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EVIDENCE

**Thursday, June 7, 2007**

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**Chair**

**Mr. Brian Pallister**

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Thursday, June 7, 2007

•(1105)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):**  
Good morning to my colleagues and to our witnesses who are, I understand, waiting, one of them waiting by video conference.

[Translation]

Pursuant to Standing Order 108(2), we have an information session on tax avoidance and tax havens.

[English]

We continue with our discussion of tax havens and tax avoidance.

I will remind the witnesses that they have five minutes to make their presentation.

Not seeing our witness Mr. Brown in the room, at this point I will ask if the technology is available for us to begin hearing the testimony of five minutes from Gilles Larin, from the University of Sherbrooke.

Is this witness available? Is the witness here?

We are having some technical issues at this point. No video is incoming.

[Translation]

Where is Mr. Brown?

[English]

We will suspend for *cinq minutes*.

Is Mr. Brown on the video right now? Mr. Brown, do you hear me, sir?

Not yet. Okay, we'll suspend for a minute while we get the technical difficulties sorted out.

• \_\_\_\_\_ (Pause) \_\_\_\_\_  
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**The Chair:** Mr. Brown, do you hear me?

**Dr. Robert Brown (As an Individual):** Yes.

**The Chair:** Very good.

I'd like to welcome you to the committee and invite you to utilize five minutes to make some introductory comments, if you'd be so kind.

Then, following hearing from both Mr. Brown and Mr. Larin, we will move to questions from the committee members to you.

I will give you five minutes to make an opening comment, if you would. Mr. Brown, would you like to proceed?

**Dr. Robert Brown:** Yes, thank you.

My background is that I have over 40 years of experience in dealing with international tax issues. I have the privilege of being a former chair of the Canadian Tax Foundation, the Canadian Institute of Chartered Accountants, and the professional firm of Price Waterhouse. My views, however, are my own.

Tax avoidance is not an easy subject to deal with or even define. It relates largely to the legal use of tax minimization opportunities that go beyond the intention of the legislators. One definition is that tax avoidance is just an overenthusiastic response to tax incentives.

Tax havens are just as hard to define. Each country chooses its own tax system with its own rules, its own rates, and its own exemptions. A country may resemble a tax haven for some purposes because it does not tax certain types of income, but for other purposes it may have a well-developed and heavy tax system. Switzerland, Barbados, and the Netherlands may be examples.

Tax havens of all sorts offer major opportunities for tax avoidance through the growing ability of corporations and individuals to move income to such jurisdictions without actually moving operations.

Canada wisely does not tax most profits earned abroad and repatriated to Canadian parent companies. If a Canadian company decides to operate in Ireland, which has a 12.5% corporate tax rate, it is then competing with Irish and other foreign companies subject to this relatively low rate. Requiring Canadian investors in Ireland to pay more taxes in Canada would simply mean that Canadians would not do business in Ireland. Rather, the central concern of Canadian tax policy must be that the foreign operations of Canadian companies should not erode the Canadian tax revenue base or create incentives for the inefficient allocation of resources.

While I believe the present structure of the Canadian system is sound, nevertheless there are instances in which the system is being abused. An example would be the infamous double-dip, which gives you two deductions for interest expense. Then there is the fact that Canada has a relatively high corporate tax rate, which along with other features induces foreign parent companies to artificially move interest and other deductions into Canada.

The legitimate foreign operations of Canadian companies offer substantial advantages to Canada. They support Canadian exports and they give Canadian corporations the ability to grow and reach a critical mass so as to compete against the enterprises of other countries. Canada would be the poorer if our companies did not have a supportive tax system to enable them to operate and compete. We need to be careful before disallowing the costs that Canadian companies incur to finance such operations abroad. However, I believe that the following broad actions are required so that we can continue to support the legitimate needs of Canadian enterprises investing abroad while maintaining the integrity of our tax system.

Our tax system is a high-maintenance structure. Due to changes in tax rules abroad, the growing complexity of business organizations, and the increasing sophistication of taxpayers, new tax planning techniques are constantly emerging, with adverse effects on the revenue base.

We need better enforcement of the present system and we need a greater willingness, after consultation, to modify our rules in order to achieve fairness. Our system should concentrate on seeking to defend the Canadian revenue base while facilitating the legitimate needs of international operations.

Our overall tax system needs to be competitive internationally. This does not mean a race to the bottom in taxes on business, but it does mean we should recognize that our overall tax burdens on business are getting out of line and hampering the ability of Canadian companies to compete. While we are lowering our corporate rates, other countries are doing so faster, and our aggregate tax burden on business investment is high. We must emphasize that a broad and neutral tax base with low rates is preferable to a system with distorting incentives and loopholes.

We need to work cooperatively with other countries to block tax avoidance and tax haven abuses through tax and information-sharing treaties and through international alliances.

• (1110)

Thank you, Mr. Chairman.

**The Chair:** Thank you very much, Mr. Brown.

I understand we have no video for our University of Sherbrooke witness today, so this will be solely on your audio.

Monsieur Larin, do you hear me, sir? Very good. I invite you to proceed to make five minutes of introductory remarks.

**Professor Gilles Larin (University of Sherbrooke):** Good morning, ladies and gentlemen.

I will make my remarks in French, but of course I will be able to answer any questions in English that may be raised from the floor.

• (1115)

[*Translation*]

I would like to speak to you about tax havens, which are, in my view, a subcategory of offshore financial centres.

[*English*]

An offshore financial centre has been defined, both by the OECD and the International Monetary Fund, as a jurisdiction in which there

are a high number of financial institutions. Most of the transactions are initiated abroad. Most of the institutions are controlled by non-residents. Assets and liabilities are totally out of proportion to the domestic economy. There is low or nil taxation, a very simplified financial legislation, and of course banking secrecy.

This last criterion corresponds to what is normally referred to as a tax haven. I would be repeating Mr. Brown's intervention earlier if I said that all CFOs are not necessarily tax havens, as he correctly indicated. Switzerland and the Cayman Islands have very much more rigorous manifestations of control over establishments in the area.

What is particularly interesting, though, is the importance that direct investment by Canadians offshore has taken over the last few years. If I look at the statistics for 2006—the last year for which they are available—which have just been published, direct investments by Canadians abroad exceed the opposite, which is direct investments by foreign residents into Canada, by about 15%. What is even more striking is that in terms of ranking of countries of destination for our foreign investment, Barbados occupies the third rank after the United States and the U.K. Bermuda is not far behind, and Hungary is ranked number eight.

