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—
Chair

The Honourable Wayne Easter

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•(1135)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order, members.

Pursuant to Standing Order 108(2), we are studying the subject matter of Bill C-15, An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016, and other measures.

I thank the witnesses for coming.

Before we start, I'm going to table the subcommittee on agenda. It is before you. The subcommittee on agenda met on Monday to consider the business of the committee and agreed to make recommendations. Do I need to read this or are we okay?

Mr. Steven MacKinnon (Gatineau, Lib.): Dispense.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Moved.

The Chair: Moved by Ms. O'Connell.

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

Mr. Steven MacKinnon: I have a point of order, Mr. Chair. I believe there is a motion not dealt with in the subcommittee report.

[Translation]

The notice of motion was submitted on April 22. It has to do with the right of participation of independent MPs. I would like the motion to be studied now.

[English]

The Chair: Is everybody clear on the motion? Do you want it read?

Mr. Aboultaif wants it read. Go ahead.

[Translation]

Mr. Steven MacKinnon: The motion reads as follows:

That, in relation to Orders of Reference from the House respecting Bills,

(a) the Clerk of the Committee shall, upon the Committee receiving such an Order of Reference, write to each Member who is not a member of a caucus represented on the Committee to invite those Members to file with the Clerk of the Committee, in both official languages, any amendments to the Bill, which is the subject of the said Order, which they would suggest that the Committee consider;

(b) suggested amendments filed, pursuant to paragraph (a), at least 48 hours prior to the start of clause-by-clause consideration of the Bill to which the amendments relate shall be deemed to be proposed during the said consideration, provided that the Committee may, by motion, vary this deadline in respect of a given Bill; and

(c) during the clause-by-clause consideration of a Bill, the Chair shall allow a Member who filed suggested amendments, pursuant to paragraph (a), an opportunity to make brief representations in support of them.

[English]

The Chair: It's been moved. Is there any discussion?

Mr. Caron.

[Translation]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): I will oppose the motion for two main reasons.

The first is that we expected the government to act differently than the previous legislature in procedural matters. But we are seeing that things are the same. This motion perfectly mimics what the previous government was doing. Already this is problematic.

It's also because what the government is putting forward does not really give an adequate voice to the proposed amendments. If independent members present amendments, they come here and explain them in a minute or less. A debate takes place without them, as does the vote. This completely diverts the intent of Parliament and the role of members of the House of Commons simply so the government can speed things along.

Allowing independent MPs to present amendments in the House also encourages the government not to table large, omnibus-type bills, a little like what we have now. Obviously, if a lot of amendments are proposed, as was the case at one point during the previous legislature, it is because many clauses were proposed in one bill.

The number of clauses is being reduced and controlled, and the number of amendments being presented in the House are being reduced and controlled. I think this is a way for the government to indirectly try to take away the voice of independent members for one of the rare opportunities they have to use it in this Parliament. Therefore, I cannot support this way of working, which is why I will vote against the motion.

•(1140)

[English]

The Chair: Is there any further discussion?

(Motion agreed to)

The Chair: Let's go on to the agenda for today. Just for committee members, we will go in camera following the witnesses to deal with the witnesses before committee. We talked about it a little bit yesterday at the subcommittee.

I would say to the witnesses, and I think Mr. Caron is going to bring this point up as well, because the House has not officially passed the bill to committee, the department has been unable to give us the briefing binder they normally do, so we don't have the advantage of that information. We will reserve the right to call departmental officials before the committee again, if members so wish, when we get that briefing binder.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Before speaking to this matter, I would like to ask a question about the motion presented by Mr. Dusseault at the last meeting.

As I understand it, the motion was not part of the subcommittee report because there was a possibility of a Liberal subamendment. Will there be time at the end of the meeting to discuss committee business?

Mr. Steven MacKinnon: Yes, there will be an in-camera portion.

Mr. Guy Caron: There won't be an in-camera portion.

Mr. Steven MacKinnon: I'm sorry, you're right. It will be public.

Mr. Guy Caron: Let's talk about what you mentioned, Mr. MacKinnon.

I have been on this committee for three years. In the past, we never met with officials at the start of the study of a bill without having an information paper, which is an absolutely essential document because it contains details that aren't in the bill or in the subsequent analysis which, quite often, is completed in the technical briefing that is held initially.

So I am a bit distraught by this. It's difficult for members to do their work, to ask good questions and to make sure the technical aspects are explored in depth if they don't have the briefing document. If I understand correctly, the department does not want to provide it before the bill is passed in second reading. Do I have that right?

It is not our fault if the committee does the study before it is passed in second reading. That was what the majority of committee members decided. This choice led to efficiency problems. It isn't easy to make progress on this study with the officials, even if we reserve the right to invite them to appear. It's a procedural problem that is the responsibility of the government members.

[*English*]

The Chair: Mr. Champagne.

[*Translation*]

Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.): Mr. Chair, just for the record and for my colleague, I would like to point something out. We have to remember that we had a meeting that went from 7:00 p.m. to midnight. All the officials who had expertise on the clauses of the bill attended a briefing. Representatives from all parties were there. The meeting ran for over five hours. So I would like to thank all the officials who were available from 7:00 p.m. to midnight to answer all the questions that parliamentarians wanted to ask. In fact, it wasn't just parliamentarians who were there, but their staff as well.

I know that some members of the New Democratic Party stayed from start to finish. They were able to ask technical questions on all the measures in the bill that we are currently studying.

I understand what my colleague Mr. Caron is saying, but we still need to keep in mind that a briefing on all the technical amendments lasted over five hours. I say "technical" because it focused not only on the substance of the bill, but on all of the amendments, too. You have to put things in perspective. The documents have been made available to members, and the answers have already been provided during a meeting of over five hours to anyone who wanted to be there.

• (1145)

[*English*]

The Chair: Mr. Caron.

[*Translation*]

Mr. Guy Caron: Mr. Chair, there are two reasons to disagree with these statements. I'll explain why they aren't relevant.

First, the technical briefing in question was held in camera while our meeting here is public. These are two entirely different things.

Second, the technical briefing was held in the evening of the day the bill was tabled. The bill was 179 pages long and contained 238 clauses. After a few days of study, we have a very different perspective of this bill than what we had after only a few hours of study during the technical briefing.

The briefing was useful and welcome. I know that the officials were very professional, but we cannot compare the two. What we have here is a public, recorded meeting with a transcript of our discussions. A number of problematic aspects of this bill that might have been discussed during the technical briefing can now also be made public.

So these are two entirely different things.

[*English*]

The Chair: Members, I don't want to get into a long discussion here, if we can help it. We need to get to the questions, if we can.

Mr. Ouellette.

[*Translation*]

Mr. François-Philippe Champagne: I would like to respond to my colleague. I find his comments surprising because for all the people who were there—

[*English*]

The Chair: Order, Mr. Champagne.

Mr. Ouellette.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Having attended the technical briefing, I thought it was a wonderful moment because we could actually have a lot more freedom in order to ask many questions about various subjects that we're not experts on and to really get into the depth of what's in it in order to gain that greater understanding.

This actually might be more constraining than actually the technical briefing itself, but I thank the officials for coming.

The Chair: We will move on.

There was just one point that I neglected to mention. In our subcommittee report, when we discussed it yesterday, we weren't sure if the minister was going to be doing the committee of the whole the same day as he was appearing before committee. I understand he is going to be doing the committee of the whole on May 30. Therefore, that meeting will only go until 5:30 p.m. on that night.

Starting with officials, there were a number of points raised by members that they wanted a briefing on. We'll start with part 1, amendments to the Income Tax Act and to related legislation.

Mr. McGowan.

Mr. Trevor McGowan (Senior Legislative Chief, Tax Legislation Division, Tax Policy Branch, Department of Finance): Would you like a short overview of part 1?

• (1150)

The Chair: Yes.

Mr. Trevor McGowan: Part 1 implements certain income tax measures that were proposed in the March 22, 2016, federal budget. I'll go through each in order, as I'm aware of the time constraints.

It would eliminate the education and textbook tax credits.

It would exempt from taxable income amounts received as rate assistance under the Ontario electricity support program.

It would maintain the small business tax rate at 10.5% for the 2016 and subsequent taxation years, and make consequential amendments to the dividend gross-up factor and dividend tax credit rates.

It would increase the maximum deduction available under the northern residents deduction as well as eliminate the children's arts tax credit, and eliminate the family tax cut credit. It replaces the Canada child tax benefit and universal child care benefit with the new Canada child benefit. It would eliminate the children's fitness tax credit and introduce a new school supplies tax credit.

It would extend for one year the mineral exploration tax credit.

It would restore the labour-sponsored venture capital corporations tax credit for purchases of shares of provincially registered labour-sponsored venture capital corporations for the 2016 and subsequent taxation years.

It would introduce changes consequential to the introduction of the new 33% individual tax rate that's in Bill C-2 currently.

Part 1 also implements other income tax measures that were announced by the previous government, but had not been enacted. The current government's intention to proceed with these was announced as well in the March 22, 2016, budget.

These include: amendments to the anti-avoidance rule in the Income Tax Act that prevents the conversion of capital gains into tax-deductible intercorporate dividends; a measure qualifying certain costs associated with undertaking environmental studies and community consultations as Canadian exploration expenses; rules ensuring that profits from the insurance of Canadian risks remain taxable in Canada; amendments ensuring that the dividend rental

arrangement rules under the Income Tax Act apply where there's a synthetic equity arrangement in place; rules providing specific tax rules in respect of the commercialization of the Canadian Wheat Board, mainly including a tax deferral for eligible farmers; a measure permitting registered charities and registered Canadian amateur athletic associations to hold limited partnership interests; rules providing an exemption to the withholding tax requirements for payments by qualifying non-resident employers to qualifying non-resident employees; rules limiting the circumstances in which the repeat failure to report income penalty will apply; amendments permitting the sharing of taxpayer information within the Canada Revenue Agency to facilitate the collection of certain non-tax debts; and lastly, amendments permitting the sharing of taxpayer information with the office of the chief actuary.

The Chair: Do any members have any questions on those sections in part 1? We will go through each section.

Ms. Raitt.

Hon. Lisa Raitt (Milton, CPC): Was an analysis done by the department on the effect for a family where the children would be eligible for fitness credits, arts credits, and tuition credits in the family tax cut? What would the total cost be to a family that fit that description, offsetting it with the child care benefit?

The Chair: Mr. LeBlanc.

Mr. Pierre LeBlanc (Senior Chief, Quantitative Analysis, Personal Income Tax Division, Tax Policy Branch, Department of Finance): There is a stat that nine out of 10 families will be better off under the Canada child benefit than under the current system of benefits.

If you were to take other measures, the middle-class tax cut that was introduced on December 7, in Bill C-2, the elimination of income splitting for families with at least one child, the elimination of the children's fitness tax credit, and the children's arts tax credit, and took those together, you'd still be better off. One piece of analysis we did do is that about nine out of 10 families would be better off, so it's the net of all those measures.

