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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





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• (1005)

[English]

**The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)):** I call this meeting to order. Welcome to meeting number 19 of the House of Commons Standing Committee on Finance. Pursuant to the House of Commons order of reference adopted on Thursday, February 10, 2022, the committee is meeting on Bill C-8, an act to implement certain provisions of the economic and fiscal update tabled in Parliament on December 14, 2021, and other measures.

Today's meeting is taking place in a hybrid format pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website. So that you're aware, the webcast will always show the person speaking rather than the entirety of the committee.

Today's meeting is taking place in a webinar format. Webinars are for public committee meetings and are available only to members, their staff and witnesses. Members enter immediately as active participants. All functionalities for active participants remain the same. Staff will be non-active participants and will therefore only view the meeting in gallery view.

I take this opportunity to remind all participants to this meeting that screenshots or taking photos of your screen is not permitted.

Given the ongoing pandemic situation and in light of the recommendations from health authorities, as well as the directive of the Board of Internal Economy on October 19, 2021, to remain healthy and safe, all those attending the meeting in person are to maintain two-metre physical distancing and must wear a non-medical mask when circulating in the room. It is highly recommended that the mask be worn at all times, including when seated. Everyone must maintain proper hand hygiene by using the hand sanitizer provided at the room entrance. As the chair, I will be enforcing these measures for the duration of the meeting and I thank members in advance for their co-operation.

To ensure an orderly meeting, I will outline a few rules to follow.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of floor, English or French. If interpretation is lost, please inform me immediately and we will ensure interpretation is properly restored before resuming the proceedings. The "raise hand" feature at the bottom of the

screen can be used at any time if you wish to speak or to alert the chair.

For members participating in person, proceed as you usually would when the whole committee is meeting in person in the committee room. Keep in mind the Board of Internal Economy's guidelines for mask use and health protocols.

Before speaking, please wait until I recognize you by name. If you're on the video conference, please click on the microphone icon to unmute yourself. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer. When speaking, please speak slowly and clearly. When you're not speaking, your mike should be on mute.

As a reminder, all comments by members and witnesses should be addressed through the chair.

With regard to a speaking list, the committee clerk and I will do our best to maintain a consolidated order of speaking for all members whether they are participating virtually or in person.

The committee agreed that during these hearings the chair enforce the rule that the response by a witness to a question take no longer than the time taken to ask the question. That said, I request that members and witnesses treat each other with respect and decorum. If you think the witness has gone beyond the time, it is the member's prerogative to interrupt or to ask the next question and to be mindful of other members' time allocation during the meeting.

I also request that members not go much over their allotted question time. Though we will not interrupt during a member's allotted time, I'd like to keep you informed that the clerk has two clocks to time our members and witnesses.

I now welcome our witnesses. For the first panel, from 10 until noon, we have our top officials from the Department of Employment and Social Development, Department of Finance, Department of Health, and Public Health Agency of Canada. Owing to the limited time for answers and questions, I will not be able to go through all their names. I believe we have 16 officials with us here today. The officials will be splitting up their time. They will have 20 minutes in total to make opening remarks.

I will ask Max Baylor, senior director, saving and investment section, business income tax division, tax policy branch of the Department of Finance, to start for us.

Mr. Baylor, the floor is yours.

**Mr. Maximilian Baylor (Senior Director, Saving and Investment Section, Business Income Tax Division, Tax Policy Branch, Department of Finance):** Thank you, Mr. Chair.

I'll start with two measures in part 1: the small business air quality improvement tax credit and the measure to return fuel charge proceeds to farmers.

In regard to the small business air quality improvement tax credit, the measure would introduce a temporary refundable 25% tax credit for businesses on expenses incurred to undertake air quality improvements that increase outdoor air intake or air cleaning in commercial properties. Eligible businesses would receive the tax credit on eligible expenses of up to \$10,000 per location, with a maximum expense of \$50,000 across all locations.

The tax credit would be available in respect of eligible expenses incurred between September 1, 2021, and December 31, 2022. Eligible businesses would include Canadian-controlled private corporations with taxable capital employed in Canada of up to \$15 million and unincorporated sole proprietors.

Eligible expenses would effectively include two categories.

The first is the purchase, installation, conversion or upgrade of mechanical heating, ventilation and air conditioning systems, or HVAC systems, that satisfy certain conditions in respect of minimum efficiency reporting value, or MERV, or satisfy certain conditions in respect of outdoor air supply rates. The second category of eligible expenses is the purchase of devices designed to filter air using high-efficiency particulate air filters, also known as HEPA filters.

For the second measure—returning fuel charge proceeds to farmers—the measure delivers on the commitment in budget 2021 and proposes to return fuel charge proceeds directly to farming businesses in the backstop jurisdictions of Ontario, Manitoba, Saskatchewan and Alberta via refundable tax credits, starting for the 2021-22 fuel charge year. Eligible farming businesses would include corporations, sole proprietors and trusts, including where they carry on business through a partnership.

To qualify, an entity must incur total farming expenses of \$25,000 or more. Refundable tax credit amounts would be determined according to the eligible farming expenses of the business, multiplied by a payment rate specified by the Minister of Finance for each applicable fuel charge year. Those two payment rates were specified in the economic and fiscal updates for the first two years. Eligible farming expenses generally include those expenses deducted when calculating farming income.

That concludes the overview for the first two measures.

I'll hand it over to my colleague, Pierre Leblanc, to continue with part 1.

Thank you, Mr. Chair.

• (1010)

[*Translation*]

**The Chair:** Thank you, Mr. Baylor.

**Mr. Pierre Leblanc (Director General, Personal Income Tax Division, Tax Policy Branch, Department of Finance):** There are two more proposals in this part of Bill C-8. There's the enhancement of the refundable tax credit for school supplies used by eligible educators. This measure would amend the Income Tax Act to increase the refundable credit to 25% and eliminate the requirement that the school supplies be used in a school or child care facility.

[*English*]

**The Chair:** I'm sorry to interrupt. We have a little challenge with interpretation.

Clerk, is it because of the speed or is it the Internet?

**The Clerk of the Committee (Mr. Alexandre Roger):** I think his microphone is not selected.

Would it be possible to just remove the headset connection and plug it back in? It should reset the connection. That should work.

**Mr. Pierre Leblanc:** Chair, I apologize for that.

Why don't I just switch to English? Is this okay?

**The Clerk:** Is that better for the interpreters?

Yes. I have a thumbs-up.

**The Chair:** Okay, Mr. Leblanc.

**Mr. Pierre Leblanc:** With the enhancement of the school supply tax credit, there is the increase in the rate, there's removing the requirement that the school supplies be used in a school or in a child care facility and the third component is adding several electronic devices to the list of eligible durable goods. This measure would take effect starting in the 2021 tax year.

The fourth and final measure in this part of the bill concerns the northern residents deduction. It expands the travel component of the deduction to those who aren't receiving employer-provided travel benefits. This would be up to \$1,200 in eligible travel expenses for the northern zone, and half of that for the intermediate zone. This proposed change would also apply to the 2021 subsequent tax years.

Mr. Chair, that's all for part 1.

**The Chair:** Thank you.

Mr. Clerk, we are moving to—

**Mr. Pierre Mercille (Director General, Sales Tax Legislation, Sales Tax Division, Tax Policy Branch, Department of Finance):** Good morning. My name is Pierre Mercille. I'm the director general responsible for the legislation in the sales tax division of the Department of Finance.

[Translation]

Part 2 of the bill would enact new legislation, the Underused Housing Tax Act, which would impose a new tax on owners of residential property in Canada, in certain circumstances, starting in the 2022 calendar year.

Beginning in 2023, certain owners of residential properties located in Canada would be required to file with the Canada Revenue Agency a return for each residential property they own for the previous calendar year. In that return, owners might, in certain circumstances, be entitled to claim an exemption from tax on their residential property, which might be, for example, a property under a long-term lease or occupied by its owner as the owner's primary place of residence.

Owners subject to the tax would be required to calculate, report and pay the amount of tax due, which would be equal to 1% of the value of the residential property, which would be prorated on the basis of the owner's interest in the property. Canadian citizens, permanent residents of Canada and certain Canadian entities would not be subject to the tax or required to file an annual return.

[English]

This measure was originally announced in the fall economic statement of 2020. It was confirmed in budget 2021, and there was also a public consultation last summer.

Thank you. This is my short description of part 2 of the bill.

• (1015)

[Translation]

**The Chair:** Thank you.

[English]

Mr. Clerk, who is up next?

**The Clerk:** I don't have their list, but, if there is no one left, I would assume they are done with the opening remarks and we can start questions.

**The Chair:** Okay. I thought I had allocated 20 minutes. They've only taken up a little over seven and a half minutes. If those are the opening remarks, thank you very much to the officials. That will leave more time, of course, for our members.

In our first round, we have the Conservatives up first for six minutes.

Mr. McLean is up first.

**Mr. Greg McLean (Calgary Centre, CPC):** Thank you, Mr. Chair.

I am going to focus my questions on the housing tax that's being proposed here in these measures.

I cite in the House of Commons the example in British Columbia, where there is a municipal tax already on foreign trans-

actions in the housing market of up to 2%, depending on the buyer, plus a provincial tax of up to 3%, for a total of up to 5%. In addition, there is a 20% transfer tax on foreign buyers, and yet 7.7% of activity in the Vancouver real estate market is still being consumed by foreign buyers of real estate in Vancouver and the Lower Mainland.

These small taxes aren't having much of an effect on buying, unless we're looking ex post facto at this. How do you suppose an extra 1% jurisdictional overreach is going to solve the housing problem in Canada?

**Mr. Phil King (Director General, Sales Tax Division, Tax Policy Branch, Department of Finance):** Mr. Chair, I can take that question, thank you.

I will just point out, very simply, that this is a tax the purpose of which is to raise revenues. It's estimated that the tax will raise \$735 million in revenues over the next five years.

**Mr. Greg McLean:** I'm not sure that answers my question at all. We're talking about raising revenue here in a tax. Let me pull out the absurdity of that. This is a tax you think you're going to get from foreign buyers, yet have you really thought about how it impacts our trade agreements with other jurisdictions, such as the United States, where—I should point out—Canadians own a good deal of property?

**Mr. Phil King:** In terms of the impact on any trade or other agreements we might have, those questions would have to be addressed to the appropriate sections of Justice Canada. I couldn't answer that.

**Mr. Greg McLean:** Let's not pass the buck here. Let's look at this. This is free trade.

A lot of Canadians own property in the United States. If we're going to tax American buyers on their properties in Canada, surely they're going to reciprocate very quickly in taxing Canadians who own property in the United States. That's going to be a tax drain on Canadians.

Tell me you've thought about that, please.

**Mr. Phil King:** Again, I'd reiterate my answer. Any questions about legality, trade or any other impacts of that nature—

**Mr. Greg McLean:** I'm not talking about legality, trade or anything of that nature. I'm talking about the consideration of how much money is going to come into Canadian government accounts and how much is going to go into other jurisdictions' accounts because they're reciprocating for a measure that impacts their citizens who own property in Canada.

**Mr. Phil King:** To repeat my initial answer, it's a tax whose estimated revenue yield will be \$735 million over the next five years.

**Mr. Greg McLean:** Okay, so \$735 million comes into Canadian tax coffers over five years, so call it \$150 million a year. You are suggesting that the \$150 million won't be drained from Canadian tax pockets into other jurisdictions that are collecting taxes on Canadians, or will it be more that we're losing from Canada because of this reciprocity we're going to receive on our tax treaty?

**Mr. Phil King:** Mr. Chair, I can't speak to that.

I can only give you the estimate that we have in respect of this measure in Bill C-8; it's \$735 million over the next five years.

**Mr. Greg McLean:** With due respect, the right hand has to know what the left hand is doing in the federal bureaucracy.

Can you please figure out how much money we're going to lose to foreign jurisdictions because of a jurisdictional overstep that we're making in this legislation?

I'll move on here.

We are talking about effectively building taxes. There are seven parts in here, one of which, of course, is this overstep in taxing. We do have a housing crisis in Canada. Is there a better way to approach that housing crisis and address the foreign buyers here, which might be better money-laundering laws, that you can implement to finance?

Is that a possibility you would consider?

• (1020)

**The Chair:** MP McLean, maybe you could direct the question to someone else.

Mr. King may want to answer.

**Mr. Phil King:** Yes, I'm happy to answer questions about Bill C-8 and the contents of the bill, and none of that is in the current bill.

Thank you, Mr. Chair.

**Mr. Greg McLean:** You're right, that isn't in the bill.

What is in the bill is an ineffective approach to Canadians' losing a whole bunch of money on their properties in foreign jurisdictions with very little impact. You're suggesting \$750 million over five years. I'm trying to understand a little more clearly what your end outcome is here, because right now, again, it's seems like virtue signalling that's accomplishing nothing in Canada but costing Canadians a whole bunch of money.

I will yield the rest of my time to the next speaker.

Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. McLean.

We are moving to the Liberals with Mr. Baker for six minutes.

**Mr. Yvan Baker (Etobicoke Centre, Lib.):** Thanks very much, Mr. Chair.

Thank you to all of our witnesses who are here today.

I would also like to speak about the vacancy tax or the underused housing tax.

Could one of our officials speak to the purpose of this measure?

**Mr. Phil King:** Very simply, the idea is to raise some revenues from non-resident non-Canadians who may be holding real estate in Canada where that real estate is underused. It's a tax, pure and simple.

**Mr. Yvan Baker:** Mr. King, I'll ask you to expand on that, if you can.

Why do we want to do that?

**Mr. Phil King:** It's to raise revenues.

I think the government's stated objective, if I recall, is to help fund some of the other programs in general, but perhaps programs more aimed at the housing situation in Canada. Fundamentally, it's just a tax to raise revenues.

**Mr. Yvan Baker:** One thing that Mr. McLean spoke to just a moment ago in his questioning of you was about—I know you can't answer and I'm not going to ask you to—the issue of what other jurisdictions might do that. I think that's highly speculative, but it's certainly a question that can be put to the right folks in government. I think it's too early to speculate on what other countries might do or how they might react, if at all.

Going back to you, Mr. King, one of the things I want to talk about is the enforcement of this.

Can you talk about who this vacancy tax would apply to, for instance, individuals, corporations or both, etc.?

**Mr. Phil King:** Yes, it would be.

In fact, I might ask my colleague, Rob Ives, who is also on the line, to answer that question.

**Mr. Robert Ives (Senior Advisor, Sales Tax Division, Tax Policy Branch, Department of Finance):** Mr. Chair, this tax applies to any person who is the owner of residential property in Canada consisting of three or fewer units. It would apply to both individuals and entities that may own residential property.

**Mr. Yvan Baker:** Thank you.

Further to that, how are we thinking about making sure that folks who are owners disclose?

If they're non-residents, I don't know, but I suspect that a large number of these folks wouldn't necessarily pay taxes in Canada on a normal basis nor would be filing with CRA or something like that. How do we make sure that everyone provides the information needed so that you can enforce the measure?

**Mr. Robert Ives:** Mr. Chair, this regime is a self-assessment regime. Individuals and entities that own residential property that are not excluded under the statute are required to make that annual declaration every year.

