



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 019

Monday, January 26, 2026

Chair: Karina Gould



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• (1535)

[English]

The Chair (Hon. Karina Gould (Burlington, Lib.)): I call this meeting to order.

Welcome, colleagues, to meeting number 19 of the House of Commons Standing Committee on Finance. It is our first meeting of 2026. It is great to see everybody. I hope everybody had a good break and is ready for the study of the budget implementation act.

Pursuant to the order of reference of Wednesday, December 10, 2025, and the motion adopted on Wednesday, December 10, 2025, the committee will commence consideration of Bill C-15, an act to implement certain provisions of the budget tabled in Parliament on November 4, 2025.

Given the number of officials who are appearing before the committee, the meeting is divided into two panels. The first hour will focus on tax-related measures, parts 1 to 4. The second hour will focus on non-tax measures, part 5, divisions 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 22, 26, 37, 38 and 45.

With that, I would like to welcome our witnesses.

Normally, I would introduce everybody, but there are a lot of you. In the interest of time, committee members have received a list of the witnesses. I will encourage you to look at that and to choose who you direct your questions to.

There are no opening statements, so we will proceed to the first round of questions.

I have Mr. Kelly opening for six minutes.

Pat Kelly (Calgary Crowfoot, CPC): Thank you, Chair.

Among the witnesses, I'm not certain who is best, so amongst yourselves perhaps select who can answer questions about the Infrastructure Bank.

Under division 4, there is to be a \$10-billion increase to its funding envelope.

My first question is on whether the Infrastructure Bank is on track to reach its target of disbursing \$35 billion by 2027-28.

We have a lot of officials here. We're here to do parts 1 to 4. Do we have someone who can speak about the Infrastructure Bank?

Pierre Leblanc (Director General, Personal Income Tax Division, Tax Policy Branch, Department of Finance): Thank you for the question.

Is that in part 4 or part 5 of the bill?

Pat Kelly: I think it's in part 4, but it could be—

The Chair: Is there anyone who's able to respond on the Infrastructure Bank?

Pat Kelly: Either way—

The Chair: I'm sorry, Mr. Kelly. It's actually in part 5. There will be officials for the second hour who can do part 5.

Pat Kelly: All right.

If we're going to discuss parts 1 to 4 then.... In annex 2 of the budget—this is about the capital framework presented in annex 2—there is a change to how the Department of Finance is going to determine which different categories expenditures fall into.

Does the Department of Finance have a rubric or a chart for deciding which of the new spending categories different items will fall into?

• (1540)

Pierre Leblanc: That's a good question.

We're quite a few officials, but we're here to talk about parts 1 to 4 of the bill. We just want to be able to give good answers to questions. That's what we're in a position to do: to give good answers to questions on those parts of the bill.

The Chair: Is there anyone who can discuss annex 2?

Pat Kelly: This is in the budget itself, which this act implements. We're here talking about the implementation of the budget.

One of the important, notable items in the budget is the reclassification of expenditures. I wonder if an official can give us some insight into how categories will be determined in the budget.

Pierre Leblanc: The best we can do is bring it back to our colleagues to provide you with a good answer, or perhaps it could be posed at a future meeting.

Pat Kelly: Parts 1 through 4 contain some tax reductions and some tax eliminations, such as with regard to the digital services tax and the underused housing tax. Can an official discuss how these tax eliminations will address the productivity crisis in Canada and how we might get to a more productive economy and a more effective taxation system that will stimulate investment, as has been described by the government?

No...? What about the removal of the digital services tax? Can somebody even talk about that, then?

Maximilian Baylor (Director General, Business Income Tax Division, Department of Finance): You mentioned two measures. I can respond to certain tax measures aimed at encouraging productivity and growth. There are probably three. A number of the measures are in the bill.

The first is referred to as the productivity superdeduction; it is basically a series of accelerated depreciation measures. They accelerate the rate at which firms can claim depreciation, which encourages investment and is broad-based, applied to most investment assets in the economy.

Pat Kelly: Since you're addressing this particular tax, what is the expectation on investment activity as a consequence of it?

Maximilian Baylor: I'll make three points on that. First, as for the quantum for the portions that are in the bill in terms of accelerating through the productivity superdeduction, it's about \$17 billion in reduction in taxes. Those are accelerated tax reductions. Eventually they unwind, but in terms of the budget horizon, it's about \$17 billion. That affects about 500,000 firms throughout the economy.

The budget provided the impact this would have for crowding-in capital investment. The estimate is that it would generate economic output of up to \$9 billion annually over the next 10 years. This is for that one.

Pat Kelly: A reduction of \$17 billion in taxes received and \$9 billion in investment activity to the general economy—

Maximilian Baylor: Yes, and this generates \$9 billion in output.

The Chair: Thank you, Mr. Kelly. That's time for now.

Thank you, Mr. Baylor.

We'll go to Mr. Leitão for six minutes, please.

● (1545)

[Translation]

Carlos Leitão (Marc-Aurèle-Fortin, Lib.): Thank you very much, Madam Chair.

Good afternoon, ladies and gentlemen. Thank you for being here. There are many of you as well.

Much like Mr. Kelly, I, too, had some questions that were a bit more general in nature. Before getting to that, I'd like to start by providing a bit of context for the budget as we tabled it in November.

The economy is being hit by a trade war that we did not seek, with our neighbour that we thought was a reliable partner but turned out to be unpredictable. This has hit the Canadian economy hard, particularly when it comes to investment decisions. This is

where I'm going to circle back to the conversation we were having before about measures to accelerate investment.

Generally speaking, we have a productivity issue or very slow productivity growth in Canada. This is nothing new; it's been the case for a long time.

In the context of a trade war and very real and concrete threats to the Canadian economy, we conceived measures that could both accelerate private investment and help increase productivity.

Could any of you comment on the economic context in which the budget was prepared, or is that something you prefer not to comment on, to put it that way?

Maximilian Baylor: I can answer your question by continuing in the same vein as my first answer, but by addressing the taxation aspect, since that's the subject we're covering here.

I think the way you're describing the context is appropriate. That was sort of the general approach when the budget was put in place. The element I would add on the tax side is the One Big Beautiful Bill Act in the United States, which also contained a number of incentives, including accelerated investment ones. We see the measures in the budget in this light and, in large part, in Bill C-15. I will talk about three of them quickly.

First is the extended accelerated investment incentive and immediate expensing measures, which we talked about earlier.

Second, along the same lines, this bill makes several improvements to the scientific research and experimental development tax incentive program.

Third, I would mention the clean technology investment tax credits, for such things as clean electricity and waste biomass, which are included in this bill, in addition to some enhancements to other tax credits that were announced in the budget.

On the taxation side, I'd say that those were the main measures that sought to address the challenges you raised. As I said, it was also somewhat in response to what we were seeing in the United States.

Carlos Leitão: Okay, thank you.

Measures similar to what was announced, that is to say measures to accelerate investment and depreciation, have been introduced in the past. A number of governments have done so as well. What's different in the November 2025 budget is that, this time, the measures are really economy-wide. We're not really targeting specific sectors in terms of accelerated depreciation. What's being added are measures to accelerate scientific research into clean technologies and tax credits for that as well.

This time, are provincial Crown corporations, especially those that generate power, like Hydro-Québec or others, also eligible for these tax credits?

• (1550)

The Chair: I'm sorry, Mr. Leitão, but your time is up.

Carlos Leitão: Okay. We'll come back to it.

The Chair: Perhaps Mr. Garon will pick up where you left off.

Jean-Denis Garon (Mirabel, BQ): Thank you, Madam Chair, and happy new year to you.

Ladies and gentlemen, thank you for being here today.

I'll start with the extension of the carbon capture tax credit. The Bloc Québécois has very clearly stated its position on this: We are against fossil fuel subsidies. Regardless of what the government says, tax credits for carbon capture are veiled fossil fuel subsidies. We clearly understand this government's identity: It's an oil and gas government.

I'd like to know exactly how much this measure will cost between now and 2035.

Maximilian Baylor: To be clear, I have to say that Bill C-15 talks about an extension. Full rates applied until 2030, and then rates fell 50% from 2031 to 2040. The change announced in the budget is to say that from 2031 to 2035—

Jean-Denis Garon: Can you give me the amount?

Maximilian Baylor: Yes. It's \$3 billion for 2030 to 2035.

I just wanted to give you some background: The reason it's not in the budget is that it's off the tax horizon. Off the tax horizon, we're talking about \$3 billion over five years.

Jean-Denis Garon: Perfect.

Unlike other people, I've read the budget, so that's fine.

I'd like to know whether the tax credit will apply to enhanced oil recovery, that is to say, when oil is used to make more oil. Will it apply?

Maximilian Baylor: Not under the current legislation, no.

Jean-Denis Garon: Okay, so it doesn't apply yet.

In the document produced by the department, it says that 20 to 40 projects could benefit from the measure and that up to 10 more could benefit from its extension.