Hon. Lisa Raitt: Can you provide that for the committee to see?

Mr. Pierre LeBlanc: Yes, we can follow up.

Hon. Lisa Raitt: Thank you very much. As you know, in the budget it says specifically in the examples that are given on page 63 that the education tax credit, the book tax credit, the income splitting, the children's fitness tax credit, and the children's arts tax credit are not included in those examples. I'm looking for the more holistic effect on families.

Mr. Pierre LeBlanc: Okay.

Hon. Lisa Raitt: Just one more thing—

The Chair: Ms. Raitt, the information will be provided.

Go ahead.

Hon. Lisa Raitt: I wanted to let you know that right now in my riding, since it's tax time, I'm getting a lot of calls from constituents trying to understand specifically what it's looking like for them for next year. We're not able to provide them with that analysis, so if you can give us some comfort, as members of Parliament, we would feel a lot better than saying "9 out of 10 families". Everyone wants to know if they're the one out of 10 who doesn't do better. That would be helpful for us as well. Thank you very much.

I have another question. In the calculator that's provided for the child care benefit, if you plug in a certain number, you're able to see what the benefit is going to be for the family. In the calculation of income that will be used as the means test, would that include all sources of income, including social assistance or any other monies that are provided?

Mr. Pierre LeBlanc: Sure, if you look at current child benefits, let's say the Canada child tax benefit or the new proposed Canada child benefit, what the Canada Revenue Agency uses to calculate entitlement is a measure of income known as "adjusted family net income".

Basically, if you think of your tax form, it's all the different sources of income that you include when you arrive at the total income, such as earnings, investment income, and social assistance. In that case, they would be included. Then you take away certain deductions. Examples of those deductions would be contributions to registered pension plans, contributions to registered retirement savings plans, child care expenses, and union dues. There's also an adjustment, since the universal child care benefit is currently being paid, that's also taken out. Then you arrive at a measure known as "adjusted family net income". That's what's used currently for child benefits, and that's what will continue to be used for calculating entitlement to the new Canada child benefit.

• (1155)

Hon. Lisa Raitt: I have one last question. It's a bit technical, but very important.

With the child care benefit, will it be taken into the calculation under the Canada federal guidelines with respect to payments of support from one family member to another family member? Here is an example. Right now, in a lot of cases of joint and shared custody, you'll have one salary of one individual taken, then the other salary is taken, and you do a set-off. One parent pays so much to the other parent. Will this amount, in the hands of the parent who qualifies, be added into the income, thereby decreasing the level of support payment that needs to be paid from the support parent to the other parent?

Mr. Pierre LeBlanc: I don't know. It's the Department of Justice that looks after the calculation of the child support guidelines.

Hon. Lisa Raitt: From a technical point of view, will the child care benefit, although it's not taxable, be considered income, and will that income be grossed up for the purposes of determining what the true level of income is for the parent?

Mr. Pierre LeBlanc: For the purposes of child support, I don't know.

Hon. Lisa Raitt: Who can tell us that? I think it's relevant.

The Chair: I wonder if we can somehow find out. We all deal with that issue in our constituency offices for sure.

Hon. Lisa Raitt: Absolutely, this is the real deal here.

The Chair: People come to our offices over concerns about that. If you could just get back to the clerk with who we could call to answer that question, we could do that.

Mr. Pierre LeBlanc: Yes, we'll do that.

Hon. Lisa Raitt: I'll tell you why, so that you understand what we're talking about. If you have a zero income, you're going to receive a certain amount of child support. If you receive this child care benefit, on a grossed-up basis the maximum amount is a \$24,000 salary. That's what it becomes. Therefore, of course there's going to be an adjustment to child support payments that are made from one parent to another.

This is a valid concern. A lot of Canadians are divorced. A lot of Canadians have settlement agreements that are going to be severely affected by this one single change. A hundred bucks a month doesn't change things, but \$6,000 a year grossed-up to \$24,000 a year does. We should know the answer to the question.

The Chair: We'll try to find some answer to that.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Thank you, Mr. Chair.

First, I would like to thank the officials for being here, as well as the individuals who will appear later.

The briefing was indeed interesting and useful, even with these delays, but it raises other questions. Obviously, I will not ask all of you to comment on what I'm going to say.

Although the government denies that this is an omnibus bill, it is clear to us that this is, indeed, what we have once again.

This bill is 179 pages long, amends 35 acts and affects nine departments. It also contains Bill C-12, which had been tabled by the government. In fact, it was included in Bill C-15, which implements certain provisions of the budget. It also retroactively repeals the Federal Balanced Budget Act. I say "retroactively", given that the government would have committed an offence under this act as of June 1, 2016. Lastly, the bill amends the act to make it as if it had never existed, even if there was an offence. But it is contrary to law.

Furthermore, it includes other extremely important elements. I will have an opportunity to come back to many issues relating to the recapitalization of banks. A large number of officials are going to speak about many topics.

In fact, when Bill C-12 was tabled, it was clear that it would be studied by the Standing Committee on Veterans Affairs, but in the end it's the Standing Committee on Finance that's looking at it. I think this clearly shows that even if a provision or line is announced in the budget, it shouldn't necessarily be studied in the context of the budget. It should be studied by the appropriate committees. Bill C-12 is a patent case of that.

Having said that, I would like to move a motion. I am fully willing to discuss it at the end of this presentation. I will even do the committee a favour by not reading it, since it is rather long.

I'll simply say that the purpose of this motion is to return to the House of Commons Bill C-15, which implemented certain provisions of the budget, so that clauses relating to the re-establishment and compensation of Canadian Forces members and veterans—from Bill C-12, which was inserted—to bank bail-ins and the bank recapitalization regime, to the Old Age Security Act, and to the Employment Insurance Act. The motion also proposes separate bills so that they can be studied by their respective committee.

I won't read the motion because it takes up a full page. But we will be able to discuss it in committee.

• (1200)

[English]

The Chair: Is it on part 1?

[Translation]

Mr. Guy Caron: On part 1, I mentioned that concern in the technical briefing.

Mr. McGowan, I would like to publicly get your opinion on motions that deal with information sharing with the Canada Revenue Agency and the chief actuary. I would like to know whether the privacy commissioner was consulted when these clauses were drafted. The intent is to provide more information to the chief actuary for the purpose of actuarial calculations.

If not, I'd like to know whether this has been discussed since the technical briefing.

[English]

Mr. Trevor McGowan: There are actually two measures in the bill dealing with information sharing. I'll deal with both and try not to confuse them.

There's information dealing with information sharing within the Canada Revenue Agency for the sharing of information to support the collection of non-tax debts. For that measure the Privacy Commissioner was consulted, but we were told that they do not provide advance opinions on whether a particular amendment would contravene the privacy rules. Instead, they agreed to continue to work with the Canada Revenue Agency to ensure that all of the privacy guidelines are followed and that taxpayers' personal information is adequately protected.

In the second case, there is the information sharing with the chief actuary. The Privacy Commissioner's policy in that case is the same: that they would continue to work with the Canada Revenue Agency in ensuring in the administration of the program that taxpayers' privacy rights are protected.

[Translation]

Mr. Guy Caron: In other words, you haven't consulted the commissioner, but you have followed guidelines or policies established by the commissioner or the office. Is that right?

[English]

Mr. Trevor McGowan: Do you mean in the administration of the program? The information sharing hasn't passed, of course, and my understanding is that it won't be shared until royal assent is given, and so the guidelines of the Privacy Commissioner in sharing information won't have come into effect because they haven't started

yet. However, once the sharing of taxpayer information commences, then the office of the Privacy Commissioner would be working with the Canada Revenue Agency to ensure that the appropriate safeguards are not only in place but are followed.

Mr. Guy Caron: Can I ask one more question?

The Chair: Yes.

[Translation]

Mr. Guy Caron: When we're talking about tax credits for labour-sponsored venture capital corporations, a distinction is made between the funds of a provincial regime—such as the FTQ's Fonds de solidarité and the CSN's Fondation—and the funds of a federal regime. Why was this distinction created?

In one case, the credit will be restored to 15% and in the other, it will eventually be dropped to zero. I would like to know why we are making this distinction and what the impact will be on individuals concerned by these funds.

Mr. Pierre LeBlanc: As for the distinction, I'll say that the large labour-sponsored funds come under provincial law, and the provincial government itself gives a tax credit in the case of these funds. About 96% of assets are linked to provincial funding. In the case of tax credits to individuals in 2013, the provincial funding makes up about 99% of all funding.

What I'm saying is that federal regime funds are very modest. There was a labour-sponsored fund in Ontario until 2000, but the Ontario government decided to eliminate it. So there is no longer a provincial regime like this in Ontario. These funds have few assets, but they now belong to a federal regime.

In the case of these funds, the credit will not be restored to 15% beginning in the 2016 fiscal year. This will only be the case for large funds under a provincial regime.

• (1205)

Mr. Guy Caron: My question is: why are we making this distinction now when it didn't exist before?

Mr. Pierre LeBlanc: Provincial regime funds are supported by the provincial governments that give a tax credit. These governments are willing to invest in these programs. That's how it is in Quebec and Saskatchewan. However, there is no provincial tax credit when federal regime funds are involved. So there is no investment. I think that is the main reason we are proposing that the tax credit be restored in the case of provincial regime funds.

[English]

The Chair: Thank you, Mr. Caron.

Mr. McKinnon, on part 1.

[Translation]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

I would also like to thank the officials from the Department of Finance for being with us today, for giving us this time and for contributing their expertise.

I would now like to speak to the Canada child benefit. From what I understand, it will be excluded from taxable income at the federal, provincial and territorial levels. Is that right?

Mr. Pierre LeBlanc: It is. If you mean the calculation of benefits based on income and taxation, it is correct to say that these benefits will be excluded for the purposes of these calculations.

Mr. Steven MacKinnon: In other words, they will be excluded from taxable income.

Mr. Pierre LeBlanc: Yes, these benefits will not be taxable.

Mr. Steven MacKinnon: They won't be taxable at the provincial level, either.

Mr. Pierre LeBlanc: Since the federal government determines the tax base of individuals, these benefits will not be taxable for all the other provinces. As I understand it, the same will be true for families in Quebec.

Mr. Steven MacKinnon: That's what you think?

Mr. Pierre LeBlanc: Yes.

Mr. Steven MacKinnon: So you're not sure.

Mr. Pierre LeBlanc: These amounts are not taxable. The amounts of the Canada child tax benefit are not taxable. I assume that everyone will be treated the same in every province.

Mr. Steven MacKinnon: You assume?

Mr. Pierre LeBlanc: We could check but—

Mr. Steven MacKinnon: Mr. Chair, this is a fairly important issue for the constituents in my riding. So I'm asking that we be given an answer to this question quickly.

[English]

The Chair: Okay, we'll come back with that information at a later point. Do you have anything further in part 1?

[Translation]

Mr. Steven MacKinnon: Yes, I'd like to build on the questions Ms. Raitt asked about children whose divorced parents share custody or who live with one of their two parents.

How is the calculation done for them? I would also like clarification on this.