If the annual declaration is not made, there is a penalty regime that applies under the legislation. Later on down the line, if a time comes when a non-resident who hasn't complied with the filing requirements attempts to dispose of the residential property, they would be subject to rules under the Income Tax Act that currently apply on the disposition by a non-resident.

A compliance mechanism that applies to things like capital gains would also be utilized here for ensuring compliance under the underused housing tax.

• (1025)

**Mr. Yvan Baker:** Chair, do I have about a minute and a half?

**The Chair:** That is correct.

**Mr. Yvan Baker:** Briefly, Mr. Ives, Mr. King or whoever can answer this, how would the value of the property be determined in that situation?

When someone files, would they disclose the value of the property? How would that be determined?

**Mr. Robert Ives:** Mr. Chair, the tax applies to the greater of the most recent sales price or the assessed value used for municipal taxation purposes. Those amounts would need to be reported in the annual filing.

**Mr. Yvan Baker:** Thank you very much.

My last point is just a comment, not a question.

When I asked about the purpose of this act, Mr. King talked about raising taxes and how that would presumably help fund some of the housing programs the government is trying to put in place to help address the housing crisis people are facing. I certainly agree with that.

The other point I will make is that, clearly, putting in place a tax on vacant properties owned by non-residents would incent non-residents to make sure that their properties weren't vacant, which I suspect will help address the supply problem we've heard about in this committee in terms of housing. Presumably, this would help increase the supply of housing that is out there, which of course would address the skyrocketing prices of housing.

I thank you all for your time today.

**The Chair:** Thank you, MP Baker.

Now we're moving to the Bloc with MP Ste-Marie.

[*Translation*]

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

First, I want to greet all the officials and thank them for taking part in this meeting of the committee. We're grateful to them for doing so.

I won't be very original here because my first questions will be about part 2 of the bill.

Does the federal government currently collect other property taxes, or is this the first one?

Mr. King, Mr. Mercille or Mr. Ives, can one of you or someone else answer me?

**Mr. Pierre Mercille:** I can't give you a definitive answer on that because we're here to discuss Bill C-8, not anything else.

**Mr. Gabriel Ste-Marie:** As far as you know, Mr. Mercille, does the federal government collect property taxes?

**Mr. Pierre Mercille:** Not to my knowledge, but that's not part of my expertise.

**Mr. Gabriel Ste-Marie:** I see.

I'd like the departmental representatives to give the committee an answer on this point because, as far as I know, this would be a first.

Let me be clear here. We of the Bloc québécois agree on the essential points of Bill C-8. We're obviously very sensitive to the issue of soaring real estate prices because we believe that foreign buyers may be playing a role in this inflationary trend.

Consequently, we welcome the measures the government is taking to rein in soaring prices. On the other hand, we're very much concerned about the fact that, to our knowledge, this is the first time the federal government has ventured into the property tax field, the last tax field where Ottawa had no presence.

Allow me to explain. The municipalities currently occupy this field in Quebec, which means it's indirectly the prerogative of the provinces. When the federal government begins to occupy a new tax field, even temporarily and for a good reason, our concern is that it might not withdraw once the measure has been introduced, even on an exceptional basis, and that it may develop an ongoing liking for that field.

We know that was the case with the personal and corporate income taxes during the two world wars. Those measures were supposed to raise money and be temporary, but the federal government subsequently continued collecting those taxes. We also know that the municipalities have serious problems with their tax receipts and are facing major challenges. If they had to share this tax field with the federal government in future, their resources would be further limited within 5 or 10 years. This is a major concern for us.

So my question was going to be about that, Mr. Mercille. We think this is a first, and it troubles us.

However, I'd like to go back to the decision that was made to set the percentage of the value of the residential property concerned at 1%. What were the reasons for choosing 1% rather than 0.5% or 2%?

That question is for anyone who can answer it.

• (1030)

**Mr. Pierre Mercille:** Perhaps I can answer it, but that kind of decision is within the government's authority. The question as to the rate at which a tax should be applied should be put to the House of Commons rather than in a committee.

I'll answer your first question somewhat indirectly. I've been informed that there are two cases in which property is subject to federal tax. There's the tax on capital gains. I know that personal residences are exempted from it, but it's nevertheless a tax on property. Then there's the goods and services tax, the GST, and the harmonized sales tax, the HST, which apply to new properties.

**Mr. Gabriel Ste-Marie:** Thank you very much for that answer.

Yes, sales taxes do apply to new properties. In my mind, though, I put them in another category, indirect taxation. I put capital gains tax in another category as well.

Would it have been theoretically possible to impose this tax as a capital gains tax rather than a property tax?

**Mr. Pierre Mercille:** Capital gains are really not my field. They're an income tax matter. So I don't have the necessary expertise to answer that question.

**Mr. Gabriel Ste-Marie:** All right.

I'll get back to the question about setting the tax at 1% later on. I do understand that it's a political decision.

Does the department conduct elasticity analyses, if I may call them that, of the reaction of foreign buyers?

Based on your analyses, does the percentage have a major impact on housing purchase decisions made by foreigners?

Can you characterize how the behaviour of foreign buyers varies with the percentage of tax?

**Mr. Pierre Mercille:** I'll let one of my colleagues answer your question, which concerns a more economic aspect.

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

[English]

**Mr. Phil King:** I can take that question.

As I think I said earlier, the principal analysis we did was looking at the revenue impacts, because this is a tax. In terms of the broader economic impacts of this or similar vacancy type taxes, there are very few studies that the department is aware of, and this reflects the fact that we don't have too many of these types of taxes in Canada—or globally, for that matter—and that there's a real dearth of information on vacancy rates for the housing market writ large.

We have data on vacancy rates for rental accommodation, but not for all housing, so that makes it very difficult to do any sort of empirical work. Having said that, there are a couple of studies we're aware of or situations. One was a study that was done in France a couple of years ago about a tax they imposed in the early 1990s. The parameters are different obviously, but for a tax rate of between 10% and 15% on the potential rental income of a vacant property, they noticed there was about a 13% decline in vacancy rates in the municipalities that were taxed.

• (1035)

**The Chair:** Thank you, Mr. King, we are well over time.

Thank you, Monsieur Ste-Marie.

We are moving to the NDP and MP Blaikie for six minutes.

Welcome.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much.

I have a question about the underused housing tax. My understanding is that the government's intention is to create more exemptions than exist in the legislation by regulation after the bill passes. Can you confirm that that's the government intention?

**Mr. Pierre Mercille:** In the fall economic statement, there was an announcement following consultations last summer that there

would be two additional exemptions. One was ready for inclusion based on the timing of the bill, the other is proposed to be done by regulation as soon as possible.

**Mr. Daniel Blaikie:** I think there are some reasonable, principled objections to the idea. If the government knows that it's intending to create a particular kind exemption, I'm wondering if you can help the committee understand why that wasn't ready to go.

**Mr. Pierre Mercille:** Maybe I'll let my colleague, Rob Ives, answer that one. I think it was a function of how to describe those areas and whether the way they are defined by Statistics Canada may change in the short term or not.

**Mr. Robert Ives:** Mr. Chair, there was a little bit of work left to be done on that. The department is currently undertaking that work, and once that work is ready, we'll be able to proceed.

**Mr. Daniel Blaikie:** The issue is that there's a pretty sweeping power under regulation for the government, and if they're able to create this exemption presumably the power allows them to create other exemptions; it's not a limited exemption-making power. If as legislators we're approving the creation of a new tax that's supposed to have a policy objective, but government can create exemptions whenever it wants....

There's certainly an argument for some regulatory power to be able to tweak things, because I appreciate that something like this can have unintended consequences and we may not get everything right the first time. But here we're in a situation where the government has a very specific kind of exemption they want to create for this tax, and they're essentially not seeking to have that in the legislation or to have legislators approve that exemption. They're saying we're going to have this sweeping power that normally we might think is for tweaks and modifications in order to ensure that the new tax coheres with the policy objective, but by the way, we're already telling you we're going to use this to create a major new exemption. It raises the question of what other kinds of major new exemptions might be created for a tax that already has a number of what you can call loopholes—I appreciate that that's a more pejorative term—but certainly a lot of ways for people to avoid paying this tax.

Are there any other exemptions that are under discussion at this time for this tax? How can I have confidence as a legislator that government won't use this same regulatory power to create other significant exemptions to the tax after it's passed through Parliament?

**Mr. Pierre Mercille:** I can talk a little bit about regulations. It's not uncommon for tax statutes to have regulatory powers, often, it's because it's an area of more complexity. It's not a precedent for a tax statute to have regulatory powers, it's actually fairly common. That's just on the aspect—

**Mr. Daniel Blaikie:** I hear that.

In this case, what's surprising to me is that it's an exemption that would allow for people—who are not Canadian citizens or residents in Canada—to have a home and to leave a property vacant for 11 months of the year, or even more. It's 48 weeks of the year. It really seems to undercut the purpose of the tax.



In this case, what's surprising to me is that this exemption seems so far removed from the point of the tax, which is presumably to charge non-citizens and non-residents for having property that's unoccupied for most of the year. Here, the government is saying it's already contemplating an exemption that would allow people who are leaving properties unoccupied for 11 months of the year or more to not have to pay the tax.

That goes beyond a regulatory power to fix interpretive differences. It's really a regulatory power to undermine the policy objective of the tax.

• (1040)

**The Chair:** Could one of the officials answer?

**Mr. Daniel Blaikie:** I'm wondering how it is that allowing non-citizens and non-residents to have a vacant property for 11 months of the year doesn't undermine the stated purpose of the new tax—

**Mr. Pierre Mercille:** Well, I—

**Mr. Daniel Blaikie:** —which is to discourage leaving properties uninhabited for long periods of time.

Monsieur Mercille, I'm sorry. I cut you off. I'm happy to have you jump in.

**Mr. Pierre Mercille:** After your first part, I was not sure that there was a question. I thought that was more of a statement. That's why there was a silence.

I'm not best placed to answer this question about whether it's undermining the rest of it. I'll note that, yes, you probably view it as a very broad exemption, but compared to other statutes that go into Parliament, where they have a lot of regulatory powers, you have most of the rules in what is being tabled in Bill C-8.

I wanted to mention that.

**Mr. Daniel Blaikie:** Could you give us an example of another—

**The Chair:** MP Blaikie, that is the time. We've gone over by quite a bit.

**Mr. Daniel Blaikie:** Thank you very much.

**The Chair:** You're welcome.

We are moving to the second round.

We have the Conservatives up first, with MP Lawrence for five minutes.

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

My questions will focus on part 1(d), which is the carbon tax rebate for farmers. I would be happy if someone could respond to those questions accordingly.

I want to start with this. Are you familiar with Bill C-216 and Bill C-234, private members' bills in the 43rd and 44th Parliaments?

**Mr. Phil King:** I am familiar with Bill C-206. I think the member said Bill C-216.

**Mr. Philip Lawrence:** Yes. I meant Bill C-206. My apologies.

**Mr. Phil King:** I am familiar with Bill C-206 and Bill C-234.

**Mr. Philip Lawrence:** They propose an exemption, as opposed to the rebate.

I want to go through a series of questions, Mr. King, and compare an exemption to a deduction.

With respect to the recovery of the carbon tax, an exemption will recover 100% for 100% of farmers. What percentage will this rebate recover for our farmers?

**Mr. Phil King:** The amount to be returned in the first year is \$100 million, and that's estimated to be—

**Mr. Philip Lawrence:** I'm sorry, sir. I meant per farmer.

**Mr. Phil King:** You want to know the number per farmer?

**Mr. Philip Lawrence:** What percentage of farmers will get 100% recovery?

**Mr. Phil King:** I don't have the information to answer that question.

**Mr. Philip Lawrence:** We have documents. I kind of suspected that—

**Mr. Phil King:** I'm not sure. One of my colleagues would have that answer.

**Mr. Philip Lawrence:** Please provide it.

We're going to get documents that show what the average recovery is per farmer and how many farmers will get 100% recovery.

Can you can undertake that?

**Mr. Phil King:** I'm sorry. I don't understand.

**Mr. Philip Lawrence:** What percentage of farmers will get 100% recovery of the carbon tax?

**Mr. Phil King:** I'm sorry, Mr. Chair. We're being asked to provide that information. Is that correct?

**Mr. Philip Lawrence:** Yes.

**Mr. Phil King:** Okay. That is noted.

**Mr. Philip Lawrence:** We can tell that case studies have already been done. It will be between 30 and 40 cents on the dollar that they will get back. That's what the agriculture community tells us, so we can say that an exemption is far better for farmers when we look at the percentage of recovery.

Next, we look at equity. In my experience, farming is not the same throughout the country. It's not the same throughout the industry. In this, we use a proxy of eligible farming expenses. This is far less inaccurate. Once again, with an exemption, 100% of farmers will get 100% recovery.

What legislation is in there to account for the differences in agriculture expenses between industries and between different regions?

**Mr. Phil King:** Perhaps I could turn to one of my colleagues from the tax policy branch about how the tax is set up specifically, or how the refund is set up.

• (1045)

**Ms. Lindsay Gwyer (Director General, Legislation, Tax Legislation Division, Tax Policy Branch, Department of Finance):** Yes, I can answer that question.

The refund is set up based on a calculation of eligible farming expenses, which is basically expenses that are deductible for tax purposes, with some limited exceptions.

**Mr. Philip Lawrence:** Thank you very much. I don't mean to be rude, but I am aware of the legislation. My question was about what adjustment was made in the legislation for different types of farming and for regional differences.

**Ms. Lindsay Gwyer:** There are no adjustments in the legislation for different types—

**Mr. Philip Lawrence:** Thank you. This is completely inequitable to many different farmers in many different regions who are in many different types of farming industry, and no adjustment is made for that, whereas an exemption automatically will adjust for the different types of farms and the different types of sectors, perfectly.

What will be the cost to administer this rebate for the CRA? Is no one going to answer my question?

**Mr. Maximilian Baylor:** Yes, I'll jump in for that one, Mr. Chair.

It's in the fall economic statement on page 68. The Canada Revenue Agency administrative costs associated with the measure are provided there. For 2021-22, it's \$3 million; for 2022-23, \$4 million; and for 2023-24, \$2 million.

**Mr. Philip Lawrence:** Okay, so we're talking about millions of dollars—\$2 million to \$3 million—whereas an exemption, by its very essence, doesn't cost anything to administer.

How long will a farmer have to wait for the rebate versus the exemption?

I would appreciate the chair's leniency here with my time, as the officials were taking ample time.

**The Chair:** Sure, just a quick answer because we've reached the five minutes now.

**Mr. Maximilian Baylor:** Yes. In this case, it's done through the tax system, so when they file, they claim the credit. They would do the same for the exemption presumably.

**Mr. Philip Lawrence:** I would just ask the chair for 20 more seconds, just to sum up here. As I said, some of the participants took a long time to answer.

Mr. Chair, if we compare an exemption to the rebate on the equity, on the recovery percentage, on the cost to administer and on the cost of borrowing, farmers are the losers. Thank you.

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

Okay, we are moving to the Liberals, and we have Ms. Dzerowicz, for five minutes.

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

I want to start off by saying thanks to all the officials for being here today and for their work on this very important legislation.

I'm actually going to start off with a statement from budget 2021 regarding the 1%, the reason behind the 1% tax on unused property within our municipalities by non-residents of Canada.

