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Chair: Mr. Peter Fonseca

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● (1545)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 152 of the Standing Committee on Finance.

Today's meeting is taking place in a hybrid format. All witnesses have completed the required connection test in advance of the meeting.

I'd like to remind participants of the following points.

Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

Pursuant to Standing Order 108(2) and the motion adopted by the committee, the committee is resuming its study on the changes to capital gains and corresponding measures announced in budget 2024.

I would now like to welcome our witnesses.

With us today, we have from the School of Public Health, Université de Montréal, Olivier Jacques, who is with us via video conference.

Also via video conference, we have an assistant professor in the department of taxation from the Université de Sherbrooke, Antoine Genest-Grégoire.

We have a philanthropist joining us. Claire Trottier is joining us.

We also have the chief executive director and founder of GRIT Engineering, Montana Wilson.

Heidi Yetman, president of the Canadian Teachers' Federation, is also with us as a witness.

Now we're going to hear from our witnesses. They have up to five minutes for opening remarks, and then we'll proceed to the rounds of questions from the members.

We'll welcome Monsieur Jacques to begin with the opening statement. I understand he will be sharing.

[*Translation*]

Mr. Olivier Jacques (Assistant Professor, School of Public Health, Université de Montréal, As an Individual): Good morning. Thank you for having us today.

My name is Olivier Jacques and I'm an assistant professor at the School of Public Health at the Université de Montréal. I'm accompanied by my colleague Antoine Genest-Grégoire, who is an assistant professor in the Department of Taxation at the Université de Sherbrooke.

Today we would like to share our thoughts on the government's proposed reforms to the taxation of capital gains in Canada. We have expertise in developing public policies, particularly those relating to public finances. We will focus our comments on the tax policy objectives related to income inequality.

We have both spoken out to recommend that the capital gains inclusion rate be raised, first at an Observatoire québécois des inégalités event, and then in an open letter to La Presse in the spring. The proposals in the 2024 federal budget related to the taxation of this type of income differ from our suggestions, but they share their spirit. We believe that raising the capital gains tax is one of the most promising ways to make Canada's tax system more progressive and thereby combat income and wealth inequality in Canada.

Compared to other wealthy nations, the level of poverty and inequality in Canada is relatively high. Provincial governments are facing structural deficits associated with their health care service obligations. The federal government is also facing recurring deficits related to its new investments in social protection. Canada's participation in the fight against climate change is not living up to its means or its historical responsibility. Given these challenges, it's unrealistic to expect a return to fiscal sustainability in Ottawa and the provinces without raising taxes, unless we can tolerate more cuts to public services. A number of options exist for raising revenue in this way, but increasing the capital gains inclusion rate is likely to contribute the most to the goal of reducing inequality.

It should be noted that capital gains income is highly concentrated among very high-income earners in Canada. Eighty-two per cent of capital gains are generated by the richest 10%, while 57% are generated by the richest 1%. Excluding 50% of capital gains limits the amount governments can expect to raise by increasing taxes at the top of the tax grid and reduces the overall progressivity of taxation. Increasing the inclusion rate targets higher-income earners better than a new tax bracket or increasing the current top bracket rate would.

I will now turn the floor over to my colleague Mr. Genest-Grégoire.

Mr. Antoine Genest-Grégoire (Assistant Professor, Department of Taxation, Université de Sherbrooke, As an Individual): Increasing the taxation of capital gains also helps bridge the wealth gap. Wealth is even more concentrated than income: The richest 20% hold more than two-thirds of the wealth in Canada. However, we don't feel that a direct wealth tax is the right solution because it would pose significant administrative challenges. Governments have little data on the value of Canadians' assets, and they have even fewer when it comes to illiquid and infrequently sold assets. Capital gains tax does away with those information needs, because it only requires the valuation of assets at the time of purchase and sale. Annual taxation of assets also poses liquidity issues, as some assets cannot be split for sale. Capital gains tax also lessens that problem by generating tax liability when the money is there. Relying on an existing tax really brings down the cost of implementing a new measure.

The same logic applies to estates. Canada doesn't collect taxes at death. However, the deemed disposition of property upon death performs a similar function in triggering the capital gains tax. Estate tax is among the most useful for reducing income and wealth gaps, as they fundamentally tax heirs. Amounts received by heirs are not the result of any choice or action on their part. From their perspective, they're the same as winning the lottery. Taxing these bequeathals therefore has virtually no effect on investment or work decisions, and it also limits intergenerational transfer of wealth, a form of inequality that hinders social mobility.

From a tax justice point of view, it seems unfair to us that capital income be taxed half as much as labour income. While some assets appreciate as a result of their holder's work, many assets appreciate as a result of market forces, without the holder being responsible.

The current inclusion rate has also been recognized by several economists as a tax dodging opportunity. The fact that income from capital gains is taxed at a lower rate than dividends creates an incentive to structure one's business to convert income into capital gains. This results in a loss of resources for society. Efficient taxation should encourage people to organize their business based on actual economic benefits, not tax rates.

Capital gains are highly concentrated among high-income individuals, but one has to acknowledge that a considerable portion of those gains are enjoyed by middle-income individuals. In addition to providing an incentive for Canadian entrepreneurs, the government's proposal to exempt from the new inclusion rate the first $250,000 of capital gains earned by Canadians seems to us to go a long way toward addressing this situation. The proposed reform seems to us to specifically target the very small minority of individuals receiving significant gains on a recurring basis. In its current form, it's hard to imagine that the proposed reform will affect individuals who are not in the upper reaches of income distribution. As a reminder, in 2021, the median reported income in Canada was $41,000, and individuals had to earn $139,000 to be among the richest 5%.

● (1550)

Mr. Olivier Jacques: Thank you, Mr. Genest-Grégoire.

In conclusion, governments in Canada need additional revenue. The increased taxation of capital gains is a simple way and—

The Chair: Thank you, Mr. Jacques and Mr. Genest-Grégoire.

[*English*]

That was the divided time, and we're over the five minutes.

Now we're going to Madame Trottier, please.

● (1555)

Dr. Claire Trottier (Philanthropist, As an Individual): Good afternoon, everyone.

My name is Claire Trottier, and I'm a philanthropist, investor and tax justice advocate. Thank you so much for the invitation to speak to this committee.

I'm here today as a wealthy Canadian who is very accustomed to earning capital gains, and I am very strongly in favour of the change to the inclusion rate that this committee is currently studying. I am part of the 1% because I won the lottery of life by being born into my family. My father, Lorne Trottier, is the co-founder and now sole owner of a technology company called Matrox, based in Montreal, that will soon celebrate its 50th anniversary.

I believe in a strong Canadian economy in which every Canadian can live with dignity. Unfortunately, wealth inequality exists in Canada and continues to grow. More and more people struggle to find adequate housing and have trouble contending with the exploding price of groceries. Increasing the inclusion rate on capital gains is a positive step to start addressing an unequal system and to raise revenue to provide needed services.

I am a scientist by training. I earned my Ph.D. in microbiology and immunology, and I was a professor at McGill for a number of years when I made the decision to leave in order to focus on philanthropy and overseeing family investments.

When I was a professor, I earned $90,000 per year as my income from my salary, and 100% of that salary was taxable because salaries have a 100% inclusion rate. However, when I earn $90,000 in capital gains, only 50% is taxable; $45,000 is tax free. That means that the income that I earned as a salaried employee at McGill was taxed at a higher level than the income that I earned from the same amount of money as capital gains. I find that situation deeply unfair. Do you?

If you are declaring capital gains, it means that you have capital to begin with. Whether it's a second home, a business or investment in the stock market, you are doing better financially than the average Canadian, even if you aren't as rich as I am.

It's a little weird that if you have enough capital to make capital gains, our tax policy essentially rewards your financial success with a prize. “Congrats. You're rich. Now you don't need to pay as much tax as everyone else.” This is deeply unfair. People who earn a salary have a 100% inclusion rate on their salary, but if you have enough money that you are actually declaring capital gains, you get this bonus prize of not having to pay tax on all of that income.

Right now—before the change in the inclusion rate being studied—50% of capital gains are tax free. With this change, for the first $250,000 of capital gains, you still get 50% tax free. For any income that you receive beyond $250,000, one-third of that income continues to be tax free. Therefore, even with this change, I will still be paying less tax on my income from capital gains than folks pay on their salaries. I and other rich folks are continuing to get this special deal whereby some of our income is tax free; we're just going to pay a bit more tax than we did before.

I've heard folks say that this will kill the technology sector and innovation in Canada. As part of my work on tax justice, I've heard from many young Canadian tech CEOs leading brand new businesses, and what I've heard is that this capital gains inclusion rate is just not on the top list of their concerns.

My family's company is a very successful technology company, and we continue to invest in the business, to invest in R and D, to invest in innovation, with tens of millions of dollars being invested every single year in Montreal. When making decisions about whether or not to invest in developing a new product, the capital gains inclusion rate is just not something that is part of the discussion at all. The bigger shared concern for emerging and established tech companies is recruitment and retention of qualified employees. As previous witnesses have shared to this committee, the period when Canada saw the highest R and D spending was when the inclusion rate was between 66.7% and 75%.