The universal child care benefit, which is now being replaced by the Canada child benefit, was taxable at both the federal and provincial level, in Quebec and elsewhere, wasn't it?

•(1210)

Mr. Pierre LeBlanc: Yes, you're right.

Mr. Steven MacKinnon: So it's an added bonus for the vast majority of Canadian families.

Mr. Pierre LeBlanc: And nine out of 10 families will receive more child and family benefits following this reform.

Mr. Steven MacKinnon: That's right.

You are considering both the fact that this income will not be taxable and the gross amount of the benefit.

Mr. Pierre LeBlanc: Yes. The calculation takes into account the fact that the UCCB was taxable income, both federally and provincially.

Mr. Steven MacKinnon: Right. We are eager to receive confirmation and more information about this.

Mr. Chair, in the summary of part 1 of the bill, point (k) reads as follows:

(k) extending, for one year, the mineral exploration tax credit for flow-through share investors;

If I'm not mistaken, this tax credit is renewed year after year. Is that the case?

[English]

Mr. James Greene (Director, Business Income Tax Division, Tax Policy Branch, Department of Finance): The mineral exploration tax credit was introduced in 2000 for a three-year period. At the end of that period, it was extended, and has since then been extended on an annual basis, with one exception, a brief period in 2006, when it was allowed to expire. It was reinstated, however, and has subsequently been extended annually since that time.

[Translation]

Mr. Steven MacKinnon: Why are we choosing to renew this tax credit in particular year after year?

[English]

Mr. James Greene: I'm not sure that I can speak to the motivations of different governments over time, but I can say that the tax credit is designed as additional or extraordinary support to the mining sector that supplements the ongoing permanent support available through flow-through shares to finance their exploration spending. The credit is an additional credit, on top of the deduction, that investors receive from a mining company. I think governments over time have wanted the opportunity to review current conditions in the sector to determine whether they merit extending this supplementary support.

[Translation]

Mr. Steven MacKinnon: You realize that since 2006, if not 2000, the mining sector has experienced almost every up and down in the commodity cycle? That's why I am curious about this. Obviously, we are trying to encourage mining exploration in Canada, hence the decision to renew the credit this year.

Given the fluctuations that the mining sector is experiencing, I'm wondering about the appropriateness of this decision. Should we review it? Should we instead consider extending the credit over several years to increase investor confidence?

[English]

Mr. James Greene: Mr. Chairman, I would just add for the honourable member that, while the credit is extended for a one-year period, the credit has a feature called a "look-back" rule. When a company issues shares in one year, it has until the end of the following calendar year to expend those funds. This allows for a fairly lengthy period of planning. This year's credit will support exploration spending into the following year. For that reason, I think it involves a kind of binoculars to gauge how long that support will continue to be merited in the future. Obviously, an extension on a different basis is a possibility.

•(1215)

The Chair: Mr. McColeman, part 1.

Mr. Phil McColeman (Brantford—Brant, CPC): Thank you for coming today.

My questions have to do with what you describe in the presentation booklet as “the top marginal tax rate”. I want to go to the bullet point that says, “amend the recovery tax rule for qualified disability trusts to refer to the new 33-per-cent top rate”.

Now, my understanding is that the new tax rate applies to personal income over \$200,000. You get hit with additional taxation.

However, I wonder if you could help me understand this in the context of a real-life example. Suppose a trust is set up for a disabled child within a family. Then, as the disabled person becomes independent and perhaps the parents pass away, the trust money flows out to sustain the disabled person in whatever environment the money was set up to do so. Is this now topped up in terms of having to pay more tax at the 33% rate?

Mr. Trevor McGowan: The general rule for trusts is they're subject to taxation at the top marginal rate on all of their income. The two exceptions to that rule are qualified disability trusts and graduated rate estates that arise when an individual dies.

For qualified disability trusts, as you pointed out, the policy is that these are trusts that are set up to support a disabled individual. They are therefore provided access to the graduated rates and not the top rate of tax, which was 29% last year. Under Bill C-2, that would be 33%.

The access of a qualified disability trust to the graduated rates is predicated on the income of the trust being paid to an eligible beneficiary, someone eligible for the disability tax credit. If ultimately there has been income accumulating in the trust that has been taxed at these lower rates, and income is later paid to someone who would not be entitled for it to continue as a qualified disability trust, then the rules have what is called the “clawback” of the graduated rates. This essentially provides an additional tax in respect of the lower rate in previous years, where an amount has ultimately been paid out to a non-qualifying individual.

This would prevent, for example, a qualified disability trust from being set up notionally in support of someone who is actually disabled and who would normally qualify, but then, after earning income in the trust for a number of years and taking advantage of the lower graduated rates, ultimately being paid out to someone else—perhaps the settler of the trust or whomever—who doesn't qualify. That's the policy underlying the qualified disability trust recovery rules. That's why, with the amendments that are consequential to the introduction of a new top marginal rate, it follows. The existing rules reference the previous top marginal rate of 29%, and the new rules would reference or be built upon the new top marginal rates. That policy actually remains consistent.

• (1220)

Mr. Phil McColeman: Okay.

I will take from that, in my layman's terms, that if you have a trust set up for a child today and that trust begins to pay out, there will be no change for the family or the individual in terms of taxation, as long as that individual is receiving it out of the trust. However, if that individual becomes deceased and the trust has to be wound up in an estate, then there is some additional taxation that is going to happen

to whoever the recipients of the estate are. Am I correct in assuming that?

Mr. Robert Demeter (Chief, Business Property and Personal Income, Tax Legislation Division, Tax Policy Branch, Department of Finance): Yes, that is correct. I would just add, provided that the trust qualifies as a QDT, qualified disability trust. As long as it is going out to the beneficiary it was intended for, and that beneficiary has a disability that qualifies the trust as a qualified disability trust, there should be no change from this particular amendment to move the top rate in the recovery tax to 33%.

Mr. Phil McColeman: I am still not 100% clear. Perhaps I might ask you about the best way for most people who are in the situation of having set up trusts for their disabled children and would like to know the consequences this tax increase may have for their families.... When the beneficiary, who is disabled, stops receiving it because they are deceased, what happens in the case of the rest of the family members, who are left to close things up in terms of that trust?

I would like more clarification, if you could, with real examples from you, as to how this tax treatment changes for typical, average families who have set up these trusts—and there are many of them across this country.

I will move on, because I know we are limited in time, so if you could provide that—maybe two or three examples, if there are variables in there that I haven't hit on—I would really appreciate it.

Second, the same section of the notes we were given talks about the charitable donation tax credit in Bill C-2. This is where the government has moved to take away the ability that was previously put in for persons with real estate and such giving those to charity.... I don't totally understand the description you have given me here.

Again, in a situation where a person bequeaths to a charity assets in real estate, the previous government put into place rules that they could do that without taxation, and now there is going to be taxation on those, or this whole provision is going to be removed. Is this what that speaks to?

Mr. Trevor McGowan: No, they're separate measures.

This is actually more closely related and is a purely consequential amendment to the introduction of the new top marginal rate. The proposed amendments that you mentioned that deal with the donation of proceeds from the sale of real property or private company shares to a charity were announced in budget 2015, and two were to have become effective in 2017. They've not been included in the bill and they were never enacted. In budget 2016, the government announced its intention to not proceed with those proposed amendments.

The proposals in Bill C-15 are unrelated to those. What they relate to is, as I said, further consequential refinements to the charitable donation tax credit that followed from the introduction of a new top marginal rate. Individuals can obtain a charitable donation tax credit in respect of their gifts. Currently—and this is not proposed to be changed—it's 15% on the first \$200 of gifts. Previously, and previous to Bill C-2 and this, it's 29% on gifts in excess of that.

Those sets of proposed amendments provided, back in December, a set of rules that—to the extent you're an individual and you have income in the top marginal bracket so it's now taxed federally at 33% instead of the 29%—effectively, given the old rates, gave you a deduction. For people who are taxed at lower rates, it provided an incentive.

For people who have income in the top marginal bracket that is subject to the top 33% rate, the Bill C-2 amendments would provide a 33% tax credit. Following up on the government's announcement, those amendments that are in Bill C-2 provided further refinements to that policy, specifically for trusts. As I mentioned before, most trusts are actually subject to flat taxation, so all of their income is taxable at the top marginal rates.

What these amendments would do—as well as, in fact, replace what is in Bill C-2—is provide that, if you have a trust that is subject to top flat-rate taxation, it can access the new 33% tax credit to offset its income that's taxed at the top rate. It doesn't have to be income in excess of \$200,000, because their first dollar of tax is taxed at 33%. It ensures that trusts have the same incentive to donate as high-income natural individuals.

Second, it provides that, in situations where you have a trust, a taxation year can straddle the end of 2015. It starts in 2015 and ends in 2016. It, for that year, can be subject to the.... That might be the case for a graduated rate estate where an individual dies mid-year. It can be subject to the top marginal rate of 33% on its income for the year. This would provide that gifts made before 2016—in the first part of that taxation year that straddles the year-end—can qualify for the new higher 33% tax credit as well, so that they get an effective deduction against their income taxes for those gifts.

•(1225)

Mr. Phil McColeman: Thank you.

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell: I have only a couple of questions, and they are relatively short, Mr. Chair, regarding things like the arts tax credit, income splitting, and things like these.

I'll talk about the arts tax credit first. This tax credit, or the fitness tax credit, is only applicable if the family can actually afford the arts program or the sports program in the first place—the old system. They would, in their taxes, submit that, and then get an up-to amount. But families who can't actually afford the arts program or sports program in the first place didn't get any money under the old program, whereas with the new child benefit, you get an amount based on your income, and you can do what you wish with it.

Am I understanding that correctly?

Mr. Pierre LeBlanc: What we can say is that both the children's fitness tax credit and the children's arts tax credit are based on eligible expenses. They're based on what you pay.

Ms. Jennifer O'Connell: In my riding, the cost of hockey is enormous, and so a lot of families don't take advantage of this. They can't afford the program in the first place. This is why I know the government is changing this program. Certainly in my community, it makes a big difference.

In respect of the income-splitting credit, a single mother would have no access to the income-splitting benefit, because there's no income to split. Some couples could benefit from splitting their income, but they can't unless they have a child under the age of 18. So this excludes a lot of people, since the money is being spent to give more to those with children. Am I correct that a single mother couldn't take advantage of the tax reduction that comes from income splitting?

•(1230)

Mr. Trevor McGowan: Yes, you're correct. A single parent would not be able to use the credit. As you also noted, qualifying for the credit requires a child under the age of 18.

Ms. Jennifer O'Connell: Do you know the average age of young Canadians still living at home? My understanding is that young people are living at home longer, so this age of 18 is not necessarily relevant.

Mr. Trevor McGowan: I have no idea. I'm sorry.

Ms. Jennifer O'Connell: That's okay. I'll find out how to answer it.

Thank you, Mr. Chair.

