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Chair: The Honourable Judy A. Sgro



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• (1205)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call this meeting to order.

Welcome to meeting number 72 of the Standing Committee on International Trade. Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022; therefore, members are attending in person in the room and remotely using the Zoom application.

I need to make a few comments for the benefit of the witnesses and members. Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike. Please mute yourself when you are not speaking. With regard to interpretation, for those on Zoom, you have the choice at the bottom of your screen of either the floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I should have all of that memorized by now.

Oh, I have a new reminder. They always put something in here. I would ask all participants to be careful when handling your earpieces, especially when your microphone or your neighbour's microphone is turned on, in order to prevent feedback. Feedback can be extremely harmful to the interpreters and cause serious injuries. I would invite the participants to speak only into the microphone their earpiece is plugged into and to place earpieces on the table, away from the microphone, when they're not in use.

All comments need to be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can. Thank you for your patience and understanding.

Please also note that during the meeting, it's not permitted to take pictures in the room or screenshots on Zoom.

Pursuant to Standing Order 108(2) and the motions adopted by the committee on Monday, May 29, 2023, and Monday, June 12, 2023, the committee is continuing its study of the impacts of the underused housing tax on Canadian border communities.

Our witnesses today are from the Canada Revenue Agency. We thank them very much for coming to provide us with information. We have Adnan Khan, director general, business returns directorate, assessment, benefit and service branch; Luisa Rizzo, director

general, GST/HST rulings directorate, legislative policy and regulatory affairs branch; Jason Charron, director general, small and medium enterprises directorate, compliance programs branch; Alexander Lawton, director, non-resident compliance division, compliance programs branch; and Geoff Trueman, special adviser to the commissioner of the Canada Revenue Agency.

Welcome to all. We will start with opening remarks and then proceed with questions.

Mr. Khan, I invite you to make an opening statement of up to five minutes, please.

Mr. Adnan Khan (Director General, Business Returns Directorate; Assessment, Benefit and Service Branch, Canada Revenue Agency): Madam Chair, thank you for the invitation to be here today to participate in the committee's study of the impacts of the underused housing tax on Canadian border communities.

My name is Adnan Khan, and I am the director general of the business returns directorate in the assessment, benefit and service branch of the Canada Revenue Agency, or CRA. My directorate is responsible for the development and processing of various business returns and elections, including the underused housing tax return and related elections.

I have a number of colleagues with me today. Mr. Geoff Trueman is the special adviser to the commissioner of revenue on behalf of the legislative policy and regulatory affairs branch at CRA. Mr. Trueman will speak to the interpretation of tax legislation, including the underused housing tax. The legislative policy and regulatory affairs branch is the CRA's interface with the Department of Finance, and coordinates proposals for legislative changes within the CRA.

Ms. Luisa Rizzo is the director general of the GST/HST rulings directorate. Her directorate is responsible for providing the CRA's official position on the interpretation of the Underused Housing Tax Act. This service is provided nationally to clients by responding to written requests for rulings and interpretations, and by publishing technical publications. The directorate's clients include individuals, businesses, tax professionals and other CRA branches.

Mr. Jason Charron is the director general of the small and medium enterprises directorate in our compliance programs branch. His directorate is responsible for developing and deploying intervention strategies to encourage, assist and enforce tax compliance with respect to the underused housing tax, among other responsibilities.

Mr. Alexander Lawton is the director of the non-resident compliance division of the compliance programs branch.

As you know, the Department of Finance is responsible for the development of tax policy, in this case the development of the underused housing tax, while the CRA is responsible for the administration of the Underused Housing Tax Act.

My colleagues and I would be happy to answer any questions you may have.

• (1210)

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

We will go to our members for up to six minutes.

We have Mr. Baldinelli, please.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

I'd like to thank our officials for being with us today.

Thank you for your time.

As you probably are aware, this underutilized housing tax or underused housing tax is a huge issue in my community of Fort Erie. We have about 900 American residents, according to the mayor. U.S. Congressman Brian Higgins has indicated that he did a survey. He has been contacted by about 400 individuals. In a survey of about 162 residents, 50% of them or more have owned residences in that community for 50 years or more.

On the implementation of this tax, for example, Mr. Khan, as you mentioned, Finance developed it. They undertook their consultations during the election period of 2021. I asked the question: How many residents in Niagara have you heard from? The response was "zero". Well, just because of these hearings, we have 150 submissions right now with regard to the tax.

The U.S. trade representative met with the international trade minister in May and specifically referenced the underused housing tax and the concerns of the American government. Mr. Higgins has said that he wants to avoid a situation, a race to the bottom, but he's prepared to introduce legislation in the United States, and the impact that could have on Canadian snowbirds.... I don't want to get to that situation. I want to get to a resolution. There's a solution to be found to the concerns that are being brought forward.