The fact is that our current system has created massive inequality in our society, and this change to the inclusion rate for capital gains is one important step to help make things more fair. This is not about punishing business owners or making wealthy people feel guilty. We have to collectively recognize that if we own assets and these assets grow in value, we are very lucky. We pay lower tax on income from capital gains than people pay on their salary income. This change simply addresses that policy to make it a bit more equitable.

I would be proud to pay more than I do today to ensure that we have a fairer tax system and a fairer society. I am also proud to collaborate with the group Patriotic Millionaires, which brings together wealthy individuals from around the world—including many here in Canada—to advocate taxing the rich. Surveys show that a majority of Canadians support the idea of taxing the rich, and I am glad that this change to the inclusion rate for capital gains will help fund much-needed programs that benefit all Canadians.

Thank you.

The Chair: Thank you, Ms. Trottier.

Now we'll hear from GRIT Engineering.

Ms. Wilson, please go ahead.

Ms. Montana Wilson (Chief Executive Officer and Founder, GRIT Engineering, As an Individual): Thank you, Mr. Chair, and thank you to the committee members for the invitation to speak with you regarding the impact of changes made to the capital gains tax.

I would like to take a moment to introduce myself and provide you with some context as to who I am and why I'm speaking with you today.

I am first and foremost a small business owner. I am the founder and CEO of Grit Engineering, a small consulting engineering firm in Stratford, Ontario. I also sit on the board of directors of the Association of Consulting Engineering Companies of Ontario, where I am the chair of the small firm network. I am a member of the Association of Consulting Engineering Companies Canada, and I am president of our current local Home Builders Association - Perth Huron.

I am speaking to you today as the owner of a small business, one that will be affected by the changes that have been made to the capital gains tax this year.

For those of you who don't know, consulting engineering firms are responsible for designing and building much of our public and private infrastructure, ranging from residential and community projects to Canada's most significant transportation, environmental and natural resources infrastructure projects. We also provide a wide range of professional services that allow private sector clients to grow, innovate, and address economic, social and environmental challenges.

But small employee-owned businesses like mine don't just do large-scale infrastructure projects. We are the ones who support the community members by taking on the small-scale but critical jobs that build, for example, a wheelchair ramp or a secondary suite for families to live together. We are the ones who take on young employees and help them work their way up to becoming part owners in the firm. We are the ones who donate to local charities and contribute to your community sports teams.

With the changes to the capital gains tax, businesses like mine will face new challenges that will put pressure on us in an economy that already provides little incentive for people to own and operate small businesses.

Many business owners like me take substantial personal risk when starting and growing their firms, and I am concerned that these changes will have a significant impact on the future of small, locally owned businesses. It is already challenging to encourage our next generation to take on the ownership within our firms. The financial benefits of acquiring shares in ownership of a firm must outweigh the risks for the new generation of leaders in our industry. By making employee ownership less financially feasible, more and more small firms will be forced into mergers or acquisitions. In many cases, these are publicly traded and sometimes foreign-owned companies, resulting in further consolidation of our industry and a reduction in competition and in the number of small employee-owned firms. Some firms may even cease to exist upon the retirement of their owners.

We need to make employee ownership more attractive, not less attractive. There should be incentives for employees to take on ownership roles in Canadian businesses, not penalties, so that Canada can preserve a landscape of large and small firms to serve the diverse needs of our Canadian communities. We need to reward Canadians who are prepared to take personal financial risk to innovate and to grow our economy so that we ensure a vibrant marketplace that includes a robust number of small businesses.

I would like to recognize the creation of the employee ownership trust tax exemption and the Canadian entrepreneurs' incentive as things that will mitigate the challenges for some businesses in some cases. However, many businesses like mine will not be eligible for these incentives, due to our business structure and other factors.

In closing, I would like to urge the committee members to recommend that the capital gains tax legislation be withdrawn and that any of the capital gains tax changes introduced in the 2024 federal budget be postponed pending further consultation with small businesses to ensure any future changes will not negatively impact Canada's small businesses.

Thank you for giving me the opportunity to speak with you today. I look forward to answering any questions you may have.

● (1600)

The Chair: Thank you, Ms. Wilson.

Now we'll hear from the Canadian Teachers' Federation and its president, President Yetman.

Ms. Heidi Yetman (President, Canadian Teachers' Federation): Good afternoon, Mr. Chair, and thank you to the committee for having me.

My name is Heidi Yetman. I'm a teacher and the president of the Canadian Teachers' Federation. I represent over 365,000 K-to-12 education workers and their families, with members in every province and territory. I'm here today to speak in favour of the increase in the capital gains inclusion rate.

As I mentioned, I represent over 365,000 education workers. These folks all work in a school community composed of teachers, educational assistants, clerical staff and support staff. All the staff in schools across this country are working-class Canadians, and all of them pay on 100% of the money they earn in their roles in supporting the Canadian public education system. Every dollar of their pay is subject to taxation.

On the other hand, if you look at the wealthiest individuals in Canada, those who will be impacted by this change in the exemption rate, you see that they're earning huge sums of money, while only a portion of it is being taxed. To the leaders and members of the Canadian Teachers' Federation across this country, that simply doesn't seem fair or make much sense.

The capital gains inclusion rate is increasing for those making capital gains over $250,000 in a year. Now, $250,000 is a significant sum of money for most Canadians. In fact, that's roughly four times the average salary of a teacher in Canada, and every dollar of a teacher's salary is subject to taxation. Today we are talking about those fortunate enough to be in a position to have cleared over a quarter of a million dollars in a year. I think most Canadians would agree that if you've made $250,000 in profit on the sale of your secondary property or through offloading some stocks, you're in pretty good shape.

However, let me shift to highlight why this change in taxation is so important. Earlier this year the federal government introduced their budget, and they announced some transformative things. Budget 2024 included commitments to housing supports, furthering the pharmacare file and moving forward with dental care, all of which the Canadian Teachers' Federation believes would improve the lives of Canadians.

Additionally, there are three platform announcements I'd like to highlight: first, the government announced loan forgiveness for thousands of teachers working in remote communities; second, budget 2024 announced funding to establish a youth mental health fund; and third—this is the one I'm most excited about—the government also announced the creation of a national school nutrition program.

The teaching profession currently is experiencing a crisis in retention and recruitment, and all three of these investments will have an impact on education in this country. By investing in teachers and their families and in the well-being of students, the government is in turn investing in the future of our country. That's because education is the foundation of a healthy and prosperous society. These budget items will make a significant difference in the lives of working-class Canadians and their families.

At a time when owning a home is a pipe dream for many young families, grocery prices are at all-time highs, and teachers are taking on second jobs to pay the bills, we're here debating whether it's right or just to tax half or two-thirds of capital gains made over $250,000. I'm here to tell you that two-thirds is a start.

This is about the common good and the Canada we want to live in. I applaud the federal government for introducing this policy, and I actually implore them to seek further changes to the taxation system to make life in Canada more equitable. We need to do a better job of sharing the wealth generated in this country with workers. Revamping the taxation system in this country is a great place to start.

While I doubt that many of my members will be impacted by the capital gains increase, almost all of them and their families, along with millions of families across the country, will see the benefits.

Thank you.

● (1605)

The Chair: Thank you, Ms. Yetman, for your opening remarks, and to all our witnesses.

Now we're going to get into members' questions. In the first round of questions, each party will have up to six minutes to ask questions of our witnesses.

We're starting with MP Chambers for the first six minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you, Mr. Chair.

I welcome everybody back after a summer break

Ms. Wilson, thank you for being here today. Congratulations on your success as a business owner. Obviously, you take a leadership role within the industry.

I'm curious. After the change, if someone in your position or one of your peers in the industry was thinking about growing, merging with or purchasing another consulting firm, or taking on additional risk, would they be more or less likely to do that?

Ms. Montana Wilson: I can say with 100% confidence that they'd be less likely to do that. We leverage our own house. We don't pay ourselves. There's a substantial amount of risk in starting a new business. There are already enough deterrents. We don't need to give them any more.

Mr. Adam Chambers: Thank you.

You mentioned risk. When you're comparing someone who has T4 regular employment income—a regular salary paycheque, for example—with someone who makes a gain on capital, it's not automatically guaranteed that the person who's looking for a gain on capital will actually realize a gain. It's possible they'll get zero. Is that correct?

Ms. Montana Wilson: That's correct.

Mr. Adam Chambers: In some years, it may be that when you purchase an asset, a building or another firm, and it just doesn't really work out. That asset is now no longer worth what you paid for it. In fact, it's actually worth zero. That's always a risk. Is that correct?

Ms. Montana Wilson: That's correct, or the risk is that you won't win the next contract and next year is not as busy, but you're still employing people and you still have the same number of expenses, but with lower profit.

Mr. Adam Chambers: Therefore, in your mind, it makes sense that there's a bit of preference in the tax system to reward risk-taking. That's because, as you say, if you don't get any contracts the next year, that business could be worth nothing.

Ms. Montana Wilson: That's correct.

Mr. Adam Chambers: You mentioned trying to encourage new people to come in to the business or trying to encourage young people to start businesses. After this change, do you think we'll have more or fewer people wanting to start small businesses?

Ms. Montana Wilson: We already struggle with people having enough capital to invest as an owner in the firm they're working for. This only takes away from that opportunity for them.

Mr. Adam Chambers: Do you think your experiences in your industry are similar to those in other industries you've come into contact with, such as construction firms and other trades? Do you think your experience is likely similar across those industries?