The Chair: Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): You mentioned that nine out of 10 families would be better off under the new child tax benefit. That means they'll either get more money or pay less taxes. Will this mean a loss of revenue or an additional expense? Have you calculated what the impact will be on the budget if it's revenue? What's the impact on revenue of having to acquire this? The money has to come from somewhere.

Mr. Pierre LeBlanc: In the budget, the cost of the Canada child benefit and the gain to the government from eliminating the universal child care benefit are presented net of tax. This takes into account that the government is paying the universal child care benefit, while receiving a certain amount of personal income tax on —

Mr. Ziad Aboultaif: What's the difference between the two?

Mr. Pierre LeBlanc: Roughly \$1 billion is being paid in federal personal income tax for the universal child care benefit.

Mr. Ziad Aboultaif: So \$1 billion on 36 million Canadians, how can you translate that into dollars and cents for a single family?

Mr. Pierre LeBlanc: Are you looking for an example of a typical family?

Mr. Ziad Aboultaif: You're saying \$1 billion extra, which means it's going to cost the budget an extra \$1 billion as an expense. Now that \$1 billion distributed through 36 million Canadians translates to a small amount per family. That doesn't mean we're pulling nine out of 10 families out of poverty, or even that they'll be better off. It can be \$100 a year or \$800 a year. It would be nice to know that number, because that's also going to average out. Some families will benefit more, and some families will get way less. How can that be such a fair move if the result is only \$1 billion extra into that account?

Mr. Pierre LeBlanc: The nine out of 10 figure takes account of the tax now paid on the universal child care benefit.

Mr. Ziad Aboultaif: My colleague asked you if single mothers are eligible for income splitting, implying that income splitting is not fair on that basis. Is the government asking you to review and eliminate seniors' income splitting because senior widows do not qualify? Can you please explain that?

Mr. Pierre LeBlanc: The government made clear in the budget that pension income splitting wasn't being affected by the proposals to eliminate income splitting for families with children.

Mr. Ziad Aboultaif: I'm still not very satisfied with the answer to my first question. You must have done some calculations to get to the bottom of that, especially now with people already filing their income tax. You must have some ideas on those numbers. It's a very large statement to say nine out of 10 families are benefiting. It would be nice to know what that amount is going to be. How can we average this out based on income brackets? Do you have that analysis?

• (1235)

Mr. Pierre LeBlanc: We have very detailed data on families with children, and on all Canadian taxpayers. We're able to see what they're receiving under the current system and what they would receive under a new system. The nine out of 10 calculation compares the two.

The Vice-Chair (Mr. Ron Liepert (Calgary Signal Hill, CPC): Thank you, we'll move on to Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair, and thank you to all our witnesses for coming today.

I'm going to take it back to repealing the education tax credit from a student's perspective.

Our government in this budget wanted to ensure that more young Canadians have access to post-secondary education and that the assistance that's going to be provided is more targeted. That's why we're repealing these tax credits that weren't targeted to low- and middle-income families and introducing an increase in the Canada student grant program. Has there been a study done on the impact on an average student from repealing these tax credits and the additional money they will get from the increase in the Canada student grant program?

Mr. Trevor McGowan: The Department of Finance officials handled the repeal of the education tax credit and textbook tax credit, and I'd happily go through the details on that. As to the comparison with the Canada student grants, that's not in the bill so we're not prepared to speak to that. But I'd happily go through what the repeal of the education and textbook tax credits entails, and that's all we have at our fingertips right now.

Mr. Raj Grewal: Okay, that's fine. I wanted to get more information on the holistic approach, but we can follow up with the Department of Finance on that.

Can you confirm that students who carry forward credits.... I remember when I was claiming these credits, in certain years you didn't need to use all of them because your income was at a certain percentage or it was more lucrative to save them for another year. They will be able to carry these forward, right? There's not going to be a full stop on them?

Mr. Trevor McGowan: That's correct. Those tax credits would be able to be carried forward and claimed, alongside the tuition tax credit, which is not being affected by Bill C-15.

Mr. Raj Grewal: That's perfect, thank you.

The Vice-Chair (Mr. Ron Liepert): Mr. Caron.

[Translation]

Mr. Guy Caron: Thank you very much, Mr. Chair.

I would like to ask two questions.

Mr. Greene, have you had the opportunity to read the parliamentary budget officer's report on the impact of the deferral of tax reductions for SMEs? The report came out this morning.

[English]

Mr. James Greene: Yes, Mr. Chair, I can confirm that we have seen the report.

[Translation]

Mr. Guy Caron: I would like your opinion on that.

Are the parliamentary budget officer's findings on the economic impact of deferring tax reductions for SMEs consistent with those of the Department of Finance?

[English]

Mr. James Greene: The Department of Finance has not done an analysis of the broader economic impacts of this individual measure, but I can say that the approach taken by the parliamentary budget office here is similar to the kind of analysis that is done by the department.

I'd just say that these kinds of studies rely on what we call fiscal multiplier effects to look at the broader economic impacts of a particular policy change. They're based on general relationships that you can observe from past economic studies.

There's a fair degree of uncertainty around those things but, generally speaking, this study finds that if the government had decided to go ahead with the previously announced small business rate reductions in future years, there would have been a modest impact on GDP and employment levels.

I guess, in fact, the budget presents an alternative program. The government is proposing not to go ahead with that particular policy change but to propose an alternative suite of policies, including relying on some measures that are associated with higher fiscal multipliers, things like investments in infrastructure support for modest and low-income households, and as a result of that, come up with a suite of policies that would have an overall very positive impact when you look at the suite of policies overall.

•(1240)

[*Translation*]

Mr. Guy Caron: Thank you.

I have a second question about the changes related to the Canadian Wheat Board.

Would I be wrong to say that this completes the cycle of privatizing the Canadian Wheat Board? The measures proposed in the bill affect farmers and people who transport and sell their grain, among other individuals. I am surprised to see that these provisions did not exist when the Canadian Wheat Board was a Crown corporation. Why do they need to be included now when they weren't in the past?

[*English*]

Mr. Trevor McGowan: The amendments in this bill relating to the Canadian Wheat Board are really based upon the privatization transaction of the Wheat Board and the tax consequences of the structure after that, so going into the future. What it does is that it effectively is intended to ensure that there is a tax deferral for the affected farmers who participate in the transaction.

If I may very quickly go through how it was structured, and then I can show, I think, probably in the clearest way possible, what these amendments are intended to provide.

When the Canadian Wheat Board was commercialized or privatized a series of deal steps was put in place. These tax rules effectively respond to those. What they did was establish a trust for the benefit of the affected farmers, and it would hold an interest in the Canadian Wheat Board corporation.

It was first provided with a promissory note, so a debt obligation by the corporation, and it used that to acquire shares of the corporation. Then afterwards when farmers delivered grain to the Wheat Board they could take back interests in the trust. I think they have a value of around \$5 each as part of their compensation for selling their grain.

If these rules were not in place, just based upon the existing rules in the Income Tax Act.... The issuance of the debt obligation from the Canadian Wheat Board corporation to the trust I think was in the amount of around \$230 million. It was a significant amount, in any event, and that would have been included in computing the income of the trust, and it would have had to pay tax on that at the top marginal rate, so that would have represented a significant tax liability.

These amendments say that this is not a taxable event. Likewise, for the exchange of the debt obligation for shares, there are rules in here providing that that's not taxable.

When farmers would deliver their grain to the Wheat Board in exchange for units, that would ordinarily, under the general rules in the Income Tax Act, be fully taxable, ordinary income, and they'd be taxed at the time that they received the trust units, even though they haven't received cash for those.

Many of the rest of the rules in this bill relating to the Canadian Wheat Board provided deferral for farmers on that, so they provide that when farmers get those trust units there's no income inclusion,

and there will not be an income inclusion until the farmer ultimately disposes of them, except in the case where the farmer dies and they go to their estate, and go to their spouse, in which case another tax deferral is provided.

Really, it's about overriding what would have been the ordinary consequences of the commercialization transaction in order to provide a deferral and, let's say, more appropriate tax consequences for the affected farmers.

•(1245)

The Vice-Chair (Mr. Ron Liepert): Mr. Caron, I'm going to recognize Mr. Sorbara for a bit, and if there's time and the chairman wants to come back to you he can.

Mr. Sorbara.

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

Good morning to everyone.

I'll keep my questions very quick and on one topic, the bank recapitalization regime. I want to make it clear to everyone out there, and I would like to hear from you that all deposits will be—

Mr. Trevor McGowan: That's capital markets. That's not in part 1.

Mr. Francesco Sorbara: Oh, it's not in part 1. I'm sorry. Then I'll have to change the question.

If we can talk about the education tax credits and the fitness tax credits, the one issue I've had for a long time with those tax credits is the difference between refundable and non-refundable tax credits. Is it correct that a lot of individuals won't qualify for those tax credits in the lower-income scales because of the nature of those tax credits?

Mr. Pierre LeBlanc: You mentioned fitness, arts, and education, and actually there are a variety of treatments if you look at those. The children's fitness tax credit is refundable. The children's arts tax credit is not refundable. The education and textbook tax credits are not refundable, but unused amounts can be transferred to a supporting family member up to a certain amount—\$5,000—and they can also be carried forward to future years. A student might not have enough taxable income to use them in the current year when they're earned, but that doesn't mean they're lost forever. They can potentially be used in a future year, say, when the student starts working.

Mr. Francesco Sorbara: That's it, Mr. Chair, sweet and short.

The Chair: Thank you, Mr. Sorbara.

I had some questions on the Canadian Wheat Board not so much related to the taxation and I think I raised them the night of the technical briefing. Here we are, we're dealing with new arrangements for the new Canadian Wheat Board but we really still don't know about the disposal of assets under the old Canadian Wheat Board.

Can anybody tell me what happened to those assets? There was the building in Winnipeg. There are the hopper cars. There was something like \$300 million or \$400 million from the Government of Canada that went somewhere. I find it remarkably strange now. We're trying to make arrangements to invest in a new Canadian Wheat Board when farmers already had the benefit of the old Canadian Wheat Board, which is no more.

Hon. Lisa Raitt: Not now that you're there.

The Chair: No we can't change it, Miss Raitt. Under international law you can't change it back.

In any event, do you have any answers on the question of the sale of assets?

Mr. Trevor McGowan: I think the officials at this table are only able to speak to the tax aspects, in particular to those limited to what's in the bill.

The Chair: Is there anybody here in the room, officials who are from Agriculture, who can?

Mr. Trevor McGowan: I believe there's Mr. Meredith.

• (1250)

The Chair: If you could just come to the table and state your name. I know we're getting lots of questions on what happened to the assets.

Mr. Greg Meredith (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food): Thanks, Mr. Chair. My name is Greg Meredith. I'm the assistant deputy minister for policy at Agriculture Canada and I was the policy lead on the removal of the single desk and the eventual commercialization of the CWB.

The Chair: Do you have any answers on what happened to the assets of the old Canadian Wheat Board in terms of the sale of the building, the sale of the hopper cars or who owns them at the moment, and the monies that the federal government had invested? I believe it was in the range of \$300 million for the transition.