I was wondering, based on the consultations and on the U.S. trade representative's bringing forward the concerns, has the minister directed you to look into the fact of additional changes that could be made or put forward to address some of the concerns, primarily in the rural communities such as Fort Erie?

Mr. Adnan Khan: Ever since we rolled out the underused housing tax and put out the information on our website, we have been engaged and continue to be engaged with various stakeholders outside of the agency. that, by the way, does include the feedback we've been getting from taxpayers, either through our contact centre or through our outreach to industry, including, for example, Canadian small and medium-sized businesses and CPA Canada. I'll let my colleague provide more details.

Mr. Geoff Trueman (Special Advisor to the Commissioner of the Canada Revenue Agency, Canada Revenue Agency): Thank you.

As you highlight, the situation of U.S. residents holding a property in Canada was understood, in fact, in designing the tax. Part of it, I understand, in the work by our colleagues at the Department of Finance was to include that filing requirement. The intent of the levy is to identify non-resident owners of housing in Canada.

For the situation you describe, the legislation also includes the vacation property exemption, which makes some accommodation for seasonal use properties within a touristic zone. That would likely be of application, potentially, to some of these Fort Erie residents.

Mr. Tony Baldinelli: Again, specifically to the Fort Erie area, you're hearing concerns that it doesn't address the situation.

I have an American who's had that property for a century. If you think about it, the Buffalo Canoe Club was established in 1891 in Fort Erie of all places. In the community, it's not an international border that separates us. It's just a river that divides two friends. We're finding situations where she's had a house for a century and, 450 metres away, her neighbour is exempt but she has to pay. You're still running into situations.

My concern is this: Does the Canada Revenue Agency even have the ability to implement and enforce such a tax? How would you know, for example, if someone submits or not?

Mr. Geoff Trueman: The role of the Canada Revenue Agency absolutely is to interpret and administer the legislation. Where there's a desire for a substantive change to the legislation itself, then that would have to fall under the purview of the Department of Finance and, ultimately, parliamentarians.

• (1215)

Mr. Tony Baldinelli: Again, my situation is this. We're trying to find a resolution to a problem that I think the government has created on its own. I don't want to see a situation where we end up with a reciprocal agreement or a reciprocal tax being placed on Canadian snowbirds, because if that becomes the situation, I'd invite all of you to come to work in my office and take those phone calls from Canadian snowbirds once that happens.

Again, we're talking about specific situations. Based on the 150 submissions right now, your office has been getting calls, and there's no look right now by your department to try to rectify the concerns that exist in my community with regard to the UHT.

Mr. Adnan Khan: I think administratively we can certainly talk about what the agency has been doing and can do going forward to administratively assist those people. There are, of course, close to 15 exemptions available.

Of course, we have put out a lot of information. We continue to engage with the communities across Canada and we continue to put out more information.

That's the limit to the administrative part. What can we do within the confines of the administration of the legislation? That has been the focus of our efforts.

The Chair: Thank you very much.

Your time is up.

Mr. Charron, were you attempting to add some information there?

Mr. Jason Charron (Director General, Small and Medium Enterprises Directorate; Compliance Programs Branch, Canada Revenue Agency): Thank you, Madam Chair.

In the course of the activities we undertake with respect to compliance, we provide support to taxpayers with regard to their obligations to submit their taxes in due form.

We have had opportunities to prepare and present various information sessions or webinars. Information we provide in those fora makes it easy for them to submit and to meet their tax obligations. In those sessions there are Q and A sessions as well, from which we capture information, and that then influences and informs our future actions in this area.

We also are working in partnership to collect more data and more information so that, whenever we are engaging with taxpayers who are seeking to meet their obligations, we have this information, the data, in support of our risk-based assessments.

The Chair: Thank you very much.

Mr. McKay, you have six minutes. Go ahead, please.

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

Thank you all for being here.

Like Mr. Baldinelli, I, too, have had long sessions with Mr. Higgins in his office. I still haven't come to ground as to whether this is a tempest in a teapot or, really, this is just a tempest.

Moving out in scope, what are the other areas that are proving to be contentious? We know the Lake Erie area is contentious. Are there any other border areas or even non-border areas in which you're hearing some feedback, intemperate or otherwise, from people affected by this tax?

Mr. Adnan Khan: As I mentioned, we do hear from industry and we also hear directly from individuals or corporations trying to fill out, for example, the form. We have created a dedicated phone line to assist those clients of ours. I cannot provide you a breakdown of where exactly those calls are originating from, but I can tell you we have received close to 30,000 phone calls on the topic since January this year, during which a variety of questions have been asked.

Hon. John McKay: I think Nova Scotia would be another area that would have challenges. Is that an area that's receiving complaints about the tax?

Mr. Adnan Khan: As I mentioned, I don't have data broken down by the geographical areas across the countries to show where those calls might be originating from.