Ms. Montana Wilson: As the president of our local home builders' association, which has 110 members, I've met with lots of skilled trades, engineering firms, designers and contractors. They are all in the same boat. For the level of risk they have to take, there needs to be a reward at the end of the day for owning your own small business and investing back into your community.

We don't have a pension plan, so at the end of the day, the money I may make from selling the business—“may make” is what I'm going to say; the risk is on me—is my pension plan.

That's the difference.

Mr. Adam Chambers: Thank you very much.

Ms. Yetman, you mentioned that you represent 365,000 teachers. That's a lot of people. Would you consider those 365,000 people part of the 0.13% or the 0.1%? Are they really rich?

● (1610)

Ms. Heidi Yetman: Well, 75% of teachers are actually women. Most of them have a partner, so there is a possibility that they might be part of that small group, yes, but there are very few who are.

Mr. Adam Chambers: There are very few.

Ms. Heidi Yetman: Yes.

Mr. Adam Chambers: Okay.

Would it surprise you to learn that in any given year, individuals who make less than $120,000 actually have a capital gain over $250,000 once in their lifetime?

Ms. Heidi Yetman: I've heard that. Yes. I know that.

Mr. Adam Chambers: Since most of your members are likely not in the 0.13% that the government's going after, would you support carving out anyone who makes under $120,000 or $100,000 from paying the increased capital gains tax?

Ms. Heidi Yetman: No. If somebody is able to have more than $250,000 in capital gains, they're doing okay, so no, I disagree.

Mr. Adam Chambers: Even if that's just a once-in-a-lifetime event?

Ms. Heidi Yetman: Well, good for them. Right on for them that they get that once-in-a-lifetime capital gain.

Mr. Adam Chambers: Your members who inherit family property or something, a once-in-a-lifetime event, you think should pay more just once, even though they're not the richest of the rich.

Ms. Heidi Yetman: Right.

Mr. Adam Chambers: I'm just trying to understand where you're drawing the line.

Ms. Heidi Yetman: Teachers understand the common good.

Mr. Adam Chambers: Okay.

Ms. Heidi Yetman: I'm going to say that too because they all work for the government. They understand the common good.

Mr. Adam Chambers: Thank you, Ms. Yetman.

The Chair: Thank you, MP Chambers.

Now we're going to MP Thompson, please.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you.

I'm going to start with you, Ms. Yetman. Welcome back to committee.

Ms. Heidi Yetman: Thank you. It's nice to see you.

Ms. Joanne Thompson: I appreciate your opening comment. I do think that the budget was transformational, so thank you for highlighting that. I think that the programs—you referenced housing, dental and pharma—are absolutely critical for so many Canadians. I'm quite proud that we were able to do that work.

You also referenced three other platform programs that were also really significant. The loan forgiveness program really impacts teachers, and I agree that it's disproportionately women, so I think that's a really strong start and support for so many young professionals.

I believe we spoke about mental health supports the last time you were here, and of course the national school food program.

What I'd like you to speak to the committee about is why the equality issue and the equality link with capital gains are so important. I'd like you to speak to the fact that asking a small amount from those who have more in order to allow children to have food in their bellies really speaks to the values that, as Canadians, enable us to work together to ensure that no one is left behind.

Ms. Heidi Yetman: Well, you said it—that no one would be left behind—and it is about the common good. I don't mind paying taxes because I know that I'm supporting people who need help.

I also mentioned that there's a retention and recruitment problem across this country, and it is a crisis as far as I'm concerned. In a study done in the Toronto District School Board, they put in a food program. What they learned is that it improved overall learning and achievement, yes, but it also reduced overall negative behaviour. I think that's really important here, because retention and recruitment are also linked to working conditions. We are hearing that there's more violence in the schools. There are more children who have needs. Just putting money into the school food program, for example, really brings everybody up. It elevates everybody. It also saves families $129 to $189 per child per month on grocery bills.

We all have to contribute, and the money has to come from somewhere. As I said earlier, I would like to see even more taxes on the very rich, to tell you the truth, because we need to take care of people on the ground. It's about taking care of people and making sure that Canadians are taken care of.

Just on a personal note, I walk on Rideau Street every day. I don't know if any of you in this room get a chance to do that, but it really shouts out that we need to help people on the ground. It is through taxes that we do that, and it's through government programs to help these people.

● (1615)

Ms. Joanne Thompson: Thank you very much.

I'm going to take those comments and move over to Ms. Trottier.

Thank you for your opening comments, and thank you for the work that you do.

I worked for a number of years as ground-level support services for the most marginal, and we did that work based on philanthropy. Thank you for what you do. I can speak very clearly to the impact that it has on people's lives.

With that said, I want to reference some of your opening comments when you spoke to the reality that workers are taxed at 100% of their salary and income, whereas we see, for many C-suite executives, that there is that stock option package, and it does create a marginal rate that is lower than that of their employees.

Would you speak to that inequality, if you wouldn't mind, in more detail, and exactly why these stock options and capital gains have such a tax advantage?

Dr. Claire Trottier: Thank you so much for the question.

I think there are many different ways in which wealthy people are continuing to amass even more wealth. We see it with very high salaries for C-suite executives, which keep climbing. Even in situations where companies are actually laying people off, CEOs make massive bonuses in those years. There are different types of mechanisms to compensate C-suite executives. Some of those are done in such a way that it reduces the tax burden on that income because different categories of income are taxed differently.

My understanding is that a pretty significant chunk of those people in the top 1.5% have capital gains of over $250,000 a year. I think some speculate that part of the reason is that a shift is occurring and there's a preference for receiving income as capital gains over salary, for example, because it's taxed at a lower rate. My view is that by making the inclusion rate fairer, hopefully you can address that, at least to some degree.

I'm personally in agreement with Ms. Yetman that we could go even further, actually.

Ms. Joanne Thompson: Thank you.

I think I still have time.

The Chair: You're out of time right now. Thank you, MP Thompson and our witnesses.

Now we'll go to MP Ste-Marie, please.

[*Translation*]

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

My questions are for Mr. Genest-Grégoire and Mr. Jacques.

I want to start by thanking each of the witnesses for being here today. This is a very important bill. Obviously, there's the principle of fairer distribution of the tax burden, but it's also a matter of seeing how this will be implemented. For example, in terms of the impact on SMEs, we'll have to see what will be in the final text with respect to the incentive for Canadian entrepreneurs. There's also the higher lifetime threshold and its indexation. I look forward to seeing the final text and assessing whether it addresses all the concerns and aspects raised here.

I want to acknowledge Ms. Trottier's presentation in particular. It's always very impressive to see someone come here and speak for the common good, even though they themselves must take on a bigger share of the tax burden. She gave us some very powerful testimony in that regard.

I would like to come back to Mr. Jacques, who had not finished his presentation. I would like to give him the time he needs to finish it. At the same time, he can answer my first question.

In your opinion, Mr. Jacques, what impact would raising the capital gains inclusion rate have on Quebec and the provinces?

You may take the time to finish your presentation before answering the question.

Mr. Olivier Jacques: Thank you, Mr. Ste-Marie.

To conclude my presentation, I would simply say that we need to generate revenue and reduce inequality. We seldom get the opportunity to reduce inequality while also fostering investment and creating jobs. However, it's hard to find a measure that considerably reduces inequality at a very low cost in terms of job and investment losses like taxing the capital gains of the richest people does.

I'd like to take this opportunity to come back to comments made by other witnesses. I think it's important to consider the positive impact the public spending made possible by these additional revenues will have on the economy.

I agree with Ms. Yetman: Better-nourished children are good for human capital and good for the economy in the long term. Investing that money in green infrastructure is also good for the economy over the long term.

As for the provinces, Mr. Genest-Grégoire and I think it's a good idea for Ottawa to carry out this type of reform, because capital is mobile between the provinces. So we think it's important for Ottawa to tax capital gains. In addition, it will increase revenues for the provinces. As we've seen, Quebec has increased its own tax on capital gains. As a result, it can now invest significant revenues in health care and education in Quebec. The same is true for the other provinces.

● (1620)

Mr. Gabriel Ste-Marie: At the beginning of your presentation, you said that the government had not done what you suggested. Can you tell us what your own proposal to raise capital gains taxes would look like?

Mr. Antoine Genest-Grégoire: Before I answer your question, I'd like to clarify what I said earlier.

When someone gets an inheritance, they don't realize any capital gains. They can only realize $250,000 in capital gains when they sell their own property. Capital gains are processed after death. The deceased pay tax on their capital gains, but their heirs do not, unless the property they inherit further appreciates before they sell it.

In terms of our own proposal, we feel that an inclusion rate higher than 66% would certainly have been a viable option. Other witnesses have mentioned this as well. Instead, in our minds, the deduction for the sale of small business corporation shares or farm or fishing property should be merged and a full exemption for capital gains should be provided, but subject to an individual lifetime limit. That keeps us from having to wonder whether $250,000 is the right threshold. Having a lifetime limit allows people to realize a certain amount of capital gains that won't be taxable, but all capital gains thereafter would be taxable. At that point, the reform would be firmly focused on redistribution.

It would also allow us to include the principal residence issue. We don't talk about it a lot, since people don't pay tax on the sale of a principal residence, but it's an unlimited tax benefit. In fact, most of the value of that benefit goes to people who have properties that are very valuable, who resell them at a much higher price and who do so several times in their lifetime. Most Canadians don't do that. Normally, they will sell one or two properties in their lifetime. So they would do very well if that $250,000 we're talking about today or even an individual lifetime limit were there. We would then go collect something from those who sell luxury properties several times over, presumably for speculation.

