taxes on many hard-working Canadians and business owners, it has shown also a very poor record of increasing revenue. In fact, it has zero record of it. No doubt that's partially due, as I mentioned, to billionaire evaders and Liberal friends avoiding taxes.

Will the minister finally come clean today and announce when the Liberals will be putting a tax on one of the few tax shelters left to middle-class Canadians—that being their homes? Otherwise, why would they be tracking the sale of principal residency, if not to eventually tax it?

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, as I said, combatting tax fraud in Canada and abroad is a priority for our government. In fact, we see that budget 2021 includes numerous investments and also policy proposals that have been very well received and are based on the hard work done by CRA in this matter.

I do hope, Mr. Chair, that my colleague will vote in favour of our budget so we are able to move forward and serve Canadians well.

[English]

**Mr. Philip Lawrence:** Thank you, Minister.

I just want to ask some questions. As I said, not getting income from tax evaders has consequences. I have a couple of questions that I would just like numerical responses to.

How many CERB recipients have you identified as ineligible? How many millions of dollars have you collected from fraudulent CERB benefits?

• (1615)

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, I want to tell my colleague that before we can add up the amounts that were allocated to the Canada emergency response benefit, we have to wait for tax season to be over. We will then be able to collect the information.

However, I have to tell you that our government was very proud to be able to help Canadians at the beginning of the pandemic. I want to tell my colleague that it would have cost Canadians a lot more if our government had not stepped in.

[English]

**The Chair:** I have to go back to Mr. Lawrence.

**Mr. Philip Lawrence:** I will hand it over to Mr. Kelly.

**Mr. Pat Kelly:** Thank you for being here, Minister. It's nice to see you again.

In 2018, the Auditor General reported that the manner in which your agency treated tax filers with offshore accounts was different from its treatment of Canadians without offshore accounts.

Is that still the case at your agency?

[Translation]

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

I thank my colleague for his question.

In 2013-2014, the CRA did 43 audits relating to tax evasion. In 2019-2020, 1,100 audits were done. We can clearly see that all the work we have done is bearing fruit.

[English]

**Mr. Pat Kelly:** I'm sorry, Madam Minister. That wasn't my question.

Minister, I asked you whether your agency still treats Canadians with offshore accounts differently from tax filers without offshore accounts?

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, the Canada Revenue Agency treats all Canadians equitably. That is one of the CRA's principles. The clients are truly central to our concerns and we try to offer them the best service possible, that is, fair service. We make sure that everyone pays their fair share.

[English]

**The Chair:** I'll let it go back to Mr. Kelly.

**Mr. Pat Kelly:** Do you think it's fair for a Canadian without an offshore tax avoidance plan or offshore accounts to automatically lose a deduction if they can't produce documents within 90 days, whereas a Canadian with an offshore account is given months or years to comply with a request for information?

This is right from the Auditor General. I'm not making this up. It was three years ago that this report came out. I want to know if that's still the practice. Based on your last answer, I would really like you to comment and tell us whether you think that's fair.

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, our government respects the independence of the CRA. My role is not to order the CRA to undertake audits and I do not intervene in those audits.

That is really part of the CRA's process, unlike the Conservatives' approach. If my colleague wants more information about administrative matters, I can ask Mr. Gallivan, the assistant commissioner, to answer him.

[English]

**Mr. Ted Gallivan (Assistant Commissioner, Compliance Programs Branch, Canada Revenue Agency):** Thank you.

Factually, a more complex audit will take more time, and factually, when the CRA has the onus of proof, it needs to gather evidence that will withstand a challenge in court. It does take more time because we think it's in the Crown's best interest.

That's what the OAG observed. They observed, in the more complex cases, that we did allow more time to get the information, because we needed that information to collect the taxes owed.

**Mr. Pat Kelly:** The Auditor General observed—

**The Chair:** This is the last question, Pat. We're a little over, but that's okay.

**Mr. Pat Kelly:** The Auditor General observed that this was actually unfair, that Canadians who didn't have offshore accounts were automatically denied a claim or deduction if they couldn't produce documents in 90 days.

What I would like to know is whether there has been any progress on providing more fairness to Canadian taxpayers who will automatically lose their deduction in 90 days, compared with offshore filers who can defy with impunity a request for documents from the CRA.

• (1620)

**The Chair:** Do you want to take that one, Mr. Gallivan?

**Mr. Pat Kelly:** I would like the minister to answer that.

**The Chair:** Okay.

**Mr. Pat Kelly:** Mr. Gallivan has been here before. We haven't had the minister here in a while. The minister can answer the question, please.

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, Mr. Kelly is asking questions about administrative matters. My role, as Minister of National Revenue, is not administrative, unlike the Conservatives when they were in power and did not hesitate to try to intervene in the integrity of the tax system. If Mr. Kelly wants to obtain accurate information in answer to his questions, Mr. Gallivan will provide him with it.

[English]

**The Chair:** Okay.

If you have a very quick comment, Mr. Gallivan, I will give it to you, but be very quick.

**Mr. Ted Gallivan:** Again, I would say the discrepancy in time allowed is driven by the complexity of the case and the burden of proof, as opposed to any type of preference or softness on the part of CRA.

**The Chair:** Okay. We'll move on to Ms. Dzerowicz, followed by Mr. Ste-Marie.

Julie.

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

I offer a warm welcome to the minister for being here today.

Mr. Gallivan, welcome to you in returning to our committee.

There's a false narrative put forward by the opposition that our federal Liberal government has done nothing to tackle evasion and tax avoidance. We heard from Mr. Gallivan that we've actually made a significant investment since 2015 in terms of tackling tax avoidance and tax evasion. There has been \$444 million invested in 2016, \$523 million in 2017, \$90.6 million in 2018, \$150.8 million in 2019, and an additional \$304 million in this year's budget.

Minister, we also heard, as you mentioned, that this significant investment of over \$1 billion has resulted in over \$5 billion of identified additional tax avoidance coming into our coffers.

We've also heard that there's the International Consortium of Investigative Journalists, who do a bit of a ranking. They're the ones who broke the Panama papers and they've ranked Canada nine out of 80 in the world. We're among the top in terms of actually being able to tackle these issues on a global scale. Therefore, I want to give a huge thanks to you for your leadership, and a huge thanks for the leadership at the CRA, for the extraordinary efforts and work that they have done. Thank you for that.

