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Chair: Mr. Peter Fonseca



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• (1145)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 41 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2), the committee is meeting on the subject matter of Bill C-19, an act to implement certain provisions of the budget tabled in Parliament on April 7, 2022, and other measures.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application. Per the directive of the Board of Internal Economy on March 10, 2022, all those attending the meeting in person must wear a mask, except for members who are at their place during proceedings.

I'd like to make a few comments for the benefit of witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute your mike when you're not speaking.

For interpretation, those on Zoom have the choice at the bottom of their screen of floor, English or French. Those in the room can use the earpiece and select the desired channel. I remind you that all comments should 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 the best we can. We appreciate your patience and understanding in this regard.

I request that members and witnesses mutually treat each other with respect and decorum.

I'd now like to welcome today's witnesses from the Department of Finance. Please note that today's witnesses are here to speak about parts 1 to 4 of the bill. On Thursday, the committee will hear from senior officials for part 5 of the Bill.

Members, this is just a quick reminder that witness lists are due tomorrow, Wednesday, by 4 p.m.

Members should have received the budget. I'm just seeing if I can have members' nod of approval for our budget for Bill C-19.

Okay, great.

With that, I understand we are going to go to officials, although I do see a hand up.

[*Translation*]

Mr. Ste-Marie, over to you.

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

I would like to rise on a quick point of order regarding our study on Bill C-19. I just want to remind everyone that, as is often sadly the case, this bill contains an enormous amount of information. In fact, it could have been separated into many bills.

While not standard practice, it has occurred quite frequently in the past that some parts of a bill are studied by other committees. This can be through an order from the House following the second reading vote on the bill, or the decision can be made by a committee. Oftentimes, it is the government that requests it.

I am not proposing anything here, I just wanted to make information known to committee members. I would like to remind them that the bill requires careful analysis. It needs to be scrutinized, whether it be by other committees or ours.

There is an entire part on employment and employment insurance, and if this part isn't studied by the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities, we will have to set aside some meetings to have a good look at the amendments contained in the bill.

The same goes for the amendments regarding the Competition Act and the Competition Bureau. Will these amendments really be conducive to a competition analysis? Will the Standing Committee on Industry and Technology study the bill? If it doesn't, our committee will have to set aside some time to do so.

The bill also deals with the Special Import Measures Act. Will the amendments made to the act have unintended consequences for our manufacturers in Quebec and in all of Canada? Will our committee or the Standing Committee on Industry and Technology undertake an analysis? If it falls upon our committee, we will need enough time to do so.

The bill also has a section on immigration, amongst other subjects. I just want us to keep this in mind. We can study these aspects after the second reading vote in the House. Otherwise, it will be up to us to make decisions. I don't necessarily have a preference, but if we, the members of the Standing Committee on Finance, are the ones who will scrutinize the whole bill, let us take the time to do an in-depth analysis of each part, because each part could be an act in itself. That way, our committee will have done its work properly.

That was my point of order.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Ste-Marie.

[English]

I know that you have a great deal of knowledge, having sat on the committee for many years. I have noted what you have said and committee members have all heard it, so they will take that into account on how we proceed. Thank you very much. I appreciate that.

I see MP Albas has his hand up.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Mr. Chair, I was busy trying to get my headpiece and everything together here.

Did you mention that we had a budget for this?

The Chair: Yes. It was distributed.

Mr. Dan Albas: I realize it was distributed. I would like to see if we can revisit it at this time.

The Chair: Do you mean the budget?

Mr. Dan Albas: Yes, the issue of it, because I think we flew past it.

I believe that we, as a committee, should have a clear picture of the scope of the study. There are some amounts that are in the budget, and I do not want.... I really want to get on to the show today, which is Bill C-19.

I would ask if we can defer the approval of the budget to a date when we have some clarity as to how encompassing and which days we will be meeting.

I've had a number of members ask me specifically about that and I've been unable to give them any kind of specificity about our schedule.

The Chair: Thank you, MP Albas.

I'm looking to members. Maybe we can build in some time on Thursday to be able to discuss that. Yes? Thank you.

Now we will move right into members' opportunity for questions.

For the first round, we have MP McLean. Welcome back.

• (1150)

Mr. Greg McLean (Calgary Centre, CPC): Thank you very much, Mr. Chair.

Exactly where are the officials?

The Chair: There are 56 officials. I believe they are with us virtually.

Mr. Greg McLean: There are 56 officials. I'm going to be asking questions of 56 officials.

The Chair: Yes. They're from 12 departments and agencies.

Mr. Greg McLean: Okay. Are they on the screen? Are they logged into Zoom? Good. Thank you.

Mr. Chair, my first question is going to be.... I've gone through much of Bill C-19 here. My first question is from a natural resource perspective.

There's nothing in here for the natural resources sector, and there was a significant amount in the budget concerning the natural resources sector, particularly. I'll dwell on one first of all, which is a new carbon capture, utilization and storage regime. I know that it's been a long time coming. This government has taken a lot of time and it voted down a piece of legislation I put in front of Parliament over a year ago to start getting carbon sequestered in Canada. We're a year later, emissions have continued and we have no regime.

I was expecting something in this budget implementation act on carbon capture, utilization and storage. Can any official can walk me through that? We need certainty, and the industry is trying to work with the government to get a regime that works in making a better environmental outcome for Canadians.

If we can get some certainty and someone can explain to me why there's nothing in this budget implementation act to move this process forward on a tax regime to deal with carbon capture, utilization and storage, I would be very pleased.

That's for anybody.

Mr. Trevor McGowan (Director General, Tax Legislation Division, Tax Policy Branch, Department of Finance): That is correct. The 2022 federal budget announced a measure relating to carbon capture and storage. It is also entirely correct that it's not contained in the first budget implementation bill.

I can say that, for a lot of more complicated measures, as the CCUS credit would be, it is normal for the government to delay their implementation or inclusion in a bill until, for example, the second budget implementation bill that is often tabled in the fall, in order to receive stakeholder feedback and consult with affected stakeholders. It's not in this bill, but there's often a second budget bill to come.

Mr. Greg McLean: I appreciate the response. This government has been receiving stakeholder feedback on this mechanism for a year and a half. How much longer does it have to take?

I appreciate that it's not as good a measure as I put on the table for abating carbon emissions over a year ago. However, we still need to start from somewhere and get this moving along.

It's not something that industry wants to do in the rear-view mirror. It wants a regime it can look at and say, "This is how we abate carbon, and this is where the tax credit and the cost of abating carbon will be shared through society". You're telling me that it's going to wait another six months before industry gets that look at how that tax expense will be shared. Is that what I'm hearing?

Mr. Trevor McGowan: As I noted, the measure's not contained in Bill C-19. It will ultimately be a decision for the government as to what legislative vehicle the measure would be included in. As I said, it's fairly normal course for some of the more complicated measures to be announced in a budget. Quite often draft legislative proposals are released in the summer for further consultation, and then the measures can be included in a fall budget bill. Again, it's up to the government to decide what legislative vehicle any measure would be included in, but that is a fairly standard path that they can take.

Mr. Greg McLean: Thank you for that.

You're saying it's the government's choice not to put it in this implementation bill. The government's had a year and a half to look at it, consult and waffle on an actual effective tax regime that would make us competitive with the United States and Norway, yet it's going to delay that another six months because it wants to do it in a separate mechanism.

Is this the Privy Council? When you say "the government", are you talking about the political ministers, or are you talking about the centre of the Privy Council Office? Could you inform me, please?

• (1155)

Mr. Trevor McGowan: I believe it would be up to the government ministers to table bills.

Mr. Greg McLean: It's the government's choice to delay that another six months before we actually start dealing with carbon sequestration and environmental amelioration in Canada. Thank you very much.

I'll ask a similar question. I do rest in the theme of natural resources here. You also have a new regime where you're giving another tax credit for Canadian exploration expenses. You're doubling down on that for the critical minerals industry. That's not in this implementation act either, yet this is something where the government says it's urgent to proceed as quickly as possible. Can you explain why that's not in this implementation act, please?

Mr. Trevor McGowan: As I noted earlier, I think my response would be the same to this question. It is a decision for the government as to what measures get included in the bill. It's fairly normal procedure for some of the more complex measures, or measures that might benefit from more stakeholder engagement, to have that additional stakeholder engagement done after the tabling of the first budget bill through the summer. Quite often those amendments can be included in a subsequent budget bill.

The Chair: Thank you, Mr. McLean. That's the time.

Now we'll hear from the Liberals for six minutes.

