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Chair

Mr. Massimo Pacetti

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• (0940)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning, everybody.

We have two motions on the floor, so if we can get them started, I'd like to get going. If we could start with Mr. Hubbard's motion, pursuant to Standing Order 108(2), this is a study on the motion of Charles Hubbard.

I'll give you the microphone, Mr. Hubbard.

Mr. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

I was talking to one of our colleagues this morning and he asked me what the intent of the motion was. I outlined that it was simply to acknowledge that we have a significant number of Canadians, mainly single taxpayers, who are trying to live on an annual income of less than \$10,000 a year and have to pay income tax.

Oddly enough, according to the little bit of research I've done, mainly quoting from the taxpayers' magazine, we have about a half a million taxpayers who pay federal income tax of usually somewhat less than \$300 per year. According to all the information we have on what they call people living in poverty, or people trying to exist on very small household incomes, it's mainly people who are single, sometimes living on small pensions, and more often than not, people on a Canada Pension disability. As single taxpayers, of course, they are forced, come April 30, to send a cheque to our federal government, or to use some other way of paying off a bill of about \$300.

To me, as a member of Parliament, it's very distressing to have people come to my office and say, "I earned \$9,800 last year", which is the example I cited in my motion... At that particular point in time, around the end of April, they have to somehow come up with \$327 to send to Ottawa.

I would hope, Mr. Chair, that the members of the committee will agree that a tax credit could be written into our future legislation, and methods of assessing taxpayers. I know it won't happen for the year 2004, but certainly in the future, so that we could tell the taxpayers in that range that they would not have to pay federal income tax.

It's also interesting to note, for the record, that according to the Canadian Taxpayers Federation, the revenue to the federal government from this group of taxpayers would be roughly \$70 million. When we consider this past year that we've had a very considerable surplus, which has attracted attention across the country, it must be very, very frustrating to the poor people in the country to find that in

a country with so much revenue, they as single taxpayers trying to live on less than \$1,000 a month are often forced to forgo telephones and television and other amenities in order to meet their obligations to us.

Thank you, Mr. Chair.

The Chair: Thank you.

[Translation]

We will begin by going around the table so that you can comment at length. After that, we will set some limits because we will only be continuing until 10:23 a.m.

Mr. Loubier.

Mr. Yvan Loubier (Saint-Hyacinthe): Mr. Chair, we agree with everything that Mr. Hubbard has said. For 11 years now, we have been saying that the federal taxation structure had to be changed for people on a lower income, because it is ridiculous for people earning less than \$10,000 a year to have to pay taxes to the federal government. Income of \$10,000 is well below the poverty line or the income threshold that constitutes enough to live on.

I nevertheless do not believe that a tax credit like that one can solve the problem. However, Mr. Hubbard's motion will perhaps trigger debate within the committee, and lead to more detailed analyses about why low-income individuals have to pay tax.

I don't know if our colleagues agree, but I would suggest that we table this motion and that we request more detailed analyses of the alternatives available to us to reduce the tax burden on the most disadvantaged people.

Furthermore, at first glance, our analysis tells us that if we were to take those in the \$8,000 to \$9,999 income bracket, which is \$1 below \$10,000, there would effectively be a tax credit for these people, and hence net income of \$318 linked to this credit. However, as soon as the person earns \$1 more, meaning when income reaches \$10,000, that person would be subject to more than \$300 in taxes. That kind of leap runs contrary to what is called a progressive tax system. I believe that there should be a way of reforming the federal tax system to keep this jump from being so dramatic, and also to prevent it from being applied in full simply because someone earns a dollar more. That would be worthwhile.

I believe that it is an excellent motion in that it launches debate on the subject and will force us to find ways to reduce taxes for the most disadvantaged. However, I believe that it is somewhat premature at this time to simply agree to or vote against such a motion. I believe that detailed analyses are needed. So I am going to make a motion: let us table the motion, request studies of the motion, and particularly, request alternatives to alter the structure of taxation more generally.

[English]

The Chair: Merci.

Do I have anybody else who wants to speak on this?

Mr. Hubbard, do you want to reply to Mr. Loubier? He's proposing that we...

Mr. Charles Hubbard: I think, Mr. Chair, there may be others who might want to debate, and I would rather say a few words at the end.

The Chair: Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): At first flush, who doesn't want to see tax relief for income earners under \$10,000? Like you say, at first flush, it sounds like a nice gift for those wage earners in that bracket. However, in doing some thinking about it, I believe that maybe the thing to do would be to perhaps table this in favour of a more comprehensive study of the tax system throughout.

I have constituents in my riding, pensioners with a single-family income of \$15,000, and they're suffering extreme hardships. So to say we're simply going to pick a number, which is a nice thing, but not include the other Canadians who in my opinion are having very tough tax measures applied to their incomes, when even their gross incomes put them far below the poverty line already... I think I would tend to want to table this in favour of a more comprehensive study, in which we could perhaps include at the same time the discrimination between single- and dual-income families, which is a travesty of our tax system, I believe.

• (0945)

The Chair: Mr. Penson.

Mr. Charlie Penson (Peace River, CPC): I'd like to say that the intent of Charles' motion, I think, is good. It's a recognition that we need to do something on that lower-income end, for certain, but again, I think I would like a more comprehensive look at this. My instinct would be to raise the brackets so that people don't pay any tax at all, rather than give it to government and have to get it back in the form of some rebate.

I would favour the idea of tabling this and studying it further, but I just caution the committee that we have two studies we have undertaken that we're in the process of looking at now. The first is this whole budgetary process of how the budgets are set, which we want witnesses on fairly quickly. The second one is the motion on the fiscal imbalance and the study we're going to be doing on that.

As long as we sort it out, so that we put this at the end of those other two, I certainly favour having a more comprehensive look at it.

The Chair: If I can just comment, if you're not opposed to working, that's the whole idea here. We'll do the studies and we'll prioritize them, and we'll do them one at a time.

Is there anybody else who wants to speak on this?