Hon. John McKay: It seems to me that the major issue comes when the census metropolitan area is used as the delineation of what constitutes rural and what constitutes non-rural. Am I correct about that?

• (1220)

Ms. Luisa Rizzo (Director General, GST/HST Rulings Directorate, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency): We would follow whatever the law says with respect to determining that.

Hon. John McKay: I'm sorry, but I didn't understand what you said.

Ms. Luisa Rizzo: I'm sorry. I said we would follow however the law is written when interpreting those aspects.

Hon. John McKay: I'm not sure how to respond to that answer. It seems distinctly unsatisfactory.

Ms. Luisa Rizzo: We do have a notice, UHTN14, that talks about how you can determine what area it is in order to determine whether or not you fall in one of those areas.

Hon. John McKay: Once you're in the area, you're toast.

Ms. Luisa Rizzo: Again, based on how it's written and how it's determined, you would have to follow and apply the rules.

Hon. John McKay: If I have a cottage property or something that falls within the census metropolitan area of Niagara Falls, for instance, even though it's a rural property and even though it's been in my family for a hundred years, I'm going to end up having to pay a tax, regardless of how it's been used, except as a recreational property.

Ms. Luisa Rizzo: Again, if it meets the aspects of the legislation...in terms of that, you'd have to look at all the facts and how it applies to your property, if it meets those facts and how we determine that. You would then have to pay, or at least disclose the property.

Hon. John McKay: Is there any reverse onus on the part of the authorities to you to, in effect, prove the facts of your situation, for instance, if I say it's one use and you say it's not?

How does that work?

Ms. Luisa Rizzo: I'll defer to Mr. Khan.

Mr. Adnan Khan: There is a dispute mechanism, Madam Chair, within the legislation that allows individuals who have disagreements with the position taken by the minister to dispute that. We have an objection process. They can certainly go to the Tax Court of Canada if they're not satisfied with the outcome of the objection. That is in case of a difference in opinion, as I understand it.

If a client has already filed a return and determines that the information provided on the return did not accurately reflect their situation, if they want to make that change, they can amend the return that has already been filed.

Hon. John McKay: Thank you.

I'm going to cede the rest of my time, Madam Chair.

The Chair: You have 35 seconds left.

Hon. John McKay: I have all of 35 seconds, and I can give them to Mr. Champoux.

The Chair: This is a great committee.

Thank you for the compliment, Mr. Champoux.

You have six minutes and 20 seconds.

[*Translation*]

Mr. Martin Champoux: It's a welcome gift. I appreciate it.

I thank all the witnesses for being here today.

It's very interesting to listen to this discussion and to talk about this subject.

There are so many confusing things. I imagine that the Canada Revenue Agency staff must be tearing their hair out trying to sort it all out. Let's try to clarify a few things.

Having said that, I will begin with a highly critical comment that all members of the committee received from Ms. Penny Leckie, who is an accountant and a member of the Institute of Chartered Accountants of Alberta.

In her submission, she doubts that CRA officials have any idea how many returns will be filed as a result of this legislation, most of which will not give rise to any tax liability. She describes as wasteful the cost of processing this volume of returns with no associated revenue.

I'd be interested to hear your comments on Ms. Leckie's statement.

[*English*]

Mr. Adnan Khan: Madam Chair, my area is responsible for administering the program from a processing perspective. The underused housing tax form that you fill out happens to be one of many what we call information returns that are filed with the agency. A number of these forms are collected to allow the agency to gather data to better administrate its programs. They don't necessarily require some financial impact at the end of the filing. That's why they're called information returns.

In the case of the underused housing tax, the estimates were provided by the Department of Finance, and I understand that they had a witness here who presented certain numbers. The projection that was provided to us indicated that close to 10% of the total number of returns filed would result in some sort of financial implications for the individual filing the return.

• (1225)

[*Translation*]

Mr. Martin Champoux: There are a lot of exemptions.

Earlier, I listened to my colleagues' comments on what constitutes a cottage, what is eligible, what is not, what can be exempted. Members of the agricultural sector also called on the committee to point out that, even though they are theoretically exempt from the tax, they still has to file a return.

For any entrepreneur, filing a declaration entails costs and constraints. It's an added responsibility, especially for farmers, who already have their hands full. Some say it costs between \$500 and \$1,000 to produce. I don't think you'd disagree with those figures.

So why don't we systematically exempt those who are already exempt from the tax? Why don't we also exempt them from filing a return if the entire sector is exempt? It seems to me that this is cumbersome.

[*English*]

Mr. Geoff Trueman: Thank you for the question.

I understand the concern about the filing of the form.

By design, the nature of the tax return is intended to collect information, as my colleague Adnan referred to. It's one of many information returns that are required.

In this case, there was a policy decision taken by our colleagues at the Department of Finance on the design and structure of the tax. Part of that is the requirement to file.