Do you have a list of projects that's available to parliamentarians?

Maximilian Baylor: We don't have a project list per se. We base ourselves somewhat on what we perceive potentially. At the end of

the day, in terms of knowing which projects are carried out, obviously, we'll have to wait and see.

Jean-Denis Garon: Therefore, in the budget document, you don't even have any potential projects. You could have said there were 5, 20, 30 or 40. You lick your finger, raise it in the air and say it's going to be 10, is that it?

Maximilian Baylor: No. It's based more on anticipated projects, not potential ones.

Jean-Denis Garon: So you don't have a list.

Maximilian Baylor: Yes, we have—

Jean-Denis Garon: These are anticipated potential projects, but you don't have a list.

Maximilian Baylor: We have a list. I'm sorry, I may have mis-spoken. I'm simply trying to make the distinction that just because we base ourselves on a list of potential projects, that doesn't mean those projects will see the light of day. That's the nuance.

Jean-Denis Garon: Would it be possible for you to send the committee the list of potential projects? Of course, we're all aware that they may not all see the light of day and that the government isn't carrying them out, but could you send that list to the committee?

Maximilian Baylor: I don't have it here with me, but I'll see what we can do.

Jean-Denis Garon: Thank you, Madam Chair. Please follow up on that.

I want to come back to Mr. Leitão's question, a very good one about the clean electricity tax credit.

I'd like to know whether discussions have begun with Hydro-Québec on this subject and whether this tax credit will apply to planned investments by Hydro-Québec, such as its plans to build new dams. Hydro-Québec has released a recent version of its strategic plan. Will Hydro-Québec's new dams be eligible for the tax credit?

Maximilian Baylor: That's the idea, generally speaking. To answer your question and the previous one, I'd say that the purpose of the clean electricity investment tax credit is that Crown corporations, including Hydro-Québec, be eligible for it.

Jean-Denis Garon: With all due respect, Mr. Baylor, if my wife asks me if I love her and I tell her that's the idea, generally speaking, she's going to be worried.

Is that a yes or a no?

Maximilian Baylor: As long as the investments are eligible, the answer is yes, absolutely.

Jean-Denis Garon: So, are new Hydro-Québec dams eligible? Have you discussed this with Hydro-Québec?

Maximilian Baylor: We expect they will be, yes. Investments in Hydro-Québec dam projects are generally eligible, so we expect Hydro-Québec will be eligible for this tax credit on those investments.

To answer your question about discussions with Hydro-Québec, I would say that we've had discussions with Hydro-Québec. It took part in the consultations, so its opinion is reflected in this.

Jean-Denis Garon: Do you have an idea of the order of magnitude of the dollar amounts that could be granted to Hydro-Québec under this tax credit, given the projects that were announced in the strategic plan?

• (1555)

Maximilian Baylor: I don't have the figure here in front of me for Hydro-Québec specifically. In the budget, there's a number corresponding to the total dollar amount we expect to pay out for this tax credit. Some of that would go to Hydro-Québec.

Jean-Denis Garon: Do you have a breakdown by province?

Maximilian Baylor: We'll see what we can do.

Jean-Denis Garon: Can we follow up on that as well, Madam Chair?

Maximilian Baylor: We should be able to provide that for the committee, absolutely.

Jean-Denis Garon: Thank you very much.

I want to talk about the digital services tax.

We know the story. Donald Trump made threats—Mr. Carney did what he did, or at least what he did until last week: He threw in the towel and they axed the tax.

I'd like to know exactly how much tax revenue the federal government is going to forgo over the next five years because they scrapped the digital services tax.

Ingrid De Freitas (Director, International Inbound Investment, Tax Legislation Division, Department of Finance): Thank you for the question. I will answer in English, to make sure I'm accurate.

[English]

The projected revenue for the DST, which was an estimate, was \$2.3 billion for 2024-25. That reflects three years' worth of revenue due to the nature of the history of that measure. It would be \$900 million in each subsequent year.

[Translation]

Jean-Denis Garon: We know that our media are in crisis, that they need help and that this revenue would have gone to them.

Has the department planned any mitigation measures to help our media?

The Chair: Thank you, Mr. Garon. That's all the time we have for this round of questions.

[English]

Mr. Strauss, you have five minutes.

Matt Strauss (Kitchener South—Hespeler, CPC): Thank you, Chair.

Thank you to the officials for being here. This is my first time coming to the finance committee. I am covering for a colleague who had a family emergency, so please go easy on me.

As for the BIA and the tax measures that are there and implemented, just educate me a bit on how the Department of Finance works. Regarding those tax measures, does your department provide advice to the government model on how those measures will affect the prices of the goods they tax and inflation more generally?

Maximilian Baylor: This is in terms of how, in general, it would apply to most tax measures that the Department of Finance does.

Yes, as you suggest, the department would provide analysis as to the expected impacts, implications and considerations surrounding tax measures. Depending on the measure, depending on the circumstances and depending on the extent of it, it may include certain data and certain assessments, or it may not.

Matt Strauss: Thank you.

I'm a bit confused as a new parliamentarian because we just had this budget and now we're discussing a BIA. The Prime Minister announced new GST credit measures to do with the price of groceries this morning.

Is it peculiar that this was not included in the BIA, and did your department provide advice to the government about the effects that such a tax credit measure would have when the budget and the BIA were prepared just a couple of months ago?

Pierre Leblanc: We can say that for a measure to be in this budget implementation act, it needs to have been presented, proposed or confirmed in budget 2025, which took place in November. Any measure you see here was announced either in the budget or before that.

Matt Strauss: All right, but I'm wondering if your department provided advice to the government about a GST credit to do with the price of groceries during those processes. I'm not asking about what's in here; I'm asking about what's not in here and whether your department has internal memos about that.

Pierre Leblanc: We're here to focus on what's in here. That's our purpose: to provide the best answers we can on measures that are in the bill.

I can say that, as a tax policy branch, we provide advice to the Minister of Finance on tax measures generally.

• (1600)

Matt Strauss: If you provided advice through internal memos to the government on the GST credit that was announced this morning, would you be able to tell me you had? Would I be able to see those memos? If not, why not?

Pierre Leblanc: We're here to discuss what's in parts 1 through 4 of the bill. I hope we can continue to provide answers on that.

The Chair: I encourage members to stick to the budget implementation act, please.

Matt Strauss: I'm left with the same question. I don't understand why that couldn't be answered. My concern with the budget implementation act is there's a massive multi-billion dollar spend that's been announced to do with tax policy, but it's not in the document before us. I'm asking honestly, as a new parliamentarian, if someone can explain to me why it isn't. Now that it has been announced, will your department be modelling the effects of this tax credit on inflation? When will this committee be hearing about those models now that it has been announced?

Pierre Leblanc: When that measure, which was announced today by the Prime Minister, is put forward in a bill and you consider it as parliamentarians, that's when we as officials will be able to answer those questions before you and your committee.

Matt Strauss: It was announced today, but your department has not modelled it yet. Is that correct?

The Chair: Mr. Strauss, I would just ask that we stick to the budget implementation act, because that's what officials are here to discuss today.

Matt Strauss: I'm of the view that this should be in the budget implementation act. I'm looking to understand why it isn't.

The Chair: It's probably a question better posed to the minister than officials, so if you could, stick to the budget implementation act.

Matt Strauss: Terrific.

There's an \$80-billion deficit in the budget that was passed and that the present act implements. Can you help me understand what percentage of that new deficit will be monetized by the Bank of Canada?

Pierre Leblanc: We're here to answer questions on parts 1 through 4 of the bill, and we'd be very pleased to do so.

Matt Strauss: Thank you.

Parts 1 through 4 of the bill include tax measures that create the \$80-billion deficit before us. I'm wondering if your department has modelled how the deficit that is an outcome of this \$80 billion from the tax measures will be monetized.

Pierre Leblanc: There are colleagues of ours who deal with the macroeconomic effects of fiscal measures that are taken into account, so—

The Chair: That concludes the five minutes for this round. Thank you, Mr. Strauss.

We're going to continue. Mr. MacDonald, you have five minutes.

Kent MacDonald (Cardigan, Lib.): Good afternoon, Madam Chair.

Good afternoon, witnesses.

I want to start with a discussion of the lifetime capital gains exemption that's in budget 2025. I believe it's in parts 1 to 4, so we'll be good there.

I'm a representative from Atlantic Canada. The lifetime capital gains is an instrument that farmers, fishers and small businesses

have used extensively to allow them to transition their businesses and have money for retirement. The increase from \$1 million to \$1.25 million that is in the budget.... Will that keep increasing over time? I read that it's going to be indexed in 2026. Do you know the index level? How will that increase over time?

Pierre Leblanc: You're right: Budget 2024 proposed—and you have this before you in Bill C-15—to increase the lifetime capital gains exemption limit. It would have been otherwise, in 2024, just over \$1 million, so...to \$1.25 million in 2024 and in 2025.