Okay. If you would just kindly make a comment, Mr. Hubbard...

Mr. Charles Hubbard: Mr. Chair, I want to make two quick comments. First of all, on thresholds and the example that Mr. Loubier offered of someone earning \$10,001, this is one of the unfortunate things in life that so many people, in terms of retirement and when an industry closes... Somebody who is maybe 55 years of age can't meet the pension requirements when the cut-off is 58. No matter what point you pick in making financial decisions, there's always one dollar more or one month more or one month less.

He has made a very good point, and I know it's very difficult to set an arbitrary figure, but the one we picked here is \$10,000, which does have a certain roundness to it.

Secondly, Mr. Chair, I'd like to put on the record that we certainly need further study, but in order to get a major change in our taxation system, and with a budget coming in February or March, it's going to be difficult for us, as a committee, to approach it in a realistic manner with making a recommendation. My motion simply is bringing to the attention of Parliament that this is urgent.

Maybe in terms of what we deal with in looking at Revenue Canada and the Income Tax Act, it's merely, you might say, a shot across the bow of a big boat. But I think it's time we gave the message to our bureaucrats that there is a point where a finance committee can no longer sit back and accept the fact that people who earn less than \$10,000 in this country are forced to pay. It's only a small amount to many of us, but to them it's a very significant amount. And the sad part about it, Mr. Chair, is that many of them have not taken monthly deductions. They have minor income of various sources where deductions were not made, and in the month of April they are forced to submit an income tax return and indicate on it some way that they're going to make the obligation to pay to our federal government some \$300.

Now I know, and I've already emphasized this, the cost to our treasury would be about \$70 million, at the worst, but it would alleviate the burden for some 500,000 taxpayers who are in that category and who would be told, on a recommendation from our finance committee to the House and to our federal finance minister, that they at least would get some tax relief for the year 2005. We can certainly postpone it, and we can hope that maybe by the year 2008 this could happen. But I would hope this morning that the members of this committee would be willing to approve this motion and that you, as chair of the committee, would be able to report to the House and to our finance minister that this type of taxation is totally unfair, unacceptable, and that we as members of Parliament want it changed.

• (0950)

The Chair: Thank you, Mr. Hubbard.

I just have a quick question. You came out with the number of \$70 million. We have a number of \$5 billion here. Why the difference?

Mr. Charles Hubbard: Mr. Chair, just to—

[*Translation*]

Mr. Yvan Loubier: The reason we mentioned \$5 billion is that if we were to increase the zero tax threshold to \$10,000, it would affect the first \$10,000 earned by all taxpayers, even those who earn \$50,000 or \$60,000. This would change the whole tax structure, so significantly that we would lose the zero tax threshold we currently have. It would affect all income brackets. That is what the \$4 billion or \$5 billion figure means. The Department of Finance speaks of \$5 billion. We estimated it to be \$4 billion.

[*English*]

The Chair: Okay.

Mr. Bell, go ahead.

Mr. Don Bell (North Vancouver, Lib.): I just want to clarify. My understanding from Charles was more or less what Yvan said, that this is a lesser amount because you're dealing with a credit. You're not dealing with it system-wide; you're dealing with a credit. And if it's in that area of \$70 million, and recognizing the pressure that the people in this category are in and how important \$300 is to somebody who is making \$10,000—and I don't argue that a \$15,000 threshold or anything in that range is difficult—maybe we can accomplish what's been suggested by doing two things: we recommend this as an interim measure, and we take a look at the broader issues. I don't think we have to postpone it if we're going to try to recommend something that could take place, in effect, in the next budget, as I understand it.

So I would suggest we do both and we not table, but we deal with this in a positive way and then recommend that we look at the general question that's been raised, which would be the intent of tabling, and that's to get more information on the broader issues of how you deal with it, and the \$10,000 to \$15,000 or whatever range—assess that whole category.

The Chair: Mr. Solberg, and then Mr. Harris.

Mr. Monte Solberg (Medicine Hat, CPC): Just so everybody understands, this is laudable, and I think we should be pushing to raise the basic exemption. I think that should be a priority, frankly, of the government.

The problem with this motion is if you make \$10,500, you'll get no tax relief—none. Anybody who makes \$9,999 or \$10,000 gets the complete break. I think we need to be mindful of the impact this has on incentives. It's not very good tax policy to start to go down this road because of the high effective marginal rate that you place on the next dollar that's earned beyond \$10,000. For earning that extra dollar, you pay \$320. It's a negative incentive, obviously.

We're all sympathetic, and we all have people in the same situation. We should find a way to help them, but let's not do something that sets a bad precedent in terms of tax policy. We struggle with this in many other ways too. Look at the impact of child tax benefits and things like this and how the government works very hard to not create negative incentives and these high effective marginal tax rates. In fact, they already occur between \$25,000 and \$35,000. The chamber pointed that out, up to 60%. This one would be a huge marginal tax rate once you go beyond \$10,000. We're sympathetic, but I think it's...

● (0955)

The Chair: Thank you.

Mr. Harris.

Mr. Richard Harris: It's okay. I think I understand it was the \$70 million and then the application of earning one extra dollar that I think Monte just responded to.

The Chair: Mr. Bell.

Mr. Don Bell: I just want to ask a question of Monte.

I appreciate your comment about \$1 more, but we've run into this—and I'm new at this level—that whenever you set thresholds for anything, any program, whether it's tax levies or tax levels, there's always going to be some point where a dollar more has an effect, does it not?

Mr. Monte Solberg: In this case, when you go beyond a threshold—

Mr. Don Bell: You said at \$12,000, or \$15,000, at \$15,001, somebody is going to pay more for \$1.

Mr. Monte Solberg: Yes, but you pay a fraction of a dollar. If you go beyond the basic personal exemption of \$8,012 now, for the next dollar you pay 16¢ of tax on that. In this case, you earn \$1 and you pay \$320.

Mr. Don Bell: I see.

The Chair: I have Mr. Loubier and then Mr. Penson.

