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Chair: Mr. Peter Fonseca



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• (1150)

[English]

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

Welcome to meeting number 82 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 81(4) and the motion adopted on Tuesday, March 7, 2023, the committee is meeting to discuss main estimates 2023-24, referred to the committee on Wednesday, February 15, 2023.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I would 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, and please mute yourself when you are not speaking.

With respect to interpretation, for those on Zoom, you have the choice at the bottom of your screen of floor, English or French. For those in the room, you 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 as well as we can. We appreciate your patience and understanding in this regard.

I would now like to welcome our witnesses appearing in the first hour. With us today is the Honourable Diane Lebouthillier, our Minister of National Revenue.

Welcome, Minister. I know you have with you many officials from the Canada Revenue Agency.

Before we get started with your opening remarks, Minister, I want to say thank you very much. In my riding of Mississauga East—Cooksville, we have a number of tax preparation clinics manned by volunteers, and with help from the ministry and with funding, those have gone a long way to helping many individuals do their tax preparation. Thank you for that.

The floor is yours.

[Translation]

Hon. Diane Lebouthillier (Minister of National Revenue): Thank you, Mr. Chair.

I also want to thank you for giving me the opportunity to address the Standing Committee on Finance today to talk about the Main estimates 2023-24 and the supplementary estimates (C) for the Canada Revenue Agency for 2022-23.

As you have pointed out, I have with me today a number of key officials from the agency. I can never say it often enough: we owe them a lot.

To begin, I would just remind the committee that the CRA's mission is twofold. On the one hand, it is responsible for administering federal tax programs and certain provincial and territorial tax programs, and, on the other hand, it is responsible for implementing certain benefits payment programs.

Since March 2020, new benefits and services have been added to help Canadians and businesses facing the global COVID-19 pandemic. Those benefits played an essential role in providing security for Canadians during the pandemic, but they also served to protect our economy.

I don't think I am mistaken when I say that we all know of businesses in each of our ridings that were able to stay open, people who were able to keep their jobs, and lives that were saved. This was all possible because of the decisive measures taken by our government. I continue to be extremely proud of the leadership the CRA demonstrated during this period.

The CRA listens to Canadians so that it can continually improve its services and the way it does things. This is also a priority for our government. For example, in addition to extending business hours at its call centres and hiring more agents to respond to Canadians, the CRA has also launched an automated call-back service for peak periods. This service lets people get a call once an agent is free, which means not having to stay on the line to retain their priority.

Let me be quite clear: the CRA and I do not intend to rest on our laurels and move on to something else. Quite the opposite: as we know, improving services is a continuous process. We can and must always do better. I intend to continue this important work at the CRA.

Regarding the 2023-24 main estimates, the Canada Revenue Agency is seeking investments of \$14.9 billion. These funds will be used to administer measures that are key to continuing to combat tax evasion and tax avoidance, ensuring that the Agency's call centres remain in place post-pandemic, and administering the federal fuel charge and the federal carbon pollution pricing rebate.

Regarding the major elements of the supplementary estimates (C), I am going to be brief. These investments will be used for call centres and for administering measures to help Canadians save to buy their first house. These investments will enable CRA to implement changes to its systems and made the needed changes to publications and procedures relating to the administration of the underused housing tax in Canada, on properties that generally belong to non-resident non-Canadian owners. They will also be used to administer the luxury tax and the Canada Economic Recovery Program, which has been put in place to encourage employers to rehire workers who were laid off because of COVID-19, and to put the Canadian economy in a better position for the recovery process. This funding is necessary for the CRA to be able to do its validation work.

In conclusion, the administration of fiscal measures associated with international tax reform will reduce the incentives for multinationals to transfer their profits to jurisdictions with low tax rates and limit the use of excessive interest deductions to reduce Canadian tax.

You will certainly have noticed that this estimates exercise is affected by a major event in the form of the global COVID-19 pandemic.

Despite the enormous challenges created by the pandemic, the CRA has improved in numerous respects over the last year. It has certainly learned many lessons from its commitments in relation to services and communications, but also to its own role as a key government agency that has the privilege of serving Canadians every day.

• (1155)

Even though, we must admit, it has never been easy, the CRA maintains its firm commitment to excellence and is determined to honour the commitments it made for 2022-23.

In closing, I want to recognize the exceptional work done by CRA employees, who were on the front line during this difficult period. Despite the challenges presented by the pandemic, their unflagging work ensured that Canadians had access to the financial support they needed during that time. They also had to adapt to new working conditions and methods, including telework. They did this with professionalism and with remarkable efficiency. In their own way, they were our guardian angels. Their contribution has had a decisive effect and their important work is still continuing today.

Thank you, everyone. We are now ready to answer your questions.

The Chair: Thank you for your opening statement, Minister.

[*English*]

Thank you also for agreeing to stay here for the full hour.

Members, we started at 11:50, so the minister will be with us until 12:50. We're going to start with the first round. Each party will have up to six minutes to ask questions of the minister.

We're starting with the Conservatives and MP Chambers.

You have six minutes.

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

[*Translation*]

Good morning, Minister.

I am happy that you are here with us. Welcome.

[*English*]

I'll need to take some additional French lessons for our next interaction.

Last fall, there were some serious allegations with respect to advance pricing arrangements. Can you update the committee perhaps? Do you know any more than you did back in the fall about allegations with respect to how advance pricing arrangements were given out? This was reported in the CBC and some other articles as a whistle-blower case. They said there were some challenges in how advance pricing arrangements were being used in the department.

• (1200)

[*Translation*]

Hon. Diane Lebouthillier: The interpretation isn't working.

[*English*]

The Chair: Can we check on interpretation, Mr. Clerk?

MP Chambers, could you repeat the question for the minister?

Mr. Adam Chambers: Sure.

Hon. Diane Lebouthillier: I need the last 30 seconds.

Mr. Adam Chambers: Do you know any more? Has there been an investigation or follow-up on the complaints made by the employee? Are you aware of any kind of follow-up investigation?

[*Translation*]

Hon. Diane Lebouthillier: I'm going to let the CRA representatives answer questions that relate to technical details.

[*English*]

Ms. Cathy Hawara (Assistant Commissioner, Compliance Programs Branch, Canada Revenue Agency): I'm happy to take the question, Mr. Chair.

These were a series of allegations made a number of years ago. They were investigated a number of years ago, and the results confirmed that no serious wrongdoing was committed. They were in relation to a particular advance pricing arrangement, and we were satisfied that all the necessary steps had been taken and that no inappropriate favourable tax treatment was given to a taxpayer.

Mr. Adam Chambers: Thank you.

From your perspective, there's no additional follow-up required on this matter.

Ms. Cathy Hawara: Yes, the matter was fully investigated at the time.