MP Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I want to thank all the officials who are joining us today. Thank you for being here. Thanks for your tremendous work.

The first question I want to ask you about is the home accessibility tax credit. There are lots of seniors in my wonderful riding of Davenport. They've worked extraordinarily hard their whole lives. Many of them are blessed to own their homes and they want to continue to live in them as long as possible. Our federal budget 2022 doubles the qualifying expense limit of the home accessibility tax credit to \$20,000. It's to help seniors and persons with disabilities to live and age at home.

I have two questions for officials. First, how many people are expected to benefit from this change? Second, what types of expenses will be eligible?

Ms. Lesley Taylor (Senior Director, Social Tax Policy, Department of Finance): I'm Lesley Taylor. I'm here from the tax policy branch.

As you noted, the annual expense limit is increasing to \$20,000.

To your first question of how many people may stand to benefit, it's a little tricky to estimate these things given that this would be potentially a new population accessing the measure. We think it's around 10,000 families that may be able to take advantage of the increased limit. As a bit of additional context, about 27,000 families claimed the credit in the 2019 tax year. That gives you a sense of the proportion there.

In terms of what types of expenses might be eligible, the intent of the government here is to increase that limit for perhaps more substantial renovations, such as adding a powder room or a full bathroom to a ground floor for someone who's lost the ability to access the second floor of their home or perhaps renewing the flooring within the home to prevent slips and falls. These kinds of more substantial things can often cost more than \$10,000 a year for a family.

In general, the expenses have to be enduring in nature, so they do have to be integral to the home. They have to promote the safe movement of the individual in the home, safe access into the building and just generally promote accessibility and safety. There are restrictions in the Income Tax Act that help to direct those expenditures to those types of safety- and security-improving expenses.

Ms. Julie Dzerowicz: Thank you so much.

I know that many people in my riding of Davenport will be very happy with this doubling of the home accessibility tax credit, as well as many Canadians across the country.

My second question is on climate change and the climate action payments. We are determined as a government to move towards net zero by 2050. We know that pollution has a cost and that putting a price on pollution is recognized as one of the most efficient ways to drive down emissions.

Under the federal pollution pricing system, the federal government applies a price on pollution in jurisdictions like Ontario that do not have a system of their own that meets the federal requirement. Ninety per cent of those proceeds from the price on pollution are returned to residents of the province, and in my case to the Province of Ontario, via the climate action incentive.

Budget 2022 has moved the climate action incentive to be delivered from annually to quarterly. Why is the government proposing this change now?

● (1200)

Ms. Lesley Taylor: Essentially, the move, as you noted, is taking this from a once-a-year delivery of this support, delivered at tax-filing time, to a quarterly payment regime. The first payment will in fact be a double-up payment to be received this summer, which will reflect the first two quarters of the benefit year. Then payments will be delivered every quarter, essentially at the start of the quarter, reflecting the charge that will flow in the remainder of the quarter.

The government thinks it would be helpful to individuals to receive this on a more regular basis through the year, better reflecting the spending patterns of Canadian families. Really, it is just an improvement in terms of the regularity of the support as it flows.

Ms. Julie Dzerowicz: Thanks so much, Ms. Taylor.

I also think that given the fact that we do have inflation, putting money into the pockets of Canadians more quickly will also help them with any additional costs. Do we have an idea about how many people in Ontario actually claimed the climate action incentive, or will we give it to all Ontarians? I'm sorry; that's not the question.

My next question is on the disability tax credit. Can you maybe talk to me about how this measure will help persons with disabilities?

Ms. Lesley Taylor: I guess I'm lucky this time. It's me again.

The disability tax credit is a 15% tax credit on an amount of \$8,800, so it provides about \$1,300 in support through the tax system each year. This credit is meant to recognize that individuals with severe and prolonged disabilities can bear costs in their day-to-day living that others may not bear. For example, the costs related to specialized transport and, perhaps, modified clothing. These things can be difficult to itemize, but can have a real bearing on the costs a person with disabilities can face and their ability to pay taxes as a result.

What the government proposed in budget 2021 is that there would be two modifications to the eligibility criteria for the disability tax credit.

The first relates to individuals with mental impairments. Based on some feedback, largely from the clinical community as well as the disability advisory committee of the Canada Revenue Agency, which is chaired by a person who happens to be the chair of the

Canadian Psychological Association, it was felt that the current criteria were not reflective of modern clinical practices—modern ways of assessing individuals with mental impairments. As a result, the list is being updated to include a broader, more expanded range that should give better clarity to clinicians, as well as to individuals with mental impairments as to how they may qualify.

The second element relates to individuals who may qualify because of a need to pursue life-sustaining therapy.

Ms. Julie Dzerowicz: I think I've run out of time, unfortunately, but I just want to thank you so much for your excellent responses.

The Chair: Thank you very much, and thank you, MP Dzerowicz.

Now we'll hear questions from the Bloc and MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I would also like to welcome the officials and thank them for being available today. We are grateful.

My first questions pertain to part 4, which enacts the Select Luxury Items Tax Act.

When we spoke about the subject here yesterday, we learned that the government had not asked any departments to undertake an impact study on the consequences of the tax on sales and jobs. I remind you that the Bloc québécois is in favour of the proposed act in principle, but we need to know what the consequences will be.

My questions yesterday were mostly about the tax on select luxury items, which include aircraft, and the distinction that will be made between personal use, which would be taxed, and business use, which shouldn't be. I did receive an answer, but I think the situation is cause for worry in the industry's eyes. Indeed, it will be difficult to calculate the usage for business purposes, which is set at 90%, before or during the sale.

We also received confirmation concerning exports. The vast majority of planes that are manufactured are headed for the export market, but the tax will apply to all aircraft up until the moment they are indeed exported. This will have an impact on manufacturers' cashflow. We are talking about hundreds of millions of dollars per year.

I asked a question during the technical briefing and did not receive a clear answer from officials. I will therefore ask it again, in the hopes of getting something more definitive.

If a mining company buys an aircraft to transport its workers without charging them, will the aircraft be exempt from the tax?

• (1205)

Mr. Gervais Coulombe (Senior Director, Excise Taxation and Legislation, Sales Tax Division, Tax Policy Branch, Department of Finance): Thank you for the question.

Without knowing all the facts and subject to a final audit by the Canada Revenue Agency, here is my take on the situation you have just described.

In the case of flights organized by a mining company strictly for revenue generation purposes and for transporting people from one site to another, the clauses were written in such a way so that these flights would be eligible for an exemption. A mining company that buys an aircraft which would normally be taxed would be able to obtain an exemption certificate in order to avoid paying the tax.

Mr. Gabriel Ste-Marie: Thank you for your answer, which was most clear.

We will be able to check with the Canada Revenue Agency to see what its interpretation of the such an act would be.

During yesterday's meeting, an official from the Department of Finance told us that they were currently working to find a solution to the cashflow problem concerning aircraft aimed at the export market. I understand that it is the government that has to provide a solution, but I have a question for the officials here with us today.

Technically speaking, will the department be able to propose a solution before we vote on Bill C-19?

Mr. Gervais Coulombe: Thank you for the question.

I would not want to put words in the mouth of the Deputy Prime Minister and Minister of Finance. She has stated that she has asked officials to look at the situation and at the present time, it would be premature for me to talk to you about steps that have to be followed to correct the issue, should it arise. I think your question is a bit premature right now.

That said, however, we are aware of concerns that have been raised by some industry members, especially from the aeronautical sector. We know that because of certain rules, sales made in Canada of items that will be exported could be liable for tax and that it is possible, thanks to the refund provisions contained in section 39 of the proposed act, that the refund may not be made during the six-month period during which the sale took place. We are carefully looking at the issue.

I believe the Minister of Finance mentioned yesterday that the deadline for payment of the luxury tax during the first half of the year had been set as the end of January 2023. I'm not saying that we have years to work on the issue, but we do have time. We are not talking about something that will have an immediate impact on cashflows as soon as the tax becomes effective, which would be September 1, 2022.

• (1210)

Mr. Gabriel Ste-Marie: Even so, when you're talking about half a billion dollars within an 8-month period, that can be cause for worry.

Thank you for those very clear answers.

The Chair: Thank you, Mr. Ste-Marie.

[English]

Now we'll hear from the NDP and MP Blaikie for six minutes.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I know there was already a little bit of discussion on the disability tax credit, but I want to come back to those changes. I think there was some initial hope or excitement at the fact that there were some changes to the disability tax credit included in the legislation, particularly by folks who have been frustrated by the 14-hour requirement under the life-sustaining therapy category and who have been hoping that provision would be removed entirely.