[*Translation*]

Mr. Yvan Loubier: Mr. Chair, I understand what Mr. Hubbard's objective is, and agree with it. I subscribe to it. We will stand beside him to defend the position that changes need to be made to the taxation system.

If we want to create a shock wave, there is perhaps a way of doing it. Work is about to begin on the first version of the pre-budget consultations report. Perhaps, in this report, there should be room for a recommendation requesting that the government, as early as the next budget, lower the tax burden on taxpayers. There are different ways of doing this.

There is a way of avoiding the need for a tax credit that causes an enormous leap simply because a person earns \$10,000 instead of \$9,999. It consists of a truly generalized review of tax rates and the various credits. That is not something that can be done in 30 seconds.

As was mentioned just now, if the government were, for instance, to decide that the zero taxation threshold should rise to \$10,000, it would apply to all classes of income and would cost billions and billions of dollars. The slightest change to basic exemptions or taxation rates has unbelievable implications for government revenue. There could be a system in which there is a credit like the one you are suggesting, but which would be more progressive.

Otherwise, we would end up with a progressive taxation structure beginning at over \$10,000. However, once someone earns \$10,000, there would be an unbelievable leap that would cause a form of endogenous shock to the system.

If you want to send a signal, Mr. Hubbard, we could, in the pre-budget consultations report, allow room for tax reform so that low-income earners would pay less tax.

The Chair: There will be a section on personal income tax. Perhaps we could make a recommendation.

Mr. Yvan Loubier: Exactly. I agree.

The Chair: But we're not there yet.

Mr. Penson.

[English]

Mr. Charlie Penson: Mr. Hubbard has introduced a fairly complex issue and one that deserves more attention. The difficulty I have is that we didn't really ask people this question at the pre-budget process. If Mr. Hubbard had raised it earlier, we could have put it to them and got their advice. I think it really deserves a better study. It deserves that we invite witnesses in to give us their views on it. I think we should table it, and I suggest that we proceed with that motion.

The Chair: I just want to get through Ms. Minna, Mr. Pallister, and Mr. Côté.

Hon. Maria Minna (Beaches—East York, Lib.): Mine is really a question for Charles. I'm trying to understand how the tax credit would work. I need a clarification on that.

If you're at \$10,000, Charles, and say you owe a certain amount of taxes, is there a percentage tax credit you get? I'm trying to follow you, but I'm not quite sure I understand it.

Mr. Charles Hubbard: I'm not sure, Mr. Chair, that I want to respond to every....

First of all, for Mr. Penson, I did ask that question and I think each member has a response on that.

•(1000)

The Chair: I don't mean to interject, but in all fairness to you, we did ask, and most of the people did not get into the minimum, but they did say tax reduction, or some people did. So it was one of the questions. It was up to us to address.

So if you could just answer quickly—

Mr. Charles Hubbard: It was brought in.

Secondly, I fully understand what Mr. Solberg and others have said about the extra few dollars over \$10,000. I'm not sure how that could be handled, but I think we all have to recognize that we're not changing the legislation; we're asking the Department of Finance to make changes.

I think it's very significant for us to request this change at about \$10,000. I know the idea of the tax credit, but under the Income Tax Act there are various forms of tax credits. For example, there are investment tax credits. But this is a tax credit for poor people. It's for people who have an income of less than \$10,000 a year. Just as the investor who is investing in a big new industrial plant can get a tax

credit, why can't the little guy who's earning \$9,500 get a tax credit for the \$200 or \$300 that he owes in income tax?

I know there is this problem about the extra dollars over \$10,000, but again, it's merely a suggestion. We are recommending that the finance department come forward in the budget next spring with some way of dealing with these people who are living in poverty and who have a tax obligation to us to pay to the federal government. I think it's totally unfair. I know we can procrastinate, put it off, but it's high time that somebody made a change to see that these poor people get off the list.

The Chair: Thank you.

In answer to your question, it's a credit up to \$10,000, so if you've earned up to, as Mr. Loubier said, \$9,999, you're eligible for this credit. If you earn \$10,000, you don't get this special credit.

Hon. Maria Minna: Is there a limit to the credit, or is it just that the threshold has changed?

The Chair: Your income threshold is \$10,000. So less than \$10,000, I would assume, would be \$9,999.99.

Hon. Maria Minna: So if you earn \$10,000, you pay no taxes.

The Chair: No, if you earn \$9,999.99, you pay no taxes.

Hon. Maria Minna: So we're raising the threshold from \$8,500, or whatever it is now.

The Chair: No.

Hon. Maria Minna: Essentially that's what you're doing, right? That's what I'm trying to understand.

Hon. John McKay (Scarborough—Guildwood, Lib.): No, the threshold stays the same. It's basically just buying down the consequences.

The Chair: It's a special credit just if you earn \$9,999.99. You don't get the exemption of \$8,000; you just don't pay tax at that point. If somebody earns \$11,000, they don't get a credit based on \$10,000.

Hon. Maria Minna: Right. I get that much.

The Chair: I see Charlie nodding his head.

Okay. I have Mr. Pallister, Mr. Côté, and Ms. Wasylycia-Leis.

Mr. Brian Pallister (Portage—Lisgar, CPC): The general topic is one that we all agree needs to be referenced and discussed more thoroughly. We are also illustrating by this conversation the degree of complexity that this topic necessarily demands that we pay attention to. I don't think that's possible in the context of this motion, and here's why.

Prior to coming here, I spent a couple of decades working with people on financial issues. I spent a lot of time working with low-income families to try to assist them in not being low income. Too often we tend to think poor people are poor people forever. We forget about the importance of increasing upward mobility and the opportunities for upward mobility with income earners in our society. This motion, as proposed, creates a ceiling, in essence. It creates a conceptual ceiling that is right now in the minds of a lot of Canadians.

Many times over the years, working with families, I would have people say to me, "Well, you know, I was offered some overtime and didn't take it because I knew it would cost me money. I would actually make less in my net income than I would if I didn't take it." People actually believe that in Canadian society right now. They actually believe they would make less by working harder, or working more, or going and improving their skills. Many Canadians believe this. This would make it real.