Mr. Adam Chambers: I think there was a commitment to transparency with respect to that complaint. Has there been any kind of public disclosure of that investigation? Are these documents internal to the CRA that remain there, or is the ombudsman looking into it?

Ms. Cathy Hawara: The matter and allegations are related to a particular taxpayer. Therefore, the confidentiality provisions of the Income Tax Act apply.

Mr. Adam Chambers: Thank you.

On the confidentiality provisions of the Income Tax Act in section 241, the Parliamentary Budget Officer has expressed some concern with respect to the timeliness of information they receive from the CRA.

Minister, are you aware of the concerns of the Parliamentary Budget Officer? Do we need to make an amendment to section 241 to make sure a parliamentary officer has the information to do his or her job appropriately?

[*Translation*]

Hon. Diane Lebouthillier: I would like to tell my colleague that when it comes to the confidentiality of the information provided to the Canada Revenue Agency by taxpayers and businesses, the bond of trust must be protected. There are very clear rules at the CRA at present, precisely concerning section 241.

We are also having internal discussions to try to see whether improvements can be made regarding what stays confidential and what can be reported publicly.

I agree that a lot of work remains to be done, but confidentiality and trust between taxpayers, businesses and the CRA is definitely of crucial importance to me. It also protects the integrity of the tax system.

[*English*]

Mr. Adam Chambers: That's fair enough.

I would like to read you the quote, just so you know where the Parliamentary Budget Officer is coming from. He said, "every single time we have an interaction with [the CRA], we get incomplete information. It has to be vetted before sending us aggregate tax information."

I think under some circumstances, when they're asking for anonymized data, which would not identify a particular tax filer in the aggregate, they're having some challenges in using section 241.

I'll leave that with you to maybe contemplate as you're thinking about how to better collaborate with our Parliamentary Budget Officer.

I was happy to see the recent news release about the underused housing tax. There was some leniency given to this year's filing. We have heard a lot of feedback from taxpayers about how difficult and potentially confusing it is.

There's one thing I would like to leave with you as a suggestion. If you file a return one year, you should only need to file a return once for a property, until that property is sufficiently disposed of or the control of that property changes. Requiring taxpayers to fill out a form every year seems significantly onerous. It would keep with the principle and spirit of the idea, but not unduly require a burden on taxpayers.

Mr. Chair, I believe I'm done. Thank you.

• (1205)

The Chair: We're at six minutes, yes. Maybe that's for the next round.

We are moving over to the Liberals.

I have MP MacDonald, please, for six minutes.

Mr. Heath MacDonald (Malpeque, Lib.): Thank you, Chair.

Welcome, Minister. It's great to see you here. We have something in common: the red shores of the Magdalens and Prince Edward Island. We're only separated by a ferry.

Minister, I want to ask a question that follows up on something you mentioned in your opening remarks. It's specifically about lessons learned from the pandemic. Can you go into more detail about the lessons that CRA or its officials learned from the pandemic, particularly relating to customer service and communications?

[*Translation*]

Hon. Diane Lebouthillier: I thank my colleague for his question.

We do have to recall what happened at the beginning of the pandemic. We saw the world practically come to a standstill. Programs had to be put in place rapidly to be able to help Canadians, both individuals and businesses, to receive benefits. The Canada Revenue Agency had to put benefits in place rapidly from the outset.

As the pandemic unfolded, we saw refinements to the requirements put in place for people to have access to various programs. Rules were put in place to make sure that the right people were receiving the benefits.

Rules were also made when we worked to put the wage subsidy program in place. Businesses were required to meet conditions. The primary concern was that the businesses were paying the employees. The businesses could then apply to the CRA to receive the support they needed. We worked to put winning conditions in place.

We believe that what is also going to be important will be to do an evaluation. We are coming out of the pandemic and the programs have ended. We are going to have to evaluate what happened so we are prepared for a future pandemic, which we are not hoping for, and have a much better stocked toolbox for responding to the public's needs in the right way.

[English]

Mr. Heath MacDonald: Thank you.

Minister, this morning I met with Women's Shelters Canada. They represent some of our most vulnerable citizens and constituents, and the issue of at-risk and vulnerable populations is one I hear a lot about in my riding. I was wondering if you could possibly go into some more detail of the work you're doing in this area to help those people to make sure they get their benefits and credits.

I remember being a provincial politician and going into schools to talk to administrators about the Canada child benefit to ensure they sent the information to the appropriate people so these people would apply for tax services and receive these benefits. It wasn't selfish. I was the finance minister at the time, but I didn't do it just for individuals; it was for the economies of each of our provinces. It's extremely important. Millions of dollars come into our provinces through these programs. I'm wondering what your department is doing to ensure that we can access those individuals to provide them with the appropriate information.

• (1210)

[Translation]

Hon. Diane Lebouthillier: This subject is very important to me.

When I first arrived at the Canada Revenue Agency, I wanted to make sure that people experiencing difficulties received benefits under the programs we were putting in place. I travelled all over Canada to meet people at the CRA offices, but also groups of volunteers who help those who are most vulnerable to get the benefits they are entitled to.

I also wanted to ask the volunteer groups what the government could do better to support them. They told me that over time, they had been abandoned. They were receiving little information and were no longer receiving any money. As volunteers, they had to pay to try to do their work even better. The CRA has put a program in place for \$10 million over three years to help volunteers do their work better. It helps them pay their travel expenses, buy office supplies, and so on. There is also help for training, so they can stay abreast of changes to the tax system.

Last year, over 13,000 volunteers all across Canada completed more than 650,000 tax returns. I was in New Brunswick two weeks ago and I was told about people who didn't know they were entitled to certain benefits. If we take the guaranteed income supplement, for example, we are talking about \$11,000 or \$15,000.

One MP told me that in Ontario, a mother had never thought of applying for the Canada child benefit. This meant that she was able to get \$80,000. Some of our programs do allow people to receive up to ten years of retroactive benefits. That money helps the most vulnerable people.

There is also work being done with the municipalities. You are right to point out that we need the contribution of the ministers of finance of all of the provinces, and of the mayors, to promote our government's programs so we make sure that people have access to them and are able to buy groceries and pay the rent.

The Chair: Thank you, Minister.

Thank you, Mr. MacDonald.

[English]

It's great to hear stories about people getting the money they deserve.

We're going over to the Bloc and MP Ste-Marie, please.

[Translation]

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

Good morning, Minister. Thank you for being here. We are grateful to you, particularly since you have made changes to your schedule because of the vote, to stay with us for the full hour.

I also want to welcome and thank all of the assistant commissioners who are here with you for longer than scheduled, and also to thank them for all the work they do.