To truly appreciate our efforts and how far we've actually come, can you take a few moments to add a little context to our government's efforts to fund the fight against tax evasion, by describing the situation at the Canada Revenue Agency when you took over as minister in 2015, after nearly a decade of Conservative cuts?

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, I thank my colleague for her question.

I agree that combatting tax evasion is a difficult task for the government, a serious and complex one that takes time. We are tackling

these very profound problems and very wealthy people who have the resources to hire the best lawyers and the best teams.

On the question of the Panama Papers, the government has invested over a billion dollars and has identified 900 Canadians. More than 200 audits have been completed and 160 audits are underway.

We have given the CRA the tools and resources to fight tax evasion. That fight was not a priority for the Conservative government, as was even confirmed publicly by one of their former ministers of national revenue, Jean-Pierre Blackburn.

[English]

**Ms. Julie Dzerowicz:** Thank you so much, Minister. My next question is the following.

As we speak here today, the Conservative Party is filibustering budget 2021. They're not only putting the continuation of COVID emergency support programs in danger, but they're also putting in danger a lot of the additional dollars.

I mentioned the \$304.2 million allocated in budget 2021. They're putting all of that at risk in our fight to continue to tackle tax evasion and tax avoidance. Can you go into detail about why passing budget 2021 is critical and how the fight against tax evasion would be harmed if the Conservatives continue to hold it up?

• (1625)

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, my colleague is asking me an important question.

In fact, all the work that has been started by the Canada Revenue Agency has to continue. In budget 2021, we propose to eliminate the loopholes that allow people to avoid paying taxes in Canada. We are providing an additional \$304 million to modernize and improve the CRA's capacity to fight tax evasion. For the next steps, we want to modernize and improve Canada's general anti-avoidance rules.

I often hear the Conservatives talk about "the Liberals' pals" and it makes my hair stand on end. Because I have been at the Canada Revenue Agency since 2016, I have been able to see that it is the Conservatives who protect their pals. The Conservatives are the ones who don't want the wealthiest people, the ones with the means to pay lawyers and delay the processes, to pay their fair share. They are the ones who protect their pals, Mr. Chair, not the Liberals, who want everyone to pay their fair share.

**Mr. Peter Julian (New Westminster—Burnaby, NDP):** Point of order, Mr. Chair.

[English]

**The Chair:** There is a point of order. Who is it from?

[Translation]

**Mr. Peter Julian:** I raised a point of order, Mr. Chair. The Conservatives have not been in power for six years. We would like the minister to answer our questions rather than making partisan speeches.

[English]

**The Chair:** Mr. Julian, that's not a point of order. That's debate.

You have about 50 seconds left between the two of you.

Ms. Dzerowicz.

**Ms. Julie Dzerowicz:** Maybe based on that question, as was already mentioned, over \$1 billion has been invested into taxing tax avoidance and tax evasion, and that is recent.

I would give an opportunity in the remaining seconds to ask the minister to describe the impact of our government's investments in the fight against tax evasion.

**The Chair:** Minister, you have 30 seconds or less.

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, in 2019-2020, more than 1,100 audits were done, unlike what was done in the past. For example, in 2013-2014, 43 audits were done. So we see that the work is bearing fruit.

Thank you.

[English]

**The Chair:** We'll go on to Mr. Ste-Marie, followed by Mr. Julian.

Mr. Ste-Marie, I believe you're in the room. Go ahead. The floor is yours for six minutes.

[Translation]

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

Like the minister, I too want to wish you a happy birthday, Mr. Chair.

I am going to start with a statement. Then I will ask my questions.

Hello, Minister. Thank you very much for being here this afternoon.

The committee has already been working on the problems of tax evasion and tax avoidance for some time, in particular on the tax schemes put in place by KPMG, providing a financial vehicle to enable certain of its clients to reduce their tax payable. In light of the internal documents relating to this plan provided to the committee by KPMG on May 17, 2016, this could be a form of tax evasion, so of something illegal.

All these problems are extremely complex, as you acknowledged and pointed out in your speech. Today, for example, we can read in *La Presse* that data from the Canada Revenue Agency show that its recent efforts to combat tax evasion by the richest Canadians have

not led to any charges or convictions. The same kind of article can be read on CTV.

Experts have appeared here to tell us that there is a feeling of impunity toward the government and the CRA, among the users of the tax havens and the tax law experts who create their schemes. We have been told that to put an end to this kind of behaviour, the United States brought out the heavy artillery to deal with KPMG: investigations by the Internal Revenue Service, threats of searches and of charges of obstructing justice, penalties, criminal charges of fraud and conspiracy against the firm and its officers, and threats to charge the firm with being a criminal organization. Here, there has been none of that. Instead, the CRA has proposed voluntary disclosures and still nothing has been resolved with the clients who did not agree.

The experts reminded us that it is not possible to control what we can't see. Unfortunately, as you said in your testimony, the Canada Revenue Agency does not have access to all the information for doing these audits. For example, KPMG keeps going to court so it doesn't have to share its information with the CRA. The experts denounce the appearance of impunity and unfairness for the rich clients and the companies that create these schemes. They conceal their information from the CRA and contest the requests in court. At the committee, it is extremely difficult to get answers to our questions, to shed light on this entire matter. There are even witnesses who refuse to appear, in spite of the summons issued by the committee. These are no jokes!

I repeat: it is important to shed light on this entire matter and get to the bottom of things. We have to be able to put in place laws, regulations, processes and guidelines to prevent any form of tax evasion. That is why I am asking you, as Minister of National Revenue, to initiate a public inquiry into the matter of the schemes created by KPMG that enabled Canadian taxpayers to collect money in the form of gifts or otherwise, money that was not included in the tax returns of the recipients, from companies in the Isle of Man or any other country, as section 231.4 of the Income Tax Act empowers you to do. I believe the committee could also adopt a motion to that effect a little later.

Do you want to initiate a public inquiry, Minister, please?

Thank you.