You also rightly mentioned that 2026 is the first year of indexation. We use the same indexation factor that we use for the rest of the tax system. It's based on the consumer price index, and for 2026 that's 2%. That's applied to the LCGE, just as it's applied to other tax parameters. The result is, now, that the LCGE in 2026 is \$1.275 million, so it went up by \$25,000. Basically, it'll continue to be indexed going forward, so next year and in future years by the same.... It will depend on the consumer price index and how that evolves, but it'll basically continue on that upward track, in accordance with CPI.

Kent MacDonald: Can you give any opinion on the level of capital gains exemption? Do you feel it's high enough for the industries that it's been applied to?

• (1605)

Pierre Leblanc: The purpose of the measure is to increase incentives for entrepreneurship. In some ways, there are links—more on the entrepreneurship side—to what my colleague, Mr. Baylor, was talking about: investment. It's always, with any level, a balancing act between encouraging certain types of activity and collecting a certain amount of revenue. What the government proposes here is that \$1.275 million, in 2026, is an appropriate level.

The other thing I'd add is that it's per individual. You mentioned farming businesses in your riding; often, there can be two spouses who own, so that can be multiplied if they're both owners. In that case, you could have \$2.55 million in 2026 in joint LCGE limits.

Kent MacDonald: That's a good point, because I just went through a succession plan with three brothers, and it's an exemption of several million dollars, so it does fit. It's welcome news, in the budget, for Canadians who worked hard all their lives and want to get something out of their business.

Now, further along that vein of questioning, we've also extended the capital gains exemption for employee ownership trusts to include worker co-operatives. In Atlantic Canada, we have a lot of that in the agricultural community. Can you elaborate on how the employee ownership trust works—just the schematics of it, maybe a little about who is and is not eligible—now that it will also cover the workers' co-operatives?

The Chair: Be very brief. We have 20 seconds left.

Pierre Leblanc: The main idea with an employee ownership trust is that there would be an incentive extended to worker co-ops. This is up to \$10 million tax-free on the capital gains realized when you sell a business that, in the case of an employee ownership trust, is going to be owned for the benefit of employees.

The Chair: I apologize, Mr. Leblanc. I have to cut you off. Thank you very much.

Thank you, Mr. MacDonald.

[Translation]

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I'll continue along the same lines.

Our media sector is in crisis. Whether it's television, radio or local newspapers, we're seeing media shut down. By axing the digital services tax, which was going to give them a royalty to compensate for the content the major platforms often steal from them, we're pulling the rug out from under them and taking away their means of survival.

As I understand it, only the Bloc Québécois here in Parliament is defending these media. The day after the cuts to TVA, the member for Montmorency—Charlevoix criticized the Bloc Québécois in the House of Commons for wanting to help these businesses.

I understand that the government is scrapping the digital services tax and the royalty that comes with it. I'd like to know if there's anything in the budget specifically to help the media, which will be paying directly for eliminating the digital services tax.

Ingrid De Freitas: Thank you for the question.

[English]

To clarify, the digital services tax is a tax, so the revenue from that would go into the consolidated revenue fund. It would not have been earmarked to give to certain media companies.

There are other digital measures that are not taxes—I'm not here to talk about those—but sometimes there's confusion between these different measures. This is to clarify that the digital services tax is just a tax—

[Translation]

Jean-Denis Garon: I'll rephrase my question.

Is there anything in this budget to help our media in the context of the crisis they're currently experiencing? Is there even a single measure or line on that?

[English]

Ingrid De Freitas: I am here for the DST. If any of my colleagues are aware of other.... I think all of us here are from the tax policy branch right now.

[Translation]

Jean-Denis Garon: We have an army of officials here. Can someone tell me if there's even a single measure to address this?

Pierre Leblanc: Perhaps we can ask our colleagues from the department and then provide you with an answer.

• (1610)

Jean-Denis Garon: Yes, please.

I have one last question.

The underused housing tax violated provincial jurisdiction and encroached on the scope of the property tax.

Is this like the luxury tax on planes, where the government just realized that it wasn't working, that it couldn't be implemented and that the government was wasting money administering the tax? Why was that tax scrapped?

The Chair: Thank you, Mr. Garon. Your two and a half minutes are up.

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

Eric Lefebvre (Richmond—Arthabaska, CPC): Thank you very much, Madam Chair.

Thank you to our guests here today.

Can the officials concerned tell me how much it cost to prepare to introduce the digital services tax, which was ultimately scrapped?

Ingrid De Freitas: Thank you for the question.

[English]

I don't have information available on a breakdown of how much it cost to put this together. When we work on files, oftentimes we have a lot of the same people working on multiple files at once, so that kind of data may not be available. Even when systems are built, sometimes the system will be administering more than one tax at the same time. Different components of both the finance department and the CRA do different functions, so I think that kind of number would be challenging to come up with.

[Translation]

Eric Lefebvre: Can you confirm that no money has been collected under the digital services tax?

[English]

Ingrid De Freitas: In the bill, you'll see there is a provision for the refund of the funds remitted to the CRA. The announcement regarding the rescindment of the digital services tax came the day before the first payments were due, so some payments were made. If this were to pass, those amounts would be refunded.

[Translation]

Eric Lefebvre: So, if the amounts collected are reimbursed, the net revenue for the country will be nil. Is that correct?

[English]

Ingrid De Freitas: That's correct.

[Translation]

Eric Lefebvre: Earlier, you said that, for 2023-24, \$2.3 billion in revenue won't be collected. We're talking about \$900 million for subsequent years. The Minister of Finance and National Revenue, the Hon. François-Philippe Champagne, announced that this tax will be eliminated in anticipation of a trade agreement with the United States. In fact, we had expected to reach an agreement with the United States before July 21, 2025. We're losing \$2.3 billion for 2023-24 and \$900 million for subsequent years, and we're getting nothing in return. We gave something up with nothing guaranteed in return during negotiations. Negotiations never resumed. They're at a standstill.

How can the Department of Finance make up for these losses?

[English]

Ingrid De Freitas: Madam Chair, I'm not sure this is a technical question relating to the repeal of the DST.

The Chair: I understand.

[Translation]

Mr. Lefebvre, would you like to continue?

Eric Lefebvre: In that case, I'm going to ask you another question—and I say this for the record, it's not about the content. It's about the form.

Today, we saw \$3 billion in expenditures added to the budget. That was unanticipated. How does the Department of Finance see this being managed on a piecemeal, day-to-day basis? It's been three months since the budget was drawn up and tabled. Now we have \$3 billion in unexpected new expenditures on top of that.

As a manager, how can you deal with that if you're getting these kinds of requests day to day, not knowing if there are going to be further expenditures of \$3 billion, \$5 billion or \$10 billion next week? How can you govern at the Department of Finance?

Pierre Leblanc: These are choices made by the government.

In budget 2025, the government established its fiscal framework for measures announced up to that date, including those included in the budget.

Our first budget was presented in the fall. We will have a spring economic statement. The government is going to establish a new fiscal framework. The framework will include all measures announced since budget 2025 was tabled and those announced in the economic statement. It's—

• (1615)

The Chair: Thank you, Mr. Leblanc. I have to cut you off.

Thank you, Mr. Lefebvre.

[English]

We will continue with Mr. Sawatzky for five minutes, please.

Jake Sawatzky (New Westminster—Burnaby—Maillardville, Lib.): Thank you, Madam Chair.

Thank you to the witnesses for coming here today.

I think the broader context is that a lot of the feedback we get from day to day is with regard to affordability. A lot of Canadians are struggling to pay their bills and to pay their rent, and they've asked the government for further supports to help them with that. One of those supports is the announcement that was made today of the Canada groceries and essentials benefit. I think it will be a very welcome introduction.

Another thing that was in the budget... A lot of low-income Canadians currently miss out on essential supports such as the GST/HST credit, the Canada workers benefit, the Canada child benefit and others they are entitled to, and this is because they just don't file taxes. Budget 2025's automatic federal benefits initiative is expected to reach up to 5.5 million low-income Canadians by 2028.

I want to ask one of you this: How will this automatic, prefilled tax return system improve benefit uptake and help ensure that Canadians, especially people who are unaware of their eligibility, receive the financial supports they're entitled to?

Stefania Bartucci (Director, Strategic Projects, Personal Income Tax Division, Department of Finance): You're right. Budget 2025 announced a couple of measures on automatic federal benefits, the predominant one being that the CRA will start to offer prefilled returns for the 2026 tax year—in spring 2027—to one million lower-income Canadians. This will scale up to five million lower-income Canadians for the 2028 tax year—in spring 2029. Basically, an individual will be able to go into their CRA My Account, and the CRA will present them with a simplified version of their tax return that includes the information the CRA has on file for them. The individual will be able to modify certain fields as necessary and then submit the return directly to the CRA. In that way, it'll be a quick assessment, hopefully. The CRA will determine benefit entitlements upon that filing.