My understanding is that the legislation doesn't do that. I wonder if we can get some comment from the officials on what changes are being made and why that 14-hour requirement is not being eliminated under the BIA.

Ms. Lesley Taylor: Thank you for the question.

Just to back up to what is changing, there is a requirement in the act that therapy be undertaken at least three times a week, and there's a further requirement that it be undertaken for, on average, 14 hours a week. The reason for these minimal thresholds, in terms of the degree to which the individual is pursuing the therapy, is really about fairness for other individuals who apply and have to be assessed under other criteria.

For others who are qualifying because they have a severe limitation in one of the basic activities of daily living, and these are things like walking, feeding oneself or dressing, the requirement is that they have to face these limitations all or substantially all of the time. That means 100% of the time or upwards of 90% of the time in terms of the CRA's interpretation, for example, someone would need to face a limitation in walking in order to qualify.

If there weren't similarly lower bounds in terms of the impact of a therapy an individual is pursuing on their daily living, you would end up with situations in which individuals who have very minimal impacts in terms of a therapy—one could picture someone taking a drug regime—would actually qualify for the credit. That, clearly, would create an inequity and a lack of parity with the requirements that are faced by others with other types of disabilities.

For that reason, the government has decided to maintain the 14-hour threshold in this legislation to ensure that fairness in parity, but it is proposing to reduce the frequency from three times to two times. That will better bring into line the legislation for the federal measure with that in the Quebec system, which requires that therapies be performed only two times a week. That should alleviate some of the burden on individuals in terms of that discrepancy for those who live in Quebec.

One thing I will say is that the other modifications that are being proposed, in terms of what can be counted towards that 14 hours, do take into account substantial feedback from individuals with type 1 diabetes and the organization that represents them, in terms of taking a fair account of what activities and what time should be counted towards those 14 hours. You see some substantial improvements there in terms of recognizing those activities in a fairer way. That should lead to having the time individuals take when, for example, they have to take account of their dietary intake or exercise in order to determine their dosage of insulin, as proposed, now be allowed to count towards the 14 hours. These proposals do respond to people and should help them better meet that 14-hour requirement in a fairer way.

Mr. Daniel Blaikie: We hear often from folks like the Juvenile Diabetes Research Foundation that the 14-hour requirement has been a significant barrier for parents who have kids with type 1 diabetes and who are trying to access the tax credit. Is it the position of the government that the disability tax credit should not be available to families with children experiencing juvenile diabetes because it just doesn't meet the threshold of the program?

Is that why there are criteria that make it very hard for families in that situation to access the DTC?

• (1215)

Ms. Lesley Taylor: I would say the position of the government is that there has to be some type of accounting for parity between individuals with different types of disabilities in order to ensure fairness. The 14-hour requirement tries to ensure that therapy has a meaningful impact on the day-to-day activities and living of the individual pursuing the therapy. Where that threshold can be met, there's at least some guarantee that there's parity with those who have to meet all or substantially all tests in terms of the effects of their disability for typical developmental functions like walking.

Mr. Daniel Blaikie: But if that test, then, structurally excludes children with diabetes, then the government is satisfied its policy objective is being met.

Ms. Lesley Taylor: I don't believe that's accurate. The test is a 14-hour test. Those who have to pursue that therapy...and that could include things like the time spent by parents in assisting with dosing the medication. In these proposals there will be more activities that could be counted in that 14 hours, so that should allow for more individuals who face those limitations in activities to be brought in. The 14 hours is there to maintain that parity across different disabilities.

Mr. Daniel Blaikie: I thank you for providing a clear answer.

I know there are some provisions in the budget implementation act that the government has characterized as first steps toward a public, beneficial ownership registry. I'm wondering if someone could give us just a quick summary of what's in this bill, but also a preview of what the government sees as being next steps for establishing a proper registry.

The Chair: We need the answer very quickly, please.

Ms. Lindsay Gwyer (Director General, Legislation, Tax Legislation Division, Tax Policy Branch, Department of Finance): Hi. It's Lindsay Gwyer from the tax legislation division.

I believe that is in part 5 of the bill. There's no one here today to talk about those measures. I think there will be people here, I assume, on Thursday who could answer that question.

Mr. Daniel Blaikie: Pardon me for jumping ahead in my excitement. I'll hold off until Thursday.

The Chair: Thank you, MP Blaikie. That is the time.

Members, we are moving into our second round.

I've been informed by the clerk that we have resources until 1:30. I know we started a little late with the vote, so we have resources until 1:30.

Mr. Dan Albas: Mr. Chair, most of us have set up our schedule for the day, so I don't think we'll have unanimous consent for you to continue after one o'clock.

Don't shoot the messenger.

The Chair: Okay.

MP Albas, you have five minutes.

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you to all the officials who are here today.

I'd like to talk about division 12, the enactment of the prohibition on the purchase of residential property by non-Canadians act.

The first question is for the officials.

On the coming into force, it basically says that it is by an order in council; that is, the Governor in Council will proclaim when clause 235, which enables this measure, will come into force. It's going to be at the discretion of the Government of Canada when this act comes into force and when it applies.

Technically, they could choose to do it after this has received royal assent, the day after, or they could choose to never bring it into force. Is that correct?

Mr. Robert Ives (Senior Advisor, Sales Tax Division, Tax Policy Branch, Department of Finance): The prohibition is also contained in part 5 of the bill. Again, the officials who would be responsible for part 5 of the bill would be able to answer that, but unfortunately no one is—

Mr. Dan Albas: I will go to ones that are earlier in the bill then.

Perhaps we could talk about page 56, which is under part 2. Again, that's the new housing assignment of agreement.

Could I have the official who's responsible for this?

This seems to say that, right now, if a builder goes into an agreement with an individual for, let's say establishment of a duplex, the builder would then be responsible for collecting GST or HST, depending on their province, and submitting that to the government. In effect, though, if that individual they contracted with doesn't assign a sale to someone else, they would then charge GST or HST and give that to the government. In effect, even though there is only one duplex that is made, the government is ensuring that it would receive GST twice: once on the overall duplex itself, and then once on the unit once it's separated out.

Is that the case?

• (1220)

Ms. Amanda Riddell (Director, Real Property and Financial Institutions, Sales Tax Division, Tax Policy Branch, Department of Finance): The GST or HST would apply to the whole amount, the assignment sale amount. For example, if the original price that the builder was charging was \$400,000, GST or HST would be collected when that closes. Then, on the assignment sale, for \$100,000, let's say, it would apply on that as well.

Mr. Dan Albas: That's not the case right now, and that's the reason this amendment is there. Is that correct?

Ms. Amanda Riddell: It's the case for many, but not for all.

Mr. Dan Albas: Okay.

I'm going to ask you this next question then. Thank you for your service by the way.

The government will be getting more revenue. Is that correct?

Ms. Amanda Riddell: Yes.

Mr. Dan Albas: Will this make housing more affordable or more expensive?

Mr. Phil King (Director General, Sales Tax Division, Tax Policy Branch, Department of Finance): Perhaps I could take that one, Mr. Chair.

To maybe put this in perspective, if you look at the amount of revenue that this measure is estimated to generate—it's only an estimate—it's \$10 million per year in the context of a \$2-trillion plus economy. Mechanically, you're correct—

Mr. Dan Albas: I was asking Ms. Riddell a simple yes-or-no question. Is this going to make housing more expensive or less expensive?

Mr. Phil King: Mr. Chair, it may be better for me to answer, simply because I've dealt with this aspect of the measure more than Ms. Riddell has.

Mr. Dan Albas: I think I have the right to ask who I ask.

Mr. Phil King: Absolutely.

Mr. Dan Albas: Ms. Riddell, could you answer? Will this make that unit of housing more expensive or less expensive?

Ms. Amanda Riddell: In a particular unit, it really depends on the particular thing being sold. There are other factors that come into play when you have those types of sales. There's also the new housing rebate, which in some cases can actually increase.... I think you'd have to provide a specific example with specific facts to be able to answer that question.

Mr. Dan Albas: I appreciate that I put you on a bit of a spot there.

What will end up happening is that, if I'm going to assign a sale to Mr. Stewart and I'm going to be collecting the GST on that, I would need to recoup that. Essentially what the government is doing is raising the price of the total cost of that housing, not only its revenue. This is a very poor way, I would say, to—

Ms. Amanda Riddell: Not necessarily....

Mr. Dan Albas: Maybe you can enlighten me.