Mr. Greg Meredith: Yes, one point of clarification I would just state for context, Mr. Chair, is that the government didn't own the Wheat Board and so didn't sell any assets. I'd also underscore that prior to commercialization the Canadian Wheat Board per se didn't have that much in the way of unencumbered assets. Its primary source of capitalization was debt and that debt in some cases was guaranteed by the Government of Canada and in some cases not.

For example, the building was encumbered to slightly more than \$1 million or \$2 million than its worth. The hopper cars likewise had debts secured against them; even though they were donated by the Government of Canada they used these as equity to build the corporation. So the monies you're referring to that were part of the transition fund were to enable the CWB to right-size itself from an organization in excess of about 400 employees to a much smaller organization while dealing with obligations that would have been well beyond its capacity to pay.

So, for example, the monies that we gave the Wheat Board helped pay out pension obligations for those in excess of 400 employees, obligations that the new smaller CWB would not have been able to pay for. We also helped the CWB deal with contracts of affreightment. Those were long-term contracts that they had entered

into to transport grain that they could no longer guarantee in terms of volumes and there were certain penalties that had to be negotiated for those.

It was those kinds of costs largely derived from the decision of the government to remove the single desk coupled with the decision to ensure that the CWB remained a viable option for farmers in a post single desk world. So those policy objectives were supported by those transition monies.

The Chair: I think there is a recommendation in the finance committee report that maybe you can have a look at where we were asking the government, which would include the Ministry of Agriculture, for some answers on these points and I expect the government will respond in kind.

On these measures, more related to the taxation trust area, would there be a Canadian residency requirement for preferential tax treatment as a participating farmer under the Canadian Wheat Board?

Is there anything related to Canadian residency requirement in order to utilize or be involved in the Canadian Wheat Board?

Mr. Greg Meredith: The only residency requirement, Mr. Chair, that I'm aware of was that G3 Canada indicated it would be headquartered in Winnipeg.

In terms of a farmer delivering grain to the Wheat Board, I don't believe it ever came up, but I defer to my Department of Finance tax colleagues on whether there is such a provision subsequent to the commercialization decision.

Mr. Trevor McGowan: I'm just double-checking, but I do believe there's a requirement that participating farmers, which is the defined term in the legislation, be resident in Canada in order to obtain the tax deferral.

The Chair: Okay. You can continue to look at that.

I want to move on from part 1, but Mr. Ouellette, you have a question on part 1, and Mr. Liepert, as well.

Mr. Ouellette.

Mr. Robert-Falcon Ouellette: I have a very quick question related to this.

Proposed subclause 38(16) relates to "Failure to file prescribed form". I was wondering how you came up with the number \$1,000. Can you relate it to the Canadian Wheat Board and the trust?

That's page 49, proposed paragraph 38(16)(a) "in addition to any other penalty for which the trust may be liable under this Act in respect of the failure, the trust is liable to a penalty equal to the product obtained when \$1,000 is multiplied by the number of days during which the failure continues."

I was wondering how you came up with that \$1,000. It seems excessive if you're a small farm.

• (1255)

Mr. Trevor McGowan: That's not for a farmer. That's not for a participating farmer. That would be for the information return required to be filed by the trust itself, which would, on initial capitalization, have at least hundreds of millions of dollars in assets.

The policy justification behind requiring that form is, as can no doubt be appreciated, the desire to make sure that information is kept up on the operations of the trust and that there are adequate reporting requirements on its activities to make sure that it is continuing to meet the policy objectives that are reflected in this bit of legislation.

The Chair: One last question.

[Translation]

Mr. Guy Caron: My question will be brief and follows on what I asked Mr. Greene about the impact of cancelling the tax cut for SMEs.

Mr. Greene, you said that the Department of Finance had not specifically studied the economic impact that this might have, particularly on SMEs. Is it common practice for the department not to conduct analyses or studies like that on measures that might have an economic impact?

If a tax cut is cancelled, decisions will be made and some behaviours will change. It will have an impact on the growth of companies and on their economic efficiency and, eventually, on Canada's economy.

I'm curious to know when the department decides to do an impact study on measures and when it decides not to.

[English]

Mr. James Greene: I think in this case, the department did, in order to support the budget, put forward studies or look at the impact of the budget as a whole, and it grouped the measures together.

I can point you to the budget plan for 2016. Annex 2 of the budget sets out the economic impact of budget measures. There it divides up measures into broad categories, so that the corporate income tax measures were grouped together. At that scale, they were found not to have a kind of particularly material impact at that high level.

Very much, the government does consider the impact of measures, but budget-making is about making choices between alternatives. When a government puts together a budget, it looks at the economic impact of the complete ensemble of measures. That's what's set out in the budget, with just those sort of macro-level breakdowns.

[Translation]

Mr. Guy Caron: Still, this is different from what the parliamentary budget officer said this morning when he spoke about his report. He felt that it might have a negative impact on the economic growth of SMEs, which play a major role in Canada's economy. However, the explanations in appendix 2 indicate that this won't necessarily be the impact. There is a fairly large discrepancy between the parliamentary budget officer's findings and those of the department.

[English]

The Chair: Then you're making a comment, Guy.

Mr. Guy Caron: It is a question, actually.

The Chair: Go ahead, Mr. Greene.

Mr. James Greene: The parliamentary budget officer pointed out that yes, it is a negative impact, but the figures in the budget go out to the second year of implementation, 2017-18. The parliamentary budget officer finds a negative impact on GDP of \$30 million. That

would have been a rounding error in the figures that are presented here.

When combined with the impact of other measures you just don't see it. The impact of the measure was certainly taken into account but it's small in terms of the overall picture.

● (1300)

The Chair: Mr. Champagne, you have the last point and then we're moving on.

[Translation]

Mr. François-Philippe Champagne: Mr. Chair, I'd like to continue along the same lines as my colleague Mr. Caron and come back to Mr. Greene's answer.

The parliamentary budget officer's report indicates a decrease of federal revenues by \$45 million in 2016-17 and an impact on 70 jobs for the 2017-18 fiscal year.

Mr. Greene, you spoke about a relatively minor comparative impact. For all the budget measures combined, we're talking about a growth rate of 0.5% for this fiscal year and 1% for the coming fiscal year. So in a \$2-trillion economy, we're talking about approximately \$20 billion in economic growth, compared with a decrease of \$45 million. I think this is growth to the tune of 100,000 jobs.

To put into perspective my colleague Mr. Caron's comments on the impact of this measure in the budget, could you confirm these figures?

[English]

The Chair: Mr. Greene.

Mr. James Greene: Thank you, Mr. Chair.

Yes, I confirm that the honourable member, the parliamentary secretary, is pointing to the impacts that are set out in the budget plan in the annex that we have just been discussing on page 256 of the plan, which again are for the ensemble of measures in the budget.

The Chair: Thank you.

We're moving on. No member asked for a briefing on part 2 or part 3. Both parts relate to amendments to the Excise Tax Act, GST and HST measures and excise measures.

Does anybody have a question in those two areas?

Hon. Lisa Raitt: I do on the GST, but it's in the projection side. I don't know whether or not the officials are able to answer the question for me.

The Chair: Do you want to find it, Ms. Raitt, and then we'll come back to it?

Hon. Lisa Raitt: Yes, please.

The Chair: Then starting on division 1 of part 4, the Federal Balanced Budget Act. Somebody asked for a briefing on that, who was it?

Does anybody have a question?

We're changing officials. Come up to the table, and thank you to those who were here.

Mr. Recker is the senior chief, expenditure analysis and forecasting, economic and fiscal policy branch.

Ms. Raitt, you had a question?

Hon. Lisa Raitt: Page 235 of the budget gives an outlook for budgetary revenues. Under GST, it goes from revenues of \$31.3 billion in 2014, all the way up to \$40 billion in 2020-21. The rest of the excise duties, taxes, and collections seem to be flat, if not going down.

Why is there such an increase in the GST?

Mr. Brad Recker (Senior Chief, Expenditure Analysis and Forecasting, Economic and Fiscal Policy Branch, Department of Finance): I'm the senior chief of expenditure analysis and forecasting.

Hon. Lisa Raitt: I heard expenditure. Yes.

Mr. Brad Recker: Yes. Exactly.

Hon. Lisa Raitt: How is the government spending all the GST they are going to collect? I'm just joking.

Mr. Brad Recker: I think the—

Hon. Lisa Raitt: Question lodged. If someone can get back to me on that, it would be awesome. Thank you.

Mr. Brad Recker: Yes. Absolutely.

The Chair: Mr. Caron, do you have a question on part 2 and part 3?

Mr. Guy Caron: No, I don't. It's for part 4, section 1.

The Chair: Going to part 4, if we could go through them by division. First is division 1, Federal Balanced Budget Act.

Are there any questions in that area, or were you prepared to give a bit of a briefing first?

•(1305)

Mr. Brad Recker: I can mention exactly what it is. It's only the one line. It repeals the Federal Balanced Budget Act, or proposes a repeal to the Federal Balanced Budget Act, deeming it to never have come into force.

The Chair: Mr. Caron.

[*Translation*]

Mr. Guy Caron: Could you confirm that, if the act remains unchanged and is still in force—and it probably will be after June 1, 2016—the government will be breaking its own law as of that date?

[*English*]

Mr. Brad Recker: Under the current act, which was passed with the Budget Implementation Act, from budget 2015, a government would need to impose an operating budget freeze on departments, and a salary freeze on ministers and deputy ministers, that would come into force this fiscal year, and it would extend until a return to balanced a budget is achieved.

[*Translation*]

Mr. Guy Caron: I understand these implications, but as of June 1, 2016, if I'm not mistaken, the government should take these measures pursuant to the act because of its fiscal situation. So it

would be breaking its own law and should implement these measures.

Do I have that right?

[*English*]

Mr. Brad Recker: According to the Federal Balanced Budget Act, those measures are expected to come into force this fiscal year. What the government has chosen instead to do is to propose a repeal of the act deeming it never to have come into force.

Mr. Guy Caron: I do understand. The government has chosen to retroactively cancel this act, and in the language of the bill is saying this act never existed, so that all the consequences it should face, according to this act, will have been deemed never to have taken place because the act didn't exist in the first place.

Have we seen many examples of this formulation in the past?

Mr. Brad Recker: I'm not an expert at past legislation.

Mr. Guy Caron: Was the justice department consulted on the impacts of this type of formulation of retroactive change?

Mr. Brad Recker: I wasn't. I'm from the fiscal policy division. You would have to speak to our legal branch in that case.

[*Translation*]

Mr. Guy Caron: Mr. Chair, you said that we could invite other witnesses and officials for questions like this.

Would it be possible to invite someone who could answer these questions?

[*English*]

The Chair: We'll make note of that, and try and get someone here on that.

Just to explain where we're at, and to help officials determine they are here for the right questions, we are going to go through the divisions in the bill.

When the clerk asked finance officials, we asked them to come on areas that people felt they would have questions on with divisions 1, 2, 4, 5, and 9. I know you have a question on 8, Ms. Raitt, and 12 and 14.