● (1630)

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

I thank my colleague for all of his preamble and his long question. I have sincere sympathy for the victims of fraud and I understand how much it can affect their lives. However, I can say that under the provisions of the Income Tax Act, I can't comment on any specific case. As my colleague knows very well, I cannot give and I will never give the CRA any instructions concerning criminal investigations.

As is the role of our government, my role is to provide tools and resources so that the CRA, which is autonomous, can do its own work. Out of respect for the obvious principles of judicial independence, politicians must not ever interfere in investigations. That would be really very inappropriate.

**Mr. Gabriel Ste-Marie:** If I may, that is not at all what I asked. The committee's limitations are clear, and the only solution, the only tool, for shedding light on the entirety of KPMG's offshore activities is the public inquiry.

We are not talking about an investigation before the courts. You, as the Minister of National Revenue, are the only one who has this power under the Income Tax Act; you can ask for a public inquiry to be held to get to the bottom of things and shed light on the situation. In my opinion, that is what should be done.

I will ask you again. Please, can you ask for a public inquiry to be held into this entire matter so we can get to the bottom of things?

Thank you.

**Hon. Diane Lebouthillier:** Mr. Chair, as you all know, committees are independent. You manage your own business.

What I am seeing at present is that my colleague wants to play police officer. I invite him to give up his seat as a member and apply for a position as an investigator with the RCMP, where there are vacant positions. He would probably be happier there than in his present position.

**Mr. Gabriel Ste-Marie:** I am extremely disappointed to hear such nonsense being given as an answer.

In the United States, a senate committee held an inquiry that has changed things. It is our role to do that here. My role as an elected representative, and our role as a committee, is to ask the minister to initiate a public inquiry to get to the bottom of things. There are enough points to be raised to ask for that.

We are not getting any answers, other than being told to change jobs. What a load of nonsense. She is the one who has the power.

Is she going to do it, yes or no?

**Hon. Diane Lebouthillier:** Mr. Chair, I am going to ask my colleague to vote on budget 2021, which sets out proposals that really are even more useful for eliminating the loopholes used to avoid paying taxes in Canada, and that allocate additional money to the CRA so that it can modernize and improve its capacities.

In addition to all the work done and the agreements signed by the countries, I am also very happy to see that the United States has embarked on the same path. We are therefore going to work in collaboration with our partners. As I said at the outset, this is a long and complex issue, and I understand very well that the public are offended. We are continuing our work and we truly want to combat tax evasion. This is a priority for our government.

• (1635)

[English]

**The Chair:** Thank you, both.

Mr. Julian will be next, and then we have a split between Mr. Falk and Mrs. Jansen, followed by...

Mr. Sorbara, if you're replacing Mr. Fraser, you're in the next round after Mrs. Jansen.

**Mr. Ted Falk (Provencher, CPC):** Mr. Chair, Mrs. Jansen will be going first.

**The Chair:** Okay.

Mr. Julian, you have six minutes.

[Translation]

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

I also want to wish you a happy birthday. Someday we will celebrate together, I'm sure.

I would like to welcome the minister and Mr. Gallivan.

I'm going to continue in the same vein as Mr. Ste-Marie.

We are talking about thousands of Canadians, victims who have lost all their life savings. We know very well that in the frauds committed by Norshield and Mount Real, there are thousands of Canadians who lost everything. The system has never got justice for them.

Minister, you have been the minister for six years. What do you say to the victims, like Janet Watson who appeared before the committee, who say that the government has done absolutely nothing to protect them or to bring the guilty parties to justice?

**Hon. Diane Lebouthillier:** Mr. Chair, I thank my colleague for his question. We know that I have very sincere sympathy for the people who have been victims of fraud, just as he does. I truly understand how much this can affect their lives.

However, as I said, and it doesn't bother me to repeat it, our government respects the CRA's status. I can't instruct the CRA to initiate audits and I do not intervene in audits. This is what protects the integrity of the tax system. We are going to continue doing the work we do, and because we want to keep moving forward, I invite my colleague to vote for the budget that has been introduced. It contains even greater resources to tighten the net and make sure that people pay their fair share.

If my colleague wishes to get any more technical and administrative information, Mr. Gallivan can answer him.

**Mr. Peter Julian:** I would like to get back to the question of the Panama Papers, the Bahama Leaks and the Paradise Papers.

All those papers, which are publicly available, contain almost 6,000 numbers of Canadian companies and names of Canadian individuals who benefited from a whole range of tax loopholes outside Canada.

It's a simple question: how many of those companies and those individuals, who have been named for six years now, have been charged? How many of them have been convicted?



**Hon. Diane Lebouthillier:** Mr. Chair, we are taking on very wealthy people. These people have the resources to pay the best lawyers, the best tax law experts, and the best teams to defend them.

Canada adheres to the rule of law, and these people use all legal means available to them to ensure that they do not pay their fair share.

I invite my colleague to support the budget so we can provide the resources to do even more to deal with those who commit fraud.

**Mr. Peter Julian:** You have not answered my question.

Mr. Gallivan, how many charges have been laid? How many convictions have there been?

**Mr. Ted Gallivan:** As was said earlier, the investigations have not resulted in convictions at this point.

**Mr. Peter Julian:** That means that there have been no charges or convictions concerning the Isle of Man; no convictions relating to the Panama Papers; none in connection with the Bahama Leaks; and none concerning the Paradise Papers.

There have therefore been no convictions in six years.

• (1640)

[English]

You said in this committee in 2016 that we were talking about measures taken to get information about electronic funds transfers. Regarding the CRA's audits of electronic funds transfers in excess of \$10,000, how many files are now subject to criminal prosecution? How many convictions are there?

We see Cinar, and we see the lack of action with the Isle of Man scam. We see that there have been absolutely no charges ever levied in all of these very clear violations of our tax code. I remind the minister, of course, of the comments made by Brigitte Unger, professor of economics, who said that this is effectively stealing money from public coffers, yet we see no action at all.

When it comes to electronic funds transfers, how many files are now subject to criminal prosecution?

**The Chair:** Is this going to the minister or Mr. Gallivan?

**Mr. Peter Julian:** It's to the minister.

[Translation]

**Hon. Diane Lebouthillier:** As I have said multiple times since the meeting began, these are very complex cases.

I would ask my colleague not to act as if he doesn't understand simple things. If I were to interfere in criminal investigations, I would be before the committee being accused of exactly the opposite.