[*Translation*]

Mr. Martin Champoux: We're talking about exemptions. A number of stakeholders have appeared here. We spoke to the mayor of Fort Erie, Mr. Redekop, who proposed to exclude people who live in their secondary dwelling for at least three months.

Do you see any problem or consequences in implementing this exemption?

[*English*]

Mr. Adnan Khan: It's a policy question, so go ahead.

Ms. Luisa Rizzo: It's a question that CRA can't answer. It would have to be redirected to the Department of Finance—whether there would be any changes required to the legislation.

[*Translation*]

Mr. Martin Champoux: Ms. Rizzo, you do indeed refer a lot to the instructions that you receive and to the regulations and legislation.

You must sometimes see things that make no sense or that you find complicated for no reason; or you must listen to certain speeches; and when you come to a committee, such as this one, you have to answer questions from members.

Do you have access to a mechanism that allows you to point out to the minister or the government, for example, that it's really bothersome to have to manage this? Do you have that possibility?

[*English*]

Ms. Luisa Rizzo: Absolutely.

Any time we receive concerns—if there are any concerns or questions, or if the legislation is not clear—we look at it from the interpretative aspects. If there are concerns, we definitely go back to the Department of Finance. That's our role, as part of the CRA: talking to Finance. We bring forward these concerns and address them. We leave it in their hands to come back to us and determine where we go or what can be done.

That's part of our role at CRA, whether or not it's regarding the underused housing tax.

[*Translation*]

Mr. Martin Champoux: Okay.

In this case, in applying this measure, have you made any recommendations?

[*English*]

Ms. Luisa Rizzo: When the legislation came out, absolutely. We would have been reviewing the legislation. We would have provided our comments with regard to it.

In terms of any concerns we might have received.... If we felt those were concerns, yes, we would have addressed them. If there were any concerns, I can't speak to those.

The Chair: You have 28 seconds.

[*Translation*]

Mr. Martin Champoux: I'll take my 28 seconds, Madam Chair, and give them back to Mr. Cannings.

[*English*]

I'll pay it forward.

Voices: Oh, oh!

A voice: Pay it forward. Yes.

The Chair: [*Inaudible—Editor*] minutes and 16 seconds.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

Thank you to the witnesses for being here.

It strikes me that there are two issues about this tax that have caused concern among residents.

One is the fact that it seems unfair, to many, in how it's applied, in terms of the boundaries of the rural districts and the urban districts.

Then, there's the issue of just having to file a return when you otherwise wouldn't normally have to.

Mr. Khan, both of those are baked into the legislation. Is that correct?

• (1230)

Mr. Adnan Khan: Yes, that's correct.

Mr. Richard Cannings: Okay.

Would the CRA have anything to do with notifying people that they may...? You know, we have American residents who have holiday homes in Canada. Say somebody buys a holiday home. How would they even know they had to pay this tax?

Would the CRA have anything to do with that?

Mr. Adnan Khan: The CRA, Madam Chair, does not have, of course, all the information related to people who might be subject to this piece of legislation. At least at the start, we don't have that information.

In terms of communication, we reach out using broader comms as opposed to targeted, client-specific communication. You might have seen, for example, a municipal government sending out very directed communication when they introduced their pieces of legislation. They were privy to a lot more information than CRA has.

In our case, our focus of communication has been much broader in nature. It's through Canada.ca, our web portal. We have used a lot of social media, for example, to communicate. We have reached out to the industry—through CPA Canada, for example—to promote the products we have put out there for the clients to see.

Mr. Richard Cannings: Okay.

I'm kind of out of questions, so I'll cede the rest of my time back to Mr. Baldinelli.

Some hon. members: Oh, oh!

The Chair: No, it's Mr. Epp, actually.

Mr. Richard Cannings: Well, whoever; it just seems to be....

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Madam Chair. I'm not sure I'll be able to extend the generosity. I do have a number of questions.

Some hon. members: Oh, oh!

Mr. Dave Epp: I'll work on it.

My understanding is that there was a broad agreement in the House that the issue of house pricing in Canada needed to be addressed. I don't think there was argument from any side of the aisle here. However, on the underutilized housing tax, in my own constituency offices, I'm in a rural part of Canada, an ag part of Canada, and I have heard a lot from national ag organizations.

I'll start with some specific questions. Did the minister direct the department to focus on rural Canada in addressing housing prices through a UHT?

Mr. Geoff Trueman: You referred to “the minister” in your question. I believe you'd be referring to the Minister of Finance as opposed to the Minister of National Revenue, so that question would likely be better answered by colleagues at Finance Canada.

Mr. Dave Epp: Have you had feedback into your offices from rural Canada endorsing this tax and endorsing this approach? You've had 30,000—

Mr. Geoff Trueman: We've heard from a variety of stakeholders on the issue of the levy itself. Generally speaking, we hear from individuals with respect to issues of how the levy would apply to them or not.