We'll go through them one by one, if we can.

Are there any more questions on division 1?

Mr. MacKinnon.

Mr. Steven MacKinnon: On the same line of questioning as Mr. Caron, are you aware of any legislation that would be able to predetermine the fiscal policy from one parliament to another?

Mr. Brad Recker: I'm not aware of anything for the federal government, no.

Mr. Steven MacKinnon: So the existence of a balanced budget act would be unprecedented?

Mr. Brad Recker: At the federal level, yes.

Mr. Steven MacKinnon: So the precedent we should all be recoiling from is the precedent of trying to bind one parliament by using the previous one.

The Chair: That's a political question, I believe.

•(1310)

Mr. Steven MacKinnon: I actually have one more.

The Chair: You do?

Mr. Steven MacKinnon: Mr. Caron seems to think it is unprecedented to pass a law saying that a law did not exist, but in the case of a law that should never have existed it is probably good public policy.

The Chair: I don't want to get into extended debates here. Mr. Caron, please be brief.

[*Translation*]

Mr. Guy Caron: My questions are not for or against the principle of an act to balance the budget. Rather, they focus on the fact that it really is a departure from the fundamental principles of law.

As Mr. Recker mentioned, there is no precedent at the federal level for a law on balancing the budget, but it does exist at the provincial level. Their content and scope are somewhat the same as what we have here. The precedents that have been established do not necessarily require the government to have the right to make this change retroactively and to abrogate a law by saying that it does not exist and that it never did.

[*English*]

The Chair: Thank you.

We'll move on to part 4, division 2, and call Faith McIntyre to the table. This section represents the changes to the Canadian Forces members and veterans re-establishment and compensation in the budget implementation act.

Ms. McIntyre is director general, policy and research division, strategy policy and commemoration, with the Department of Veterans Affairs.

Could you give us a little briefing first, Ms. McIntyre?

Ms. Faith McIntyre (Director General, Policy and Research Division, Strategic Policy and Commemoration, Department of Veterans Affairs): Yes, I can. Thank you, Mr. Chair.

I refer you to part 4, division 2, articles 79 to 116 of the act. It is an act to amend the Canadian Forces Members and Veterans Re-establishment and Compensation Act, which we more commonly refer to as the new Veterans Charter. There are four areas that are being proposed for amendment in this division of the act.

The first area would see an increase of the earnings loss benefit from 75% to 90% of a veteran's monthly gross pre-release salary. The earnings loss benefit is an economic impact benefit, which recognizes the impact of a service-related disability on an individual's ability to earn income following release from the military. This change would take effect as of October 1, 2016.

The second change that is proposed is a change to the permanent impairment allowance. First, it's recommending the change of the name to the "career impact allowance". The permanent impairment allowance is an economic benefit that recognizes the lost opportunity that a permanent impairment has on employment and career progression. The name "permanent impairment allowance" does not accurately indicate what the award is for, hence the proposal to change the name to "career impact allowance".

It is also proposed to change the term "totally and permanently incapacitated" to "diminished earning capacity". In order for an individual to receive this award, they have to demonstrate that they have what we'll now be referring to, if this act goes through, as a "diminished earning capacity".

Furthermore, in respect of the permanent impairment allowance, we are proposing to add an element to assess the impact of the service injury on a veteran's career advancement opportunities. Right now, there is no assessment that provides a measurement of the loss of earnings due to their service-related injury or illness. The proposal would provide for a functional capacity assessment to do so. That change would take effect as of April 1, 2017.

[*Translation*]

The other two changes have to do with the disability award, a lump sum payment that recognizes the non-economic impact of the pain and suffering. We propose increasing this lump sum payment to \$360,000. It is currently about \$310,000. Other changes will also be recommended for other types of awards that will all be part of the lump sum payment. It will take effect on April 1, 2017. There will also be a payment retroactive to April 1, 2006.

The last change is a clarification of the wording used. It concerns when the disability award becomes payable and how it is calculated. These are the four proposed changes for this part of the act.

•(1315)

[*English*]

The Chair: Thank you, Ms. McIntyre.

In terms of the assessment you talked about, who will do these assessments on veterans or military personnel, and is there an appeal process? Is it DVA?

Ms. Faith McIntyre: We are currently working through exactly how the functional capacity assessment would be implemented. It will be part of the regulations that we are now writing and hopefully, would come after this legislation is passed.

However, we're looking at different methods to do so. For example, our current service providers that we have do this type of assessment for other individuals, such as the workers' compensation boards. It's not a new assessment; it's an assessment that's used in many other jurisdictions to measure a future loss of earnings, if you will.

In terms of how that could be appealed, there certainly are always mechanisms within which to do so. Again, we're currently working through those provisions that would form part of the regulations moving forward.

The Chair: Mr. Caron.

[*Translation*]

Mr. Guy Caron: My first question is the following.

Ms. McIntyre, you don't work for the Department of Finance but for the Department of Veterans Affairs, isn't that right?

Bill C-12 was submitted by the government initially. Is this the same bill? No changes have been made since it was tabled, isn't that right?

Ms. Faith McIntyre: Yes, that's right.

Mr. Guy Caron: Do you think that, when Bill C-12 was tabled, it was supposed to be studied by the Standing Committee on Finance or another House of Commons committee?

Ms. Faith McIntyre: Unfortunately, I don't know the answer to that question. I'm not sure.

Mr. Guy Caron: Initially it was to have been studied by the Standing Committee on Veterans Affairs.

A complete bill is included in a budget bill. If I'm not mistaken, the bill was about 20 pages long. The budget bill was already 159 pages long and grew to 179 pages after the inclusion of these measures that were not for the Standing Committee on Finance, but for the Standing Committee on Veterans Affairs. Still, the government is trying to convince us that this is not an omnibus bill, but that all these measures are in the budget.

This might eventually mean that all bills tabled by the government, expect perhaps those on crime, will be in one omnibus bill, the reason being that all these measures will in the long run be in a budget or in a line of the federal budget.

Thank you very much.

[*English*]

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara: It seems like many components of this division relate to money matters, so I'm glad they're brought before the finance committee.

I'm curious about clause 82, the increase in the percentage of pre-release gross income from 75% to 90%.

If I'm reading this language correctly, and forgive me because I'm not a lawyer, this means that there would be an increase and veterans would receive an income of up to or at a minimum level of \$42,850. Am I reading that correctly?

Ms. Faith McIntyre: Indeed, 75% to 90% of gross pre-release salary is the adjustment that's being proposed. It would be in individual circumstances that the veteran might actually receive the full 15%, because there are offsets provided for under the regulations, which are calculated as well from employment earnings. However, it certainly is an increase, and every veteran would see an increase to some extent.

The amount you're referring to would be the minimum salary, equal to that of a senior private. That would be the minimum salary a veteran would actually have.

• (1320)

The Chair: Mr. Ouellette.

Mr. Robert-Falcon Ouellette: So that amount could be different, if you were, for instance, a corporal, a sergeant, or a captain.

Ms. Faith McIntyre: The amount being proposed is 90% of your pre-release salary, so yes, it would be different, depending what your rank was at the end of your military career.

Mr. Robert-Falcon Ouellette: And it's for as long as you have a disability.

Ms. Faith McIntyre: Eligible veterans for the earnings loss benefit have to participate in a rehabilitation program, so there are eligibility criteria that a veteran would have to meet in order to receive the earnings loss benefit, yes.

Mr. Robert-Falcon Ouellette: Thank you.

The Chair: Mr. Caron.

[*Translation*]

Mr. Guy Caron: I have a quick question.

We heard about the case of a veteran who had to show every year that the legs he lost had not grown back so that he could receive his compensation. Does this bill contain a provision that would put an end to this kind of practice?

Ms. Faith McIntyre: Thank you very much for the question.

It's something we are asked fairly often, unfortunately.

The form in question is not a Veterans Affairs Canada form. I know that changes have been made to that form. It isn't a change to the act, but a change in the documentation that is requested from veterans and their doctor.

We are certainly working hard to ensure that all our forms are client-service focused. We have done a lot of work recently, not just to reduce the number of forms to Veterans Affairs Canada, but also to change and simplify the language used. I can tell you that a change has been made to the document you are referring to.

Mr. Guy Caron: Thank you.

[*English*]

The Chair: Thank you.

Mr. Ouellette, you may have one quick question.

Mr. Robert-Falcon Ouellette: Let's say you get hurt around your tenth year of service. Your career progression moves on. You were starting out as corporal and you might have said you could have finished as, perhaps, a sergeant or something like that. You get 90% because perhaps you're very hurt. You reach retirement age.

What happens at retirement age, 55 or 65?

Ms. Faith McIntyre: Thank you very much for the question.

After age 65, there are two current benefits for which the veteran might be eligible. Again these would depend on their post-retirement earnings and also on some other eligibility criteria that they would have to meet.

One is the supplementary retirement benefit, which is a percentage of their earnings loss benefit that is kept aside for them and that they receive in a lump sum payment at age 65.

Second, there's the retirement income security benefit, which came into place in budget 2015; it is payable after age 65.

The Chair: Thank you very much.

Now we will go to division 4, part 4, amendments to the Bank Act (Federal Credit Unions).

Let's call up Glenn Campbell and Margaret Tepczynska. Mr. Campbell is the director of financial institutions, financial sector policy branch. Ms. Tepczynska is a senior economist in the financial institutions division, financial sector policy branch.

Mr. Glenn Campbell (Director, Financial Institutions, Financial Sector Policy Branch, Department of Finance): Thank you, Mr. Chair.

The proposed legislation contained in part 4, division 4, of Bill C-15 amends certain provisions of the Bank Act relating to federal credit unions. The government is acting to address the unique transitional risks credit unions entering the federal framework may face due to the differences between federal and provincial regimes. The federal credit union framework within the Bank Act was put in place to offer the sector an option to grow regionally or nationally if they so choose. The framework is neutral and does not incent federal entry.

There are three main amendments. The first amendment provides the Minister of Finance authority to exempt an applicant from a federal technical procedural entry requirement so long as the applicant substantively meets the intent of the requirement. In short, in certain circumstances there are federal requirements and provincial requirements and to avoid a problem at the end of an application period there is, with a compelling reason, flexibility there to follow a provincial rule.

The second amendment provides the Minister of Finance authority to exempt federal credit unions from certain technical procedural requirements relating to voting up to three years after they have entered so long as they have substantially met the intent of the requirement. This gives some flexibility to electronic voting, in particular where there are some differences between various provinces and federal. Again, this flexibility exists providing they substantially meet the federal requirement.

The third amendment provides the Minister of Finance authority to offer a transitional loan guarantee to a federal credit union for the purpose of supporting it through its first three years. Credit unions could face uncertainty during transition. The loan guarantee would be a safety net providing insurance value. It would also potentially provide a stable source of funding if funding challenges exist and credit unions need it.