It's very surprising that this growth has taken place, and certainly there's something very strange in doing business in such a way that taxation is a primary consideration. Whereas in the past taxation was on the back burner in terms of policy-making in business, taxation has become the key player in planning the business.

What can we do? Because I'm limited to a short period of time, I could present a few points, noting, for instance, as a first point, that some operations in offshore financial centres are totally legitimate. Hotel construction and complexes are probably much more easily financed because the banking laws are less constraining than are the Canadian laws.

One of the principal characteristics we need—and I add this to this information—is much better sharing of information between the Canadian government and the countries of these offshore financial centres in which our direct investment is located. There have been signatures of agreement so far by almost all offshore financial centres. The problem is applying the agreements correctly. This is what we have to work on.

We also have to review our tax treaties with other countries so as to remove the distortion that has been created over the years. The original intention of tax treaties was to avoid double taxation when a subsidiary in a foreign country paid tax in that country and then repatriated the profits to Canada. They wouldn't want to pay tax twice on the same amount of money. But the rules have been reversed over the years, and it has become very often a situation of double no-taxation, which may sound strange, but it is taking place anyway.

Finally, more specifically, we need to make sure the public understands that there is a strong distinction between evasion and avoidance.

• (1120)

**The Chair:** *Merci, monsieur Larin* and Mr. Brown. Thank you very much, both of you, for your testimony.

We'll move now to questions from committee members. We will begin with Mr. Pacetti.

[Translation]

Mr. Pacetti, you have five minutes.

[English]

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Thank you, Mr. Chairman.

Before I begin,

[Translation]

Is it possible to have a copy of the study?

[English]

If you could send us the study with the direct investments that are foreign—

[Translation]

**Mr. Gilles Larin:** Which study are you referring to?

[English]

**Mr. Massimo Pacetti:** The one where you refer to how much money is invested offshore versus money that comes into Canada, and I think you quoted as a... Could you send us that?

**Prof. Gilles Larin:** You have access to it from your computer. It's—

**Mr. Massimo Pacetti:** Could you just send us the link, then? I'd like to know.

**Prof. Gilles Larin:** It's Statistics Canada.

**Mr. Massimo Pacetti:** But we can't hear it clearly. Could you just send it to the clerk?

**Prof. Gilles Larin:** Sure.

**Mr. Massimo Pacetti:** Thank you.

I'm not sure to whom I should ask the question, but this is very complex. I think what we're looking for are some solutions, some answers.

Mr. Brown, you alluded, towards the end of your testimony, to what some of the solutions are, but they're somewhat contradictory. In one sentence you say that we should try to avoid agreements or tax treaties, or try to look at agreements with certain countries with whom we have a problem with tax evasion or tax avoidance, because there's a fine line there. But in the meantime you suggest we should be looking at reducing corporate taxes. But if we reduce corporate taxes, if that's the solution, then do we need to continue to have agreements with tax haven countries or low-taxed countries? Are those two separate thoughts? Or by reducing corporate taxes, is that enough, first of all?

Second, is there a problem with individuals making investments outside of Canada in foreign countries, or is that just a corporate phenomenon when we talk about investment offshore?

Mr. Brown.

**The Chair:** That's for you.

**Dr. Robert Brown:** Thank you.

First of all, the desire to have a better corporate tax system in Canada, including lower rates, is an important structural point in the total tax policy of this country. It's the way we get a vibrant economy. It's the way we get foreign investment. Our investment in machinery and equipment and capital goods in Canada is substantially lower per worker than it is in the United States. We can't keep on with this and stay in the game.

But as for the issue with respect to tax treaties with tax havens or whatever, yes, we should have those agreements, provided that they're meaningful. Now, if you're dealing with a pure tax haven, a little islet in the Caribbean, the problem is that even if you make an agreement that they're going to exchange information, they don't have the mechanism themselves to get any decent information and therefore you're not going to be much further ahead. When you're dealing with countries like the Netherlands, Switzerland, and Barbados, etc., you're dealing with countries with well-established tax systems, and exchanging information and reconciling objectives can be achieved.

• (1125)

**Mr. Massimo Pacetti:** Thank you.

[Translation]

Do you agree with that, Mr. Larin?

**Mr. Gilles Larin:** Yes, I agree.

[English]

**Mr. Massimo Pacetti:** Okay.

Mr. Brown, in terms of what's being used, because the fact—

**Prof. Gilles Larin:** I think you were just asking me if I was still on the line. Yes, I am on the line. Do you have a specific question for me?

**Mr. Massimo Pacetti:** I just wanted to see if you were in agreement with Mr. Brown.

I just want to ask another question—

**Prof. Gilles Larin:** Okay. I'm in total agreement with Mr. Brown on this issue.

**Mr. Massimo Pacetti:** Thank you.

Just quickly, Mr. Brown, given your background of being an accountant in a big firm, what are the tax structures being used right now—and I'm not going to say the word "avoid"—to plan around paying high Canadian corporate taxes? Is there a specific vehicle that's being used, or is there a specific foreign entity or a foreign country through which we're putting our investments?

**Dr. Robert Brown:** There is a wide variety of techniques, as a matter of fact, some of the more complicated structures devised by the mind of man. A lot of them concern international financial centres, as my colleague has mentioned, and there are ways of essentially moving income out of Canada without actually moving the operations.

You do that by putting a lot of debt, in simple terms, on what's going on in Canada. So you've got lots of interest expense. And the interest income may flow into an international financial centre where it's subject to very low rates of tax, if any tax at all.

Another way, of course, is the double-dip, where you can borrow money in Canada, get a deduction, and invest it in the shares of an offshore company. And then that offshore company itself lends it to another affiliate, which gets another deduction. And therefore you get two deductions per 1¢ of interest expense.

There are complex mechanisms between Canada and the United States involving partnerships whereby, in effect, you can exploit the fact that an enterprise is treated one way in Canada for tax purposes and another way in the United States and get away with very little tax. And there are more and more ways beyond that.

As I said, the tax system is a high-maintenance activity. You have to keep at it all the time, because taxpayers will keep on thinking of ever more elaborate and sophisticated ways to beat the system, and you've got to be able to react.

[Translation]

**The Chair:** Thank you very much, sir.

Mr. St-Cyr, you have five minutes.

**Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ):** Thank you, Mr. Chair, and my thanks to our two witnesses, Mr. Brown and Mr. Larin.

Mr. Larin, I should tell you that the committee members all have simultaneous interpretation. You do not have to worry if you want to continue in French.