It is essentially an old wives' tale in terms of our progressive tax system. It is not true. It is not something that generally exists. In fact, your marginal rates mean you make slightly less on each dollar as you hit the next level.

What this does, however, is reinforce the notion that if you move up above \$10,000, you would actually make less than if you made \$9,999. It's true, mathematically. So it is an ill-conceived motion, coming from a good place.

Mr. Hubbard, I've always felt that you were an honourable member, and I have appreciated many of your suggestions, sir. This motion is so ill-advised in its structure and its wording as to create a barrier or a disincentive to people to earn more. It clearly needs to be tabled and it clearly needs to be discussed, but this one is not on.

•(1005)

The Chair: Thank you.

I want to give a chance for everybody to speak, so Mr. Côté is next and then Ms. Wasylycia-Leis.

[*Translation*]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Indeed, Mr. Hubbard's motion is in the right place. We should all try to find a way to make it work. As Mr. Hubbard said, it has to work one way or another. The question is to find the best way of doing it so that it is fair.

As Mr. Penson was just mentioning, this question was not asked in the course of the consultations. And although the question of whether there ought to be a tax cut for persons earning \$10,000 and less was never raised, several groups mentioned that it was important to reduce the taxation threshold for low- and moderate-income taxpayers. For example, I recall that the Canadian Federation of Independent Business and the Conseil du patronat du Québec did so.

As for us, we held a round of pre-budget consultations in Quebec, and several agencies underscored the importance of changing taxation for low-income earners because it was ridiculous for people earning \$8,000, \$9,000 or \$10,000 to pay tax. In fact, it is completely absurd. We fully agree with Mr. Hubbard. The question is to find the best way of making the changes.

Unfortunately, Mr. Hubbard's motion, in its current form, would lead to too many negative consequences. However, the best way needs to be found to make the change; we are all in agreement with you.

[*English*]

The Chair: Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you.

I don't know about old wives' tales, but I think I would agree with the suggestion that we not defeat the motion but come back to it with more information, perhaps as part of the overall pre-budget paper or as a separate item for study by this committee.

I'm inclined to support it, but I'm not sure if I've heard some answers to some of the questions raised by Monte Solberg vis-à-vis the impact of this credit for those above the threshold and the cost to the system.

Our proposal in the NDP has always been to try to increase the basic exemption level from what it is today to \$15,000. So my first question to you, Mr. Hubbard, is why pick \$10,000 and not a \$15,000 level for the tax credit to kick in, especially given the fact that the poverty line for single persons with dependants is above \$15,000 for all but rural areas in Canada?

However, where I'm intrigued by your proposal is that I know with our proposal to just increase the basic tax exemption, it does have a spinoff effect in terms of the rest of the system. It has an impact on all the tax rates.

Hon. John McKay: Exactly.

Ms. Judy Wasylycia-Leis: Using the credit system against tax to be paid would appear to avoid the problem of higher-income earners associated with simply raising the tax threshold. I'm assuming that, but I don't know if we have enough expertise here to answer that. I would suggest to Mr. Hubbard that it's a very good proposition. We should include it in further discussions and have a serious look at how we can have tax relief for low-income Canadians.

The Chair: Ms. Wasylycia-Leis, if you bring the exemption level, according to the study here, from \$8,012 to \$10,000, it would cost \$5 billion a year.

Some of your other questions were addressed by Mr. Harris and Mr. Hubbard earlier.

Since there are not going to be any more interventions, I would normally request that we address Mr. Loubier's motion, but seeing the history of this committee, I'm sure we're going to have other motions on this. So I'm just going to give Mr. Hubbard five minutes, and then we're going to go to the question.

Mr. Hubbard.

Mr. Charles Hubbard: Mr. Chair, I won't take five minutes. I've already taken too much time.

It's not easy for us as a committee to pick an arbitrary point. In fact, as a committee, Mr. Chair, we do little more than recommend. Apparently there are minds much greater than ours, somewhere down the street here, who decide on the ultimate... You have an office somewhere near there I think, Mr. Parliamentary Secretary. They review all these recommendations we make. I don't think as a committee we have any sense that what we are going to write in a report is all going to be accepted by the Minister of Finance, that it's all going to be written up, and he'll read this great budget sometime in late February or March and we'll sit and smile and say that is what we recommended.

I think it's high time, Mr. Chair, in terms of what we're saying... and while this motion is not perfect—in fact, it's far from perfect, and I think our debate this morning will indicate some of the problems that are associated with it—I think it's very important for us to signal today, not next May when we're going home for the summer, because it will take another year, that we have 500,000 taxpayers out there who I feel should not have to pay federal income tax. We have an opportunity today at least to recommend to the House, and to recommend to the Minister of Finance, that those 500,000 taxpayers should not pay income tax. It would cost us very little in terms of being the federal government, probably somewhere around \$70 million in tax relief, and it would send a message that we as a committee want some changes made in this area.

I know that all of you have doubts about the wisdom of what you're voting on, and I doubted the wisdom of what I was writing, but somehow we have to give the message to Canadians who are in need, who are living without some of the amenities that we take for granted, that we shouldn't be demanding in April another \$300—and we should do it in this year, 2005, so that never again will those people have to pay tax on that small amount of income.

I'll conclude with that, and hopefully the members here will support this motion as a suggestion that should happen.

Thanks, Mr. Chair.

The Chair: Thank you, Mr. Hubbard.

•(1010)

Hon. John McKay: I have a point of order.

The motion either votes it down or allows it. Is that the way the motion is now?

The Chair: That's the one motion.

Hon. John McKay: It seems to me that the sense of the committee is that they don't want to see this go away.

The Chair: The only reason I didn't go to the other motions is because pretty well everyone around the table has consensus. We're going to have a motion on the floor and then we're going to have the submission of other motions.

Hon. John McKay: If Mr. Solberg wants to move a motion to amend, he can do that.