The measures are in addition to transitional support that already exists in the federal credit union framework and provide targeted protection against transitional risk. The measures continue to refine the federal credit union framework in response to demands from the credit union sector. There was also a small technical housekeeping amendment on French concordance that has no policy effect.

Thank you.

• (1325)

The Chair: Thank you very much, Mr. Campbell.

We'll turn to Mr. Grewal.

We are going to run out of time. We had hoped to deal with the witness list. Could we have agreement from committee? There are five witnesses who the clerk has called for Thursday who relate to commonality across the parties. Could we agree that the clerk take

the first five in priority from each of the parties' lists to work with to get the witnesses for Thursday?

They're all in priority order I think, Ms. Raitt.

Hon. Lisa Raitt: Yes. We had a discussion about that, Mr. Chair, on our side. That may not reflect our current thinking.

The Chair: Okay. Could you give your five to the clerk.

Hon. Lisa Raitt: Yes, we will.

The Chair: We'll give our five, Mr. Sorbara, and yours are in order of priority, I think, Guy.

Mr. Guy Caron: Yes, they are.

The Chair: So we'll ask the government and the official opposition to give us their five so that the clerk can work with them.

Mr. Grewal.

Mr. Raj Grewal: Thank you, Mr. Chair.

I have a quick question. In their history, how many federal credit unions have failed?

Mr. Glenn Campbell: Actually there has not yet been a federal credit union that exists. There is one formal applicant before the government right now, the Caisses populaires acadiennes, soon to be renamed Uni Coopération financière. They will be the first federal credit union.

Mr. Raj Grewal: They're applying for a patent under the Bank Act?

I'll revise the question. Within provincial jurisdictions, do you know how many credit unions have failed?

Mr. Glenn Campbell: Actually I don't have the specific data at my fingertips. However, I can say the provincial system has been quite adaptable at consolidating credit unions. When they face trouble, stronger credit unions often pick up smaller credit unions. Really there's been a reduction by the hundreds of credit unions over the last 15 or 20 years. I would not want to portray these as failures per se. Often it's a natural consolidation that happens inside provincial regimes.

Mr. Raj Grewal: So the risk is pretty small in terms of solvency issues?

Mr. Glenn Campbell: From a solvency point of view, the risk is lower. Given that most credit unions, whether they're provincial or federal, would be engaged in what we would call plain vanilla activities, taking savings, simple loans, and credit; they're not involved in risky capital markets activity by and large. Some of the bigger ones are, but they largely do that for funding purposes. By and large, credit unions are simple financial institutions and they have a good track record that supports that.

• (1330)

Mr. Raj Grewal: Is the government guaranteeing these loans? There won't be a substantial fiscal cost to the government?

Mr. Glenn Campbell: In this case, there's no direct fiscal provisioning required on a loan guarantee. Given the nature of the loan guarantee that supports, there is a Treasury Board guideline and a history of the federal government providing loan guarantees. There's a lot of threshold before this can even be tapped, and the scenario under which there would be losses is very remote. Technically it's not insignificant, but it's highly unlikely.

The Chair: Thank you.

Mr. Liepert.

Mr. Ron Liepert (Calgary Signal Hill, CPC): As a follow up, Mr. Campbell, is it not fair to say, however, that had there not been significant provincial government bailouts of credit unions on occasions in the past, there would have been significant failures?

Mr. Glenn Campbell: I think that question is beyond my remit to answer.

Mr. Ron Liepert: I think it needs to be put into context that while there haven't been failures in the past in the credit union movement, there had been significant provincial backstopping, costing significant numbers of dollars.

Mr. Glenn Campbell: Provincial credit unions are largely managed through their deposit insurance arm and in some cases, there are two entities. And where they may have been cost-borne, it could have been in their deposit insurance fund. I'm not aware of statistics that attribute back to what the fiscal cost may have been. Clearly costs are often borne when institutions are consolidating. But you'd have to call provincial experts to the table to answer that question.

Mr. Ron Liepert: Thank you.

The Chair: Mr. Aboultaif.

Mr. Ziad Aboultaif: The proposal or the change that those two items that provide protection through loan guarantees and so on, who is the government trying to protect and why now? Is this something we anticipate that we're going to go through down the road? Are there some policies that might be affecting bank institutions or credit unions?

Mr. Glenn Campbell: The development of the federal credit union framework has taken almost a decade to put in place, given the demands of the sector wanting a federal option to be able to grow regionally or nationally. The government and Parliament have responded over the years of developing this framework. Throughout that process, many credit unions have indicated there is uncertainty in moving provincially to federally, and given the uncertainty, that could include impacts on their ability to fund themselves under certain scenarios. The loan guarantee is mainly to deal with transitional risks, moving from the provincial system to the federal system. There are some differences in various provinces, and obviously the criteria is the members of that institution have to agree to move federally. The province has to agree for that institution to move federally, and federal supervisors and the minister have to agree to receive them.

Throughout that process, a member could choose to leave that credit union and potentially remove their deposits or no longer be affiliated. There are scenarios, transitional risks that this is trying to mitigate, and it has been raised by the credit union sector for a long period, that for them to make this decision, having some provision to

promote financial stability through that initial period would be helpful.

To answer your question, this is really about financial stability for the institution and for the system.

Mr. Ziad Aboultaif: Thank you.

Mr. François-Philippe Champagne: [*Technical difficulty—Editor*] rational, but you did it.

The Chair: Thank you.

Turning to division 5, bank recapitalization regime, bail-in, we would call Dan Robinson and Alexandra Dostal to the table.

Ms. Dostal is senior chief, framework policy, financial institutions division and Mr. Robinson is senior project leader.

Are there any questions on division 5?

Mr. Sorbara.

• (1335)

Mr. Francesco Sorbara: I have a clarification question for anyone out there. Any event, or a need for bank capitalization, would not impact depositors. Is that correct?

Mr. Glenn Campbell: It's correct.

Mr. Chair, I had a statement, if you wanted me to read it, at the—

The Chair: I'm sorry.

Glenn, go ahead.

Mr. Glenn Campbell: It does, in fact, answer the question. I will start with that by saying yes, all deposits are out of the bail-in regime, and they're not contemplated here in any way. I'm happy to answer questions in that regard.

As a quick summary, the proposed amendments in part 4, division 5, provide a legislative framework for a bank re-capitalization, or bail-in regime for short. Bail-in is the power to convert certain debt of a failing bank into common shares to absorb losses, re-capitalize the bank, and allow it to keep operating.

Clauses 126 to 168 amend the Canada Deposit Insurance Corporation Act and the Bank Act to implement the bail-in regime, with consequential amendments to the Financial Administration Act, the Payment Clearing and Settlement Act, and the Winding-up and Restructuring Act .

These amendments build on the existing provisions in the CDIC Act that relate to managing the unlikely and remote scenario of a bank failure.

Amendments to the CDIC Act would provide CDIC with the power to undertake a bail-in conversion. Specifically, the corporation would be able to convert some of the failing systemically important bank's long-term debt into common shares. This would only apply to certain long-term debt securities prescribed in regulations. Deposits would be excluded.

The proposed amendments include updates and enhancements to existing provisions of the CDIC Act in order to ensure they function effectively with the bail-in power. These include: one, CDIC's power to take temporary ownership or control of a bank; two, provisions setting out how bank creditors and investors can seek redress or compensation from CDIC following a resolution process of a bank, in short, if they were bailed-in; and three, provisions aimed at preventing the termination of a bank's contract in the context of a resolution process, again, to keep it operating to protect customers.

Proposed amendments to the Bank Act would first enshrine in legislation the ability of the superintendent of financial institutions to designate banks as systemically important, thereby making them subject to the bail-in regime. The amendments would allow the superintendent of OSFI to set a requirement for the banks to maintain sufficient loss-absorbing capacity on an ongoing basis. This requirement will be met through an additional capital or debt subject to the bail-in power.

The proposed bail-in regime has been the subject of extensive stakeholder consultation, including with banks, credit rating agencies, investors, and creditors. Before coming into force, the regime will follow completion of regulations, which will allow for additional consultations on the technical elements allowing a smooth transition for stakeholders.

The proposed reforms in a division are in line with international best practices and standards endorsed by the G20 following the financial crisis.

The Chair: Thank you, Mr. Campbell.

Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Campbell.

This piece obviously came out from the OSFI consultation paper, which was released, I think, about two years ago, and was asking for feedback.

We already know that we have what's called an NVCC sub-debt and NVCC preferred shares in the market that are trading. The last aspect is to put in place what we call here "long-term debt", which would be the senior component. We have the senior debts trading, and the existing senior debts are grandfathered, from my understanding, from the OSFI consultation paper.

Is there any sort of timeline that we have in terms of getting the last piece out, the third and last pillar, in terms of the NVCC's senior long-term debt in place in the market?

Mr. Glenn Campbell: Let me clarify for the record that it's the Department of Finance, the Minister of Finance, consultation paper on bail-in, although we work very collaboratively with all agencies going back internationally. It is quite correct that there are already existing instruments that are convertible, such as the NVCC instruments that you had mentioned.

In terms of additional NVCC, Alex, do you want to answer?

• (1340)

Mrs. Alexandra Dostal (Senior Chief Framework Policy, Financial Institutions Division, Financial Sector Policy Branch, Department of Finance): Just to clarify, the non-viability contingent capital requirement exists, and it's administered by the Office of the Superintendent of Financial Institutions.

As you correctly point out, what we're proposing to do here, through the legislation, is to have eligible senior debt be available for bail-in.

Before the regime would be able to come into force, the legislation would first need to pass. Subsequent to that, there are a number of regulations clarifying particular components of the regime that would have to be put in place. Before those regulations could be passed, they would be pre-published, and there would be a consultation period before that. So it is still a number of months even after the legislation would pass until the regime would be in force.

Mr. Francesco Sorbara: Thank you. It's good to see progress on this front.

The Chair: Mr. Caron.

[*Translation*]

Mr. Guy Caron: I have a few questions but first, since we don't have much time, I would like to briefly discuss the motion that Mr. Dusseault moved at our last meeting regarding the Canada Revenue Agency. I don't think it poses a problem. It reads:

That the committee compel the Canada Revenue Agency to provide all written correspondence, including but not limited to letters and emails, between the Canada Revenue Agency and the KPMG s.r.l. accounting firm, issued between January 1, 1999, and May 5, 2016, regarding the Isle of Man tax plan and any matters related to that plan, and that the documents be provided to the committee no later than Wednesday, May 18, 2016.

The government party proposed two amendments. The first involved changing the word "compel" to "request", knowing that the agency is entirely open and willing to provide this information. We don't see any problem with that. The second amendment was to add information that is not subject to section 241. That isn't a problem, either.

If we can include these two amendments, and if they satisfy all members of the committee, we could vote on this immediately and continue to ask the witnesses questions.

[*English*]

The Chair: I'll read the motion as proposed and amended, Guy, if I could.

It says: "That the committee request the Canada Revenue Agency to provide all written correspondence—including, but not limited to letters and emails, between the Canada Revenue Agency and the KPMG...accounting firm, issued between January 1st 1999 and May 5th 2016, regarding the Isle of Man tax plan and any matters related to that plan, that is not subject to section 241 of the Income Tax Act, and that the documents be provided to the committee at the earliest possible date."