[English]

**Prof. Gilles Larin:** I'll reply in English, as it will be easier for everybody.

[Translation]

**Mr. Thierry St-Cyr:** Fine, but it would be easier for me if you answered my questions in French.

[English]

**Prof. Gilles Larin:** Whatever you want. Tell me what you want, French or English?

[Translation]

**Mr. Thierry St-Cyr:** In the committee, we have discussed double dipping structures and the use of tax havens to claim interest costs twice or to reduce the tax payable. The committee has also briefly discussed tower structures, which are hybrid entities used in Canada and the United States to the same end.

How do companies use these hybrid entities to reduce the tax payable in Canada and the United States? Could you explain to me in French how the mechanism works?

**Mr. Gilles Larin:** I understand the question perfectly, but I think that your best answer would come from Mr. Brown rather than from me.

**Mr. Thierry St-Cyr:** Fine.

Did you understand the question, Mr. Brown?

• (1130)

[English]

**Dr. Robert Brown:** Yes, you're talking about the tower structures of the limited liability partnerships. It's a little hard to describe them simply, because they're not simple.

You take an entity that looks like a corporation, but it doesn't necessarily have limited liability to the shareholders. Now, the point is that such an entity would be treated as a partnership under U.S. rules, meaning that it doesn't pay tax at all; the income flows through to the shareholders and gets taxed in their hands. If you have a bunch of Canadians as the shareholders, and the corporation is operating in the U.S., then it's the Canadians who pay U.S. tax. But the point is, for Canada, it's treated as a corporation, and if there's no actual distribution from the corporation, then Canada treats the entity as not having distributed any income to Canada; therefore, there's no Canadian tax. Now there is some U.S. tax, but it's usually at low rates on a deemed distribution to shareholders, and there may be no immediate Canadian tax at all. Now, in fact the structures are more complicated than that, and they consist very frequently of not just one, but two or three layers of this type of enterprise in order to get the desired result.

The heart of it is that you can get an enterprise that's treated as a partnership under U.S. law and a corporation under Canadian law.

[Translation]

**Mr. Thierry St-Cyr:** So you can avoid tax without going to a tax haven, because, in those cases, we are talking about the United States, which generally has comparable and relatively high rates of taxation. How can we...

[English]

**Dr. Robert Brown:** That's right. Because of differences in the law, you can get tax-exempt operations and opportunities for tax avoidance, even in dealing with a large country with a complex system.

The point, as I mentioned, is that every country has their own rules, and these rules are different. That's why you need a tax treaty to reconcile the rules. Unfortunately, our present tax treaty with the United States does not reconcile the treatment of these partnership/corporations.

**The Chair:** Thank you, Monsieur St-Cyr.

We continue with Mr. Del Mastro now. Five minutes, sir.

**Mr. Dean Del Mastro (Peterborough, CPC):** Thank you, Mr. Chair.

Mr. Brown, you touched on a couple of things that I think are really critical to the success of this particular study. You talked specifically about debt dumping and double-dipping. Quite frankly, I think Canada can't look at itself in isolation, certainly as a trading nation, and move forward on these things unilaterally. Having said that, we spoke to the CRA, and they did indicate that these are very significant concerns.

Would you make a recommendation to the committee as to what is our best method, moving forward, on dealing with both debt dumping and double-dipping, as to how we could, one, work as a nation, and secondly, perhaps work with our G8 and our G8+5 partners on this to ensure tax fairness?

**Dr. Robert Brown:** In broad outline, what should be done on the disadvantages whereby foreign companies move interest selections into their Canadian subsidiaries? We need effective, thin capitalization rules that would limit the amount of debt that a Canadian corporation, which is owned by foreigners, could borrow in Canada and deduct the interest. Many other countries have such rules. We have them ourselves, but they are not very effective, and we need to beef them up and say that you have to have a ratio of equity to debt of no more than  $x$  in order to avoid just having you dump debt into Canada.

On the double-dip, I think it's appropriate to consider disallowing the interest expense in Canada if, in effect, another deduction for that interest is being taken somewhere else—taken abroad. I think the net result would be that Canadian companies would tend to move just a little more of their borrowing offshore. If you're going to invest in the United States, you try to borrow in the United States. And provided we don't go overboard on this, that's a positive move, because it means there are fewer deductions against the Canadian tax base.

• (1135)

**Mr. Dean Del Mastro:** Thank you.

There is a second thing that I've spoken about a number of times. You spoke about the incentive to circumvent the rules. As long as you have tax rates, there are going to be people working awfully hard to figure out how not to pay taxes, especially in corporate Canada. But in the corporate world in general, there are people who are literally employed to come up with methods to avoid tax. In general—and I'm certain you're going to agree with this—lower rates and a broadly fairer system would significantly reduce the incentive for corporations to avoid tax, and individuals as well.

**Dr. Robert Brown:** Yes, I think that's right. It reduces the incentive. It doesn't eliminate it, but it reduces it. When we have relatively high tax rates, we're immediately identified as a good place to dump deductions and to shift borrowing too, because the tax rate is so high you get a big tax saving.

[Translation]

**Mr. Gilles Larin:** It is essential to be able to flag deductions that are not warranted, as Mr. Brown has just explained, in the case of double dipping. But this is not the only aspect that should occupy our attention. The problem is much bigger than Quebec. Tax avoidance happens all over Canada because of the different tax planning mechanisms. The Supreme Court of Canada tried to find a way of preventing abuse in its second decision in the *Trustco* case about two years ago.

[English]

**The Chair:** *Merci, monseieur.*

I recognize we have a delay. I'll keep talking until you stop, Monsieur Larin.

[Translation]

We should continue with Judy Wasylcia-Leis, sir.

[English]

Five minutes, madam.

**Ms. Judy Wasylcia-Leis (Winnipeg North, NDP):** Thank you, Mr. Chairperson.

Thank you, Mr. Brown *et Monsieur Larin.*

I would like to come at this from a different point of view. I think what our study should be about at this committee is the question of tax fairness and whether or not corporations are paying their fair share. I think based on the statistics, we have a clear problem of corporations managing to find more and more tax loopholes, tax avoidance schemes to offshore tax havens, to avoid paying Canadians or the Canadian government a rightful share of revenue.

We've seen revenue from corporate income tax drop as a significant percentage of total revenue from 15% to 11% in the last number of years. At the same time, we've seen that Canada's average corporate tax rate is much better than the United States. We have a KPMG study showing that Canada is the cheapest G7 country in which to do business. We have studies showing this huge rise in corporate profits and we have obviously a record now of Liberal and Conservative governments who have cut corporate taxes, have made life easier for corporations, have allowed them to do more tax avoidance, but have provided little benefit for our economy, for example. We've seen no commensurate increase in investment in this country, no increase in jobs, no trickle-down effect.