Jake Sawatzky: Thank you very much. This is fantastic. I'm sure a lot of people will really be looking forward to this. I know that filing taxes causes a lot of headaches sometimes, and I think this will be a very welcome change.

On the same note of affordability, people in my riding of New Westminster—Burnaby—Maillardville have also reached out to me, inquiring about the Canada disability benefit, which increases the financial well-being of low-income working-age persons with disabilities. To ensure that other federal supports are not reduced because of the receipt of the Canada disability benefit, how would the exemption of the benefit from the computation of income tax help?

Pierre Leblanc: Thank you for the question.

You've described the Canada disability benefit as an important measure for persons with disabilities. As for what's in this bill... Under current law, Canada disability benefits would be treated in the same way as social assistance. The way that social assistance is treated for tax purposes is that it's in and then it's out. It's in for the purposes of calculating income-tested benefits, such as the Canada child benefit, but then it's taken out before tax. People don't pay tax on social assistance or on amounts that are considered social assistance, but it does affect the calculation of their income-tested benefits.

On what this measure is doing, it's in the spirit of making sure that those receiving the Canada disability benefit can benefit from the full amount. It will exempt the amounts completely, so they won't be included at all. They won't be in and out. It just means that in the first place, they won't be in, meaning they won't affect the calculation of entitlement to income-tested benefits, such as the Canada child benefit and several others.

• (1620)

Jake Sawatzky: Thank you.

That's another great change. I know there was a lot of feedback from having people to committee to advocate for the importance of the Canada disability benefit. I think it's just a testament to how important the committee is and how this dialogue is very constructive.

Switching topics, another thing this government is very focused on is productivity and increasing investments into the country, as well as encouraging businesses to invest in themselves, so to speak. Can you explain how allowing businesses to immediately expense the cost of new machinery, technology and equipment—

The Chair: I apologize, Mr. Sawatzky. That's your time.

We've concluded the speakers list for this section, but we have another couple of minutes. I'm wondering if it's the will of the committee to give two more minutes to each party—

An hon. member: Yes.

The Chair: —or if you want to wrap this up and start on the next one.

Do we have agreement there?

Some hon. members: Agreed.

The Chair: Okay.

Mr. Hallan, we'll start with you for two minutes.

Jasraj Hallan (Calgary East, CPC): Thanks to the officials for being here.

The Canadian Energy Marketers Association brought forward concerns regarding the carbon tax rebate. Their gas station and wholesale fuel provider members purchased fuel with the consumer carbon tax, but after April 1, 2025, they couldn't charge customers for the same carbon tax.

The association is asking for the carbon tax rebate for their members who paid the carbon tax up front but were subsequently forbidden from collecting it. Will gas stations and wholesale fuel providers receive a carbon tax rebate?

Gervais Coulombe (Director General, Legislation, Sales Tax Division, Department of Finance): Madam Chair, the legislative repeal of the federal fuel charge is currently at the Senate in Bill C-4. I think Bill C-4 received the approval of the House shortly before the break, so the matters the member is raising here are not part of Bill C-15. They were part of Bill C-4, and I'm not aware of any such rebate that either has been announced by the government in the budget or included in Bill C-15 before us.

Thank you.

Jasraj Hallan: Okay.

Is that it, Chair?

The Chair: You have 35 seconds if you want them.

Jasraj Hallan: Quickly, Mr. Baylor, in response to Mr. Kelly, you said that the productivity superdeduction measure would generate \$9 billion of economic activity. Is that correct?

Maximilian Baylor: Yes. I'm just quoting from the budget. They did simulations. I can read it for you so it's precise, but—

Jasraj Hallan: Can you just confirm that it's \$9 billion?

Maximilian Baylor: It's \$9 billion annually over the next 10 years in terms of economic output.

The Chair: Thank you, Mr. Baylor.

Thank you, Mr. Hallan.

[*Translation*]

Mr. Garon, do you want the floor for two minutes?

Jean-Denis Garon: Of course. No one can say no to that, Madam Chair.

I would like to know whether small modular nuclear reactors, whose uses include heating water to produce more oil from the oil sands, will be eligible for the clean electricity tax credit.

Maximilian Baylor: Yes. The clean electricity tax credit includes all nuclear technologies.

Jean-Denis Garon: Then, nuclear technologies used to extract more of the dirtiest oil in the world will be granted a tax credit known as the clean electricity tax credit by the federal government. This is my last question: Do you think that the tax credit has been misnamed?

Maximilian Baylor: The nuclear technology itself, which generates electricity, is what is clean. That's the idea.

Jean-Denis Garon: Oh, yes, okay, it's clean.

Thank you, that's all.

The Chair: Thank you, Mr. Garon.

Mr. Leitão, you have the floor for two minutes.

Carlos Leitão: Thank you, Madam Chair.

[*English*]

I want to go back to the digital services tax. It was terminated, but do you have a view on the likelihood that Canada would have been able to implement such a tax? I think we were the only ones, at least in the G7, trying to do such a thing. We weren't quite sure if it was going to work. Can you address that?

• (1625)

Ingrid De Freitas: Thanks for the question.

There are other countries that have digital services taxes in place and are collecting money—for example, France, the U.K. and Spain. I'm not sure I fully understand your question in terms of whether it would be possible to implement.

Carlos Leitão: In Europe, in France and the U.K., theirs are much smaller, of course, than what was proposed here, but even there they've had increasingly complex issues with regard to applying those taxes to foreign-owned service providers.

Ingrid De Freitas: I don't think we have information on how the administration of the European DSTs is going. They are collecting money with their DSTs.

Carlos Leitão: Do I still have some time left? Okay.

With regard to marginal effective tax rates, some interesting charts in the budget indicate that Canada now has, after all the changes made in the budget, one of the lowest METRs in the OECD area. I would like you to confirm this. I guess your group contributed to making the calculation.

The Chair: Unfortunately, we will have to get an answer at another time. Thank you, Mr. Leitão.

I hope the committee will join me in thanking the officials for coming and spending this hour with us. I want to note that a number of questions that committee members asked are ones that the department and officials are endeavouring to return to us on. We look forward to getting those responses. The analysts have made note of those questions, so we will follow up on this.

Again, thank you very much for your time and your work and for being here with us today.

We will now suspend while we change over to the next round of officials.

Thank you.

• (1625)

(Pause)

• (1635)

The Chair: Welcome back, colleagues. We will resume the meeting.

I'm going to say something slightly different. We just got some very unfortunate news that one of our former colleagues, Kirsty Duncan, has passed away, and I wanted to take a moment to reflect on her service and contribution.

Many of us in this room had the opportunity to serve with her. She was an excellent person. I'm sorry to have to let you know, but there are many people who pass through and whom we get to work with regardless of what side they're on, and we're fortunate to have known them. She served for many years and was a good friend to people on all sides.

With that, here's a reminder that for the second hour, we'll focus on non-tax measures in part 5, divisions 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 22, 26, 37, 38 and 45.

I would like to welcome our witnesses. Again, I'm not going to go through and read the entire list, because there are many of you. Members are invited to direct their questions to someone in particular, but I hope officials can determine which questions they are able to answer. With that, we are not doing opening statements, so we will go straight to the speaking list and begin with Mr. Kelly for six minutes.

Pat Kelly: Thank you.

As the first one with the floor after hearing that bit of sad news about a former colleague, let me extend, on behalf of my caucus, our best wishes and our thoughts for her many friends in your caucus and our deepest condolences to her family in this time of grief. It is very sad news that you had to report to us, but thank you for bringing it to our attention.

Again, I'm having to flip back and forth to get the correct names of the right officials. On division 9—"Consumer-Driven Banking"—this would be a question for Ms. Fraser.

How will this piece speed up the establishment of a proper consumer-driven banking industry? The lack of competition in Canada's finance sector is a productivity drag. This is something that Conservatives have brought to the attention of the government over the years. There was a Conservative private member's bill to establish consumer-driven banking, and there has been much delay in getting us where we need to go. I will give you a few minutes to talk about what this will do technically so that we can be assured commitments that were long made can be fulfilled on consumer-driven banking.

Kirsten Fraser (Director, Financial Services Innovation, Department of Finance): Thank you very much for the question.

The legislative pieces in the bill include the ones that will get the framework going and off the ground. They are accreditation, which is the path to entry for entities that need to participate in the system, and the common rules governing privacy, liability, security and privacy, including consent.

As you mentioned, the government introduced the first part of this bill in 2024, including the scope. This sets out the types of accounts and types of data included in the scope of the framework, as well as the technical standards elements, which are effectively the instructions for how entities will communicate with each other.

The pieces included in the bill are really the active elements of the framework. These are the path to entry and the rules under which entities will be required to comply to participate in the framework.

• (1640)

Pat Kelly: My former colleague Ryan Williams, even before 2024, introduced legislation to try to establish this in Canada.

I'd like to move to division 13 and the equity threshold related to the capitalization of financial services companies and the minimum ceiling moving from \$2 billion to \$4 billion. I would like some...expectation of what firms will be affected by this. Is it believed that a number of firms will be captured by this that previously were not? How will this help increase competition in the financial services sector?