Mr. Gabriel Ste-Marie: If I understand correctly, you would have preferred that individuals be eligible for the same amount as SMEs: $1.25 million over their lifetime rather than $250,000 a year. So you'd like it to apply to everything. I've carefully noted your comments.

Would a $1.25-million individual lifetime threshold help better protect people who have capital gains on an ad hoc basis, for example only once in their lifetime? Would the model you are proposing be better than $250,000 per year?

Mr. Antoine Genest-Grégoire: It depends on the nature of the gains and the size of the one-time gains in question. If the gain far exceeds the $1.25 million threshold, and the inclusion rate is higher than the 66% we're talking about, then the threshold we're proposing would take more money from high income earners. However, it would be different for people who realize a one-time gain, which can't be split. It must be said that many capital gains can be split. People are already splitting their capital gains from one year to the next. It's to their advantage because of the tax brackets.

Under the proposed reform, we can expect to see more capital gains splitting, and therefore more sales over several years. Yes, a number of people will have only one asset to sell in their lifetime, and they would be affected by the current reform, but they wouldn't be affected if the reform included an individual lifetime exemption.

● (1625)

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

Mr. Olivier Jacques: I'd like to remind you that we suggested an inclusion rate higher than 66%.

The fact remains that, if we set the threshold at $250,000 and the inclusion rate at 50%, not many people will be paying more capital gains tax, and those who will be paying more won't pay much more tax than they do right now, especially if we consider the high value generated by the gains. We're talking about a $250,000 gain. Few people ever make that kind of gain in their lifetime.

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

[*English*]

We will now go to MP Davies, please.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair.

I'd like to thank all the witnesses for their testimony.

Mr. Jacques, could you confirm approximately what proportion of Canadians would declare a capital gain over $250,000 in any year in their life?

[*Translation*]

Mr. Olivier Jacques: I think Mr. Genest-Grégoire will provide a better answer than I can.

Mr. Antoine Genest-Grégoire: Currently, less than 1% of Canadians realize over $250,000 in capital gains annually. That figure has remained relatively stable over the past few years.

[*English*]

Mr. Don Davies: Do you mean it's 1% at any point in their life?

[*Translation*]

Mr. Antoine Genest-Grégoire: It's extremely difficult for me to answer, because I don't know how many gains people realize over their lifetime or how to measure tax data. If you looked at people's lifetime, there would be a few more, but that would only bring it up a few percentage points.

[*English*]

Mr. Don Davies: Maybe you're familiar with this research: A paper published last year by Simon Fraser University economics professor Jonathan Rhys Kesselman found that 80% of Canadians did not report any taxable capital gain between 2009 and 2018. For those who reported in just one of those years, their total gains averaged $26,800, compared with average total gains of $328,000 for people who reported it every year. Are you familiar with that research?

[*Translation*]

Mr. Antoine Genest-Grégoire: Yes, I'm familiar with that study. Sadly, it was the last research project Professor Kesselman worked on before he passed away. I believe that the reforms proposed today are very close to the spirit of what is essentially the legacy of this researcher, who was quite a notable figure in the field of tax policy in Canada and around the world.

[*English*]

Mr. Don Davies: To button this down, it seems to me that the numbers and research and experience in your testimony show that the vast majority of Canadians will never report a capital gain over $250,000 in their lifetime and that the very small percentage of Canadians who do this regularly are the ones who will be primarily affected by the inclusion rate changes that have been announced.

Am I right about that?

Mr. Olivier Jacques: Yes, and this reform is one of the best ways to reduce inequality and take the money where it is in order to invest back into public services.

We are in favour of this reform, and we would go even further.

Mr. Don Davies: Ms. Trottier, this is some of the most impressive testimony I've ever heard. To have someone come to this committee and speak so clearly and strongly for the common good, against their own particular interests, is refreshing and very principled.

I noticed that in a May 2024 article in Policy Options, you wrote the following.

> Since the modest measures announced in the budget, I've heard plenty of absurd arguments from people who have been enjoying the benefits of this unjustifiable tax break, and who are now attempting to rally the masses in support of continuing to pay a lower tax rate than working people.
>
> One claim is that this change will harm working- and middle-class Canadians.

Can you please outline why you do not agree that a higher capital gains inclusion rate will harm working- and middle-class Canadians?

Dr. Claire Trottier: There are many reasons, but to the question you posed to the other witnesses, Jim Stanford had a report from the Centre for Future Work that came out recently and showed that in Canada, there are only 40,000 people who declare over $250,000 in capital gains every year. That is 40,000 Canadians. These are the folks who are most directly impacted by this change. We are talking about the wealthiest Canadians who are being impacted, so to claim this is something that's going to directly touch middle-class Canadians—like teachers, for example—is really just not based in reality. We're talking about people who already have access to capital, and that capital is making more than $250,000 in capital gains. We are talking about wealthy folks.

Obviously there are situations in which people make a one-time gain, so not everybody who is going to be impacted is going to be as wealthy as me, and I understand that, but this policy appears to me to be targeted towards folks who are already doing much better than the average Canadian.

Let's not forget the context in which we live, where a lot of people are really struggling with housing and with grocery costs. This is not only a gap between the extremely wealthy and the extremely poor; a lot of people who work for a living and who have good jobs also are being impacted by housing prices, grocery prices and all kinds of increasing costs.

I really am very strongly of the opinion that this is impacting mostly the very rich.

● (1630)

Mr. Don Davies: I'm going to throw a question out to Mr. Genest-Grégoire, Mr. Jacques and you, Ms. Trottier.

After some silence following the release of the budget, Pierre Poilievre and the Conservatives voted against raising the capital gains inclusion rate, claiming the reforms would “drive billions of dollars of machines, technology, business and paycheques out of our country” while giving billionaires an opportunity to “sell their investments and move their money abroad to pay lower taxes”.

Is there any evidence you're aware of that would back up that contention?

[*Translation*]

Mr. Antoine Genest-Grégoire: I'll answer, if I may.

Raising the capital gains inclusion rate will certainly render some business initiatives a little less profitable. We can't pretend that it doesn't come with economic costs. However, virtually no other measure targeting the rich would have less of an impact on that sort of thing.

This is not my area of expertise, but based on what's been published in Canada on the matter, it's taxing business investments that has the greatest impact on investment decisions. For example, being able to claim investment in machinery or technology as a business expense is a determining factor in decisions to invest and expand. Capital gains play a far more secondary role when making that kind of decision. Therefore, it's highly unlikely that there will be economic costs and a massive outflow of capital.

[*English*]

The Chair: Thank you, MP Davies.

That concludes our first round. Members and witnesses, we're into our second round of questions. The timing is a little different here for the amount of time that members have for questions.

We are starting with MP Morantz. I believe he's splitting his time with MP Stewart.

Welcome, MP Stewart, to our finance committee. Congratulations on your election.

Now we go to MP Morantz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Ms. Wilson, I want to start with you.

Your firm does work for companies that do construction projects, presumably. Is that correct?

Ms. Montana Wilson: That's correct.

Mr. Marty Morantz: In your earlier testimony, you said that you felt that if the capital gains inclusion rate were to be increased, that would incentivize less risk. People would be less likely to take a risk on a project to be developed if the capital gains inclusion rate is increased.

Is that correct?

Ms. Montana Wilson: Yes, the higher the capital gains—

Mr. Marty Morantz: Did I understand you correctly?

Ms. Montana Wilson: Yes.

Mr. Marty Morantz: That means that in all likelihood there would be fewer construction projects built across the country once this increase in the inclusion rate was passed into law.

Ms. Montana Wilson: That's correct.

I mainly work with private development that is reinvesting back into our housing market. If there's less capital for them to reinvest into that market, then that means less housing.

Mr. Marty Morantz: Who builds those projects?

Ms. Montana Wilson: It may be my neighbour or big developers. It depends on whether we're looking at—

Mr. Marty Morantz: Who are the people on the ground, though, on the site project?

Some of them might be married to teachers. Some of them might be just construction guys or tradespeople who are making a living on the job. Is it fair to say that there will be fewer construction jobs across the country if the capital gains inclusion tax is increased? Do you think your firm will see less business because of that?

Ms. Montana Wilson: I believe that if the capital gains rate is increased, there will be less money put back into projects that will support our communities, which means fewer jobs for the people in those communities.

Mr. Marty Morantz: Thank you.

There's one thing I want to clear up, because there's been a lot of talk about this $250,000 threshold. The reality is that the way the law is designed, if you're incorporated—and I presume most of your clients are incorporated—you don't get that $250,000 break in the inclusion rate, at 50%.

Are you aware of that?

● (1635)

Ms. Montana Wilson: Yes.

Mr. Marty Morantz: With all the discussion around this table about people benefiting from this great once-in-a-lifetime windfall when they're getting the inclusion rate at 50%, that doesn't include at all that small business owner or restaurant owner who's incorporated, who owns their business through a restaurant and is just trying to make a living in the restaurant business. It doesn't include any small business entrepreneur who happens to be incorporated. There are millions of them across the country. Many of them are your customers, I presume.