My question to Mr. Brown is, on what basis can you say that Canada is so hard done by in terms of the corporate sector when internationally speaking we fare very well and give corporations a very easy ride; and secondly, why are we not seeing any benefits when we do cut taxes and we do make life easier?

• (1140)

**Dr. Robert Brown:** That's a big question.

First of all, I think the view is well supported by studies done by Professor Mintz at the University of Toronto and others that Canadian tax burdens on corporate activity are relatively high by world standards. Now, that's all the taxes that corporations pay, not just income taxes. For example, one of the most significant disadvantages that Canadian corporations face is the fact that in Ontario and a number of other provinces they have to pay provincial sales tax on their business inputs. This puts them at a material disadvantage to taxpayers in Quebec and in Europe who have a value-added system that doesn't have this drawback.

It's a complex question. It's the total tax burden, not just one.

Our tax breaks are relatively good if you compare only the tax rates with the United States. But our tax rates are high compared to those that apply in Europe, which is a very active and growing part of the world. The U.S. has features to their tax system, including a substantial number of loopholes, that also make it very attractive to investors.

The big issue here is that you have to say that, as the Carter report pointed out 35 years ago, corporations don't pay tax, they pass it on to other people. When you impose a tax on people, the burden of the tax falls on somebody who has to take money out of their pocket and cut back on their consumption of goods and services in order to pay the tax. When you impose a tax on corporations, they either have to reduce their payments to their workers or their payments to their suppliers or increase their prices or reduce their return to investors.

Incidentally, in a global economy it's not very easy to get investors to take a lower return when they have lots of other places to go.

But the main point is that corporations just pass taxes on, and that's the heart of it.

**Ms. Judy Wasylycia-Leis:** Thank you very much. Obviously we may have to agree to disagree on some of these issues. I hear what you're saying; however, I also realize that the average Canadian is feeling the burden growing on his or her shoulders in terms of taxation and paying for government revenue, but corporations generally are seeing a diminished role.

Could I have one more question?

[Translation]

**The Chair:** No, madam. Thank you very much.

Mr. McCallum, you have four minutes.

[English]

**Hon. John McCallum (Markham—Unionville, Lib.):** *Merci.* Thank you, Mr. Chair.

Welcome to our two witnesses.

I would like to make two comments and ask each of you your position on these two points.

The first is that we had five expert witnesses some weeks ago, and the question arose as to whether the principal abuse that should be addressed in the area of interest deductibility had to do with debt dumping. And all five said that the key thing was debt dumping. That was the real source of abuse where significant additional funds for the government could be found, and double-dipping was much less important.

This is my second and related question. We've heard from a number of witnesses that if companies were limited to a single dip—a single deduction, as it were—they would choose to take that deduction in Canada, by and large. So the net effect of the policy would be to increase the tax revenue of foreign countries at the expense of Canadian companies.

I'm not quite sure if that's right, because the U.S., I think, has a slightly higher corporate tax rate than Canada, but I'd like, if I may, to have both of you give an opinion on both of those issues.

[Translation]

**Mr. Gilles Larin:** I can go first.

Mr. McCallum, I agree with your earlier comment that the problems associated with debt dumping are more serious than those associated with double dipping. Double dipping is less serious, mostly because of the rules

• (1145)

[English]

which Mr. Brown referred to by its English name, which is the Canadian capitalization rules.

[Translation]

This deprives Canada of more revenue than double dipping.

[English]

**Hon. John McCallum:** Thank you.

Mr. Brown?

[Translation]

**Mr. Gilles Larin:** As to your second question, it is clear that if a deduction is allowed in Canada, and if Canada has a higher tax rate than other countries where the deduction can be claimed, this will have a negative effect on the Canadian tax base. This is the principle of communicating vessels in operation.

[English]

**The Chair:** We'll now ask Mr. Brown to respond.

Mr. Brown, could you respond to Mr. McCallum's questions, please?

**Dr. Robert Brown:** I think that both debt dumping and double-dipping are important problems. We don't have any statistics on how much money is available. You can't find that out. But I think they're both substantial, and they both require action.

With respect to coming down to only borrowing money once and only getting a single deduction that you might take in Canada, well, all these companies are taking their single deduction in Canada anyway. So I don't think we would lose any additional revenue by restricting double-dipping. I think people will arrange their borrowings for a number of reasons, which include consideration of foreign currency risk, financial markets, and so on. And as long as they get one deduction, I think they've been treated fairly.

[Translation]

**The Chair:** Mr. St-Cyr, you have four minutes.

**Mr. Thierry St-Cyr:** Thank you, Mr. Chair.

I would like to look at the question of country of residence and the possibility of bringing offshore profits back to Canada. An investigative journalist who came before the committee told us that shipping companies claim to run their business from Barbados so that they can then bring their tax-free profits back to Canada. But if you go there, you find nothing but a little desk in a law office. You can see right away that no real decision-making is done in Barbados.

Since this is the current situation, is it because of a legal loophole or is it because the law is not being enforced? Mr. Brown or Mr. Larin can answer.

Does the law presently allow profits from a company located in Barbados to be brought into Canada, even if that company is nothing more than a straw entity, an empty shell?

Did you hear the question, Mr. Brown?

[English]

**Dr. Robert Brown:** Yes, I did.

In broad terms, yes, that's the result of the combination of the legislation and the tax treaty between Canada and Barbados. There are large types of income that have been taxed only very lightly and that can be repatriated to Canada.

I don't think that in itself is such a terrible thing. There are lots of places where income is not subject to the rates as high as in Canada. As just one example, if you put a hotel in Bermuda, you find out that Bermuda doesn't have an income tax at all. But it has all sorts of other taxes and it has a developed social security system for its people. Your hotel is going to be paying room tax, labour charges, import duties, and what have you, and in the end it's going to wind up being fairly heavily taxed. So just because it doesn't pay an income tax doesn't mean it isn't taxed.

I do agree that the use of the present tax treaty with Barbados, the present legislation, is an open door to having companies create this double-dip structure, which, one, is unfair, and two, is economically unsound. It gives you an incentive to borrow as much money as you can. That's not good economics. That's not the way we should run the economy.

Therefore, I think that is wrong. There needs to be some additional scrutiny of that in our attack on what is going on with Canadian investment abroad.

• (1150)

[Translation]

**Mr. Thierry St-Cyr:** Yes, but in the case of that hotel you mentioned in Barbados, it can be said that there are commercial activities going on in Barbados, Bermuda or wherever. But with a company that does not really conduct commercial activities, and has nothing but a legal structure in order to avoid paying taxes under the current laws, could the government of the day use the fact that no real commercial activities are being conducted to deny tax-exempt status when the profits are repatriated?