My question will be about the subject that was just addressed. We are currently getting a lot of calls in our constituency offices about deductions recently made from the Canada child benefit. Before the vote, I talked informally with some of your colleagues who are here. There are people calling us about this, as are groups that represent taxpayers, in particular the Associations coopératives d'économie familiale, the ACEFs.

We are being told that CRA had suspended repayments in October 2020 and things are now returning to normal. If there have been changes, deductions can now be made.

However, people and groups are telling us that they are not receiving information properly. The email may be going to the spam box, people may think it's phishing, or they don't always check their file online.

I know you are quite familiar with the situation, but I wanted to remind you of this communication problem. I also wanted to make sure that less well-off families, for whom getting lower benefits makes a big difference, can call the CRA to make an agreement.

Have I understood correctly?

• (1215)

Hon. Diane Lebouthillier: Yes, the CRA's objective is to support people and businesses. The way we do things is client-focused, and because we work on a case-by-case basis, we encourage people to call the Canada Revenue Agency to enter into agreements. As I said, we really work on a case-by-case basis with clients.

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

I am going to address another subject.

SMEs in our ridings are calling us—SMEs of accountants or accounting technicians who are doing tax returns. They tell us that as in all sectors of the economy, they are being hit by the labour shortage. We know that during tax season, employees in these firms work crazy hours, seven days a week, from morning to night. Even with those extended hours, they say they are not able to meet the demand. They suggest that the period for filing and sending tax returns be extended. For example, the period could be extended by a month.

Could you consider that suggestion given the labour shortage in this sector?

Hon. Diane Lebouthillier: People have spoken to us about this already. During the pandemic, we extended the tax season, as an exception, until the end of September. After that, however, it is important that the CRA get back to the usual dates. There is a big job to do at the CRA when it receives the returns. We also have to be able to adapt, since, as we know, for the guaranteed income supplement and the Canada child benefit, the adjustments are made on July 1. Because of these constraints, the same parameters have to be adhered to.

However, we are aware of the information you are giving us.

We are familiar with the labour shortage. I am also well aware that the big accounting firms are currently working with businesses, so individuals are going to have problems sooner or later. They are working with tax preparers.

There are internal discussions at the Canada Revenue Agency, but also discussions with partners to find solutions. I also share this concern.

Mr. Gabriel Ste-Marie: Thank you for your answer, once again.

I am now going to talk about CERB fraud. At the beginning of the pandemic, given the urgency of helping people, the program was put in place quickly, and for the first few months, identity checks were cursory. That resulted in a lot of fraudulent applications.

When we asked you questions about this, in order to follow up, you quite rightly told us that it was too early and you were looking into the subject. So I would like to know whether you now have any news to give us.

What was the process for dealing with identity theft? How many cases might there have been? How many cases have been resolved? Where do we stand in this regard?

Hon. Diane Lebouthillier: Before I turn the floor over to the officials, I would first like to say, as was said during the pandemic, that the people who were victims of identity theft will not have to repay the money and will not be penalized. That is, in fact, part of the work we have to make sure we do. This is very clear to me and to the government.

Now, regarding administrative follow-up, I'm going to turn the floor over to Mr. Lemieux.

Mr. Marc Lemieux (Assistant Commissioner, Collections and Verification Branch, Canada Revenue Agency): Thank you.

Mr. Chair, a lot of work has indeed been done to assist Canadians who have been victims of identity theft.

People need only call us at the CRA so that we can start the process, validate their case, and make sure their file is updated at the agency. This way, we will be able to correct the situation so they are not required to repay a debt caused by identity theft.

We have invested a lot of resources so we can offer these services. We have also changed our internal processes. Now, when someone calls us, we can put them in direct contact with a CRA employee who will take charge of their file and give them information.

● (1220)

Mr. Gabriel Ste-Marie: Do you know how many cases?

Mr. Marc Lemieux: We reported to the committee earlier and I think we had found 26,000 cases of this nature.

If we compare that to the nine million applicants, it is still a relatively low percentage, but we are dealing with those 26,000 cases.

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: Thank you, MP Ste-Marie.

We'll now go to the NDP with MP Blaikie for six minutes.

[Translation]

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

I also want to thank the CRA officials for being here today.

Welcome to the committee.

I would like to come back to the Canada child benefit and the overpayments that CRA is starting to recover.

Do you know what percentage of these cases is attributable to a wage that was too high because of CERB payments?

How many of these cases are actually connected with recovery of CERB payments because those benefits meant that a family or a person had too high a wage?

Hon. Diane Lebouthillier: Mr. Chair, I really want to reassure my colleague regarding the fact that Canada child benefit payments between the end of the pandemic and the start of debt recovery work are being used only to repay Canada child benefit debts. They are not being used to repay CERB.

CERB is a completely different thing.

Mr. Daniel Blaikie: I know that receiving CERB changed some people's eligibility for the guaranteed income supplement.

I am therefore wondering whether there isn't something similar here.

Families had higher income because it included CERB payments. Those families ended up with overpayments of the Canada child benefit because they were not entitled to the same level of support from the Canada child benefit.

Are the CERB payments not the cause of that overpayment and the current debt recovery?

Hon. Diane Lebouthillier: I would say that for the debt connected with the Canada child benefit, the debt recovery period stopped during the pandemic. The recovery work resumed in the fall and, as I said, we are not using the Canada child benefit to repay the CERB.

Ms. Pranke may want to add something on the technical aspect.

[English]

Ms. Gillian Pranke (Assistant Commissioner, Assessment, Benefit and Service Branch, Canada Revenue Agency): In response to the question about whether the Canada recovery benefit or other COVID benefits can have an impact on the amount that a recipient would ultimately receive for the Canada child benefit, the answer is, yes, they could have an impact. It's calculated based on adjusted family net income and other factors such as the number of children. If there is a change in the individual's family income earned, it could absolutely have an impact on the amount of the Canada child benefit somebody would receive.

Mr. Daniel Blaikie: Those double payments could very well have been caused because people received a pandemic benefit and it reduced the amount they would be entitled to under the CCB. Now that's being recovered.

We know from the GIS, for instance, that seniors weren't warned when they signed up for the pandemic benefit program that it could have an impact on their GIS eligibility in subsequent years. Families are in a similar situation. The debt recovery that's happening now is effectively... What happened to seniors—which we did manage to finally get fixed a while ago—is now happening to families as they realize their eligibility for pandemic support programs in a time of great need did at some time affect the level of support they received under other programs. They weren't made aware at the time of what those future impacts would be, so it was not possible for them to budget for what they didn't know about.

I'm concerned about the impact this is having on families that are now surprised at the impact it had on other benefits they depend on to put food on the table. Of course, this is not a good time for families to be surprised by shortfalls in their budgets.