Mr. Dave Epp: Ag accounting is somewhat specialized. I've heard from a number of accounting firms at my offices. Has the department experienced any lobbying in the development of this tax and in your consultations in 2021 for rural accountants looking for more work and more filing?

Mr. Geoff Trueman: The consultations were the purview of Finance colleagues. They would have the answers to that question.

Mr. Dave Epp: I can tell you what I've heard from accounting firms. They are not looking to be selfish here. They were very poorly consulted. They are looking for ways to simplify the process.

Again, to come back to the overall arching policy, is this not to address housing prices? I'm looking for the reason the UHT does this in rural Canada.

Mr. Geoff Trueman: Again, a question about the broad policy intent of the legislation would be better put to the Department of Finance.

Mr. Dave Epp: I've heard from the National Cattle Feeders. I've heard from the Fruit and Vegetable Growers of Canada and from a number of provincial organizations regarding particularly horticulture. The cattle sector, which uses a lot of temporary foreign workers, has program requirements that require them to having housing on farm as a condition of a federal program. How does addressing taxing or exemption filing address the housing price crisis in Canada when it comes to housing for temporary foreign workers?

Mr. Geoff Trueman: That is a question that we've engaged with industry on in terms of how those accommodation units would be dealt with. That's certainly an issue that we are aware of, yes.

• (1235)

Mr. Dave Epp: Would it be fair to say that this would be an unintended consequence of a policy directed at a different problem?

Mr. Geoff Trueman: Again, I think those questions on the intent of the legislation would be best placed to the Department of Finance.

Mr. Dave Epp: Okay.

If that is an unintended consequence, on the corporate filing wouldn't a simple tick box that indicates they have housing requirements for temporary foreign workers be sufficient to trigger the exemption on a one-time filing? Then, maybe if things change, that could be done. Similarly, I've heard from numerous corporate farms who have their personal housing, housing of their senior lead employees or family members who are involved in the enterprise. This is all capturing that.

Again, does this address the primary focus of the intent of this legislation?

Mr. Geoff Trueman: I appreciate the comment. I appreciate the information on those situations as well. That's certainly something we can look at in terms of our administration and how best to address those concerns.

Thank you.

Mr. Dave Epp: Exactly. I get that it's broad and overarching, but the suggestion is on a one-time filing indication on the tax form. Would that not both capture the intent of the policy and also exempt the whole rural community from the unintended consequences? I think we're all in favour of the broad policy goals, but I think we're all scratching our heads in terms of the implementation of a tax.

I'll go there next. This is also for information gathering. Can you comment on what information you're after? I have heard that this is more to get at the one-time personal residence exemption than it

has anything to do about housing prices in Canada. Can you comment?

Mr. Geoff Trueman: I'll make a couple of comments.

You referred to switching to a one-time declaration. The legislation is currently based on an annual filing. I just wanted to clarify that.

Mr. Dave Epp: The accountants are aware of that.

Mr. Geoff Trueman: Yes. I just wanted to clarify it in case there were others paying attention today.

Secondly, on the question about the intent and the design of the legislation, again, that's for the Department of Finance, but I think if you look at the budget materials at the time it was introduced, there was a focus on vacant or underused housing in Canada and how that might tie into the lack of availability and, hence, increased prices of housing in Canada.

Mr. Dave Epp: I'm sorry. Did you say rural Canada?

Mr. Geoff Trueman: No. I said in Canada generally. I'm sorry.

Mr. Dave Epp: In Canada, but in rural Canada.... That leads me, if I can pick up on a question by my colleague, Mr. McKay, to the metropolitan census data.

Pelee Island is in my riding, and it is separated by 14 km of water. I put out an Order Paper question to the department to make a determination of whether Pelee Island, separated by 14 km of water, was part of the Windsor-Essex metropolitan census data, and the department refused to interpret their own law.

Would that be consistent with your broad policy? I'm picking up from Ms. Rizzo's earlier comments that the department would interpret their legislation.

Mr. Geoff Trueman: I'm not familiar with that particular request. I'm sorry, I don't have all the information on that.

Mr. Dave Epp: Lastly—I know I'm extending my time here—with regard to bare trusts, can you explain how capturing a bare trust, particularly how a father with four daughters helping his daughter buy a house, adds to the overarching policy of addressing housing pricing?

Mr. Geoff Trueman: Certainly one of the issues we have to work through in the administration of the legislation is the various ownership structures that might be in place. That is one of the issues we would be working through in our administration of it.

Mr. Dave Epp: Thank you, Madam Chair.

I have overextended my time. If there's anything left, I would be glad to cede it.

The Chair: Thank you very much.

Mr. Arya.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

I looked at the website where the number of returns filed is provided. As of last week, 29,382,000 returns had been filed, and 92.8% of them were filed electronically.

Do you have any information on the number of returns that were filed for UHT?