**The Chair:** Thank you very much, Mr. St-Cyr.

We have to move on to Mr. Dykstra.

[English]

No, Mr. Brown, I'm sorry, Mr. St-Cyr used his time in preamble. We unfortunately will have to move away from him now. If you'd like to work a response into this next question, I invite you to do that, but we have to move to Mr. Dykstra now.

Mr. Dykstra, four minutes.

**Mr. Rick Dykstra (St. Catharines, CPC):** I may share a little bit of my time with my colleague, the member for Peterborough.

One comment made was that this was about a revenue grab, and I just wanted to state that what this is about is pure policy, trying to move forward to make sure that we have tax fairness and that we don't have a revenue grab, as indicated. Part of this in terms of fairness, obviously, is international tax fairness.

One thing we have committed to—and I wanted to get your thoughts or comments on this, Mr. Brown—is having an interna-

tional panel on tax fairness put together so that we could actually look at these issues. I wondered if you were familiar with that. And just based on the comments you made about how to improve our deal with the United States—in your opinion, there are some improvements we need to make—I thought you might be able to comment on what some of those improvements might be and whether or not you think the panel could address some of those issues.

**Dr. Robert Brown:** We need to consult with our colleagues in other countries in order to get an overall tax system that's fair. The point is that different countries have different rules. If a taxpayer wanders blindly into this maze, a taxpayer can get stuck with double taxation, and that's unfair, but he can also perhaps find his way through and get away with no taxation.

The OECD and other international bodies have been very active in trying to harmonize. The problem is that it seems to take forever, even between two countries. Canada and the U.S. have been trying to revise their tax treaty for over a dozen years. It's taken a long time, although we may be close to getting somewhere within the next couple of months.

There are things we could do with the United States that would protect the tax revenue of both countries, and I think these things can really help. I believe the important thing is that you have to work at this issue all the time. You can't fix the tax system and go away for 10 years and expect that people won't find new devices. It requires constant attention, and perhaps we have not given it the attention it deserves.

**Mr. Dean Del Mastro:** Mr. Brown, this is Dean Del Mastro again.

There was a comment made a few minutes ago that interest deductibility would always be claimed in Canada, and that to crack down on double-dipping would thus not be effective. That's not in fact the case. The interest deductibility will always be taken in the country with the highest-tax jurisdiction, which would have the biggest benefit to a multinational corporation.

Advantage Canada specifically spoke about our moving towards the lowest taxes in the G7. That would clearly not lead to all debt being claimed in Canada. Would you agree?

• (1155)

**Dr. Robert Brown:** Yes. Given other factors and a lot of other considerations—foreign currency risks, financial markets, and so on—you'll tend to take the deduction where the tax rate is highest. Canadian rates are, for example, substantially higher than those in the U.K. or in most European countries. That's one factor in determining where the deduction would be chosen.

**Mr. Dean Del Mastro:** Thank you, sir.

**The Chair:** Thank you.

We'll continue with Mr. Pacetti, briefly, and then go over to Mr. Thibault.

**Mr. Massimo Pacetti:** Mr. Brown, let me ask you about the money being invested that's moving out of Canada versus the money that is being repatriated, back into Canada, through a tax haven; for example, Barbados—or perhaps even a country with which we don't have a tax treaty.

Which way is the money going? Is it Canadian income that is being laundered through the tax haven? Or is it vice versa, where it's money earned internationally that is being repatriated to Canada?

**Dr. Robert Brown:** The total value of Canadian investment in foreign corporations and enterprises is higher than the value of foreign enterprises investing in Canadian enterprises. Despite that—we only arrived at this position in the last few years—the income flow is actually the reverse. The inflow of money into Canada—dividends and so on from foreign affiliates—is of about the same order of magnitude as the dividends and interest and other payments from Canadian companies to foreign parent companies abroad. That hasn't caught up yet.

So the money flows both ways, and you're part of an international financial system that moves along relatively easily.

**Mr. Massimo Pacetti:** Mr. Brown, I understand that the money flows both ways. But is there a bigger tendency, because Canada technically has a higher tax rate, for taxes to be avoided here in Canada on money earned in Canada, and then repatriated through a lower tax haven? Multinationals need to invest in Canada. Will they show less income here and more income somewhere else, and then eventually repatriate the money back here?

I'm not sure whether you understand my question.

**Dr. Robert Brown:** A foreign multinational with headquarters outside of Canada would have some tendency to try to move debt into Canada by getting the Canadian subsidiary to borrow money, perhaps to invest in shares abroad or something else, on which you will get very little in the way of dividends, but which will get you a deduction in Canada and reduce the Canadian tax base. When the money moves out of Canada, it goes to a tax haven, and ultimately it may move around and go back to the parent outside of Canada.

Again, it's a very complicated issue, and that's only a very simple and elementary description.

**The Chair:** Mr. Thibault, we'll let you conclude.

**Hon. Robert Thibault (West Nova, Lib.):** Thank you.

Mr. Brown, I want to follow up on a question, but first I have to explain these reading glasses that you might have seen going around. A lot of my colleagues have achieved middle age, but their vanity precludes them from actually seeing their eye doctors and getting the proper eyewear. So they've been borrowing these glasses from an officer. I'm quite comfortable with my vision majority and I have my own reading glasses.

My question relates to the question that was put by Mr. McCallum and Mr. Del Mastro on double-dipping and the area of jurisdiction with the highest tax rate. If you're assuming there are a number of jurisdictions in which Canadian businesses would be making transactions that have lower effective corporate tax rates than Canada, you can assume that the tax relief would be taken in Canada. Therefore ending the double-dipping would not have the effect of increasing taxes to Canada in those circumstances, but would reduce the competitive edge of Canadian corporations operating in those jurisdictions and competing with other national corporations. They'd lose an advantage that they now enjoy.

That is the premise of the question put by Mr. McCallum, and I invite you to comment.

•(1200)

**Dr. Robert Brown:** Again it's a complex field. There's a certain amount of truth in that, because if Canada has the highest rates then you take the deduction in Canada. But the problem is that with a double-dip structure you get such an incentive to borrow that you borrow more. I've seen layers where you can get a triple deduction, and in effect the more you borrow the more money you can make.

That's artificial. It distorts the economy and induces people to borrow money they wouldn't otherwise borrow. So it's not quite true that it wouldn't have any effect on the Canadian tax system. But if you reduce it down to a single deduction, that may wind up in Canada and give you much the same effect as you have now.