In the 2020 Fall Economic Statement, the government announced that it would take steps over the coming year to implement a national, tax-based measure targeting the unproductive use of domestic housing that is owned by non-resident, non-Canadians. This will help to ensure that foreign, non-resident owners, who simply use Canada as a place to passively store their wealth in housing, pay their fair share.

Also, in our Deputy Prime Minister's budget speech, she said:

Houses should not be passive investment vehicles for offshore money. They should be homes for Canadian families. Therefore, on January 1, 2022, our government will introduce Canada's first national tax on vacant property owned by non-resident non-Canadians.

I was little surprised, Mr. Chair, to hear officials indicating that the only reason for the 1% tax was actually just to raise revenue. I actually don't believe that that was the case, and I think that our Deputy Prime Minister and Minister of Finance has been very clear about the incentive behind that. I think it's very clear that in this country we have an affordability crisis. We also have a housing affordability crisis and an affordable housing crisis. As a result of that, our government is taking a number of measures, including this one, the 1% tax, in order to try to address this issue.

Saying that—and I don't know which official would be best able to respond to that—my understanding, based on the consultations that happened, is that there was an intention to exclude vacation properties from this tax. Can that be confirmed, please?

• (1050)

**Mr. Robert Ives:** I can take this one, Mr. Chair.

Yes, the government announced a proposed exemption for vacation properties in economic and fiscal update 2021. The details are still to be finalized, but the details of the announcement are on page 83 of the English version of the economic and fiscal update document and page 93 of the French version.

**Ms. Julie Dzerowicz:** When you say that the details are yet to be finalized, many of us are asking questions because we're getting a lot of comments coming through, whether in telephone calls or emails, about this particular tax.

The types of emails I'm getting, Mr. Ives and all the other officials who are online, are about things like vacation properties that have been around for 100 years in people's families. They are not residences; they are not winterized, and they are obviously vacation properties, but some of them in some parts of the country fall just within what they could call the greater municipal lines. I wonder whether those are going to be taken into consideration as we tighten up the rules.

Is there someone who is able to comment on that?

**Mr. Robert Ives:** I'm happy to take the question, Mr. Chair.

The scope of the exemption, of any exemption from the tax, is for the government to decide. We provide advice to the government, and they can choose whether or not to take it. That's all I can really say about that.

**Ms. Julie Dzerowicz:** Thank you.

Please go ahead, Mr. Mercille.

**Mr. Pierre Mercille:** Because, as you said, the cottages are not winterized, the legislation already has an exception for residential properties that are not suitable for year-round use as a place of residence. That's just to address that small comment you made.

**Ms. Julie Dzerowicz:** That's actually extremely helpful, Mr. Mercille, so thank you so much for that.

How many minutes do I have left, Mr. Chair?

**The Chair:** You have a minute, Ms. Dzerowicz.

**Ms. Julie Dzerowicz:** My last question is about rapid testing.

I know Bill C-8 will provide an additional \$1.72 billion to the Ministry of Health for the procurement and distribution of rapid tests to provinces and territories.

My question is what accountability mechanisms are there to report back to the federal government about where those rapid tests are actually being distributed?

**Mr. Cameron MacDonald (Assistant Deputy Minister, Strategy, Integration and Data, COVID-19 Testing Secretariat, Department of Health):** Hi there.

In terms of accountability measures, there is a reporting system, a cycle of reporting that PTs have provided to the federal government.

As of January, as you would be aware, the level of tests being procured and shipped to provinces has accelerated greatly, and we've been moving our reporting processes with PTs from what I'll call usability towards deployment. We're trying to get better access and visibility into where they're deploying these tests and where they're using them, rather than getting usage results. As you would know, the testing packages come in different sizes, but to get results of each test is not feasible.

**Ms. Julie Dzerowicz:** Just to be clear—

**The Chair:** Thank you, Ms. Dzerowicz.

**Ms. Julie Dzerowicz:** —I'm not looking for the results; it's more about where they are distributing them—to the private sector, to the public sector, to schools, to hospitals or to businesses. Do we get that type of accountability back to the federal level?

**The Chair:** Just answer yes or no, please.

**Mr. Cameron MacDonald:** Yes.

**The Chair:** Okay. Thank you, MP Dzerowicz.

We are moving to the Bloc and MP Ste-Marie for two and a half minutes.

[*Translation*]

**Mr. Gabriel Ste-Marie:** First, I have a point of order, Mr. Chair.

During the questions that my esteemed colleague Mr. Lawrence asked, the interpreters informed us that the sound quality during Lindsay Gwyer's testimony wasn't good enough for accurate interpretation. It might be helpful to test the sound before Ms. Gwyer has to answer any further questions.

I wanted to bring that your attention.

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

[*English*]

I agree wholeheartedly. I did also have a little difficulty hearing Ms. Gwyer.

I believe we had some challenges. We do have 16 officials with us and in terms of sound testing—I'll stop the time on this—we went with the officials who were making opening remarks.

We will look to fix this for the next time.

[*Translation*]

**Mr. Gabriel Ste-Marie:** All right.

First, I want to thank Mr. King for his explanations in response to my previous questions. They were very instructive.

I'm still on part 2 of the bill, more specifically the amount of the tax, which is equal to 1% of the value of the residential property. I agree with Ms. Dzerowicz. The aim of a tax is indeed to collect revenue, but it's also to modify behaviour. That's what we understood from the Minister of Finance's remarks.

This is similar to the idea advanced by economist Arthur Pigou, after whom Pigovian taxes are named. Why are tobacco and alcohol taxed at higher rates? To encourage people to buy smaller quantities of those products, given their associated negative externalities. That's how this tax should be interpreted based on the analysis.

I have a question on that subject for Mr. King, Mr. Mercille, Mr. Ives or anyone else who can answer it.

Do you have projections, analyses and evaluations at the department to help you determine whether this tax, which would be equal to 1% of the value of the property, would help curb rising real estate prices in certain regions, the purchase of properties by foreign interests and rising rents?

I'd like to know if you've evaluated that and, if so, what results you've reached. What causal links have you established?

• (1055)

[English]

**Mr. Phil King:** Thank you. I'll take this question.

I'll make one remark, first, on the nature of the tax. To be a tax, the primary purpose of an instrument has to be to raise revenues. That is the primary purpose of the unused housing tax. It's not the only purpose but it's the main thing. It has a secondary purpose of potentially encouraging people who are holding unused real estate assets to put them on the market.

In terms of the rate itself, I note that this was what the department was tasked with doing by the government. I understand it was an election commitment at some point. I forget which election, one of the last two. We were asked to design a tax with a rate of 1%, and that's the work we have done.

[Translation]

**Mr. Gabriel Ste-Marie:** My understanding is that the department hasn't done an evaluation to determine whether the tax in question would help moderate rising real estate prices by a given percentage. It was simply a political directive. That's quite clear.

Thank you. That answers my question.

[English]

**The Chair:** Thank you.

We are moving to the NDP, and MP Blaikie, for two and a half minutes.

**Mr. Daniel Blaikie:** Thank you very much.

Further to that exchange with Mr. King, if the principal objective of the tax is to raise revenue, what is the projected revenue under the tax as it exists in Bill C-8, and what will be the revenue effect of the exemption the government has announced it plans to bring in by regulation?

**Mr. Phil King:** I'll have to pull up some information. That information is all published. The original revenue estimate for the tax was published in the 2021 budget.

For 2022-23, it's \$200 million; for 2023-24, it's \$170 million; and for the three subsequent years, it's \$165 million. The proposed exemption that was put forward in the 2021 economic and fiscal update, we estimate it will reduce that revenue take by \$30 million in 2022-23, and by \$25 million in 2023-24, and thereafter.

**Mr. Daniel Blaikie:** That's in the order of somewhere around a 20% revenue reduction?

**Mr. Phil King:** Maybe half that. Maybe 10%-12%. I'd have to do the math, but it's not quite 20%.

**Mr. Daniel Blaikie:** I know I was a little overtime last time, so I don't want to test the generosity of the chair too much this morning.

How am I doing there, Mr. Chair, for time?

**The Chair:** You have a little over 30 seconds.

Do you want to cede the time?

**Mr. Daniel Blaikie:** I'll let that pass, Mr. Chair.

Thank you.

**The Chair:** Thank you, Mr. Blaikie, we're glad you're here.

We now go to the Conservatives, and MP Stewart, for five minutes.

**Mr. Jake Stewart (Miramichi—Grand Lake, CPC):** Thank you, Mr. Chair.

The pandemic has underscored the current state of health care in Canada. Health care institutions are overwhelmed. Massive gaps and shortfalls have been detected. The entire system is basically on the brink of collapse according to many in the medical world. Intensive care units are consistently filled with patients. Surgeries and procedures have been delayed, and staff are obviously very exhausted.

On February 4, Canada's premiers came together and called on the Prime Minister for help, requesting an unconditional \$28-billion boost to health care transfers. Earlier last week in the finance committee and the weeks preceding, we uncovered \$70 billion in new spending in this bill alone, yet none of it was for Canada health transfers.

Some economists were suggesting that any new spending should be directed at health care transfers because the times were not necessarily calling for spending on economic stimulus, and we met with several economists of varying opinions.

Considering there was \$70 billion in new spending for this bill and economists are saying new spending should be directed towards health care transfers, was it ever discussed to make Canada health transfers part of this bill?

I'm looking for a yes or a no, and I'm fine with whoever can answer it.

• (1100)

**Mr. Galen Countryman (Director General, Federal-Provincial Relations and Social Policy Branch, Department of Finance):** The dossier does not have anything regarding the Canada health transfer in the bill—

**Mr. Jake Stewart:** I realize that. My question was, was it ever discussed to include it in the bill?

**Mr. Galen Countryman:** That's a question for the government.

**Mr. Jake Stewart:** Therefore, the civil service has never been—

**Mrs. Sophie Chatel (Pontiac, Lib.):** On a point of order, Mr. Chair, the officials are here to talk about Bill C-8. I don't know why Mr. Stewart wanted to ask questions on the health transfer to the provinces.

**The Chair:** We will stick to Bill C-8, and as long as it's relevant to Bill C-8....

However, I'll allow Mr. Countryman to continue.

**Mr. Jake Stewart:** [*Inaudible—Editor*]—

**Mr. Daniel Blaikie:** There is a significant amount of money that's being asked for regarding health care related issues, and I think normally we do have a bit of latitude. I've seen members go far further afield.

Given that we're talking about a substantial amount of health care funding, it's reasonable to say there are other ways that health care funding could be delivered to the provinces for these things. I don't think he's way outside the scope of what's reasonable.

**The Chair:** MP Blaikie, thank you for that, and that is why I did pass the floor over to our official, Mr. Countryman.

I believe he said that he did not have the answer as an official. I don't know if Mr. Countryman is saying it is on the political side.

Is that what you were acknowledging?

I'll let Mr. Countryman speak for himself.

**Mr. Galen Countryman:** I would say that the question of whether to provide further funding through the Canada health transfer would be a political decision for the government to make.

I would note that, in remarks previously made by the Prime Minister, he is prepared to have a discussion with premiers to that effect once the pandemic is over—or words to that effect.

**Mr. Jake Stewart:** Okay. There are a couple of things.

Mr. Chair, with all due respect, I don't think you need to answer the question for the witness. Obviously my question was whether it was ever discussed.

When the Government of Canada is about to spend \$70 billion on economic stimulus, when, in pertaining to this bill, they're going to spend \$70 billion when economists are telling them not to, when they've already printed too much money and filled the system full of cash, when every premier in Canada is calling for an increase to Canada health transfers, it's a very good question to determine at least whether that was discussed.

I was looking for a yes or a no. I didn't get it, which makes me think either it wasn't discussed, or if it was, nobody wants to admit that it was discussed and then excluded.

If you're going to spend \$70 billion, that's a lot of tax dollars that we never learn where it's coming from in these rooms, but it's important for the people in the committee to ascertain what was excluded. If you're going to spend \$70 billion, clearly there were things discussed that didn't get included in this bill.

It would be interesting to know if one of those things was something that every premier, from every province and territory in this country, is begging the government for on the front page every other day.

• (1105)

**Ms. Julie Dzerowicz:** Mr. Chair, I have a point of order.

It's just a quick thing. I think these are important questions, but they're not for our officials. I think our Deputy Prime Minister and

Minister of Finance can come and answer that question, but our officials aren't going to answer a political question.

**The Chair:** Okay. The time is up.

I don't know if the officials want to just jump in for five seconds. It's up to the officials. Then we're going to move to the Liberals and MP MacDonald.

**Mr. Galen Countryman:** I don't have anything to add.

Thank you.

**The Chair:** Thank you.

**Mr. Yvan Baker:** I have a point of order, Chair.

In the last comment that Mr. Stewart made, he suggested that you, Chair, were trying to respond for the witnesses. I don't think that's an accurate portrayal—

**Mr. Adam Chambers (Simcoe North, CPC):** Is that a point of order?

That's debate.

**Mr. Yvan Baker:** I don't think that's appropriate. I think what the chair was trying to do was necessary to keep order in the committee and—

**The Chair:** Thank you, MP Chambers.

Thank you, MP Baker.

We want to use as much time as we can here with the officials as efficiently and effectively as possible.

We are moving to the Liberals and MP MacDonald, for five minutes.

**Mr. Heath MacDonald (Malpeque, Lib.):** Thank you, Chair.

I just want to go back to the housing tax. In Prince Edward Island we have a non-resident tax, which has been in place for a number of years. It seems to work very well.

There has been a lot of discussion on the housing tax and among the different people sitting around the table and the different provinces.

Can someone tell me what kinds of consultations were conducted with provincial governments in regard to the housing tax?

**Mr. Robert Ives:** I'm happy to take that question, Mr. Chair.

A public consultation ran between August 6, 2021 and September 17, 2021. The consultation was open to all Canadians, as well as municipalities, provinces, territories and the like.

**Mr. Heath MacDonald:** In those consultations, what were the main issues relevant to the 1% tax that we seem to be hearing from around the table? Was there anything from those public consultations that you have seen as a major concern?

**Mr. Robert Ives:** On the consultations, we received approximately 40 submissions from Canadians and entities. We did not receive a single submission from a province.

**Mr. Heath MacDonald:** You're basically telling me that there were no concerns from any of the provinces on the 1% tax relative to any legislation that they already had in place?

**Mr. Robert Ives:** Mr. Chair, we did not receive any submissions from any of the provinces or territories as part of the official consultation.

**Mr. Heath MacDonald:** Thank you.

Last week Minister Champagne announced \$80 million, I think, in CanCode funding for non-profit organizations across the country. I know we're talking about tax credits for teachers, which they well deserve as they spend a lot of their own money on their classrooms. Many of these teachers also work within these not-for-profits and do extra work after school.

Are there any exemptions for teachers to purchase new technology if they're working with not-for-profits, relative to the ones that are listed in the new submission by Minister Champagne's office—the \$80 million?

**Mr. Pierre Leblanc:** This credit is focused on the supplies that teachers and early childhood educators use in the duties of their employment, either at a school or a child care facility.

**Mr. Heath MacDonald:** Okay. Thank you.

I think that one overlooked, but vitally important change—especially in the seasonal economy where I come from—is the enrolment in the seasonal worker pilot program.