**Mr. Peter Julian:** It's simple; there has been a total failure for six years. There have been no prosecutions and no convictions.

I would like to ask you another question.

[English]

Tax audited files reported to the CRA by the criminal prosecution service have decreased over the last 10 years by 86%. Could

the minister explain, when there's been no success in any of these areas we've just talked about, why even the tax audit files forwarded by the CRA to the Canadian criminal prosecution service have decreased by such a substantial amount, 86% since just before her term?

**Mr. Ted Gallivan:** Mr. Chair, could I respond?

**The Chair:** Yes, Mr. Gallivan, go ahead.

**Mr. Ted Gallivan:** I'm not sure where the 86% came from. There has been a decrease in the referrals because we are focusing on more serious cases. I think similarly that complexity is what's driving the lack of convictions in relation to the Panama papers.

There's a high evidentiary standard. It takes the Crown a long time to put its case together. The fact that there's nothing to date shouldn't indicate that there will never be anything.

**The Chair:** Okay, we will end it there.

We'll go to five-minute rounds, starting with Mrs. Jansen.

Tamara, you're up.

**Mrs. Tamara Jansen (Cloverdale—Langley City, CPC):** Thank you.

Madam Minister, at committee we've spent almost 30 hours wading through a ton of incredibly complex tax changes while studying the BIA. Everyone agrees that the tax act is overly complex. As a matter of fact, it's so complex that even your own team at the call centres gave Canadian taxpayers false or erroneous information 30% of the time, so even your own people don't understand it.

Small businesses are spending an exorbitant amount of money and time trying to comply. Under your watch, it has become even more difficult and leaves small business owners in constant fear of accidentally being non-compliant.

Would you commit today to Canadians to simplify the system so that they can stop wasting their precious time trying to wade through piles of incomprehensible tax rules?

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, I would like to tell my colleague that if she wants to change the laws, the Minister of National Revenue is not who she should be talking to; it's the Minister of Finance. The Minister of Finance is who prepares the legislation. At the Canada Revenue Agency, we just apply it.

[English]

**Mrs. Tamara Jansen:** I'll pass it on to my colleague. I find that an absolutely unacceptable answer.

**Mr. Ted Falk:** Thank you.

Thank you, Madam Minister, for coming to the committee today. It's good to see you here.

I'll get right into it. Can you tell this committee how many dollars are lost each year to overseas tax evasion?

[*Translation*]

**Hon. Diane Lebouthillier:** Mr. Chair, the CRA does not lose money every year fighting tax evasion. With the billion dollars that has been invested by our government, we have managed to recover \$5 billion. Mr. Gallivan can provide all of the administrative information my colleague needs.

• (1645)

[*English*]

**Mr. Ted Gallivan:** The tax gap reports that the CRA has published transparently would say the number is \$800 million to \$3 billion for individuals. For multinationals, we're finding about \$6 billion, and there's another \$6 billion out there.

Therefore, it's \$800 million to \$3 billion from individuals and about \$6 billion from corporations that we're not finding. The tax gap estimates say we're finding about half of it from multinationals.

**Mr. Ted Falk:** Okay. The Parliamentary Budget Officer estimates that annually we lose \$25 billion in uncollected taxes due to overseas tax evasion.

**Mr. Ted Gallivan:** I believe that number includes domestic....

**Mr. Ted Falk:** Okay.

It says overseas. You should know better than I do.

Regardless, budget 2021 proposes to provide additional funding to the CRA to improve its ability to collect outstanding taxes, yet the budget document admits the investment will only lead to the collection of about \$5 billion over the course of five years. That's a mere \$1 billion per year compared with an annual \$25 billion lost.

Minister, to me, recouping \$1 billion for \$25 billion lost is a failing grade. Your government is raising taxes on Canadians while failing to go after the taxes that are already owed. Why is that?

[*Translation*]

**Hon. Diane Lebouthillier:** Mr. Chair, I would like to remind my colleague that when we came to power, we raised taxes for the richest people, but lowered them for the middle class. From the beginning, we were here to help, through the Canada child benefit and the guaranteed income supplement. We instituted measures to help Canadians before the pandemic and during the pandemic, and we are going to be here to help after the pandemic.

I can understand that tax evasion represents money lost, for my Conservative colleague, since it was never a priority for the Conservative government and fighting tax evasion is still not a priority for the Conservatives today.

[*English*]

**Mr. Ted Falk:** That comment just isn't accurate, Minister. In fact, CRA has launched fewer and fewer audits of large corporations over the last several years. It's actually a 30% drop during your tenure as minister, and of some 30,000 audits of large companies conducted since 2015, less than 20 of them were sent to the

CRA's criminal investigation division. Half of those investigations have been abandoned, and a mere one case as been referred to prosecutors.

Is that really the best that this government can do?

**The Chair:** Minister, that's the last question.

Go ahead.

[*Translation*]

**Hon. Diane Lebouthillier:** Mr. Chair, in 2013-14, the CRA did only 43 audits in connection with international tax evasion. For 2019-20, 1,100 audits were done. My colleague said we are doing fewer audits. That is false.

[*English*]

**Mr. Ted Falk:** Mr. Chair, I actually have a couple more questions.

**The Chair:** You may have. If we have time later, you'll get to them.

Mr. Sorbara, the floor is yours for a five-minute round, followed by Mr. Ste-Marie for two minutes.

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

Welcome, Minister. It's a pleasure to have you here today and to see you.

This topic is obviously a very important topic. Mr. Chair, as you know, in our first session of Parliament—I believe Mr. Kelly was with us a well—we put together a report called “Confronting Money Laundering and Terrorist Financing: Moving Canada Forward”, a beautiful report, 90 pages, that we got to do. That was a good introduction in terms of tax evasion, money laundering and so forth. Our government has done a lot. We did a lot as a finance committee a few years ago. It's great to see also, with base erosion and profit shifting, the resources that the government has put into CRA to be able to undertake this aspect.

Mr. Gallivan, I have a question for you. You were able to briefly touch upon the Income Tax Act and any sort of idea of a public inquiry. Could you expand on those comments that you briefly commented on earlier, please?