I put it to you that it's wrong economics to allow the double-dip to proceed, because it simply distorts international investment.

[Translation]

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

[English]

Thank you, Mr. Brown and Mr. Larin, for your participation in our hearing. We very much appreciate it.

We will now suspend briefly for lunch and then reconvene to deal with clause-by-clause on Bill C-33.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

•

•(1220)

[Translation]

**The Chair:** Pursuant to the order of reference of Monday, May 14, 2007, we are studying Bill C-33, An Act to amend the Income Tax Act, including amendments in relation to foreign investment entities and non-resident trusts, and to provide for the bijural expression of the provisions of that Act.

[English]

(On clause 2)

**The Chair:** All in favour of clause 2?

Mr. McKay.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Thank you, Chair.

I must admit, as a point of cooperation with members, I find it somewhat offensive to have a whole whack of amendments dropped on us at the last second. This bill has been in the making since 1999, and here we are, going clause-by-clause in committee.

I want to ask the officials, because there are five or six—I think G-1 through G-5 or G-6, starting, if I'm reading this correctly, with “subsection (1) applies to taxation”—

**The Chair:** Mr. Pacetti, on a point of order.

**Mr. Massimo Pacetti:** Just before we begin looking at the technical amendments, could we have the Finance officials answer the question that Mr. McKay raised? Why are we faced with all these amendments when we heard from the Finance officials on Tuesday, and it looked as though everything was fine? We've been at it for seven years on this bill. If they're not ready, there doesn't seem to be any rush. I just—

**The Chair:** Mr. Pacetti, you don't have a point of order. I'll let Mr. McKay continue with his questions. It seems to me your point of order was simply duplicating the direction he was asking.

I'll let Mr. McKay continue.

**Hon. John McKay:** Thank you.

If I'm reading this correctly, Mr. Lalonde, subsection (1) applies to a taxation year

that begins after 2006, except that that subsection also applies to a taxation year of a taxpayer that begins before 2007 if sections 94.1 to 94.4 of the Act, as enacted by subsection 18(1), apply to that taxation year of the taxpayer.

I can't figure out what begins after 2006 that doesn't begin before 2007. It begins after 2006, but it applies to a taxation year of a taxpayer that begins before 2007. How can you be after 2006, but you're before 2007?

**The Chair:** Before you respond, Mr. Lalonde—and Mr. McKay, we'll revert to your question and the response to it in a second—I allowed you to enter the fray of the discussion because I understood you were making general comments. You're now moving to a specific discussion and a specific clause and amendment therein. Before I would permit discussion to continue, I would like a mover of that particular clause to allow discussion to proceed.

Does someone want to move that?

**Ms. Diane Ablonczy (Calgary—Nose Hill, CPC):** So moved.

**The Chair:** Thank you, Madam Ablonczy.

Madam Ablonczy, did you have a point of order?

**Ms. Diane Ablonczy:** Yes, please.

I wonder if the committee might be open to changing the order slightly to allow the officials to address the question that I think is on all our minds. That is, why are we getting this big whack of amendments right now, and what do they mean? Then I think our questions will be more meaningful if the committee is willing to do that. I think it would be helpful.

•(1225)

**The Chair:** Thank you for that very positive suggestion, Madam Ablonczy. You don't have a point of order, though.

I'll let Mr. Lalonde respond to Mr. McKay's question.

**Mr. Gérard Lalonde (Acting Director, Tax Policy Branch, Department of Finance):** A good two-thirds or better of the amendments proposed in here all say the same thing. Effectively, what it's about is allowing taxpayers to elect to apply the amendments that deal with foreign investment entities, FIEs, and non-resident trusts, or NRTs, to taxation years before the coming into force originally stipulated in this bill. Coming into force stipulated in this bill, when it was tabled, taxation years that begin after 2006—effectively, your 2007 taxation year.

After the bill was tabled, there were some representations made to the department that some taxpayers would actually prefer to have those provisions apply to earlier taxation years—in essence, to apply from 2003 onward. These provisions all allow for an election, for taxpayers to elect to have those provisions apply starting in 2003. Of course, the income tax amendments to implement these proposals are like a patchwork so there are amendments showing up all over the bill, not just in one clause, to deal with that. As a result, if you've elected to have the FIE and NRT provisions apply as of 2003, under one of these motions, then all of these other provisions would fall in lockstep to make the system work.

**The Chair:** We'll go to Mr. McKay to continue his questioning.

**Hon. John McKay:** Can you give me an example of the election or the benefit of this particular amendment for a taxpayer?

**Mr. Gérard Lalonde:** You might have a situation, for example, in which, relying on the foreign investment entity rules and the market provisions, a taxpayer generated a capital loss in an earlier year—in 2003, 2004, 2005, or 2006—or the taxpayer generated a capital gain that was offset by a capital loss carried forward on something else, and the taxpayer is quite happy to retain that capital loss or that capital gain and doesn't want to re-file to reverse those tax effects back to 2003.

**Hon. John McKay:** Does any of this have anything to do with what the minister has been talking about recently? It does apply to amendments to the Income Tax Act (foreign investment entities and non-resident trusts) and another act as a consequence.

The minister has been talking about a variety of issues. What I'm obviously concerned about is going through the back door when the front door might have been—how shall I say it?—temporarily closed.

Do any of these amendments or does any part of the bill have anything to do with what he's been talking about?

**Mr. Gérard Lalonde:** In terms of the foreign affiliates....

**Hon. John McKay:** I mean double-dipping, debt dumping, and all that sort of stuff.

**Mr. Gérard Lalonde:** No. All this does is allow taxpayers to elect to have an earlier coming into force for a large part of this package of amendments.

**Mr. Bev Shipley:** Thank you.

**The Chair:** We'll move on to Mr. Thibault, Mr. Crête, and Mr. McCallum.

**Hon. Robert Thibault:** I'd like to tag my question to Madame Ablonczy's. The only question I have is this. There are 39 amendments. I haven't had a chance to study them. It's already a bill of technical amendments. So my only question would be whether any of these amendments materially changes the bill that was presented by Madame Ablonczy at the last meeting of the finance committee.

**Mr. Gérard Lalonde:** They don't materially change the content of the bill. Of course, if the bill doesn't fit for you, if the FIE and NRT provisions don't apply, say, for 2004 and you want them to apply for 2004, well, then it's material to you. But in terms of what this bill does and how it works, no, there are no material changes.

**The Chair:** Thank you.

[Translation]

Mr. Crête.