Khusro Saeedi (Senior Director, Strategic Initiatives, Department of Finance): Thank you for the question. I'm happy to respond.

Pat Kelly: Go ahead.

Khusro Saeedi: The financial institutions sector has a size-based ownership framework in which companies—financial institutions, banks and insurers—as they grow larger, are subject to different ownership rules to reflect the level of risk and their level of importance in the economy. Those thresholds are periodically updated to reflect the growth of the economy, inflation and the relative size of institutions in the sector.

In this piece of legislation, the medium-sized threshold—the threshold for firms that are growing through and would be required to float 35% of their voting shares on a stock exchange—is being moved from \$2 billion to \$4 billion. This means that the number of smaller institutions that are currently wholly owned by a single shareholder would have, if they were approaching the \$2-billion threshold, greater flexibility in their ownership structure until they

hit \$4 billion, at which point they would be required to float 35% of their shares.

Pat Kelly: Okay, that's understood.

How many of these kinds of firms exist? Is the old threshold preventing, making more difficult or disincentivizing growth and innovation in the finance industry? If so, what is the expected outcome for this change?

Khusro Saeedi: There are a number of banks and insurers that fall around or below the \$2-billion threshold. It is difficult to say how quickly they would grow because this depends on their business strategies. However, they are below the \$2-billion threshold and could potentially be affected.

Pat Kelly: I only have a few minutes left.

Why \$4 billion? Why not \$10 billion?

We have a separate problem, although related, of the concentration of ownership within the sector—or at least a concentration of the number of players in the sector.

Khusro Saeedi: The threshold is updated to reflect the growth in the economy and inflation. The threshold was last updated in 2006. That was a number of years ago. The move from \$2 billion to \$4 billion would roughly reflect the growth in the economy and inflation.

I think you asked how many institutions would be affected, and it's in the order of five to 10. It depends on how quickly they grow and what their strategies are.

Pat Kelly: It's five to 10 companies that would not be forced to divest when, currently, the shareholders would be forced to divest.

Khusro Saeedi: They would fall below the \$2-billion threshold and could potentially be going over the threshold depending on their own strategies, yes.

The Chair: That's great. Thank you, Mr. Kelly.

Mr. Fragiskatos, you have six minutes please.

Peter Fragiskatos (London Centre, Lib.): Thank you very much, Madam Chair.

At the outset, I'll mention—I've talked to almost all colleagues but not everyone just yet—that I will be here in place of Mr. Turnbull over the next few weeks, through the budget implementation act and perhaps beyond that. I'm very much looking forward to working with you, Madam Chair, committee members and staff.

I'm also certainly looking forward to working with you, public servants, and engaging with you today. Thank you very much for your contributions.

My question relates to housing, and it's just a question from 30,000 feet, if you like.

What will Build Canada Homes do? How is it different from CMHC?

That's for whoever wishes to take it.

Erin Hunt (Director General, Financial Crimes and Security Division, Department of Finance): Unfortunately, I have to say that no one from the Department of Finance is here to speak about that section of the bill today. That's not one of the areas that we're covering. Unfortunately, we don't have the experts here. We can take your question back with us, but the experts aren't here.

• (1645)

The Chair: Could you come back with an answer, please?

Erin Hunt: Yes.

The Chair: Thank you.

Peter Fragiskatos: We are looking at part 5, are we not? Part 5 includes Build Canada Homes.

The Chair: I'm sorry. Are we missing someone? Okay.

We could ask that you come back. Is there nobody here who would feel comfortable answering that question? No.

We will ask for a response from the revenue department, please.

Peter Fragiskatos: No problem.

Perhaps we can talk about consumer banking, then.

Again, just tell us in general terms—because most Canadians will perhaps have some familiarity with consumer banking—what the government is trying to achieve by going down this path.

Kirsten Fraser: The three core objectives for the consumer-driven banking framework are, first, economics, incenting competition and innovation, as your colleague spoke to; second, security; and third, consumer protection. The goal is to allow Canadians to securely share their financial data and information with accredited entities so that they can access new and innovative digital tools that allow them to improve their financial outcomes. Currently, people do use a workaround called screen scraping, which requires them to share their online banking credentials to access these services. It's neither efficient for the entities offering these services nor secure, whether for the Canadians using them or the entities with which they do their banking.

This framework puts in place a pathway to accreditation. It puts in place oversight and rules governing entities that will facilitate the secure sharing of financial information through technology called API technology.

Peter Fragiskatos: Thank you very much.

Can I ask, how do we compare now with G7 countries, for example, or if you want to look at the OECD, where are we with consumer banking and how would this alter that? I leave you to comment on it.

Kirsten Fraser: We are one of the last G7 countries to adopt this. The first-mover jurisdictions were the United Kingdom and Australia. This is often known as “open banking”, and it exists throughout jurisdictions around the world, not just G7 and OECD countries. This will bring us up to where those countries are.

I also note that the government has committed to advancing payment initiation, or “right access”, through a second phase, and this commitment to bringing forward legislative amendments by mid-2027 to bring about the second phase was in the budget. This

will bring us up to par with some of our G7 colleagues and, in fact, put us ahead of some of our other G7 colleagues, as well as jurisdictions throughout the world that have not moved on the right access or payment initiation aspects of this.

Peter Fragiskatos: Thank you very much, Ms. Fraser.

In the end, we basically have a policy that will make it easier for the everyday person....

Kirsten Fraser: Yes...to securely and efficiently share their financial data to access services that will allow them to improve their financial outcomes.

Peter Fragiskatos: Okay. Thank you very much.

Again, I'll be posing general questions, at least at this first meeting.

I want to ask about the Red Tape Reduction Act. What, exactly, is the government moving with here? What is the intent and how will it work?

Kirsten Fraser: I don't know whether we have anyone here from the Department of Finance who can speak to that today. Certainly, we can take that question back and come back to you with answers.

Peter Fragiskatos: Ms. Fraser, on consumer banking, you talked about security aspects—at least, you alluded to them. Could you go into that again and expand on it? What is being done to ensure security—or as much security as one can hope for?

Kirsten Fraser: The legislation sets out requirements for entities seeking accreditation or participation in the framework to meet certain standards. The specific details of those will be set out in regulation.

The second part—

• (1650)

The Chair: Thank you, Ms. Fraser.

Thank you, Mr. Fragiskatos. That is time.

[*Translation*]

Mr. Garon, you have the floor for six minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I'd like to talk to you about the Alto high-speed train.

Modern Canadian expropriation laws followed the despicable expropriations by the federal government in my riding, in Mirabel, in the 1970s, crimes committed by Ottawa for which the federal government has yet to apologize. However, the budget suspends sections 9 and 10 of the Expropriation Act and removes the right of potential future expropriated owners to hold public consultations.

So far, Alto has behaved in a highly inappropriate manner. On January 22, it published a new route without ever telling anyone that it was crossing my riding from one side to the other. It announced that it was going to hold three half-day consultations the following week, without giving mayors, civil society and farmers time to prepare.

Can anyone here tell me how suspending these sections will not leave room for gross, inappropriate and abusive behaviour by the federal government in my riding, which still bears deep historical scars when it comes to expropriation?

[*English*]

The Chair: Is there anyone from the Department of Finance who's able to...? I understand that's probably more of a transport question.

[*Translation*]

Jean-Denis Garon: That's in part 5 of the bill, Madam Chair. Surely someone here knows it.

The Chair: Yes, I know, but I don't see anyone coming forward. Perhaps we can come back to that.

Jean-Denis Garon: Does Alto really need to tell people that they will be expropriated and that they will not be allowed to take part in public consultations, when we know to this day that Alto's behaviour is inappropriate in my very riding, which has become a symbol of expropriation?

The Chair: I don't see anyone from the Department of Finance who can answer that question. However, the Minister of Transport will be appearing next week, so you will have the opportunity to ask him your question.

Jean-Denis Garon: I'll move on to the next question.

The act is also being amended to allow the government to expropriate farmers' land by notifying them by email. In Quebec, even a notice of rent increase must be sent by registered mail, because we think that's important. In this case, they're going to be able to expropriate people by notifying them by email.

Can someone explain to me why, for a train line, the government had to be allowed to expropriate people by notifying them by email? What's the technical reason for that? We have officials here. Can they tell me the technical reason for that?

The Chair: Again, Mr. Garon, I don't think the officials here are going to be able to answer that question.

Jean-Denis Garon: Madam Chair, is division 5 of the bill covered here?

The Chair: Yes, and you can ask questions. I'm not going to tell you not to, but I don't see any officials who are going to be able to answer your questions.

Jean-Denis Garon: It's shameful, Madam Chair. It's shameful.

I'm going to ask a question about the Red Tape Reduction Act.

For regulatory sandboxes, the government is giving itself the right to allow the executive branch to suspend any law or regulation for a project that will promote innovation. I think you know that. It was well publicized.