Mr. Monte Solberg: I move that we table this motion, and I think the original mover understands why. I would like to recommend, if we do table, that we bring this forward as a recommendation later for a study of the problem of taxation of low-income Canadians. I know it's not debatable, but I'm debating it a little.

The Chair: Can you repeat that, because now we're not talking about—

Mr. Monte Solberg: I'm moving to table.

The Chair: We're talking about this motion being included in our next report.

Mr. Monte Solberg: I'm moving to table.

The Chair: *Monsieur Loubier.*

[*Translation*]

Mr. Yvan Loubier: I agree with what Monte has just said. I too would move, as a sub-amendment, that our pre-budget consultations report should mention in the appropriate location that a review of the taxation system is required to make it possible for those who are most disadvantaged, for those earning the lowest incomes, not to pay any tax or at least pay very little compared to what they are paying now.

[*English*]

The Chair: I hear you all. *Je vous entends.* When we get to the pre-budget we'll have an opportunity to address the recommendations. We can say it, and I hear you, Mr. Solberg, but as Mr. Penson said, we have other reports that we're going to get to.

Mr. Charlie Penson: I'd like to point out, Mr. Chair, that there's been a motion to table and that's really not debatable.

The Chair: No, because then I have to ask Mr. Solberg to repeat what Mr. Loubier says. So if we table... go ahead.

Hon. John McKay: But my motion can be amended by Mr. Loubier.

The Chair: That's right. That's what I'm saying.

Hon. John McKay: So you have to vote on Monte's motion first.

The Chair: That's right.

Hon. John McKay: Then you have at least the results of that and you vote on Charlie's motion.

The Chair: That's right.

Mr. Charles Hubbard: I think, Mr. Chair, though... I'll let it go, but in terms of the rules, you can think of those while we're doing this.

The Chair: On the motion to table, all in favour? Opposed?

(Motion agreed to)

The Chair: *Monsieur Loubier.*

[Translation]

Mr. Yvan Loubier: Are we voting on the motion? I would like you to consider as a motion the fact that the committee will be alluding, in the pre-budget consultations report, to the need to review the taxation system to make it possible for those who are most disadvantaged or for those who have the lowest incomes not to pay any federal income tax. I would like us here and now to make a commitment and to vote on this motion, because it complements Mr. Hubbard's motion. This will make sure that it will be in the committee's report.

•(1015)

The Chair: No, it is not a motion.

[English]

because we voted on the motion already.

[Translation]

Mr. Yvan Loubier: Yes.

[English]

The Chair: So you're asking now for an amendment to the motion we've already—

Mr. Monte Solberg: It's an amendment to the motion.

[Translation]

Mr. Yvan Loubier: It is not an amendment to the motion, it is another motion that factors in the discussion we have just had around the table. On the one hand, we were saying that we needed to table the motion—I myself even suggested it—but on the other hand, we were saying that we needed to allow for a review of taxation in the pre-budget consultations report. Indeed, Mr. Hubbard mentioned that we needed a shock wave for the government. I think that the pre-budget consultations report should have this reference to tax reform. I wish to move this motion.

[English]

Mr. Charlie Penson: I have a point of order, Mr. Chairman.

It seems to me that the right procedure to follow here is... This motion Mr. Hubbard has introduced has been tabled. We voted to table it. At 11 a.m. we are going to be dealing with the pre-budget report. Why don't we include a recommendation in the pre-budget report rather than have a motion at this stage? We are moving to the pre-budget shortly and we can incorporate it at that stage.

The Chair: Sorry, I obviously didn't make myself clear, but that's it. Once we get to the report, we'll address it at that point.

Thank you, Mr. Penson.

[Translation]

Mr. Yvan Loubier: All right. If we have understood correctly, we have not tabled our motion.

[English]

Mr. Charles Hubbard: Mr. Chair, I was confused because I thought you were tabling what Mr. Solberg was bringing in as an amendment, but did we table the main motion?

Mr. Monte Solberg: We tabled your motion.

Mr. Charles Hubbard: Could I have a recorded call for who voted for and against on that, Mr. Chair?

The Chair: Yes, we can do a recorded vote, but everybody voted at the table—

Mr. Monte Solberg: Except you.

[Translation]

Mr. Yvan Loubier: We have already voted.

[English]

Mr. Charles Hubbard: Yes, but, Mr. Chair, I would like a recorded vote by name. I think the clerk has that.

The Chair: Yes, definitely.

[Translation]

Mr. Guy Côté: It's true that that could...

Mr. Yvan Loubier: No. Wait a moment. It is precisely for that reason that I wanted to complete the motion by the one that says that we are going to mention this question in the pre-budget consultations report. I do not want any bad feeling toward Mr. Hubbard, but if he were to ask for a recorded vote, it would be because he intends to say that he wanted to reduce taxes for people earning \$10,000 or less, but that the Conservatives, the Bloc Québécois and the NDP did not want it and they tabled his motion. I don't play in those stalls.

We need a recorded vote. I would like us to redraft the motion again, to table Mr. Hubbard's initial motion and to add to it by saying that we will mention, in the pre-budget consultations report, that there should be an overall reduction in the rates and the structure of the taxation system for low-income earners.

[English]

The Chair: Charlie, let me just address your point of order. The clerk is advising me that we've already put the motion to a vote, so we can't have a recorded vote.

Mr. Charles Hubbard: Mr. Chair, are you saying we cannot have a recorded vote?

The Chair: We cannot. We've already had it.

Mr. Charles Hubbard: Mr. Chair, I don't know if others were, but I was confused with what you called for. I thought it was on the basis of what Mr. Solberg had said, but you say you called for a vote on my motion. Is that correct?

An hon. member: On the tabling of it.

Mr. Charlie Penson: I have a point of order, Mr. Chair.

The Chair: Yes, Mr. Penson.

Mr. Charlie Penson: Mr. Chairman, I hate to harrow this ground again, but it seems to me it was pretty clear there was a motion to table.

The Chair: Yes.