The budget talked a bit about supplementary resources for ES-DC. I know that's not your department, but it is for integrity checks on pandemic benefit programs. There have been hundreds of million dollars allocated in the past for integrity checks and follow-ups on pandemic programs. I think with the \$50-odd million that's dedicated in this budget, we're in the neighbourhood of \$300 million

to \$350 million now in supplementary funding that government has requested of Parliament for debt recovery.

There's an estimated debt amount for CERB programs of about \$3 billion. I understand that it's not necessarily a final number and that this number is a running tally of the department as it resolves files. I'm wondering how the agency has not yet conducted a bird's-eye view analysis of all of those CERB files to know, say, the salary profile.

Also, has the CRA looked through all of the cases to flag which ones they think are cases of fraud? If so, why would they not have collected data along the way to know how much of the extant debt is made up of low-income folks versus high-income earners versus people we think committed identity fraud?

Can you provide us with a breakdown of the debt you think you're owed and who owes it? I don't mean individuals necessarily. We're looking for some demographic profiles.

• (1225)

The Chair: MP Blaikie, we're well over the time. If anybody has a short 10-second answer, that's great, or if you could get the information to the MP and the committee, that would be great too.

[Translation]

Hon. Diane Lebouthillier: I would like to tell my colleague that during the pandemic, the Canada Revenue Agency devoted all its energy to providing support programs for Canadians.

Now, we have started the audit work, but it isn't finished yet. We still have enough audits to do for the next two years.

I think that giving you figures right now is not necessarily the best thing to do, because as we move ahead in the auditing and the agreements we make with people, things are progressing and I would not want to give you false information.

[English]

The Chair: Thank you, Minister.

Minister and officials, we are moving into our second round of questions, so timing is a bit different.

We're starting with the Conservatives for five minutes.

Go ahead, MP Hallan.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thank you, Mr. Chair.

Minister, thank you for being here today.

Today, during this holy month of Ramadan, I'm thinking about the great work done by our Muslim brothers and sisters, especially ones in Muslim-led charities. These are some of the groups of people that first respond to any tragedies that happen or that step up for our most vulnerable.

Given that, Minister, why do Muslim-led charities feel like they're being discriminated against by you and your department?

[*Translation*]

Hon. Diane Lebouthillier: I would like to tell my colleague that work is being done at the Canada Revenue Agency with Muslim organizations. In fact, I asked the ombudsman for a systemic review a year and a half ago. The report was submitted last Monday and the work is continuing.

The CRA has representatives who sit on the Advisory Committee on the Charitable Sector. This year, there are two people representing Muslim organizations. As a result of the collaboration between the CRA and charitable organizations, it was suggested that we bring representatives of charitable organizations to the table. The National Security and Intelligence Review Agency, the NSIRA, is currently pursuing its efforts to do all the work that is done with charitable organizations.

● (1230)

[*English*]

Mr. Jasraj Singh Hallan: Respectfully, Minister, I have only a bit of time. I just want a yes-or-no answer on this one. Do you recognize there's a systemic problem within your department that makes Muslim-led charities feel as though they're being discriminated against? I just want a yes or a no.

[*Translation*]

Hon. Diane Lebouthillier: What I can tell you is that at the CRA, we have to continue to work on the issue of systemic racism.

[*English*]

Mr. Jasraj Singh Hallan: Okay. Thank you.

[*Translation*]

Hon. Diane Lebouthillier: I think we can always do better, regardless of colour, regardless of race, and regardless of religion.

[*English*]

Mr. Jasraj Singh Hallan: I have a limited amount of time.

One grievance we've been hearing about from Muslim-led charities up until recently is that they feel like there are never-ending audit processes. The ombudsperson's report said, "some Muslim-led charities indicated that they felt they were treated more severely and differently at certain points in the audit process." It also said, "Auditors would not let interviewees record interviews", and that in some cases, it felt like they were trying to find something, no matter how small, to pin on a charity.

Minister, it seems that with your department, charities beyond the Muslim-led ones feel discriminated against because they may

have a different ideology than the Liberal government does. This is a complaint we've heard from a lot of religious groups that may have a different ideology. I just want to highlight that because it is causing a lot of pain. There are a lot of youth-led initiatives and community-building initiatives being undertaken by these charities, but once their charitable status is revoked, maybe because their ideology doesn't meet up with the government's, all of that great work goes away.

With regard to the ombudsperson, whom you noted, even in his report, he says:

Even when we had received consent from a charity to access their taxpayer information, the CRA redacted information that detailed why this charity was screened for audit and how it planned to carry out the audit.

Without access to specific charity risk assessments, our Office was unable to see examples of how these considerations would have applied to a real file or examples of information that would have informed the selection of an audit in particular....

As a result, we have not been able to sufficiently address two of the areas.

There are all of what we call gatekeepers, and they're gatekeeping so that information cannot get out. I'm not saying this a directive you gave, but it would lead one to believe that they're being blocked and that this work cannot be done to reveal why there's discrimination against Muslim-led charities.

I'd also like to highlight that under your government, in 2021, a report by Pollara said there was rampant racism inside of IRCC that has not been addressed. It was against not only the applicants who were trying to come to this country, especially ones who were fleeing from harm—the refugees—but also employees. It was not being addressed.

I just want to know what steps you have taken since then to address this issue for Muslim-led charities.

The Chair: We're at the end of our time, so if you want to make a brief comment, that's fine, but we have to move on to the Liberals if we're going to get through this round.

[*Translation*]

Hon. Diane Lebouthillier: I would like to tell my colleague that we very much welcome the review that the NSIRA has undertaken. We really believe this is the next logical step in response to the publication of the ombudsman's report. Yes, we have to continue fighting systemic racism at the Canada Revenue Agency and do better within the organization.

The Chair: Thank you.

[*English*]

Now we'll go to the Liberals and MP Chatel for five minutes.

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you for being here, Minister. Welcome to the Standing Committee on Finance. I am very happy to see you in such good company.

I don't know whether you know, but at the beginning of this millennium, I started my career at the Canada Revenue Agency. I worked on advance rulings.

Since we have the officials here with us, I would like to tell them that during the worst of the pandemic, in the first year of the pandemic, I was working at the Organization for Economic Cooperation and Development, the OECD. I was able to see everything that went on at the Forum on Tax Administration. All the resources needed for helping people in OECD countries that had enormous needs for immediate help when they had lost their jobs or could not go to work were being put together. I would like to say what a big leadership role the Canada Revenue Agency played in relation to those measures. All the practices that you put in place were adopted by other countries. I congratulate you on that great effort. When we go abroad, we see the extent to which the Canada Revenue Agency is a leader among tax authorities and to which it is recognized for its integrity. Bravo.