Therefore, it's just not accurate to say that everybody who makes a capital gain of $250,000 or less is taxed at an inclusion rate of only 50%.

Do you agree with that?

Ms. Montana Wilson: I do agree with that.

One point, if I can expand, is that our small businesses put a ton of money back into communities. I certainly support the philanthropy point that's been raised here, but I also want to advocate for the small businesses. We are sponsoring soccer teams and baseball teams. We donate robotic computers to the local schools. The money that we make goes back into that community.

Mr. Marty Morantz: Okay.

I'm now going to turn over my time of just over a minute to my new colleague, Mr. Stewart, who wants to ask a question.

Mr. Don Stewart (Toronto—St. Paul's, CPC): Thank you very much, and thank you, Mr. Chair.

I have a financial background; I'm a CFA charter holder. I'm also an engineer, so I think in systems.

I just came off an election in which I got to talk to people at their doors, not in a committee setting. Many people—not 40,000; they're not all living in St. Paul's—told me about their venture investments. They'll be taking them offshore where they'll be subject to lower taxes and where they won't be diluting their equity as much. Here, they have to compensate for the higher tax rate.

We're compensating people less. They're diluting themselves more. They're going to go to the U.S.

My question is this: In a country where we already have a progressive tax rate, which can be significant and heavy, are we not sacrificing our economy, our future economy, our GDP and our jobs by knocking up the inclusion rate to 66%?

Ms. Montana Wilson: I believe we are damaging our economy and the money that will go back into it from small businesses. It hurts many people I know in small communities. It will make it more challenging for someone to move their grandparents in and retrofit that unit.

We need small businesses. We need to make it attractive for them.

The Chair: Thank you, Mr. Stewart. Thank you, MP Morantz.

Mr. Don Stewart: Thank you, Mr. Chair.

The Chair: Now we're going to MP Baker.

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

Thank you to all of the witnesses for being here today. I found the testimony quite insightful, interesting and thoughtful, so I appreciate all of your efforts in preparing for today and being here today with us.

Ms. Yetman, it's good to see you again. Thank you for being here. I want to come to you.

Some folks have said to me, “Well, if the government wants to raise revenue and wants the wealthiest to pay more, why not simply increase the tax rate on the wealthiest? Our government has done that before.”

What would you say to that?

Ms. Heidi Yetman: This is just me. I'm not a tax expert; I'm a teacher. I taught science and art in the classroom.

However, I have read a bit about this and I believe we should be taxing the ultra-wealthy. I really believe this. There are inequalities in this country. I've said it already. We walk down Rideau Street and see people who are suffering. There shouldn't be anybody suffering in this country. This country is a rich country. To me, that is the way you invest in the common good.

I'm not a tax expert, for sure, but I know my members work very hard for their money. When a teacher has to work in the summer to make extra money, that tells you something about education in this country, unfortunately.

Mr. Yvan Baker: In your introductory remarks, you spoke about—and I don't know if you said it this way—the fact that there is a need for government to invest and to support Canadians in a number of areas. I know you spoke about the food program in schools. My recollection is that you spoke about child care, housing and things like that.

● (1640)

Ms. Heidi Yetman: Yes.

Mr. Yvan Baker: Can you talk a bit about why you think investments in these areas are so important? I know you spoke about the food program earlier, so you don't need to repeat that.

Ms. Heidi Yetman: Okay.

Mr. Yvan Baker: However, regarding some of those other areas you referenced in your introductory remarks, can you expand a bit on why those investments are important?

Ms. Heidi Yetman: I can talk about child care, because I lived in Quebec and had two children. That's a very good example of investing in people, because every dollar spent on child care, for example....

I know the federal government has invested in child care, and I'm very happy to see that. Quebec has had child care since 1997. When I put my children in day care, it was $7 a day. What they discovered in Quebec—and there's a lot of research showing this—is that it was an investment. For every dollar that was put in, something like $1.20 was brought back to the government. I always thought to myself, “Well, why wouldn't everybody do this? This is amazing.” It puts more women into the workforce, and that makes for healthier Canadians. People don't need to depend on the government, for example, for welfare or whatever.

The more we invest in people, the better it is for everybody. Everybody is going to profit from that. That's a very good example. I was very happy that the federal government invested in child care—something Quebec has done since 1997.

Mr. Yvan Baker: The increasing cost of housing is something that most of our constituents are struggling with. We spend a lot of time talking about it at this committee and in the House. I'm sure it affects your members and their families as well.

Ms. Heidi Yetman: Absolutely.

Mr. Yvan Baker: I think a big part of what the government has been trying to do, as it plans out its budget, is find resources to make investments that allow us to build more housing.

I'm wondering if you could talk about the importance of that—what you agree with, what you disagree with, what we need to be doing going forward, etc.

Ms. Heidi Yetman: We absolutely need to do something about housing.

In March of last year, I was in British Columbia speaking to teachers on the ground there. There were resolutions that came out of the meeting I was in about housing. There are teachers who cannot buy a home or who have to live very far from where they work. Even teachers are having a problem with housing.

Housing should be a human right. It's not about making profit; it's about making sure everybody has a roof over their head. Unfortunately, profit is what it usually ends up being about, and that's a problem.

I really believe that housing is a human right. We have teachers, especially in the big cities—Toronto and Vancouver—who are finding it very difficult to have housing. It's important, and there should be investments in that for sure.

Mr. Yvan Baker: Thank you, Ms. Yetman.

The Chair: Thank you, MP Baker.

Now we will move to MP Ste-Marie, please.

[*Translation*]

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

I have a fairly technical question for you, Mr. Genest-Grégoire.

Actually, I saw you raise your hand. Did you want to comment on something that was said? If you do, please go ahead. I have two and a half minutes you can use.

Mr. Antoine Genest-Grégoire: I just wanted to quickly mention the fact that businesses aren't eligible for the $250,000 exemption. In their case, the old rate still applies. That's not really an injustice, since there can be no justice between individuals and businesses. Justice and fairness are measured between people.

When we talk about SMEs, we don't know how wealthy their owners are. Some really wealthy people own small businesses, and others who are not so wealthy own them too. There's no point in having an exemption for businesses because, in the end, it's the business owners we're looking to spare with the exemption.

That hasn't changed. For example, people who own a restaurant, whether it's a small restaurant or a chain, will be treated the same way, that is to say whether they sell their shares, their small business or their large business, the first $250,000 they earn, on top of the other existing opportunities, will be treated the same way.

The fact that the exemption does not apply to businesses that realize capital gains has nothing to do with fairness. It's important to differentiate between businesses and individuals. We seek justice for individuals, not businesses.

● (1645)

Mr. Gabriel Ste-Marie: I'm going to follow up with a quick question about tax neutrality.

Have you looked at the tax benefits of the proposed tax reform we're studying here when it comes to deciding whether to have an incorporated business or a sole proprietorship?

Mr. Antoine Genest-Grégoire: I'm not sure about those two particular types of businesses, but generally it's a measure that improves tax neutrality.

Basically, the main issue for a business owner right now is the difference between paying themselves through capital gains and paying themselves in dividends. There's been a lot of talk about wages. For the business owner, that's also an option, but it's rarely considered. At the moment, it's far more advantageous to pay yourself in capital gains than in dividends. That's a problem in itself, because it affects the shape of the business. However, we would like the shape or type of business to correspond to its market and needs, and not to adopt the form of business that is most beneficial to the owner's compensation.

So it promotes tax neutrality.

[*English*]

The Chair: Thank you, MP Ste-Marie.

MP Davies is next.

Mr. Don Davies: Thank you.

Ms. Wilson, under measures introduced in the 2023 fall economic statement, the first $10 million in capital gains realized on the sale of qualifying businesses to an employee ownership trust will be tax exempt for the next few tax years, and hopefully it will be made permanent.

Under the proposed reforms contained in budget 2024, the lifetime capital gains exemption for capital gains on the sale of a small business or fishing and farming property will increase by 25% from $1 million to $1.25 million. That will be indexed to inflation after 2025.

In addition, the Canadian entrepreneurs' incentive will reduce the inclusion rate to 33.3%—so a drop—on a lifetime maximum of $2 million in eligible capital gains.

Combined with the enhanced lifetime capital gains exemption, when that incentive is fully rolled out, entrepreneurs will have a combined exemption of at least $3.25 million when selling all or part of a business. According to the government, entrepreneurs with eligible capital gains of up to $6.25 million will be better off under these changes.

Do you disagree with those assertions?

Ms. Montana Wilson: I am not familiar with what you are speaking about regarding the agricultural piece.

Mr. Don Davies: Those are the actual rules announced by the government in the last budget.

Ms. Trottier, just quickly to you, you stated that those fighting back against the capital gains increase don't want to admit one simple truth, which is that the unequal treatment of capital gains and earned income has been jet fuel for inequality in Canada.

Can you expand on that, please?

Dr. Claire Trottier: When you already have access to a significant amount of capital and you make capital gains, you're increasing your wealth, so there are a lot of mechanisms by which wealthy folks continue to increase their wealth more and more. Certainly the preferential treatment for capital gains has contributed to that.

The situation right now in Canada is that the richest 1% of Canadians own about 25% of the wealth in this country, which is the equivalent of the wealth held by the bottom 80% of Canadians, so there is quite a dramatic concentration of wealth in this country.

I'm in agreement with several of the other witnesses that we should actually be going much further than these proposed changes.