I would like to know whether, theoretically, this provision can be used following a free trade agreement, for example, to suspend certain parts of the bill on the protection of supply management, if innovation is used as a pretext. Is that possible?

The Chair: Is there anyone who can answer that question?

Can you get an answer from the Department of Finance and provide it to us afterwards, please?

Jean-Denis Garon: How much time do I have left, Madam Chair?

The Chair: You have two and a half minutes.

Jean-Denis Garon: Bill C-15 threatens essential services at Quebec libraries because it will allow Canada Post to set its own rates without parliamentary oversight. We contacted people from libraries in Quebec who told us that this might prevent them from sending Braille publications to blind people at a preferential rate.

I would like to know if these specific cases were taken into consideration by the department.

Kirsten Fraser: There's no one here who can answer that question.

Jean-Denis Garon: Could you suggest any questions that you can answer?

Judith Hamel (Director General, Financial Services Division, Department of Finance): The officials from the Department of Finance in attendance today are here to talk about legislative changes or new legislation that falls under the authority of the Minister of Finance.

The questions you asked that deal with parts of the bill that fall under the authority of other ministers or other departments would probably be better put to officials in those departments.

• (1655)

Jean-Denis Garon: We're kind of wasting our time, but we're used to it at this committee. It happens a lot.

How much time do I have left, Madam Chair?

The Chair: You have one minute.

Jean-Denis Garon: Is anyone here able to tell me about the Stablecoin Act?

A voice: [*Inaudible—Editor*]

Jean-Denis Garon: Oh, come on. Madam Chair, mark this on your calendar.

Is it a currency or a security? There's a jurisdictional issue. I'm not sure yet. I don't have the answer to my own question, which is rare. Is it a currency or a security? In constitutional and legal terms, where do we stand in the division of powers?

Judith Hamel: I can start, and my colleague Gloria Wong can continue.

The legislation introduced does not define the stablecoin as either a currency or a security. That's actually to recognize that the stablecoin could be a bit of both or neither.

In fact, stablecoins are cryptoassets whose value is backed by a currency.

Jean-Denis Garon: If it's not a currency, it's not under federal jurisdiction. That's a problem.

The Chair: I'm sorry, but this round of questions is over.

[English]

We'll continue with Mr. Strauss for five minutes, please.

Matt Strauss: Thank you, Chair.

I was dismayed to hear that we wouldn't be talking about Build Canada Homes at all, but I am curious. I have a technical question in general about how the Department of Finance works—I'm a new parliamentarian—that does pertain to that section.

I guess some of you are generalists. I'm wondering if you could explain this to me. There's the \$11.5 billion in the Build Canada Homes act in part 5 of the BIA. Is this money disbursed yet, or is some part of the money disbursed? When will the money be disbursed? Is the money waiting on the BIA to be passed, or is money already flowing? Where is the money?

The Chair: Is there anyone who is able to provide an answer?

Matt Strauss: Not at all...? Okay. I will take that question back. I'm just trying to figure out how the department works. It's a good faith question.

A voice: We can take the question back to....

The Chair: Okay.

Matt Strauss: I would appreciate having the answer tabled.

I guess we are able to ask questions about stablecoin today. In general, what is the goal of the stablecoin act? What are we trying to prevent and what are we trying to accomplish with this act?

Gloria Wong (Director, Digital Assets, Department of Finance): Thank you for the question.

The goal of this measure is to provide a regulated space for issuers to issue stablecoins with certainty. Prior to this, there was no comprehensive regulation in Canada to regulate the issuance of stablecoins that flow across interprovincial and international borders. The goal of the act is to provide certainty for issuers who want to do this.

Ultimately, this would support innovation and people's confidence in the instrument and the use of it in digital payments.

Matt Strauss: Thank you for that.

Can you tell me how this is possible? If I make a cryptocurrency, call it "Mattcoin", say its value is supposed to be one dollar U.S., and people are trading it online, how does the Government of Canada even become aware this is happening? If there's a rug pull—I'd never do that—and Mattcoin goes to zero, how does the Government of Canada step in if I'm a mathematician in my basement in California?

Gloria Wong: This framework requires stablecoin issuers to register with the Bank of Canada. Issuers would have to submit an application to the Bank of Canada to let them know they're issuing a stablecoin that flows across international borders.

In terms of how we ensure that the value of the stablecoin stays the way it is, the proposed measure has requirements for reserve backing. For example, if an issuer issues a stablecoin that they claim is worth one loonie, they are required to put a loonie's worth of liquid asset as reserve so that when the holder of the stablecoin wants the money back, they can have confidence that they can have their loonie back.

Matt Strauss: If I'm operating in California and I make a stablecoin, and Canadians are buying it online, but I choose not to register with the Government of Canada.... I don't understand how the long arm of the law comes after me. It's a digital asset.

• (1700)

Gloria Wong: That's a great question. This is something we're working on with the Bank of Canada, as the regulator, to ensure that we could implement the framework effectively with respect to foreign issuers.

Matt Strauss: I'm concerned that it's impossible. If you create a digital asset in Moldova, you can work with the Government of Canada and the Bank of Canada all you want, but I don't understand how you ever....

It seems that the act is seeking to regulate something that is unregulatable.

Gloria Wong: If I may, there is another perspective to this. Many issuers who want to sell their stablecoins to Canadians are actually looking to be regulated under the federal framework, because it provides them with legitimacy. It is the way to provide their users with the confidence that their stablecoin is safe and people can use it with confidence.

Matt Strauss: For myself, as someone who banks in Canada and a Canadian citizen, I'm just looking at the definition of stablecoin—"a digital asset that is intended or designed to maintain a stable value" relative to some fiat currency. Why would I, as a consumer, ever be interested in buying a stablecoin with a value of one loonie rather than having one loonie in my digital bank deposit? Isn't that a digital store of value? There is no loonie in existence when RBC has my bank account. If there's one loonie in my bank account, that loonie doesn't actually exist. It's a digital asset, is it not? How is this different?

Gloria Wong: It gets to the potential use cases of fiat-backed stablecoins. You are right that, for many Canadians, stablecoins are not something they use day in and day out right now, but stablecoins are gaining in popularity in the use of international remittances. For example, under international use cases—

The Chair: I apologize, Ms. Wong, but that is time.

Thank you, Mr. Strauss.

We'll continue with Mr. Leitão for five minutes, please.

Carlos Leitão: Thank you very much, Madam Chair.

Let's continue with stablecoins and why we're doing this, because that's exactly where I wanted to go. Please continue. You were saying that in terms of remittances, that's one of the more interesting outlets for stablecoins.

Gloria Wong: Yes. This is one of the use cases around the world that are gaining in popularity. As you may be aware, right now, if somebody wants to send an international cross-border transfer to another country, it takes a very long time. The stablecoin has the potential to allow for real-time settlement and is more easily transferred across borders. This is one use case as payment that is gaining in popularity these days.

Carlos Leitão: I stand corrected, then. If you're a Canadian company or business thinking of issuing and offering stablecoins to the Canadian public, you have to register. If you're not registered, then, technically, you cannot offer the product to the population. It's just not allowed. If consumers then buy that in the parallel market, they won't get any protection from the authorities.

The first step is to make sure the providers are registered. Once they are registered, they can offer the product. There's a one-to-one ratio of real assets behind the issue. If I understand correctly, the greatest advantage is the speed of execution of transactions. You can make transfers very quickly; with more conventional payment systems, it can take awhile. Then there's the issue of the float: Where is the money? The money leaves your account but doesn't get to the other account for a long time; in the meantime, somebody is making some money.

For stablecoins, I see the interest and the usefulness—of course, first we have to pass the bill—but can you tell us how far the government is in the process of moving ahead with this product? First, you need the legislation, but then you need to engage with the Bank of Canada to set up the parameters for the registration process. How is that work going?

Gloria Wong: As you may be aware, the current legislation is relatively high-level, so the key will be to develop regulations for the associated legislation. The department is ready to move as soon as the bill receives royal assent.

• (1705)

Carlos Leitão: As soon as we get royal assent, there will be a number of things that we can do, and that will be one of them.

[Translation]

How much time do I have left, Madam Chair?

The Chair: Two minutes.

Carlos Leitão: Oh, my goodness, it has to be fast.

[English]

On consumer banking, one measure in the budget—and perhaps you could explain it more clearly than I can—is to make sure that... When consumers, often elderly people, deposit their cheque in their

chequing account, sometimes there's a hold. Funds are kept on hold because you have to wait for the cheque to clear. If I understand correctly, there are some measures in the budget that will diminish the amount of funds that will be kept on hold until the cheque clears. Am I interpreting it correctly?

Mark Radley (Director, Consumer Affairs, Department of Finance): Yes, that's right. There's one main thing in the BIA, and that is to increase the amount of available funds. Typically, when a consumer deposits a cheque at a bank, they have immediate access to \$100, and the rest.... There are a few different time periods, but it will be held for several days. What the BIA proposes here is to increase that first available amount to \$150.