Mr. Charlie Penson: This means that if it's passed, Mr. Hubbard's motion is off the table. It has been tabled for some future reference down the road, and if you're going to ask for a recorded vote, you have to ask prior to the vote, not afterwards.

The Chair: Right. I've been informed. I was also corrected by saying "tabled", so I repeated "We're going to table the motion". They had me repeat it. And then—

Mr. Monte Solberg: Sorry. Of course, when we table it, we can bring it off the table too. That's obviously for the committee to decide, but I think that would be superceded by what Yvan has said about including this in the pre-budget report. We've also discussed bringing it back in the form of a larger study. My point is that this is not getting rid of this completely.

And, Charlie, I think you've done a service by bringing it forward, because now there's interest in discussing this and having a larger discussion. What I'm trying to emphasize is that the motion is tabled, it's gone; however—

Mr. Charles Hubbard: Mr. Chair, I want to say that I was certainly misled by the way you handled this. I would like to review the blues to see if we were clear, because you made that ruling on the basis of what Mr. Solberg had just said. Was he the one who moved that it be tabled?

• (1020)

Mr. Monte Solberg: I moved the tabling motion.

Mr. Charles Hubbard: Was there any debate on the tabling?

The Chair: No, you don't debate a tabling motion. There was no debate and they had me repeat it. So I remember repeating "we're tabling the motion".

Mr. Charlie Penson: Mr. Chair, just to be clear, there's no debate on a tabling motion.

The Chair: All right, that's fine, but I'm trying to make it clear for Mr. Hubbard.

Mr. Charles Hubbard: May the record show that there was one objection to it being tabled—was that correct?—from the clerk, and that objection was myself.

Mr. Monte Solberg: I said that into the record.

Mr. Charles Hubbard: It's in the record, and I'll review the blues later, but I don't think it was handled very well.

Thank you very much.

An hon. member: It wasn't handled well by somebody.

[*Translation*]

The Chair: It is 10:21 a.m. We can discuss Mr. Loubier's motion.

[*English*]

Do I have to read the motion, or can I go directly to Monsieur Loubier?

[*Translation*]

The floor is yours.

Mr. Yvan Loubier: Mr. Chair, a few weeks ago, we agreed to a motion concerning the establishment of a subcommittee that was, no later than June 2, 2005, to propose concrete solutions to correct the fiscal imbalance. The purpose of my motion is to officially establish this committee so that it can, as soon as the House sits again following the Christmas vacation, get to work. Even before then, it could propose a method of operation, along with the budgets and the

consultation process that we are going to adopt. The motion reads as follows:

That the Standing Committee on Finance establish a special subcommittee with the mandate to propose concrete solutions to correct the fiscal imbalance and that this subcommittee comprise at least one member of each political party, excluding the Chair, and that it have a researcher and a clerk. This subcommittee will hold hearings on this matter. It will table its report to the Standing Committee on Finance for adoption and the final report will be tabled in the House of Commons no later than June 2, 2005.

as it appeared in the motion agreed to in the House of Commons.

[*English*]

The Chair: All right.

Mr. Solberg and Mr. McKay.

Mr. Monte Solberg: I'll second that.

The Chair: Does anybody want to speak to it first?

Mr. Monte Solberg: I would emphasize that I think this is an important motion. This is obviously an issue across the country, and we'd be very much supportive of pursuing this issue.

The Chair: Thank you, Mr. Solberg.

Mr. McKay.

Hon. John McKay: The motion presumes a fiscal imbalance. The motion coming out of the House referred to a so-called fiscal imbalance, and I think the motion should reflect the House's view that it was a so-called fiscal imbalance.

I just don't like to have a conclusion in a motion before we've actually studied it.

The second point has to do with the motion coming out of the House, on which this is referenced, refers to a so-called fiscal imbalance. This was an amendment to the Speech from the Throne. I don't think we should arrive at a conclusion in a motion before we've actually studied the issue. The motion presumes that there is a fiscal imbalance, which of course the government denies categorically. It's something that cannot possibly exist.

First of all, if it's going to refer to anything, it should refer to a so-called fiscal imbalance.

Second, what fiscal imbalance are we talking about? I'm assuming Mr. Loubier thinks there's a fiscal imbalance between the federal government and the subnational governments. On the other hand, there really is a fiscal imbalance among the subnational governments, so are we going to study Alberta's \$9 billion surplus? If you want to argue fiscal imbalance, that's where the fiscal imbalance is.

The view of the government on this matter is that there is none, that this does not exist, and that all provinces have access to exactly the same revenues as the federal government. In fact, the federal government's revenues have been exceeded by the provinces' for years and years now. This was dealt with in 1980 when the so-called fiscal imbalance was exactly the reverse.

So the position of the government is quite clearly that we are against this motion, and if the motion is to go forward, then you should refer to it with the same phraseology as was used in the amendment to the Speech from the Throne.

•(1025)

The Chair: Does anybody else want to speak on this?

Mr. Harris.

Mr. Richard Harris: Recalling the motion that was adopted in the House, I don't think it included the words "so-called" or "supposed".

Hon. John McKay: Yes, it did. That was the specific amendment.

Mr. Monte Solberg: Let's put it to a vote.

The Chair: I have Ms. Minna now.

Ms. Minna.

Hon. Maria Minna: Thank you, Mr. Chairman.

I think at the very minimum it should reflect the agreement in the House. By changing the phraseology, we're in essence already giving a conclusion to the situation, which isn't necessarily exactly... I agree with Mr. McKay.

If it was the will of Parliament, of the House, to have a certain, specific word or phraseology in it, I don't see why we now need to change that. If we're doing this because of the mandate from the House—which is why we're doing it—then we should use the House phraseology.

Mr. Yvan Loubier: It was my motion.

Hon. Maria Minna: Then could we not also include in the motion what we mean by fiscal imbalance? I think it's fair to look at the fiscal imbalance between Ottawa and the provinces, and within provinces. I'll just give you one quick example.