Mr. Adnan Khan: As of June 15, we had received about 135,000 returns filed under UHT.

Mr. Chandra Arya: That's 135,000 out of 29,382,000. Okay.

Mr. Adnan Khan: I'm sorry. The number you're referring to is the T1 filing.

Mr. Chandra Arya: Okay.

Mr. Adnan Khan: The number I provided you with is the UHT.

Mr. Chandra Arya: Okay. I've got it.

Can you repeat the number of UHT filings again?

Mr. Adnan Khan: It's 135,000.

Mr. Chandra Arya: Out of 135,000, how many of them actually owed tax under UHT?

• (1240)

Mr. Adnan Khan: As you know, the penalty and the interest were waived as a result of an announcement made by CRA on March 27. The people impacted have until the end of October 31 to pay, if they owe anything, without incurring penalties and interest, but effectively, what that means is our clients can still file until that time.

Mr. Chandra Arya: I understand that so far.

Mr. Adnan Khan: So far, we have less than 5% of the returns filed where the amount had been owed.

Mr. Chandra Arya: Less than 5%, or approximately 6,000 applicants filed. Okay.

When this legislation was proposed, I'm sure you would have done a macro study to identify the number of units that might come under this after giving all of the exemptions. What was that number?

Mr. Adnan Khan: The number was estimated by the Department of Finance. They estimated that 10% of the overall UHT returns filed would have money owing.

Mr. Chandra Arya: Okay, 10% of... Of the number of properties for those owners who had to file the UHT, what was the number? The number of people who have filed is 135,000.

Mr. Adnan Khan: For each property, if it's owned by, for example, a co-owner, each individual is required to file a return.

The number estimated by the Department of Finance was that anywhere from 355,000 to 420,000 returns will be filed this year.

Mr. Chandra Arya: Coming back to these 135,000 returns that were filed, what percentage of them was filed by individuals?

Mr. Adnan Khan: So far, this is only based on the 135,000 returned files. The number seems to be even, but a little bit gears towards the individual side. The majority has been filed by individuals.

Mr. Chandra Arya: When you say the majority, is that 50%, 60%...?

Mr. Adnan Khan: It's 50-plus per cent.

Mr. Chandra Arya: Out of those individuals who have filed, that includes partnerships, trusts, etc. Is that correct?

Mr. Adnan Khan: That is correct.

Mr. Chandra Arya: Okay.

Now I'll come back to the number of units that filed for this return. Five per cent of them had to pay UHT. Next year, you will find that the number is going to go down, that 135,000, if that is the final number.

Mr. Adnan Khan: I would caution that this 135,000 is not the final number because we expect more returns to come in. Now—

Mr. Chandra Arya: Excuse me. I have limited time.

In the Fort Erie area, I believe there are about 900 properties. I think the number I heard is that about 160, 200 or 300 may have to file.

Is it possible, once all the filings are done, for you to segregate and identify, from which province, how many people had to file and how many people actually had to pay the tax? My speculation is that maybe 150 people may come from the Ontario side, and I'm sure the United States representative, Mr. Higgins, will not put his considerable weight behind the passing of legislation attacking our snowbirds because 150 people from his state had to file this UHT.

Mr. Adnan Khan: Absolutely. We'll be able to present data based on the location of the property and also based on whether it was filed by individuals, partnerships or corporations.

The Chair: Mr. Champoux.

[Translation]

Mr. Martin Champoux: Thank you, Madam Chair.

Earlier, Ms. Rizzo, you talked about the recommendations you made when the bill was introduced. Is it possible to have them? If you don't have them, you can simply send them to us here at the committee.

[English]

Ms. Luisa Rizzo: I definitely don't have them with me here. It's something we'd have to go back and take a look at in terms of what our comments are. We can get back to the committee on that.

[Translation]

Mr. Martin Champoux: Okay. Thank you very much.

We talked about the exemption for a cottage, for example, if it is occupied for at least 28 days during the calendar year. We won't be able to talk about this at length, as I only have a very short time, but out of curiosity, I'd like to know what the verification mechanism would be. Should we simply take the taxpayer's word for it? How can we verify whether someone has spent 28 days at their cottage during the calendar year?

• (1245)

Mr. Jason Charron: I thank the member for his question.

There will be a process to verify this information. This could include asking the taxpayer to provide us with information showing that they were present at the cottage or house in question during that period. This documentation can take many forms. We would be prepared to have this conversation with the taxpayer and to see supporting documents.

Mr. Martin Champoux: That amounts to saying that you will rely on people's good faith. Whatever the mechanism, I don't see how you're going to be able to say that the taxpayer was there for 28 days. For example, I can tell you that I was at the cottage for 28 days because that's what you want to hear, but you won't know whether it was really 17 days or 54 days. The fact remains that it will depend more on the good faith of the taxpayer. Is that correct?