Carlos Leitão: As a quick question, why do we need a legislative change to do that? Couldn't the Department of Finance just tell the banks to do that?

Mark Radley: Regulation is another option. I would note, as well, that the budget also spoke to the plan to develop some regulations to decrease the whole period.

[Translation]

Carlos Leitão: Okay, thank you.

The Chair: Thank you, Mr. Leitão.

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

First, regarding my previous questions, I won't raise a point of order, but, if possible, I would very much like us to follow up with the department to ensure that I get answers, Madam Chair.

I have a question about division 17 of part 5 of the bill, which deals with the Canada Deposit Insurance Corporation Act, the Bank Act and the Financial Consumer Agency of Canada Act.

The text of the federal act states that it is up to the recipient of the data to obtain consent. In Quebec, however, Desjardins is required to obtain the consent of its customers in accordance with Bill 25, which applies to Desjardins.

In short, the crux of the matter here is that there seems to be a discrepancy between the legislative provisions that will apply to federal co-operatives and those that will apply to Desjardins. I was wondering if there had been any conversations with Quebec or if steps had been taken with the province to ensure regulations are similar and aligned, since Quebec's Bill 25 was passed not too long ago.

[English]

Kirsten Fraser: The core piece of information here is that it's the consumer initiating the transaction. The consumer is dealing with one entity and being asked to give their consent to receive information from the other entity in order to provide a service or product.

[Translation]

Jean-Denis Garon: I understand that. We can understand how that works and why.

However, the fact is that Quebec just passed a law barely a year and a half ago that deals with the same issue and applies to Desjardins, the largest financial co-operative in the country and the largest financial institution in Quebec. I'm wondering whether there have been conversations to ensure that the discrepancy between the two regulations will be resolved?

[English]

Kirsten Fraser: Yes, there have absolutely been discussions with the provinces. I have to be frank: We haven't had a conversation about this specific issue—

[Translation]

Jean-Denis Garon: I'm not talking about the other provinces. I'm talking about Quebec.

[English]

Kirsten Fraser: It has not been raised with me that there is a misalignment.

We've been working with provincial representatives throughout, I would say, the last several years to ensure that there isn't misalignment, so—

[Translation]

Jean-Denis Garon: I'm not talking about the other provinces. I'm talking about the Desjardins case, because it is specifically dealt with in Bill 25. You have certainly studied Bill 25. That was part of your homework.

[English]

Kirsten Fraser: Certainly, we have had conversations with Desjardins and with representatives from the Province of Quebec.

[Translation]

Jean-Denis Garon: Have you come up with any solutions to ensure that the regime that is currently applied at Desjardins and that has been modernized won't be too different from the one applied to other co-operatives? That's the question.

[English]

Kirsten Fraser: Yes. I can speak to this very quickly.

The first is—

The Chair: Unfortunately, we've run out of time for this round.

[Translation]

Thank you, Mr. Garon.

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

Eric Lefebvre: Thank you, Madam Chair.

I want to join my colleague and all the members of our caucus in offering our deepest condolences to you, Madam Chair, the Liberal family and all the elected members here. I think we're still affected. Regardless of political stripe, we develop friendships over the years. My thoughts are with her family and the entire Liberal family.

My question is about division 16 of part 5 of the Bank Act, concerning consumer fraud. Do the proposed amendments to division 16 require banks and telecom operators to block fraud in real time?

• (1710)

[English]

Mark Radley: The short answer is that the budget implementation act proposes several elements. One is around policies and procedures. We are enumerating several issues that banks would need to have policies and procedures around, as well as the potential to prescribe additional policies and procedures through regulations.

[Translation]

Eric Lefebvre: Will any direction be given for this to be done? Is that the goal?

[English]

Mark Radley: Are you asking about the objective for the policies and procedures?

In the Bank Act, it is fairly typical for there to be requirements around policies and procedures. One benefit of having policies and procedures is that it creates a more rigorous system within the bank to address issues. As well, if the bank does not follow its policies and procedures, then customers can address that through an external complaints process.

In the absence of policies and procedures, it is relatively more difficult to use this avenue of seeking some sort of remediation or rectification of the issue.

[Translation]

Eric Lefebvre: We want mechanisms to be put in place to instantly stop fraudulent transactions against seniors. We also have to impose penalties and sanctions on people who commit crimes like this against seniors. We have a duty to reassure seniors by letting them know that penalties will be imposed on people who commit this type of crime.

Is that where you are headed right now?

[English]

Mark Radley: That is not within the budget implementation act, but I would note that budget 2025 also announced the development of a national anti-fraud strategy. This will be a multisectoral strategy, and it is under development as we speak.

[Translation]

Eric Lefebvre: Division 38 seeks to amend the Borrowing Authority Act to increase the maximum borrowing amount from \$1.8 trillion to \$2.126 trillion.

When was the last time the country's borrowing capacity was increased?

Matthew Emde (Director General, Funds Management Division, Department of Finance): The limit was increased in spring 2024. That was the last time.

Eric Lefebvre: On average, how often is the borrowing capacity typically increased?

Matthew Emde: It is usually done every three years. That is our goal, but it depends on the circumstances.

Eric Lefebvre: You're saying that it should typically be done every three years. Right now, we're increasing the borrowing capacity every 18 months, or every year and a half.

The deficit rose to \$78 billion for 2025-26. The projected deficit is \$65 billion for 2026-27, \$64 billion for 2027-28, \$58 billion for 2028-29 and \$57 billion for 2029-30. That's a total of \$321 billion.

Debt charges in 2025-26 are \$55.6 billion. That's more than all the GST collected across the country.

Now we're printing money. The debt continues to grow.

How do you see the debt progressing? Do you see that we're headed for a wall? When can we expect to return to a balanced budget?

• (1715)

The Chair: Thank you, Mr. Lefebvre. This round is now over.

[English]

We will continue with Mr. Fragiskatos for five minutes.

Peter Fragiskatos: Thank you, Madam Chair.

I'll be asking about part 5, division 44, on the national school food program act. Are officials here okay to answer that?

No. Okay.

We'll have to return to that, Madam Chair. As you know very well, that is really important and a critical issue, I think, for all parliamentarians in a difficult time.

There's a health measure I want to point to in division 25, part 5, on the Human Pathogens and Toxins Act. Admittedly, it's perhaps an obscure area, but as far as health care is concerned, and lessons from the pandemic, I want to put it forward as a question.

I'm not sensing that we have someone here to look at that either.

The Chair: Just for clarity, the officials are here from the Department of Finance. They can answer questions related to matters that are under the purview of the Department of Finance.

Peter Fragiskatos: Okay.

Take it as a compliment: I consider the Department of Finance to have purview over everything.

Voices: Oh, oh!

Peter Fragiskatos: We'll go back to consumer banking, then, and where we left it in terms of the path forward.

Ms. Fraser, you were saying before, in the back-and-forth we had, that this would put us—I think you said—at the very least on par with what other G7 countries have pursued.

Kirsten Fraser: Yes.

Peter Fragiskatos: Okay. Are there gaps remaining? Are we completely up to date, particularly with security? Are there lingering issues that still need to be addressed?

Kirsten Fraser: I guess the benefit of being a fast follower is that we've had the opportunity to look at what other jurisdictions have done, particularly with respect to security. I feel fairly confident in saying that the aspects outlined in the legislation are aligned with what our colleagues have done who have open banking or consumer-driven banking frameworks in place.

It's an interesting question. When you look across jurisdictions that have open banking, typically you would see that it's what we would call broad but not very deep. In Canada we have a number of types of accounts that range from almost anything you can think of in terms of the type of banking account you have, but in the first phase we'll have “read only”. That's not a very deep framework. Then, in other jurisdictions, you'll have a much narrower scope, in terms of just having chequing or savings accounts, but more depth in terms of the functionality—the ability to initiate a payment, for example.

As I noted, the government is committed to introducing legislation that would facilitate the introduction of the second phase of open banking, which would allow action initiation, or “write access”. Again, this would put us on par with and/or ahead of our colleagues in other jurisdictions with open banking systems.

Peter Fragiskatos: Are there any implications here for the Bank of Canada [*Technical difficulty—Editor*] relating to that?

Kirsten Fraser: Relating to...?

Peter Fragiskatos: The Bank of Canada....

Kirsten Fraser: The oversight administration has been transferred to the Bank of Canada. This is contained in the legislation. It was done with a view to having an efficient and expedited process to implementation.

It's also logical from the perspective that the bank is already overseeing the RPAA, which deals with payment providers, with payment services providers. The government has announced its intention to move forward with a payment-enabled system of consumer-driven banking. From an efficiency and a logical alignment perspective, that's why the decision was made to transfer to the Bank of Canada.

There's also a question of efficiency for the entities. From a perspective of talking about competition, having both frameworks where there will be a lot of similarities in terms of the participants being overseen by the same entity brings a lot of the efficiencies in terms of the ability to get these entities into the various frameworks that they would be participating in.