In Ontario—and I know it's not Quebec, and it may not be the other provinces—we had ten years of tax cuts. Now, is there an imbalance because of the policy of that province, or is there an imbalance, if it exists at all, because of something else?

I don't think you can do this in isolation and in a vacuum, quite frankly.

So I would like for that to be reflected as well, if I could. I think if we're going to do this honestly, then we ought to look at all aspects, not just one aspect.

When we were elected in 1993 there was a different fiscal imbalance. Would we have done this motion in 1993? We could have shared the debt at that time. It would have been the reverse situation. With all due respect, we may be there if the United States' economy fails.

The Chair: Just one second.

Are you going to speak on this? The motion I have here does not refer to "so-called". The clerk went to get the motion.

Hon. John McKay: This motion doesn't, and that's the point—what it doesn't do.

The Chair: No, no, I mean the motion that was tabled in the House. I don't have the amendment.

Hon. John McKay: I think it said "some call" rather than "so-called".

[*Translation*]

Mr. Yvan Loubier: I have just received the wording on the motion I tabled. I know what I tabled. At the very least, one knows what one has done. There is no mention of a so-called fiscal imbalance, but of establishing a fiscal imbalance committee that is to table a report no later than June 2, 2005.

The Chair: Apparently, there was an amendment to the motion.

Mr. Yvan Loubier: No. In the Speech from the Throne, this consideration was included so that everyone could agree on a wording, but not in my motion in the House.

The Chair: Your motion was the one from opposition day.

Mr. Yvan Loubier: Precisely.

[*English*]

The Chair: There was no amendment, Mr. McKay.

So if there's a proposal on the floor to make a subamendment—

Hon. John McKay: Is this flowing from the opposition day motion—

The Chair: Yes.

Hon. John McKay: — rather than from the Speech from the Throne?

The Chair: That's right.

Hon. John McKay: Well, my point had to do with the Speech from the Throne.

The Chair: Mr. Bell.

Mr. Don Bell: I'd just like to ask Mr. Loubier a question.

The point is the federal government has taxation abilities. Provincial governments have taxation abilities. If the provinces want to raise their taxes, they can raise them. What's the difference? I don't understand the imbalance you're talking about.

The municipal governments can tax as much as they want. The federal government can tax as much as it wants, and so can provincial governments. There are no limits, that I'm aware of, placed by law at any level.

The Chair: Right.

[*Translation*]

Mr. Loubier, the floor is yours until the end.

[*English*]

Mr. McKay, are you making a subamendment to the motion that's on the floor?

Hon. John McKay: I certainly can. If you want to invite me to do so, I'm happy to do so.

The Chair: I just want to clear it up so that we don't go two steps back. Let's try to go forward, so I can address your point first, before we...

Mr. Monte Solberg: It's not going anywhere, Mr. Chair.

Mr. Yvan Loubier: Let's do the subamendment on the motion.

The Chair: Well, you've already made up your mind, Monte.

Mr. Monte Solberg: Yes. We've had the debate; it's clear where people are at, right? So why go round and round the mulberry bush? We're all busy. We have things to do.

Hon. John McKay: I have a motion to amend, to rephrase "to correct the fiscal imbalance" to "to correct"—

• (1030)

[Translation]

Mr. Yvan Loubier: I have a point of order, Mr. Chair. You cannot...

[English]

Hon. John McKay: No, hang on. You can't have a point of order in the middle of my motion.

[Translation]

Mr. Yvan Loubier: I have a point of order. You cannot...

[English]

Hon. John McKay: You cannot have this point of order in the middle of my motion.

[Translation]

The Chair: I am returning to what he said because it was not clear whether there had been an amendment or not. I clarified the question. There was no amendment to your motion, because your motion was the one that had been tabled on opposition day. I gave the reply to Mr. McKay.

[English]

Hon. John McKay: This is an amendment, and it's supported by my colleague, Mr. Bell, I'm sure. The amendment will be to correct —

Mr. Guy Côté: Mr. Chair, he cannot do that.

Hon. John McKay: I can amend it to the floor. I can move it to the floor.

[Translation]

Mr. Guy Côté: No, it is an order of reference to the House, Mr. Chair.

The Chair: It is not a reference to the House.

[English]

Hon. John McKay: I'm not out of order.

Mr. Monte Solberg: Just go ahead.

Hon. John McKay: Okay, to correct it to read, "what some call the fiscal imbalance".

The Chair: That's right.

[Translation]

Excuse me. You are right.

[English]

Hon. John McKay: Debate on the amendment—

[Translation]

Mr. Yvan Loubier: Look at the wording of the motion agreed to by the House. There was no mention of any "supposed fiscal imbalance" or "what some call fiscal imbalance". This belongs to

another time. My motion refers to the need to correct the fiscal imbalance.

[English]

The Chair: Okay, now it's clear. It's what has been accepted by the House, if I'm not mistaken, and the wording is exactly the same?

[Translation]

The Clerk of the Committee (Mr. Richard Dupuis): Yes.

[English]

The Chair: Okay. So we can accept a subamendment to what was voted on in the House.

Mr. Monte Solberg: Okay, let's vote on it.

The Chair: I just have one more.

Mr. Bell, you spoke on it.

Is everybody okay?

Mr. Charlie Penson: We have a motion on the floor, Mr. Chair.

The Chair: No, there is no motion.

Mr. Charlie Penson: Did he withdraw it?

The Chair: No, I withdrew it.

Hon. John McKay: He ruled me out of order.

The Chair: It's out of order.

Monsieur Loubier deux minutes, en conclusion.

[Translation]

Mr. Yvan Loubier: In conclusion, I move this motion.

[English]

The Chair: Can I ask the question?

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

Mr. Monte Solberg: Mr. Chair, now that we've established that we have a subcommittee, I'd like to move that Yvan Loubier be the chair of the subcommittee.

[Translation]

Mr. Yvan Loubier: I agree. Thank you.

[English]

Hon. John McKay: That's putting the fox in front of the chickens, isn't it, if you guys pretend to be the alternate government? Think about it.