Minister, my first question relates to a comment you made in your opening statement. You mentioned two points that I consider to be very important. I am happy to see that there are additional resources, and I would like you to tell us more about them.

First, you said that budgets had been allocated to do more about tax evasion and tax avoidance. I would like your comments on that subject.

Second, you talked about supplementary budgets for international tax reform. These are big topics that are of considerable concern to me. I would like to know what additional initiatives are being taken on these two subjects.

• (1235)

Hon. Diane Lebouthillier: Thank you for those questions.

It is important to the public, but also to the government, that we make sure that everyone pays their fair share. Almost \$1 million has been invested since we came to power to implement measures to combat tax evasion and tax avoidance. We're talking about country-by-country reporting.

I will let the officials give more specific details about what is being done right now.

Ms. Cathy Hawara: Thank you for the question.

Yes, there are several initiatives that we are proposing to fund in the budget. I will give you a few examples.

On the international side, there is the initiative led by the OECD relating to the two-pillar solution. I can tell the committee that Canada is playing a key role, a leadership role among its peers, to support the adoption of this solution, which is very important and will really change the approach to international taxation. There is funding that will enable us to implement the two-pillar solution.

In addition, new rules will be adopted at the international level for the exchange of information relating to digital platforms. This is another very important source of data that the Canada Revenue Agency will have access to. The government has announced that it will be implementing these new rules. Those are some of the initiatives.

There are others, for example, regarding the expansion of our observation programs, including our criminal investigation program. We obtained funding in the 2022 budget to increase our capacity and the capacity of the Public Prosecution Service of Canada.

Those are a few examples of initiatives provided for in the budget.

Mrs. Sophie Chatel: Thank you.

[*English*]

The Chair: Thank you, MP Chatel. You're right on time.

Members, I will have to hold strictly to the time so we can get through this round.

We're going to the Bloc now, with MP Ste-Marie for two and a half minutes, please.

[*Translation*]

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

I am going to continue on the same subject.

In April 2021, two years ago, Radio-Canada published an article on the Panama Papers, and I thought that the CRA really had unacceptable results. After the information was leaked, the United Kingdom recovered more than \$300 million, Germany recovered almost \$250 million, for Spain, France and Australia it was around \$200 million, and Canada recovered \$21 million, which is slightly less than the amount recovered by Revenu Québec.

I would like to get an update on this subject, whether from Ms. Hawara or from the Minister. How much money has been recovered from the Panama Papers since April 2021?

The article said that there had been criminal investigations, but no charges had yet been laid.

Have criminal charges been laid in connection with this matter?

• (1240)

Ms. Cathy Hawara: Thank you for your question.

Actually, we are currently working on numerous audits relating to various leaks from the Panama Papers, the Paradise Papers and the Pandora Papers.

On our website, we have statistics that we update regularly. The most recent statistics on the data leak relating to the Panama Papers are dated December 2022, and I can send them to the committee.

We have completed 280 audits. We have recovered assessments of \$77 million in taxes and penalties, and 140 audits are underway.

With respect to criminal investigations, we have actually initiated five. Two are still underway and three have been closed. No charges have yet been laid.

I have figures for the Paradise Papers as well.

I would also like to clarify that in the Panama Papers data leak, 900 Canadian taxpayers, including individuals, businesses and trusts, were identified. However, it is important to note that the mere fact that a name appears on the list does not necessarily mean that the taxpayer breached their tax obligations. In the case of the Panama Papers, 60% of the taxpayers had complied with their obligations.

For the Paradise Papers, we have completed our review of all the taxpayers. We have closed 30 audits and recovered assessments of \$1.8 million in taxes and penalties, and 25 audits are underway.

For the Pandora Papers, the most recent data leak, we have identified 400 Canadian taxpayers. We are in the process of doing our risk assessment. In that case, we have initiated four audits and the work is continuing.

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

[English]

We'll go to MP Blaikie now for two and a half minutes, please.

Mr. Daniel Blaikie: Thank you very much.

In the spring of 2020, there were kids in Manitoba graduating out of foster care, and in a context where there were no jobs available because everything was shut down, they went to the provincial government to apply for social assistance. They were told by the provincial government that they had to apply for CERB before they could be eligible for social assistance. The Government of Manitoba knew that it was a no-fail process and that the kids would not be denied, so they ended up getting their income from CERB. They weren't eligible, but they applied, not only in good faith but at the behest of a government authority. These are some of the folks who owe CERB debt.

I'm concerned that the agency isn't looking at the profiles of the people who owe money and then prioritizing within that subset, and I'm concerned for two reasons. In the case of these kids who graduated out of foster care, I think there is a moral argument for why they should be spared that kind of recovery action. However, I'm also concerned from the point of view of efficiency of resources. If the government is spending about \$350 million to recuperate \$3 billion, we're already spending about 10% of the total debt to get it back.

Then the question is how much of it we think we'll get back. We won't get a lot back from low-income folks who are struggling in the context of inflation. Why hasn't the agency tried to prioritize debt cases by likelihood of recovering funds? What would it take to operationalize a principle such that if somebody is below the low-income cut-off, the department will pursue their debt last and go first after cases where there is identity theft, double claims or things that very obviously show somebody acting in bad faith? Then we can go after the category of people who may have applied in good faith and have the income to pay the debt back, and only lastly go after the people who applied in good faith and are clearly not going to be able to pay the debt back.

[Translation]

Hon. Diane Lebouthillier: As I said at the outset, I would like to tell my colleague that a plan is in place for recovering the CERB. As we said, it is a case-by-case process, and we really encourage people to call the Canada Revenue Agency.

In the beginning, we wondered whether the CRA had learned lessons, and so it was important to do a thorough review, precisely to make sure that we adopted the best practices in a future pandemic.

I would like to remind you of what happened at the beginning of the pandemic. It was described as the most important event since the Second World War. Programs had to be put in place rapidly.

We also have to work with the provinces, and we have to do our job better, I agree. Are there people who abused the system? I'm sure there are. I am sure that people have also been victims of fraud, which is why it is important to do a thorough review so we can do things better in future.

• (1245)

The Chair: Thank you, Minister, and Mr. Blaikie.

[English]

Minister and members, just so that you are aware, there is a little flexibility on the time.

We're now going to go to the Conservatives and then to the Liberals to finish off the full round.

I have MP Morantz for five minutes, please.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Minister, the question to you is on the importance of the independence of officers of Parliament. For example, yesterday we learned that the Ethics Commissioner is actually the sister-in-law of Minister LeBlanc, who is the Minister of Intergovernmental Affairs. I have trouble believing I'm even saying that because it seems so absurd.