• (1720)

Peter Fragiskatos: Okay. Thank you very much.

The Chair: Thank you, Mr. Fragiskatos. That concludes your time.

Colleagues, we have gone through the speakers list for this round, but we still have a bit of time left. Would we like to do another round of three minutes each?

Some hon. members: Agreed.

The Chair: Sure. Okay.

That being said, is there someone from the Conservatives who would like to go?

Mr. Strauss, you have three minutes.

Matt Strauss: Thank you, Chair.

I'm still really interested in the thinking behind the stablecoin act. By my limited reading of the act...what if I said, "My name is Matt; I want to issue Mattcoin, and everyone at this table should give me \$1,000. I will keep it in a safe, and the location of the safe is secret"? Would I then apply to the Bank of Canada to get the imprimatur of the bank that I'm now a regulated stablecoin under this act?

Gloria Wong: I'll start by indicating that the location of the reserve assets will be determined in regulation. Currently, the regulations require issuers to hold assets at least on a one-to-one basis, but there is regulation-making power in the legislation for the government to prescribe how those assets will be held. Also, each share will be subject to disclosure requirements. There will be a level of transparency that an issuer is required to provide in order for the stablecoin to be in compliance with the act.

Matt Strauss: Are you not at this time able to tell me what the location of the assets might have to be? I'm curious. Is it possible that I can say it's gold bars in Switzerland, or will it have to be deposits at an existing Canadian bank?

Gloria Wong: Yes, there is a desire.... In looking at international frameworks, assets are usually required to be held in high-quality liquid assets, simply to facilitate redemption, because the act also requires timely redemption on the part of issuers. In order to secure the one-to-one peg, it would be a lot riskier for issuers to put assets—or the backing assets—in investments that are not as liquid or as easily redeemed or liquidated. That is one objective of the frame-

work, and the regulation will provide further details to ensure that issuers are actually able to liquidate the reserve assets on demand.

Matt Strauss: My understanding is that there are already hundreds of billions of dollars in stablecoins. I understand that a large part of that market is a stablecoin called Tether. I can't recall the name of the second one. Are they currently regulated? If so, by whom? Do you anticipate that they would be applying for regulation with the Bank of Canada?

Gloria Wong: Our understanding is that Circle is either seeking or has sought to file a prospectus under the provincial securities law. Currently...the Canadian Securities Administrators have issued interim guidance detailing what's required for a stablecoin to be listed on a crypto trading platform.

Matt Strauss: Okay. If I purchase a stablecoin that eventually goes through this application process and then has the imprimatur of the Bank of Canada on it, is it your intention or the intention of this act that my holdings will be insured the way my bank deposits are?

Gloria Wong: No. It actually makes it clear that stablecoins are not subject to CDIC insurance.

The Chair: Thank you, Mr. Strauss. That concludes your three minutes.

Monsieur Garon, you have three minutes.

[*Translation*]

Jean-Denis Garon: Thank you, Madam Chair.

Division 22 of part 5 concerns the Canada Development Investment Corporation Act. We will have to study this in committee, but the act is being amended in a way that seems to allow the government to own the Trans Mountain pipeline for a longer period of time.

I would like someone to explain to me what the new effects of this legislative change will be on federal government ownership of Trans Mountain.

The Chair: Is there anyone who can answer that question?

Mr. McDonald, the floor is yours.

Riley McDonald (Economist, Asset Management, Department of Finance): Thank you for the question. To be more precise, I will answer in English.

[*English*]

The purpose of the proposed CDEV act—as I'll call it for short—doesn't pertain specifically to the Trans Mountain Corporation. The rationale behind introducing it through the BIA is that CDEV is an enterprise Crown corporation that has been in operation for decades now. It was incorporated in 1982.

The fact that it doesn't have its own enabling legislation makes it anomalous among other enterprise Crown corporations under the federal government's umbrella, such as Export Development Canada, the Business Development Bank of Canada—

• (1725)

[*Translation*]

Jean-Denis Garon: I'll clarify my question, because time is a scarce commodity here.

What you're telling me is that it has no effect on the ground. It is simply a legislative update purely for the sake of consistency.

[*English*]

Riley McDonald: Yes. The intention is not to change the mandate, operational structure or governance structure of CDEV but to present a legislative framework for it that currently doesn't exist. CDEV operates under the Canada Business Corporations Act and part X of the Financial Administration Act. That's the purpose behind this.

[*Translation*]

Jean-Denis Garon: How much time do I have left, Madam Chair?

The Chair: You have one minute.

Jean-Denis Garon: I want to talk about the stablecoin. I understand that there will be regulations and that the Bank of Canada will get involved to determine whether it is a currency or a security.

I'd like to know whether, in Quebec, the Autorité des marchés financiers, or AMF, has publicly stated its position on this and whether you've had any dealings or conversations with it. The AMF has constitutional and legal jurisdiction over securities in Quebec. Was it consulted? What does it think about this?

Judith Hamel: You can ask it what it thinks, but the framework was developed with the input of the provincial finance departments, including Quebec's finance department, as well as the authorities responsible for overseeing securities in each of the provinces, including the Autorité des marchés financiers.

Jean-Denis Garon: What did the province or the AMF think in general?

Judith Hamel: I think we can say that, in our consultations with them, they said that they were comfortable with the approach taken.

The Chair: Thank you, Ms. Hamel.

Thank you, Mr. Garon.

That concludes this round.

[*English*]

We'll continue with Mr. MacDonald for the final three minutes.

Kent MacDonald: Thank you, Madam Chair.

I have a question on division 17, "Supporting Federal Credit Union Growth". Credit unions are vital to Atlantic Canada. The communities have provincial credit unions.

Can you talk in general terms about how these framework changes in the federal budget are going to help establish federal credit unions at a size at which they'll be competitive?

Barbara Russell (Director, Framework Policy, Department of Finance): These amendments support credit union growth in a number of ways.

The first way is through creating a simplified form of amalgamation. When a federal credit union is buying a very small provincial credit union—a credit union with 25% or less of its assets—it's a more simplified and efficient process in which the federal credit union won't have to go through all the steps, including that of seeking membership votes.

Another way is through transitional relief. The framework sets out transitional relief to allow for asset transactions. Right now, transitional relief helps a provincial credit union that's becoming federal so that it does not have to meet all the federal requirements on day one. These changes add those transitional relief aspects for an asset transaction, as opposed to just an amalgamation.

It also clarifies how deposit insurance would apply. This is the CDIC coverage for deposits.

As well, it eases entry for allowing additional market conduct transition. A provincial credit union that's entering into the federal credit union space will have additional time to meet the federal requirements for market conduct.

Kent MacDonald: Is it fair to say that it'll give them the ability to compete with the chartered banks?

Barbara Russell: The intention is to make it support the growth of federal credit unions and entry into the federal credit union space. Through that process, they would grow and be allowed to be more competitive.

Kent MacDonald: Is there nothing in these changes that's going to make it more cumbersome for those credit unions and small communities that want to stay provincial and work under the regulations they're under now?

Barbara Russell: No, there's nothing in these changes that will do that.

Kent MacDonald: I'll just shift to another topic.

• (1730)

The Chair: You have 20 seconds left.

Kent MacDonald: I have a quick question on division 37, combating money laundering, proceeds of crime. We're putting more CBSA officers on the ground. Is that going to help us target crime at the ports?

The Chair: Thank you, Mr. MacDonald. That concludes the round.

I would really like to thank all the officials from the Department of Finance for joining us today. We appreciate your hard work and support. We will follow up on the questions that were not answered for committee members, and we expect a timely response from the department for committee members.

Officials, you may be excused.

I have two little pieces of committee business that I would like to discuss with members. For members, you have all received a budget for the BIA study. I would like to have your support. It was sent to you earlier.

(Motion agreed to [*See Minutes of Proceedings*])

The Chair: Thank you.

I just want to conclude with one thing. I know there was a bit of frustration, on the part of members today, with some of the questions. Based on the motion we adopted in December, a number of the topics you raised have been farmed out to other committees, and that's why officials were invited from finance, particularly on the finance aspects of the BIA.

That being said, I want to give members a heads-up that we are confirming, with the ministers who are coming to finance, times for

them to come next week and the following week: the Minister of Transport with the CEO of Alto, the Minister of Veterans Affairs, the veterans ombudsperson, the Minister of Finance and the minister of heritage.

This week we are going to receive notification from the other committees as to whether they will be receiving the ministers we asked them to, based on the motion passed on December 10. If they don't go to those committees, then they will come here. As the chair, I will be hearing from them over the next coming days, and we will figure out where we go from there. I just want to give members a heads-up that those times are being finalized, and as soon as we know, we will let members know. We may have to adjust some of the committee sitting times, depending on the availability of the ministers.

With that, do we have consent to adjourn?

Some hon. members: Agreed.

The Chair: Thank you.

The meeting is adjourned.

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