An hon. member: It's a coalition.

Mr. Monte Solberg: Well, John, it's a big country and Quebec is part of it.

Hon. John McKay: It's a big country and Ontario is paying the bills.

Mr. Monte Solberg: There we go, Mr. Provincial. He's going provincial on us.

Mr. Yvan Loubier: Is it a motion that you propose?

Mr. Monte Solberg: Yes.

Mr. Charles Hubbard: Mr. Chair, now I'm really getting confused with how this thing is going. Normally with a motion you get 48 hours' notice. We seem to be voting on things we're not clear on. We seem to be making motions that have not been tabled.

If Mr. Solberg wants to make a motion about whom this committee should consist of, I believe that as a member of the committee he has a responsibility to submit to the clerk a motion with 48 hours' notice.

The Chair: From what I've been told, we don't need it, because we're just forming the committee. The motion has been accepted; now we're in the process of just forming the committee.

Mr. Charles Hubbard: Mr. Chair, if such be the case, could you quote me the policy on it—perhaps the clerk would do it—that you don't need notice of motion?

The Chair: Sure.

Mr. Charles Hubbard: We operate by rules. I'm sure the clerk is an experienced one. He should know the rules of the House and the rules of committees.

The Chair: There doesn't seem to be a formality on it.

If I may, could we go to the next part? Then maybe we can come back to this before we adjourn the meeting. In the motion we say there is going to be a subcommittee comprised of at least one member of each political party, so I think it's going to be this committee that's going to have to either propose or put somebody forward. We either do it now or we do it later.

• (1035)

Mr. Monte Solberg: Yes.

[*Translation*]

Mr. Yvan Loubier: It doesn't work because the chair of the subcommittee must be appointed by the committee. Indeed, the chair of the subcommittee reports to the committee. It is not the subcommittee that chooses its own chair.

The Chair: That's what I was saying. It is this committee that decides. Whether we do it today or tomorrow, this committee must put someone forward as chair.

[*English*]

We're going to see if we can get a ruling before the end of the meeting.

I want to get to the pre-budget report, if we can. Is that okay with everybody?

Mr. Monte Solberg: I'm sorry, I'm not clear. What is in question here?

The Chair: The question is whether we need a 48-hour notice of motion or not. I'm going to have the clerk look at it.

[*Translation*]

Mr. Yvan Loubier: We must be logical, Mr. Chair. Usually, the very same day we establish the Standing Committee on Finance—and I fully concur with the clerk on that point—we elect the chair and two vice-chairs. This is the logical way to proceed with any committee and sub-committee of the House. We've just approved the establishment of a new sub-committee and in order for this new body

to proceed quickly we must now vote and appoint those of us who will sit on it.

[*English*]

Mr. Charlie Penson: I have a Point of Order.

[*Translation*]

The Chair: I will check, if that's all right with you.

[*English*]

Yes, Mr. Penson.

Mr. Charlie Penson: Mr. Chairman, it seems to me that possibly Mr. Hubbard may be right, we may have to do this. In terms of practicality, it's pretty clear that now that we have a subcommittee struck, we may as well move to start naming our people on the committee. If he wants to delay it 48 hours, we can do that.

Charles, I know your motion was tabled, but we have to have a workable arrangement in this committee; otherwise we spend a lot of time just spinning our wheels. If we have to do the 48-hour thing, I guess we have to do it. But it's pretty clear what the intent is.

The Chair: We can always just assign who the members are going to be and have the subcommittee decide who is going to be the chair of the committee.

Mr. Monte Solberg: But I've moved a motion, Mr. Chairman. That motion is still on the floor.

The Chair: That motion is going to be addressed just before the close of the meeting, before we adjourn. That's my proposal. That's what I've ruled on.

If we can find another way of compromising, that's what I was looking for.

Mr. Charlie Penson: I was hoping Mr. Hubbard might compromise, but if he doesn't...

Mr. Charles Hubbard: I'm rather confused with this.

Normally the chair and a member from each party sit down and bring forward to the overall committee certain recommendations, certain procedures. I don't know when you met last, but apparently this must have been one of your main topics in discussions that were held.

I'm not privy, of course, to that meeting, but if we're going to set up a committee, which seems very significant, I would think the steering committee should have brought some agenda. According to my colleague here, the definition is not even that well done—we talk about “fiscal imbalance”. I'm looking at different terminologies from those that other members are probably dealing with in terms of fiscal imbalance.

Mr. Yvan Loubier: This is a debate. It's not a point of order.

Mr. Charles Hubbard: I have the floor, Mr. Chair.

The Chair: With due respect, Mr. Loubier, come to order.

Mr. Charles Hubbard: If we are going to have a subcommittee that is going to be important in terms of the operation of this overall committee, I would think it has to be thought out quite carefully. We talk about terminology; we talk about agenda; we talk about what this subcommittee is going to do.

As I say, you undoubtedly have met with the others. I don't have a note here about what you decided. I don't know really what the outcome of this is going to be. Mr. Solberg says, "I want so-and-so to be chair." Mr. Loubier may be a tremendous chair. How do I know?

The Chair: Let me just help you on that. We didn't address this at the last steering committee because the motion hadn't been passed, but we will be addressing it at the next steering committee.

Mr. Charles Hubbard: So what you're saying, Mr. Chair, is you need more time to prepare. Is that it?

The Chair: We'll probably need more time to determine what the committee will be doing, but I don't think we need more time to decide who is going to be chair and who the members are going to be.

Mr. Charles Hubbard: I would hope, Mr. Chair, that you would rule that it needs 48 hours' notice. If Mr. Loubier has expertise, maybe Mr. Solberg has expertise.

The Chair: For the benefit of the doubt, I'm going to verify whether we need 48 hours' notice. If not, before the end of the meeting today, we're going to decide who the chair is going to be.

Mr. Charles Hubbard: Yes. If you can show me some policy now, I will accept it, Mr. Chair.

The Chair: The meeting is suspended. Apparently, we're going in camera.

[Proceedings continue in camera]

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