The Chair: Next we'll go to MP Hallan.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thank you, Mr. Chair.

I want to direct my questions towards Ms. Wilson, and then I'd like to move a motion.

Ms. Wilson, thank you not only for standing up for small business but also for explaining that small businesses, through their success, hard work and the risks they take for this country, reinvest back into their communities and in most cases in the most vulnerable.

You articulated earlier about builders not having as many projects or not wanting to invest in more projects. It could also mean that a business may not want to scale up because of this job-killing capital gains tax hike. If I look further, that means you would have fewer projects to work on as well. Is that correct?

Ms. Montana Wilson: That's correct.

Mr. Jasraj Singh Hallan: The youth unemployment rate right now is at one of the worst levels ever. Would you agree that this also would impact that unemployment or disincentivize others from even just getting into the trades?

● (1650)

Ms. Montana Wilson: I can speak a bit to my personal experience.

Of our total staff, this summer we hired 20% co-op students. That is a rarity in the industry.

We are taking the financial gains we have and are investing them back into our youth, because that's the only way we're going to bridge the current labour market we have and that missing middle piece of the labour market. If we don't invest in the youth and grow them up, so to speak, we are not going to have them in our labour force. It's important for us to be able to put that capital back into the business, and the more capital we have to do that, the better it is for our youth.

Mr. Jasraj Singh Hallan: This job-killing capital gains tax hike would disincentivize companies from investing further, not just in themselves but in Canada.

Ms. Montana Wilson: I do believe that's true.

Mr. Jasraj Singh Hallan: Thank you so much for your testimony.

Mr. Chair, I'd like to move my motion now. I'll give a bit of preamble first.

We all know that carbon tax, conflict of interest Carney has officially joined this corrupt Liberal-NDP government. As another example, our fake feminist Prime Minister, Justin Trudeau, did what he does best: He pushed to the side another female minister and replaced her with a man, someone who is just like him, another elitist.

Now carbon tax Carney is the de facto finance minister, from what we see. He's also conflict of interest Carney. We learned about that just recently. Since he has become the de facto finance minister, Brookfield pension funds and Telesat have received payments from the government. Is that a coincidence? I think there's something going on there.

Also, carbon tax Carney is going to reap the benefits of getting all the power and all the money without any accountability for the position he's been given by the Prime Minister. Also, he gets to have a seat beside the Prime Minister, making influential economic policy for the country, and he is shielded by the conflict of interest laws because he has been hired by the Liberal Party and has not been sworn in as an office-holder.

We have a motion before committee that I had tabled earlier. I don't think this should take much debate. I think it's a no-brainer to have an economic adviser to the Prime Minister and a two-time central banker before the House of Commons finance committee. That should be something I think all of us should be calling for.

On Tuesday, the NDP voted to call carbon tax, conflict of interest Carney to the ethics committee, so they were in favour of that.

Ms. Joanne Thompson: On a point of order, Mr. Chair, I'm not comfortable with disrespecting a Canadian's name. We should address someone as “Mr.” or “Ms.”. I think we can leave out the disrespectful adjectives.

The Chair: What you are asking for is respect.

Mr. Jasraj Singh Hallan: Last spring, just to add to that, Bloc member Mr. Ste-Marie in this committee voted in favour of calling Mr. carbon tax Carney to the committee. I was listening in question period today, and Mr. Davies also asked a question on carbon tax Carney, so I think this motion should pass with ease.

I move:

> That the committee invite the Prime Minister’s special advisor, Mark Carney, to appear by himself for 3 hours, no later than October 4th, 2024, to address his role with the Liberal Party of Canada, economic, fiscal, and monetary policy.

The Chair: Thank you, MP Hallan.

I do have a speaking order. We have witnesses who are giving us great testimony on our changes to capital gains, and we would like to get back to them.

I have MP Ste-Marie, PS Bendayan, and MP Davies after that.

[*Translation*]

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

The same motion was moved before the Standing Committee on Access to Information, Privacy and Ethics. My colleague René Villemure, from my political party, voted against this motion, and I will be voting against it for the same reason. Mr. Carney is neither a public servant, nor a Department of Finance employee or official. He is a policy adviser to the Liberal Party. It is not our committee's duty to summon a party's policy adviser. He did not hold that position when we voted on another motion last spring.

I will therefore be voting against this motion.

● (1655)

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

[*English*]

Next we have PS Bendayan and MP Davies.

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): Thank you very much, Mr. Chair.

[*English*]

While I appreciate the motion that my colleague put on the table, we are in the middle of a Conservative study. We have several witnesses who haven't spoken, and therefore, Mr. Chair, I move to adjourn debate.

The Chair: The question is to adjourn debate on the motion.

(Motion agreed to: yeas 6; nays 5 [*See Minutes of Proceedings*])

The Chair: We are back to our witnesses.

MP Morantz, you have just under three minutes.

Mr. Marty Morantz: Thank you, Mr. Chair.

Ms. Wilson, I want to come back to some of our discussions. I have an article here called “Capital gains changes disproportionately impact engineering firms”. It was published in Canadian Consulting Engineer. You're familiar with this article, because you're mentioned in it. I presume you're familiar with it, right?

Ms. Montana Wilson: I've read it, yes.

Mr. Marty Morantz: This article says that the Association of Consulting Engineering Companies reached out to the federal government to ask for a meeting with finance minister Freeland and revenue minister Bibeau. Ultimately, you got a meeting with revenue minister Bibeau. Is that correct?

Ms. Montana Wilson: That's correct. It was an online meeting.

Mr. Marty Morantz: Were you given a reason that the finance minister wouldn't meet with you?

Ms. Montana Wilson: Not to the best of my knowledge. I'd have to ask the association folks if they were given a reason, but I don't know of one.

Mr. Marty Morantz: By and large, tax policy is designed within the Department of Finance and not within the Department of National Revenue. That's why I'm curious about it. The role of the Minister of National Revenue is to oversee the operations of CRA, essentially, but not to make tax policy. The person you met with was likely not involved in the creation of this policy, which is too bad.

It would have been better if the Finance Minister had actually shown you some respect, shown up and talked to you directly about why she was basically increasing taxes on your industry and your clients.

You did meet with Minister Bibeau. Can you tell me about that meeting? What did you tell her?

Ms. Montana Wilson: We spoke about the impact on small businesses, much like I've spoken about today. She further explained the position on why it is supported from the government's perspective. We let her know the challenges. We aren't the 1% that it's affecting. We are not that 1%.

Mr. Marty Morantz: Did you ask her, or did it come up, whether or not the government had any data on how many people this was actually going to be affecting and whether or not it would result in a...?

Actually, my question is, did the government have any data on what the effect of this tax increase would be on our GDP? Did that topic come up?

Ms. Montana Wilson: It wasn't discussed, no.

The Chair: Thank you. That's our time. Thank you, MP Morantz.

We'll go to MP Dzerowicz, please.

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

I just want to thank all the witnesses for their excellent and very important testimony today.

I'm going to start with you, Ms. Wilson, just for a second.

I always find it very heartwarming when we have small businesses come before us. We are a small business economy in Canada. We care about our small businesses. It's important for us to hear testimony from our small businesses, so thank you for being here.

I will say to you, though, that in our last meeting we asked the question around Prime Minister Mulroney, who when he was in office actually increased the capital gains inclusion rate to 75%. That increase was wider in scope and didn't include the threshold that we have, which is $250,000. We asked some economists who had done some studies whether, after the increase to 75%—which was much higher than what we have proposed, which is 66%—there was a hit on productivity and innovation and whether there was an impact of massive job cuts for Canadians. We heard that this wasn't the case.

I want to let you know that this is definitely something that's a concern for us, and it's something that's been on our mind, but in the evidence we have heard from other economists, that's been the evidence that's come before us.

I also find it very compelling that in your testimony you say we really want to retain as much money as possible within our own business because we want the next generation to also be able to grow a business or get into these businesses. Part of our logic for adjusting this inclusion rate was that we were hearing from our Gen Zs and our millennials that they were feeling disproportionately impacted by income taxes. We wanted to introduce more programs, particularly around housing, to provide them with a better chance of having different housing options. It's a key reason, and I just wanted to let you know that this was a key part of our logic behind all this.

I want to say thanks to Mr. Davies. I often say to him that he takes all my notes and steals them, because he literally says the things I'm going to say. I was going to also list a number of things that we've introduced for small businesses. I'd actually love to hear from you, and not as part of this committee, on whether or not they're actually helpful to you, because when we're introducing things for small businesses, we want them to be helpful.

The other thing I would say to you is I know that a few years ago we reduced our corporate tax rates to 9% because we wanted to keep them among the lowest in terms of competitors.

Anyway, I just wanted to mention that to you and to say in response to that very compelling testimony that we do care and that we'll continue to follow the evidence around all these decisions.

Could you take maybe two seconds to comment on that? Then I do have a question for Mr. Genest-Grégoire and Mr. Olivier Jacques. You don't have to comment if you don't want to.

● (1700)

Ms. Montana Wilson: No, I just want to express my appreciation for your listening and for having this opportunity. I come from a town of 30,000 people. I don't get this opportunity every day, for sure, so I appreciate it.