Last fall, when the Auditor General's report was tabled, I was in the House when you were asked a question. You said something to the effect of you felt the Auditor General's findings were skewed because she had been pressured by the Conservatives.

Given the importance of the independence of an office like the Auditor General, could you advise the committee if you still feel that way, or if you'd like to retract that statement?

[Translation]

Hon. Diane Lebouthillier: First, I really want to take the time to thank the Auditor General and her entire team for their important work.

As I have already said, I have the greatest respect for the role of the Auditor General and the independence of her office.

I believe that having a different point of view does not amount to a lack of respect and ethics regarding the work done by the Auditor General. In fact, I met with her before her report was submitted and we discussed it. However, I do not retract what I said, Mr. Chair.

The Chair: Thank you.

[*English*]

Mr. Marty Morantz: Minister, I want to make sure that we have a direct response from you on this.

You said in the House that you thought the Conservatives had pressured her on the findings she provided in the report. They were not flattering to your government at all. There was \$4.5 billion in fraudulent payments and close to \$30 billion in questionable payments.

Do you think the Conservatives pressured the Auditor General to skew the results of her report, yes or no?

[*Translation*]

Hon. Diane Lebouthillier: I believe the work concerning audit requests was done too soon. We were starting to do audits. So it is important to respect the fact that the CRA still has audits to do for the next two years. However...

[*English*]

Mr. Marty Morantz: Thank you, Minister.

[*Translation*]

Hon. Diane Lebouthillier: ... what was said in the House of Commons still stands.

[*English*]

Mr. Marty Morantz: I have limited time, so I'll go on to my next question. It's unfortunate that we couldn't get a direct response on that one, but I'll try another area of discussion.

The Parliamentary Budget Officer reported that since 2015, the public service of Canada, over all departments, has increased by 49,000 people. Of those 49,000 people, 9,900 have been hired by CRA since 2015.

Given the increase in the number of departmental staff, are service levels considerably higher today than they were in 2015?

[*Translation*]

Hon. Diane Lebouthillier: Mr. Chair, as I said at the beginning, and I would like to reiterate, the CRA put 13 programs in place during the pandemic. Did people have to be hired? Yes, we had to hire people, who did outstanding work.

They put programs in place, but they also protected Canadians and businesses, including by preserving the employment relationship between employees and employers.

The people at CRA did outstanding work. I can never say it often enough: they were our guardian angels during the pandemic.

• (1250)

[*English*]

Mr. Marty Morantz: Minister, I have limited time. I appreciate your view that the department is doing good work. I know there is good work being done in the department. However, the reason I'm asking you this question has to do with the recent ombudsman's report. It says the number of complaints their office receives about the CRA and your department doubled from 2021 to 2022, notwithstanding that you're asking for \$15 billion more in funding and you've had at least 9,900 more staff.

Why are complaints doubling? Why are we spending more to get poorer service?

The Chair: You have about 10 seconds or so, Minister.

[*Translation*]

Hon. Diane Lebouthillier: It is probably because the CRA restarted, at the end...

We have not really come out of the pandemic, but the programs have ended. It is probably because of the audit and recovery work being done that we are getting complaints at the CRA.

[*English*]

The Chair: Thank you, Minister.

We're now going to our last questioner.

I have MP Baker for the Liberals.

[*Translation*]

Mr. Yvan Baker (Etobicoke Centre, Lib.): Hello, Minister. It is a pleasure to see you. It is also a pleasure to see all the officials who are with you today.

First, I want to thank you and your entire team for the important work you did during the pandemic. It is easy to forget the volume of work that had to be done in a very short time, when so many people needed help.

As you said earlier, Minister, programs had to be created and put in place and financial support had to be sent to the people who found themselves in extremely vulnerable situations. You did that. That really is impressive. People should be proud of that work.

Minister, you were asked a question earlier about audits and I would like to come back to that.

I think my constituents in Etobicoke Centre and all Canadians who are watching us want to understand the work that has to be done and the processes that have to be followed when an audit is done. People do ask a lot of questions about audits and the amounts of money.

I am really talking here about audits relating to financial support during the pandemic.

Could you explain a little about the work that is done when an audit of those amounts of money is carried out?

Hon. Diane Lebouthillier: Thank you for your question.

Since it is technical, I will let the officials answer it.

Ms. Cathy Hawara: I can answer you regarding businesses.

We currently have an audit program in place. The first step is to do a risk assessment. To do that, we have access to various sources of data and to the information we have. We also have tools for assessing the business information risk that enable us to evaluate those sources of information in order to determine the risk.

Once we have an idea of that, we can construct our audit plans. We started auditing very early on, in the case of the program for businesses. We began a first phase in August 2020. We used that first phase to learn more about the type of question, about non-compliance we were seeing, in order to build the second phase, which was launched in November 2021 and is still underway. We are in the process of concluding the first year and we will be starting the second shortly, in a few days.

It is a process based on a risk assessment, to make sure our resources are deployed in the right places. That process also enables us to learn and adjust our plans as time goes on. We are ready to make the results of these efforts public as they relate to employers.

• (1255)

Mr. Yvan Baker: Can you tell me the approximate number of businesses and individuals who should be getting audited? I am referring specifically to the financial support provided during the pandemic.

Ms. Cathy Hawara: I will answer the question as it relates to businesses and my colleague Mr. Lemieux can answer the question as it relates to individuals.

Some 4,401 audits are underway or have been completed. That gives you an idea of the proportion. Other audits will have to be done for the second year of the second phase. I think that in total, we are going to do between 7,000 and 8,000 audits in connection with the Canada Emergency Wage Subsidy, the CEWS.

As well, we have identified a group of applicants who falsified their applications and were assisted in doing so by a third party. At present, we have about 5,000 of these cases. These are 5,000 applicants who will be audited. So that gives you an overview of the scope of the work.

I would like to remind the committee that 460,000 employers received the CEWS.

The Chair: Thank you, Mr. Baker.

Thank you, Minister.

[*English*]

Thank you to all the officials—your team here—for their testimony and for coming before our committee for this study. We really appreciate it. Thanks for your flexibility today.

Members, at this time we're going to suspend as we bring in our second panel. Thank you.

• (1255)

(Pause)

• (1300)

The Chair: Welcome back, everybody. We're resuming the meeting.

We have a lot of witnesses with us here for the second panel. You should have this in your notice of meeting.

With us are many witnesses from the Department of Finance. We also have witnesses from the Financial Transactions and Reports Analysis Centre of Canada, as well as from the Office of the Superintendent of Financial Institutions.

I understand that Mr. Christopher Veilleux will be making an opening statement of up to five minutes.

Go ahead, Mr. Veilleux.

[*Translation*]

Mr. Christopher Veilleux (Director General, Management Directorate and Chief Financial Officer, Department of Finance): Thank you, Mr. Chair.