Ms. Amanda Riddell: Right now, many assignment sales are already subject to the tax, so there's a market price on those types of housing. Theoretically, a lot of the current money could be going to people making those assignment sales.

Mr. Dan Albas: Yes, but again, for the people who are now captured by this—

Ms. Amanda Riddell: For example, if you have two assignors, one who wasn't required to collect and the other who was required to collect and they were both charging the same amount, just because the second person is now required to collect, the prices may not change overall.

Mr. Dan Albas: I do appreciate the work there.

The Chair: We have Liberal MP Chatel for five minutes, please.

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you very much, Mr. Chair.

Today, I am speaking to you wearing pink. Before asking my question, I just wanted to underscore what is happening right now in terms of women's rights. I'm very worried. I will start by quoting Simone de Beauvoir: "Never forget that it only takes a political, economic or religious crisis for women's rights to be called into question. These rights can never be taken for granted. You must remain vigilant throughout your life."

Thank you for allowing me to express my concerns here.

I would like to thank our colleagues from the Department of Finance for their excellent work in preparing the budget and indeed throughout the year. I see the supplementary estimates will bring changes to the general anti-avoidance rule, the GAAR, to eliminate one of the biggest loopholes.

We did, however, hear the testimony of Professor Brian Arnold at a previous meeting, and he spoke about many other loopholes. Actually, our committee made a prebudget recommendation that consultations on the general anti-avoidance rule be quickly held in order to update the GAAR.

I have two questions for the officials from the Department of Finance.

I see that the measures contained in the budget are not in the bill before us, i.e., Bill C-19. Will the legislative measures be tabled this summer?

I understand that it is a complex issue and that we need to take the time to do things properly. Will we receive feedback from the consultations this summer?

Will it be possible to have a bill that contains an updated general anti-avoidance rule?

• (1225)

[English]

Mr. Trevor McGowan: Thank you for the question.

There are of course no amendments to the general anti-avoidance rule in Bill C-19. I just wanted to make that clear.

The government did announce a specific amendment to the general anti-avoidance rule in budget 2022 that would extend the definition of “tax benefit” to apply to tax attributes, which would allow the creation of tax attributes to be challenged closer to the time the initial transaction is put in place, which provides certainty earlier on in the process. That’s a specific proposal and not the broader, general anti-avoidance rule consultation.

The government also announced in budget 2022 that there would be provided a timeline for the general anti-avoidance rule consultation and that consultations would run through the summer with a goal of releasing draft legislative proposals by the end of 2022. While there’s no specific consultation document like the consultation paper out right now, the goal is to have a consultation through the summer, with the goal of releasing draft legislative proposals by the end of the year.

[Translation]

Mrs. Sophie Chatel: Thank you.

These amendments are extremely important if we want to ensure that all Canadian taxpayers do indeed pay their fair share of tax. I’m particularly concerned by the practice of treaty shopping. I simply want to make sure that the department is looking at legislative solutions to solve the problem of treaty shopping after the judgment rendered in *Canada v. Alta Energy Luxembourg S.A.R.L.*

[English]

Mr. Trevor McGowan: Thank you for the follow-up question.

Yes, of course, the department is very much involved in studying and analyzing the impacts of the Alta case. Recently, through an act of Parliament, Canada enacted the multilateral instrument, which is a rule developed with a number of other international partners to help address some of the issues that came to the fore in the Alta decision, to which I understand was being referred.

That is something that is definitely a focus at the department, but just note there have been other tools that may be relevant in the context of treaty shopping, which was an issue in that case.

[Translation]

Mrs. Sophie Chatel: Thank you very much, Mr. McGowan.

[English]

The Chair: Thank you, MP Chatel.

We’re now moving to the Bloc and Monsieur Ste-Marie for two and a half minutes.

[Translation]

Mr. Gabriel Ste-Marie: I would firstly like to recognize the fact that my colleague, Ms. Chatel, is wearing pink, and to tell her that I appreciated her quote from Simone de Beauvoir, who is always most inspiring.

My next question deals with part 1, which contains 15 measures on income tax. My question is more specifically about the measure seeking to allow the immediate expensing of eligible property by some Canadian businesses. These measures are meant to reduce the cost of investments made by businesses who wish to increase the efficiency of their manufacturing processes or to reduce their carbon footprint. Many of these investments were already eligible for the accelerated capital cost allowance, but the possibility of deducting the entire amount the first year will reduce costs even further.

From what I understand, the measures are wide-ranging and do not exclude businesses who are active in the oil industry. I simply want to know if those businesses are targeted by the measures.

If they are, given the huge investments that are forecast in the gas and oil sector with the Minister from the Environment’s blessing, I would like to know if the department already has an idea of the percentage that will go to the oil and gas sector.

• (1230)

Mr. Maximilian Baylor (Senior Director, Saving and Investment Section, Business Income Tax Division, Tax Policy Branch, Department of Finance): As you have said, the measure is indeed wide-ranging. The idea was to promote economic recovery after the COVID-19 pandemic. Measures were announced in the 2020-2021 budget, and more recently in February, another measure was announced for individuals who own a business that is not incorporated.

The measure that you mentioned is aimed at small and medium businesses, but obviously, there would be a cap of \$1.5 million, which would limit the investments that could be made, such as those that you gave examples of. Moreover, the property has to be acquired and ready to use before 2024.

It is basically a general measure to stimulate the economy.

The Chair: Thank you, Mr. Baylor and Mr. Ste-Marie.

[English]

The time is up.

We’ll move to the NDP and MP Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

I want to touch base on the zero-emission technology manufacturing tax credit that’s foreseen in the BIA here.

First of all, could the department provide some concrete examples of the types of technology it thinks companies may adopt under this tax credit?

I'd also like to know, with regard to the tax credit, the extent that the investment in these technologies is likely to leverage. What is the cost the government is anticipating in forgone revenue?

Finally, I'd like an estimate of how much the government intends, or believes, emissions will be reduced as a result of the tax credit. Ideally, it would be nice to have an "emissions per dollar" figure, at least as an estimate, in terms of what the government is thinking it's going to buy in emissions reductions for its tax credit.

I would be happy to receive that in writing. It doesn't have to be at the moment if folks don't have that information ready in hand. Whatever you can provide now, verbally, is welcome, but if you could please follow up in writing with all of those details, that would be greatly appreciated. I doubt we'll get a full answer in my remaining two and a half minutes.

Mr. Maximilian Baylor: I'll try to address the different questions one by one.

The first question was, I believe, in terms of examples of the types of technology manufacturing that would be available for the rate reduction for zero-emission technology manufacturers. A few examples would be the manufacturing of wind turbines, solar panels, equipment used in hydroelectric facilities, geothermal energy systems, zero-emission vehicles, electric vehicle charging systems and energy storage equipment. It would also include the production of biofuels from waste and the production of hydrogen by electrolysis of water.

To your broader question about the cost and the expectation, there are maybe two points. I can give you the exact figure and the estimate, but one key point is that these are all very much nascent technologies.

Excuse me. I see you talking there. I can't hear you. I'm sorry.

• (1235)

The Chair: I think the member was saying that if officials would be able to find that information to follow up with the member's questions, they could then provide it to the member and committee.

Mr. Maximilian Baylor: Sir, I have the information now. Are we out of time?

The Chair: We are out of time, yes. We've gone well past time, but thank you very much, Mr. Baylor.

We are moving to the Conservatives. I have MP Stewart up for five minutes.

Mr. Jake Stewart (Miramichi—Grand Lake, CPC): Thank you, Mr. Chair.

Thank you to the officials as well.

Yesterday I asked a question of the finance department. The question I asked was one that all Canadians need answered before any of us parliamentarians can objectively vote on this bill. The question was this: What in Bill C-19 addresses the inflation crisis Canadians are facing today?

Yesterday the department's response to the question was that the department is focusing on macroeconomics. They said that the bill is taking the edge off of inflation over the coming quarter, that the bill is trying to get back on target and that it will also normalize the fiscal and monetary policies.

With inflation in crisis mode throughout Canada, this causes something else for Canadians. It causes a cost of living and affordability crisis stemming directly from the inflation crisis. That's stemming from all the printed money that often wasn't necessary. I'm going to ask my question again today. I really have no preference for who answers it, but today I'm hopeful that I'm actually going to get a real answer.

Again, what in Bill C-19 addresses the inflation crisis that Canadians are facing today?

Ms. Lindsay Gwyer: I think the answer to your question was provided yesterday by people who are in a better position to give you an answer than the officials on this call today. I can appreciate that you were not satisfied with the answer you received yesterday.