What I do want to say is that I think the economic environment is different now. We are finding our younger staff have a lot of challenges getting capital to buy into the firm or participate in those discussions. I purchased my first house for under $300,000, and now the average home price is a million dollars in the same area. They have capital challenges. I haven't heard the historic stats that you've just presented, but we need to look at those holistically to see if it's the same scenario we're in today.

Thank you.

Ms. Julie Dzerowicz: I'm going to go to Monsieur Genest-Grégoire or Monsieur Jacques, and either one can respond. I just want to know whether cutting the capital gains inclusion rate in the past has led to more business investment.

The second part to that is whether this has ultimately benefited the average Canadian worker over the past 40 to 50 years. I'm not sure who wants to respond first.

Mr. Olivier Jacques: I think there is no evidence that increasing the capital gains taxes a bit would have a negative effect on the economy, as there is not much evidence that decreasing the capital gains tax has had a positive effect on the economy.

What we do know, for example, is that decreasing the capital gains taxes led to more inequality. There's almost causal evidence for that. However, if we look over history, our periods of best growth were when we had higher capital gains. If you compare across countries, it's not because you have higher capital gains taxes that you have lower growth. It's very hard to establish that evidence. I don't think there's strong evidence for this.

● (1705)

[*Translation*]

Mr. Antoine Genest-Grégoire: I would like to add something briefly, if I may.

The research shows that the changes to the capital gains tax will have the biggest impact when people choose to act. Except in the event of death, this is a form of taxation whose timing can be controlled, that is, the timing of the sale can be chosen. When rates change, we see the impact when people act. For example, we suspect there will be more capital gains this year than last year, because people moved up sales so they could take place before the rate changed. Next year, there will probably be abnormally fewer.

Ultimately, we mostly see changes over time. Basically, people will sell their assets a little later to compensate for taxes that will be slightly higher. So if the asset is profitable, they may keep it a little longer, because the profitability will offset the additional tax. It may be possible to make the same amount of money from the sale of the same asset simply by selling it two or three years later.

[*English*]

The Chair: Thank you, MP Dzerowicz.

We are getting into our third round. I am going to try to get through it, but we have to be really tight. It's going to be MP Stewart for the first five minutes.

Mr. Don Stewart: Thank you, Mr. Chair.

Ms. Yetman, I have a question for you. I have a lot of teachers in my family, so thank you very much for your contribution to educating young Canadians.

Do you know what your pensions are in current dollar value?

Ms. Heidi Yetman: I'm not really sure, but—

Mr. Don Stewart: Okay. It's worth several million dollars.

Ms. Heidi Yetman: —I do have a good pension. I'm very lucky.

Mr. Don Stewart: Yes, you do. It's worth several million dollars. If you were to cash that pension out, would you be happy to give up the taxes on that at a higher rate? Your pension is an asset per se, right?

Ms. Heidi Yetman: Right.

Mr. Don Stewart: What this tax move is doing is asking for assets that are being sold to be taxed at a higher rate, right?

Ms. Heidi Yetman: Right.

Mr. Don Stewart: If you want to equate your situation to a small business person who grows their business over time—

Ms. Heidi Yetman: Right.

Mr. Don Stewart: That's what we're asking. It's for their pension to be taxed at a higher rate than when they made their investment decisions. I want everybody in the room to be clear on that. That's what we're asking.

Ms. Heidi Yetman: Right, and I had a little conversation with Montana Wilson just before this. I am very lucky; I have a pension. I think everybody around this table, except for you maybe, is not so lucky in not having a pension.

Mr. Don Stewart: And me.

Ms. Heidi Yetman: It's coming, no?

Mr. Don Stewart: I'm speaking from a position of being neither a business owner nor a pensioner.

Ms. Heidi Yetman: Right.

Mr. Don Stewart: All of my assets are just things I've saved up over my life, my six, seven or eight per cent I can save.

Ms. Heidi Yetman: I have a brother who works very hard who does not have a pension, and he does not have any assets either, so with that being said—

Mr. Don Stewart: Okay, so—

Ms. Heidi Yetman: I'll just finish answering the question.

I believe that every Canadian deserves a good pension. It's not about pitting myself against anybody. It's about asking, “Why doesn't everybody in this country have a good pension, and why aren't they taken care of when they retire?”

Mr. Don Stewart: This is a good segue to take, because businesses can be more successful when they can allocate their capital in the most efficient way, and allocating capital in a regime of higher taxes means they're going to be automatically gravitating towards places where there are lower taxes, which means not here. It's in the United States. It's elsewhere in the world where capital can be taxed at a lower rate, and we've already talked about that in my earlier questioning about venture capital.

Again, I just moved a riding from a 20-some-odd-point Liberal win to a couple of point wins for me. One of the issues I heard at the door was capital taxes. It had an influence on my election, so I'm very passionate about what my constituents were saying about venture capital and building small businesses. Venture is not just building technology companies; it's construction, trades and other sorts of manufacturing as well, which will be investing offshore.

This leads me to ask Ms. Wilson about our global competitiveness and how you are seeing the success of your business and the returns that you can make on your capital versus what you're seeing with your competitors in the United States.

Ms. Montana Wilson: I can speak to the level of consolidation in our industry. We are seeing non-Canadian firms buying Canadian firms and taking that wealth outside of the country because of the tax rates.

Mr. Don Stewart: Their investments are going outside of the country. Okay.

Ms. Montana Wilson: That's correct.

Mr. Don Stewart: Are you seeing that capital is not being driven back into the business and creating more jobs but just being put on the shelf, or how are people allocating their capital?

Ms. Montana Wilson: I am not part of a larger firm, so I don't feel overly comfortable answering that question, other than to say that I don't believe—

● (1710)

Mr. Don Stewart: Okay—

Ms. Montana Wilson: —that all the money is staying where it could be, in a local sense.

Mr. Don Stewart: That's it, Mr. Chair. Thank you.

The Chair: Thank you, MP Stewart.

Thank you.

Now we're going to MP Sorbara, please.

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

First off, thank you to the witnesses who are present here today and to the ones online. Obviously, the testimony is very important and very informed on all fronts.

First I want to talk about small businesses in general in Canada. They are the backbone of our communities and the backbone of our economy.

The city I represent, the city of Vaughan, is the largest economy in the York Region, with 1.4 million people. We have about 20,000 small and medium-sized enterprises. Over 230,000 folks work in those enterprises. I know the dynamism that exists in Canadian businesses. I love it. It creates wealth and creates jobs.

One of the first things we did in 2015 was lower the small business tax rate from 11% to 9%. Another endeavour was in budget 2022. I was thinking about it today, and I wanted to make sure this was on the record. We lowered it. The small business tax rate was phased out in terms of the accumulated capital or taxable capital that a small business has. It was at $15 million; it went up to $50 million. That's where we put it up to. It's obviously in place and ongoing. It provided, from 2023 up to 2026-27, nearly an estimated $700 million in tax savings for SMEs and small businesses in Canada.

In a few weeks, we'll celebrate and mark the introduction of lower credit card fees for small businesses across Canada and the work that the deputy prime minister and finance minister has done with those issuers, so I'm happy to see that.

With regard to capital gains, as I said two days ago in our Tuesday meeting, I have looked at this issue and I've vigorously studied it as a CFA charter holder and someone who has spent 22 years on Bay Street and Wall Street. I'm in favour of the move to the inclusion rate to 66%. The effective tax rate on capital gains was at 25% prior to this move. Now, we're in just around the early 30% mark, depending on which province you are in and which personal income tax rate you have. Why? It removes tax inefficiencies in our tax system, and MP Stewart will know what surplus stripping is and how firms pursue that.

There is no causation between the level of the inclusion rate or where it's been and economic growth, for many reasons. Economic growth is complicated. We're doing a good job of growing our economy, but there are many factors that determine economic growth.

Ms. Wilson, I do understand the small businesses. You do not have a defined benefit pension plan. Other folks do, and I'm very cognizant of that. Your pension, for many small business owners, is your business, and that's why, in our measures, there is the increase in the lifetime capital gains exemption. There is the Canada entrepreneurs' incentive . We've put in a number of new measures that are good for small businesses.

However, at the end of the day, we really need to avoid extreme wealth concentration in this country. We do need to avoid that. Having a low capital gains rate and a low effective tax rate versus dividends, versus interest, gets you to an extreme wealth concentration, and we need to avoid that. That's why I've been in favour.

To the gentleman from the province of Quebec, I apologize. You commented on what drives economic growth and reduces inequality. Can you please comment on that again?

[*Translation*]

Mr. Olivier Jacques: I assume the question is addressed to us.

As you just mentioned yourself, economic growth is caused by many factors. The tax rate is among them. There are so many factors that influence a company's decision to come to Canada or a Canadian's decision to set up a company. These factors also include the available human capital, the available physical capital and particularly corporate taxes, which are all more influential than the effective rate on capital gains. In fact, I'm looking at the OECD data right now, and it's not entirely clear that the effective tax rate on capital is higher in Canada right now than it is in the United States.

● (1715)

[*English*]

The Chair: Okay, I think we're right at time. Thank you very much, MP Sorbara.

We have MP Ste-Marie for two and a half minutes.

[*Translation*]

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

I have two questions for Mr. Genest-Grégoire, and I will ask them one after the other.

Here is my first question.

As a tax expert, are you concerned to hear that the change came into effect at the end of June, that we do not have the official text of this measure and that the government could be defeated at any time? That would leave a lack of clarity in terms of taxation, which would probably be quite worrisome for you.