I'm just wondering how these workers will be affected by this change. Do they need to apply for it or it is automatic? What's the scenario relevant to the EI system changes in this bill?

• (1110)

**Ms. Anamika Mona Nandy (Executive Director, Temporary Measures and Special Projects Division, Skills and Employment Branch, Department of Employment and Social Development):** Thank you, Chair. I can take that question.

In terms of the workers who will be affected by this amendment, there will be the workers whose seasonal claim pattern has been disrupted by the timing of COVID-19 temporary measures. If they are eligible for this amendment, then once the legislation is passed, receives royal assent and comes into force, the additional weeks would be applied to EI regular benefit claims. The eligible seasonal claimants will be able to receive their additional weeks of benefits once that legislation receives royal assent.

We understand that there may be a gap in benefits between January 9 and full implementation of the proposed measure, but the nature of the amendment is such that all eligible claimants would receive the benefit to which they are entitled, and every effort would be made to ensure that the payments are processed as quickly as possible.

**Mr. Heath MacDonald:** Thank you.

**The Chair:** We are moving now to our third round, members. I have the Conservatives up first with Mr. Chambers for five minutes.

**Mr. Adam Chambers:** Thank you very much, Mr. Chair. Happy Valentine's Day to you.

The first question is about the school tax credit—

**The Chair:** That was to everybody.

**Mr. Adam Chambers:** Of course it's to everyone, but especially to my favourite chair that I've ever had of our finance committee.

Our school tax credit went from 15% to 25%. Is there any analysis that you can provide the committee, or have you conducted any evidence-based assessment of the tax expenditure and the effect of moving it from 15% to 25%?

**Mr. Pierre Leblanc:** In the economic and fiscal update, we published the estimated costs of the measure, and it's \$5 billion per year.

**Mr. Adam Chambers:** Yes, the question, though, is about the previous 15% tax, how well that was working and what we expect the take-up will be in terms of the number of people, etc.

**Mr. Pierre Leblanc:** The previous tax was spent here, so for the measure that exists now, it's about \$5 million. This would be a doubling.

**Mr. Adam Chambers:** Okay, thank you.

If there is analysis, it's always important for the government to do evidence-based reviews of tax expenditures. If there is analysis that exists, I hope that it can be provided to the committee.

Turning to the housing tax, yes, we discussed the two purposes. The main purpose is to raise revenue, so can we get analysis to this committee that provides the buildup of how you get to your revenue projection in terms of the number of homes that are impacted and the locations of those homes?

**Mr. Phil King:** Thank you, Mr. Chair. I can respond to this.

As mentioned earlier, there's a real dearth of information on vacancies writ large across the country. What we do have is data from the Canada housing statistics program on foreign ownership. We have that for four provinces. We have some data from the B.C. sales and vacancy tax on foreign ownership and vacancy among that foreign ownership component.

We have to extrapolate and impute what's going on across the country in the various other provinces to build up the estimate of revenues.

This is a new tax; it has not been imposed yet. We don't have any filers. We'll have a lot more information ultimately, but probably it's no surprise that the incidence is larger in Ontario, because of its size and population, B.C., Quebec and Alberta.

**Mr. Adam Chambers:** Thank you.

I hope you can appreciate.... I recognize that it's difficult, but it is very difficult to project revenue projections, and the department's track record of projecting revenues on tax increases typically has not been quite accurate.

I'm hoping that you can provide to this committee the analysis under which you are making assumptions or provide the assumptions that you're extrapolating so that we can evaluate those assumptions.

On the second purpose for that measure, is there any analysis that tries to identify how much inventory will be released back into the market?

• (1115)

**Mr. Phil King:** Yes, again, we have one example to appeal to in Canada. That's the B.C. speculation and vacancy tax. After the first year of that tax, the number of taxpaying entities, persons or organizations dropped by about 50%. That's because the property was either sold or rented out.

We've built in some behavioural responses to our revenue estimates. You'll see that in the first year it goes from \$170 million to \$145 million, about a 10% drop. In the second year there's about a 5% drop to \$140 million.

Again, there's very little information, data or other examples on which to base these estimates, so these are the assumptions for the time being.

**Mr. Adam Chambers:** Thank you.

I understand there have been some comments made by U.S. congressmen, talking about reciprocal taxes. I hope we're considering that in this.

**Mr. Adam Chambers:** Are you aware of any analysis from any other parts of the government that look at the impact of reciprocity or retaliation from, say, our American counterparts on this tax?

**Mr. Phil King:** I don't have any information to share with the committee on that.

**Mr. Adam Chambers:** Would this tax apply to the vacant apartment that is owned by Mr. Gadhafi's son, which SNC paid \$200,000 to renovate?

**Mr. Pierre Mercille:** I am not aware of the situation you're talking about, but in any case it would be for the CRA to basically make that determination because they are responsible for the administration of the tax.

**Mr. Adam Chambers:** Thank you, Mr. Chair.

**The Chair:** We are moving now to the Liberals and MP Chatel.

Madame Chatel, you have five minutes.

[Translation]

**Mrs. Sophie Chatel:** Thank you, Mr. Chair.

[English]

Like my colleague, Mr. Lawrence, to me agriculture and our farmers are the future of this country, especially in food security and the turn to the green economy.

I would really like to know what is in Bill C-8 that would support our farmers in this green transition?

**Mr. Maximilian Baylor:** Maybe just at a high level, as I indicated in the opening remarks there is the measure to return the fuel charge proceeds to farmers, as per the budget 2021 commitment. It's basically returning \$100 million from what is collected under the fuel charge directly to farmers. As indicated, that is based on the expenditures, the expenses, the farmers have made.

**Mrs. Sophie Chatel:** Mr. Baylor, could you also explain why, exactly, this measure is limited to certain provinces?

**Mr. Maximilian Baylor:** Those are the provinces in which the backstop applies, so those are the four.

My colleague, Phil King, might have a bit more to say on that front.

**Mr. Phil King:** It's very simply that the four provinces where this federal fuel charge applies are the provinces where the funds are raised and the provinces where they will be returned.

**Mrs. Sophie Chatel:** Thank you very much.

[Translation]

It's more important than ever to protect young students who are going to school during the pandemic. We don't know what new viruses will come, but we must prepare for the future. We must ensure that our schools stay open to prevent our children from being victims of another pandemic.

What measures are provided in the bill to help schools acquire better ventilation systems to deal with other airborne viruses like the COVID-19?

• (1120)

[English]

**Mr. Galen Countryman:** Mr. Chair, I can speak to that.

In part 4 of Bill C-8 there is a \$100 million top-up to the safe return to class fund that will provide the provinces and territories funding to help them offset the costs of improving ventilation in schools.

[Translation]

**Mrs. Sophie Chatel:** Thank you very much.

Many items in the bill would help meet the needs of the provinces and territories in combating COVID-19.

Please tell us how you determine funding amounts for some of those provincial programs and about the consultations you've conducted with the provincial and territorial governments.

[English]

**Mr. Galen Countryman:** With respect to part 4, the amounts for each province and territory are specified in the bill. This was based on [*Technical difficulty—Editor*] the number of children aged 4 to 18 with a \$500,000 base amount for each jurisdiction.

[Translation]

**Mrs. Sophie Chatel:** Could you tell us how funding for the purchase of rapid diagnostic tests referred to in Bill C-10 is factored into the funding provided?

**Mr. Cameron MacDonald:** The funding referred to under Bill C-8 is scheduled for January and February

The funding referred to in Bill C-10 is planned for the coming months.

**Mrs. Sophie Chatel:** Will that funding be in addition to that provided under Bill C-8, which we're considering today?

**Mr. Cameron MacDonald:** Yes, it will.

**Mrs. Sophie Chatel:** That's good.

Mr. Chair, how much time do I have left?

[English]

**The Chair:** Time is up, Madame Chatel.

[Translation]

**Mrs. Sophie Chatel:** Thank you.

[English]

**The Chair:** We are moving now to the Bloc, with Monsieur Ste-Marie, for two and a half minutes.

[Translation]

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

I'm going to begin with a comment.

Earlier Mr. MacDonald asked the officials whether the provinces had taken part in the consultation or expressed any doubts or fears over the federal government's entry into of the property tax field. The officials noted that consultations had taken place and that the provinces had not been involved.

I'd like to remind the committee that it's unusual for the provinces to take part in those kinds of consultations where the provincial governments have questions, concerns, comments or opinions relating to federal government bills. Instead the general rule in a case such as this would be to write to the minister. Such letters are obviously confidential and the sender alone can make them public. So it's absolutely normal for the provinces not to take part in consultations respecting the introduction of this property tax. That's the way it's done and no one should draw any conclusions whatever.

In my remaining time, I'd like to ask two questions concerning part 1 of the bill, which would amend the employment insurance program.

What is the estimated number of seasonal workers who would benefit from this legislative amendment?

Does the deadline for adoption of this bill play a role in all this?

[English]

**The Chair:** Which official would like to respond?

Monsieur Noël, please go ahead.

[Translation]

**Mr. Sylvain Noël (Manager, Policy Analysis and Initiatives, Employment Insurance Policy, Skills and Employment Branch, Department of Employment and Social Development):** Good afternoon, my name is Sylvain Noël, and I work at the Department of Employment and Social Development.

According to our end-of-January estimate, approximately 17,300 individuals took advantage of the measure.

As to your second question, the royal assent date will have no effect on those who benefit from the measure. However, it will have an affect when they receive supplementary benefits since we can add weeks of supplementary benefits only once the bill has received royal assent.

**Mr. Gabriel Ste-Marie:** That's very clear.

That was my final question.

Thank you.

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

[English]

We are moving to the NDP, and MP Blaikie, for two and a half minutes.

**Mr. Daniel Blaikie:** My next questions are around the authorities for various kinds of health expenditures related to the pandemic. I'm curious to know, for example, in the case of money for a rapid test, is the idea that the federal government will be purchasing those rapid tests, and then distributing them to the provinces, or is this intended to be a direct transfer to the provinces, so that they can source and purchase their own rapid tests?

• (1125)

**Mr. Cameron MacDonald:** The intent here, because there is a global lack of supply for rapid tests, is for the federal government to procure, and distribute these tests to the provinces and territories. We have a small federal channel that we provide for businesses, and we also have a partnership with the Canadian Red Cross. The large majority of 85% or so are distributed to the provinces and territories, which will further redistribute them for their needs.

**Mr. Daniel Blaikie:** Is there any kind of existing reporting obligation when that money is spent, how it is spent, and what it received in return for the funds? Is that reported out publicly anywhere, and what kinds of timeline obligations are there for that kind of reporting?

**Mr. Cameron MacDonald:** We report on the number of tests we have provided through federal and provincial channels. We also provide information on what the provinces and territories provide back to us.



As I mentioned, in January we started changing that reporting framework to look at more areas of distribution. It is available on the canada.ca website. Different parts of it are refreshed on a weekly or biweekly basis depending on when we receive data from provinces and territories.

**Mr. Daniel Blaikie:** Okay, so that data is already collected, so if we want that tabled in Parliament at some kind of regular interval like a quarterly interval or something like that, it would be possible.

**Mr. Cameron MacDonald:** The level of tests that are disseminated and distributed to provinces and territories is available online. Yes.

**Mr. Daniel Blaikie:** Thank you very much.

**The Chair:** We are now moving to the Conservatives, with Mr. McLean, for five minutes.

**Mr. Greg McLean:** Thank you again, Mr. Chair.

I'm going to go further along the lines of the housing taxes being proposed here.

Mr. Ives, you talked about the public consultations that were undertaken last summer regarding this tax measure. When were they undertaken last summer? Can you give me the exact months when they were held?

**Mr. Robert Ives:** The consultations took place from August 6 to September 17.

**Mr. Greg McLean:** What else was happening at that point in time, Mr. Ives?

**Mr. Robert Ives:** Many things were happening. I don't know if you're looking—

**Mr. Greg McLean:** Mr. Ives, you know what I'm speaking about. What was happening in a political sense in Canada at that point?

**Mr. Robert Ives:** I can't comment unless—

**Mr. Greg McLean:** There was an election, Mr. Ives. Thank you. Oh, boy.

The second question I have is for Mr. King.

Mr. King, you spoke about part of the intent of this bill being to encourage people to put these properties on the market at 1% tax on the holding of this real estate.

One per cent tax on an asset class that has increased approximately 26% in the last year doesn't really seem like it's a disincentive to losing the property.

Would you say it's misguided to charge people 1% when they are going to be gaining 26%?

**Mr. Phil King:** Again, the primary purpose of any tax is to raise revenues. As for the rate, that's a government policy decision.

**Mr. Greg McLean:** Okay, but was it misguided?

**Mr. Phil King:** I have no comment on that question.

**Ms. Julie Dzerowicz:** On a point of order, Mr. Chair, I'm really troubled by the tone that my Conservative colleague is—

**Mr. Greg McLean:** This is not a point of order, Mr. Chair.

Ms. Dzerowicz, it is not a point of order. We're allowed to ask officials tough questions—

**Ms. Julie Dzerowicz:** Please treat our witnesses with respect.

**The Chair:** Order.

**Mr. Greg McLean:** —even though they are not able to respond.

**Ms. Julie Dzerowicz:** Please treat our witnesses with respect.

**The Chair:** Order. Members, order.

No crosstalking over each other. I'm sure it's very difficult for everybody.

Mr. McLean, continue.

**Mr. Greg McLean:** Thank you, Mr. Chair.

I apologize for the difficulty of the questions.

Let me go further to what one of my colleagues was asking about, reciprocity across the border. I will quote representative Brian Higgins, a Buffalo Democrat, who has reached out to Canadian officials about this tax because, as he stated quite clearly, if Canada really intends to impose a tax on Americans, the U.S. should consider a reciprocal tax on Canadian-owned property in the U.S.

Has the Department of Finance looked at how much Canadians are going to bleed in tax with the United States and determined whether Canadians will actually be benefiting from this tax or actually subsidizing foreign jurisdictions?

• (1130)

**Mr. Phil King:** Thanks, Mr. Chair.

I have nothing to offer the committee on this question.

**Mr. Greg McLean:** Okay. Maybe we need some people to do some analytics here.

Can we come back to that? Can you actually undertake to advise the government on the potential tax leak that's going to happen here and funding foreign jurisdictions, please?

**Mrs. Sophie Chatel:** On a point of order, Mr. Chair, these are political questions. Officials cannot answer with respect to what will happen in the future. This is not—

**Mr. Greg McLean:** Can I have my time back, please.

**The Chair:** Order.

**Mr. Greg McLean:** This is exactly what we're allowed to do here.

**Mrs. Sophie Chatel:** Well, the tax cannot be—

**Mr. Greg McLean:** These are important questions that the Department of Finance officials need to be taking in order to advise the government on the tax positions.