In terms of those of us who are here today, we're really here to talk about the technical tax aspects of this bill. Unfortunately, I don't think that anyone will be able to give you an answer that would be more satisfying to you today.

Ms. Julie Dzerowicz: On a point of order, Mr. Chair, I think this question might be putting our officials in a bit of a tough position.

It is a political question in terms of how we are addressing the cost of living for all Canadians in federal budget 2022. It's a bit unfair to be asking our officials this question.

The Chair: Officials are here to answer technical questions of the BIA, MP Stewart.

Mr. Jake Stewart: Mr. Chair, with all due respect, when you put a bill together and a budget that adds new taxes to Canadians during an inflation crisis, my question isn't really a political question. It's a very good question. We have thousands of civil servants in Canada. There are 56 of them here today. They can't stand behind their own work.

Obviously, there's a minister. I understand that.

Mrs. Sophie Chatel: I have a point of order, Mr. Chair.

The minister answered this question during her presence. I understand that the opposition didn't like the answer, but she provided the answer. The officials are here to respond to technical questions related to Bill C-19.

Thank you.

The Chair: Thank you.

I should tell you, officials are here to answer our technical questions. That's their job. They do an excellent job.

Mr. Jake Stewart: Mr. Chair, I appreciate all of the commentary, but nobody answered my question yesterday. It's great to have the excuse that 56 people also can't answer it today, but I didn't ask the question in poor faith. I asked a very good question for the people of Miramichi—Grand Lake. It's not an argumentative point. I just want an answer to the question. What's the bill doing?

We have an entire bureaucracy who wouldn't answer yesterday, and they can't answer today. Either way, I get no answer. Whether it's technical today and not yesterday, nobody answered my question.

The people of Miramichi—Grand Lake are facing 7.4% inflation in New Brunswick, whereas it's 6.7% in the country. We have an affordability crisis stemming from the inflation crisis, which stems from the problem of this government printing too much money.

When I ask a legitimate question, I expect an answer. I don't think it's too much for me to ask them to answer my question. I really don't. I'm really ashamed of the fact that they can't answer that question. I'll ask a different question, and hopefully I'll get a different answer.

• (1240)

The Chair: MP Stewart, your time is up.

Mr. Jake Stewart: Isn't that convenient?

Thank you.

The Chair: We are moving now to the Liberals, and we have MP Baker up for five minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair.

I would like to ask our officials some questions. I want to thank them very much for their time and their service on behalf of Canadians. I think a lot of times, the work that our officials do is almost always invisible to most Canadians and even to elected members of Parliament. I want to thank you for all of the work that you do behind the scenes to make a budget bill like this possible for the benefit of Canadians. Thank you.

My question relates to some technical elements in regard to the rate reduction for zero-emission technology manufacturers. Some companies in this sector might engage in multiple business activities. How would the government determine the eligible income for the reduced tax rates on zero-emission technology manufacturing?

Mr. Maximilian Baylor: I can take that one.

The process is very similar to what used to be used for manufacturing and processing. This process figures out what portion of your income is attributable to zero-emission technology manufacturing. Essentially it looks to the amount of capital and labour used as inputs for that manufacturing process. It determines, for a company that has both zero-emission technology manufacturing and other manufacturing activities, what proportion of labour and capital is used for the one versus the other. Then it effectively applies that proportion to the business income of that entity. It's on that basis that the amount of income is subject to the preferential rate being introduced, and it is determined for companies with multiple streams.

Mr. Yvan Baker: Thanks very much.

Mr. Baylor, this question is probably coming to you. Along similar lines, for companies that have income subject to both the general and small business corporate tax rates, how would income be allocated among the different reduced tax rates on the zero-emission technology manufacturing?

Mr. Maximilian Baylor: It's set up to effectively favour the taxpayer in this situation. They're allowed to use the proportion for the small business amount. First they'll get that preferential lower rate, and then it would move up to the general rate based on the amount of income up to the total amount of income that they have available for the zero-emission technology manufacturing amount.

Mr. Yvan Baker: This is proportionate. Is that what I hear you saying?

Mr. Maximilian Baylor: It starts with the small business rate, because that's the more preferential one, and then it uses that.

My colleague Jenna Robbins looks like she wants to jump in and add a bit of detail on that.

Mr. Yvan Baker: Sure. That would be great.

Ms. Jenna Robbins (Senior Director, Strategic Planning and Policy, Business Income Tax Division, Tax Policy Branch, Department of Finance): Hi, it's Jenna Robbins.

It goes the other way because you're halving the rates. When you half the general rate, it's a greater rate reduction than if you half the small business rate.

As my colleague says, it's preferential to the taxpayer. It gives the best result. It's like an ordering. You order your income first into the general rate and then you apply the reduced small business rate for manufacturers, and then on to your ordinary income, your general rate and then your small business rate.

• (1245)

Mr. Yvan Baker: I appreciate that. Thanks so much, Jenna.

Mr. Maximilian Baylor: My apologies for misspeaking, I got it reversed there somehow.

Mr. Yvan Baker: That's okay. That's why we have so many of you here on the call, to make sure that detailed questions get the precise answers they need.

On the capital cost allowance for clean energy equipment, can somebody just talk about what clean technologies are being made eligible for the accelerated depreciation?

The Chair: Give a short answer, please, if you have it.

Mr. Oliver Rogerson (Director, Resources, Environment and Special Projects, Business Income Tax Division, Tax Policy Branch, Department of Finance): It's Oliver Rogerson from the tax policy branch.

What's being added are effectively some geothermal, the wave and tidal that was not eligible before, and most of the technologies that would be eligible under the zero-emission tax manufacturing rate cut that were not eligible under class 43.1 in the capital cost allowance.

The Chair: Thank you.

Thank you, MP Baker.

Members, we are moving to our third round. I have the Conservatives up first, with MP Chambers for five minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

I appreciate all the officials spending time with us here today, as I always do. I hope someone can answer my first question. If not, perhaps we can follow up.

Were there savings booked from the closure of border crossings for small vessels by CBSA, drastically reducing them from about 400 to 80? How much were those cost savings?

Ms. Lindsay Gwyer: I don't think there would be anyone on this call who could answer that. These are all tax people from the Department of Finance, so there might be someone on Thursday who would be able to answer that question.

Mr. Adam Chambers: Fair enough. Perhaps the clerk could record that question. We could follow up.

I ask because there seems to be a misconception about the travel and tourism sector as it relates to boating. If you want to enter Georgian Bay, under the new rules of closing these CBSA crossings, you actually have to go 355 kilometres out of your way one way or 230 kilometres out of your way another way. The tourism sector, especially in my community, is on its knees, and it's on its knees across the country. We're going to make it harder for people to visit our communities.

That leads into the luxury tax. Do we have a breakdown? Can you provide to the committee a breakdown of the luxury tax expected revenues by the asset class? Is that something we could get for the committee?

Mr. Phil King: I can answer that question. I could follow up with a written response too. Of all the three asset classes, around 70% of the revenues, we believe, will come from automobiles, roughly 20% from boats and the remainder from aircraft.

Mr. Adam Chambers: Thank you. That's very helpful. I would appreciate a written response on that to confirm, but I certainly appreciate that.

The challenge is that people are making decisions for recreational activities. I noticed that we're not including RVs. I'm not suggesting that you should, but you're creating now a disparity, an inequality, between recreational opportunities for people. You cannot buy a cottage now for under, in some communities, \$400,000, \$500,000 or \$700,000. People are deciding how they want to access recreational activities. Now the government's saying, "If you boat, we have to tax you." It's middle-class people who are now—or were—substituting boats for cottages. This is happening all across Ontario.

In particular, my community has 25 marinas and 15 boat dealers. These are jobs in communities that thrive on the sale and maintenance of these vessels and we're creating a really disadvantageous system for a number of our communities. We're not going after really expensive art. We're not going after that really expensive watch. We've decided to target vessels, because I think there's a misconception that only rich people buy boats, but it couldn't be further from the truth. I hope that people from the government come to my community. I invite them all to come and I'll show them who's purchasing some of these vessels.

It's not for officials to answer a policy question, so I'll just ask whether other asset classes, like RVs, were considered as part of the luxury tax. I don't have to ask why they were not included, but were they considered?

• (1250)

Mr. Gervais Coulombe: Thank you for the question.

In respect to RVs, when the tax was originally announced as part of budget 2021, there was already an exemption for RVs proposed, so a carve-out from the vehicles subject to the tax.