[*English*]

Good afternoon, Mr. Chair and committee members. Thank you for the opportunity to present the 2023-24 main estimates on behalf of the Department of Finance.

I would like to begin by acknowledging that I'm speaking to you from the traditional, unceded territory of the Anishinabe Algonquin peoples.

Joining me today are other departmental officials to assist in providing a more in-depth perspective on the rationale and policies supporting the numbers within these main estimates.

As you know, the Department of Finance supports the Deputy Prime Minister and Minister of Finance and the Minister of Tourism and Associate Minister of Finance by developing policies and providing advice to the government with the goal of creating a healthy and resilient economy for all Canadians.

The 2023-24 main estimates reflect departmental budgetary spending of \$128.9 billion. This is composed of \$128.5 billion in voted budgetary expenditures and \$128.8 billion in statutory budgetary expenditures. The 2023-24 main estimates reflect a net decrease of \$9.4 million in voted budgetary expenditures from the 2022-23 main estimates, stemming primarily from sunseting funding related to the COVID-19 economic support and recovery advertising initiative.

Statutory expenditures are not included in the appropriation bill, as they have already been approved by Parliament through enabling legislation. However, they are included in the estimates for information. The statutory budgetary expenditures in these main estimates reflect a net increase of \$18.3 billion in statutory budgetary expenditures, which is mainly due to an increase in interest on un-matured debt and a legislated increase in major transfers to other levels of government.

This concludes my overview of these main estimates for the Department of Finance. My colleagues and I would now be pleased to answer any questions the committee members may have.

[Translation]

The Chair: Thank you, Mr. Veilleux.

[English]

Thank you very much to all the officials who are with us here today.

Just before we go to members' questions, I'll note that I did scan the room and speak to a number of the members about how much time we have. We will look to conclude before 1:55 because some of us have to get to another meeting, and we want to get to a couple of questions on this report at the conclusion of the second panel.

Now we'll go right to questions from members in this first round.

We have the Conservatives for six minutes.

MP Lawrence, the floor is yours.

• (1305)

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses, especially for appearing in person. I think it makes this a lot easier. We had a meeting last week that was a bit challenging, so I really appreciate it.

The one person I guess I'm missing is the Minister of Finance. Instead of making that a negative, I will turn it into a positive. I would once again like to thank the Minister of National Revenue for coming last hour. We greatly appreciate that.

I want to start with the current budget, and then I will work my way back.

The current budget is forecasting about \$15 billion in savings, \$7 billion of that coming from an across-the-board 3% cut. I'm a little skeptical that this will actually happen, because the last fall economic statement said there would be \$3 billion in department savings, and in reality there was not \$3 billion in savings. It was a bit—what's the proper word here, because I don't want to go too hard—disingenuous, because under that column, the Department of Finance put elapsed COVID savings to fill in the gap of that \$3 billion in savings.

I don't think that's altogether fair, but I would like your comment on it.

Mr. Christopher Veilleux: I will pass that question to Evelyn Dancy, the ADM of the fiscal policy branch.

Ms. Evelyn Dancy (Assistant Deputy Minister, Fiscal Policy Branch, Department of Finance): I'm not quite sure about the question left with me. There's a comment about the fall economic statement. We reported \$3.8 billion of savings against a \$3-billion commitment.

We're quite confident the measure in the budget will result in the savings announced. A process will be led by the Treasury Board Secretariat now that the budget has been tabled.

If there's something more specific, I would be happy to try to address it.

Mr. Philip Lawrence: When I think of savings across a department, what I think of is, perhaps, reductions in expenses, reductions in overhead and reductions in every type of cost. I don't think of its being lapsed savings from COVID benefits not paid out, but that's what the budget seems to say. Am I correct in that?

Ms. Evelyn Dancy: With respect to the forward-looking measures in the budget and the 3% reduction you speak of, this is very much a forward-looking exercise with the intent of adjusting the budgets of the departments and other entities that are within scope.

Mr. Philip Lawrence: I'm sorry. No. Maybe we're confused here.

I'm looking backward. There was supposed to be \$3 billion in savings from departments. There wasn't. We discussed this with officials and they confirmed that this was in fact lapsed. In other words, it was dollars not spent on COVID benefits. It was put in that line item.

Is that fair or accurate? Can you see why I might be skeptical about the department's ability to deliver on 3% across-the-board tax cuts, when they've already failed to deliver on last year's supposed cuts?

Ms. Evelyn Dancy: I guess all I can offer on that type of question is that there are two different savings measures announced in budget 2023. One of them is the 3% reduction in professional services, which is a forward-looking exercise. There's a second measure, which is a realigning of previously announced spending plans.

The commitment the fall economic statement delivered on was similarly of that latter category. It was a review of previously announced spending plans in order to identify amounts that were unallocated or unnecessary, or items where take-up wasn't required. They're two different types of exercises.

Mr. Philip Lawrence: Thank you very much for that.

When we go to the forward-looking cuts, they were very scant on details. Could you flesh that out? Will there be reductions in the public service? Will there be reductions in the footprint? Where will these cost savings come from?

Ms. Evelyn Dancy: I won't be able to elaborate on the specific details today, because those kinds of decisions will be made in the coming months by deputy ministers and ministers, who know their businesses best.

I would point out that, in particular, refocusing government spending—this is the name of the measure you spoke of with the 3% in professional services—is a measure whose savings begin to take effect in 2024-25. It gradually ramps up over three years. That's to underline that there's time for the organizations to plan, and there's probably flexibility with respect to implications for jobs.

● (1310)

Mr. Philip Lawrence: I, as well as academia, including a professor at the University of Ottawa, have some skepticism that those cuts will ever occur. In fact, many academics, as well as other individuals, have stated quite clearly that they don't believe you'll deliver on those cuts, and that even though our debt-to-GDP ratio is already increasing, it could continue to increase if you fail to deliver on them.

If, in fact, you're unable to deliver on the savings you're promising, it will almost certainly impact our debt-to-GDP ratio and put Canada in a worse financial position. Isn't that correct?

Ms. Evelyn Dancy: As the ADM of fiscal policy, certainly one of my top priorities coming out of the budget is to see through the savings exercise and the fiscal actions the government has just announced. I believe there's a credible process. It will be led by the Treasury Board Secretariat.

I agree with your point that a fiscally material amount of savings has been booked and that it must be delivered upon. The scale is significant to our calculations and our planning.

I think the debt-to-GDP aspect is probably a line of conversation you don't want to use up your time on, but I'm happy, if you want to, to return to that.

The Chair: Thank you, MP Lawrence.

Now we'll go to the Liberals and MP Baker, please, for six minutes.