• (1650)

**Mr. Ted Gallivan:** That's back to the question about the power of inquiry under the Income Tax Act. I think that inquiry is not to be confused with the traditional public inquiry as you might understand it. That power under the act has rarely been used. We've used it once in the last 30 years. Really it's to compel testimony from witnesses who are not otherwise co-operating, so it basically involves contacting the chief justice of the Tax Court of Canada and obtaining a judge who will then question one specific witness. It's seen as advancing a taxpayer's specific file, and it's kind of more operational than I think the committee would like.

There are also over 3,000 pieces of tax litigation involving complex tax matters before the court today. All of those public records are accessible. I would suggest that there is a fairly detailed track record of the agency's activities and the kind of tax planning we're attacking already on the public record that people could make reference to.

**Mr. Francesco Sorbara:** Thank you, Mr. Gallivan.

Minister, you've been the minister for the Canada Revenue Agency for a number of years. You have submitted a number of budget requests to the government, and in terms of asking for resources to be provided to the Canada Revenue Agency.

Can you again really touch upon just how much we have invested into CRA because of what you have requested as the minister of the Canada Revenue Agency?

[Translation]

**Hon. Diane Lebouthillier:** I thank my colleague, who is also my parliamentary secretary, for his question.

Our government has invested over \$1 billion in the Canada Revenue Agency. It actually had to organize an entire sector of the CRA so that, as I said, it could provide the resources and tools needed to be able to combat tax evasion. We had lost expertise. We have sought out people, we have signed agreements, country by country, and we are working with the OECD, the Organization for Economic Cooperation and Development. The CRA works at the international level. That is why it is so important to support the 2020-21 budget. We are giving ourselves additional tools to ensure that the rules and the laws that enable us to take more effective action against tax evasion are tightened.

[English]

**The Chair:** It's your last question, Mr. Sorbara.

**Mr. Francesco Sorbara:** I'll go back to Mr. Gallivan.

Mr. Gallivan, as you know, at the Canada Revenue Agency, the government has invested significant resources. Can you speak about this in terms of the ongoing breadth of proceedings that the CRA has undertaken, in terms of looking at aggressive tax planning and also, of course, on the tax evasion side, please?

**Mr. Ted Gallivan:** Thank you.

I'll frame it in terms of the question about the additional billion dollars a year not making a dent, because I think it's true that the billion dollars a year is a tactical outcome. It's about the type of files that we're taking forward and the jurisprudence we're creating. That's what really has the strategic value. It's true that with an ob-

jective to find \$5 billion over six years, we're already at \$5.3 billion, but that's very operational.

I would again talk about the four cases at the Supreme Court, the many cases at the Federal Court of Appeal and the thousands of cases at the Tax Court, which is kind of trying to redraw the line of what acceptable tax planning is in this country. It's the reason why budget 2021 is now focused on additional lawyers and litigators for the Department of Justice.

Strategically, I think you see increased pressure on a sophisticated tax planning industry, and I think you see increased activism by the Department of Finance to close the loopholes that were surfacing, so in that way, the fight is really, I think, now before the courts, and in terms of the legislation as opposed to the audit floor.

**The Chair:** Thank you. Thank you, all.

We are soon going to run out of time, but Mr. Ste-Marie and Mr. Julian have two and a half minutes each. Mr. Lawrence has five, and then Ms. Koutrakis, if you have a question or anyone else on the government side has a question, we'll go there.

Mr. Ste-Marie.

[Translation]

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

If we want to get to the bottom of the tale of the shell companies set up by KPMG, if we want to get to the bottom of the tale of the thousands of small investors like Ms. Watson who were swindled, the only solution, according to the experts, is a public inquiry. Tax law expert André Lareau is one of the people saying that.

The role of requesting an inquiry has been assigned to you, Minister, and no one else. I also want to remind you that it was thanks to a whistle-blower inside the CRA that we got wind of the deals that were offered to the Isle of Man fraudsters. The reason the CRA's investigators are unhappy is that the order came from higher up. It takes a public inquiry.

Are you going to call a public inquiry, as you are given the authority to do by section 231.4 of the Income Tax Act, yes or no?

• (1655)

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

As I said, I can understand very well. I have enormous sympathy for the people who have been victims of fraud. I know how much this must affect them.

Out of respect for the obvious principles of judicial independence, I believe that politicians should never interfere in investigations.

**Mr. Gabriel Ste-Marie:** It isn't interference.

Minister, you are the only person in Canada with the power to shed light on it and get to the bottom of things. That is the power you have. You are the minister. Sympathy is not enough.

Are you going to initiate a public inquiry?

I understand it's a no. The message you are sending to everyone who has been swindled is that you are sympathetic, but you aren't going to do anything. That is unacceptable. That choice is the choice to do nothing to get it moving, to do nothing to get to the bottom of things. That is a definite sign of incompetence.

**Hon. Diane Lebouthillier:** I can understand my colleague's frustrations. For our part, we govern. We establish priorities.

**Mr. Gabriel Ste-Marie:** And yet you are not governing.

**Hon. Diane Lebouthillier:** That is what my colleague will never be able to do. I have told him repeatedly that the Canada Revenue Agency is independent. I cannot initiate an investigation—

**Mr. Gabriel Ste-Marie:** You are the only person who can request a public inquiry. It would seem that you do not even know this. That is unacceptable.

[English]

**The Chair:** Mr. Ste-Marie, the minister has the floor. I don't want to intervene here, but I would suggest that members go back and look at Mr. Gallivan's answer on section 231.4, in which he talked about what kind of inquiry that is under the act. I'd suggest members look at that comment. Look at section 231.4 in relation to the words Mr. Gallivan said earlier.

Mr. Julian.

**Mr. Peter Julian:** Thanks, Mr. Chair.

I want to get back to the revelations this morning about wealthy Canadians, the ultra-rich with fortunes of tens of millions of dollars. Over the course of the past six years under your mandate, Madam Minister, there has not been a single charge laid around income tax evasion.

Why have the ultra-rich in this country been treated under your ministry with kid gloves?

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, it is completely false to say that the ultra-rich have been treated with kid gloves. At least, that is not how I will treat them, because I have absolutely no respect for the people who defraud the tax system.