Mr. Adam Chambers: Thank you very much.

I would submit that the reason the carve-out was imposed was that it would be political suicide to include a luxury tax on a recreational vehicle. Someone's going to have to explain to me.... It's not a fair question for the officials, but the government is going to have to explain to Canadians why they've created this unequal footing. It is, I think, completely unfair and it's going to be an assault on a number of small communities that rely on tourism and these jobs.

I'm getting messages from people today who are saying they have to lay people off. I'm also getting messages from people saying they have workers, salespeople, who are quitting their jobs because they don't think there's a future for them in the industry anymore.

Mr. Chair, I believe that's my time, so I'll pass it off to the next person. Thank you very much.

The Chair: Thank you, MP Chambers.

We're moving to the Liberals and MP Sorbara for five minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair. It's great to be here with my honourable colleagues.

Chair, it is 12:52 and I know I have five minutes in my allotment of time, but we do have resources here with us, the great folks who work here at the House of Commons and Parliament, until 1:30 today. I would like to see if we have, not unanimity, but a majority consensus to continue on until 1:30.

The Chair: Yes, we do have resources and we do have officials available to us until 1:30.

You would know, as you have sat on this committee for many years, that the practice has been that when we are interrupted by votes, we do, if possible, tack on that time and try to get as much time as we can, especially when we have this many officials with us.

Mr. Dan Albas: Mr. Chair, there's not unanimous consent, so—

The Chair: Unanimous consent, MP Albas, is not required for this.

Mr. Dan Albas: You need to have a majority vote, so we should have a debate about that.

Mr. Terry Beech (Burnaby North—Seymour, Lib.): My understanding is that as long as the resources are here, delays from votes happen often so a motion to adjourn the committee is always in order, but otherwise the committee, I think, is good to proceed.

The Chair: That's correct, MP Beech.

Mr. Dan Albas: I'm always prepared to work, but I will tell you that I have other appointments that I'm going to have to cancel now and it's because this government decided it would do an orders to the day motion.

Do you know what, Mr. Chair? Maybe you could feed this back to your whip that perhaps they should not be doing procedural motions that interfere with our work.

That being said, let's continue.

The Chair: Thank you, MP Albas.

MP Sorbara, you have the floor.

Mr. Francesco Sorbara: Thank you, Chair.

I always find it great to learn a lot when the officials come to the finance committee, or any committee for that matter, so the more time we have to ask them questions, whether those on the other side agree with some of the measures or not, the better. It's good to ask them questions and the more time we have with them the better.

Moving on to part 1, paragraph (I) of the summary of the bill mentions the measures in the BIA for registered charities that allow them to enter into charitable partnerships with organizations other than qualified donees under certain conditions. I would like to get an explanation of that from the officials.

One reason, obviously, is that during COVID, charities were impacted considerably across Canada and our government stepped up and assisted them in many venues and with many measures. How is this measure effective for charities? I believe it has long been asked for by charitable organizations.

Mr. Blaine Langdon (Director, Charities, Personal Income Tax Division, Tax Policy Branch, Department of Finance): Thank you very much for the question.

My name is Blaine Langdon. I'm the director of the charities section at the Department of Finance.

The measure we're proposing here is effectively designed to facilitate the ability of charities to work in partnerships with others.

To explain the existing rules, currently registered charities are able to use their own resources in one of two ways: either on their

own charitable activities or as gifts to qualified donees. Then they can work with non-qualified donees, such as organizations internationally if they so choose, but under the current rules, they would have to enter into structured agreements with these organizations and exercise a level of direction and control over the intermediary such that the activity could be considered their own.

Therefore, what we have proposed here, in response to the concerns of charities that these rules were too onerous, is to allow charities to engage in a third type of activity, which would be to make grants to non-qualified donees in certain circumstances. This would facilitate their ability to make a grant to a foreign entity or to a domestic entity that is not a qualified donee, provided that the grant were made in furtherance of the charitable activity of the charity; that the funds were, in fact, applied to charitable activities; and that the organization followed certain accountability measures that are spelled out in the BIA.

• (1255)

Mr. Francesco Sorbara: Blaine, I'm going to hop in here, because I do have a second question to ask.

I think the work we have done for charities within the BIA needs to be applauded. I have a lot of respect for that. I was a former PS on the revenue side. In my second session, I was able to meet regularly with the charitable committee that we put forward as the government, and I know a lot of the asks that were made and how much work we have done.

Changing gears here, I was happy to speak to the Canada's Building Trades Unions' members here last week in Ottawa. My riding is home to the training facilities of the largest private sector unions in Canada, or I should say in Ontario as well. The LIUNA Local 183 headquarters is being built in my riding, and the Carpenters Union Local 27 headquarters and training facility are both in my riding, and Local 675 as well.

We put in a measure, which I advocated for strongly, a labour mobility deduction for temporary relocation of tradespeople. Why is this important? It is for many reasons. We have shutdowns that happen across this country. I know that in my younger days I worked at a pulp and paper mill for a couple of summers. I visited extensively facilities across this country where tradespeople come in and out. Tradespeople do have to relocate.

A deduction is a very powerful incentive that allows workers to move and allows them to have some financial flexibility and a financial incentive. Can we get some feedback on the labour mobility deduction?

The Chair: MP Sorbara, I know the time goes by quickly, and that is the time.

We are moving to the Bloc, MP Ste-Marie, for two and a half minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

My question is for Mr. Baylor, to follow up on what we spoke about 20 minutes ago.

Mr. Baylor, from what I understand, amongst the measures that allow for immediate expensing of eligible property by certain businesses, there are three measures that provide for immediate expensing in the field of innovation. One of the measures is targeted, and the others are more far-reaching. I see that only one of the three measures is actually more wide-ranging, that it is for small or medium businesses of all industries, including the oil industry, and that it is capped at \$1.5 million and has a specific timeframe.

From what I see, the department has not calculated the proportion of the various sectors within the economy that will be eligible for this measure. What's more, I see that no other immediate expensing measures with wide-ranging effect are contained in the bill currently.

Can you confirm all of this?

Mr. Maximilian Baylor: There are many measures providing for immediate deductions. The bill only contains those that you mentioned, which concern private businesses.

In the 2018 economic update, following tax breaks that were given in the United States in 2017, an accelerated capital cost allowance of 100% was offered for manufacturing, processing, machinery and equipment...

• (1300)

Mr. Gabriel Ste-Marie: Mr. Baylor, thanks for that, but my question was about the current budget implementation bill.

Mr. Maximilian Baylor: I just wanted to make that clear.

Many measures exist, but the current bill contains measures that were in the 2020-21 budget as well as those announced last February. As you stated, the measures are wide ranging.

Mr. Gabriel Ste-Marie: Going to the tax incentive for zero-emission technologies, does the measure concerning hydrogen produced by hydrolysis exclude all hydrogen directly or indirectly made with petroleum products, such as natural gas?

Mr. Maximilian Baylor: Yes, that is the case.

[*English*]

The Chair: Thank you, Mr. Baylor.

Now we are moving to the NDP and MP Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Thank you.

I think we touched on this briefly before, but I want to come back to the provisions around the direction and control of resources for charitable organizations. Of course, there's a private member's bill in the Senate, Bill S-216, that deals with the same subject matter, and I understand that many of the provisions in the BIA are similar to those in Bill S-216. My understanding is that the control of the percentages, as it were, of an organization's resources is what has been added in the BIA beyond what's in Bill S-216.

I'm just wondering if someone from the department could confirm that for us, and highlight any other differences that exist between what's contained in the BIA and Bill S-216. Then give a rationale for why that kind of ratio of expenditure was chosen as a control and what the government hopes to achieve by that.

Mr. Blaine Langdon: Thank you for the question.

I'm not certain I understand correctly your point about a percentage or a ratio. I'll try to outline the differences between the two bills.

Bill S-216, of course, is a Senate public bill that is currently before the House of Commons. It proposes effectively to allow registered charities to make grants to non-qualified donees, provided that the charity puts in place reasonable steps to assure their resources are used for charitable activities. I'm summarizing it a little bit.

The budget proposes to do effectively the same thing, so registered charities would be allowed to make grants to non-qualified donees. It eliminates the requirement that they direct and control the activities of the partner organization.

The difference between the two would be that in the budget proposals, we've proposed specific accountability requirements. The organization would be required to have a written agreement in place, to receive periodic reporting from the organization and to receive final reports from the organization. You'll see this outlined in proposed regulation 3702.