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Have you assessed the impact of this amendment? Will it result in higher or lower revenues or significant tax costs for the government? Do you know if it will be impact-neutral or if there will be a loss or a return for the government?

• (1230)

[English]

**Mr. Gérard Lalonde:** In the long run, it should be neutral. By making an election under this, it may happen that you recognize some income in earlier years that wouldn't be recognized if you left the provisions to apply as they were as of 2007. That would imply a revenue increase to the government. But there's an offsetting deduction. So you wind up in the same place as if the bill had applied only as of 2007, but you do away with the administrative difficulties of having to re-file for all those years.

[Translation]

**Mr. Paul Crête:** Perhaps I misunderstood just now. I would like you to tell me who these taxpayers are and the situation that they are in. You say that you received comments when the bill was tabled. We have not heard from witnesses on this bill, and no one has come to ask us for amendments in that regard.

What is the situation of these taxpayers really? What kinds of expenses give them this additional tax deduction?

[English]

**Mr. Gérard Lalonde:** It's not an additional tax break. In fact, it's proposed that this bill, which, generally speaking, introduces new tightening measures vis-à-vis foreign investment entities and non-resident trusts, applies not only from 2007 onward, which is what the bill says, but on an elective basis also applies back to 2003.

Why would somebody want to do that? Well, in large part, they don't want to re-file. What they would like to do is just have us put them back into the same position as they would have been in had they not filed their returns on the basis of the draft that was out there all these years. They would like us to recognize what would happen for them if it started as of 2007 but not force them to re-file income tax returns.

[Translation]

**The Chair:** Thank you very much, sir.

Mr. McCallum.

[English]

**Hon. John McCallum:** Mr. Chair, having heard Mr. Lalonde and having heard from Ms. Ablonczy yesterday on this, I for one am quite happy for this to proceed quickly—but not before asking one question.

I don't understand why, if the department has been working on this since 1999, all of a sudden, at the last moment, we get this huge pile of amendments. Did something happen very recently to change the department's view of what should be contained in the law, and that's why we got them at the last minute? If not, if it's nothing new, why didn't you think of this in the first place?

**Mr. Gérard Lalonde:** It responds to a change in circumstances that arose with the tabling of this bill, in which the coming into force provision for the parts that relate to foreign investment entities and non-resident trusts was moved forward—or later, whichever way you look at it. Instead of starting in 2003, as originally announced, it's instead starting in 2007.

Generally speaking, this is good news for those who would otherwise not appreciate—

**Hon. John McCallum:** But why didn't you put that in there in the first place?

**Mr. Gérard Lalonde:** This happened in November. It was generally regarded that this was going to be something that was not controversial, and well accepted. And afterwards, out of the woodwork, came...you know, there are 30 million taxpayers in Canada, and—

**Hon. John McCallum:** You're not answering my question. If nothing has happened very recently to make you make these changes, why did you not put these things into the bill in the first place?

**Mr. Gérard Lalonde:** That's what I'm explaining. Something did happen. The coming into force got changed from starting in 2003 to starting in 2007. That's reflected in this bill.

**Hon. John McCallum:** When did that happen?

**Mr. Gérard Lalonde:** Last November.

**Hon. John McCallum:** Yes, but we heard the bill just a couple of week ago. Why wasn't it put in at that time, from last November?

**Mr. Gérard Lalonde:** The bill was tabled as a notice of ways and means motion, I believe around November 22 or something like that, carried forward as a bill. This is the first opportunity for the government to propose amendments to the bill, so this is when they're being proposed.

**Hon. John McCallum:** Thank you.

Well, Mr. Chairman, I'm not going to block anything. I'll just let it get done. But I'm not at all impressed with the process.

**The Chair:** Okay.

Mr. Pacetti.

• (1235)

**Mr. Massimo Pacetti:** Perhaps I could also state my dissatisfaction.

Just to help Mr. McCallum, I think Tuesday you were here.

**Mr. Gérard Lalonde:** Yes.

**Mr. Massimo Pacetti:** On Tuesday you did not mention anything related to the fact that perhaps this bill was going to require amendments. We wasted over an hour of our time, almost two hours, and none of this was brought up. We're not talking about November here, we're talking about Tuesday.

The credibility of the finance department, to present 39 amendments... This is a technical bill. I don't think there's any expertise around this table in terms of the legitimacy or whether we should approve the bill or the amendments. That's not the point. The point here is that we're very uncomfortable receiving 39 pages of amendments when we discussed the bill two days ago.

Now, my question, if you didn't want to answer Mr. McCallum's question—I think this is a fair question, and I would like to receive a fair answer—is that if there are 39 amendments made to a very complex bill, are there any other amendments that perhaps should be made? Because there doesn't seem to be an urgency. I'm not trying to pretend that this is not a complex bill. If you need an extra week, please tell us now. We'll provide you with that time.

If you need two days to deposit 39 amendments, I'd hate to think what you're going to come up with next week, once we've already voted for the bill.

**Mr. Gérard Lalonde:** With all due respect, Mr. Chair, first of all, it's not up to me, as a civil servant, to table amendments to any bill. I did not bring up any amendments to the bill the last time I was here because that is not my place. I cannot table amendments to the bill. I can explain amendments to the bill that have been tabled by the government of the day.

You said that if I don't want to respond to the question proposed by Mr. McCallum, I could answer your question. I believe I did respond to Mr. McCallum's question. So it's not a question of whether I want to or don't want to answer that question.

**Mr. Massimo Pacetti:** So you're going to tell me that the minister, along with the parliamentary secretary, came up with 39 amendments?

**Mr. Gérard Lalonde:** You can ask the parliamentary secretary.

**Mr. Massimo Pacetti:** Mr. Chairman, can I ask the parliamentary secretary?

**The Chair:** Certainly, through me.

**Ms. Diane Ablonczy:** First of all, I want to be clear. For whatever reason, I was not aware that these amendments were coming. As soon as I was aware, I let Mr. McCallum know and I left a message for Ms. Wasylycia-Leis. Unfortunately, I didn't have Mr. Crête's contact numbers, which I will obtain today. I was caught by surprise and didn't want others to be caught by surprise. That is quite possibly and almost certainly not the responsibility of the officials, but I think we'll have to fix that process, because when you see that many amendments, it is a bit of a surprise.

I was able, as I mentioned to Mr. McCallum, to have a briefing about these amendments this morning. I asked the same questions you're asking: why at the last second are we getting this big whack of amendments; and secondly, is there anything hidden in here that would cause us or the stakeholders any concern? Is something being slipped in, as someone said, through the back door?