Mr. Guy Caron: It was not mentioned. We still wanted to have May 18 as the date. It was in the original motion.

The Chair: Did you want May 18 in there? Is there agreement on that?

Mr. Guy Caron: I think it would be important to have at least documentation before the minister comes.

Mr. Francesco Sorbara: It will be at the earliest possible date.

The Chair: You're saying at the earliest possible date.

Can't you support that?

Mr. Guy Caron: I can't. If we're saying at the earliest possible date, who determines what the earliest is? We're leaving the CRA to actually give the documents...if they determine it's in late September... I'm asking them on a specific—

The Chair: Hold it, guys.

Mr. Caron first.

[*Translation*]

Mr. Guy Caron: I am asking for some very specific documents. I'm not asking for all the documents that Canada Revenue Agency has received. I'm talking about correspondence between Canada Revenue Agency and KPMG relating only to the Isle of Man scheme. That's all.

This isn't tens of thousands of pages of documents, but a very specific request. These documents are probably relatively easy to find now thanks to search engines that can find the emails that have been sent and all the rest. We aren't living in a time when there were boxes of documents that are now in the archives and when you had to spend weeks looking for what you wanted.

I would like this motion to be carried so that we can obtain as much information as possible. If we could have partial information by May 18, knowing that additional information will be provided later on, that would be even better.

Still, we need this specific information to target our questions to the minister.

[*English*]

The Chair: I read a motion here that wasn't quite what you said. Your motion really would be that the documents be provided to the committee on May 18. Am I correct on that?

• (1345)

Mr. Guy Caron: That was what Mr. Dusseault presented.

The Chair: Is there an amendment to this?

Mr. Francesco Sorbara: Mr. Chair, is it possible to bring an amendment at this stage?

The Chair: I think we're looking for an agreement here based on what we talked about yesterday. The dispute seems to be that everything else is in order with the exception that Mr. Caron is saying May 18, and you folks are saying something different. So the motion that's on the floor I believe includes May 18. If you're moving an amendment, “at the earliest possible date”, the committee, I think, is open to it.

Mr. Francesco Sorbara: Can we propose the amendment, Mr. Chair?

The Chair: Yes.

Mr. Francesco Sorbara: The amendment would read at the end, “at the earliest possible date”.

The Chair: The amendment is on the floor.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: I would like to know if the Liberal Party has other ideas to further dilute the motions and ensure that they have less and less impact. It would be helpful to have all of its arguments on this.

In the spirit of co-operation, we have already agreed to two of the proposed amendments. We agreed to change the word “compel” to “request” and to request information that is not subject to section 241. We did that in a spirit of co-operation.

We are now being presented with a third amendment that we hadn't heard about until now. If the government party still has other ideas to dilute it even more, to make sure that we don't get the information in time and that we don't have what we need to get to the bottom of things, I'd like a list of its amendments to try to make the motion and the efforts less and less effective.

[*English*]

The Chair: Mr. Champagne.

[*Translation*]

Mr. François-Philippe Champagne: Mr. Chair, let's set the record straight.

No one on this side of the room is refusing to co-operate here. All we are explaining to the committee is that there is a system. We have been asking the agency for emails for 17 years. It's a matter of a system. The experts are telling us that this takes time.

The members on this side of the room want the same thing as our colleagues on the other side, which is to shed light on this issue. Some people are claiming today that we are not acting in good faith because we are explaining that the systems need time to find the documentation to be

[*English*]

responsive to the requests made by our colleagues. Anyone would understand that if you're asking today for 17 years of emails from an agency, that they need the time with the proper system to be responsive. That's what we're doing, but I will not accept the argument from colleagues that we're not being responsive. We're responsive, but we need to deal with the systems that are in place. We want to give a full answer, but we need the time to do it. That's what the department says.

There's no portraying us as not collaborating. We are co-operating. We checked the systems and people are telling us they need more time. That's the simple answer.

The Chair: Mr. Caron.

[Translation]

Mr. Guy Caron: Forgive me if I don't trust what has been said and if I am not convinced that the government is fully willing to get to the bottom of things. We have introduced a motion asking that the KPMG situation be studied, that some of its representatives, senior officials from the Agency and the minister be summoned. The motion was defeated by a motion that excludes the presence of the minister and was amended. Subsequently, in the House, the government claimed that it was a Liberal member who introduced the motion to study the KPMG situation, in order to show the good faith of the government. Forgive me if I don't trust the Liberal Party's goodwill and good faith.

What I am suggesting will enable us to have the information we need to focus the questions for the minister. If this motion is diluted—as previous motions have been—I sincerely hope that they will not take advantage of the opportunity to allow the study or investigation to fall through the cracks, to move on to something else and to avoid getting to the bottom of things. That may well be the case because the Liberal Party has the majority.

[English]

The Chair: Mr. Sorbara, on the amendment.

Mr. Francesco Sorbara: Mr. Chair, I would like to move the amendment “at the earliest possible date”. That's the most practical step to take to go forward. We do not want to dilute the motion ahead. We have the minister coming to our committee.

We want to get to the bottom of the issues that have been raised and ask the pertinent questions. At the same time, we are asking CRA and officials, related entities, for a lot of information. This is the most practical measure that we can ask for, in terms of getting the information we need.

The Chair: Mr. Grewal.

Mr. Raj Grewal: Can we have the amendment read one more time and then vote on it?

• (1350)

The Chair: The motion reads: “That the committee request the Canada Revenue Agency to provide all written correspondence—including, but not limited to letters and emails, between the Canada Revenue Agency and the KPMG...accounting firm, issued between January 1st 1999 and May 5th 2016, regarding the Isle of Man tax plan and any matters related to that plan, that is not subject to section 241 of the Income Tax Act, and that the documents be provided to the committee at the earliest possible date.”

Mr. Raj Grewal: So now we'll vote on the “earliest possible date”.

The Chair: Earliest possible date.

Mr. Caron.

Mr. Guy Caron: Would the government be receptive to an amendment following this amendment, that would actually say that the Canada Revenue Agency would provide this committee with the information specifically related to the motion, as they gradually find it, instead of waiting until a date in the future? That may very well be June, July, August, or September, if the CRA decides that this is the earliest convenient time.

The Chair: What are you asking, Guy?

Mr. Guy Caron: I'm asking if the government would be receptive to an amendment saying that all the correspondence and information related to the motion that they find will be sent to and shared with the committee as soon as it is found.

The Chair: I'm going to take the up question of “at the earliest possible date”. We can consider that as an amendment later. All those in favour of “the earliest possible date”?

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

The Chair: Mr. Caron.

Mr. Guy Caron: After “at the earliest possible date”, I would like to add, “provided that the Canada Revenue Agency forward to the committee any information it finds when it is found” related to the motion.

Ms. Jennifer O'Connell: When it is found?

Mr. Guy Caron: When it is found, yes, so that it is immediately shared with the committee.

The Chair: I think the understanding here is that the CRA provide as much information as they can before the minister appears on the 19th.

Mr. Guy Caron: Yes, that's the intent.

The Chair: That's basically what you're asking.

Is that fair?

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

The Chair: We will now vote on the motion as amended.

Mr. François-Philippe Champagne: I'm not sure it was clear, Mr. Chair, what you asked us to vote on just now. It's not clear to me. I cannot vote, but I want to know what we're voting on.

The Chair: The understanding is that the motion is “at the earliest possible date”, but what we're basically telling CRA is to provide what they can for us on May 18, progressively.

Okay, all those in favour of the motion as amended?

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

The Chair: We are practically out of time, sorry.

Hon. Lisa Raitt: I've been on notice for a long time on my motion, Mr. Chair.

The Chair: What's your motion?

Hon. Lisa Raitt: It was long time ago, about three meetings ago.

The Chair: Sorry, witnesses.

Yes, go ahead Ms Raitt.

Mr. Phil McColeman: I think I was the next person in line to speak.

The Chair: She can pull her motion up at any time.

The motion was:

That the Committee invite the Honourable Bill Morneau, Minister of Finance, and officials from the Department of Finance, to appear as a witness for the Committee's deliberations on Bill C-15, an Act to implement certain provisions of the budget tabled in Parliament on March 22nd, 2016 and other measures.

We agreed at subcommittee yesterday that he would come on May 30.

Hon. Lisa Raitt: Great, perfect.

The Chair: Do you want to pass this? Are we agreed to the May 30? Okay.

(Motion agreed to)

The Chair: Mr. Ouellette.

Mr. Robert-Falcon Ouellette: Will these fine ladies and gentlemen be coming back?

The Chair: We're going to have to ask them back, because we didn't deal with divisions 9, 12, or 14. We'll see if we can, but I doubt if we can.

I have one motion I want to put forward if somebody can move it. "That the evidence and documentation received during today's committee meeting in relation to its subject matter study of Bill C-15 be deemed received by the committee in the context of its legislative study of Bill C-15".

Mr. Steven MacKinnon: I so move.

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

• (1355)

The Chair: Are there any questions on division 5 other than those that have been raised?

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Thank you, Mr. Chair.

Mr. Campbell, you mentioned—and that is what I read too—that a number of aspects would then be subsequently determined through regulations, not the legislation.

I accept your explanation that deposits are not included in the liabilities of banks, but the fact remains that the definition of liabilities is not included in the legislation. As I understand it, it will eventually be defined in regulations. Is that correct? The regulations themselves do not require the participation of Parliament and the

House of Commons. It can come from an order from the Governor in Council. Is that the case?

What concerns people is that their deposits could be at risk. Is there a protection mechanism to ensure that the definition cannot be changed by the Governor in Council?

I completely agree with wanting to exclude that, but I am wondering whether significant obstacles would prevent another government dealing with a more difficult situation from amending the definition to include deposits. That's what worries me. This is not about the current government, but rather a future government facing a different situation.

[*English*]

Mr. Glenn Campbell: Thank you for the questions.

Let me start by saying that the whole concept here enshrined in legislation is long-term debt, which basically means bonds, creditors, investors—the whole concept. Also in the concept is that a systemic bank keep operating. In order to keep operating, it needs to attract and retain its deposits. Even in concept, then, in the legislation deposits figure prominently in considering the ability of the bank to continue operating.

Given that deposits were not contemplated in this regime, what can be bailed in will be described in legislation. The nature of what long-term debt securities are can change over time—the length of time, the type of bonds—but clearly the intent was that it can change. It will be a Governor in Council decision. There will be a promulgation of regulations, and we will have to consult with the whole industry as well as Canadians on the regulations. That is a natural Treasury Board process.

But again, deposits aren't even contemplated anywhere in this regime, I can assure you of that.

The Chair: We're going to stop it there. We will have to ask the witnesses back and we'll figure out a time.

Thank you for coming. I'm sorry we didn't get to you, but we'll have to come back to division 5, division 9, division 12, and division 14. Thank you for your appearance today.

The meeting is adjourned.

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