Mr. Jason Charron: Yes, it often relies heavily on transparent communication with the taxpayer. However, we have access to other information that can be added to taxpayers' returns. At the end of the day, it's still a discussion about the evidence concerning the taxpayer's current situation.

Mr. Martin Champoux: Thank you.

Madam Chair, how much time do I have left?

[*English*]

The Chair: You have 40 seconds.

[*Translation*]

Mr. Martin Champoux: Okay. In that case, I'll stop here.

[*English*]

The Chair: Mr. Cannings, you have two and a half minutes.

Mr. Richard Cannings: This is about the CRA's administering this tax. Are there any other pieces in the tax law in Canada that you administer that are like this—where you need a considerable amount of information from people, such as whether they live within the boundaries of one of these urban areas or not, whether they own property?

There are other things. When you're filling out your taxes, you come across a question like, "Do you have \$10,000 outside Canada", or something like that—I forget exactly what it is—and you just check a box and move on.

Are there any other pieces of tax law like this that you administer that involve this extra work on the part of residents or non-residents—that it's just gathered for information's sake?

Mr. Adnan Khan: The question you're referring to on the T1 form relates to foreign property in excess of \$100,000. That's one question. We have certain declarations and elections that taxpayers can make with regard to, for example, their principal residence. There may be other situations, but I'll pass it on to my colleagues if they have anything to add.

Ms. Luisa Rizzo: I don't have anything further to add to that. My expertise is on the GST side of housing.

Mr. Richard Cannings: To make this simpler, could you say, "Do you own property that is subject to the underused housing tax?" Check a box and move on. That might help Canadian taxpayers deal with that.

Are there any other parts of the tax law that require a lot more information, even though we've heard that some 95% of people who own an extra house aren't going to be paying this tax. I'm just trying to make things simpler.

Mr. Adnan Khan: There are, of course, exclusions within the form. We can only rely, as far as broader communication is concerned, on the messaging we put out there for people to first identify whether they're impacted or not. If they are impacted, we have created a form. That's one of the reasons the form is as long as it is. It allows our clients to make the right determination of whether they should be paying the UHT or not. That's the avenue we have taken.

The Chair: Thank you very much.

Next, we have Mr. Carrie for five minutes, please.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Madam Chair, and I want to thank the witnesses for being here.

From what I'm hearing here today, it's like Finance officials came up with this idea based on the ministerial directive. As Mr. Baldinelli said, they did their consultations in the middle of an election, so there's no surprise that there seem to be some challenges here.

I'm a little concerned, though, from some of the answers we are getting today that we should have had Finance officials here. They have already been here, and they're kind of going right hand, left hand. It would be great to have both of you here at the same time, because we would like to see a solution. There doesn't appear to be one coming very quickly.

I do have a number of questions, because the idea of the legislation was good. Everybody is aware of that. What might be happening is that we may end up having a bunch of American friends selling their properties, and, inadvertently, they will go to Airbnb. Instead of actually being a solution, it's going to add to the problem.

I only have a bit of time here. I'd like to know, have you done a cost-benefit analysis on the actual bottom line of implementing this policy? Is that going to be good? We heard the idea that this is gathering data, but there's also tax revenue. Have you done a cost-benefit analysis of it?

The other question I'd like to ask is, who can stakeholders talk to? We receive a lot of correspondence on this. People are trying and are not getting the answers they need, or they're getting conflicting answers. That's the second question.

Third, I think you might be underestimating the U.S. situation with our snowbirds. Have you heard, Mr. Khan, about a potential retaliatory response by the Americans? According to a 2015 survey by BMO, roughly 500,000 Canadians own property in the State of Florida alone. This could be problematic for Canadians.

I have some other things to talk about. Could we address those things, the cost-benefit, who can stakeholders talk to, and whether you have heard about any possible retaliatory action by the U.S.?

• (1250)

The Chair: If they could all be addressed in two minutes and 41 seconds, I would appreciate it.

Mr. Colin Carrie: If you can't, it would be great if you could give it to us in writing.

Mr. Adnan Khan: I'll start off with the cost-benefit analysis. That would be within the domain of the Department of Finance. When we're asked to administer a piece of legislation, we do our own internal costing and provide that number as part of a Treasury Board submission. We would have certainly done that on our side, estimating how much it would cost the agency to administer such a program.

I cannot speak to the cost-benefit analysis that might have been done by the Department of Finance.

Mr. Jason Charron: Madam Chair, quickly on question number two—around what taxpayers can do to get more information—of course, our websites are available and quite descriptive but, as mentioned previously, we have a liaison officer service. There have been 350 organizations contacted. They include taxpayer associations, lawyers, municipalities, chambers of commerce, etc.

As of June 16, we've had 26 such sessions, and we have another eight planned by the end of July. I think the offer is to connect with us and seek more clarification. We're there to support them in meeting their tax obligations.