There isn't a specific percentage associated with the amount of control that needs to be exercised. That may be something that is being confused with the budget proposals on the disbursement quota, but beyond that, there's no specific requirement for that proposed here.

The Chair: Thank you.

Thank you, MP Blaikie. That's the time.

We are moving to the Conservatives and MP Fast for five minutes.

Hon. Ed Fast (Abbotsford, CPC): Thank you very much.

I have two very quick questions.

First, I want to confirm that the Department of Finance did not do an economic impact assessment of the imposition of the luxury tax that the budget and the BIA has proposed. Is that correct?

Mr. Phil King: Thank you.

Mr. Chair, yes, as per the answers provided yesterday by the minister and Mr. Jovanovic, that is correct.

Hon. Ed Fast: All right. No assessment was done, so we don't know what the economic impact would be.

Did the department consult at all with the Parliamentary Budget Officer to provide some guidance on what the economic impacts of this tax would be?

Mr. Phil King: We consulted with many people—industry, in particular—from the three different sectors affected, but it's not at all usual or normal for us to consult with the PBO.

If I can point out something, Mr. Chair, the PBO in their legislative note when they costed the luxury tax said there would be a behavioural impact, but they weren't sure of what that would be, because it's uncertain.

• (1305)

Hon. Ed Fast: Thank you.

I'll go to my next question, which is on the implementation of that tax as it relates to boat builders. I understand the department has now agreed to delay the implementation of that tax until the end of 2022.

Am I correct in understanding that?

Mr. Gervais Coulombe: The technical change you are referring to is in relation to agreements that may have been entered into in writing ahead of a certain date. You may know that the department released draft legislative proposals as of March 11. In those draft legislative proposals, the grandfather rule for those agreements was that they had to be entered into before the budget date of 2021. That rule has been extended, so that agreements entered into before January 1, 2023, will be subject to the grandfather rules.

This basically means that the delivery of such a boat or other subject items could happen after the coming into force of the luxury tax without the application of the tax.

Hon. Ed Fast: That sounds like good news for the boat industry and any other industry that's captured by the luxury tax that was introduced. Thank you for that clarification.

Those are the only questions I have, Mr. Chair.

The Chair: Thank you.

Mr. Gervais Coulombe: I'm sorry. If I may correct something I said—

Hon. Ed Fast: Sure.

Mr. Gervais Coulombe: I think I referred to January 1, 2023. I meant January 1, 2022. Of course, we don't allow agreements to be entered into in writing currently for official deliveries. It's a grandfather rule with respect to existing agreements entered into in writing.

Hon. Ed Fast: That's very different. I understood that the grandfathering had been extended to the end of this year, which would make it January 1, 2023. You are telling me that the grandfathering you are referring to is to the end of 2022—

Mr. Gervais Coulombe: That's correct.

Hon. Ed Fast:—which means that only contracts entered into in 2021 would be grandfathered.

Mr. Gervais Coulombe: That's correct. The previous rule was grandfathering contracts entered into before budget day 2021. In that sense, it's extended relief.

The Chair: Thank you.

We're moving to MP Dzerowicz for the Liberals for five minutes.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I'd like to ask about the economic growth in the innovation section of the budget. We know that if we're going to continue to be able to afford the generous support programs we have and a national child care program, and if we want to continue to have a good quality of life, we need to ensure that we have strong economic growth moving forward. We also need to ensure that we have productivity and innovation to be able to have strong economic growth.

My question is around the Canadian innovation and investment agency. We know that we have an educated population. We know that Canada and Canadians have no shortage of excellent ideas, but we know that we have to translate those good ideas into new technologies, new product services and growing businesses.

I wonder if one of our officials can talk to us about the idea behind the Canadian innovation and investment agency. What is the idea behind it? How are we hoping to set this up? What is the time frame?

Ms. Lindsay Gwyer: I'm sorry, but I don't think we actually have anyone on the call who can speak about the Canadian innovation. We could speak to some of the measures in part 1 of the bill or in parts 2, 3 or 4 that are intended to allow for innovation and for increased growth in the economy, but I don't think we have anyone here on that particular topic.

• (1310)

Ms. Julie Dzerowicz: Okay. Thank you very much. Then I will continue with a question, an excellent question, that one of my colleagues had asked.

As do many of my colleagues, I also have a large number of union members in my riding. We know that skilled trades workers are essential for Canada's success, and we have to be able to help them get to their job sites no matter where those are. We know that often they have to travel outside of their cities or their provinces. A labour mobility deduction has been set up for tradespeople, and I wonder whether there's someone who can provide a little bit more information about this labour mobility deduction.

What expenses are eligible for it and when would it go into effect?

Mr. Mark Maxson (Director, Employment and Education, Personal Income Tax Division, Tax Policy Branch, Department of Finance): Thank you for the question. This is Mark Maxson here from the personal income tax division at Finance.

The labour mobility deduction comes out of a context in which the income tax provides recognition for some expenses for mobility, but generally those include cases in which someone moves permanently for a job or perhaps where they're required on a regular basis to travel away from their employer's workplace.

What we heard from the sector was that construction workers often, as I think was mentioned, face periods of downtime in their local market. There may be opportunities elsewhere in the country, so they take temporary jobs. They travel for temporary jobs, and the expenses they incur in relation to those relocations haven't been attracting existing tax relief.

What this measure proposes is to introduce a new labour mobility deduction for tradespeople that would recognize certain travel and relocation expenses for tradespeople and apprentices in the construction industry, allowing them to deduct up to \$4,000 in a year across eligible relocations, and that would include temporary lodging expenses, round-trip transportation and meals within the course of that round trip. The proposal here is that this would take effect for the 2022 tax year, which is the year in progress, and for subsequent tax years.

Ms. Julie Dzerowicz: I have one final question. Do we have an idea of how much we expect this tax credit to cost, or do we not have information on that yet?

Mr. Mark Maxson: Thank you for the question. This is a brand new measure, so we don't know with certainty what the costs will be, but we've estimated a cost of \$595 million over the forecast period out through 2026-27.

The Chair: Thank you.

Thank you, MP Dzerowicz.

Members, I'm just looking at the time. We're moving to our final round, with about four minutes for each party. We'll start with the Conservatives and MP Albas for four minutes.

Mr. Dan Albas: Thank you, Mr. Chair.

Again, thank you to our witnesses for the work you do for Canadians.

I'd like to go to page 106, division 2, the Excise Act, 2001, regarding wine, subclause 130(2),

Subsection (1) comes into force, or is deemed to have come into force, on June 30, 2022, but does not apply to wine packaged before that day.

Has the department done any analysis with regard to the ability of the sector? They're experiencing massive supply issues in terms of bottles and other packaging that would be needed for them to be able to comply with that. Has there been any study whatsoever of the economic impact of this change?

Mr. Gervais Coulombe: Thank you for the question. It was, I guess, mentioned by the minister that this measure is intended to comply with an agreement that was entered into under the auspices of the WTO, and under that agreement, there is a—

Mr. Dan Albas: I'm asking a specific question. I do not need to hear a rephrasing of the minister.

Sir, could you please just answer the question? Was there an economic analysis of what this change would do, especially to the

small and medium-sized wineries that have never paid excise tax on wine? Was any kind of analysis done on the sector's ability to deal with the bottling requirement, given their issues with supply chains? This is simple stuff.

• (1315)

Mr. Gervais Coulombe: The packaging requirement is in line with the rules that were put in place when the exemptions were introduced in 2006. The agreement was made public in July 2020, so the industry was aware, and there have been different discussions with the industry about the fact that the repeal of the exemption will come effective June 30, 2022. Basically, in terms of the technical amendments that are included in the budget implementation act, that's the most I can tell you today.

Mr. Dan Albas: I appreciate at least the answer that you did some consultation.

I think you will find—and I am saying this to government members, not to the officials here—that this will be extremely damaging for those small businesses that have not, since their existence.... For many wineries that we all know and love that have started since the original changes in the Harper-Flaherty years, this is what has spurred so much growth in the VQA or 100% Canadian content.

I'd like to talk about the doubling of the allowable qualifying expense limit under the home accessibility tax credit. First of all, we do know that it is widowed seniors, particularly elderly single women seniors who, under our system, usually struggle the most. I'd like to see if this particular policy was subject to gender-based analysis plus.

Ms. Lesley Taylor: Thank you for the question, Mr. Albas.

It is standard practice in the Department of Finance when we're implementing or examining a proposal to conduct a gender-based analysis, so yes, I can answer affirmatively to your question.

Mr. Dan Albas: If someone is cohabiting with another individual, they will now be able to get up to \$20,000. Is that correct?