**Mrs. Sophie Chatel:** The U.S. cannot be blamed for having that—

**The Chair:** Members. Order.

**Mr. Greg McLean:** We're getting points of order here that are nonsensical, Mr. Chair.

**Mrs. Sophie Chatel:** This is not—

**Mr. Greg McLean:** I think you know that, so I would like you to shut them down a lot more quickly than you have.

**The Chair:** Order, members.

**An hon. member:** What are they hiding?

**Mrs. Sophie Chatel:** What are you hiding?

**An hon. member:** What are you hiding—really?

**Mrs. Sophie Chatel:** Well, what are you hiding—a political agenda?

**The Chair:** Members, no crosstalk—

**Mr. Jake Stewart:** On a point of order, Mr. Chair, they're obviously hiding something or they'd answer the question.

**The Chair:** No crosstalk, members. Questions should of course be relevant to Bill C-8.

Mr. McLean, you have the floor.

**Mr. Greg McLean:** Chair, I think my questions are very relevant to Bill C-8.

With regard to money laundering, Transparency International has indicated that about \$140 billion to \$180 billion of foreign money laundering happens in Canada every year, primarily in Canadian real estate. We're suggesting that we're going to collect \$150 million on a 1% surtax, a gross overstep, as far as jurisdiction goes, onto municipal taxes. That's what we're going to collect. It's one-tenth of 1% of the money laundering. Would it not be more feasible to actually enforce and strengthen our money-laundering laws in Canada?

Let me ask any official who wants to answer that, please, if that would be better advice to give this government.

**The Chair:** I don't think there's anybody who wants to answer that, or who can answer that, at this time, Mr. McLean.

We are moving to the Liberals now.

Mr. Baker, you have the floor for five minutes.

**Mr. Yvan Baker:** Thank you very much, Mr. Chair.

I have a couple of points before I ask my first question. First of all, I think what we've heard in summary from our officials about the vacancy tax is that it's really designed to achieve three things. One is to raise revenue to help provide funding to the government for some of its housing programs, which, as we've all heard at this committee, are so important in providing especially some of our most vulnerable the opportunity to own a home and have access to affordable housing.

Second, it will incent some of those folks who are non-residents who do own property and are keeping it vacant to no longer keep it vacant, as my colleague Ms. Dzerowicz cited from the Deputy Prime Minister's remarks. It also just holds common sense that if non-residents are forced to pay a 1% tax for keeping their home vacant, they're not going to want to keep it vacant; 1% on a property of \$1 million or \$2 million is a lot of money.

Third, one of our officials spoke to the fact that some investors, some non-resident owners of property, are more likely to part with the property. I think that's a third important concept. I would add to

this that they may be less likely to buy those properties if they're going to plan to hold them just for investment purposes.

We heard at this committee in prior hearings that the primary reason that the price of housing continues to skyrocket in Canada is a shortage of supply. This is one of the measures—one of many, as we know—designed to make sure that we help increase that supply by making sure that vacant properties are no longer vacant.

I just wanted to summarize what we've heard thus far. I think it's really important to bring that all together based on that.

I have a question about something else.

[*Translation*]

Bill C-8 would add a further \$100 million to the safe return to class fund as part of the government's commitment to improving ventilation in the schools and supporting teachers, who have worked so hard during this period.

[*English*]

**Ms. Julie Dzerowicz:** I have a point of order, Mr. Chair.

**The Chair:** Go ahead on your point of order.

**Ms. Julie Dzerowicz:** I'm sorry to interrupt my colleague, but the bells are ringing. I think we need consent to continue.

I think we should continue for the next 15 minutes, if we can get approval from everyone.

• (1135)

**The Chair:** Thank you, MP Dzerowicz.

Members, I'll look to you, but it has been the practice that during the bells we have allowed up to about seven minutes prior to the vote. We will suspend at that time.

Actually, at that time we'll suspend and we will conclude this panel, because we'll come back for our second panel once we come back from the vote.

I'm looking to all the members to see if everything is....

I see thumbs up.

**Mr. Adam Chambers:** Just on a point of order, Mr. Chair, if it works for the rest of the committee, I would recommend that we just pause for the 30 seconds it takes to vote virtually and then resume and finish the meeting.

It only takes a couple minutes to do that. I don't think any of us who are physically present intend to leave the room.

**The Chair:** I don't know if any members are going into the House.

I'll look to the members on that.

**Ms. Julie Dzerowicz:** Can we give ourselves five minutes in case we need to do a powder room break as well?

**Mr. Adam Chambers:** Sure.

**The Chair:** We'll look to continue and then provide that five to seven minutes at the end.

Thank you.

Go ahead, MP Baker.

**Mr. Yvan Baker:** Thanks, Chair.

How much time do I have left?

**The Chair:** You have two minutes and 15 seconds.

**Mr. Yvan Baker:** Thank you.

[*Translation*]

Bill C-8 would add a further \$100 million to the safe return to class fund as part of the government's commitment to improving ventilation in the schools and supporting teachers, who have worked so hard during this period.

Would the officials please explain how the fund operates and the purpose of this supplementary amount?

[*English*]

**Mr. Galen Countryman:** I can respond to that question.

The original safe return to class fund was a \$2-billion fund that was distributed in the last fiscal year to provinces and territories to assist with a safe return to class for students, including ventilation and other measures to improve the health and safety of students and staff at schools.

The \$100-million top-up that was proposed in the economic fiscal update is specifically targeted to ventilation measures. It will be provided to provinces and territories to fund things like the repair and replacement of heat, ventilation and air conditioning units, increased maintenance of existing systems to ensure optimized operation and other interventions that would bring in more outdoor air or result in cleaner air, such as the installation of operable windows or portable air filtration units.

**Mr. Yvan Baker:** That's great. Thank you very much.

[*Translation*]

I know that many schools have taken advantage of this program. In my riding, Etobicoke Centre, I think 35 schools have received assistance from the fund. I know it was very well received by the schools, students and teachers in my riding.

So thank you for the work you've done on that project.

[*English*]

**The Chair:** Thank you, MP Baker.

Members, we are moving to the fourth round.

First up are the Conservatives and MP Lawrence for five minutes.

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

I'm going to take the first two minutes, then I'll split the remainder with Mr. Stewart.

I have quick question, which I'll direct to Mr. Baylor, so we don't have the same gap as we had in the last round.

Mr. Baylor, answering yes or no, can you say with certainty that all farmers will receive at least 90% of their carbon tax back in this rebate?

**Mr. Maximilian Baylor:** To be clear, the rebate is a portion based on the expenses, and the idea there—

**Mr. Philip Lawrence:** Thank you, Mr. Baylor. That's a no.

Can you say that all farmers will receive at least 50% of the carbon tax they paid back? Please answer yes or no.

**Mr. Maximilian Baylor:** As we've discussed, in terms of how much they're getting back from what they paid, that would be tabulated, I don't—

**Mr. Philip Lawrence:** You can't say today, even though—

**Mr. Maximilian Baylor:** —have those—

**Mr. Philip Lawrence:** —you're in front of a parliamentary committee—

**Mrs. Sophie Chatel:** I have a point of order, Mr. Chair.

**The Chair:** On a point of order, we have Madam Chatel.

**Mr. Maximilian Baylor:** My—

● (1140)

**The Chair:** There's a point of order.

**Mrs. Sophie Chatel:** It is hard for translation when you....

Thank you.

**The Chair:** I say this more to the members than the officials, but the crosstalk affects the interpreters. They request that we don't have that crosstalk.

**Mr. Philip Lawrence:** I apologize. I respect that.

My last question is to Mr. Baylor. Can you say with certainty that 100% of farmers will receive at least 10% of their carbon tax back in the form of this rebate?

**Mr. Maximilian Baylor:** I believe my colleague Mr. King may have those numbers in terms of how much they pay under the fuel charge and how much they'll receive through the tax credit. If not, I do not have them at this point.

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

I'll give my time over to Mr. Stewart.

To confirm, you can't even say with certainty that farmers will receive 10% of their carbon tax rebate back.

**Mr. Maximilian Baylor:** That's because it's not something I was looking at. Like I said, my colleague Mr. King would have looked at that.

**Mr. Jake Stewart:** Thank you.

My first question is through the chair.

We've already established that officials aren't willing to speak about whether or not health transfers were ever discussed in the \$70 billion in new spending, despite economists calling for no economic stimulus spending. Also, any money spent should be on health care transfers, according to economists.

Today in the House of Commons, and for me here in committee on the voting app, we're going to be voting to have the government place and table a plan to live with COVID and to end the mandates. The government is asking for more new money for proof-of-vaccination initiatives. I will read that to you here: "Part 5 authorizes payments to be made out of the Consolidated Revenue Fund for the purpose of supporting coronavirus disease 2019 (COVID-19) proof-of-vaccination initiatives."

Can someone please tell me where this directive is coming from? Two-thirds of Canadians want an end to vaccine passports. They felt that the overarching reach of government was really intrusive over the last couple of years. I'm wondering why we're spending taxpayer dollars in the billions to increase vaccine passports and the measures surrounding them.

Thank you.

**Mrs. Sophie Chatel:** I have a point of order, Mr. Chair.

**The Chair:** On a point of order, we have Madame Chatel.

**Mrs. Sophie Chatel:** These are officials from the government. They're not political people. I would remind my colleague Mr. Stewart: If he has a political question, please ask a minister, a member of the government, but not an official.

**The Chair:** Thank you, Madame Chatel.

Yes, these are officials. They are not here to answer political questions.

**Mr. Jake Stewart:** Yes or no: Is this bill investing billions of dollars into increasing vaccine passports?

**Mr. Stephen Bent (Acting Vice-President, COVID-19 Vaccine Rollout Task Force, Public Health Agency of Canada):** Thank you, Mr. Chair.

Perhaps I could clarify one point. Over the past year, the Government of Canada and provinces and territories have worked together on a standardized proof-of-vaccination credential, recognizing the need for citizens and residents to have access to a secure and verifiable document for both domestic and international travel. We've collaborated over the last year to develop a standard using a SMART health application standard.

The purpose of this fund is to compensate provinces and territories for the costs of establishing the proof-of-vaccination credential programs, for the issuance of proof-of-vaccination credentials and for maintaining the program for as long as it's required, either domestically or for international travel.

**The Chair:** Thank you.

We are moving to MP Dzerowicz for five minutes.

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

Maybe I'll start off by indicating, to Mr. Stewart's queries around the vaccine mandates, what's behind that logic. I know that there was a recent poll that was done. Éric Grenier sort of announced this on Twitter. He said: "I've seen lots of reference to the Angus Reid Institute poll that suggests a majority want to end restrictions and 'let people self-isolate if they're at risk', whatever that means. Léger's more straightforward question still shows [that the] majority don't want to lift restrictions...". I'll leave it with that statement.

I did want to turn my attention to small businesses. As we all know, they are the heart and soul of our economy. I had a chance to visit many of our small businesses across the Davenport riding over Saturday: a big shout-out to The Green Jar, African Palace and Caribbean Queen. They're amazing businesses, and I think they're going to be very happy to learn that Bill C-8 includes a small business air quality improvement tax credit, where there would be a temporary refundable 25% tax credit for eligible businesses on expenses incurred to undertake air quality improvements that increase outdoor air intake or air cleaning in commercial properties.

I think this is on everybody's minds as we're trying to get into the world of the post-COVID economy: How can we continue to keep our staff safe and keep our customers safe?

Can officials comment on how this new fund will work? How will small businesses be able to access this tax credit?

• (1145)

**Mr. Maximilian Baylor:** Absolutely, Mr. Chair, I can comment on that.

It's not a fund, per se, of course. Businesses, when they make an eligible expense, in this case, in terms of purchasing eligible HVAC systems or HEPA filters, can then claim that expense as a credit against their tax payable through their tax return. Also, of course, because it's refundable, if they happen to not owe tax in that year, then they would receive the funds through the refundability aspect.

**Ms. Julie Dzerowicz:** One of the other things that Bill C-8 includes is an extension of the repayment of the Canada emergency business account. The CEBA has provided \$49 billion in interest-free partially forgivable loans to nearly 900,000 small businesses affected by the pandemic, many across my riding, and I'm sure all of our ridings right across this country. Bill C-8 would extend the repayment deadline, and offer partial loan forgiveness for those who repay before 2024.

Is there an official who can talk to the impact that this extension will have, and what would occur if we did not extend this repayment deadline?

**Ms. Ling Wang (Senior Director, Financial Programs and Strategy, Financial Services Division, Financial Sector Policy Branch, Department of Finance):** Thank you, Mr. Chair, I can answer that question.

Bill C-8 proposes to set a limitation period for CEBA loans. It's to support the extension, but not exclusively for the extension that was announced on January 12 for CEBA repayment. The provision in the bill proposes a limitation period of six years for all CEBA loan holders. Doing so would assure that no matter where CEBA loan holders live in this country, the government can treat them consistently, and the government would have the ability to provide leniencies for businesses that may be facing financial challenges repaying the CEBA loans.

**Ms. Julie Dzerowicz:** I appreciate you mentioning that. Part of the extension of your response is the fact that it will take some time for some of our businesses to get back on track, and it gives them a chance to remain viable. I appreciate the response and your work.

Do I have time for one more question, Mr. Chair?

**The Chair:** You have 30 seconds.

**Ms. Julie Dzerowicz:** My question is around the \$100 million top-up safe return to class fund. About 18 schools in Davenport have benefited from the original fund. In more concrete terms, can officials indicate how a school would be able to access this fund through dollars sent out to the provinces?

**Mr. Galen Countryman:** The funding is transferred to the provinces and territories, then each province and territory determines how the funding will flow to various school boards, and down to each individual school.

**Ms. Julie Dzerowicz:** Thank you.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Your microphone is muted, Mr. Chair.

[*English*]

**The Chair:** My apologies, everybody.

Thank you, MP Dzerowicz.

MP Ste-Marie, you're up for two and a half minutes.

[*Translation*]

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

My question is for the representatives of Employment and Social Development Canada and concerns the pilot project to provide up to five additional weeks of employment insurance benefits to eligible seasonal workers. This project was introduced in 2018 and targeted 13 regions.

Employment and Social Development Canada has a mandate to analyze that pilot project. I'd like to know where the analysis stands. Can any conclusions be drawn even if it hasn't been completed?

Can you answer the question, Mr. Noël?

• (1150)

**Mr. Sylvain Noël:** Thank you for the question.

The pilot project was launched in August 2018 and ended in September 2021.

The results will be analyzed and evaluated by the department and released later in 2022.

**Mr. Gabriel Ste-Marie:** Okay.

Am I to understand that you can't give us any preliminary conclusions or overall trends, even though we are commenting on this in connection with Bill C-8?

Is that right?

**Mr. Sylvain Noël:** That's right.

We have no information to provide on this for the time being.

**Mr. Gabriel Ste-Marie:** I am obviously disappointed.

How did you select the 13 regions included in the pilot project?

How many employment insurance benefit claims from seasonal workers outside these regions are received every year?

**Mr. Sylvain Noël:** The 13 regions were selected on the basis of two criteria. The first was unemployment rate. We looked at the rates of unemployment in each region and any regions whose rate was higher than the national average met the first criterion.

The second criterion was the percentage of seasonal workers in each region. I believe the rate we were aiming for was 4%. If the percentage of seasonal claimants was higher than 4% of the labour force, that meant the second criterion was met.

All regions meeting both criteria at the same time were included in the pilot project, giving us a total of 13 regions.

Could you repeat the second part of the question? I think I've lost track.

**Mr. Gabriel Ste-Marie:** How many employment insurance claims from seasonal workers are received from regions other than these each year?

If you don't have the number, you could always send it later.