I was satisfied after our discussion that this is not the case and that these amendments, for whatever reason they didn't come to our attention sooner, are simply technical amendments. The ones dealing with FIEs and NRTs, as Mr. Lalonde said, I'm satisfied allow people who filed in anticipation that this would come in, started filing in 2003—

**Mr. Massimo Pacetti:** We're not here for details. The question is, are there any more to come? The department is not going to submit any, and you're not aware of any. Are there any more phantom amendments that should be made to this bill before we go ahead and approve it? That's what's going to happen. I don't think anybody is disputing the necessity of this bill, or whether it should be voted on

or not. The question is, are there any more phantom amendments to be tabled?

Mr. Lalonde, are you content that the bill is satisfactory in the form it is in?

**Mr. Gérard Lalonde:** Yes, and I am not aware of any other project that may have been prepared by the department in respect of this bill for submission to our—

**Mr. Massimo Pacetti:** Thank you.

Ms. Ablonczy...

I have to ask two people, Mr. Pallister, I'm sorry, and I'm still not even sure if I'm asking the right people.

Ms. Ablonczy, are we comfortable with the bill, with the 39 amendments as is?

• (1240)

**Ms. Diane Ablonczy:** Yes, I am.

**Mr. Massimo Pacetti:** Mr. Chairman, thank you.

**The Chair:** Mr. Crête.

[*Translation*]

**Mr. Paul Crête:** I am not very comfortable with this. We are being asked to amend a very complex bill. The amendments are coming to us today. I am prepared to trust the government and its officials. But, in the past, we have seen the unfortunate consequences of changes of this nature. The responsibility for passing or not passing these amendments is ours.

As we have not been briefed on this bill or on these amendments, I would like to be given a complete overview of the amendments. If we have enough information, we can move to a vote at the end of the meeting. If not, we can finish the clause-by-clause study in another meeting.

This is a parliamentary committee. We are discussing serious matters which have considerable financial impact on people with significant income. There were no amendments proposed last Tuesday, so I am very surprised that we could not have been told that changes were possible. Today, it is as if someone were trying to make us swallow something without our having tasted and digested it, without knowing what is in it.

I would like all the amendments and their implications to be presented, and for us to be given examples so that we have an idea of what they mean. If we cannot do that today, we can do it later. This bill has been in the works since 1999, so I do not think that another day will make a difference.

[*English*]

**The Chair:** Mr. Crête, you made a suggestion that you're not comfortable dealing with the bill. That's a committee decision, and I would suggest that if you wish to advance that concept you propose a motion at this point in time to hoist until Tuesday. You're giving me notice that you wish to do so. I have to deal with the motion before us now first.

Is that what you would like to do?

[*Translation*]

**Mr. Paul Crête:** I want to be sure that we have all the necessary information before making our decision, I do not want us to be panicked into making it. Does this mean we have to wrap it up today? We will see if it has to take the form of a specific motion.

[*English*]

**The Chair:** Clearly, committee, I have to deal with the motion that's before us from Madam Ablonczy.

I would say it's implicit, in your voting on this motion, that if you are uncomfortable about dealing with this in the timeframe you've been given, then you simply have to vote against the motion as it's presented, and then we'll move to Mr. Crête's motion thereafter. If you're not uncomfortable, then I would suggest to you that if, based on the comments you've heard thus far, you have a degree of comfort in dealing with it, you pass the amendment. We will then dispose of Mr. Crête's motion quickly.

First, I have to again deal with clause 2, which is before us.

John, if this is a.... I thought we'd deal with the motion first.

Pardon me?

**Hon. John McKay:** Don't you deal with the motion first?

**The Chair:** Yes, I'm dealing with Madam Ablonczy's motion first. We have a motion on the floor right now, and that's Madam Ablonczy's, for clause 2.

The motion is that clause 2 pass. We've had discussion on clause 2 interspersed with discussion about the process and so on ever since it was introduced.

Mr. McCallum, you would like to speak to clause 2. Please proceed.

**Hon. John McCallum:** I'm speaking on the same subject we've been speaking on for the last several minutes; that is, it's a question of process and accountability.

**The Chair:** Mr. McCallum, I want to be clear.

What's before us is clause 2, and I'll repeat: if you'd like to speak to the process issue, that's fine. I've tried to give as much latitude as I can, but my patience is wearing thin.

Mr. Crête has given notice to me and to the committee, colleagues, that he would like to present a motion to hoist until Tuesday. I will proceed to that motion and discussion on it, but only after we have disposed of clause 2. We will deal with clause 2 first.

**An hon. member:** Point of order.

**The Chair:** Again, my suggestion to committee members, in the interests of their time and of dealing with the issue fairly, is this: if they wish to hoist and to discuss Mr. Crête's motion leading to a hoist until Tuesday—if that's their wish—vote against this clause so that we can dispose of it now, and we'll move to that.

Is that all right?

**Ms. Diane Ablonczy:** I have a point of order, Mr. Chairman.

• (1245)

**The Chair:** Madam Ablonczy.

**Ms. Diane Ablonczy:** In light of there being some discomfort in the committee on this issue, I'd like to withdraw my motion.

**The Chair:** Very good.

**Ms. Diane Ablonczy:** If the committee wishes, I would suggest we suspend for a few minutes so that we can have a discussion on this, and then perhaps we'd be better able to decide together how to best proceed.

(Motion withdrawn)

**The Chair:** Mr. Crête.

[*Translation*]

**Mr. Paul Crête:** I share Ms. Ablonczy's view; she is suggesting that we suspend the session for a few minutes to look at the situation. I am worried about two things. The first is whether we have enough information...

[*English*]

**The Chair:** We are suspended.

•

\_\_\_\_\_ (Pause) \_\_\_\_\_

•

• (1250)

**The Chair:** Mr. McKay, would you like to speak?

**Hon. John McKay:** No. I think Madam Ablonczy will speak for us all.

**The Chair:** Madam Ablonczy, the floor is yours.

**Ms. Diane Ablonczy:** Mr. Chairman, it would appear that it would be prudent for members of the committee to take a bit of time to consider and consult on these new amendments. We would like to propose that we deal with this issue at our meeting on Tuesday and that right now we go into pre-budget consultation discussions.

**The Chair:** Has everybody agreed?

**Some hon. members:** Agreed.

**The Chair:** Okay, good. We'll deal with that on Tuesday, after we've had a couple more hearings on the delightful tax haven topic we've been discussing for some time. We'll endeavour to have witnesses ready to go on Tuesday, and we'll conclude by dealing with Bill C-33.

We'll move in camera now.

[*Proceedings continue in camera*]







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