Ms. Lesley Taylor: The home accessibility tax credit allows individuals who are seniors or persons eligible for the disability tax credit in the year, if they have receipts for work done on their property to promote accessibility or safety improvements, to claim those specific costs up to the current limit of \$10,000 and now \$20,000.

Mr. Dan Albas: Could I just finish very quickly?

The Chair: You've gone well over, MP Albas.

Mr. Dan Albas: It's just a short one.

The Chair: Maybe you can ask them to provide the information to the committee.

Mr. Dan Albas: It's just a yes or no question.

If a female right now is living by themselves, on lower means, they will not be able to benefit from the extended...even though they may need more than \$10,000. Is that correct?

Ms. Lesley Taylor: To the extent that they have a tax liability, this is a tax relief measure. They can reduce their tax liability using the measure.

The Chair: Thank you.

Now we're moving to the Liberals and MP Chatel for four minutes.

Mrs. Sophie Chatel: Thank you, Chair.

I know these are very complex measures and that explains why we need more time to put them into legislation, but I am particularly interested in the tax measures in the supplementary information, and in particular, the international tax measures.

I would like to have an update from the Department of Finance on the stage of the negotiation of the multilateral convention to implement pillar one. Could somebody quickly give me an update? These are very complex rules being developed by the OECD, but I understand that, in parallel, the multilateral convention is being negotiated. I wonder if we have ensured that these measures will be very well thought through, because a multilateral convention will last for a very long period of time.

Could I have a quick update on this, please?

Ms. Lindsay Gwyer: Thanks for the question.

Yes, I can confirm that the government is continuing to work with other countries on pillar one negotiations, and the department itself is very busy continually working with other countries to advance that. In the budget, the government confirmed that the government remains optimistic that there will be an agreement reached on pillar one and that there will eventually be legislation reflecting that agreement, which would in due course be implemented in Canadian law.

• (1320)

Mrs. Sophie Chatel: Thank you.

Moving to pillar two, I do acknowledge the budget announced a consultation and I have some specific questions.

One of the questions is about the interaction between the pillar two model legislation and existing Canadian law. I was wondering whether the Department of Finance has considered the general interaction between the existing legislation and the new model rules—not just the specific one, because we are adding a layer of complexity over an already very complex international tax system. I'm referring to the FAPI rules.

Ms. Lindsay Gwyer: Those are questions the department is working on, on an ongoing basis. The pillar two rules would result in a significant change in our tax system. We also, obviously, already have existing rules dealing with foreign companies that are owned by Canadian companies in dealing with multinationals, so the pillar two rules are something that would need to be layered on top of that. That is something the department is very focused on. As the process moves forward, that's something that would be considered as the rules are drafted.

A number of the consultation questions that were put to the public relate to those kinds of questions. We are looking for stakeholder information and do want to get the best feedback in order to try to implement the rules in a way that will be most effective, while at the same time trying to reduce complexity and create a system that works best for Canadians.

The Chair: Thank you, MP Chatel.

Now we'll move to the Bloc and MP Ste-Marie for four minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I would like to once more sincerely thank all the officials here with us today. We have once again learned so much thanks to their answers.

My next questions will deal with the part of the bill that gives the Canada Revenue Agency the discretion to accept late claims for the Canadian emergency wage subsidy and the Canada emergency rent subsidy, as well as the Canada recovery hiring program.

I understand that the measure gives the Canada Revenue Agency the authority to push back the deadline by which beneficiaries of these programs must send in their supporting documents, but I would like to know more. Would companies who have not yet made a claim be able to do so after the deadline? Is the measure intended for certain exceptional cases or sectors of the economy in particular?

Can you please give us more details on the measure?

[*English*]

Ms. Lindsay Gwyer: Since the subsidies were introduced at the beginning of COVID-19, there has always been a relatively short timeline during which entities had to apply for the subsidy. Under the current law, it's 180 days from the end of the qualifying period. This is relevant to the wage subsidy, rent subsidy and the Canada recovery hiring benefit.

Over the course of the past couple of years, it has been the case that the CRA, at times, has received applications that are filed late. The CRA, under the Income Tax Act, has a general discretion to accept certain things on a late basis. They publish a detailed fairness guide setting out the circumstances in which they generally accept certain things on a late-file basis. Consistent with that, they have been accepting some late-filed applications in situations where it would be unfair not to do so. It's a very small number of applications in total in terms of the number of applications they have received.

The subsidy programs are unique relative to other things in the Income Tax Act. This legislative change is really meant to confirm that the CRA does have that discretion, consistent with the broader discretion it has in the Income Tax Act, to accept those late-filed subsidy claims. It's not expected to change their policy or their practice. It's really a retroactive change that is intended to confirm their existing practice.

• (1325)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you for that clear answer.

Lastly, I would like to talk about the inclusion of income from postdoctoral fellowships in the definition of earned income for RRSP purposes.

What is the objective of the measure and why has it been included in the bill?

[*English*]

Ms. Lindsay Gwyer: Right now, when someone receives postdoctoral fellowship income, it's included in their income for purposes of calculating their taxes, so it's effectively taxed like employment income. However, there's a historical anomaly where it was not included in earned income for the purposes of calculating RRSP room, so the measure is really intended to provide fairness in giving someone RRSP room in a situation where they're paying tax on that income.

[*Translation*]

Mr. Gabriel Ste-Marie: That's perfectly clear, thank you very much.

That's all, Mr. Chair.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

We are now moving to the NDP and MP Blaikie.

In our final few minutes, you have the floor for your questions.

Mr. Daniel Blaikie: Thank you very much.

I wanted to come back on the question of Bill S-216. Is it fair to say that the crux of the government's modification of Bill S-216 is in the definition of a "qualifying disbursement", specifically, proposed paragraph (b), subparagraphs (ii) and (iii), where it says, first of all, that "the charity ensures that the disbursement is exclusively applied to charitable activities in furtherance of a charitable purpose of the charity," and that "the disbursement meets prescribed conditions".

I guess my question is where those conditions will be prescribed and, to the extent that part of the goal of S-216 is to try to reduce the administrative burden of charities that have to work with other organizations in order to accomplish their purposes, how does the department envision enforcing this? How do you anticipate the administrative burden of these provisions comparing to the administrative burden under the existing system?

Mr. Blaine Langdon: I would say, in terms of the proposal and what you see in Bill S-216, the aim is by and large the same, but we get there differently mechanically. You can find the prescribed conditions beginning on page 41 of the BIA in proposed section 3703.

In terms of the enforcement of those provisions, what I can say is that the legislation is obviously proposed by the Department of Finance. It's up to the Canada Revenue Agency to propose administrative guidance and look to how they would administer those. It's a bit difficult for me to speak to them.

What I can say is that what's been proposed here in terms of accountability measures and how they would compare to the existing system is that there are similarities, obviously. The proposal to require reporting back from the grantee organization and to have a written agreement are things that you will find in the existing regulations. What we have attempted to do here is to strip out the requirement for direction and control.

Two key things that I would point to would be that registered charities have expressed concerns that having to take over the activity of an organization to take ownership of the activity smacks of paternalism and colonialism, and it's inappropriate in many scenarios, so that would not be required here. Charities would be supporting the activity of the grantee, and it would remain the activity of the grantee.

As well, the direction and control that largely required the charity to be an active and controlling participant in the program has been eliminated under this proposal. Instead, we are emphasizing upfront agreements, upfront due diligence and regular reporting, but the charity wouldn't, on a day-to-day basis, be required to be involved in the activity or direct the grantee as to how these activities would be carried out.

We've tried to encapsulate the spirit of S-216, but as I said, we've approached it slightly differently and we've tried to emphasize concrete accountability measures.

Mr. Daniel Blaikie: Thank you very much to our witnesses.

Thank you, Mr. Chair.

The Chair: Thank you, MP Blaikie.

Thank you to our witnesses on behalf of the finance committee, all the members and the staff. We will be seeing many of you on Thursday again.

Members, just before we adjourn, I will allocate some time to committee business on Thursday.

I see MP Chambers' hand up.

• (1330)

Mr. Adam Chambers: I have a quick point of order.

We had our officials from Stats Canada a number of weeks ago. We did ask for some follow-up, so maybe we could see the status of those. That would be fantastic.

I would prefer not to set the precedent that other committees have where they've adopted a strict timeline under which officials can respond, but if someone could look into that, that would be super-helpful. Thank you.

The Chair: Thank you, MP Chambers. We will check with Stats Canada on that information. Members, we shall adjourn.

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