I don't know what my colleague is trying to do, but if he thinks we are going to solve everything, I think he is naive, because this is a global problem. As I said a little earlier, the ultra-rich pay ultra-lawyers and ultra-tax experts and do everything in their power not to pay their fair share.

That is why it is so important for our government to give the CRA the resources and tools needed to carry out investigations, which are ongoing at present. We have not yet achieved the anticipated results, but I can tell you that the CRA has done its job. I congratulate it.

[English]

**The Chair:** I will have to go Mr. Julian, Minister.

It's the last question, Peter.

[Translation]

**Mr. Peter Julian:** You have not laid any charges or got any convictions.

• (1700)

[English]

There are absolutely no prosecutions, no convictions. We have seen it in so many cases. We have these victims like Janet Watson who have lost their life savings in the Cinar fraud, the Mount Real fraud or the Northshield fraud.

The government and you as minister have both the Income Tax Act and the Inquiries Act. You have two tools to call a public inquiry into this, to get to the bottom of it and to get justice for the victims.

Why do you consistently refuse to use the tools that you have to put in place a public inquiry so that the victims can get justice?

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, my colleague said that no investigation has been carried out, which is totally false. If he had listened to what Mr. Gallivan said, he would know that there are cases before the court as we speak. We have not yet achieved the anticipated results. It is not up to me to tell lawyers and the court whether they should proceed with a charge or not, because that is a completely independent process in which I do not intervene. What my colleague said is not true, and I urge him not to misinform the public.

**Mr. Peter Julian:** And yet those are the facts.

[English]

**The Chair:** We will have a lineup. I will go to Mr. Lawrence, and I want to leave room for Mr. Fast to ask a question on the end of that round. Then I will go to Ms. Koutrakis.

On this inquiry business, I have to ask this question. It's either to the minister or Mr. Gallivan. Do you have the tools to call a public inquiry under section 231.4 of the act? Are the tools there for you to call what we would consider a public inquiry?

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

Having recently used that tool once in 30 years, I note that it was not a public inquiry and I don't believe the intent was for that tool to be used for a public inquiry.

I would be happy to get a more detailed answer to you off-line, but, again, our single use of it was absolutely not a public inquiry. The intent of it was to compel the taxpayer under audit to give information to the CRA, as opposed to making it public.

**The Chair:** Thank you.

Mr. Lawrence, there are about four minutes for you, and one for Mr. Fast.

[Translation]

**Mr. Philip Lawrence:** Thank you, Mr. Chair.

I would like to continue asking the minister questions.

In October 2016, Canadian taxpayers had to report the sale of their principal residence for the first time. Since then, taxpayers have had to designate their principal residence in their tax returns. Why? What is the purpose of these reports?

**Hon. Diane Lebouthillier:** Mr. Chair, my colleague's question is really an administrative one, so I am going to ask Mr. Gallivan to answer it.

**Mr. Ted Gallivan:** Mr. Chair, at the CRA, we have made the real estate sector a priority in terms of the underground economy.

When we got access to this new tool, we used the information to identify non-residents, and particularly those who, for example, were trying to avoid capital gains tax on the sale of their house. As non-residents, they are not entitled to do that. Citizens who own two or three houses were also trying to benefit too generously from the capital gains exemption.

So this is an administrative measure that we use in a sector where there has already been rule-breaking.

[English]

**Mr. Philip Lawrence:** With respect, I'd like this next question answered by the minister, if I could, as her ministry is largely an administrative ministry.

Could that information collected in the principal residence exemption be used to impose a future tax on home equity? Is that possible?

**The Chair:** Do you want to put that one again, Philip?

**Mr. Philip Lawrence:** Yes, no problem. Thanks, Wayne. I'm sorry that I wasn't clear.

Currently, you have to declare the sale of a principal residence. Could the information collected by CRA be used in the future to help collect a home equity tax?

[Translation]

**Hon. Diane Lebouthillier:** Mr. Chair, the questions my colleague is asking me are administrative questions. I can't answer administrative questions, because that is not my role as Minister of National Revenue.

I will yield the floor to Mr. Gallivan.

• (1705)

[English]

**Mr. Ted Gallivan:** If you were asking me theoretically, I'd say we could impose the burden on the sale. If I were to imagine a regime—not that I've been asked to, and not that there are any government plans or policy debates about this—right now, I would say we would probably want the lawyers who are involved to be responsible for administering the tax. We probably wouldn't rely on information from the taxpayer. We'd probably feel better with a regime that was driven by something new, which would be the lawyers doing it. I'm not sure this existing database would be of any use, even if that were to ever happen.

**Mr. Philip Lawrence:** As William Shakespeare once wrote, me doth think you protest too much. It reminds me, with all respect,

Mr. Gallivan, of my seven-year-old, when he's caught doing something and he feels guilty and immediately says, "I didn't do anything. I never did anything". However, I do appreciate your service and respect you for that.

Getting back to the tax evasion issue, there are literally billions of dollars we're not getting from tax evaders. It's not just that I am saying that, or Mr. Julian is or Mr. Ste-Marie is. That's just fact. However, the government spent its first couple of years trying to collect from main street, from small business owners, an amount that was much lower.

Could you confirm for me, first, the amount of money we're losing because of tax evaders, and then, second, the money we got by harassing innocent hard-working small business owners from Canada's main streets?

**Mr. Ted Gallivan:** The first number I gave previously is the one I focus on, which is roughly a \$6-billion tax gap for multinational enterprises. That involves a small group in Canada, and we have the resources to audit and litigate with them. The second number, the \$800 million to \$3 billion, involves a population that is a little bit more difficult to define, high-net-worth individuals.

As I said, we agree that there are still billions more to get, but whether we're getting half or two-thirds of it, we feel we are making progress. We also feel that by taking the challenge to the courts, a strong message of deterrence is being sent, and also it sets up the finance department to close the loopholes.

In terms of main street, under the audit function that I lead, which involves roughly 11,000 of the CRA's employees, we do very few audits of people who earn less than \$100K. Our audits are increasingly risk-based. The average audit conducted by my shop involves \$170,000 in discrepancies identified or gross tax. That's twice as much as it was in the past.