**Mr. Sylvain Noël:** According to the Employment Insurance Monitoring and Assessment Report, the number of seasonal claimants in Canada in 2019 and 2020 was approximately 410,000.

**Mr. Gabriel Ste-Marie:** I see that I have run out of time. Could you send us the data on the how many of these people were outside the 13 regions selected?

Thank you very much.

**Mr. Sylvain Noël:** Will do.

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

[English]

We are moving to the NDP with MP Blaikie. Once MP Blaikie has finished his time we will be suspending at that time to be able to vote and we will be concluding this first panel.

MP Blaikie, you have the floor.

**Mr. Daniel Blaikie:** Thank you very much.

My question is about part 5 of the act, which is a request for funds up to \$300 million that are earmarked for supporting provinces in their proof-of-vaccination programs. I note that there are a number of provinces—Alberta, Saskatchewan, Manitoba, Ontario I believe, and there may well others—that have announced they're planning to wrap up their proof-of-vaccination program. Of course, that's a decision that happens at the provincial level. I'm curious what that means for the \$300 million that's being requested here. Was it foreseen that would be distributed on a roughly per capita basis to provinces for the proof-of-vaccination programs? Or were there some other criteria that would be used for the disbursement of funds? The act only says that the amount of each payment would be determined by the Minister of Health. It doesn't give criteria.

**Mr. Stephen Bent:** We're in the process now of continuing our analysis on allocation options for the minister to consider. The objective, as I mentioned earlier, is to cover both previous costs and ongoing costs. In the context of jurisdictions that have sunset their proof-of-vaccination requirements, the ability to be able to issue an electronic health record proof-of-vaccination credential will continue. As I mentioned earlier, through collaboration with the federal government, provinces and territories are able to issue a single or a joint credential that individuals can use both for domestic and international travel and other mandated requirements. As such, notwithstanding what happens in the space of mandates, the ability for a citizen to have access to the credential where it's required is still necessary.

• (1155)

**Mr. Daniel Blaikie:** You don't anticipate that announcements ending proof-of-vaccination programs in the provinces would impact how much money they receive under part 5 of act?

**Mr. Stephen Bent:** I would not think so no.

**Mr. Daniel Blaikie:** Thank you for the answer.

Thank you, Mr. Chair.

**The Chair:** Just before we suspend I want to thank all of the officials.

**Mr. Adam Chambers:** I have a point of order, Mr. Chair.

**The Chair:** On the point of order.

**Mr. Adam Chambers:** We are unable to vote for at least another eight minutes. I'm curious as to whether we could just get some confirmation from the clerk or yourself on the request for additional materials while we have our officials still here for the last five minutes of this meeting, so that we are clear about which information has been requested. If you'd like I could go through the list.

**The Chair:** Very quickly, MP Chambers, because we will suspend here for the vote.

**Mr. Adam Chambers:** We still have seven minutes before we can vote.

**The Chair:** Members may be wanting to go to the House. I don't know, MP Chambers, so I can't say. You have 30 seconds and then I will suspend.

**Mr. Adam Chambers:** My colleague, Mr. Blaikie, asked for examples of exemption by regulation done previously. We've asked for the impact of reciprocity analysis on the vacant foreign ownership tax. We've asked for the buildup of locations and the numbers of impacted properties. We've also asked for the information on what the average farmer is expected to receive back and that should be included through percentage of farmers and what they can expect to receive back on the fuel.

I would also open it up to the rest of the floor for my colleagues to make recommendations on what they have asked for, but that's what I had on my list, Mr. Chair.

**Mr. Yvan Baker:** I have a point of clarification, Mr. Chair.

**The Chair:** MP Baker.

**Mr. Yvan Baker:** Is this going to count against the member's time? There are things that I'd like to clarify as well, but I've limited myself to my five-minute increment. I just want to make sure we're all getting equal time.

**Mr. Adam Chambers:** Technically we can go until noon.

**The Chair:** Thank you, MP Baker.

MP Chambers, members, we are getting close to the time.

Clerk, we'll suspend for our vote and that will conclude this panel.

**Mr. Greg McLean:** Mr. Chair, on a point of order, can we—

**The Chair:** We are suspending—

**Mr. Greg McLean:** No. We can't suspend on a point of order, Mr. Chair. Thank you very much.

**The Chair:** We are suspended. There is no point of order—

**Mr. Greg McLean:** No, we cannot suspend at this point in time.

**The Chair:** You did not have the floor, Mr. McLean.

**Mr. Greg McLean:** I have a point of order, Mr. Chair.

**The Chair:** You did not have the floor.

**Mr. Greg McLean:** I have a point of order, Mr. Chair.

**The Chair:** We have suspended—

**Mr. Greg McLean:** I have a point of order, Mr. Chair.

My point of order is that this be clarified. The clerk addressed the question directly. Anyone that Mr. Baker wants to add, as well, to responses from the officials....

It's an easy matter.

**Mr. Yvan Baker:** On a point of order, Mr. Chair, there is no use for you to continue. We must adjourn for the vote.

**The Chair:** There is no unanimous consent.

We are suspending now. Thank you.

• (1155) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1220)

**The Chair:** Welcome back, everybody.

This is the second panel we have today. We are on pre-budget consultations, in advance of the 2022 budget.

With us today we have, as an individual, Brian Arnold, professor emeritus; and also as an individual, Carol Anne Hilton, chief executive officer, Indigenomics Institute.

From MNP LLP, we have Kim Drever, a partner in tax services; and Amanjit Lidder, senior vice-president and partner in tax services.

From Moodys Private Client LLP, we have Kim Moody, chief executive officer.

From News Media Canada, we have Jamie Irving, who's the chair; and Paul Deegan, president and chief executive officer.

From Réseau FADOQ, we have Gisèle Tassé-Goodman, president, provincial secretariat; Danis Prud'homme, chief executive officer, provincial secretariat; and Philippe Poirier-Monette, collective rights adviser, provincial secretariat.

They will all have an opportunity to give their five-minute opening remarks.

I am going to look to the members. I agree that we should have the hour. We lost some time here during the vote.

Members, could I just see a shake of heads that we can go past one o'clock?

**Some hon. members:** Agreed.

**The Chair:** Clerk, do we have the resources available? Okay. That's terrific.

I'm going to move to our witnesses right now. We'll start with Mr. Brian Arnold, professor emeritus.

**Professor Brian J. Arnold (Professor Emeritus, As an Individual):** Thank you, Mr. Chair.

Happy Valentine's Day, everyone, although what I have to talk about, tax avoidance and the general anti-avoidance rule, have very little to do with love and romance.

At the outset I would like to emphasize that I am appearing here on my own behalf. I have no special interest that I represent, and as a result I'd like to share with you a little bit about my background and experience with respect to tax.

I taught at a Canadian law school for 28 years. Since that time I have taught at various law schools around the world, including Har-

vard Law School and New York University School of Law. I have practised on a part-time basis for 35 years with two major Toronto law firms. I was a consultant to the Department of Finance on the drafting and design of the general anti-avoidance rule back in 1986-87. I've been a consultant to the OECD, the United Nations and a number of governments with respect to tax avoidance.

I'm sure I don't have to tell the members of this committee that tax avoidance is a serious problem for our tax system. It deprives the government of much-needed revenue. It exacerbates inequality, because only corporations and the wealthy are able to take advantage of tax avoidance. As a result, others must pay more. It also imposes huge costs on the tax system—costs for the CRA, the Department of Finance and for the courts. Finally, it undermines public confidence in the tax system generally.

The general anti-avoidance rule plays a critical role in preventing and controlling abusive tax avoidance. It's a relatively simple rule. It basically says that tax benefits from transactions that have as their principal purpose tax avoidance can be denied if those transactions misuse or abuse provisions of the Income Tax Act. The purpose of that rule is to deter abusive tax avoidance. However, the GAAR is over 30 years old and is showing its age, so its effectiveness in controlling tax avoidance has been diminished. It needs a significant overhaul.

The government, the Department of Finance, announced a public consultation on the GAAR in its November fall economic statement of 2020. It's now fourteen and a half months later, and we still don't have that GAAR consultation launched. I don't understand that. Further, I don't understand why a public consultation is necessary with respect to the GAAR. The general anti-avoidance rule's flaws are well known to those in the tax community, and in my view, the Department of Finance should simply get on with it.

I'd make two recommendations in general to this committee. The first one is to recommend to the government that the Department of Finance cancel its GAAR consultation and simply move to amend the GAAR to make it more effective. As I say, those flaws are well known, and I would be happy to provide the committee with a list of the flaws.

If the Department of Finance insists on going ahead with its consultation, then I would suggest the committee recommend that it do so immediately.

Thank you.

• (1225)

**The Chair:** Thank you, Mr. Arnold.

We do have next on our list Carol Anne Hilton. I think we're working to get her IT together so that she can come on.

We're going to move to MNP LLP for five minutes, please.

**Ms. Amanjit Lidder (Senior Vice President and Partner, Tax Services, MNP LLP):** Thank you, Mr. Chair and honourable members, for the invitation to share our thoughts with you today in advance of budget 2022.

As you said, my name is Am Lidder. I'm the senior vice president of tax at MNP, and I'm joined today by my colleague Kim Driver. As the largest professional services firm headquartered in Canada, we proudly serve over 280,000 clients, and we've worked side by side with Canadian businesses for over 60 years in 125 communities of all sizes across the country.

It's with the experience of our clients in mind that we provided the committee a copy of "Unleashing Canada's Potential". In this document that was shared with you is a summary of policy considerations that we've developed by canvassing our national network of professionals.

Over the last two years, our partners have had hundreds of thousands of conversations with Canadians about their lives and businesses, and supported them as they navigated the impacts of the pandemic, as well as managed through wildfires, floods, labour challenges and supply chain disruptions. Whether it's a blueberry farm in the Fraser Valley, a flower shop in Brandon or a fabrication shop in Halifax, each of our clients has been impacted in some way.

Our submission provides several policy considerations along three key themes that we believe, when addressed, can bolster Canada's economic standing and ensure that we build a resilient and sustainable economy. These three themes are building Canadian confidence, fostering innovation and achieving Canadian excellence.

While there are many potential topics contained within those themes, our remarks today will focus on one specific challenge for Canadian farm, fishing and private businesses, which is making sure that family businesses stay family businesses.

Previously, a long-standing rule in the Income Tax Act treated intergenerational transfers of a business as a dividend, rather than a capital gain. Bill C-208 changed that rule to allow access to the lifetime capital gains exemption, and provided positive changes around the division of a family business among siblings. Although our time today focuses on the transition aspect of Bill C-208, we believe that the ability to divide a family business amongst siblings granted in the legislation is necessary and that it should be maintained.

Because of how our tax rules are currently structured, transitioning a farm, fishing or small business from a mother or father to their children or grandchildren has been punitive, compared to selling that same business to a third party. The introduction of Bill C-208 provided for the intergenerational transfer of certain family businesses to receive the same tax treatment as businesses sold to a third party. Bill C-208 represents a significant positive change to support family business succession in Canada.

Prior to this bill passing, when a business owner sold or transferred their shares of their business to either their adult child or grandchild, they were taxed at an average dividend rate of up to 46%. However, if that same business was instead sold to a non-family member, the seller would be taxed at the lower capital gains rate of up to 26% and they would be able to use their capital gains exemption to reduce their tax.

We believe families should not be disincentivized from selling their businesses within their family due to tax policy. Bill C-208 represents a good start to addressing the disadvantage families face.

On July 19, the Government of Canada suggested that amendments would be forthcoming in the fall of 2021. However, businesses have yet to see this draft legislation. In the press release, the Government of Canada laid out four potential hallmarks to define a bona fide succession, and we agree that the tax treatment outlined in Bill C-208 ought to be used in the process of a true business transition.

It's important to remember that no two family business transitions are the same, and overly prescriptive hallmarks have the potential to create different barriers that hinder the succession of family businesses. For example, in the sale of a business to a third party, the Government of Canada does not limit the involvement of the seller in the future activities of the business following the sale. However, the government has indicated that they would limit the level of ownership and involvement that a parent can maintain after the transfer. In our experience, it's common in the succession of many businesses for the seller to remain engaged for a transition period, though the length and nature of that transition period should be driven by what is best for the business and not mandated by tax law.

As the Government of Canada contemplates amendments, we would encourage intergenerational transfers to be broadened to include, for example, the sale of businesses between siblings. In addition, the capital gains treatment on the sale of shares should be maintained where the lifetime capital gains exemption is not available.

• (1230)

Also, Bill C-208 restricts the use of the capital gains exemption for capital-intensive businesses like farming or manufacturing. The taxable capital limit was introduced in 1989 and has not been adjusted nor kept pace with inflation.

We welcome any questions you might have related to what we have provided in our submission or presented today.

Thank you.

**The Chair:** Thank you, Ms. Lidder.

We are moving to Moodys Private Client LLP. We have Kim Moody with us.

**Mr. Kim G. C. Moody (Chief Executive Officer, Moodys Private Client LLP):** Thank you, Mr. Chair.

It's a pleasure to be here today. Happy Valentine's Day. I hope each of you can share a romantic day with someone special. Like the pre-eminent Professor Arnold, who I'm certainly not in the same league as, what I'm going to talk about today is not very romantic.



Notwithstanding not being in the same league as Professor Arnold, I do have a long history in the tax profession. I'll tell you a bit about myself. I'm former chair of the Canadian Tax Foundation, former co-chair of the Joint Committee on Taxation with the Canadian Bar Association and CPA Canada, and chair of the Society of Trust and Estate Practitioners. I'm also the co-host of Canadian Tax Matters, Canada's leading platform for learning about trending tax issues.

I'm going to keep my remarks rather short today because we're limited to five minutes. I have given each of the members a complete copy of my remarks. I encourage you to look at them for more completeness.

I would like to comment on two things, which are our country's out-of-control spending and deficits, and some suggested tax matters for consideration.

To be clear, I'm not an economist, but you do not need to be highly educated to figure out that you cannot endlessly spend more than you make—whether you're an individual, a business, non-profit, charity, or government—unless you subscribe to the notion that a government can create more money without consequence. This theory has been coined the modern monetary theory of economics. The fact that there are consequences to indefinitely spending more than you make does not change if you cloak the spending in revised phraseology such as “investment”.

With the current state of our country's deficits and debt, with no visible signs of a plan to rein it in, coupled with inflation at 30-year highs nearing 5%, Canada has a serious problem. Too many dollars chasing too few goods results in demand-pull inflation. We're seeing pressures as a result of that.

In the last six years, and particularly in the last two years, we've seen tremendous government spending. In his February 11, 2022, piece entitled “Modern Monetary Trauma”, Douglas Porter, chief economist for BMO, stated the following about the U.S. situation, which is similar to Canada's, but of course not identical. He wrote that, “the massive stimulus package...of early 2021 was a clear case of overkill for an economy already bouncing back. The combination of super-loose monetary and fiscal policy was essentially a de facto experiment of [Modern Monetary Theory]. Well, the results are now in—CPI at 40-year high—and MMT has failed its first test in spectacular fashion.” I totally agree.