Ms. Luisa Rizzo: Madam Chair, if I could add to that, as well, we also have a rulings and interpretation service. If they have very specific, fact-oriented questions, they can write in to us and we respond to those. If a ruling can be issued, we will issue it. If not, an interpretation of the information will be given.

Mr. Colin Carrie: For the third one on possible retaliatory... Have you guys looked at that?

Mr. Geoff Trueman: We're certainly aware of the issue and following the situation in the U.S., but it's not something we could comment on at this time.

The Chair: Okay, thank you.

Mr. Colin Carrie: Actually, I'm at four minutes and 15 seconds, so I have 45 seconds. Is that right? We were warm and fuzzy.

The Chair: There are 45 seconds, but I'd like to get one other member in and it's five minutes to one.

Mr. Colin Carrie: Quickly, have you been directed by the minister, or has the minister directed Finance, to fix the problem or come up with something? That's because we're getting.... You may have that there. We're just worried about not getting that feedback.

Thank you.

The Chair: Thank you.

Ms. Lapointe, you have five minutes.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Madam Chair.

I'll be sharing my time with my colleague MP Arya.

You talked about the data that was being collected. Unfortunately, you can't break it down by geographical area, but can you tell us

what the most common inquiry is that you're getting, and the most common concern you're receiving?

Mr. Adnan Khan: The most common inquiries we receive on our general inquiry line or the line dedicated to business is with regard to filing the form itself. "How do I answer the following, on this or that question?" There are questions about exemptions and location, because we have created a tool, as you know, that allows our clients to identify where exactly, based on the postal code, their property is located and the tax implication for them.

It works in about 98% plus of the cases, but there are those odd situations where individuals will call, because they couldn't get the right answer from the tool.

• (1255)

Ms. Viviane Lapointe: I have one more question before I hand it over.

Can you tell us how many people say they owe money and how much money you have collected?

Mr. Adnan Khan: As I mentioned, based on the returns filed as of last week, we have less than 5% who actually owe money. The amount owed was just over \$7.5 million and it's based on the number of returns that have been filed thus far. That number, as I responded earlier, Madam Chair, was 135,000.

Ms. Viviane Lapointe: Thank you.

Mr. Chandra Arya: Thank you, Madam Chair.

Quickly, you said about 6,000 people owed money out of 135,000. You also mentioned that, out of 135,000, about 50% are individuals.

Can I assume that, out of the 6,000 people who have to pay, about 50% are individuals?

Mr. Adnan Khan: I don't have the exact data, but—

Mr. Chandra Arya: That's okay. I have limited time.

I'm not surprised that the questions you're getting are about exemptions and the location thing. When U.S. Representative Higgins was at our committee, I recall that he, too, was not fully aware of the exemptions that were provided.

This being the first year, we can expect to have a lot of these questions. This will get streamlined by next year.

Mr. Adnan Khan: Absolutely. It will take a little longer to file their return the very first time, but, as they file more and more returns—unless the information contained in the form substantively changes—it becomes a lot easier.

Mr. Chandra Arya: Again, based on the number of filings or the number of properties owned in the Niagara Lake area, when I do the math—a back-of-the-envelope calculation—there may be around 50 or 100 people who may get affected. Obviously, you'll provide us with the information on the various regions—how many people had to file, etc. The assumption that this is a major thing that affects U.S. property owners in Canada is actually wrong, in my view.

What do you say?

Mr. Adnan Khan: You're entitled to your views, member. I cannot speak to that.

Mr. Chandra Arya: I'm sorry. I will back up.

The number of U.S. citizens who are being affected by this being a law...though the case of the snowbirds also getting affected by competing legislation, I think, would also be a matter of law.

Coming back quickly, are you finding any problems in enforcing this tax?

Mr. Adnan Khan: We haven't really gone to the enforcement phase just yet, Madam Chair, because, as you know, we have until October 31 before individuals have to pay a penalty or interest.

Mr. Chandra Arya: One possible solution.... I don't know. I'm just thinking aloud here. What if we grandfather the properties owned by individuals for more than 10 years? They also would be exempted in the next round. I don't know if something like that is possible or enforceable.

Mr. Adnan Khan: I cannot speak to that.

Mr. Geoff Trueman: That would be a consideration that would require a legislative change on the part of the Department of Finance, so we'd leave it to them.

The Chair: Thank you very much.

Thank you to our witnesses. I realize that you're the folks who have to implement what someone else does. It was not easy, but I thank you very much for being here. It is much appreciated. It's additional information.

Thank you very much to our analysts.

This is the last meeting we're having this session. We're not going to have a meeting on Thursday. I just thought I'd make that clear.

Thank you to our clerk.

I think you did a superb job, Madam Clerk.

Some hon. members: Hear, hear!

The Chair: Thank you very much.

To all our folks who made it all work, thank you, especially to all of those who came in fresh this morning. We appreciated your help.

The meeting is adjourned.

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