I would say, given the data and analytics, that more and more of our results come from high-net-worth individuals and multinationals. Roughly 2,000 multinationals and 16,000 high-net-work individuals make up 60% of the audit billings we give a year. The two million other businesses and the 26 million other Canadians represent the other 40%.

I think we're increasingly focused on the upper end. That is really where I think, from a fairness perspective and a deterrence perspective, we're trying to stay, but as noted the results are slow because these people have pushed back through the courts. That's why we have, for instance, cases before the Supreme Court. That's why we have so many cases in the Federal Court of Appeal. I have one file in which the taxpayer has 53 pieces of litigation related to the audit. We haven't even finished the audit, and there are 53 distinct pieces of litigation they've thrown at us to throw sand in the gears.

I would describe a situation in which I think we're with this committee in being focused on the sophisticated actors. There's obviously a difference of opinion on the pace of progress, but we're definitely not focused on main street and we are increasingly using data to be more selective when we have to.

**The Chair:** Okay, I've allowed a long answer there.

Mr. Fast, you can have one question, and we'll go to Ms. Koutrakis to close it off. We're over the minister's time by a bit.

Mr. Fast.

**Hon. Ed Fast (Abbotsford, CPC):** Yes, I want to ask the minister about a couple of programs that are tools in her tool kit for tracking down those who are evading and avoiding taxes.

There's the offshore tax informant program. Minister, are you familiar with that program?

[*Translation*]

**Hon. Diane Lebouthillier:** Yes, I am familiar with that program.

[*English*]

**Hon. Ed Fast:** How successful has it been?

[*Translation*]

**Hon. Diane Lebouthillier:** Mr. Gallivan could answer you better.

• (1710)

[*English*]

**Hon. Ed Fast:** Go ahead quickly, Mr. Gallivan.

How successful has that been?

**Mr. Ted Gallivan:** We're approaching \$100 million in identified, unpaid taxes, plus, when we find those cases, we mine them for others. In terms of ROI and the tactical benefits, it's tens of millions of dollars, cresting \$100 million. In terms of deterrence, it's harder to track, but it's definitely there.

**Hon. Ed Fast:** What about the mandatory reporting of international EFTs?

That's for Mr. Gallivan.

**Mr. Ted Gallivan:** It has identified some taxpayers who were flying under the radar. That's part of why we have more than a thousand audits.

In fact, our challenge isn't identifying taxpayers we should audit but getting the audits done. That's why budget 2021 gave us new resources for litigation. We have almost 100% of these taxpayers who litigate during the audit to obstruct our efforts to get the information we need, which is why they take longer and why we have to give them more time.

**Hon. Ed Fast:** Mr. Chair, my purpose for raising those programs—and there are others—is that both of those programs were implemented by Stephen Harper.

Minister, I just want to say to you that you came to our meeting and started off by attacking Conservatives. Then you told Mr. Ste-Marie to go fly a kite and go talk to the RCMP.

Minister, when are you going to take personal responsibility for the file that you've had since 2015?

[*Translation*]

**Hon. Diane Lebouthillier:** Mr. Chair, I can tell you that tax evasion is particularly important to me, not just to me, but to our government as well. In fact, it is because it is so important to us that we have invested so much money in this program.

Mr. Chair, I urge the Conservatives to vote for the budget that has been introduced, to give us more tools that will have the effect of tightening the rules and combatting tax evasion.

[*English*]

**The Chair:** Okay.

The last question goes to you, Ms. Koutrakis.

[*Translation*]

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

Thank you for being here this afternoon to answer our questions, Minister.

Minister, we have talked a lot about the past and how the former Conservative government made major cuts in the fight against tax evasion, and about the present, that is, the efforts our government is making to rebuild what the Conservatives dismantled.

I wonder whether you can take a moment to talk about the future of our fight against tax evasion.

What is our government's next priority?

**Hon. Diane Lebouthillier:** Mr. Chair, I thank my colleague very much for her question.

What I am going to say is also found in my mandate letter. The CRA has not only developed a plan that promotes the collection of essential data with international partners, but it is also working in close collaboration with the other Canadian government departments. We work with the Departments of Finance, Justice and Public Safety.

What is set out in the budget is intended precisely to eliminate even more loopholes that are used to avoid paying taxes in Canada. That is why it is so important to us, at the CRA, for all our colleagues around the table to vote for the budget.

We want to improve the CRA's capacity to fight tax evasion and modernize the general anti-avoidance rules in Canada. That is a priority. We are moving forward and we are going in the right direction, but we need everyone's collaboration. Fighting tax evasion has to be a whole-of-government priority.

**Ms. Annie Koutrakis:** Thank you, Minister.

[*English*]

My next question is for Mr. Gallivan.

Speaking on budget 2021, our government announced new policy measures such as new mandatory disclosure rules that will build on previous investments to enhance our fight against tax evasion. What are some other policy changes that you see as necessary in the government's fight against tax evasion?

**Mr. Ted Gallivan:** I certainly think that the powers of oral interview that allow our auditors to interview officials of businesses to get their position on the record is an important change announced in the budget. There were 15 BEPS action items. Action two on interest deductibility and action four on hybrid mismatches are areas that budget 2021 is coming in on to tighten the rules.

Also, the general anti-avoidance rule, which is a form of anti-avoidance super-rule that sits on top of the rest of the Income Tax Act, is also under review for tightening. That's an important tool in our tool kit. I would say all of those items announced in the budget are pretty important. In addition to the CRA's use of it, I think just its presence in the budget sends a signal to tax practitioners and businesses that it's time to pay taxes.

• (1715)

**The Chair:** We will have to end it there. We went considerably over the minister's time. We, as I told a couple of committee members, don't have officials for the next hour, but there are a couple of things we have to deal with.

Madam Minister and Mr. Gallivan, thank you for your appearance today. If we look at the record, there's a lot of information that we can glean from it. All the best to you both this summer. On behalf of the committee, thank you very much. We'll release you.

**Mr. Ted Gallivan:** Thank you, Mr. Chair. I wish the same to you.

**The Chair:** Thanks.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Point of order, Mr. Chair.

**Hon. Diane Lebouthillier:** Thank you very much, Mr. Easter. I again wish you—

[*English*]

**The Chair:** Yes, Mr. Ste-Marie, we'll go to the point of order.

I was just going to say, if I could, Mr. Ste-Marie, before you do that, that Mr. Fast had asked for the English translation of your motion at the last meeting. I believe that has been sent out to committee members. I think it was the wrong one first, but I believe it's there now. I just want to make sure we have consent that it is the motion. I don't think we need to move it again.