Canada has much to learn from this experience. In my opinion, it starts with reining in spending. This is the season where there is no shortage of people asking the government to pump money into their pet projects or preferred areas—in these pre-budget consultation committee meetings in particular. I believe the government needs to rein in spending and tighten up its monetary policies for the benefit of all Canadians. Such loose policies and the lack of a visible plan are contributing to tremendous inflationary pressures, including housing prices. Of course, these pressures negatively impact all Canadians. Frankly, positive, concrete action is needed now.

I'll move on to tax, which is an area that I am much more astute in. I'll keep my comments brief here. In my notes, I've indicated six areas that I think the government should focus on. Some of them are positive, some of them...take a pause.

The first is to not move forward on an anti-flipping housing tax. Overly simplified, the current Income Tax Act has all the tools to attack traders in real estate who try to utilize the principal residence exemption to shelter their profits. With the Canada Revenue Agency making the disclosure of the utilization of the principal residence exemption mandatory on personal income tax returns from 2016 forward, this also gave CRA the tools to identify and audit inappropriate claims. To introduce another tax that arbitrarily denies the utilization of an exemption if a property is sold within 12 months of its acquisition, with limited exceptions, will simply introduce unnecessary complexity. I'm confident that the introduction of this measure will result in no meaningful reduction of PRE claims, and it should be abandoned.

Second is to not increase personal tax rates. I note that the 2021 Liberal election policy platform did not contain an explicit proposal to increase the rates. However, with the need for revenues, I'm concerned that the government may view the so-called “wealthy” as an easy target to pay just a little bit more. Such tax increases would cause even more capital to flee Canada—we're seeing a lot of that through our office—and discourage the best and brightest from staying in or coming to Canada. With skilled labour at a premium, this needs to be avoided.

• (1235)

Number three, do not increase the capital gains inclusion rate. Again, the 2021 Liberal election policy platform did not contain explicit comments regarding this, but previous minister mandate letters mentioned tax expenditure reviews to ensure that the wealthy do not benefit from tax breaks. With the 50% capital gains inclusion rate being a large tax expenditure, many are concerned that this rate could increase in the budget. Such an increase would be devastating to the investment community and the ability for our country to attract capital. Don't do it.

Number four—

• (1240)

**The Chair:** Thank you, Mr. Moody. We are at about five and a half minutes now.

**Mr. Kim G. C. Moody:** Okay, thank you.

**The Chair:** We are moving now to News Media Canada, and we have Jamie Irving and Paul Deegan.

**Mr. Jamie Irving (Chair, News Media Canada):** Good afternoon, everyone. Thank you for letting us appear today.

[Translation]

On behalf of News Media Canada, our member publishers, and the 3,000 journalists we employ, who inform Canadians across the country every day, we are pleased to participate in the pre-budget consultations in advance of the 2022 budget.

[English]

Canada's news publishers are facing an existential threat, with Google and Facebook now taking about 90% of online ad revenue. To put this in context, after peaking at \$4.6 billion in 2008, newspaper industry revenues have fallen off a cliff. We now stand as an industry below \$1.5 billion. During that same time, Google and Facebook have seen their combined Canadian revenues grow from a little over a billion dollars a year to over \$8 billion last year.

There's a direct link between the decline in the newspaper ad revenue and Google and Facebook exerting a firm grip on the online advertising system, a system where these monopolies have their thumb on the scale. According to a group of state attorneys general, led by Texas, the CEOs of Google and Facebook personally oversaw an illegal 2018 deal that advantaged them in ad auctions. These behemoths enjoy all of the benefits of being publishers without any of the obligations. They spread a few crumbs around, but they don't employ a single journalist in Canada.

Since 2013, we have lost 300 trusted news titles in Canada, and COVID has made the secular decline even worse. Ad revenue was down 35% in 2020, and more than 40 newspapers have closed permanently since the start of the pandemic.

As titles disappear, news deserts are created. Across Canadian journalism 1,300 jobs have been cut permanently since the beginning of the pandemic. There's no silver bullet to solve this problem, but I'll turn it over to my colleague, Paul Deegan, who will outline one important step that you, as parliamentarians, can take right now to stop the bleeding and put us on a more stable commercial footing.

[Translation]

**Mr. Paul Deegan (President and Chief Executive Officer, News Media Canada):** Thank you, Mr. Irving.

During the 2021 federal election campaign, the Prime Minister promised within the first hundred days to introduce an act that would require digital platforms earning revenue from publishing news to share part of their earnings with Canadian media. The act was based on the Australian model.

[English]

The Australian model is simple, and it doesn't involve taxpayer money. It allows news publishers to negotiate collectively with big-tech platforms and services to receive reasonable compensation for the content our Canadian journalists produce. If negotiations don't lead to a fair settlement, it goes to baseball-style, final-offer arbitration.

In Australia, the initial reaction from Google was to threaten that it would stop making searches available in that country. Meta, or Facebook, actually restricted people in news organizations from posting, sharing or viewing Australian news content on Facebook.

The Australian Prime Minister, Scott Morrison, fired back. He said, "We will not be intimidated by BigTech seeking to pressure our Parliament as it votes on our important News Media Bargaining Code," and, "Facebook's actions to unfriend Australia today, cutting off essential information services on health and emergency services, were as arrogant as they were disappointing."

The Australian code today is in place, and it's working for publishers large and small. To give you a sense of context, so far, more than 30 agreements have been reached, including Country Press Australia, which represents about 180 smaller, independent and regional titles. Public reports suggest that in total these deals with Meta and Google—

• (1245)

**The Chair:** Mr. Deegan, I apologize for interrupting, but you're going to have to move your mike closer up to your nose level. There's some popping and some sounds making it difficult for our interpreters.

Thank you.

**Mr. Paul Deegan:** Thank you.

We expect our government to introduce legislation very soon. With all political parties in agreement on the overall direction, we are asking you to work with your colleagues in Parliament to ensure it receives royal assent by the end of June.

[Translation]

Thank you.

**The Chair:** Thank you, Mr. Deegan.

[English]

We are now moving to Réseau FADOQ, for up to five minutes.

[Translation]

**Ms. Gisèle Tassé-Goodman (President, Provincial Secretariat, Réseau FADOQ):** Thank you, Mr. Chair.

Thank you, ladies and gentlemen, for having invited me to this committee meeting.

My name is Gisèle Tassé-Goodman, and I am the President of Réseau FADOQ. With me are Chief Executive Danis Prud'homme and Philippe Poirier-Monette, special advisor to Réseau FADOQ.

Réseau FADOQ is a 550 000-member seniors organization that represents people aged 50 years and over. In all of our political advocacy, we strive to improve seniors' quality of life. We are therefore pleased to be here today to present our organization's budget priorities.

Above all else, we want to review the various measures that the federal government promised in the last election campaign, during which the federal government promised to increase the guaranteed income supplement by \$500 per year for people over 65 who live alone and by \$750 for spouses. It also promised to introduce a tax credit for career extension. There was also a proposal to alter the Canadian credit for family caregivers to make it refundable.

These three important measures in the 2021 election platform had been advocated by Réseau FADOQ. Our organization was therefore very pleased that the federal government had opted to implement these measures. Now, the time has come to stop talking and take action. For Réseau FADOQ, it is clear that these measures must be in the next federal budget. They are commitments that were solemnly made on behalf of seniors in Canada.

We would also like to take this opportunity today to discuss a decision made by the government, one that many seniors find it difficult to accept. In the last federal budget, the government decided to exclude people from 65 to 74 years of age from receiving the 10% old age security increase, which will now be only for those aged 75 and older. This subdivision within the population eligible for old age security sets a dangerous precedent.

Let's be clear. Any form of enhancement is welcome, but Réseau FADOQ believes that people aged 65 to 74 should also benefit. Age is only a number, and we have found as many instances of financial distress among people aged 65 to 74 as among those who are 75 and over. The government should therefore review this proposal to avoid creating two classes of seniors.

As the President of Réseau FADOQ, I need to address the subject of long-term residential and care facilities. Many seniors suffered from an inadequate health system during the COVID-19 pandemic. The provinces have been inadequately financed by the federal government in the field of health care. It's true that there was additional funding during the current crisis, and in the last federal budget. But this assistance is neither recurring nor proportionate.

Health care funding for the provinces and territories accounts for 40% of their budget, and the Canadian government funds only 22% of these expenditures. According to the Conference Board, the federal share of health care funding will fall below 20% by 2026.

In order to make up for underfunding in recent years, Réseau FADOQ asks that the federal government index the Canada Health Transfer by 6% annually, which was the level prior to 2017. It is also important that the transfer factor in the impact of population aging in the provinces and territories.

Thank you to the members of the committee for your attention.

Mr. Prud'homme will answer your questions.

● (1250)

**The Chair:** Thank you, Ms. Tassé-Goodman.

[English]

Members, I'll look to the clerk. I don't think that we were able to get Carol Anne Hilton on. No, her IT is just not working.

Looking at the time, we have a significant amount of time for all the parties. Each party will have between seven and eight minutes for questions for the first round.

We will start with the Conservatives and Mr. McLean.

**Mr. Greg McLean:** Thank you, Mr. Chair.

Thank you to the witnesses who've taken time to come here and present to us today. We really appreciate all the input you've given.

I'm going to concentrate my questions on Mr. Moody.

Mr. Moody, in the last two years, the Canadian government has added \$560 billion of debt to the Canadian balance sheet, and \$170 billion of that had nothing to do with COVID. They're trying to base the justification of this on the 50% debt-to-GDP ratio. I'd like you to comment on that.

I'd also like to note that it's up from 30% that was justifiable before the pandemic, and now it's at 50%, and they want to keep it there as if it's a measure to be considered without even considering provincial debt, personal debt or corporate debt as part of that equation.

Can you quickly comment on that metric, please?

**Mr. Kim G. C. Moody:** Thank you, Mr. McLean.

As I said in my opening remarks, I'm by no means an economist, so from a common-sense perspective, I'll give you my two cents.

It's a bit scary in terms of how high that is and how quickly it rose to that level. It then raises the obvious question of how we are going to get it down and how we're going to rein that in. This is where taxation becomes an issue, and I worry about measures in the future.

**Mr. Greg McLean:** Okay, thank you.

You talked about the monetary stimulation that the government has gone through that is putting the fiscal debt back onto the balance sheet of the Bank of Canada. We're now at \$1.1 trillion debt in this country, and almost half of it is held on the balance sheet of the Bank of Canada, that is, \$500 billion.

Can you describe for us what you think the effect of rising interest rates will be once we come off this 0.25% low-end interest rate?

**Mr. Kim G. C. Moody:** From a common-sense perspective, I think it's going to exacerbate an already real problem.

The average Canadian can't afford a house. I look at my kids; they're at the age when it would be great if they could afford a house. With prices rising like crazy, they just can't afford it, and with interest rates rising even further, it will put it even further out of reach. Groceries—

**Mr. Greg McLean:** Yes, thank you for that.

That's exactly right. The interest rates are going to have to rise, and it's going to be borne on the backs of Canadians.

One thing I really want to get to, Mr. Moody, is capital flows.

You're in the tax business, and you've seen money flow out of Canada. The money is no longer flowing into Canada, because we have hobbled all our industries as far as development goes.

Can you talk about those personal tax rates and how much more money is going to flow out of Canada if we continue on the path the government is on?

**Mr. Kim G. C. Moody:** It would be incredible. There are already a tremendous number of job creators who are spooked by what's to come. Our office—and I know MNP and others—has been tremendously busy working on people leaving Canada who Statistics Canada, frankly, hasn't reported on yet. When they finally do catch up, I think it will be scary in terms of how much outflow there's been, and I think it will continue.

**Mr. Greg McLean:** This government has put a number of punitive regulatory measures on the development of Canada's resource industry, particularly in oil and gas but other resource industries as well. That has led to an actual increase in the proportion of balance of trade represented by resource.

Despite the fact that we continue to receive a gross discount for our natural resources on the world stage, what do you think would be a good way of overcoming this discount we receive and having some better balance of trade outcomes with other countries?

**Mr. Kim G. C. Moody:** I would respectfully suggest that a lot of the moves that have been done in the past few years be revisited and looked at to encourage capital investment into Canada for exploration and production at a very high level. That's what I would recommend.

**Mr. Greg McLean:** Thank you.

The issue, of course, is that they're pushing investment out of our resource industry, and it's not being replaced with anything else as far as our balance of trade goes; it is a gap.

I know I have about a minute and a half left, Mr. Moody, and I know that you didn't get enough time to go through recommendation number four.

• (1255)

**The Chair:** It's actually three minutes, Mr. McLean.

**Mr. Greg McLean:** Go ahead, Mr. Moody, if you want to finalize where you were when you started at recommendation number four.

**Mr. Kim G. C. Moody:** In my notes, yes, just very quickly.

Amend the tax on split income regime; lots of people have appeared before you on that. On those rules, while there may be a compelling policy argument to have an anti-income splitting regime, this regime just needs a complete rethink.

Number five is to repeal the journalism tax incentives. Those are just very poor policy.

Number six, which MNP did comment on, is to release the amendments to Bill C-208. That's very important.

Lastly, abandon the so-called luxury tax on automobiles, airplanes and boats. In my notes what I said is if that's good policy—which it's not, it's good politics—if a luxury tax on planes, automobiles and boats is good policy, then why not a luxury tax on handbags, expensive cellphones, jewellery, furniture, appliances, homes, etc.

There's too much politics in the Income Tax Act already, and in the Excise Tax Act, we don't need more.

**Mr. Greg McLean:** Thank you, Mr. Moody.

Thank you, Mr. Chair.

**The Chair:** Mr. McLean, you do have another minute and a half still.

**Mr. Greg McLean:** I'll yield that to my colleague.

**Mr. Adam Chambers:** Thanks, Mr. Chair.

I have two quick questions. One for News Media Canada is just to confirm that you're not asking for any government money this year. Is that correct?

**Mr. Paul Deegan:** That's correct. We're not seeking government money with this. The Australian model doesn't involve taxpayer dollars.

**Mr. Adam Chambers:** Wonderful. Thank you very much. We always appreciate those stakeholders who come before this committee and don't request additional government financing.

The second question, sticking with News Media, is that it's been floated that as a final arbiter the CRTC may act as an arbiter between the large tech firms and publishers. Do you believe that the CRTC is in a conflict-free position to act as an arbiter?

**Mr. Paul Deegan:** We would see that whatever the body is that they're essentially putting forward a list of arbitrators who are independent of government, and that the news media publishers and the platforms would choose from that list. We see it as independent from government, but obviously the government would have to assemble the list and we would go through it with the platforms.

**Mr. Adam Chambers:** Wonderful. Thank you very much.

**The Chair:** Thank you, Mr. Chambers.

We are now moving to the Liberals and Madame Chatel.

You have up to seven and a half minutes.

[*Translation*]

**Mrs. Sophie Chatel:** Thank you, Mr. Chair.

If possible, I'd like to share my speaking time with my colleague Julie Dzerowicz. I'm therefore going to speak for three minutes.

[*English*]

My question will be for Mr. Arnold.

Thank you for being with us today. We are very appreciative of your time.

I have a few questions for you. I'll ask them and if we have time within that period you could answer, but if not please answer in writing.

I will take you up on your offer to send us the list of all the flaws that you see in our general anti-avoidance rule.