Here's my second question.

Have you looked at the proposal by CPA Canada, the Chartered Professional Accountants of Canada, which offers taxpayers the opportunity to realize a capital gain before June 25 and carry forward the $250,000 threshold?

Please go ahead.

Mr. Antoine Genest-Grégoire: Thank you for the question.

I just want to clarify that, although I teach in the tax department, I'm an economist. I wouldn't want to speak for my tax colleagues.

However, it is widely recognized among economists as well that predictability is extremely important for investment planning, among other things. Announcing a measure without being able to provide the corresponding legislation is not an ideal way to proceed. I'm not stealing their words, but many of my tax colleagues and tax professors were a bit shocked by this approach. It's certainly not ideal for people to be able to plan their affairs properly.

As for the possibility of declaring this gain on a prospective basis, it seems to me that this avenue would also have made life easier for all those who, without necessarily saying their circumstances were difficult, would have wanted to rearrange their affairs to respond to a situation of greater neutrality. If they had had the opportunity to realize the gain before this measure came into effect, it would probably have made their lives easier.

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

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

[*English*]

We have MP Davies for two and a half minutes.

Mr. Don Davies: Thank you.

Ms. Trottier, even after these changes are made, Canadians will still have 50% of their capital gains under $250,000 tax free, as they do now, and they will still have one-third of their capital gains above $250,000 tax free. People will be in the enviable position of still being able to shelter a minimum of one-third of their capital gains and not pay a nickel in taxes on it, when, as we heard from our Teachers' Federation witness, teachers, nurses, plumbers, warehouse workers and taxi drivers have to pay tax on 100% of every dime they make.

Do you think that this modest change is going to affect the investment or job creation decisions of the wealthiest in Canada?

Dr. Claire Trottier: I think it's going to have no impact, to be honest with you. It's going to have no impact on my life. I think for the wealthiest Canadians, this will have no noticeable impact.

However, as one of the witnesses said, I think that the revenue that's going to be collected from this change will have a dramatic impact on the lives of virtually all Canadians. The programs that are being funded by this are going to have a massive impact. In my view, it's an excellent policy.

To your point, the fact that wealthy people will still have this built-in tax break is still, to me, deeply unfair. I really do think this is a very positive and strong step, and I'm in favour of it. I would encourage the government to continue taking additional steps, including looking at a wealth tax on the ultra, ultra rich, including billionaires.

Mr. Don Davies: Ms. Yetman, this is going to generate $19 billion over the next five years. What would you do with the $19 billion if you were prime minister?

Ms. Heidi Yetman: If I were prime minister and I had $19 million, I would invest it in education, absolutely. I know education is not federal, unfortunately, but systemic underfunding has created a crisis across Canada in education.

Mr. Don Davies: It would buy lots of school lunches.

Ms. Heidi Yetman: And we would be able to feed all kids in Canada. Wouldn't that be amazing?

The Chair: Thank you, MP Davies.

We go now to MP Chambers for five minutes.

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

Mr. Jacques or Mr. Genest-Grégoire, what happened to wealth inequality between the years of, say, 2019 and today?

● (1720)

Mr. Olivier Jacques: I'm not sure. I haven't consulted the data recently, but clearly wealth inequality has increased in the last 40 years. I don't exactly know about the last four years.

Mr. Adam Chambers: Someone talked about supercharging wealth inequality. The Bank of Canada governor says that inflation devastates low-income households and increases wealth inequality. Would you agree with him?

Mr. Olivier Jacques: I don't think inflation increases wealth inequality. I would not agree with that.

Mr. Adam Chambers: When asset prices go up, that doesn't increase wealth inequality?

Mr. Olivier Jacques: It depends on whether inflation reduces the value of assets. That's the more important question. It depends on that.

Mr. Adam Chambers: You don't agree that money printing or increasing the value of assets leads to more wealth inequality?

Mr. Olivier Jacques: On that, I agree. You asked about inflation, which is different.

Mr. Adam Chambers: Okay.

Over the last few years, what we've seen is huge asset price inflation, driven by money printing and cheap debt, which has increased the value of assets and which is actually responsible for producing wealth inequality. Maybe the government should be concerned about the things that gave rise to inflation. That might be something the government would consider addressing.

Ms. Yetman, I noticed that when you listed the programs that you were very happy the government was introducing, you didn't mention pharmacare. I'm just curious as to whether your members support pharmacare, as you are speaking on behalf of your members. Do they support the single-payer pharmacare program, or would they like to keep their plan?

Ms. Heidi Yetman: No, I did mention pharmacare. You probably didn't hear me.

Mr. Adam Chambers: On behalf of your members, you support leaving—

Ms. Heidi Yetman: I think pharmacare is really important. I am not an expert in that, and I don't know—

Mr. Adam Chambers: May I ask a question?

Ms. Heidi Yetman: Yes, go right ahead.

Mr. Adam Chambers: Do you support getting rid of your members' current health care plans in favour of a single-payer universal pharmacare model? I'm just trying to get an understanding of your position on pharmacare as an organization.

Ms. Heidi Yetman: Well, if you want me to talk personally, I can talk personally. My pharmacare is actually owned by me, believe it or not, because I belong to a union, and that's what they do. They take care of health care for me, so—

Mr. Adam Chambers: Do you like the plan?

Ms. Heidi Yetman: —I actually like the idea that the federal government would help us out with that. That would be a wonderful thing.

Mr. Adam Chambers: If the plan were of lower quality than the one you have today, would you like to get rid of the plan you have today for another plan?

Ms. Heidi Yetman: Oh, our plan's not that good.

Mr. Adam Chambers: I don't know. I beg to differ. There are a lot of people who don't have any plan who would love to have a plan.

Ms. Heidi Yetman: Everybody should have a plan. There's something else. You see, there we go—

Mr. Adam Chambers: We should fill the gaps—

Ms. Heidi Yetman: We need to take care of each other—

Mr. Adam Chambers: That's great.

Thanks, Mr. Chair.

The Chair: Thank you, MP Chambers.

Our final questioner will be PS Bendayan.

Ms. Rachel Bendayan: Thank you, Mr. Chair.

I'd like to thank all the witnesses for appearing on this Conservative study on capital gains.

I'll begin my questions with Ms. Trottier.

Ms. Trottier, while you were providing your testimony, I couldn't help but notice the faces of shock and awe around this table. Among your philanthropist network and friends, are you alone in believing, as you do, that this capital gains policy is a good idea?

Dr. Claire Trottier: I am far from alone. I'm really glad to be collaborating with a group of millionaires across Canada who strongly agree that this change is a step in the right direction. We're joined by colleagues from across the globe in agreeing that this is a very, very good thing.

Ms. Rachel Bendayan: I find that interesting, because I haven't seen much in the media from this particular point of view. I do note, of course, your publication in Policy Options of May 27, 2024. Is that the only publication you have authored?

Dr. Claire Trottier: That's the only one I authored about this particular change.

I do find it interesting that there weren't many voices in the media in support of this change. Especially early on, a lot of newspapers and television programs had a lot of people making quite grandiose claims about the dangers of this change. In my view at least, there was not much space given to those who are actually in favour of this change.

I'm very encouraged to be here today with witnesses who have a lot of expertise and who are in agreement that this is a step in the right direction. I hope those voices are heard, because surveys show that the vast majority of Canadians are in favour of taxing the rich, so I believe Canadians are in favour of this change.

● (1725)

Ms. Rachel Bendayan: Your earlier testimony was to the effect that this change wouldn't impact your investment decisions in the business you mentioned in your opening remarks. Is that correct?

Dr. Claire Trottier: Yes. This is absolutely not something that is in consideration when the family business is talking about investing in itself, and when we as a family make decisions about other investments—because we do invest in other businesses in Canada—this change is not going to have any impact on our decisions to continue investing in Canada.

[*Translation*]

Ms. Rachel Bendayan: I would now like to ask Mr. Genest-Grégoire a question.

You and my colleague were discussing the economic impact of increasing the capital gains inclusion rate or not. Do I understand correctly that you think there is no better way than this policy to focus on capital gains for the richest while limiting collateral effects?

I'm giving you an opportunity to expand on that thought.

Mr. Antoine Genest-Grégoire: That's an academic economist's phrase, but essentially, when you design tax policy, you try to both reduce inequality and minimize its impact on the incentive to work or invest. You can rarely do both, so you try to get the best ratio. In this case, the ratio between reducing inequality and the costs in terms of jobs and investment is extremely good. There's probably not much in the federal government's tool box that provides a better return on that.

Ms. Rachel Bendayan: Again, that's your opinion. Is it shared by other experts in the field?

Mr. Antoine Genest-Grégoire: Yes, that opinion is shared by a number of other professors, who are not all from Quebec, by the way. Kevin Milligan at the University of British Columbia comes to mind—he made very similar comments—as well as Michael Smart at the University of Toronto, who said essentially the same thing.

Among the available tools, this is what makes it possible to reduce inequality at the lowest cost in terms of jobs and investment.

Ms. Rachel Bendayan: Thank you very much for your testimony today.

[*English*]

The Chair: Thank you, PS Bendayan, and thank you to our excellent witnesses for your testimony on this study of capital gains. We wish you the best with the rest of your afternoon and evening. Thank you very much for coming before our finance committee.

Members, at this time we are adjourned.