Are we okay with that? Is there any objection? All right, we're okay with that.

We will go now to your point of order, Mr. Ste-Marie, and then Mr. Julian has a motion.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Mr. Chair, I think the minister wanted to congratulate you, but you didn't hear her because of the interpretation. I don't know whether she wants to do it before my point of order.

I think she has left.

[*English*]

**The Chair:** I think she's gone.

[*Translation*]

**Mr. Gabriel Ste-Marie:** She wanted to congratulate you before leaving the meeting.

I have a point of order regarding Mr. Gallivan's interpretation of the minister's power of inquiry under subsection 231.4(1).

Obviously, I do not entirely agree with his interpretation and I would point out that when Mr. Lareau, one of the leading Canadian tax law specialists, appeared, he asked us to ask the minister to initiate a public inquiry under that subsection.

I would like to read the paragraph, which is only a few lines long, but speaks volumes. I would like to point out that the power of inquiry given by subsection 231.4(1) has been confirmed by a decision of the Supreme Court of Canada. It went that high. So that everyone understands, I am going to read it.

231.4 (1) The Minister may, for any purpose related to the administration or enforcement of this Act, authorize any person, whether or not the person is an officer of the Canada Revenue Agency, to make such inquiry as the person may deem necessary with reference to anything relating to the administration or enforcement of this Act.

The minister absolutely has the power to initiate an inquiry under that subsection. That is what we were told by Mr. Lareau, the expert who testified at the committee, and it has been confirmed by the Supreme Court of Canada.

I would just like that to be quite clear. That concludes my point of order.

Thank you, Mr. Chair.

[*English*]

**The Chair:** I think, really, we're not so much into a point of order as a point of a difference of opinion. Do we want a written response from CRA on that matter?

Okay, I will ask CRA. You put that into evidence, Mr. Ste-Marie. We have what Mr. Gallivan said. Let's get a response from committee members on how they look at both and see where that leads us. That is a difference of opinion.

Mr. Julian, you had a motion, you mentioned to me earlier, that you wanted to put. I expect that the bells are likely going to ring at any time, but in any event let's start into it.

• (1720)

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

I think we probably have about 45 minutes. I believe that Mr. Ste-Marie wants to come back to an issue as well.

I've already circulated the motion and I'll read it for the record and then add an amendment just to facilitate things. This is following discussions with Mr. Sorbara. I move:

That the Committee request that the government initiate a public inquiry under the Income Tax Act—

I would add “or the Inquiries Act”.

—to investigate tax planning by KPMG, or any of its subsidiaries, in the Isle of Man, the possible involvement of the sword companies Shashqua, Katar, Sceax, Spatha and Parrhesia corporations, and to investigate tax fraud in the Cinar, Norshield and Mount Real cases and any possible links with the KPMG Isle of Man tax planning and/or Isle of Man's sword companies, and that this be reported to the House.

I'm adding “or the Inquiries Act” because that gives the government the scope to use either tool, and since there is some dispute around the use of the Income Tax Act, my interpretation—and I would certainly agree with Mr. Ste-Marie and Mr. Lareau on that—is that it gives the government a broader scope to use the tool that is most appropriate.

The most important thing here is that we know from the testimony we had from Janet Watson, from the really important journalism we've seen both with *Enquête* on Radio-Canada and also from *The Fifth Estate* on CBC that thousands of Canadians were defrauded. That money was taken overseas. We have a responsibility and we've undertaken to get to the bottom of it as much as we can, but to date, we have asked KPMG many questions and have received often evasive or incorrect responses or no responses at all.

Therefore, I believe that given what we know and that we all share an interest in getting to the bottom of this and we all share an interest in seeking justice for the victims of these colossal frauds—half a billion dollars, and people losing their life's savings. You can only imagine somebody who saved up, like Janet Watson did, \$68,000 of her life savings and lost it all due to this fraud.

I believe we have a responsibility to pass this motion. Ultimately, it is a request, but it does seek justice for the victims, and I believe that's what every member of this committee wants to see as well.

**The Chair:** Okay. It's on the floor. Do we have an agreement on the “or the Inquiries Act”? Are we okay with that or do we need an official amendment? I don't hear any objections.

Okay. It's open for debate. Who's up? Don't everybody speak at once.

Did I see your hand, Julie? Nobody's up. Julie's just waving her hands around.

All right. Are we seeing it as agreed to?

**Mr. Peter Julian:** That would be with that modification, Mr. Chair, “under the Income Tax Act or the Inquiries Act”.

**The Chair:** Yes, and the Inquiries Act is the right name? It's not the public inquiries act? Do we know the specific name? I kind of thought it was the public inquiries act. Do any of the analysts know what the proper name is? We want the proper name.

I see Brett looking. We'll just wait a minute. I think all the analysts are working on it. We want the specific name of the act so that we're not wrong.

**Hon. Ed Fast:** I believe it's the Inquiries Act.

**The Chair:** It is the Inquiries Act? Okay. Then we'll vote.

(Motion agreed to)

All right, that's dealt with. We'll put that to the government.

Did I hear, Gabriel, that you had another point that you wanted to raise?

• (1725)

[*Translation*]

**Mr. Gabriel Ste-Marie:** No, Mr. Chair.

Thank you.

[*English*]

**The Chair:** All right. It looks like we're going to be done in time for the vote, and we don't have to rush. This will be our...

Mr. Julian.

**Mr. Peter Julian:** I have a point of personal privilege, Wayne.

This doesn't often work well on Zoom, but I would like to wish you a very happy birthday and thank you for all your amazing work as our chair.

**An hon. member:** Group hug.

**The Chair:** Very good, I thank you all, but these birthdays.... Every birthday you have, you're older now, but it's better than the alternative, for sure. Some constituent brought me in a nice birthday cake, so I can't complain.

Thank you, all. Thanks for the happy birthday wishes. Have a wonderful summer, all. We may be seeing each other over the summer; you never know. I wish you all the best.

The meeting is adjourned.









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