I have three questions for you, Mr. Arnold. The first one is about the case that the government lost at the Supreme Court, *Alta Energy Luxembourg*. This was a case of treaty shopping. I'm worried that our tax base, especially on our natural resources, leaves this country and goes to the benefit of, for example, Luxembourg. The GAAR was argued, but the Supreme Court declined to apply the GAAR.

What's your view on the capacity of the court to apply the GAAR? What could the government do to prevent abusive cases of treaty shopping following this decision?

The second question is that currently the application of the GAAR does not result in the imposition of a penalty. Would it be a deterrent effect if we were to apply a penalty? Would that enhance the effectiveness of the GAAR?

The third question I have for you, Mr. Arnold, is the GAAR applies only to transactions that are currently abusive. This is a test that is sometimes very difficult to satisfy in court as we saw in the Supreme Court case. Is the test for determining if a transaction is abusive under the GAAR effective or not? Could it be made more effective, and if so how?

I know it's a lot of questions, Mr. Arnold, but please, you have one minute to answer.

• (1300)

**Prof. Brian J. Arnold:** In my view, treaty shopping is a serious problem. The gains that went untaxed as a result of the two treaty shopping cases that have gone to the courts are almost a billion dollars. That's a lot of money to use for other things.

I think the difficulty is that the government needs to take some specific action to deal with treaty shopping. It cannot rely on the GAAR as a result of the Supreme Court's decision, and it cannot rely on the new rules that have been added to Canada's tax treaties, because the result is going to be the same. And—

**The Chair:** Thank you. That's the time.

**Mrs. Sophie Chatel:** May I have the reply in writing after the meeting? Thank you.

**The Chair:** I believe MP Dzerowicz has some questions now.

**Ms. Julie Dzerowicz:** Thank you, Mr. Chair. I also want to say thanks to my colleague for ceding 50% of her time. I really appreciate that. Happy Valentine's Day, everyone.

I want to thank all the presenters, but I will be directing my questions to News Media Canada.

Mr. Deegan, you indicated that the Australian model that's in place was a good model. Do you think that is the model we should be following directly, or would you recommend some adjustments?

**Mr. Paul Deegan:** We believe it can be adapted to Canada on a very straightforward basis. What we're looking for, essentially, is the ability to negotiate collectively with the big tech platforms, backed up by baseball-style final offer arbitration. There may be some unique tweaks that could be required for Canada, but we believe it's a terrific model.

We've seen that it works for publishers large and small, and that's obviously very important. News Media Canada represents not only large publishers like Torstar, The Globe and Mail and Postmedia, but also all sorts of very small publishers that are serving a very small community, where newspapers are effectively run off someone's kitchen table.

We believe it is a terrific model. It's worked in Australia. What it really means is hundreds of millions of dollars for news publishers annually in Australia without government money. We see that as a real win-win.

**Ms. Julie Dzerowicz:** Because I think it's important to state it very clearly, you indicated that legislation requiring digital platforms to compensate news organizations for the use of their content is coming soon.

Can you explain why this legislation is important, particularly for smaller news organizations?

**Mr. Paul Deegan:** Certainly.

Right now, as Jamie outlined, the decline in ad revenue has been going on for the better part of a decade, but the pandemic has exacerbated this situation. It's really an urgent situation for publishers.

We were certainly heartened this summer, during the election, when the various parties supported similar legislation in their platforms. The Liberal Party was very clear, saying they'd introduce legislation within 100 days. We're awaiting legislation, hopefully, in the next couple of weeks.

Introducing legislation is great, but what we really want is parliamentarians across party lines to work together—both the House and the Senate—and get this passed by June, because it is urgent. If we don't get it passed, we're going to have more and more outlets go out of business, creating news deserts in Canada, which doesn't serve our democracy well at all.

**Ms. Julie Dzerowicz:** In addition to this legislation, if we were to introduce it, what are other measures, whether short- or long-term, that would support existing news organizations and also allow smaller start-ups to emerge and grow? Would you have any recommendations?

• (1305)

**Mr. Paul Deegan:** This is an important step—this type of Australian legislation—but it is not a silver bullet. There are certainly other issues that need to be addressed. I think we need to make sure that the Competition Bureau has the tools it needs to go after and look at these big tech companies.

If you look at the lawsuits in the United States right now... States' attorneys general are basically alleging an auction rigging by Google and Facebook. These are very serious issues, and we have to make sure that Canada has the resources at the Competition Bureau as well as the laws to address these companies and what are really monopolistic practices that don't serve Canadians or anyone else around the world all that well.

**Ms. Julie Dzerowicz:** Thank you very much.

**The Chair:** Members, I just want to inform you that we have rectified the IT with Carol Anne Hilton. She is on with us now, if members have questions for Ms. Hilton.

We are moving to the Bloc, with Monsieur Ste-Marie for seven and a half minutes.

[*Translation*]

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

I would like to thank all the witnesses for being here today, not only for their presentations, but for being so patient while we were voting in the House.

My questions are for Mr. Prud'homme of Réseau FADOQ. But first I'd like to thank Ms. Tassé-Goodman for her clear and informative presentation.

Before moving on to my questions, I'd like to remind Mr. Arnold of the following. Like Mrs. Chatel, I'd like to ask him to suggest to the committee some possible approaches to counteract tax evasion and tax avoidance. We would be very grateful to him. There have, of course, been suggestions from economists, including Mr. Saez and Mr. Zucman. I would imagine that we could do some cross-comparisons. We are looking forward to any suggestions you might have, Mr. Arnold.

Mr. Prud'homme, I'd like to begin by discussing the circumstances of many low-income seniors. Those who receive the guaranteed income supplement were unable to work to the same extent during the pandemic. They therefore applied for the Canada Emergency Response Benefit, the CERB. Because the rules were vague, they assumed the CERB was employment income. As this was not the case, their benefits were cut.

From the beginning, or even before, during and after the election campaign, the Bloc Québécois and several other parties asked the government to correct this idiotic situation.

In December, the Minister of Finance gave her economic update and said that the problem would be dealt with. When public servants are asked, they say that the payment will be made in May. When I look at the bill, it says the situation will be corrected in July, this summer. We know that all of these people are in difficult financial straits.

What do you think of this situation, and the timeline in particular?

**Mr. Danis Prud'homme (Chief Executive Officer, Provincial Secretariat, Réseau FADOQ):** Thank you for the question.

It's a very important question. Over 30% of seniors aged 65 years and over receive the guaranteed income supplement. On average, they receive \$20,000 or less per year.

Of course if that has an impact on calculations for the following year, it is taken into account. But what it means is an immediate decline in their income. Not only are these people vulnerable because of their low income, but any additional decrease in income means they will be living below the poverty line.

The bill is all very well, but it won't come into effect until July 2022, if everything goes according to schedule.

Since the implementation of the CERB, the Canada Emergency Response Benefit, the CRB and the various other measures since 2021, seniors will have had a decrease in their income and were penalized.

The problem has not been corrected and people are short of cash. This has repercussions, because they are no longer able to pay for their medicines and food. So it's safe to say that it also had an impact on their health. If it's not dealt with, this problem will generate other costs afterwards.

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

As I understand it, the fact that the government is not responding quickly to the situation will lead to months of additional hardship for many low-income seniors.

There were some things you wanted to see with respect to the Canadian credit for family caregivers.

Could you explain these again?

● (1310)

**Mr. Danis Prud'homme:** Once again, thanks for the question.

According to the statistics, caregivers are mainly women aged over 50 years, or even closer to 60 years.

As for the tax credit, income generated by these people is low. Needless to say, if a tax credit is non-refundable, caregivers cannot benefit if their income is in the lowest tax bracket.

For a tax credit to be useful to those who need it most, it must be refundable. A non-refundable tax credit provides absolutely nothing to low-income earners.

With a refundable tax credit, people would receive a cheque that would help them out of their precarious financial circumstances.

**Mr. Gabriel Ste-Marie:** That's very clear. Thank you very much.

You suggested the introduction of a career extension tax credit.

Can you explain that again? Please be brief.

**Mr. Danis Prud'homme:** This tax credit was introduced in Quebec at least a few years ago. We succeeded in having it enhanced, by lowering the eligibility age and increasing the amount.

Owing to labour shortages in just about every field across Canada, including the health sector, we believe that certain benefits should be made available to workers, not only to keep them working longer, but to bring them back into the labour force.

This career extension tax credit is significant, because people would see the positive side of continuing to work rather than retiring.

Two factors are involved.

First of all, some people have to continue to work. This kind of tax credit would enhance their income.

Secondly, the tax credit could encourage people who are thinking about retirement to stay in the labour force just a little bit longer.

The tax credit could be combined with another measure. In connection with the various contributions that workers have to pay, we could take this further and make adjustments that would lead to the elimination of contributions after a certain age.

**Mr. Gabriel Ste-Marie:** Because of the labour shortages, many seniors in my riding and other parts of Quebec are telling me that they'd like to go back to work a few days a week, except that when all is said and done they wouldn't have any extra money in hand. It would amount to volunteer work. We have a possible solution to help offset labour shortages.

The inflation rate is high at the moment. People often say that seniors are going to pay the price because they receive fixed pensions. Among other things, you are asking for an increase in the guaranteed income supplement.

Could you talk to us about the possible repercussions of inflation on seniors, particularly among the less well off who receive the guaranteed income supplement, and the importance of enhancing these benefits?

**Mr. Danis Prud'homme:** Thank you for the question.

As I mentioned, people who receive the guaranteed income supplement are the least well off. They live near the poverty line. When the cost of living goes up quickly, people earning an income can handle some of the extra costs, including groceries. For those receiving the guaranteed income supplement, it's difficult to stretch things any farther, if I can put it that way, in terms of money.

During the last election campaign, the promise was that the guaranteed income supplement would be increased by \$500 a year for those aged 65 years and over living alone and by \$750 for those aged 65 years and over who are spouses. It's very important to make adjustments because of the current situation, and also to offset all the additional expenses generated by the pandemic.

I would even like to extend the old age security increase to people aged 65 to 74 years. An increase would be welcome for them too. They really need it.

**Mr. Gabriel Ste-Marie:** We've got the message.

Thank you very much.

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

[English]

We are moving to the NDP.

MP Blaikie, you will be the last member to have questions for our witnesses. You have seven and a half minutes.

**Mr. Daniel Blaikie:** Thank you very much.

Thank you, Ms. Hilton, for joining us. I'm sorry that technical difficulties meant we didn't get a chance to hear an opening statement from you.

I do have a couple of questions, one a little more specific and one more general.

I'm not sure if you were able to hear the committee proceedings prior to joining the call. In testimony earlier, there was some talk about foreign capital investment in Canada and natural resource development. We had heard some suggestion that new rules around natural resource development were making it so that people didn't want to invest in Canada.

Would you like to comment on the extent to which respect for indigenous rights and title and land rights and welcoming indigenous people to the table as real partners in natural resource development in Canada might create a climate with more certainty for investors on projects where there are willing partners?

Then, more generally, because we didn't get an opening statement from you, I would like to give you my time to offer up your recommendations on the budget, particularly with any kind of focus you can give us on how budgetary measures could help to empower indigenous people in Canada, and help them take their seat at the economic table and grow the economy.

I will leave it to you to answer those two questions with the time remaining.

Thank you.

• (1315)

**Ms. Carol Anne Hilton (Chief Executive Officer, Indigenous Institute, As an Individual):** Thank you.

There have been technical difficulties. I am coming from B.C. today, so thank you for having me.

In regard to your first question, my focus area in particular is bringing the foundation of a \$100-billion national indigenous economy to Canada's awareness and the realization that this is happening in spite of the Indian Act.

What does it take to get ready for the \$100-billion indigenous economy? My work is essentially realizing this growing economic strength of indigenous people, where we're seeing significant participation in equity ownership of major projects to begin to follow the trends in terms of investment into clean energy, foreign investment, what you are suggesting within even the natural resource sector and really beginning to pay attention to the structure of indigenous economic design.

My work has been building this concept of what is beyond Indian Act economics, that every single Canadian in this country has been impacted negatively through the concept of Indian Act economics, to be able to place into our reality the requirement for indigenous economic design and to experience the structure of that absence. I suggest that the growth of the indigenous economy cannot exist solely within programs and services. It needs to exist within—

**The Chair:** I apologize, Ms. Hilton. Could you raise your microphone to around nose level? It's for our interpreters.

Thank you.

**Ms. Carol Anne Hilton:** Essentially there's a need for understanding that the growth of the indigenous economy is not going to happen in programs and services. It needs tools. It needs structures. It needs design. If we look back into the budgets to understand where we're seeing tools, structures and resources for design, there are examples like the \$150-million entrepreneurship fund and initiatives like the 5% indigenous procurement target.

To the opposite of that, if we look to this last budgetary earmark of \$18 billion to invest in the close of the socio-economic gap, it does not in itself establish the cause of the socio-economic gap. Therefore, I suggest that essentially the absence of indigenous economic design is not supporting a contribution to Canada's GDP or the overall experience of indigenous economic strength.

To your question, particularly around foreign investment and the environment around the natural resource sector, we need to balance this concept of the cost of doing nothing and the risk of doing nothing to be able to bring into focus a new environment of legal and economic balance. Historically, there has been an overemphasis on the legal relationship and an underemphasis on the economic relationship. We need to provide an environment of certainty that supports understanding what an environment, a global environment of investment in the Canadian economy, looks like. That certainty comes from the strength of the indigenous economic relationship and our participation within the economy itself.

• (1320)

**Mr. Daniel Blaikie:** Thank you very much.

If you had a few recommendations for the finance committee in our deliberations, recommendations we might make to government as to what should be in the budget, whether they're spending items or whether they're legislative items, what are some of the things you would have us consider?

**Ms. Carol Anne Hilton:** Yes. Absolutely. I established a concept called the indigenomics economic mix, 12 levers to support the economic design of the indigenous economy. Some of those levers include entrepreneurship, equity, capital, clean energy, procurement and trade, to begin to look at those levers of indigenous economic design and invest into those structures, moving outside of the emphasis on particularly programs and services.

If we look at the existing budget, when we reflect back on the economic...the fiscal equation doesn't make sense. We see 2% engaged within economic development dollars that reach indigenous communities. To balance that, of course we can see that lack of balance within the socio-economic gap. To bring focus means essentially there's an overemphasis on the social and an underemphasis on the economic. To look at investing into structures, investing into systems and tools, and convening economic space particularly for indigenous-led leadership—that's what we're looking at in an environment of the implementation of UNDRIP. It's about indigenous-led economic institutions that support and bring a specific narrative of indigenous economic strength, moving away from the Indian Act itself, and looking at indigenous economic activity as participation within the larger GDP itself.

**Mr. Daniel Blaikie:** Madam, thank you very much.

I'm looking to the chair, and I think—

**The Chair:** Yes, MP Blaikie, that's the time.

Thank you, Ms. Hilton. We're so glad you were able to join us and share with us your remarks as well as your answers to those questions.

I want to thank all the members, because we worked very collaboratively here to be able to provide the time for witnesses to give their remarks to all of the questions, even working through the vote that we had in Parliament.

On behalf of all the members of this committee, the clerk, the analysts, all the staff, the interpreters and others who make this happen, we want to thank you very much for coming before us and helping us with our pre-budget consultation and informing our report.

Thank you very much, everybody.

We're now adjourned.









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