Mr. Yvan Baker: Thanks very much, Chair.

Thank you to everyone for being here today and for your work every day on behalf of Canadians and the recent work you've been doing in a number of different areas, including on the most recent budget. Thank you for that.

I'd like to start by saying, as a continuation of the discussion that was just had about the 3%, that I had the opportunity as a member of the Ontario legislature to sit on the Treasury Board of the Government of Ontario, and we went through an exercise of trying to refocus spending. We may have called it something slightly different, but it sounds very similar to what's in this budget and these estimates.

Prior to that, I used to work for a company called Boston Consulting Group. I worked with companies that were trying to do something similar in the private sector. I know how challenging that can be.

Notwithstanding those challenges and notwithstanding the sum of money involved that you've spoken to and how important it is to our fiscal plan, I have great confidence in your ability to deliver on that. I'm looking forward to seeing you deliver against it. I just wanted to express that.

I want to ask about the net increase. I think I heard in the opening remarks mention of the fact that the net increase in the statutory budgetary expenditures is “mainly due to...legislated increases in major transfers to other levels of government”. In other words, when we say “legislated increases”, we mean increases have been passed by members of the House of Commons.

Could you provide us with a list of these transfers and the increases to each of them?

Mr. Christopher Veilleux: Thank you for the question. I'll hand it off to Alison McDermott.

Ms. Alison McDermott (Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch, Department of Finance): I won't go through all of them. I'm assuming you have some information in front of you about what the major changes are. I'll go through some of the major transfers to other levels of government that are probably most relevant to the increase, which is what you asked about.

There's a very large increase in the Canada health transfer. It's a historical 9.3% growth, from \$45 billion to \$49.4 billion. That's from last year's 2022-23 figures. There's a similarly large increase in the equalization transfers, from \$21.9 billion to \$24.0 billion. There's also a 3% increase in the Canada social transfer, from \$15.9 billion to \$16.4 billion. In the territorial financing line, there's an increase from \$4.5 billion to \$4.8 billion.

I think I'll stop there. There are a lot of smaller changes. Those are some of the very significant ones.

Mr. Yvan Baker: [*Inaudible—Editor*] health, social transfer and equalization are some of the largest transfers.

I'm not going to ask you to respond to this, but I think for context—for the folks at home who are watching—I'll note that transfers to provinces for health are designed to improve our health care system. Equalization can obviously be used by provinces to support whatever programs they deem necessary for their citizens. I think it goes without saying that the social transfer is there to help folks across the country who need support.

Anyway, it's important to highlight that for folks. Where you put your money speaks to your priorities, I think, as a government. Your answer helps us highlight what those priorities are.

How much time do I have left, Mr. Chair?

● (1315)

The Chair: You have a little over two minutes.

Mr. Yvan Baker: One thing that's in the news a lot, which I think a lot of folks at home are concerned about, frankly, is interest rates. They're impacting a lot of folks' borrowing costs, mortgage payments and ability or inability to buy a house. They're also having an impact on the government's finances and how much it costs us to service our debt.

Could you talk about what the impact of interest rates has been on our debt servicing costs? What are your expectations for interest rates going forward, and how will that impact our debt servicing costs?

Mr. Christopher Veilleux: I'll hand that one over to Evelyn. I think we can supplement that with one of the other witnesses supporting us here.

Go ahead, Evelyn.

Ms. Evelyn Dancey: I'll start the response with your question on debt service charges.

Our most recent information is in the budget we tabled just a couple of days ago. We highlight how the rising interest rate environment and higher borrowing requirements result in higher debt service charges. Public debt charges have risen compared with those in our fall economic statement. That being said, they remain, as a percentage of GDP, around 1.5%, which is still low by historical standards.

From our perspective, this debt service is still sustainable, affordable and within the lower bound from a historical perspective.

Ms. Julie Turcotte (Director General, Economic Analysis and Forecasting, Economic Policy Branch, Department of Finance): Thank you for the question on interest rates.

As you alluded to, yes, interest rates are higher than they have been in a while. This is acting to slow the economy now. Inflation is expected to slow as well throughout the year. Given that, expectations are that rates will start to go down next year and return to what we call the "neutral rate" of interest, which is between 2% and 3%. In fact, the private sector expects interest rates will go back to 2.4% in 2027.

[Translation]

The Chair: Thank you, Mr. Baker.

[English]

We'll now go to the Bloc and MP Ste-Marie.

[Translation]

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

Good afternoon, deputy ministers and directors.

Thank you for being here and for waiting. We know your time is valuable and you have a lot of work to do. So thank you for so many of you being with us.

I would like to start with a special request.

The budget was tabled this week. It was very interesting. However, I have a lot of questions and concerns about the plan for \$80 billion over ten years in response to the Inflation Reduction Act and how that will be broken down.

There are a lot of details in chapter 3 of the budget, but I would like to know whether you can provide your estimates by sector, as precisely as possible, and by province.

For example, what provinces will be getting the money for carbon capture? How will the small modular reactors and the advance tax credits for rebuilding power stations be allocated?

Are you able to give us the estimates for those tax credits and tell us how that \$80 billion will be spent?

Mr. Miodrag Jovanovic (Assistant Deputy Minister, Tax Policy Branch, Department of Finance): Thank you for your question.

I am going to note your questions. We will certainly be able to give you the information, but we have to check whether we are able to give you the information at all levels, by sector or by province. We will have to look at it, but definitely, at a minimum, we will be able to give you certain disaggregated data.

Mr. Gabriel Ste-Marie: Thank you, Deputy Minister.

That is my main request. So I will wait impatiently for that information. Thank you for your cooperation.

I have another question.

In media coverage at the end of January, there was talk about lapsed authorities. According to Public Accounts of Canada, the last data available is from 2021-22. The article said that lapsed voted authorities amounted to \$38 billion. When we look deeper, and if we look at all of the lapsed authorities, it comes to \$41 billion. That's a lot of money.

Do you have the data for 2022-23 yet? If not, do you have estimates for 2022-23?

In the budget that was just tabled, are you able to predict whether there might be lapsed authorities?

• (1320)

Mr. Christopher Veilleux: Thank you for your question.

I am going to ask Ms. Dancey to answer it.

Ms. Evelyn Dancey: The details concerning the estimates are the responsibility of Treasury Board. However, regarding our estimates, we have access to certain data for submitting our estimates.

Mr. Gabriel Ste-Marie: So you don't have the details. Okay.

At the time when the Hon. Paul Martin was Minister of Finance, we in the Bloc Québécois had discovered his strategy.

Every year, and in every budget, he underestimated revenue by a few percentage points. Applying a conversion factor, we could predict the amount of his surplus or the leeway he had at the end of the year.

